



ALLIANCE FINANCIAL GROUP BERHAD (6627-X)

Financial Statements

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Statement of Board of Directors' Responsibilities

for preparing the Annual Audited Financial Statements

The Companies Act, 1965 requires Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company for the financial year.

In preparing the financial statements, the Directors are responsible for the adoption of suitable accounting policies that comply with the provisions of the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Bank Negara Malaysia Guidelines. The Directors are also responsible to ensure their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements.

The Directors hereby confirm that suitable accounting policies have been consistently applied in the preparation of the financial statements. The Directors also confirm that the Company maintains adequate accounting records and an effective system of internal control to safeguard the assets of the Group and the Company and prevent and detect fraud or any other irregularities.

Directors' Report

The Directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to the subsidiaries.

The principal activities of the subsidiaries are commercial banking and financing, Islamic banking, investment banking including provision of stockbroking services, unit trusts and fund management, and the provision of related financial services.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit before taxation and zakat	643,603	260,884
Taxation and zakat	(163,764)	(61,095)
Net profit after taxation and zakat	479,839	199,789
Attributable to:		
Owners of the parent	479,355	199,789
Non-controlling interests	484	—
Net profit after taxation and zakat	479,839	199,789

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIVIDENDS

The amount of dividends declared and paid by the Company since 31 March 2011 were as follows:

	RM'000
(i) First interim dividend of 5.6 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, in respect of financial year ended 31 March 2012, was paid on 26 August 2011	85,705
(ii) Second interim dividend of 7.7 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, in respect of financial year ended 31 March 2012, was paid on 28 February 2012	117,495
	203,200

Dividends paid on the shares held in Trust pursuant to the Company's ESS which are classified as shares held for ESS are not accounted for in the total equity. An amount of RM988,000 and RM1,709,000 being dividends paid for those shares were added back to the appropriation of retained profits in respect of the first and second interim dividends respectively.

With the above-mentioned two (2) interim dividends paid, the Directors do not recommend the payment of any final dividend in respect of the current financial year.

Directors' Report

EMPLOYEES' SHARE SCHEME

The Alliance Financial Group Berhad Employees' Share Scheme ("ESS") is governed by the Bye-Laws approved by the shareholders at an Extraordinary General Meeting held on 28 August 2007. The ESS which comprises the Share Option Plan, the Share Grant Plan and the Share Save Plan took effect on 3 December 2007 and is in force for a period of 10 years.

On 22 July 2011, the Company offered/awarded the following share options and share grants to Directors and employees of the Company and its subsidiaries who have met the criteria of eligibility for the participation in the ESS:

- (i) 9,764,000 share options under the Share Option Plan at an option price of RM3.58 per share which will be vested subject to the achievement of performance conditions.
- (ii) 2,127,600 share grants under the Share Grant Plan. The first 50% of the share grants are to be vested at the end of the second year and the remaining 50% of the share grants are to be vested at the end of the third year from the date on which an award is made.

There were no share options offered under the Share Save Plan during the financial year.

The salient features of the ESS are disclosed in Note 30 to the financial statements.

Save for the Group Chief Executive Officer of Alliance Bank Malaysia Berhad, none of the other Directors of the Company were offered/awarded any share options/share grants during the financial year.

Details of share options/share grants offered/awarded to Directors are disclosed in the section on Directors' Interest in this report.

SHARES HELD FOR EMPLOYEES' SHARE SCHEME

During the financial year ended 31 March 2012, the Trustee of the ESS had purchased 8,266,200 ordinary shares of RM1.00 each from the open market at an average price of RM3.46 per share. The total consideration for the purchase including transaction costs was RM28,637,996. The shares purchased are being held in trust by the Trustee of the ESS in accordance with the Trust Deed dated 3 December 2007.

During the financial year ended 31 March 2012, 1,428,150 shares have been vested and transferred from the Trustee to the eligible employees of the Company and its subsidiaries in accordance with the terms under the Share Grant Plan of the ESS. As at 31 March 2012, the Trustee of the ESS held 24,466,800 ordinary shares representing 1.58% of the issued and paid-up capital of the Company. Such shares are held at a carrying amount of RM68,194,175 and further relevant details are disclosed in Note 29 to the financial statements.

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2012

For the twelve months ended 31 March 2012, the Group's profit before tax grew 16.4%, from RM553.1 million in the previous financial year to RM643.6 million. After setting aside taxation, the Group's net profit rose by 17.3% to RM479.8 million.

Arising from this improvement in profits, the Group's return on equity rose to 13.6% (FY2011: 13.0%) and earnings per share to 31.5 sen (FY2011: 26.7 sen). The Group paid a higher total net dividend of 13.3 sen in FY2012, compared with 7.0 sen in the previous year.

Net interest income, including income from Islamic banking operations, however, grew by 3.0% to RM930.2 million, despite the 11.3% growth in loans and financing. This was due to the further contraction in the net interest margin to 2.51% (FY2011: 2.69%) arising from the full year impact of the rise in the Overnight Policy Rate ("OPR") in 2010 and May 2011, as well as several increases in Statutory Reserve Requirement ("SRR") during the year.

The non-interest income ratio improved further to 26.8% (FY2011: 20.8%) driven by trading in investment securities, treasury sales, transaction banking and wealth management. The cost to income ratio dropped to 47.3% (FY2011: 48.3%) due to more effective cost management, as the Group continued to focus on streamlining of business operations to improve productivity and efficiency.

As deposits had expanded at a relatively faster rate of 13.4% to RM32.1 billion, compared to the loans growth at 11.3%, the Group's loans to deposits ratio remained healthy at 77.8% (FY2011: 78.8%).

Reflecting the disciplined approach in credit risk management and collection processes, the Group's gross impaired loans ratio improved further to 2.4% (FY2011: 3.3%), and the overall asset quality remains better than the industry average. The gross impaired loan loss coverage ratio, has risen to 108.5% (FY2011: 90.1%), as the Group has set aside collective provisions under Bank Negara Malaysia's transitional provision for FRS 139 adoption. The Group also remains well capitalized with a risk-weighted capital ratio ("RWCR") standing at 15.2%, well above the minimum requirement of 8%.

During the year, the Group had continued with its investments to upgrade technology and infrastructure, as well as its human capital, to support the on-going business expansion, and further enhance the Group's competitiveness in the financial services industry.

Directors' Report

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2013

Bank Negara Malaysia ("BNM") has projected a 4% to 5% growth in the real gross domestic product ("GDP") in 2012 amidst a more challenging external environment. This is based on expectations of the timely and full implementation of the Economic Transformation Program and other measures announced in the 2012 Budget. Further, BNM is also expected to maintain an accommodative monetary policy to facilitate economic growth, while responding to global developments and managing the risks of inflation.

BUSINESS OUTLOOK FOR FYE 31 MARCH 2013

Against this background of moderate GDP growth, the Group expects demand for financing and non-interest income business activities to be sustained. The Group will continue to focus on existing business opportunities in Consumer Banking and Business Banking, while enhancing Treasury and Transaction Banking and developing the Wealth Management and Investment Banking business. The Group's priority will be on growing revenue, managing asset quality, enhancing its human capital, improving productivity, and building the balance sheet for sustainable growth.

The Group expects to deliver a satisfactory performance for the next financial year ending March 2013.

RATING BY EXTERNAL RATING AGENCY

The banking subsidiary, Alliance Bank Malaysia Berhad ("ABMB") is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in November 2011, ABMB's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

- P1 - Financial institutions in this category have superior capacities for timely payments of obligations.
- A1 - Financial institutions rated in this category are adjudged to offer adequate safety for timely payments of financial obligations. This level of rating indicates financial institutions with adequate credit profiles, but which possess one or more problem areas, giving rise to the possibility of future riskiness. Financial institutions rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic conditions than those rated in the higher categories.

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Oh Chong Peng	
Dato' Thomas Mun Lung Lee	
Tan Yuen Fah	
Stephen Geh Sim Whye	
Megat Dziauddin Bin Megat Mahmud	
Kung Beng Hong	
Ou Shian Waei	
Sng Seow Wah	
Lee Ah Boon	(appointed on 18 April 2012)
Phoon Siew Heng	(resigned on 18 April 2012)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the share options and share grants under the ESS.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company or related corporations as shown in Note 35(b) and Note 48(c) to the financial statements of the Company or financial statements of related corporations) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' Report

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares, share options and share grants in the Company were as follows:

	Number of Ordinary Shares of RM1.00 Each			
	1.4.2011	Acquired	Sold	31.3.2012
The Company				
Megat Dziauddin Bin Megat Mahmud				
- Direct	3,000	—	—	3,000
Sng Seow Wah - Direct	—	105,800	—	105,800
Dato' Thomas Mun Lung Lee				
- Indirect (held through spouse, Datin Teh Yew Kheng)	35,000	—	—	35,000

	Exercise price RM	Number of Options Over Ordinary Shares of RM1.00 Each					31.3.2012
		1.4.2011	Offered	Vested	Exercised	Lapsed	
Sng Seow Wah	3.15	835,300	—	—	—	—	835,300 #
Sng Seow Wah	3.58	—	1,279,900 #	—	—	—	1,279,900

Subject to the achievement of performance conditions.

	Date of grant	Number of Grants Over Ordinary Shares of RM1.00 Each			
		1.4.2011	Awarded	Vested	31.3.2012
Sng Seow Wah	23 September 2010	133,700	—	—	133,700 *
Sng Seow Wah	28 July 2011	—	174,400 *	—	174,400

* The first 50% of the share grants are to be vested at the end of the second year and the remaining 50% of the share grants are to be vested at the end of the third year from the date on which an award is made. Further details are as disclosed in Note 30 to the financial statements.

By virtue of their shareholdings in the Company, the above Directors are deemed to have beneficial interests in the shares of the subsidiary companies of the Company. None of the other Directors in office at the end of the financial year had any interest in shares, share options and share grants in the Company or its related corporations during the financial year.

SHARE CAPITAL

There was no change in the issued and paid-up capital of the Company during the financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

Directors' Report

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHOD

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or financial statements of the Group and of the Company, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

- (i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 51 to the financial statements.

Directors' Report

SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial reporting period that require disclosure or adjustment to the financial statements.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in Guidelines on Financial Reporting for Financial Institutions and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 May 2012.

Datuk Oh Chong Peng
Kuala Lumpur, Malaysia

Dato' Thomas Mun Lung Lee

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Oh Chong Peng and Dato' Thomas Mun Lung Lee, being two of the Directors of Alliance Financial Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 90 to 186 are drawn up in accordance with the provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia Guidelines, so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2012 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

The information set out in Note 54 to the financial statements have been complied in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 May 2012.

Datuk Oh Chong Peng
Kuala Lumpur, Malaysia

Dato' Thomas Mun Lung Lee

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Lee Eng Leong, being the officer primarily responsible for the financial management of Alliance Financial Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 90 to 186 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Lee Eng Leong
at Kuala Lumpur in the Federal
Territory on 30 May 2012.

Lee Eng Leong

Before me,

Sivanason a/I Marimuthu
Commissioner for Oaths

Kuala Lumpur, Malaysia
30 May 2012

Independent Auditors' Report

to the Members of Alliance Financial Group Berhad

(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **Alliance Financial Group Berhad** on pages 90 to 185 which comprise the statements of financial position as at 31 March 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to Note 53.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, the Companies Act, 1965 and Bank Negara Malaysia Guidelines, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, the Companies Act, 1965 and Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the financial statements of the subsidiaries did not contain any qualification and any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report

to the Members of Alliance Financial Group Berhad

(Incorporated in Malaysia)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 54 on page 186 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers

(No. AF: 1146)

Chartered Accountants

Kuala Lumpur, Malaysia

30 May 2012

Mohammad Faiz Bin Mohammad Azmi

(No.2025/03/14 (J))

Chartered Accountant

Statements of Financial Position

as at 31 March 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
ASSETS					
Cash and short-term funds	3	1,874,333	914,038	6,501	46,858
Deposits and placements with banks and other financial institutions	4	97,713	100,228	19,315	605,700
Balances due from clients and brokers	5	61,698	80,519	—	—
Financial assets held-for-trading	6	1,491,995	1,938,250	—	—
Financial investments available-for-sale	7	9,123,201	9,259,940	—	—
Financial investments held-to-maturity	8	795,256	940,726	—	—
Derivative financial assets	9	23,712	32,047	—	—
Loans, advances and financing	10	24,360,203	21,796,319	—	—
Other assets	11	78,157	87,621	269	219
Tax recoverable		15,484	3,244	462	799
Statutory deposits	12	1,163,083	291,108	—	—
Investments in subsidiaries	13	—	—	1,777,505	1,777,489
Investment in associate	14	26,552	28,530	—	—
Investment property	15	27,748	27,748	—	—
Property, plant and equipment	16	90,293	104,837	516	285
Intangible assets	17	354,902	357,682	—	—
Deferred tax assets	18	15,341	109,099	300	284
		39,599,671	36,071,936	1,804,868	2,431,634
Non-current assets held for sale	53	3,814	—	—	—
TOTAL ASSETS		39,603,485	36,071,936	1,804,868	2,431,634
LIABILITIES AND EQUITY					
Deposits from customers	19	32,130,962	28,345,647	—	—
Deposits and placements of banks and other financial institutions	20	2,161,005	1,952,200	—	—
Balances due to clients and brokers	21	74,915	86,743	—	—
Bills and acceptances payable	22	178	111,159	—	—
Derivative financial liabilities	9	26,241	33,347	—	—
Amount due to Cagamas Berhad	23	22,044	125,776	—	—
Other liabilities	24	870,807	811,890	4,354	1,529
Subordinated obligations	25	611,615	600,000	—	—
Long term borrowings	26	—	601,272	—	601,272
Provision for taxation		7,372	40,507	—	—
Deferred tax liabilities	18	23,012	6,792	—	—
TOTAL LIABILITIES		35,928,151	32,715,333	4,354	602,801
Share capital	27	1,548,106	1,548,106	1,548,106	1,548,106
Reserves	28	2,190,517	1,847,175	320,602	323,894
Shares held for Employees' Share Scheme	29	(68,194)	(43,167)	(68,194)	(43,167)
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT		3,670,429	3,352,114	1,800,514	1,828,833
Non-controlling interests		4,905	4,489	—	—
TOTAL EQUITY		3,675,334	3,356,603	1,800,514	1,828,833
TOTAL LIABILITIES AND EQUITY		39,603,485	36,071,936	1,804,868	2,431,634
COMMITMENTS AND CONTINGENCIES	45	18,741,373	15,909,028	—	—

The accompanying notes form an integral part of the financial statements.

Statements of Comprehensive Income

for the year ended 31 March 2012

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income	31	1,328,122	1,203,438	12,947	18,214
Interest expense	32	(654,259)	(533,176)	(14,178)	(21,382)
Net interest income/(expense)		673,863	670,262	(1,231)	(3,168)
Net income from Islamic banking business	33	256,329	232,732	—	—
		930,192	902,994	(1,231)	(3,168)
Other operating income	34	320,182	225,722	267,198	147,844
Net income		1,250,374	1,128,716	265,967	144,676
Other operating expenses	35	(591,796)	(544,900)	(4,113)	(4,002)
Operating profit before allowance		658,578	583,816	261,854	140,674
Allowance for losses on loans, advances and financing and other losses	36	(34,640)	(33,309)	—	—
Write-back of/(allowance for) impairment	37	21,643	4,076	(970)	(642)
Operating profit after allowance		645,581	554,583	260,884	140,032
Share of results of associate	14	(1,978)	(1,470)	—	—
Profit before taxation and zakat		643,603	553,113	260,884	140,032
Taxation and zakat	38	(163,764)	(143,962)	(61,095)	(31,190)
Net profit after taxation and zakat		479,839	409,151	199,789	108,842
Other comprehensive income:					
Revaluation reserve on financial investments available-for-sale					
- Net gain/(loss) from change in fair value		85,531	(7,925)	—	—
- Transfer (to)/from deferred tax		(21,382)	1,981	—	—
Other comprehensive income/(expense), net of tax		64,149	(5,944)	—	—
Total comprehensive income for the year		543,988	403,207	199,789	108,842
Profit attributable to:					
Owners of the parent		479,355	409,202	199,789	108,842
Non-controlling interests		484	(51)	—	—
Net profit after taxation and zakat		479,839	409,151	199,789	108,842
Total comprehensive income attributable to:					
Owners of the parent		543,504	403,258	199,789	108,842
Non-controlling interests		484	(51)	—	—
Total comprehensive income for the year		543,988	403,207	199,789	108,842
Earnings per share attributable to owners of the parent:					
Basic (sen)	39(a)	31.5	26.7		
Diluted (sen)	39(b)	31.4	26.7		

The accompanying notes form an integral part of the financial statements.

Consolidated Statements of Changes in Equity

for the year ended 31 March 2012

Attributable to Owners of the Parent													
Group	Note	Employees'										Non-Controlling Interests	Total Equity
		Share Capital	Share Premium	Statutory Reserve	Capital Reserve	Revaluation Reserve	Share Scheme Reserve ("ESS")	Profit Equalisation Reserve ("PER")	Shares held for ESS	Retained Profits	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2010		1,548,106	304,289	493,477	7,013	74,564	12,341	26,388	(46,697)	631,114	3,050,595	4,540	3,055,135
Net profit/ (loss) after taxation and zakat		-	-	-	-	-	-	-	-	409,202	409,202	(51)	409,151
Other comprehensive expense		-	-	-	-	(5,944)	-	-	-	-	(5,944)	-	(5,944)
Total comprehensive (expense)/income		-	-	-	-	(5,944)	-	-	-	409,202	403,258	(51)	403,207
Transfer to statutory reserve		-	-	50,891	-	-	-	-	-	(50,891)	-	-	-
Transfer to PER		-	-	-	-	-	-	(25,355)	-	25,355	-	-	-
Share-based payment under ESS		-	-	-	-	-	5,347	-	-	-	5,347	-	5,347
Dividends paid to shareholders	40	-	-	-	-	-	-	-	-	(107,086)	(107,086)	-	(107,086)
ESS shares vested to:													
- employees of subsidiaries		-	-	-	-	-	(3,485)	-	3,485	-	-	-	-
- own employees		-	-	-	-	-	(45)	-	45	-	-	-	-
Transfer of ESS shares purchase price difference on shares vested		-	-	-	-	-	(390)	-	-	390	-	-	-
At 31 March 2011		1,548,106	304,289	544,368	7,013	68,620	13,768	1,033	(43,167)	908,084	3,352,114	4,489	3,356,603
At 1 April 2011		1,548,106	304,289	544,368	7,013	68,620	13,768	1,033	(43,167)	908,084	3,352,114	4,489	3,356,603
Net profit after taxation and zakat		-	-	-	-	-	-	-	-	479,355	479,355	484	479,839
Other comprehensive income		-	-	-	-	64,149	-	-	-	-	64,149	-	64,149
Total comprehensive income		-	-	-	-	64,149	-	-	-	479,355	543,504	484	543,988
Transfer to statutory reserve		-	-	55,761	-	-	-	-	-	(55,761)	-	-	-
Purchase of shares pursuant to ESS	29	-	-	-	-	-	-	-	(28,638)	-	(28,638)	-	(28,638)
Share-based payment under ESS		-	-	-	-	-	6,649	-	-	-	6,649	-	6,649
Transfer to retained profits on shares lapsed:													
- employees of subsidiaries		-	-	-	-	-	(2,919)	-	-	2,919	-	-	-
- own employees		-	-	-	-	-	(61)	-	-	61	-	-	-
Dividends paid to shareholders		-	-	-	-	-	-	-	-	(203,200)	(203,200)	(68)	(203,268)
ESS shares vested to:	40												
- employees of subsidiaries		-	-	-	-	-	(3,558)	-	3,558	-	-	-	-
- own employees		-	-	-	-	-	(53)	-	53	-	-	-	-
Transfer of ESS shares purchase price difference on shares vested		-	-	-	-	-	175	-	-	(175)	-	-	-
At 31 March 2012		1,548,106	304,289	600,129	7,013	132,769	14,001	1,033	(68,194)	1,131,283	3,670,429	4,905	3,675,334

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 March 2012

Company	Note	Non-Distributable			<Distributable>		
		Share Capital RM'000	Share Premium RM'000	Employees' Share Scheme ("ESS") Reserve RM'000	Shares held for ESS RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 April 2010		1,548,106	304,289	12,341	(46,697)	3,691	1,821,730
Net profit after taxation		—	—	—	—	108,842	108,842
Share-based payment under ESS		—	—	5,347	—	—	5,347
Dividends paid to shareholders	40	—	—	—	—	(107,086)	(107,086)
ESS recharge amount received from subsidiaries		—	—	—	3,485	—	3,485
ESS shares vested to:							
- employees of subsidiaries		—	—	(3,485)	—	—	(3,485)
- owned employees		—	—	(45)	45	—	—
Transfer of ESS shares purchase price difference on shares vested		—	—	(390)	—	390	—
At 31 March 2011		1,548,106	304,289	13,768	(43,167)	5,837	1,828,833
At 1 April 2011		1,548,106	304,289	13,768	(43,167)	5,837	1,828,833
Net profit after taxation		—	—	—	—	199,789	199,789
Purchase of shares pursuant to ESS		—	—	—	(28,638)	—	(28,638)
Share-based payment under ESS		—	—	6,649	—	—	6,649
Transfer to retained profits on shares lapsed:							
- employees of subsidiaries		—	—	(2,919)	—	—	(2,919)
- own employees		—	—	(61)	—	61	—
Dividends paid to shareholders	40	—	—	—	—	(203,200)	(203,200)
ESS recharge amount received from subsidiaries		—	—	—	3,558	—	3,558
ESS shares vested to:							
- employees of subsidiaries		—	—	(3,558)	—	—	(3,558)
- owned employees		—	—	(53)	53	—	—
Transfer of ESS shares purchase price difference on shares vested		—	—	175	—	(175)	—
At 31 March 2012		1,548,106	304,289	14,001	(68,194)	2,312	1,800,514

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Cash Flow

for the year ended 31 March 2012

	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	643,603	553,113
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(94,369)	(82,179)
Depreciation of property, plant and equipment	29,374	39,592
Dividends from financial investments available-for-sale	(10,229)	(3,705)
(Gain)/loss on disposal of property, plant and equipment	(200)	329
Loss on disposal of foreclosed properties	20	38
Net gain from redemption of financial investments held-to-maturity	(16,831)	(3)
Net gain from sale of financial assets held-for-trading	(3,699)	(417)
Net gain from sale of financial investments available-for-sale	(47,408)	(3,509)
Unrealised loss/(gain) on revaluation of financial assets held-for-trading	185	(256)
Unrealised gain on revaluation of derivative instruments	(1,572)	(4,149)
Interest expense on subordinated obligations	34,513	36,540
Interest expense on long term borrowings	14,178	21,382
Interest income from financial investments held-to-maturity	(22,751)	(30,682)
Interest income from financial investments available-for-sale	(253,237)	(206,340)
Interest income from financial investments held-for-trading	(3,862)	(1,044)
Allowance for loan, advances and financing (net of recoveries)	89,744	103,804
Allowance for other assets	6,280	4,801
(Write-back of)/allowances for commitments and contingencies	(4,210)	59
Net write-back of financial investments available-for-sale	(22,759)	(585)
Net write-back of financial investments held-to-maturity	(344)	(3,491)
Impairment for property, plant and equipment	1,460	–
Amortisation of computer software	18,239	14,420
Share options/grants under ESS	6,649	5,347
Property, plant and equipment written off	2,046	3,399
Computer software written off	841	1
Share of results of associate	1,978	1,470
Loss on liquidation of subsidiaries	–	7
Operating profit before working capital changes	367,639	447,942
Changes in working capital:		
Deposits from customers	3,785,315	4,636,994
Deposits and placements of banks and other financial institutions	208,805	(346,208)
Bills and acceptances payable	(110,981)	(427,191)
Balances due from clients and brokers	22,085	6,150
Other liabilities	75,641	9,719
Deposits and placements with banks and other financial institutions	2,515	71,346
Financial assets held-for-trading	460,685	(1,909,800)
Loans, advances and financing	(2,653,628)	(1,146,201)
Other assets	1,672	(22,322)
Statutory deposits with Bank Negara Malaysia	(871,975)	(32,602)
Amount due to Cagamas Berhad	(103,732)	97,699
Cash generated from operations	1,184,041	1,385,526
Taxes and zakat paid	(120,533)	(118,616)
Net cash generated from operating activities	1,063,508	1,266,910

Consolidated Statements of Cash Flow

for the year ended 31 March 2012

	2012 RM'000	2011 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from financial instruments available-for-sale	10,219	3,657
Interest received from financial investments held-to-maturity	22,751	30,682
Interest received from financial investments available-for-sale	253,237	206,340
Interest received from financial investments held-for-trading	3,862	1,044
Purchase of property, plant and equipment	(22,720)	(14,882)
Purchase of computer software	(16,300)	(10,400)
Purchase of shares held for ESS	(28,638)	–
Proceeds from disposal of property, plant and equipment	770	1,818
Proceeds from disposal of computer software	–	155
Proceeds from disposal of foreclosed properties	4,285	62
Proceeds from redemption and maturity of financial investments held-to-maturity (net of purchase)	218,950	6,640
Proceeds from disposal of financial investments available-for-sale (net of purchase)	319,507	(3,940,354)
Acquisition of investment in an associate	–	(30,000)
Net cash generated from/(used in) investing activities	765,923	(3,745,238)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemptions of subordinated bonds	(600,000)	–
Proceeds from issuance of subordinated notes	597,366	–
Interest paid on subordinated obligations	(32,778)	(36,540)
Repayment of long term borrowings	(600,000)	–
Interest paid on long term borrowings	(15,450)	(21,808)
Dividends paid to non-controlling interests	(68)	–
Dividends paid to shareholders of the Company	(203,200)	(107,086)
Net cash used in financing activities	(854,130)	(165,434)
NET CHANGE IN CASH AND CASH EQUIVALENTS	975,301	(2,643,762)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	826,534	3,470,296
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,801,835	826,534
Cash and cash equivalents comprise the following:		
Cash and short-term funds	1,874,333	914,038
Less: Monies held in trust (Note 3)	(72,498)	(87,504)
	1,801,835	826,534

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flow

for the year ended 31 March 2012

	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	260,884	140,032
Adjustments for:		
Depreciation of property, plant and equipment	103	76
Interest income from deposits and placements with banks and other financial institutions	(12,947)	(18,214)
Interest expense on long term borrowings	14,178	21,382
Write-back of impairment in subsidiary	—	(5,962)
Allowance for impairment losses on amount due from subsidiaries	970	642
Loss on disposal of property, plant and equipment	109	—
Share options/grants under ESS	6,649	5,347
Gross dividend income from subsidiary	(265,765)	(146,462)
Operating profit/(loss) before working capital changes	4,181	(3,159)
Changes in working capital:		
Receivables	(42)	26
Payables	2,472	(394)
Deposits	586,385	10,906
Subsidiaries	(7,118)	(120)
Cash generated from operations	585,878	7,259
Taxes refunded	667	675
Net cash generated from operating activities	586,545	7,934
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from deposits and placements with banks and other financial institutions	12,947	18,214
Purchase of shares held for ESS	(28,638)	—
Purchase of property, plant and equipment	(536)	—
Proceeds from disposal of property, plant and equipment	93	—
Dividend received	204,324	114,846
ESS recharge amount received from subsidiaries	3,558	3,485
Net cash generated from investing activities	191,748	136,545
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(203,200)	(107,086)
Repayment of long term borrowings	(601,272)	—
Interest paid on long term borrowings	(14,178)	(21,382)
Net cash used in financing activities	(818,650)	(128,468)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(40,357)	16,011
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	46,858	30,847
CASH AND CASH EQUIVALENTS AT END OF YEAR	6,501	46,858
Cash and cash equivalents comprise the following:		
Cash and short-term funds	6,501	46,858

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 March 2012

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries.

The principal activities of the subsidiaries are commercial banking and financing, Islamic banking, investment banking including provision of stockbroking services, unit trusts and fund management, and the provision of related financial services.

There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 May 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are consistent with those adopted in the annual audited financial statements for the previous financial year, unless otherwise stated.

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group's financial year beginning on or after 1 April 2011 are as follows:

- Revised FRS 1 "First-time Adoption of Financial Reporting Standards"
- Revised FRS 3 "Business Combinations"
- Revised FRS 127 "Consolidated and Separate Financial Statements"
- Amendment to FRS 2 "Share-based Payment: Group Cash-settled Share-based Payment Transactions"
- Amendment to FRS 7 "Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments"
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendment to FRS 132 "Financial Instruments: Presentation - Classification of Rights Issue"
- Amendment to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- IC Interpretation 4 "Determining whether an Arrangement contains a Lease"
- IC Interpretation 12 "Service Concession Arrangements"
- IC Interpretation 16 "Hedges of A Net Investment In A Foreign Operation"
- IC Interpretation 17 "Distributions of Non-cash Assets to Owners"
- IC Interpretation 18 "Transfer of Assets From Customers"
- Improvements to FRSs (2010)

Other than the adoption of Amendment to FRS 7 "Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments" which will impact the disclosure requirement of fair value measurement by level of a fair value measurement hierarchy, the adoption of the other revised accounting standards, amendments and improvements to published standards and interpretations are not expected to have a material impact on the financial statements of the Group and the Company.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

The Group will apply the new standards, amendments to standards and interpretations in the following period:

Financial year beginning on/after 1 April 2012

In the next financial year, the Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

- (i) MFRS 139 "Financial instruments: Recognition and Measurement" - Bank Negara Malaysia has removed the transitional provision for banking institutions on loan impairment assessment and provisioning to comply with the FRS 139 requirements. The application of this standard will have impact on the basis used in assessing loan impairment on collective basis and impact on the financial statements are currently still being assessed by the Group.
- (ii) The revised MFRS 124 "Related Party Disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
 - The name of the government and the nature of their relationship;
 - The nature and amount of each individually significant transactions; and
 - The extent of any collectively significant transactions, qualitatively or quantitatively.

The application of this standard is not expected to have a material impact on the financial statements of the Group.
- (iii) Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in FRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendment also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn. The application of this standard is not expected to have a material impact on the financial statements of the Group.
- (iv) IC Interpretation 19 "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss. The application of this standard is not expected to have a material impact on the financial statements of the Group.
- (v) Amendment to MFRS 1 "First time adoption on fixed dates and hyperinflation" (effective from 1 July 2011) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.
- (vi) Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 July 2011) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (cont'd)

The Group will apply the new standards, amendments to standards and interpretations in the following period: (cont'd)

Financial year beginning on/after 1 April 2013

A brief discussion of the significant new FRSs that have been issued is set out below. Due to the complexity of these new FRSs and their proposed changes, the financial effects of their adoption are currently still being assessed by the Group.

- (i) MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

- (ii) MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".
- (iii) MFRS 11 "Joint arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- (iv) MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.
- (v) MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.
- (vi) The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.
- (vii) The revised MFRS 128 "Investments in associates and joint ventures" (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.
- (viii) Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendment does not address which items are presented in OCI.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (cont'd)

The Group will apply the new standards, amendments to standards and interpretations in the following period: (cont'd)

Financial year beginning on/after 1 April 2013 (cont'd)

- (ix) Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.
- (x) Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.
- (xi) Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

(a) Basis of Preparation

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965, Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia ("BNM") Guidelines.

The financial statements of the Group and the Company have also been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies.

The financial statements incorporate all activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The financial statements are presented in Ringgit Malaysia ("RM") and all numbers are rounded to the nearest thousand (RM'000), unless otherwise stated.

The preparation of the financial statements in conformity with Financial Reporting Standards and BNM Guidelines requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described in the following notes:

- (i) Annual testing for impairment of goodwill (Note 17) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by management covering a 5-year period, estimated growth rates for cash flows beyond the fifth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections.
- (ii) Allowance for losses on loans, advances and financing and other losses (Note 36) - the Group make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgement on the future and other key factors in respect of the estimation of the amount and timing of the cash flows in assessing allowance for impairment of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flows to service debt obligations and the aggregate amount and ranking of all other creditor claims.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Economic Entities in the Group

(i) Subsidiaries

Subsidiaries are all those entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Upon the adoption of the revised FRS 3 and FRS 127, acquisition-related costs are expensed as incurred. Prior to adoption of the revised FRS 3 and FRS 127, acquisition-related costs were included as part of the cost of business combination.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the gain is recognised directly in the statement of comprehensive income.

Non-controlling interests represents the portion of profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date. At the end of the reporting period, non-controlling interests consists of amount calculated on the date of business combination to the Group and its share of changes in the subsidiaries' equity since the date of business combination.

Upon adoption of the revised FRS 3 and FRS 127, all earnings and losses of the subsidiaries are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interests results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interest for prior years is not restated. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policy of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the statement of comprehensive income attributable to the parent.

(ii) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is the power to participate in financial and operating policy decisions of associates but not power to exercise control over those policies.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Economic Entities in the Group (cont'd)

(ii) Associates (cont'd)

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of future losses. The interest in an associate is the carrying of the investment in the associate under the equity method together with any long term interests that, in substance, form part of the Group's net investment in the associate. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

(iii) Changes in ownership interests

Upon adoption of the revised FRS 127, when the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value is its fair value on initial recognition as a financial asset in accordance with FRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(c) Investments in Subsidiaries and Associate

In the Company's separate financial statements, investments in subsidiaries and associate are carried at cost less accumulated impairment. The policy for the recognition and measurement of impairment is in accordance with Note 2(j)(v). On disposal of investments in subsidiaries and associate, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the statement of comprehensive income.

(d) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill is measured at cost less accumulated impairment, if any. Goodwill is no longer amortised. Instead it is allocated to cash-generating units which are expected to benefit from the synergies of the business combination. Each cash-generating unit represents the lowest level at which the goodwill is monitored and is not larger than a reportable business segment. The carrying amount of goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The policy for the recognition and measurement of impairment is in accordance with Note 2(j)(iv).

(ii) Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. The costs are amortised over their useful lives of five years and are stated at cost less accumulated amortisation and accumulated impairment, if any. Computer software is assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and amortisation method are reviewed at least at the end of each reporting period.

The policy for the recognition and measurement of impairment is in accordance with Note 2(j)(v).

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Intangible Assets (cont'd)

(ii) Computer Software (cont'd)

Costs associated with maintaining computer software programmes are recognised as expenses as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs include software development employee costs and appropriate portion of relevant overheads.

(iii) Other non-financial assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful assessment continues to be supportable.

(e) Financial Assets

The Group allocates financial assets to the following categories: loans, advances and financing; financial assets held-for-trading; financial investments available-for-sale; and financial investments held-to-maturity. Management determines the classification of its financial instruments at initial recognition. The policy of the recognition and measurement of impairment is in accordance with Note 2(j).

(i) Loans, advances and financing

Loans, advances and financing are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market.

Loans, advances and financing are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method, less impairment allowance.

An uncollectible loan, advance and financing or portion of a loan, advance and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

(ii) Financial assets at fair value through profit or loss

Financial assets classified in this category consist of financial assets held-for-trading. Financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling or repurchasing in the near term or it is part of a portion of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets held-for-trading are stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of financial assets held-for-trading are recognised in the statement of comprehensive income.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Financial Assets (cont'd)

(iii) Financial investments held-to-maturity

Financial investments held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group have the positive intent and ability to hold to maturity.

Financial investments held-to-maturity are measured at amortised cost based on the effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of financial investments held-to-maturity are recognised in the statement of comprehensive income.

Any sale or reclassification of more than an insignificant amount of financial investments held-to-maturity not close to their maturity would result in the reclassification of all financial investments held-to-maturity to financial investments available-for-sale, and prevents the Group from classifying the similar class of financial instruments as financial investments held-to-maturity for the current and following two (2) financial years.

(iv) Financial investments available-for-sale

Financial investments available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. Financial investments available-for-sale are measured at fair value. The return and cost of the financial investments available-for-sale are credited and charged to the statement of comprehensive income using accreted/amortised cost based on effective yield method. Any gain or loss arising from a change in fair value after applying the accreted/amortised cost method are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the statement of comprehensive income.

(v) Reclassification of financial assets

The Group may choose to reclassify non-derivative assets out from the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group have the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable. Any fair value gains or losses previously recognised in the statement of comprehensive income is not reversed.

As at reporting date, the Group have not made any such reclassifications of financial assets.

(f) Financial Liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost. The Group does not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and debt securities issued and other borrowed funds.

Interest payables are now classified into the respective class of financial liabilities.

(g) Repurchase Agreements

Financial instruments purchased under resale agreements are instruments which the Group have purchased with a commitment to resell at future dates. The commitment to resell the instruments are reflected as an asset in the statement of financial position.

Conversely, obligations on financial instruments sold under repurchase agreements are instruments which the Group have sold from their portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligations to repurchase the instruments are reflected as a liability in the statement of financial position.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both.

Such property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at cost less any accumulated depreciation and any accumulated impairment. The policy for the recognition and measurement of impairment is in accordance with Note 2(j)(v).

Freehold land has unlimited useful life and therefore, is not depreciated.

Such property is derecognised when either it has been disposed and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal is recognised in the statement of comprehensive income in the year in which they arise.

(i) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent to initial recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment, if any. The policy for the recognition and measurement of impairment is in accordance with Note 2(j)(v).

Freehold land has an unlimited useful life and therefore is not depreciated. Other property, plant and equipment are depreciated on the straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, summarised as follows:

Buildings	2%
Office furniture and fixtures	10%
Motor vehicles	10% - 16.6%
Office equipment	20%
Renovations	20%
Computer equipment	33.3%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the statement of comprehensive income.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment of Assets

The carrying amounts of the Group's assets except for deferred tax assets, are reviewed at the end of each reporting period to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated to determine the amount of impairment to be recognised. The policies on impairment of assets are summarised as follows:

(i) Loans, advances and financing

Loans, advances and financing of the Group are classified as impaired when they fulfill either of the following criteria:

- (a) principal or interest or both are past due for three (3) months or more;
- (b) where a loan is in arrears for less than three (3) months, the loan exhibits indications of credit weaknesses; or
- (c) where an impaired loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

For the determination of impairment, the Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment include:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) it becomes probable that the borrower will enter bankruptcy or winding up petition is served on the borrower, significant shareholder or significant guarantor;
- (d) adverse Center Credit Reference Information System ("CCRIS") findings or unfavorable industry developments for that borrower; and
- (e) observable data indicating that there is a measurable decrease in the estimated future cash flows including adverse changes in the repayment behavior of the borrower or downgrade of the borrower's credit ratings.

The Group first assesses individually whether objective evidence of impairment exists for all loans deemed to be individually significant, and individually or collectively for loans, advances and financing that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan whether significant or not, the loan is then collectively assessed for impairment. If there is objective evidence that an impairment has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purposes of measuring the impairment. The interest is recognised as interest income.

For loans which are collectively assessed, the Group's collective assessment impairment allowance is maintained at a minimum of 1.5% of total outstanding loans, net of individual assessment impairment allowance.

For margin balances of the stockbroking business, the accounts are classified as impaired when the closing market value of the counter(s) so financed has fallen below 130% of the outstanding balance, and 100% impairment allowance is made on the impaired accounts, net of collateral held, if any.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment of Assets (cont'd)

(ii) Financial investments held-to-maturity

For financial investments held-to-maturity in which there are objective evidence of impairment, impairment is measured as the difference between the financial instrument's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The amount of the impairment is recognised in the statement of comprehensive income.

Subsequent reversals in the impairment is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the financial instrument's carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the statement of comprehensive income.

(iii) Financial investments available-for-sale

For financial investments available-for-sale in which there are objective evidence of impairment, the cumulative unrealised losses that had been recognised directly in equity shall be transferred from equity to the statement of comprehensive income, even though the securities have not been derecognised. The cumulative impairment is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment previously recognised in the statement of comprehensive income.

In the case of quoted equity investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether objective evidence of impairment exists. Where such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised) is removed from equity and recognised in the statement of comprehensive income.

Impairment recognised on equity instruments classified as available-for-sale is not reversed subsequent to its recognition. Reversals of impairment on debt instruments classified as available-for-sale are recognised in the statement of comprehensive income if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment in the statement of comprehensive income.

(iv) Goodwill/Intangible assets

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from business combinations or intangible assets are allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination or the intangible asset.

The recoverable amount is determined for each CGU based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment is recognised in statement of comprehensive income when the carrying amount of the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the CGU. The total impairment is allocated, first, to reduce the carrying amount of goodwill or intangible assets allocated to the CGU and then to the other assets of the CGU on a pro-rata basis.

An impairment on goodwill is not reversed in subsequent periods. An impairment for other intangible assets is reversed if, and only if, there has been a change in the estimates used to determine the intangible asset's recoverable amount since the last impairment was recognised and such reversal is through the statement of comprehensive income to the extent that the intangible asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment had been recognised.

(v) Other assets

Other assets such as property, plant and equipment, investment properties, computer software, foreclosed properties and investments in subsidiaries and associates are reviewed for objective indications of impairment at the end of each reporting period or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment is determined as the excess of the asset's carrying value over its recoverable amount (greater of value in use or fair value less costs to sell) and is recognised in the statement of comprehensive income. An impairment for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised.

The carrying amount is increased to its revised recoverable amount, provided that the amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment been recognised for the asset in prior years. A reversal of impairment for an asset is recognised in the statement of comprehensive income.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the statement of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(i). The policy for the recognition and measurement of impairment is in accordance with Note 2(j)(v).

(ii) Operating Leases

Operating lease payments are recognised in the statement of comprehensive income on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments at the end of the reporting period. In the case of a lease of land and buildings, the prepaid lease payments or the upfront payments made are allocated, whenever necessary, between the land and buildings elements in proportion to the relative fair values for leasehold interest in the land element and buildings element of the lease at the inception of the lease. The prepaid lease payments are amortised over the lease term in accordance with the pattern of benefits provided.

(l) Bills and Acceptances Payable

Bills and acceptances payable represent the Group's own bills and acceptances rediscounted and outstanding in the market.

(m) Equity Instruments

Ordinary shares and irredeemable convertible preference shares ("ICPS") are classified as equity. Dividends on ordinary shares and ICPS are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(n) Subordinated Bonds

The interest-bearing instruments are recognised as liability and are recorded at face value. Interest expense are accrued based on the effective interest rate method.

(o) Interest-bearing Borrowings

Interest-bearing bank borrowings are recorded at the amount of proceeds received. All the borrowing costs are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

(p) Other Assets

Other receivables are carried at anticipated realisable values. Bad debts are written-off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the end of the reporting period.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provision are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(r) Balances Due From Clients and Brokers

In line with FRS 139, Bursa Malaysia Securities Berhad (the "Bursa") has amended the Rules of Bursa Securities issued on 4 November 2010. In accordance with the Rules of Bursa Securities, clients' accounts are classified as impaired accounts (previously referred to as non-performing) under the following circumstances:

Criteria for classification as impaired

Types	Doubtful	Bad
Contra losses	When account remains outstanding for 16 to 30 calendar days from the date of contra transaction.	When the account remains outstanding for more than 30 calendar days from the date of contra transaction.
Overdue purchase contracts	When the account remains outstanding from T+5 market days to 30 calendar days.	When the account remains outstanding for more than 30 calendar days.

Bad debts are written off when identified. Impairment allowances are made for balances due from clients and brokers which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities. Collective assessment allowance is made based on a certain percentage of balances due from clients and brokers (excluding outstanding purchase contracts which are not due for payment) net of individual assessment allowances already made.

(s) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

(i) Recognition of Dividend Income

Dividend income from financial investments held-to-maturity, financial investments available-for-sale and investment in subsidiaries and associates are recognised when the right to receive payment is established.

(ii) Recognition of Interest and Financing Income

Interest income is recognised using effective interest rates, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loans or, where appropriate, a shorter period to the net carrying amount of the loan. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the loans but does not consider future credit losses. The calculation includes significant fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is recognised in the statement of comprehensive income for all interest-bearing assets on an accrual basis. Interest income includes the amortisation of premium or accretion of discount. Income from the Islamic banking business is recognised on an accrual basis in accordance with the Shariah principles.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Revenue Recognition (cont'd)

(iii) Recognition of Fees and Other Income

Loan arrangement fees and commissions, management and participation fees and underwriting commissions are recognised as income when all conditions precedent are fulfilled.

Commitment, guarantee and portfolio management fees which are material are recognised as income based on time apportionment basis.

Corporate advisory fees are recognised as income on the completion of each stage of the assignment.

Brokerage charged to clients is recognised on the day when the contracts are executed.

(t) Recognition of Interest and Financing Expenses

Interest expense and attributable profit (on activities relating to Islamic banking business) on deposits and borrowings of the Group are recognised on an accrual basis.

(u) Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The Group designate derivatives that qualify for hedge accounting as either:

- (i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (iii) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in statement of changes in equity and is recognised when the forecast transaction is ultimately recognised in statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in statement of changes in equity is immediately transferred to statement of comprehensive income.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Derivative Financial Instruments and Hedging Activities (cont'd)

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in statement of comprehensive income.

Gains and losses accumulated in other comprehensive income are included in statement of comprehensive income when the foreign operation is partially disposed of or sold.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivatives instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income.

(v) Foreign Currency Translations

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date.

All exchange rate differences are taken to the statement of comprehensive income.

The financial statements are presented in Ringgit Malaysia, which is also the Group's and the Company's primary functional currency.

(w) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the end of reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. Deferred tax is recognised as income or an expense in the statement of comprehensive income for the period, except when it arises from a transaction which is recognised directly in other comprehensive income or directly in equity, in which case the deferred tax is also charged or credited to other comprehensive income or to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

(x) Foreclosed Properties

Foreclosed properties are stated at the lower of carrying amount and fair value less costs to sell.

(y) Cash and Cash Equivalents

Cash and cash equivalents as stated in the statements of cash flow comprise cash and bank balances and short-term deposits maturity within one month that are readily convertible into cash with insignificant risk of changes in value.

(z) Zakat

This represents Islamic business zakat. It is an obligatory amount payable by an Islamic banking subsidiary to comply with the Shariah principles.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(aa) Employee Benefits

(i) Short-Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the statement of comprehensive income as incurred. As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF").

(iii) Equity Compensation Benefits

The ESS comprise the Share Option Plan, the Share Grant Plan and the Share Save Plan. The ESS are an equity-settled, share-based compensation plans, in which the Group's Directors and employees are granted or are allowed to acquire ordinary shares of the Company.

The total fair value of the share options/share grants offered/awarded to the eligible Directors and employees are recognised as an employee cost with a corresponding increase in the share scheme reserve within equity over the vesting period and taking into account the probability that the scheme will vest. The fair value of the shares options/share grants are measured at grant date, taking into account, if any, the market vesting conditions upon which the share options/share grants were offered/awarded but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options/share grants that are expected to become exercisable/to vest.

At the end of each reporting period, the Group revises its estimates of the number of share options/share grants that are expected to become exercisable/to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share scheme reserve until the share options/share grants are exercised/vested.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

(ab) Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(ac) Financial Guarantee Contracts

Financial guarantee contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdraft and other banking facilities.

Notes to the Financial Statements

31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ac) Financial Guarantee Contracts (cont'd)

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with FRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the profit or loss.

(ad) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

(ae) Non-current Assets Held for Sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

3. CASH AND SHORT-TERM FUNDS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and balances with banks and other financial institutions	488,971	501,618	9	32
Money at call and deposit placements maturing within one month	1,385,362	412,420	6,492	46,826
	1,874,333	914,038	6,501	46,858

Note:

- (i) Included in the cash and short-term funds of the Group are monies held in trust by a subsidiary amounting to RM72,498,000 (2011: RM87,504,000).
- (ii) There is an amount of RM325,000 (2011: RM44,465,000) being the deposits placement by the Company with its subsidiaries.

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Licensed banks	93,438	50,193	—	605,700
Licensed investment banks	4,275	50,035	19,315	—
	97,713	100,228	19,315	605,700

Note:

- (i) The deposits of the Company with maturity more than one month amounting to RM NIL (2011: RM600,000,000) are placed with its subsidiaries.
- (ii) An amount of RM4,264,000 (2011: RM2,298,000) being a bank account maintained by the Company for PB Trustee Services Berhad pursuant to the Company's ESS.

Notes to the Financial Statements

31 March 2012

5. BALANCES DUE FROM CLIENTS AND BROKERS

	Group	
	2012 RM'000	2011 RM'000
Due from clients	58,060	96,318
Due from brokers	4,900	—
	62,960	96,318
Less: Allowance for other losses	(1,262)	(15,799)
	61,698	80,519

These represent amounts receivable by Alliance Investment Bank Berhad ("AIBB") from non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Bursa Malaysia Securities Clearing Sdn. Bhd. has yet to be made.

AIBB's normal trade credit terms for non-margin clients is three (3) market days in accordance with the Bursa Malaysia Securities Berhad's ("Bursa") Fixed Delivery and Settlement System ("FDSS") trading rules.

Included in the balances due from clients and brokers are impaired accounts, as follows:

	Group	
	2012 RM'000	2011 RM'000
Classified as doubtful	165	976
Classified as bad	1,420	15,856
	1,585	16,832

The movements in allowance for other losses are as follows:

	Group	
	2012 RM'000	2011 RM'000
At beginning of year	15,799	16,482
Allowance made during the year	1,536	2,214
Reversal of allowance	(1,623)	(2,897)
Amount written off	(14,450)	—
	1,262	15,799

6. FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2012 RM'000	2011 RM'000
At fair value		
Money market instruments:		
Bank Negara Malaysia bills	1,371,696	1,848,299
Malaysian Government securities	20,053	—
Malaysian Government investment certificates	100,246	59,951
Malaysian Government treasury bills	—	30,000
	1,491,995	1,938,250

Notes to the Financial Statements

31 March 2012

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	2012 RM'000	Group 2011 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	2,316,772	3,244,713
Malaysian Government investment certificates	1,833,967	764,371
Cagamas bonds	35,254	35,396
Negotiable instruments of deposits	884,535	1,741,201
Bankers' acceptances	1,944,074	1,388,637
<u>Quoted securities in Malaysia:</u>		
Shares	4,212	3,875
Debt securities	4,768	7,818
<u>Unquoted securities:</u>		
Shares	135,888	117,587
Debt securities and medium term notes	1,963,731	1,956,342
	9,123,201	9,259,940

8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	2012 RM'000	Group 2011 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	328,639	804,820
Malaysian Government investment certificates	439,463	105,624
At cost		
<u>Quoted securities in Malaysia:</u>		
Debt securities	—	4,902
<u>Unquoted securities:</u>		
Debt securities	74,283	116,711
	842,385	1,032,057
Accumulated impairment	(47,129)	(91,331)
	795,256	940,726

The table below shows the movements in accumulated impairment during the financial year for the Group:

	2012 RM'000	Group 2011 RM'000
At beginning of year	91,331	94,822
Reclassified to financial investments available-for-sale due to conversion of bond into equity instrument	(4,902)	—
Write-back during the year	(39,300)	(3,491)
At end of year	47,129	91,331

Notes to the Financial Statements

31 March 2012

9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments allow the Group and the banking customers to transfer, modify or reduce their foreign exchange and interest rate risk hedge relationships. The Group also transacts in these instruments for proprietary trading purposes. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 43.

The table below shows the Group's derivative financial instruments as at the end of the reporting period. The contractual or underlying notional amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values as at the end of the reporting period are analysed below.

Group	Contract/ Notional Amount RM'000	2012 Fair Value		Contract/ Notional Amount RM'000	2011 Fair Value	
		Assets	Liabilities		Assets	Liabilities
		RM'000	RM'000		RM'000	RM'000
Foreign exchange contracts and commodity contracts:						
- Currency forwards	859,253	4,792	(6,243)	442,706	1,217	(7,713)
- Currency swaps	1,690,284	9,774	(8,784)	1,819,102	18,692	(18,042)
- Currency spots	258,209	185	(150)	76,047	70	(37)
- Currency options	122,204	467	(324)	24,473	90	(57)
- Gold options	217,538	2,512	(1,102)	482,299	2,499	(2,499)
Interest rate related contracts:						
- Interest rate swaps	2,106,781	5,982	(9,215)	2,112,000	9,479	(4,999)
Hedging Derivatives						
Interest rate related contracts:						
- Interest rate swaps	14,115	—	(423)	—	—	—
Total derivative assets/(liabilities)	5,268,384	23,712	(26,241)	4,956,627	32,047	(33,347)

The Group use fair value hedges to protect against the changes in fair value of financial assets and financial liabilities due to movements in market interest rates.

During the financial year, the Group use interest rate swaps to hedge against interest rate risk of structured deposits. There was no ineffectiveness to be recorded from their fair value hedge.

Notes to the Financial Statements

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10. LOANS, ADVANCES AND FINANCING

	Group	
	2012 RM'000	2011 RM'000
Overdrafts	1,853,950	1,753,908
Term loans/financing		
- Housing loans/financing	9,259,885	8,325,550
- Syndicated term loans/financing	472,949	287,171
- Hire purchase receivables	654,336	784,046
- Other term loans/financing	7,715,570	6,310,426
Bills receivables	308,763	179,607
Trust receipts	207,515	176,527
Claims on customers under acceptance credits	2,337,986	2,202,863
Staff loans [include RM92,000 loans to Directors of banking subsidiary (2011: RM121,000)]	54,567	60,938
Credit/charge card receivables	623,563	663,059
Revolving credits	1,043,680	1,347,748
Other loans	451,282	347,518
Gross loans, advances and financing	24,984,046	22,439,361
Add: Sales commissions and handling fees	28,523	24,969
Less: Allowance for impaired loans, advances and financing		
- Individual assessment allowance	(266,349)	(328,375)
- Collective assessment allowance	(386,017)	(339,636)
Total net loans, advances and financing	24,360,203	21,796,319
(i) <u>By maturity structure:</u>		
Within one year	7,023,573	6,868,094
One year to three years	822,931	771,372
Three years to five years	1,253,470	1,389,244
Over five years	15,884,072	13,410,651
Gross loans, advances and financing	24,984,046	22,439,361
(ii) <u>By type of customer:</u>		
Domestic non-bank financial institutions		
- Stockbroking companies	-	20,002
- Others	207,162	187,410
Domestic business enterprises		
- Small and medium enterprises	5,472,374	4,784,192
- Others	4,961,344	4,531,660
Government and statutory bodies	12,618	18,224
Individuals	13,457,860	12,349,218
Other domestic entities	247,679	14,671
Foreign entities	625,009	533,984
Gross loans, advances and financing	24,984,046	22,439,361
(iii) <u>By interest/profit rate sensitivity:</u>		
Fixed rate		
- Housing loans/financing	90,812	107,669
- Hire purchase receivables	654,337	784,046
- Other fixed rate loans/financing	1,997,225	2,207,047
Variable rate		
- Base lending rate plus	16,737,766	14,989,061
- Cost plus	5,200,601	4,120,772
- Other variable rates	303,305	230,766
Gross loans, advances and financing	24,984,046	22,439,361

Notes to the Financial Statements

31 March 2012

10. LOANS, ADVANCES AND FINANCING (cont'd)

	Group	
	2012 RM'000	2011 RM'000
(iv) <u>By economic purposes:</u>		
Purchase of securities	456,010	354,975
Purchase of transport vehicles	561,763	703,969
Purchase of landed property	13,100,915	11,514,820
of which: - Residential	9,750,258	8,671,706
- Non-residential	3,350,657	2,843,114
Purchase of fixed assets excluding land and buildings	117,110	99,836
Personal use	2,146,045	2,093,967
Credit card	623,563	663,059
Construction	249,709	253,621
Merger and acquisition	207,265	—
Working capital	6,327,613	6,116,583
Others	1,194,053	638,531
Gross loans, advances and financing	24,984,046	22,439,361
(v) <u>By geographical distribution:</u>		
Northern region	1,911,286	1,882,761
Central region	18,825,748	16,442,221
Southern region	2,100,061	2,014,167
East Malaysia region	2,146,951	2,100,212
Gross loans, advances and financing	24,984,046	22,439,361
(vi) <u>Movements in impaired loans, advances and financing ("impaired loans") are as follows:</u>		
At beginning of year	741,324	843,866
Impaired during the year	441,439	564,613
Reclassified as non-impaired during the year	(361,159)	(328,118)
Recoveries	(106,986)	(190,022)
Amount written off	(113,483)	(149,015)
At end of year	601,135	741,324
Gross impaired loans as % of gross loans, advances and financing	2.4%	3.3%
(vii) <u>Movements in the allowance for impaired loans are as follows:</u>		
Individual assessment allowance		
At beginning of year	328,375	389,578
Allowance made during the year (net)	43,363	87,812
Amount written off	(105,389)	(149,015)
At end of year	266,349	328,375
Collective assessment allowance		
At beginning of year	339,636	323,644
Allowance made during the year (net)	46,381	15,992
At end of year	386,017	339,636
As % of gross loans, advances and financing less individual assessment allowance	1.6%	1.5%

Notes to the Financial Statements

31 March 2012

10. LOANS, ADVANCES AND FINANCING (cont'd)

	Group	
	2012 RM'000	2011 RM'000
(viii) <u>Impaired loans analysed by economic purposes are as follows:</u>		
Purchase of securities	5,432	10,268
Purchase of transport vehicles	5,652	8,959
Purchase of landed property	251,134	283,410
of which: - Residential	180,614	209,057
- Non-residential	70,520	74,353
Purchase of fixed assets excluding land and buildings	190	182
Personal use	29,955	37,151
Credit card	9,908	12,694
Construction	11,869	12,777
Working capital	245,777	315,987
Others	41,218	59,896
	601,135	741,324
(ix) <u>Impaired loans by geographical distribution:</u>		
Northern region	135,319	104,487
Central region	358,099	500,546
Southern region	50,698	68,965
East Malaysia region	57,019	67,326
	601,135	741,324

11. OTHER ASSETS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Other receivables, deposits and prepayments [Note (a)]	100,059	103,113	250	208
Trade receivables	2,514	2,190	—	—
Foreclosed properties	—	4,200	—	—
Amounts due from subsidiaries [Note (b)]	—	—	2,327	1,349
	102,573	109,503	2,577	1,557
Less: Allowance for other losses [Note (c)]	(24,416)	(21,882)	(2,308)	(1,338)
	78,157	87,621	269	219

Note:

(a) Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Group is an amount of RM22,044,000 (2011: RM25,134,000) being the principal balance of housing loans and hire purchase loans acquired by the banking subsidiary from a state owned entity and which have been sold to Cagamas Berhad, with recourse obligations.

(b) Amounts due from subsidiaries

	Company	
	2012 RM'000	2011 RM'000
Non-interest bearing	2,327	1,349
Less: Allowance for impairment losses	(2,308)	(1,338)
	19	11

The amounts due from subsidiaries of RM2,327,000 (2011: RM1,349,000) are unsecured, interest-free and repayable upon demand.

Notes to the Financial Statements

31 March 2012

11. OTHER ASSETS (cont'd)

(c) Movements in allowance for other losses of the Group and the Company:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At beginning of year	21,882	21,853	1,338	696
Allowance net of write-back	2,534	29	970	642
At end of year	24,416	21,882	2,308	1,338

12. STATUTORY DEPOSITS

Statutory deposits comprise the following:

- Non-interest bearing statutory deposits of RM1,162,983,000 (2011: RM291,008,000) relating to the banking subsidiaries, maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.
- Interest bearing statutory deposits of RM100,000 (2011: RM100,000) relating to a subsidiary, Alliance Trustee Berhad which is maintained with the Accountant-General in compliance with Section 3(f) of the Trust Companies Act, 1949.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 RM'000	2011 RM'000
Unquoted shares, at cost		
At beginning of year	1,810,438	1,817,638
Liquidation of a subsidiary	—	(7,200)
	1,810,438	1,810,438
Employees' Share Scheme [Note (a)]	14,360	14,344
	1,824,798	1,824,782
Less: Accumulated impairment	(47,293)	(47,293)
At end of year	1,777,505	1,777,489

Note:

- This amount is in respect of the services rendered by the employees of the Company's subsidiaries, pursuant to the Employees' Share Scheme.

Notes to the Financial Statements

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13. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the subsidiaries, which are incorporated in Malaysia, are as follows:

		Effective equity interest	
		2012	2011
Name	Principal activities	%	%
<i>Subsidiaries of the Company</i>			
Alliance Bank Malaysia Berhad	Banking and finance business and the provision of related financial services	100	100
Hijauan Setiu Sdn. Bhd.	Investment holding	100	100
Setiu Integrated Resort Sdn. Bhd.	Investment holding	100	100
Pridunia Sdn. Bhd.	Dormant	100	100
Alliance Trustee Berhad	Trustee services	100	100
Kota Indrapura Development Corporation Berhad	Property holding	100	100
<i>Subsidiaries of Alliance Bank Malaysia Berhad</i>			
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad	Islamic banking and the provision of related financial services	100	100
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
Alliance Investment Management Berhad	Management of unit trusts funds, provision of fund management and investment advisory services	70	70
AllianceGroup Properties Sdn. Bhd.	Liquidated	–	100
<i>Subsidiaries of Alliance Investment Bank Berhad</i>			
Alliance Research Sdn. Bhd.	Investment advisory	100	100
AIBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
AIBB Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
KLCS Sdn. Bhd.	Dormant	100	100
Alliance Investment Futures Sdn. Bhd.	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
KLCity Ventures Sdn. Bhd.	Liquidated	–	100
KLCS Asset Management Sdn. Bhd.	Liquidated	–	100
KLCity Unit Trust Bhd.	Liquidated	–	94.94
Unincorporated trust for ESS*	Special purpose vehicle for ESS	–	–

* Deemed subsidiary pursuant to IC 112 – Consolidation: Special Purpose Entities

Notes to the Financial Statements

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14. INVESTMENT IN ASSOCIATE

	Group	
	2012 RM'000	2011 RM'000
Unquoted shares		
At cost	30,000	30,000
Share of post acquisition losses	(3,448)	(1,470)
	26,552	28,530
Represented by:		
Share of net tangible assets	26,552	28,530

Details of the associate, which is incorporated in Malaysia, is as follows:

Name	Principal activities	Effective equity interest	
		2012 %	2011 %
AIA AFG Takaful Berhad	Offering and providing of Takaful products and services	30	30

The summarised financial information of the associate is as follows:

	2012 RM'000	2011 RM'000
Assets and Liabilities		
Current assets	11,968	207
Non-current assets	78,780	99,647
	90,748	99,854
Current liabilities	2,242	4,665
	2,242	4,665
Results		
Revenue	9,812	1,206
Loss for the year	(6,594)	(4,810)

15. INVESTMENT PROPERTY

	Group	
	2012 RM'000	2011 RM'000
Freehold land, at cost	23,114	23,114
Development costs	8,943	8,943
	32,057	32,057
Accumulated impairment:		
At beginning/end of year	(4,309)	(4,309)
	27,748	27,748

The fair value of the freehold land of RM34,758,000 (2011: RM34,758,000) is derived based on an independent professional valuation using the open market value on a direct comparison basis.

The investment property incurred direct expenses amounting to RM286,412 (2011: RM334,947) for the current financial year.

Notes to the Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	← Leasehold land →			Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000							
2012										
Cost										
At beginning of year	2,962	12,567	1,850		50,343	113,212	65,724	137,887	2,809	387,354
Additions	-	-	-		-	8,856	6,886	6,020	958	22,720
Disposals	-	-	-		-	(51)	(409)	(97)	(981)	(1,538)
Written off	-	-	-		-	(6,004)	(3,042)	(15,186)	(5)	(24,237)
Transfer	-	(530)	530		-	-	-	-	-	-
Reclassified to non-current assets held for sale [Note 53]	(1,009)	-	(530)		(7,143)	-	-	-	-	(8,682)
At end of year	1,953	12,037	1,850		43,200	116,013	69,159	128,624	2,781	375,617
Accumulated Depreciation										
At beginning of year	-	2,621	814		15,792	80,054	49,371	128,982	927	278,561
Charge for the year	-	110	27		846	15,144	6,782	6,211	254	29,374
Disposals	-	-	-		-	(38)	(376)	(96)	(458)	(968)
Written off	-	-	-		-	(4,089)	(2,922)	(15,175)	(5)	(22,191)
Transfer	-	(171)	171		-	-	-	-	-	-
Reclassified to non-current assets held for sale [Note 53]	-	-	(178)		(4,542)	-	-	-	-	(4,720)
At end of year	-	2,560	834		12,096	91,071	52,855	119,922	718	280,056
Accumulated Impairment										
At beginning of year	-	-	-		3,956	-	-	-	-	3,956
Charge for the year	-	-	-		1,460	-	-	-	-	1,460
Reclassified to non-current assets held for sale [Note 53]	-	-	-		(148)	-	-	-	-	(148)
At end of year	-	-	-		5,268	-	-	-	-	5,268
Net Carrying Amount	1,953	9,477	1,016		25,836	24,942	16,304	8,702	2,063	90,293

Notes to the Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land RM'000	← Leasehold land →			Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000							
2011										
Cost										
At beginning of year	2,962	11,767	2,650		50,343	115,910	72,653	131,195	3,115	390,595
Additions	-	-	-		-	4,287	2,676	7,265	654	14,882
Disposals	-	-	-		-	(1,477)	(3,983)	(193)	(955)	(6,608)
Written off	-	-	-		-	(5,508)	(5,622)	(380)	(5)	(11,515)
Transfer	-	800	(800)		-	-	-	-	-	-
At end of year	2,962	12,567	1,850		50,343	113,212	65,724	137,887	2,809	387,354
Accumulated Depreciation										
At beginning of year	-	2,781	517		14,805	67,311	45,013	119,955	1,164	251,546
Charge for the year	-	117	20		987	16,887	11,726	9,540	315	39,592
Disposals	-	-	-		-	(116)	(3,665)	(133)	(547)	(4,461)
Written off	-	-	-		-	(4,028)	(3,703)	(380)	(5)	(8,116)
Transfer	-	(277)	277		-	-	-	-	-	-
At end of year	-	2,621	814		15,792	80,054	49,371	128,982	927	278,561
Accumulated Impairment										
At beginning/end of year	-	-	-		3,956	-	-	-	-	3,956
Net Carrying Amount	2,962	9,946	1,036		30,595	33,158	16,353	8,905	1,882	104,837

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16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Computer equipment RM'000	Office equipment and furniture RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
2012					
Cost					
At beginning of year	276	554	396	599	1,825
Additions	–	–	500	36	536
Disposal	–	–	(396)	–	(396)
At end of year	276	554	500	635	1,965
Accumulated Depreciation					
At beginning of year	276	515	165	584	1,540
Charge for the year	–	9	46	48	103
Disposal	–	–	(194)	–	(194)
At end of year	276	524	17	632	1,449
Net Carrying Amount	–	30	483	3	516
2011					
Cost					
At beginning/end of year	276	554	396	599	1,825
Accumulated Depreciation					
At beginning of year	269	496	133	566	1,464
Charge for the year	7	19	32	18	76
At end of year	276	515	165	584	1,540
Net Carrying Amount	–	39	231	15	285

17. INTANGIBLE ASSETS

	2012 RM'000	Group 2011 RM'000
Goodwill		
Cost		
At beginning/end of year	304,149	304,149
Accumulated Impairment:		
At beginning/end of year	(2,084)	(2,084)
Net Carrying Amount	302,065	302,065

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17. INTANGIBLE ASSETS (cont'd)

	Group	
	2012 RM'000	2011 RM'000
Computer software		
Cost		
At beginning of year	182,980	172,922
Additions	16,300	10,400
Disposal	—	(286)
Written off	(1,201)	(56)
At end of year	198,079	182,980
Accumulated Amortisation		
At beginning of year	(127,363)	(113,129)
Charge for the year	(18,239)	(14,420)
Disposal	—	131
Written off	360	55
At end of year	(145,242)	(127,363)
Net Carrying Amount	52,837	55,617
Total carrying amount of goodwill and computer software	354,902	357,682

(a) Impairment test on goodwill

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Goodwill has been allocated to the Group's cash-generating units ("CGU") that expected to benefit from the synergies of the acquisitions, identified according to the business segments as follows:

	Group	
	2012 RM'000	2011 RM'000
Corporate banking	44,758	44,758
Commercial banking	13,459	13,459
Small and medium enterprise banking	42,621	42,621
Consumer banking	101,565	101,565
Financial markets	83,284	83,284
Corporate finance and equity capital market	1,838	1,838
Stockbroking business	12,433	12,433
Asset management	2,107	2,107
	302,065	302,065

For annual impairment testing purposes, the recoverable amount of the CGUs, which are reportable business segments, are determined based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budget and projections approved by management. The key assumptions for the computation of value-in-use include the discount rates, cash flow projection and growth rates applied are as follows:

(i) Discount rate

The discount rate of 10.15% - 23.30% (2011: 11.25% - 32.00%) are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, that reflect specific risks relating to the Group. The pre-tax weighted average cost of capital is generally derived from an appropriate capital asset pricing model, which itself depends on inputs reflecting a number of financial and economic variables including the risk-free rate in the country.

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17. INTANGIBLE ASSETS (cont'd)

(a) Impairment test on goodwill (cont'd)

(ii) Cash flow projections and growth rate

Cash flow projections are based on five-year financial budget and projections approved by management. Cash flows beyond the fifth year are extrapolated in perpetuity using a nominal growth rate of 4.7% (2011: 6.5%) based on respective industry's average growth rate forecasted. Cash flows are extrapolated in perpetuity due to the long term perspective of these businesses within the Group.

Impairment is recognised in the statement of comprehensive income when the carrying amount of a CGU exceeds its recoverable amount. This annual impairment test review reveals that there was no evidence of impairment for the financial year.

(b) Sensitivity to changes in assumptions

Any reasonable possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGU, which would warrant any impairment to be recognised.

18. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statement of financial position after appropriate offsetting are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deferred tax assets, net	15,341	109,099	300	284
Deferred tax liabilities, net	(23,012)	(6,792)	—	—
	(7,671)	102,307	300	284
At beginning of year	102,307	68,240	284	4
Recognised in statement of comprehensive income	(88,596)	32,086	16	280
Recognised in equity	(21,382)	1,981	—	—
At end of year	(7,671)	102,307	300	284
Deferred tax assets				
- to be recovered more than 12 months	14,464	68,233	51	32
- to be recovered within 12 months	877	40,866	249	252
	15,341	109,099	300	284
Deferred tax liabilities				
- to be recovered more than 12 months	2,182	212	—	—
- to be recovered within 12 months	(25,194)	(7,004)	—	—
	(23,012)	(6,792)	—	—
Deferred tax assets and liabilities prior to offsetting are summarised as follows:				
Deferred tax assets	51,076	141,702	302	293
Deferred tax liabilities	(58,747)	(39,395)	(2)	(9)
	(7,671)	102,307	300	284

Notes to the Financial Statements

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18. DEFERRED TAX (cont'd)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Group	Allowance for losses on loans, advances and financing RM'000	Unabsorbed tax losses and capital allowances RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets:				
At 1 April 2010	74,016	4,498	34,583	113,097
Recognised in statement of comprehensive income	11,622	(260)	17,243	28,605
At 31 March 2011	85,638	4,238	51,826	141,702
Recognised in statement of comprehensive income	(73,312)	(1,050)	(16,264)	(90,626)
At 31 March 2012	12,326	3,188	35,562	51,076

Group	Financial investments available-for-sale RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax liabilities:			
At 1 April 2010	24,855	20,002	44,857
Recognised in statement of comprehensive income	—	(3,481)	(3,481)
Recognised in equity	(1,981)	—	(1,981)
At 31 March 2011	22,874	16,521	39,395
Recognised in statement of comprehensive income	—	(2,030)	(2,030)
Recognised in equity	21,382	—	21,382
At 31 March 2012	44,256	14,491	58,747

Company	Other temporary differences RM'000	Total RM'000
Deferred tax assets:		
At 1 April 2010	—	—
Recognised in statement of comprehensive income	293	293
At 31 March 2011	293	293
Recognised in statement of comprehensive income	9	9
At 31 March 2012	302	302

Company	Property, plant and equipment RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax liabilities:			
At 1 April 2010	(53)	49	(4)
Recognised in statement of comprehensive income	62	(49)	13
At 31 March 2011	9	—	9
Recognised in statement of comprehensive income	(7)	—	(7)
At 31 March 2012	2	—	2

Notes to the Financial Statements

31 March 2012

18. DEFERRED TAX (cont'd)

	Group 2012 RM'000	2011 RM'000
Deferred tax assets of the Group have not been recognised in respect of:		
Unabsorbed tax losses	–	5,775

19. DEPOSITS FROM CUSTOMERS

	Group 2012 RM'000	2011 RM'000
Demand deposits	9,141,209	8,010,395
Savings deposits	1,700,686	1,633,845
Fixed/investment deposits	15,595,344	14,580,270
Money market deposits	4,091,427	3,042,274
Negotiable instruments of deposits	1,407,325	993,052
Structured deposits [Note]	194,971	85,811
	32,130,962	28,345,647

- (i) The maturity structure of fixed/investment deposits, money market deposits and negotiable instruments of deposits are as follows:

Due within six months	16,483,378	14,449,496
Six months to one year	4,516,406	4,098,314
One year to three years	72,776	54,539
Three years to five years	21,536	13,247
	21,094,096	18,615,596

- (ii) The deposits are sourced from the following types of customers:

Domestic financial institutions	2,151,287	998,676
Government and statutory bodies	1,396,323	1,069,088
Business enterprises	11,845,743	10,111,082
Individuals	15,707,697	15,227,162
Others	1,029,912	939,639
	32,130,962	28,345,647

Note:

- (a) Structured deposits represent foreign currency time deposits with embedded foreign exchange, gold commodity linked options and interest rate index linked placements.
- (b) The Group has undertaken a fair value hedge on the interest rate risk of the structured deposits amounting to RM14,115,000 (2011: RM Nil) using interest rate swaps.

	Group 2012 RM'000	2011 RM'000
Structured deposits	14,115	–
Fair value changes arising from fair value hedges	(423)	–
	13,692	–

The fair value gain of the interest rate swap in this hedge transaction as at financial year ended 31 March 2012 is RM423,000 (2011: RM Nil).

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20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2012 RM'000	2011 RM'000
Licensed banks	976,450	744,993
Licensed investment banks	180,036	280,380
Licensed Islamic banks	245,468	6,000
Bank Negara Malaysia	759,051	920,827
	2,161,005	1,952,200

21. BALANCES DUE TO CLIENTS AND BROKERS

	Group	
	2012 RM'000	2011 RM'000
Due to clients	74,915	80,460
Due to brokers	—	6,283
	74,915	86,743

These mainly relate to amounts payable to non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Bursa Malaysia Securities Clearing Sdn. Bhd. has yet to be made.

The Group's normal trade credit terms for non-margin clients is three (3) market days according to the Bursa's FDSS trading rules.

22. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represents the Group's own bills and acceptances rediscounted and outstanding in the market.

23. AMOUNT DUE TO CAGAMAS BERHAD

This relates to proceeds received from conventional housing loans and hire purchase loans sold directly to Cagamas Berhad with recourse to the Group. Under the agreement, the Group undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed upon prudential criteria set by Cagamas Berhad.

24. OTHER LIABILITIES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Other payable and accruals	849,577	787,517	3,996	1,524
Remisier's accounts	21,230	24,373	—	—
Amount due to subsidiaries [Note]	—	—	358	5
	870,807	811,890	4,354	1,529

Note: The amount due to subsidiaries are unsecured, interest-free and repayable upon demand.

25. SUBORDINATED OBLIGATIONS

	Group	
	2012 RM'000	2011 RM'000
Tier - 2 Subordinated bonds	(a) —	600,000
Tier - 2 Subordinated Medium Term Notes	(b) 611,615	—
	611,615	600,000

Notes to the Financial Statements

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25. SUBORDINATED OBLIGATIONS (cont'd)

(a) Tier - 2 Subordinated bonds

The main features of the subordinated bonds are as follows:

- (i) Issue date : 26 May 2006
- (ii) Tenure of the facility/issue : 10-year from the Issue Date on a non-callable 5 year basis
- (iii) Anniversary date : 26 May
- (iv) Maturity date : 26 May 2016
- (v) Interest coupon : 6.09% per annum, subject to revision of rate in year six
- (vi) Revision of interest : The bonds, unless redeemed at the end of five (5) years from the settlement date, shall bear interest of 7.59% per annum from the sixth year onwards until the final redemption
- (vii) Redemption option : The issuer may, at its option, redeem the subordinated bonds in part or in whole, at any anniversary date on or after five (5) years from the issue date
- (viii) Final redemption : At par on maturity date

Alliance Bank Malaysia Berhad ("ABMB"), a wholly-owned subsidiary of the Company has fully redeemed the subordinated bonds on 26 May 2011 upon obtaining approval from Bank Negara Malaysia.

(b) Tier - 2 Subordinated Medium Term Notes

	Group 2012 RM'000
At cost	600,000
Accumulated unamortised discount	(2,171)
Interest accrued	13,786
	611,615

On 8 April 2011, ABMB completed the issuance of RM600 million Subordinated Medium Term Notes ("Subordinated Notes") under the RM1.5 billion Subordinated Medium Term Notes Programme ("Subordinated MTN Programme").

The Subordinated MTN Programme was earlier approved by Bank Negara Malaysia and the Securities Commission on 30 December 2010 and 25 February 2011 respectively. The Subordinated Notes are eligible for inclusion as Tier-2 capital of ABMB under BNM's capital adequacy regulations.

The Subordinated Notes have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5) years after issue date and on every coupon payment date thereafter, subject to BNM's approval.

The coupon rate for the Subordinated Notes is fixed at 4.82% per annum, payable semi-annually throughout the entire tenure and was issued at a discount. The proceeds have been used to redeem the RM600 million Subordinated Bonds of ABMB on 26 May 2011.

The main features of the Subordinated Notes are as follows:

- (i) Issue date : 8 April 2011
- (ii) Tenure of the facility/issue : 10 years from the issue date and callable five (5) years after the issue date
- (iii) Maturity date : 8 April 2021
- (iv) Interest rate/coupon : 4.82% per annum, payable semi-annually in arrears
- (v) Redemption option : The issuer may, at its option, redeem the Subordinated Notes at any coupon date on or after five (5) years from the issue date
- (vi) The Subordinated Notes will constitute direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Notes, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Subordinated Notes.

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26. LONG TERM BORROWINGS

	Group/Company	
	2012	2011
	RM'000	RM'000
<u>Unsecured</u>		
Fixed rate term loan [Note (a)]	–	401,189
Floating rate term loan [Note (b)]	–	200,083
	–	601,272

Note:

- (a) In 2011, the term loan bears a fixed interest rate at 3.5% per annum repayable by way of a bullet payment at the end of the third year with extension option of one (1) year.
- (b) In 2011, the term loan bears interest at Cost of Fund plus 0.5% per annum repayable by way of a bullet payment at the end of the fourth year.

The fixed rate term loan and floating rate term loan have been fully repaid on 27 July 2011 and 27 January 2012 respectively.

27. SHARE CAPITAL

	Group/Company			
	Number of Ordinary Shares of RM1 each		Amount	
	2012	2011	2012	2011
	'000	'000	RM'000	RM'000
Authorised				
At beginning/end of year	2,000,000	2,000,000	2,000,000	2,000,000
Issued and fully paid				
At beginning/end of year	1,548,106	1,548,106	1,548,106	1,548,106

28. RESERVES

		Group		Company	
	Note	2012	2011	2012	2011
		RM'000	RM'000	RM'000	RM'000
Non-distributable:					
Statutory reserve	(a)	600,129	544,368	–	–
Capital reserve	(b)	7,013	7,013	–	–
Revaluation reserve	(c)	132,769	68,620	–	–
Employees' share scheme reserve	(d)	14,001	13,768	14,001	13,768
Share premium		304,289	304,289	304,289	304,289
Profit equalisation reserve	(e)	1,033	1,033	–	–
		1,059,234	939,091	318,290	318,057
Distributable:					
Retained profits	(f)	1,131,283	908,084	2,312	5,837
		2,190,517	1,847,175	320,602	323,894

Notes to the Financial Statements

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28. RESERVES (cont'd)

Note:

- (a) The statutory reserve is maintained by the Group, in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and Section 15 of the Islamic Banking Act, 1983 and is not distributable as dividends.
- (b) The capital reserve is in respect of retained profit capitalised for a bonus issue by a subsidiary company.
- (c) The revaluation reserve is in respect of unrealised fair value gains and losses on financial investments available-for-sale.
- (d) The employees' share scheme reserve relates to the equity-settled share options/grants to Directors and employees. This reserve is made up of the estimated fair value of the share options/share grants based on the cumulative services received from Directors and employees over the vesting period.
- (e) Profit equalisation reserve which is derived in accordance with the "Framework of Rate of Return" (BNM/GP2-i).
- (f) Prior to 1 January 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders using their Section 108 balance under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 of the Income Tax Act, 1967 and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company has elected to distribute dividends out of its entire retained earnings under the single tier tax system.

29. SHARES HELD FOR EMPLOYEES' SHARE SCHEME ("ESS")

A trust has been established for the ESS and is administrated by an appointed trustee. The Trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as stipulated in the Trust Deed dated 3 December 2007 and the Trustee may purchase the Company's shares from the open market for the purpose of the ESS. The Trustee shall refrain from exercising any voting rights attached to these shares. In accordance with FRS 132 Financial Instruments - Presentation and Disclosure, the share purchased for the benefit of the ESS are recorded as "Share Held for ESS" in the equity on the statement of financial position.

During the financial year, the Trustee of the ESS had purchased 8,266,200 ordinary shares of RM1.00 each from the open market at an average price of RM3.46 per share. The total consideration for the purchase including transaction costs was RM28,637,996. The shares purchased are being held in trust by the Trustee of the ESS in accordance with the Trust Deed dated 3 December 2007.

During the financial year ended 31 March 2012, 1,428,150 shares have been vested and transferred from the Trustee to the eligible employees of the Company and its subsidiaries in accordance with the terms under the Share Grant Plan of the ESS. As at 31 March 2012, the Trustee of the ESS held 24,466,800 ordinary shares representing 1.58% of the issued and paid-up capital of the Company.

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30. EMPLOYEES' SHARE SCHEME ("ESS")

The Alliance Financial Group Berhad Employees' Share Scheme ("ESS") is governed by the Bye-Laws approved by the shareholders at an Extraordinary General Meeting held on 28 August 2007. The ESS which comprises of the Share Option Plan, the Share Grant Plan and the Share Save Plan took effect on 3 December 2007 and is in force for a period of 10 years.

There were no share options offered under the Share Save Plan during the financial year.

The salient features of the ESS are as follows:

- (i) The ESS is implemented and administered by the Employees' Share Participating Scheme Committee ("ESPS Committee") in accordance with the Bye-Laws.
- (ii) The total number of shares which may be available under the ESS shall not exceed in aggregate 10% of the total issued and paid-up share capital of the Company at any one time during the existence of the ESS and out of which not more than 50% of the shares available under the ESS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the ESS shall be allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.
- (iii) The subscription price for each share under the Share Option Plan, Share Grant Plan and Share Save Plan may be at a discount (as determined by the ESPS Committee or such other pricing mechanism as may from time to time be permitted by Bursa Malaysia Securities Berhad or such other relevant regulatory authorities), provided that the discount shall not be more than 10% from the 5-day weighted average market price of the shares of the Company transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made or at par value of the shares, whichever is higher.
- (iv) The ESPS Committee may at its discretion offer to any Director or employee of a corporation in the Group to participate in the ESS if the Director or employee:
 - (a) has attained the age of 18 years;
 - (b) in the case of a Director, is on the board of directors of a corporation in the Group;
 - (c) in the case of an employee, is employed by a corporation in the Group; and
 - (d) is not a participant of any other employee share option scheme implemented by any other corporation within the Group which is in force for the time being.

provided that the non-executive directors of the Group who are not employed by a corporation in the Group shall not be eligible to participate in the Share Save Plan.

- (v) Under the Share Option Plan and Share Grant Plan, the ESPS Committee may stipulate the performance targets, performance period, value and/or other conditions deemed appropriate.
- (vi) Under the Share Save Plan, the ESPS Committee may at its discretion offer Share Save Option(s) to any employees of the Group to subscribe for the shares of the Company and the employee shall authorise deductions to be made from his/her salary.
- (vii) The Company may decide to satisfy the exercise of options/awards of shares under the ESS through the issue of new shares, transfer of existing shares or a combination of both new and existing shares of the Company.
- (viii) The Company may appoint or authorise the Trustee of the ESS to acquire the Company's shares from the open market to give effect to the ESS.

Save for the Group Chief Executive Officer of Alliance Bank Malaysia Berhad, none of the other Directors of the Company were offered/awarded any share options/share grants during the financial year.

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30. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options/grants during the financial year:

Group 2012	Share Options Number of Share Options				Share Grants Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2008 Share Scheme	4,224	-	(4,224)	-	-	-	-	-	-
2009 Share Scheme	5,229	-	(1,218)	4,011	711	-	(643)	(68)	-
2010 Share Scheme	6,034	-	(1,554)	4,480	1,752	-	(785)	(287)	680
2011 Share Scheme	6,625	-	(1,459)	5,166	1,775	-	-	(385)	1,390
2012 Share Scheme	-	9,764	(774)	8,990	-	2,127	-	(194)	1,933
	22,112	9,764	(9,229)	22,647	4,238	2,127	(1,428)	(934)	4,003
WAEP (RM)	2.82	3.58	2.96	3.09					
2011	Share Options Number of Share Options				Share Grants Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2008 Share Scheme	5,801	-	(1,577)	4,224	713	-	(604)	(109)	-
2009 Share Scheme	7,282	-	(2,053)	5,229	1,846	-	(838)	(297)	711
2010 Share Scheme	8,103	-	(2,069)	6,034	2,278	-	-	(526)	1,752
2011 Share Scheme	-	7,959	(1,334)	6,625	-	2,169	-	(394)	1,775
	21,186	7,959	(7,033)	22,112	4,837	2,169	(1,442)	(1,326)	4,238
WAEP (RM)	2.68	3.15	2.77	2.82					

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30. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

Company 2012	Share Options Number of Share Options				Share Grants Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2008 Share Scheme	94	-	(94)	-	-	-	-	-	-
2009 Share Scheme	92	-	-	92	10	-	(10)	-	-
2010 Share Scheme	111	-	-	111	24	-	(12)	-	12
2011 Share Scheme	92	-	(7)	85	22	-	-	(2)	20
2012 Share Scheme	-	219	(8)	211	-	38	-	(3)	35
	389	219	(109)	499	56	38	(22)	(5)	67
WAEP (RM)	2.80	3.58	3.11	3.08					

2011	Share Options Number of Share Options				Share Grants Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2008 Share Scheme	94	-	-	94	9	-	(9)	-	-
2009 Share Scheme	92	-	-	92	19	-	(9)	-	10
2010 Share Scheme	111	-	-	111	24	-	-	-	24
2011 Share Scheme	-	92	-	92	-	22	-	-	22
	297	92	-	389	52	22	(18)	-	56
WAEP (RM)	2.70	3.15	-	2.80					

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30. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

(a) Details of share options/grants at the end of financial year:

	WAEP RM	Exercise Period
2008 Share Options	3.07	12.12.2010 – 11.12.2014
2009 Share Options	2.70	02.09.2011 – 01.09.2015
2010 Share Options	2.38	25.08.2012 – 24.08.2016
2011 Share Options	3.15	23.09.2013 – 22.09.2017
2012 Share Options	3.58	22.07.2014 – 21.07.2017

		Vesting Dates
2008 Share Grants	– First 50% of the share grants	12.12.2009
	– Second 50% of the share grants	12.12.2010
2009 Share Grants	– First 50% of the share grants	02.09.2010
	– Second 50% of the share grants	02.09.2011
2010 Share Grants	– First 50% of the share grants	25.08.2011
	– Second 50% of the share grants	25.08.2012
2011 Share Grants	– First 50% of the share grants	23.09.2012
	– Second 50% of the share grants	23.09.2013
2012 Share Grants	– First 50% of the share grants	22.07.2013
	– Second 50% of the share grants	22.07.2014

Note:

- (i) 2008 Share Options had since lapsed and all shares were forfeited due to performance measures were not meet during the extended grace period.
 - (ii) 2008 and 2009 Share Grants were fully vested in accordance with the stipulated terms.
- (b) Allocation of shares options/grants to Executive Directors and senior management of the Group:
- (i) The aggregate maximum allocation of shares options/grants to Executive Directors and senior management of the Group during the financial year and since commencement of the ESS is 50% of shares available under the ESS.
 - (ii) The actual percentage granted to Executive Directors and senior management of the total number of shares options/grants offered are as follows:

	Percentage
<i>Since commencement of the ESS</i>	
2008 Share Scheme	46.2%
2009 Share Scheme	48.7%
2010 Share Scheme	48.5%
2011 Share Scheme	43.5%
<i>During the financial year</i>	
2012 Share Scheme	48.8%

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30. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

(c) Fair value of share options/share grants offered/awarded:

The fair value of share options/share grants under the Share Option Plan and the Share Grant Plan during the financial year was estimated by an external valuer using a binomial model, taking into account the terms and conditions upon which the share options/share grants were offered/awarded. The fair value of share options and share grants measured at offer/award date and the assumptions are as follows:

	Share Options				
	2008	2009	2010	2011	2012
Fair value of the shares as at grant date,					
- 12 December 2007 (RM)	0.8072	—	—	—	—
- 2 September 2008 (RM)	—	0.7040	—	—	—
- 25 August 2009 (RM)	—	—	0.7489	—	—
- 23 September 2010 (RM)	—	—	—	0.8980	—
- 22 July 2011 (RM)	—	—	—	—	0.8790
Weighted average share price (RM)	3.1000	2.6600	2.4000	3.1300	3.7200
Weighted average exercise price (RM)	3.0696	2.6989	2.3784	3.1480	3.5800
Expected volatility (%)	0.2617	0.2709	0.3403	0.3115	0.2977
Expected life (years)	7	7	7	7	6
Risk free rate (%)	3.57 to 4.57	3.79 to 5.22	2.04 to 4.61	2.92 to 4.04	2.93 to 4.18
Expected dividend yield (%)	1.78	1.78	1.78	1.78	3.08
	Share Grants				
	2008	2009	2010	2011	2012
Fair value of the shares as at grant date,					
- 12 December 2007 (RM)	2.9639	—	—	—	—
- 2 September 2008 (RM)	—	2.5432	—	—	—
- 25 August 2009 (RM)	—	—	2.2941	—	—
- 23 September 2010 (RM)	—	—	—	2.9930	—
- 22 July 2011 (RM)	—	—	—	—	3.4405
Weighted average share price (RM)	3.1000	2.6600	2.4000	3.1300	3.7200
Expected volatility (%)	0.2617	0.2709	0.3403	0.3115	0.2977
Risk free rate (%)	3.57 to 4.57	3.79 to 5.22	2.04 to 4.61	2.92 to 4.04	2.93 to 4.18
Expected dividend yield (%)	1.78	1.78	1.78	1.78	3.08

The expected life of the share options is based on the exercisable period of the share options and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the share options/share grants were incorporated into the measurement of fair value.

The risk-free rate is employed using a range of risk-free rates for Malaysian Government Securities ("MGS") tenure from 1-year to 20-year MGS.

Notes to the Financial Statements

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31. INTEREST INCOME

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loans, advances and financing	908,692	841,945	—	—
Money at call and deposit placements with financial institutions	41,836	36,855	12,947	18,214
Financial assets held-for-trading	3,862	1,044	—	—
Financial investments available-for-sale	253,237	206,340	—	—
Financial investments held-to-maturity	22,751	30,682	—	—
Others	3,375	4,393	—	—
	1,233,753	1,121,259	12,947	18,214
Accretion of discount less amortisation of premium	94,369	82,179	—	—
	1,328,122	1,203,438	12,947	18,214

32. INTEREST EXPENSE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits and placements of banks and other financial institutions	33,640	55,345	—	—
Deposits from customers	565,206	411,329	—	—
Loans sold to Cagamas	2,908	642	—	—
Subordinated obligations	34,513	36,540	—	—
Long term borrowings	14,178	21,382	14,178	21,382
Others	3,814	7,938	—	—
	654,259	533,176	14,178	21,382

33. NET INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2012 RM'000	2011 RM'000
Income derived from investment of depositors' funds and others	335,853	292,564
Income derived from investment of Islamic Banking funds	32,097	27,988
Income attributable to depositors and financial institutions	(139,025)	(112,805)
	228,925	207,747
Add: Income due to head office eliminated at Group level	27,404	24,985
	256,329	232,732

Note:

Net income from Islamic banking business comprises income generated from both Alliance Islamic Bank Berhad ("AIS") and Islamic banking business currently residing in Alliance Investment Bank Berhad ("AIBB"). Both AIS and AIBB are wholly-owned subsidiaries of Alliance Bank Malaysia Berhad, which in turn is a wholly owned subsidiary of the Company.

Notes to the Financial Statements

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34. OTHER OPERATING INCOME

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(a) <u>Fee income:</u>				
Commissions	55,160	35,031	—	—
Service charges and fees	30,546	34,529	—	—
Portfolio management fees	6,994	6,628	—	—
Corporate advisory fees	6,073	3,064	—	—
Underwriting commissions	990	949	—	—
Brokerage fees	14,499	17,837	—	—
Guarantee fees	8,764	8,603	—	—
Processing fees	10,817	11,779	—	—
Commitment fees	14,376	14,042	—	—
Other fee income	28,533	14,645	—	—
	176,752	147,107	—	—
(b) <u>Investment income:</u>				
Gain arising from sale/redemption of:				
- Financial assets held-for-trading	3,699	417	—	—
- Financial investments available-for-sale	47,408	3,509	—	—
- Financial investments held-to-maturity	16,831	3	—	—
Unrealised (loss)/gain from revaluation of:				
- Financial assets held-for-trading	(185)	256	—	—
- Derivative financial instruments	1,572	4,149	—	—
Realised gain on derivative financial instruments	37,444	43,925	—	—
Gross dividend income from:				
- Financial investments available-for-sale	10,229	3,705	—	—
- Subsidiary	—	—	265,765	146,462
	116,998	55,964	265,765	146,462
(c) <u>Other income/(expense):</u>				
Foreign exchange gain	7,977	7,415	—	—
Gain/(loss) on disposal of property, plant and equipment	200	(329)	(109)	—
(Loss)/gain on liquidation of subsidiaries	—	(7)	—	203
Loss on disposal of foreclosed properties	(20)	(38)	—	—
Others	18,275	15,610	1,542	1,179
	26,432	22,651	1,433	1,382
Total other operating income	320,182	225,722	267,198	147,844

Notes to the Financial Statements

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35. OTHER OPERATING EXPENSES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	290,164	254,506	1,470	1,329
- Contribution to EPF	47,849	42,523	307	276
- Share options/grants under ESS	6,649	5,347	156	119
- Others	31,495	30,962	138	98
	376,157	333,338	2,071	1,822
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	29,374	39,592	103	76
- Amortisation of computer software	18,239	14,420	—	—
- Rental of premises	27,414	26,290	62	133
- Water and electricity	6,137	5,470	10	11
- Repairs and maintenance	9,965	10,470	78	12
- Information technology expenses	33,255	29,339	3	1
- Others	20,007	13,406	—	—
	144,391	138,987	256	233
<u>Marketing expenses</u>				
- Promotion and advertisement	11,178	8,912	—	—
- Branding and publicity	4,756	4,861	—	—
- Others	4,688	4,805	—	—
	20,622	18,578	—	—
<u>Administration and general expenses</u>				
- Communication expenses	13,126	11,681	2	4
- Printing and stationery	3,756	4,619	2	3
- Insurance	5,926	10,501	1	1
- Professional fees	13,750	13,668	157	174
- Others	14,068	13,528	1,624	1,765
	50,626	53,997	1,786	1,947
Total other operating expenses	591,796	544,900	4,113	4,002
Included in the other operating expenses are the following:				
Auditors' remuneration [Note (a)]	1,516	3,172	98	88
Hire of equipment	3,964	3,626	10	10
Property, plant and equipment written off	2,046	3,399	—	—
Computer software written off	841	1	—	—

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35. OTHER OPERATING EXPENSES (cont'd)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(a) Auditors' remuneration				
Statutory audit fee	896	778	51	44
Audit related services	485	753	33	29
Tax compliance work	117	591	9	10
Tax related services	13	355	—	—
Other services	5	695	5	5
Total	1,516	3,172	98	88
(b) Directors' remuneration				
<u>Directors of the Company:</u>				
Non-Executive Directors				
- Allowances	912	1,022	340	359
- Fees	1,497	1,430	540	525
- Benefits-in-kind	55	38	31	38
	2,464	2,490	911	922
<u>CEOs and Directors of Subsidiaries:</u>				
Chief Executive Officers				
- Salaries and allowances	3,047	1,765	—	—
- Bonuses	1,414	831	—	—
- Contribution to EPF	641	378	—	—
- Share options/grants under ESS	930	417	—	—
- Benefits-in-kind	56	55	—	—
	6,088	3,446	—	—
Non-Executive Directors				
- Allowances	240	578	—	—
- Fees	504	447	—	—
	744	1,025	—	—
	9,296	6,961	911	922
Past Directors				
- Salaries and allowances including meeting allowance	182	151	—	—
- Fees	179	30	—	—
- Contribution to EPF	10	20	—	—
- Benefits-in-kind	—	2	—	—
	371	203	—	—
Total	9,667	7,164	911	922
Total Directors' remuneration excluding benefits-in-kind	9,556	7,069	880	884

Notes to the Financial Statements

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35. OTHER OPERATING EXPENSES (cont'd)

	2012		2011	
	Executive Directors/CEOs	Non-Executive Directors	Executive Directors/CEOs	Non-Executive Directors
<u>Directors of the Company:</u>				
Below RM50,000	—	—	—	—
RM50,001 - RM100,000	—	2	—	2
RM100,001 - RM150,000	—	5	—	5
RM150,001 - RM200,000	—	1	—	—
RM200,001 - RM250,000	—	—	—	1
RM250,001 - RM300,000	—	—	—	—
RM300,001 - RM350,000	—	—	—	—
RM350,001 - RM400,000	—	—	—	—
RM400,001 - RM450,000	—	—	—	—
Above RM450,000	—	—	—	—
<u>Directors of the Group:</u>				
Below RM50,000	—	—	—	2
RM50,001 - RM100,000	—	—	—	—
RM100,001 - RM150,000	—	5	—	4
RM150,001 - RM200,000	—	1	—	—
RM200,001 - RM250,000	—	2	—	2
RM250,001 - RM300,000	—	1	—	—
RM300,001 - RM350,000	1	1	—	2
RM350,001 - RM400,000	—	—	—	—
RM400,001 - RM450,000	—	1	—	1
Above RM450,000	3	2	3	3

36. ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER LOSSES

	Group	
	2012 RM'000	2011 RM'000
Allowance for/(write-back of) losses on loans and financing:		
(a) Individual assessment allowance		
- Made during the year (net)	43,363	87,812
(b) Collective assessment allowance		
- Made during the year (net)	46,381	15,992
(c) Bad debts on loans and financing		
- Recovered	(65,590)	(80,844)
- Written off	8,416	3,988
	32,570	26,948
(Write-back of)/allowance for commitments and contingencies	(4,210)	59
Allowance for other assets	6,280	6,302
	34,640	33,309

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37. (WRITE-BACK OF)/ALLOWANCE FOR IMPAIRMENT

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Write-back of impairment on securities:				
- Financial investments available-for-sale	(22,759)	(585)	—	—
- Financial investments held-to-maturity	(344)	(3,491)	—	—
Allowance for impairment on property, plant and equipment (Note 16)	1,460	—	—	—
Allowance for impairment on debts due from subsidiaries	—	—	970	642
	(21,643)	(4,076)	970	642

38. TAXATION AND ZAKAT

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income tax provision for current year	173,433	153,758	61,128	31,476
Deferred tax	(9,524)	(10,136)	(55)	(240)
	163,909	143,622	61,073	31,236
(Over)/under provision in prior years	(258)	(22)	22	(46)
	163,651	143,600	61,095	31,190
Taxation	113	362	—	—
Zakat				
	163,764	143,962	61,095	31,190

Income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before taxation and zakat	643,603	553,113	260,884	140,032
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	160,901	138,283	65,221	35,008
Effect of expenses not deductible for tax purposes	6,869	9,393	852	1,278
Effect of income not subject to tax	(2,752)	(2,418)	(5,000)	(5,050)
(Over)/under provision in prior years	(258)	(22)	22	(46)
Unabsorbed tax losses which deferred tax recognised during the year	(1,109)	(1,636)	—	—
Tax expense for the year	163,651	143,600	61,095	31,190
Tax savings during the year arising from:				
- utilisation of tax losses brought forward from previous year	2,173	1,145	—	—

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39. EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on net profit attributable to owners of the parent for the financial year divided by the weighted average number of ordinary shares of RM1.00 each in issue during the financial year excluding the weighted average shares held for ESS.

	Group	
	2012	2011
Net profit attributable to owners of the parent (RM'000)	479,355	409,202
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(24,467)	(17,629)
	1,523,639	1,530,477
Basic earnings per share (sen)	31.5	26.7

(b) Diluted

The calculation of the diluted earnings per share is based on the net profit attributable to owners of the parent for the financial year divided by the weighted average number of ordinary shares of RM1.00 each in issue during the financial year, excluding the weighted average shares held for ESS and taken into account the assumed Share Grants to employees under ESS were vested to the employees as at 31 March 2012.

	Group	
	2012	2011
Net profit attributable to owners of the parent (RM'000)	479,355	409,202
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(24,467)	(17,629)
Effect of Share Grants under ESS ('000)	4,003	4,238
	1,527,642	1,534,715
Diluted earnings per share (sen)	31.4	26.7

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40. DIVIDENDS

	Dividend in respect of financial year		Net Dividends per Ordinary Share	
	2012 RM'000	2011 RM'000	2012 Sen	2011 Sen
<u>Recognised during the financial year:</u>				
<u>First interim dividend</u>				
5.6 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2012, was paid on 26 August 2011	85,705	—	5.54	—
3.3 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2011, was paid on 27 August 2010	—	50,458	—	3.26
<u>Second interim dividend</u>				
7.7 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2012, was paid on 28 February 2012	117,495	—	7.59	—
3.7 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2011, was paid on 28 February 2011	—	56,628	—	3.66
	203,200	107,086	13.13	6.92

Dividends paid on the shares held in Trust pursuant to the Company's ESS which are classified as shares held for ESS are not accounted for in the equity. An amount of RM2,697,000 (2011: RM1,281,000) being dividends paid for those shares were added back to the appropriation of retained profits in respect of the dividends.

41. CAPITAL COMMITMENTS

	Group	
	2012 RM'000	2011 RM'000
Capital expenditure:		
Authorised and contracted for	58,075	23,338
Authorised but not contracted for	56	6,020
	58,131	29,358

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42. MATERIAL LITIGATIONS

- (a) A corporate borrower had issued a Writ of Summons in 2005 against an agent bank for a syndicate of lenders comprising three banks of which ABMB is one of them, claiming for general, special and exemplary damages alleging a breach of duty and contract. The credit facilities consist of a bridging loan of RM58.5 million and a revolving credit facility of RM4.0 million which were granted by the syndicate lenders of which the ABMB's participation was RM18.5 million. In 2002, the credit facilities were restructured to a loan of RM30.0 million, of which the ABMB's participation was RM8.31 million, payable over seven years. The syndicated lenders had also filed a suit against the corporate borrower for the recovery of the above-mentioned loan.

The two suits were then consolidated and heard together. On 6 May 2009, judgment was delivered against the agent bank for special damages amounting to RM115.5 million together with interest at the rate of 6% per annum from date of disbursement to date of realisation with general damages to be assessed by the Court. The agent bank's solicitors had filed an appeal against the said decision. The High Court had on 24 June 2009 granted a stay of execution of the judgment pending disposal of its appeal at the Court of Appeal. The High Court of Appeal has fixed the hearing of the appeal on 19 June 2012.

The advice from the agent bank's solicitors is that they have a better than even chance of succeeding in the said appeal.

- (b) ABMB had in 1999 filed a suit against a corporate borrower and the guarantor (collectively referred to as "the Defendants") for the outstanding amount due to a default in banking facility amounting to RM2.36 million. The Defendants filed a counter-claim against ABMB for special damages amounting to RM15.5 million and general damages to be assessed by the Court for negligence and/or wrongful termination of the banking facilities, statutory interest on judgment sum, costs and such other and/or further relief deemed fit by the Court.

On 4 May 2009, the High Court in Kota Kinabalu dismissed ABMB's claim and allowed Defendants claim for general damages to be assessed by the Deputy Registrar. ABMB filed an appeal to the Court of Appeal against the High Court judgment and applied to the High Court for a stay of execution against the said judgment. On 3 August 2009, the High Court dismissed ABMB's application for stay of execution of the judgment. ABMB then filed an appeal to the Court of Appeal against the said decision. On 16 November 2009, the Court of Appeal dismissed ABMB's appeal for stay of execution with no order as to costs and directed that an early hearing date would be scheduled for ABMB's appeal proper.

On 18 January 2011, the Court of Appeal allowed ABMB's appeal by dismissing the counter-claim against ABMB and allowing ABMB's claim against the Defendants. The Defendants filed an application for leave to appeal at the Federal Court against the said decision. On 23 November 2011, the Federal Court dismissed the Defendants application for leave to appeal at the Federal Court with costs of RM10,000.

Pursuant to the decision by the Federal Court, the High Court had on 10 February 2012 struck out the matter with costs to follow as per Court of Appeal order. This essentially concludes the matter thus bringing the counter-claim against ABMB to an end.

- (c) ABMB commenced a civil suit against an individual borrower in March 2007 for recovery of an overdraft facility secured by shares from the individual borrower and shares from a third party. The individual borrower counter-claimed against ABMB for various declarations amongst others that ABMB had acted wrongfully or in bad faith in demanding the repayment for the facility and that there was in existence a collateral contract between the individual borrower, ABMB and the third party. In addition, the individual borrower is also claiming for general damages to be assessed by the courts.

Arising from the above-mentioned suit, the third party in September 2008 filed a separate suit against ABMB for force selling the shares pledged by the third party. The third party's claim is for damages for loss of the benefit of the shares pledged to ABMB, damages for conversion, damages for misrepresentation and for breach of contract.

The two cases were consolidated into one suit. The consolidated suits were heard from 20 till 24 February 2012. On 20 March 2012, the High Court allowed ABMB's claim against the individual borrower and dismissed the individual borrower's counter claim against ABMB with costs of RM150,000. The individual borrower has since filed an appeal to the Court of Appeal against the said decision. ABMB is contesting the appeal.

On 20 March 2012, the High Court dismissed the third party suit against ABMB with costs of RM150,000. The third party has since appealed against the said decision to the Court of Appeal. ABMB is contesting the appeal.

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43. FINANCIAL RISK MANAGEMENT POLICIES

The Group manages risk within clearly defined guidelines that are approved by the Directors. In addition, the Board of Directors of the Group provides independent oversight to ensure that risk management policies are complied with, through a framework of established controls and reporting process.

The guidelines and policies adopted by the Group to manage the main risks that arise in the conduct of its business activities are as follows:

(a) Credit Risk

Credit risk is the potential loss of revenue and/or principal arising from defaults by borrowers or counterparties through business activities in lending, trading, investing and hedging. Exposure to credit risk may be categorised as primary or secondary.

Primary exposure to credit risk arises from loans, advances and financing. The amount of credit exposure is represented by the carrying amount of loans, advances and financing in the statement of financial position. The lending activities in the Group are guided by the Group's Credit Policies and Guidelines, in line with Best Practices in the Management of Credit Risk, issued by Bank Negara Malaysia. These credit policies and guidelines also include an Internal Grading model adopted by the Group to grade its loans, advances and financing accounts according to their respective risk profiles.

On the other hand, secondary credit exposure arise from financial transactions with counterparties (including interbank market activities, derivative instruments used for hedging and debt instruments), of which the amount of credit exposure in respect of these instruments is equal to the carrying amount of these assets in the statements of financial position. This exposure is monitored on an on-going basis against predetermined counterparty limits.

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 45 to the financial statements.

Credit risk arising from Treasury activities are managed by appropriate policies, counterparty limits and supported by the Group's Risk Management Framework.

Notes to the Financial Statements

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43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(i) Maximum exposure to credit risk

The following table presents the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account of any collateral held or other credit enhancements and after allowance for impairment where appropriate.

For on-balance sheet financial assets, the maximum exposure to credit risk equals their carrying amount. For financial guarantees and similar contracts granted, the maximum exposure to credit risk is the maximum amount that would have to pay if the guarantees were to be called upon. For credit related commitments and contingencies that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Credit risk exposure of on-balance sheet:				
Cash and short-term funds (exclude cash in hand)	1,683,092	704,169	6,500	46,857
Deposits and placements with banks and other financial institutions	97,713	100,228	19,315	605,700
Balances due from clients and brokers	61,698	80,519	—	—
Financial assets held-for-trading	1,491,995	1,938,250	—	—
Financial investments available-for-sale (exclude equity securities)	8,983,101	9,138,478	—	—
Financial investments held-to-maturity	795,256	940,726	—	—
Derivative financial assets	23,712	32,047	—	—
Loans, advances and financing	24,717,697	22,110,986	—	—
Total on-balance sheet	37,854,264	35,045,403	25,815	652,557
Credit risk exposure of off-balance sheet:				
Financial guarantees	463,962	453,370	—	—
Credit related commitments and contingencies	13,009,027	10,499,031	—	—
Total off-balance sheet	13,472,989	10,952,401	—	—
Total maximum exposure	51,327,253	45,997,804	25,815	652,557

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analyses of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparty is engaged.

Group	Government and Central Bank RM'000	Financial, Insurance and Business Services RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Residential Mortgage RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
2012									
Cash and short-term funds	1,067,241	615,851	-	-	-	-	-	-	1,683,092
Deposits and placements with banks and other financial institutions	-	97,713	-	-	-	-	-	-	97,713
Balances due from clients and brokers	-	-	-	-	-	-	-	61,698	61,698
Financial assets held-for-trading	1,491,995	-	-	-	-	-	-	-	1,491,995
Financial investments	4,202,309	4,237,686	137,155	374,422	31,529	-	-	-	8,983,101
Financial investments available-for-sale	768,101	21,949	5,206	-	-	-	-	-	795,256
held-to-maturity	-	23,712	-	-	-	-	-	-	23,712
Derivative financial assets	-	2,595,624	130,015	7,240,115	290,869	9,597,766	439,620	4,423,688	24,717,697
Loans, advances and financing	-	-	-	-	-	-	-	-	-
Total on-balance sheet	7,529,646	7,592,535	272,376	7,614,537	322,398	9,597,766	439,620	4,485,386	37,854,264
Financial guarantees	-	37,712	19,908	338,361	30,596	300	-	37,085	463,962
Credit related commitments and contingencies	-	1,339,215	66,964	3,126,409	1,225,981	3,404,765	230	3,845,463	13,009,027
Total off-balance sheet	-	1,376,927	86,872	3,464,770	1,256,577	3,405,065	230	3,882,548	13,472,989
Total credit risk	7,529,646	8,969,462	359,248	11,079,307	1,578,975	13,002,831	439,850	8,367,934	51,327,253

Notes to the Financial Statements

31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

Group	Government and Central Bank	Financial, Insurance and Business Services	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Residential Mortgage	Motor Vehicle Financing	Other Consumer Loans	Total
2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	524,670	179,499	—	—	—	—	—	—	704,169
Deposits and placements with banks and other financial institutions	—	100,228	—	—	—	—	—	—	100,228
Balances due from clients and brokers	—	—	—	—	—	—	—	80,519	80,519
Financial assets held-for-trading	1,938,250	—	—	—	—	—	—	—	1,938,250
Financial investments	4,059,908	4,584,626	162,118	300,215	31,611	—	—	—	9,138,478
Financial investments available-for-sale	910,444	24,951	5,236	—	95	—	—	—	940,726
Financial investments held-to-maturity	—	30,657	—	—	—	—	—	1,390	32,047
Derivative financial assets	—	2,029,108	156,460	6,559,284	421,713	8,498,859	557,262	3,888,300	22,110,986
Loans, advances and financing	—	—	—	—	—	—	—	—	—
Total on-balance sheet	7,433,272	6,949,069	323,814	6,859,499	453,419	8,498,859	557,262	3,970,209	35,045,403
Financial guarantees	—	28,423	22,630	341,328	23,932	—	—	37,057	453,370
Credit related commitments and contingencies	—	804,322	75,937	2,442,788	1,304,866	1,276,176	1,101	4,593,841	10,499,031
Total off-balance sheet	—	832,745	98,567	2,784,116	1,328,798	1,276,176	1,101	4,630,898	10,952,401
Total credit risk	7,433,272	7,781,814	422,381	9,643,615	1,782,217	9,775,035	558,363	8,601,107	45,997,804

Notes to the Financial Statements

31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

Company 2012	Financial, Insurance and Business Services RM'000	Total RM'000
Cash and short-term funds	6,500	6,500
Deposits and placements with banks and other financial institutions	19,315	19,315
Total credit risk	25,815	25,815
2011		
Cash and short-term funds	46,857	46,857
Deposits and placements with banks and other financial institutions	605,700	605,700
Total credit risk	652,557	652,557

(iii) Collaterals

The main types of collateral obtained by the Group are as follows:

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For hire purchase, charges over the vehicles or plant and machineries financed; and
- For other loans/financing, charges over business assets such as premises, inventories, trade receivables or deposits.

(iv) Credit quality - Loans, advances and financing

All loans, advances and financing are categorised as either:

- neither past due nor impaired;
- past due but not impaired; or
- impaired.

Past due loans, advances and financing refer to loans that are overdue by one day or more. Impaired loans are loans with month-in-arrears more than 90 days or with impaired allowances.

Distribution of loans, advances and financing by credit quality

	2012 RM'000	Group 2011 RM'000
Neither past due nor impaired	23,255,955	20,710,623
Past due but not impaired	1,126,956	987,414
Impaired	601,135	741,324
Gross loans, advances and financing	24,984,046	22,439,361
Sales commissions and handling fees	28,523	24,969
Less: Allowance for impairment		
- Individual assessment	(266,349)	(328,375)
- Collective assessment	(386,017)	(339,636)
Net loans, advances and financing	24,360,203	21,796,319
Financial effect of collateral held for loans, advances and financing	70.9%	60.9%

Notes to the Financial Statements

31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(iv) Credit quality - Loans, advances and financing (cont'd)

Credit quality of loans, advances and financing neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

	Group	
	2012 RM'000	2011 RM'000
Grading classification		
- Good	22,379,010	19,168,648
- Fair	876,945	1,541,975
	23,255,955	20,710,623

The definition of the grading classification can be summarised as follows:

Good: refers to loans, advances and financing which have never been past due in the last 6 months and have never undergone any restructuring or rescheduling exercise previously.

Fair: refers to loans, advances and financing which have been past due at some point within the last 6 months, or have undergone restructuring or rescheduling exercise previously.

Loans, advances and financing that are past due but not impaired

An aging analysis of loans, advances and financing that are past due but not impaired is set out below.

For the purpose of this analysis an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial assets, not just the payment of principal or interest or both overdue.

	Group	
	2012 RM'000	2011 RM'000
Past due up to 1 month	909,157	773,027
Past due > 1 - 2 months	187,351	186,858
Past due > 2 - 3 months	30,448	27,529
	1,126,956	987,414

Loans, advances and financing assessed as impaired

An analysis of loans assessed as impaired is as follows:

	Group	
	2012 RM'000	2011 RM'000
Gross impaired loans/financing	601,135	741,324
Less: Allowance for impairment		
- Individual assessment	(266,349)	(328,375)
Net impaired loans/financing	334,786	412,949

Notes to the Financial Statements

31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(v) Repossessed collateral

The Group obtained assets by taking possession of collateral held as security as follows:

	Group	
	2012 RM'000	2011 RM'000
<i>Nature of assets</i>		
Industrial factory	—	5,300
Residential property	—	105
	<hr/>	<hr/>
	—	5,405

Repossessed or foreclosed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the consolidated statements of financial position within other assets.

(vi) Credit quality - Financial instruments

The table below presents an analysis of the credit quality of cash and short term funds, deposits and placements with other financial institutions, debt securities and derivative financial assets. Cash and short term funds herein excluding the cash in hand. Debt securities included financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity. Financial assets held-for-trading and financial investments available-for-sale are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

Notes to the Financial Statements

31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(vi) Credit quality - Financial instruments (cont'd)

Most listed and some unlisted securities are rated by external rating agencies. The Group uses external credit ratings provided by RAM, MARC, FITCH, Moody and S&P. The table below presents an analysis of debt securities by rating agency:

	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
Group 2012							
<i>By rating agencies</i>							
<u>RAM</u>							
AAA	169,439	—	—	680,975	—	11,321	861,735
AA1	230,178	—	—	128,976	—	2,020	361,174
AA2	175	4,275	—	35,578	—	2,620	42,648
AA3	1	—	—	16,342	—	25	16,368
AA-	—	—	—	—	—	855	855
A1	259,661	—	—	—	—	30	259,691
<u>MARC</u>							
AAA	—	—	—	324,242	—	—	324,242
AA-	—	—	—	31,529	—	—	31,529
<u>FITCH</u>							
AA+	—	—	—	—	—	111	111
A1	5,303	—	—	—	—	—	5,303
<u>MOODY</u>							
AA1	5,146	—	—	—	—	—	5,146
AA3	12,726	—	—	—	—	—	12,726
AA-	—	—	—	—	—	9	9
A1	551	—	—	—	—	—	551
A2	2,032	31,914	—	—	—	—	33,946
A3	230	—	—	—	—	—	230
BAA1	314	—	—	—	—	—	314
C	1,463	—	—	—	—	—	1,463
<u>S&P</u>							
AA	53	—	—	—	—	—	53
AA-	2,469	—	—	—	—	—	2,469
A+	61,336	—	—	—	—	—	61,336
A	2,026	61,355	—	—	—	—	63,381
A-	31,863	—	—	—	—	—	31,863
Government back	854,144	—	1,491,995	4,932,081	768,102	1,467	8,047,789
Unrated [Note]	43,982	169	—	2,833,378	27,154	5,254	2,909,937
	1,683,092	97,713	1,491,995	8,983,101	795,256	23,712	13,074,869

Notes to the Financial Statements

31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(vi) Credit quality - Financial instruments (cont'd)

	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
Group 2011							
<i>By rating agencies</i>							
RAM							
AAA	86,461	—	—	831,253	—	23,265	940,979
AA1	10	—	—	337,646	—	60	337,716
AA2	211	—	—	51,098	—	3,556	54,865
AA3	—	—	—	32,193	—	6	32,199
A1	33,499	50,029	—	—	—	1,032	84,560
C3	—	—	—	7,003	—	—	7,003
MARC							
AAA	—	—	—	240,381	—	—	240,381
AA-	—	—	—	31,610	—	2,338	33,948
FITCH							
AA-	597	—	—	—	—	—	597
A1	6,294	—	—	—	—	—	6,294
A+	—	—	—	—	—	5	5
MOODY							
AA1	3,357	—	—	—	—	—	3,357
AA3	5,747	—	—	—	—	—	5,747
A1	563	—	—	—	—	—	563
A2	2,068	—	—	—	—	—	2,068
A3	402	—	—	—	—	—	402
BAA1	795	—	—	—	—	—	795
C	699	—	—	—	—	—	699
S&P							
AA	170	—	—	—	—	—	170
AA-	978	—	—	—	—	—	978
A	1,516	—	—	—	—	—	1,516
Government back	524,797	—	1,938,250	4,464,571	910,444	—	7,838,062
Unrated [Note]	36,005	50,199	—	3,142,723	30,282	1,785	3,260,994
	704,169	100,228	1,938,250	9,138,478	940,726	32,047	12,853,898

Note:

Unrated financial instruments comprises placements with financial institutions where credit rating is not available and also investment in banker' acceptances, negotiable instruments of deposits and certain debt securities that are not rated.

Notes to the Financial Statements

31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk

Market risk refers to the risk that fair value of future cash flows of a financial instrument will fluctuate because of the movement in the market rates or prices; the main components being interest rate risk and foreign exchange risk.

The Group has established a framework of approved risk policies, measurement methodologies and risk limits as approved by the Group Risk Management Committee for overall management of market risk. Market risk arising from the trading activities is controlled via position limits, sensitivity limits and regular revaluation of positions versus current market quotations.

The Group is also susceptible to exposure to market risk arising from changes in prices of the shares quoted on Bursa Malaysia, which will impact on the Group's balances due from clients and brokers. The risk is controlled by application of credit approvals, limits and monitoring procedures.

(i) Interest/profit rate risk

As a subset of market risk, interest rate/profit rate risk refers to the volatility in net interest/profit income as a result of changes in interest rate levels/rate of return and shifts in the composition of the assets and liabilities. Interest rate/rate of return risk is managed through interest rate sensitivity analysis. The potential reduction in net interest/profit income from an unfavourable interest/profit rate movement is monitored and reported to Management. In addition to pre-scheduled meetings, Group Assets and Liabilities Committee ("ALCO") members will also deliberate on revising the Bank's lending/financing and deposit rates in response to changes in the benchmark rates set by the central bank.

The effects of changes in the levels of interest rates on the market value of securities are monitored closely and mark-to-market valuations are regularly reported to Management.

The Group are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The effects of changes in the levels of interest rates on the market value of securities are monitored regularly and the outcome of mark-to-market valuations are escalated to Management regularly. The table below summarises the effective interest rates at the end of reporting period and the periods in which the financial instruments will re-price or mature, whichever is the earlier.

Notes to the Financial Statements

31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(i) Interest/profit rate risk (cont'd)

Group 2012	Non-trading book							Non- interest/ profit sensitive		Effective interest/ profit rate %
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Total RM'000		
Assets										
Cash and short-term funds	1,384,073	-	-	-	-	-	490,260	-	1,874,333	
Deposits and placements with banks and other financial institutions	-	93,138	4,429	-	-	-	146	-	97,713	
Balances due from clients and brokers	1,631	-	-	-	-	-	60,067	-	61,698	
Financial assets held-for-trading	-	-	-	-	-	-	-	1,491,995	1,491,995	
Financial investments available-for-sale	953,177	1,910,031	150,485	88,717	2,493,255	3,314,235	213,301	-	9,123,201	
Financial investments held-to-maturity	-	50,081	134,359	11,992	357,154	233,114	8,556	-	795,256	
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	23,712	23,712	
Loans, advances and financing	18,988,098	1,013,570	338,603	608,585	1,485,718	1,976,860	(51,231)*	-	24,360,203	
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,775,374	-	1,775,374	
Total assets	21,326,979	3,066,820	627,876	709,294	4,336,127	5,524,209	2,496,473	1,515,707	39,603,485	
Liabilities										
Deposits from customers	15,942,492	3,716,695	2,353,813	5,203,955	87,647	40,278	4,786,082	-	32,130,962	
Deposits and placements of banks and other financial institutions	771,753	462,662	226,140	61,329	628,462	-	10,659	-	2,161,005	
Balances due to clients and brokers	38,858	-	-	-	-	-	36,057	-	74,915	
Bills and acceptances payable	14	40	124	-	-	-	-	-	178	
Derivative financial liabilities										
- Trading derivatives	-	-	-	-	-	-	-	25,818	25,818	
- Hedging derivatives	-	-	-	-	-	423	-	-	423	
Amount due to Cagamas Berhad	-	-	1,634	9,566	10,844	-	-	-	22,044	
Subordinated obligations	-	-	-	-	597,829	-	13,786	-	611,615	
Total liabilities carried forward	16,753,117	4,179,397	2,581,711	5,274,850	1,324,782	40,701	4,846,584	25,818	35,026,960	

Notes to the Financial Statements

31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(i) Interest/profit rate risk (cont'd)

	Non-trading book							Effective interest/profit rate %
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	
Group 2012								
Total liabilities brought forward	16,753,117	4,179,397	2,581,711	5,274,850	1,324,782	40,701	4,846,584	35,026,960
Other non-interest/profit sensitive balances	-	-	-	-	-	-	901,191	-
Total liabilities	16,753,117	4,179,397	2,581,711	5,274,850	1,324,782	40,701	5,747,775	35,928,151
Equity	-	-	-	-	-	-	3,670,429	-
Non-controlling interests	-	-	-	-	-	-	4,905	-
Total liabilities and equity	16,753,117	4,179,397	2,581,711	5,274,850	1,324,782	40,701	9,423,109	39,603,485
On-balance sheet interest sensitivity gap	4,573,862	(1,112,577)	(1,953,835)	(4,565,556)	3,011,345	5,483,508	(6,926,636)	-

* Impaired loans, individual assessment allowance and collective assessment allowance of the Group are classified under the non-interest/profit sensitive column.

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43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(i) Interest/profit rate risk (cont'd)

Group 2011	Non-trading book						Non- interest/ profit sensitive		Effective interest/ profit rate %
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Trading book RM'000	Total RM'000	
Assets									
Cash and short-term funds	411,998	–	–	–	–	–	502,040	–	914,038
Deposits and placements with banks and other financial institutions	–	100,000	160	–	–	–	68	–	100,228
Balances due from clients and brokers	1,070	–	–	–	–	–	79,449	–	80,519
Financial assets held-for-trading	–	–	–	–	–	–	–	1,938,250	1,938,250
Financial investments available-for-sale	1,246,175	2,147,162	593,503	140,837	2,761,012	2,187,048	184,203	–	9,259,940
Financial investments held-to-maturity	10,009	–	633,480	–	292,381	–	4,856	–	940,726
Derivative financial assets									
- Trading derivatives	–	–	–	–	–	–	–	32,047	32,047
Loans, advances and financing	16,882,804	1,413,040	336,274	222,518	1,458,636	1,409,734	73,313*	–	21,796,319
Other non-interest/profit sensitive balances	–	–	–	–	–	–	1,009,869	–	1,009,869
Total assets	18,552,056	3,660,202	1,563,417	363,355	4,512,029	3,596,782	1,853,798	1,970,297	36,071,936
Liabilities									
Deposits from customers	13,893,485	3,176,893	2,484,735	4,129,928	91,335	–	4,569,271	–	28,345,647
Deposits and placements of banks and other financial institutions	968,458	61,196	8,952	23,447	882,911	–	7,236	–	1,952,200
Balances due to clients and brokers	34,516	–	–	–	–	–	52,227	–	86,743
Bills and acceptances payable	86,161	24,948	50	–	–	–	–	–	111,159
Derivative financial liabilities									
- Trading derivatives	–	–	–	–	–	–	–	33,347	33,347
Amount due to Cagamas Berhad	–	–	–	100,000	25,134	–	642	–	125,776
Subordinated obligations	–	600,000	–	–	–	–	–	–	600,000
Total liabilities carried forward	14,982,620	3,863,037	2,493,737	4,253,375	999,380	–	4,629,376	33,347	31,254,872

Notes to the Financial Statements

31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(i) Interest/profit rate risk (cont'd)

	Non-trading book							Effective interest/profit rate %
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	
Group 2011								
Total liabilities brought forward	14,982,620	3,863,037	2,493,737	4,253,375	999,380	–	4,629,376	31,254,872
Long term borrowings	–	–	–	–	–	–	–	–
Other non-interest/profit sensitive balances	–	–	–	–	600,000	–	1,272	601,272
								3.60
								–
								–
Total liabilities	14,982,620	3,863,037	2,493,737	4,253,375	1,599,380	–	5,489,837	32,715,333
Equity	–	–	–	–	–	–	3,352,114	3,352,114
Non-controlling interests	–	–	–	–	–	–	4,489	4,489
Total liabilities and equity	14,982,620	3,863,037	2,493,737	4,253,375	1,599,380	–	8,846,440	36,071,936
On-balance sheet interest sensitivity gap	3,569,436	(202,835)	(930,320)	(3,890,020)	2,912,649	3,596,782	(6,992,642)	1,936,950
								–

* Impaired loans, individual assessment allowance and collective assessment allowance of the Group are classified under the non-interest/profit sensitive column.

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31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(i) Interest/profit rate risk (cont'd)

Company 2012	Non-trading book						Non- interest sensitive RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000			
Assets									
Cash and short-term funds	6,477	-	-	-	-	-	24	6,501	2.96
Deposits and placements with banks and other financial institutions	-	-	19,264	-	-	-	51	19,315	3.17
Other non-interest sensitive balances	-	-	-	-	-	-	1,779,052	1,779,052	-
Total assets	6,477	-	19,264	-	-	-	1,779,127	1,804,868	
Liabilities									
Other non-interest sensitive balances	-	-	-	-	-	-	4,354	4,354	-
Total liabilities	-	-	-	-	-	-	4,354	4,354	
Equity	-	-	-	-	-	-	1,800,514	1,800,514	-
Total liabilities and equity	-	-	-	-	-	-	1,804,868	1,804,868	

Notes to the Financial Statements

31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(i) Interest/profit rate risk (cont'd)

Company 2011	Non-trading book					Non- interest sensitive RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	
Assets							
Cash and short-term funds	46,763	–	–	–	–	95	2.74
Deposits and placements with banks and other financial institutions	–	–	–	400,000	200,000	5,700	2.76
Other non-interest sensitive balances	–	–	–	–	–	1,779,076	–
Total assets	46,763	–	–	400,000	200,000	1,784,871	2,431,634
Liabilities							
Long term borrowings	–	–	–	–	600,000	1,272	3.60
Other non-interest sensitive balances	–	–	–	–	–	1,529	–
Total liabilities	–	–	–	–	600,000	2,801	602,801
Equity	–	–	–	–	–	1,828,833	1,828,833
Total liabilities and equity	–	–	–	–	600,000	1,831,634	2,431,634

Notes to the Financial Statements

31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(ii) Foreign currency exchange risk

Foreign currency exchange risk refers to the risk that fair value of future cash flows of a financial instrument will fluctuate because of the movements in the exchange rates for foreign currency exchange positions taken by the Group from time to time. For the Group, foreign exchange risk is concentrated in its commercial banking. Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to Management.

The following table summarises the assets, liabilities and net open position by currency as at the end of financial reporting period, which are mainly in US, Singapore, Euro and Australian Dollars. Other foreign exchange exposures include exposure to Japanese Yen, Pound Sterling and New Zealand Dollars.

Group 2012	US Dollars RM'000	Singapore Dollars RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Others RM'000	Total RM'000
Assets						
Cash and short-term funds	18,243	531	2,101	1,733	9,751	32,359
Deposits and placements with banks and other financial institutions	123,304	—	—	128,288	—	251,592
Loans, advances and financing	277,991	—	817	1,047	3,025	282,880
Other financial assets	1,998	—	—	2	9	2,009
Total financial assets	421,536	531	2,918	131,070	12,785	568,840
Liabilities						
Deposits from customers	140,435	13,944	11,489	76,066	41,668	283,602
Deposits and placements of banks and other financial institutions	456,778	3,351	816	31,854	17	492,816
Other financial liabilities	429	1	—	—	11	441
Total financial liabilities	597,642	17,296	12,305	107,920	41,696	776,859
On-balance sheet open position	(176,106)	(16,765)	(9,387)	23,150	(28,911)	(208,019)
Off-balance sheet open position	175,430	24,034	12,081	(24,927)	39,632	226,250
Net open position	(676)	7,269	2,694	(1,777)	10,721	18,231
Group 2011						
Assets						
Cash and short-term funds	12,389	2,339	—	—	58,245	72,973
Loans, advances and financing	163,961	—	1,583	—	3,425	168,969
Other financial assets	7,384	—	—	38	4	7,426
Total financial assets	183,734	2,339	1,583	38	61,674	249,368
Liabilities						
Deposits from customers	163,167	1,680	11,069	34,882	20,718	231,516
Deposits and placements of banks and other financial institutions	30,258	—	—	—	159	30,417
Other financial liabilities	578	12	11	106	8	715
Total financial liabilities	194,003	1,692	11,080	34,988	20,885	262,648
On-balance sheet open position	(10,269)	647	(9,497)	(34,950)	40,789	(13,280)
Off-balance sheet open position	8,285	5,882	6,575	(2,603)	6,005	24,144
Net open position	(1,984)	6,529	(2,922)	(37,553)	46,794	10,864

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43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(iii) Value at risk ('VaR')

Value-at-risk (VaR) reflects the maximum potential loss of value of a portfolio resulting from market movements within a specified probability of occurrence (level of confidence); for a specific period of time (holding period). For the Group, VaR is computed based on the historical simulation approach with parameters in accordance with BNM and Basel requirements. Backtesting is performed daily to validate and reassess the accuracy of the VaR model. This involves the comparison of the daily VaR values against the actual profit and loss over the corresponding period.

The table below sets out a summary of the Group's VaR profile by financial instrument types for the Trading Portfolio:

Group 2012	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
Instruments:				
FX swap	(549)	(885)	(18)	(44,087)
Government securities	(12,291)	(14,765)	(6,452)	(41,399)
Private debt securities	(1,707)	(4,477)	(1,045)	(7,999)
2011				
Instruments:				
FX swap	(770)	(525)	(272)	(989)
Government securities	(11,487)	(7,650)	(4,256)	(12,201)
Private debt securities	(5,144)	(3,641)	(1,870)	(6,456)

(iv) Interest rate risk/rate of return risk in the banking book

The following tables present the Group's projected sensitivity to a 100 basis point parallel shock to interest rates across all maturities applied on the Group's interest sensitivity gap as at reporting date.

	2012 Group		2011 Group	
	- 100 bps Increase/(Decrease) RM'000	+ 100 bps Increase/(Decrease) RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps Increase/(Decrease) RM'000
Impact on net interest income				
Ringgit Malaysia	(53,366)	53,366	(44,616)	44,616
As percentage of net interest income	(5.7%)	5.7%	(4.9%)	4.9%

Note:

The foreign currency impact on net interest income is considered insignificant as the exposure is less than 5% of Banking Book assets/liabilities.

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43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

Other risk measures

(v) Stress test

Stress testing is normally used by banks to gauge their potential vulnerability to exceptional but plausible events. The Group performs stress testing regularly to measure and alert management on the effects of potential political, economic or other disruptive events on our exposures. The Group's stress testing process is governed by the Stress Testing Framework as approved by the Board. Stress testing are conducted on a bank-wide basis as well as on specific portfolios. The Group's bank-wide stress testing exercise uses a variety of broad macroeconomic indicators that are then translated into stress impacts on the various business units. The results are then consolidated to provide an overall impact on the Group's financial results and capital requirements. Stress testing results are reported to management to provide them with an assessment of the financial impact of such events would have on the Group's profitability and capital levels.

(vi) Sensitivity analysis

Sensitivity analysis is used to measure the impact of changes in individual stress factors such as interest/profit rates or foreign exchange rates. It is normally designed to isolate and quantify exposure to the underlying risk. The Group performs sensitivity analysis such as parallel shifts of interest/profit rates (in increment of 25 basis points) on its exposures, primarily on the banking and trading book positions.

(vii) Displaced Commercial Risk

Displaced commercial risk arises from the Group's Islamic financial services offered under Alliance Islamic Bank Berhad. It refers to the risk of losses which the Islamic Bank absorbs to make sure that Investment Account Holders are paid in rate of return equivalent to a competitive market rate of return. This risk arises when the actual rate of return is lower than returns expected by Investment Account Holders.

(c) Liquidity Risk

Liquidity risk relates to the Group's ability to maintain adequate liquid assets so as to punctually meet its financial obligations and commitments when due. Market liquidity risk refers to the potential risk that the Group is unable to liquidate its assets/securities at or near the previous market price due to inadequate market depth or disruptions to the marketplace.

The Group's liquidity risk profile is managed using Bank Negara Malaysia's New Liquidity Framework, other internal policies and ALCO benchmarks. A contingency funding plan is also established by the Group as a forward-looking measure to ensure that liquidity risk can be addressed according to the degrees of key risk indicators, and which incorporates alternative funding strategies which are ready to be implemented on a timely basis to mitigate the impact of unforeseen adverse changes in liquidity in the marketplace.

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43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group. The table below provides analysis of assets and liabilities into relevant maturity terms based on remaining contractual maturities:

Group 2012	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	1,874,333	–	–	–	–	1,874,333
Deposits and placements with banks and other financial institutions	–	93,270	4,443	–	–	97,713
Balances due from clients and brokers	42,207	–	–	–	19,491	61,698
Financial investments	1,031,877	2,922,378	697,092	97,906	6,661,199	11,410,452
Loans, advances and financing	4,969,403	1,549,577	987,148	598,935	16,255,140	24,360,203
Other asset balances	36,224	14,328	7,186	7,989	1,733,359	1,799,086
Total assets	7,954,044	4,579,553	1,695,869	704,830	24,669,189	39,603,485
Liabilities						
Deposits from customers	20,654,834	3,736,550	2,376,978	5,228,010	134,590	32,130,962
Deposits and placements of banks and other financial institutions	770,600	471,339	226,276	64,329	628,461	2,161,005
Balances due to clients and brokers	73,802	–	–	–	1,113	74,915
Bills and acceptances payable	14	40	124	–	–	178
Amount due to Cagamas Berhad	–	–	1,634	9,566	10,844	22,044
Subordinated obligations	13,786	–	–	–	597,829	611,615
Other financial liabilities	577,720	37,538	23,573	44,941	243,660	927,432
Total financial liabilities	22,090,756	4,245,467	2,628,585	5,346,846	1,616,497	35,928,151
Equity	–	–	–	–	3,670,429	3,670,429
Non-controlling interests	–	–	–	–	4,905	4,905
Total liabilities and equity	22,090,756	4,245,467	2,628,585	5,346,846	5,291,831	39,603,485
Net maturity mismatch	(14,136,712)	334,086	(932,716)	(4,642,016)	19,377,358	–

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31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

Group 2011	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	914,038	–	–	–	–	914,038
Deposits and placements with banks and other financial institutions	–	100,065	163	–	–	100,228
Balances due from clients and brokers	61,441	–	–	–	19,078	80,519
Financial investments	2,122,429	3,187,345	809,576	932,379	5,087,187	12,138,916
Loans, advances and financing	4,790,087	1,471,389	945,286	557,078	14,032,479	21,796,319
Other asset balances	26,137	7,797	9,203	2,878	995,901	1,041,916
Total assets	7,914,132	4,766,596	1,764,228	1,492,335	20,134,645	36,071,936
Liabilities						
Deposits from customers	18,396,643	3,205,854	2,505,723	4,146,075	91,352	28,345,647
Deposits and placements of banks and other financial institutions	971,566	61,203	13,074	23,447	882,910	1,952,200
Balances due to clients and brokers	85,200	–	–	–	1,543	86,743
Bills and acceptances payable	86,161	24,948	50	–	–	111,159
Amount due to Cagamas Berhad	514	294	766	101,562	22,640	125,776
Subordinated obligations	–	600,000	–	–	–	600,000
Long term borrowings	1,272	–	–	–	600,000	601,272
Other financial liabilities	539,469	39,671	24,365	48,729	240,302	892,536
Total financial liabilities	20,080,825	3,931,970	2,543,978	4,319,813	1,838,747	32,715,333
Equity	–	–	–	–	3,352,114	3,352,114
Non-controlling interests	–	–	–	–	4,489	4,489
Total liabilities and equity	20,080,825	3,931,970	2,543,978	4,319,813	5,195,350	36,071,936
Net maturity mismatch	(12,166,693)	834,626	(779,750)	(2,827,478)	14,939,295	–

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31 March 2012

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

Company 2012	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	6,501	–	–	–	–	6,501
Deposits and placements with banks	–	–	19,315	–	–	19,315
Other asset balances	3	–	–	122	1,778,927	1,779,052
Total assets	6,504	–	19,315	122	1,778,927	1,804,868
Liabilities						
Other financial liabilities	2,790	–	–	–	1,564	4,354
Total financial liabilities	2,790	–	–	–	1,564	4,354
Equity	–	–	–	–	1,800,514	1,800,514
Total liabilities and equity	2,790	–	–	–	1,802,078	1,804,868
Net maturity mismatch	3,714	–	19,315	122	(23,151)	–
Company 2011						
Assets						
Cash and short-term funds	46,858	–	–	–	–	46,858
Deposits and placements with banks	–	–	5,700	400,000	200,000	605,700
Other asset balances	2	–	–	80	1,778,994	1,779,076
Total assets	46,860	–	5,700	400,080	1,978,994	2,431,634
Liabilities						
Long term borrowings	1,272	–	–	–	600,000	601,272
Other financial liabilities	5	–	–	–	1,524	1,529
Total financial liabilities	1,277	–	–	–	601,524	602,801
Equity	–	–	–	–	1,828,833	1,828,833
Total liabilities and equity	1,277	–	–	–	2,430,357	2,431,634
Net maturity mismatch	45,583	–	5,700	400,080	(451,363)	–

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)**(c) Liquidity Risk (cont'd)****(ii) Contractual maturity of financial liabilities on an undiscounted basis**

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values), which the Group manages the inherent liquidity risk based on discounted expected cash inflows.

Group 2012	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	20,986,096	3,793,932	2,415,161	5,326,817	105,595	45,994	32,673,595
Deposits and placements of banks and other financial institutions	771,036	475,051	226,942	69,525	644,646	-	2,187,200
Balances due to clients and brokers	73,802	-	-	-	1,113	-	74,915
Bills and acceptances payable	14	40	124	-	-	-	178
Amount due to Cagamas Berhad	666	379	2,511	9,697	10,466	-	23,719
Subordinated obligations	14,460	-	-	14,460	701,220	-	730,140
Other financial liabilities	575,661	26,149	21,751	43,502	234,128	-	901,191
	22,421,735	4,295,551	2,666,489	5,464,001	1,697,168	45,994	36,590,938
Items not recognised in the statement of financial position							
Financial guarantees	76,173	96,467	91,971	113,733	85,551	67	463,962
Credit related commitments and contingencies	8,071,144	124,021	56,918	96,849	337,410	4,322,685	13,009,027
	8,147,317	220,488	148,889	210,582	422,961	4,322,752	13,472,989
Derivatives financial liabilities							
Derivatives settled on a net basis	(57)	(752)	(624)	(1,214)	(2,801)	(424)	(5,872)
Interest rate derivatives	-	34	35	69	548	102	788
Hedging derivatives	(57)	(718)	(589)	(1,145)	(2,253)	(322)	(5,084)
Derivatives settled on a gross basis							
Outflow	(544,827)	(597,400)	(251,471)	(58,264)	-	-	(1,451,962)
Inflow	542,768	586,117	249,632	56,806	-	-	1,435,323
	(2,059)	(11,283)	(1,839)	(1,458)	-	-	(16,639)

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43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

Group 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	18,496,981	3,297,271	2,551,908	4,220,324	94,517	—	28,661,001
Deposits and placements of banks and other financial institutions	972,010	61,576	9,267	29,934	911,890	—	1,984,677
Balances due to clients and brokers	85,200	—	—	—	1,543	—	86,743
Bills and acceptances payable	98,025	32,884	43	—	—	—	130,952
Amount due to Cagamas Berhad	665	379	1,045	105,643	23,716	—	131,448
Subordinated obligations	—	618,270	—	—	—	—	618,270
Long term borrowings	1,775	3,610	5,444	10,830	619,079	—	640,738
Other financial liabilities	539,469	39,671	24,365	48,729	240,302	—	892,536
	20,194,125	4,053,661	2,592,072	4,415,460	1,891,047	—	33,146,365
Items not recognised in the statement of financial position							
Financial guarantees	83,560	79,896	92,500	124,509	72,905	—	453,370
Credit related commitments and contingencies	8,283,090	55,910	42,868	89,113	249,215	1,778,835	10,499,031
	8,366,650	135,806	135,368	213,622	322,120	1,778,835	10,952,401
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives	—	(292)	(91)	82	1,802	1,381	2,882
<u>Derivatives settled on a gross basis</u>							
Outflow	(87,071)	(380,016)	(308,146)	(441,839)	—	—	(1,217,072)
Inflow	86,428	367,712	299,925	434,659	—	—	1,188,724
	(643)	(12,304)	(8,221)	(7,180)	—	—	(28,348)

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43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

Company 2012	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Other financial liabilities	2,790	-	-	-	1,564	-	4,354
Total financial liabilities	2,790	-	-	-	1,564	-	4,354

2011							
Long term borrowings	1,775	3,610	5,444	10,830	619,079	-	640,738
Other financial liabilities	5	-	-	-	1,524	-	1,529
Total financial liabilities	1,780	3,610	5,444	10,830	620,603	-	642,267

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43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(d) Operational and Shariah Compliance Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The Shariah Compliance Risk arises from the Bank's failure to comply with the Shariah rules and principles determined by the relevant Shariah regulatory councils.

Operational and Shariah Compliance risk management is a continual cyclic process which includes risk identification, assessment, control, mitigation and monitoring. This includes analysing the risk profile of the Group, determines any causes of failure, assesses potential loss and enhances controls to reduce/avoid risks.

Every line of business and support departments are responsible for the management of their day-to-day operational and Shariah Compliance risks while support, monitoring and reporting is facilitated by Operational Risk Management Department. Group Internal Audit and Shariah Review Team play the role of providing independent compliance assurance to Management and the Board.

The main activities undertaken by the Group in managing operational and Shariah Compliance risks includes the pre-identification of risks control and self assessments; key risk indicators, reviews of documentation of the Bank's processes and procedures; conducting operational and Shariah Compliance risk awareness internal training and managing potential crisis events via the mitigation resource of business continuity management.

The Group has implemented regulatory and Basel II requirements for capital charge for operational risk under the Basic Indicator Approach. Ongoing monitoring and periodic policy/process changes are carried out to reduce the Group's exposure to unexpected losses, improve control and management of operational risk, to cultivate an organizational culture that places a high priority on effective operational risk management and adherence to sound operating controls and best practices.

44. CAPITAL ADEQUACY

The capital adequacy ratios of the banking group are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II). The banking group have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (2011: 8.0%) for the risk-weighted capital ratio.

(a) The capital adequacy ratios of the banking group are as follows:

	2012	2011
<u>Before deducting proposed dividends</u>		
Core capital ratio	12.00%	12.40%
Risk-weighted capital ratio	15.71%	16.54%
<u>After deducting proposed dividends</u>		
Core capital ratio	11.52%	11.95%
Risk-weighted capital ratio	15.22%	16.09%

Components of Tier-I and Tier-II capital are as follows:

	2012 RM'000	2011 RM'000
Tier-I capital (Core Capital)		
Paid-up share capital	596,517	596,517
Irredeemable convertible preference shares	4,000	4,000
Share premium	597,517	597,517
Retained profits	1,420,731	1,194,222
Statutory reserves	842,167	786,406
Other reserves	10,018	10,018
Non-controlling interests	4,905	4,488
	3,475,855	3,193,168
Less: Purchased goodwill/goodwill on consolidation	(302,065)	(302,065)
Deferred tax assets	(15,038)	(108,808)
Total Tier-I capital	3,158,752	2,782,295

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44. CAPITAL ADEQUACY (cont'd)

- (a) The capital adequacy ratios of the banking group are as follows (cont'd):

Components of Tier-I and Tier-II capital are as follows (cont'd):

	2012 RM'000	2011 RM'000
Tier-II capital		
Subordinated obligations	597,829	600,000
Collective assessment allowance	381,019	333,466
Total Tier-II capital	978,848	933,466
Total Capital	4,137,600	3,715,761
Less: Investment in subsidiaries	(3,620)	(3,620)
Total Capital Base	4,133,980	3,712,141

- (b) The breakdown of risk-weighted asset ("RWA") by exposures in each major risk category are as follows:

	2012 RM'000	2011 RM'000
	Group	
Credit risk	23,601,495	20,149,305
Market risk	265,432	71,884
Operational risk	2,445,524	2,222,953
Total RWA and capital requirement	26,312,451	22,444,142

Detailed information on the risk exposure above are prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirement (Pillar 3) is presented in the Alliance Bank Malaysia Berhad's Pillar 3 Report.

- (c) The capital adequacy ratios of the banking subsidiaries are as follows:

	Alliance Bank Malaysia Berhad	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
31 March 2012			
<u>Before deducting proposed dividends</u>			
Core capital ratio	13.93%	12.35%	57.91%
Risk-weighted capital ratio	14.37%	14.19%	58.39%
<u>After deducting proposed dividends</u>			
Core capital ratio	13.32%	11.52%	56.65%
Risk-weighted capital ratio	13.76%	13.36%	57.13%
31 March 2011			
<u>Before deducting proposed dividends</u>			
Core capital ratio	14.63%	11.65%	57.17%
Risk-weighted capital ratio	14.98%	13.37%	57.33%
<u>After deducting proposed dividends</u>			
Core capital ratio	14.09%	11.65%	55.51%
Risk-weighted capital ratio	14.44%	13.37%	55.67%

Notes to the Financial Statements

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44. CAPITAL ADEQUACY (cont'd)

(c) The capital adequacy ratios of the banking subsidiaries are as follows (cont'd):

Note:

- (i) The capital adequacy ratios of Alliance Islamic Bank Berhad are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (2011: 8.0%) for the risk-weighted capital ratio.
- (ii) The capital adequacy ratios of Alliance Investment Bank Berhad are computed in accordance with BNM's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Bank and the Group have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (2011: 8.0%) for the risk-weighted capital ratio.

45. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a results of these transactions.

The off-balance sheet exposures and their related counterparty credit risk of the Group are as follows:

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Group 2012				
<u>Credit-related exposures</u>				
Direct credit substitutes	397,029	—	397,029	397,029
Transaction-related contingent items	549,766	—	274,883	274,883
Short-term self-liquidating trade-related contingencies	153,561	—	30,712	30,712
Obligation under on-going underwriting agreement	70,122	—	35,061	35,061
Irrevocable commitments to extent credit:				
- maturity exceeding one year	4,320,657	—	2,160,328	1,786,192
- maturity not exceeding one year	5,793,193	—	1,158,639	1,004,648
Unutilised credit card lines	2,188,661	—	437,732	340,525
	13,472,989	—	4,494,384	3,869,050
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	3,147,488	17,730	64,522	38,478
Interest rate related contracts:				
- one year or less	587,000	130	912	182
- over one year to three years	1,110,000	2,592	14,192	2,838
- over three years	423,896	3,260	20,055	6,467
	5,268,384	23,712	99,681	47,965
	18,741,373	23,712	4,594,065	3,917,015

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45. COMMITMENTS AND CONTINGENCIES (cont'd)

The off-balance sheet exposures and their related counterparty credit risk of the Group are as follows (cont'd):

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Group				
2011				
<u>Credit-related exposures</u>				
Direct credit substitutes	423,539	—	423,539	423,539
Transaction-related contingent items	515,311	—	257,655	257,655
Short-term self-liquidating trade-related contingencies	143,281	—	28,656	28,656
Irrevocable commitments to extent credit:				
- maturity exceeding one year	1,715,131	—	857,565	727,272
- maturity not exceeding one year	4,729,308	—	945,862	852,441
Unutilised credit card lines	3,425,831	—	685,166	528,386
	10,952,401	—	3,198,443	2,817,949
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	2,844,627	22,568	77,079	40,842
Interest rate related contracts:				
- one year or less	380,000	257	637	127
- over one year to three years	1,447,000	6,465	29,535	5,907
- over three years	285,000	2,757	15,957	3,192
	4,956,627	32,047	123,208	50,068
	15,909,028	32,047	3,321,651	2,868,017

46. CAPITAL

The Group's capital management objectives are:

- to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by Bank Negara Malaysia,
- to maintain sufficient capital resources to support the Group's risk appetite and to enable future business growth, and
- to meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Group aims to maintain capital adequacy ratios that are comfortably above the regulatory requirement, while balancing shareholders' desire for sustainable returns and high standards of prudence.

The Group carries out stress testing to estimate the potential impact of extreme, but plausible, events on the Group's earnings, balance sheet and capital. The results of the stress test are to facilitate the formation of action plan(s) in advance if the stress test reveals that the Group's capital will be adversely affected. The results of the stress test are tabled to the Group Risk Management Committee for deliberations.

The Group's regulatory capital are determined under Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework and their capital ratios complies with the prescribe capital adequacy ratios.

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47. LEASE COMMITMENTS

The Group and the Company have lease commitments in respect of equipment on hire and premises, all of which are classified as operating leases. A summary of the non-cancellable long term commitments is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Within one year	26,744	21,295	14	316
Between one and five years	33,788	14,183	770	810
	60,532	35,478	784	1,126

The operating leases for the Group and the Company's other premises typically cover for an initial period of three years with options for renewal. These leases are cancellable but are usually renewed upon expiry or replaced by leases on other properties. Future minimum lease commitments are anticipated to be not less than the rental expense for 2012.

48. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the Group's and the Company's other significant related party transactions and balances:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(a) Transactions				
Interest income				
- subsidiaries	—	—	(12,869)	(18,176)
- key management personnel	(98)	(6)	—	—
Dividend income				
- subsidiary	—	—	(265,765)	(146,462)
Overhead expenses recharged				
- subsidiaries	—	—	(1,998)	(1,635)
Interest expenses				
- key management personnel	1,079	1,034	—	—
Management fees				
- related companies	903	363	—	—
(b) Balances				
Amount due to deposits from customers				
- key management personnel	(14,498)	(40,825)	—	—
Overdraft				
- key management personnel	3,168	89	—	—
Money at call and deposit placements with financial institutions				
- subsidiaries	—	—	21,540	650,249
Loans, advances and financing				
- key management personnel	4,434	322	—	—
Other assets				
- subsidiaries	—	—	19	11
Other liabilities				
- subsidiaries	—	—	(358)	(5)

Notes to the Financial Statements

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48. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

- (i) Related companies refer to member companies of Alliance Financial Group Berhad.
- (ii) Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly, including Executive Directors and Non-Executive Directors of the Group and the Company (including close members of their families). Other members of key management personnel of the Group are the Group Chief Executive Officer, Group Chief Operating Officer, Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Credit Officer and Group Company Secretary.

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management for the year is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short-term employee benefits				
Fees	2,072	1,876	540	525
Salary and other remuneration, including meeting allowances	9,252	6,818	680	659
Contribution to EPF	1,171	758	50	44
Share options/grants under ESS	1,336	781	106	76
Benefits-in-kind	122	93	31	38
	13,953	10,326	1,407	1,342
Included in the total key management personnel are:				
Directors' remuneration (Note 35(b))	9,296	6,961	911	922

Executive Directors of the Group and other members of key management have been offered/awarded the following number of share options/share grants under the ESS:

	Share Options		Share Grants	
	2012 '000	2011 '000	2012 '000	2011 '000
Group				
At beginning of year	3,050	2,289	379	309
Directors/key management personnel appointed during the year	68	183	7	24
Offered/awarded	2,569	1,484	350	238
Vested	—	—	(73)	(67)
Lapsed	(1,462)	(906)	(120)	(125)
At end of year	4,225	3,050	543	379
Company				
At beginning of year	276	221	28	29
Offered/awarded	171	55	23	9
Vested	(68)	—	(12)	(10)
At end of year	379	276	39	28

The above share options/share grants were offered/awarded on the same terms and conditions as those offered to other employees of the Group (Note 30).

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49. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Comparison of carrying amount and fair value

The following table summarizes the carrying amounts of financial assets and liabilities on the Group and Company's statement of financial position, and their fair value differentiating between financial assets and liabilities subsequently measured at fair value and these subsequently measured at amortised cost.

	2012		2011	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Financial assets				
Cash and short-term funds	1,874,333	1,874,333	914,038	914,038
Deposits and placements with banks and other financial institutions	97,713	97,713	100,228	100,228
Balances due from clients and brokers	61,698	61,698	80,519	80,519
Financial assets held-for-trading	1,491,995	1,491,995	1,938,250	1,938,250
Financial investments available-for-sale	9,123,201	9,123,201	9,259,940	9,259,940
Financial investments held-to-maturity	795,256	809,381	940,726	955,844
Derivative financial assets	23,712	23,712	32,047	32,047
Loans, advances and financing	24,360,203	24,755,886	21,796,319	22,137,588
Financial liabilities				
Deposits from customers	32,130,962	32,129,447	28,345,647	28,345,646
Deposits and placements of banks and other financial institutions	2,161,005	2,128,981	1,952,200	1,912,490
Balances due to clients and brokers	74,915	74,915	86,743	86,743
Bills and acceptances payable	178	178	111,159	111,159
Derivative financial liabilities	26,241	26,241	33,347	33,347
Amount due to Cagamas Berhad	22,044	20,471	125,776	125,882
Subordinated obligations	611,615	611,820	600,000	615,025
Long term borrowings	—	—	601,272	598,000
Company				
Financial assets				
Cash and short-term funds	6,501	6,501	46,858	46,858
Deposits and placements with banks and other financial institutions	19,315	19,315	605,700	605,700
Financial liability				
Long term borrowings	—	—	601,272	598,000

Note:

The fair value of the other assets and other liabilities, which are considered short-term in nature, are estimated to be approximately their carrying values.

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49. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (cont'd)

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

(i) Cash and short-term funds

The carrying amounts approximate fair values due to the relatively short maturity of the financial instruments.

(ii) Deposits and placements with banks and other financial institutions

The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments. For those financial instruments with maturity of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates for placements of similar credit risk and similar remaining maturity as at the end of the reporting period.

(iii) Financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity

The fair values are estimated based on quoted or observable market prices at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for a similar instrument at the end of the reporting date.

(iv) Derivative financial instruments

The fair values of derivative financial instruments are obtained from quoted market rates in active market, including recent market transactions and valuation techniques, such as discounted cash flow models, as appropriate.

(v) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at applicable prevailing rates at the end of the reporting period offered to new borrowers with similar credit profiles. In respect of impaired loans, the fair values are deemed to approximate the carrying values, net of individual allowance or specific allowance for losses on loans, advances and financing.

(vi) Deposits from customers

The fair values of deposit liabilities payable on demand (demand and savings deposits), or deposits with maturity of less than one year are estimated to approximate their carrying amounts. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on expected future cash flows discounted at applicable prevailing rates offered for deposits of similar remaining maturities. For negotiable instruments of deposits, the fair values are estimated based on quoted or observable market prices as at the end of the reporting period. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposits are estimated using the discounted cash flow technique.

(vii) Deposits and placements of banks and other financial institutions and bills and acceptances payable

The carrying values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.

(viii) Amount due to Cagamas Berhad

The fair values of amount due to Cagamas Berhad are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at the end of the reporting period.

(ix) Long term borrowings

The fair values of variable rate borrowings are estimated to approximate carrying values. For fixed rate borrowings, the fair values are estimated based on discounted cash flow techniques using a current yield curve approximate for the remaining term to maturity.

(x) Subordinated obligations

The fair value of the subordinated bonds is estimated based on discounted cash flow techniques using a current yield curve appropriate for the remaining term to maturity.

(xi) Balances due from/(to) clients and brokers

The carrying amounts are reasonable estimates of the fair values because of their short tenor.

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49. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (cont'd)

(b) Financial instruments measured at fair value

Determination of fair value and fair value hierarchy

FRS 7 Financial Instruments: Disclosure require disclosure of financial instruments measured at fair value according to a hierarchy of valuation techniques, whether the inputs used are observable or unobservable. The following level of hierarchy are used for determining and disclosing the fair value of the financial instruments:

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables show the Group's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group 2012				
Assets				
Financial assets held-for-trading	–	1,491,995	–	1,491,995
Financial investments available-for-sale	4,199	8,978,333	140,669	9,123,201
Derivative financial assets	–	23,712	–	23,712
Liabilities				
Derivative financial liabilities	–	26,241	–	26,241
Group 2011				
Assets				
Financial assets held-for-trading	–	1,938,250	–	1,938,250
Financial investments available-for-sale	3,864	9,130,660	125,416	9,259,940
Derivative financial assets	–	32,047	–	32,047
Liabilities				
Derivative financial liabilities	–	33,347	–	33,347

Financial instruments that are valued using quoted prices in active market are classified as Level 1 of the valuation hierarchy. This includes listed equities and corporate debt securities which are actively traded.

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes, repurchase agreements and most of the Group's derivatives.

The Group classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models.

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49. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (cont'd)

(b) Financial instruments measured at fair value (cont'd)

Reconciliation of movements in Level 3 financial instruments:

	2012 RM'000
Group	
At beginning of year	125,416
Total gains/(losses) recognised in:	
- Statement of comprehensive income	(300)
- Other comprehensive income	17,704
Purchases	563
Disposal/redemption	(2,714)
At end of year	<u>140,669</u>

50. SEGMENT INFORMATION

The following segment information has been prepared in accordance with FRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. The operating segments results are prepared based on the Group's internal management reporting reflective of the organisation's management reporting structure.

The Group is organised into the following key operating segments:

(i) Consumer Banking

Consumer Banking provides a wide range of personal banking solutions covering mortgages, term loans, personal loans, hire purchase facilities, credit cards, wealth management (cash management, investment services, share trading, bancassurance and will writing). Consumer banking customers are serviced via branch network, call centre, electronic/internet banking channels, and direct sales channels.

(ii) Business Banking

Business Banking segment covers Small and Medium Enterprise ("SME") and Wholesale Banking. SME Banking customers comprise self-employed, small and medium scale enterprises. Wholesale Banking serves public-listed and large corporate business customer including family-owned businesses. Business Banking provides a wide range of products and services including loans, trade finance, cash management, treasury and structured solutions.

(iii) Financial Markets

Financial Markets provide foreign exchange, money market, hedging, wealth management and investment (capital market instruments) solutions for banking customers. It also manages the assets and liabilities, liquidity and statutory reserve requirements of the banking entities in the Group.

(iv) Investment Banking

Investment Banking covers stockbroking activities and corporate advisory which includes initial public offering, equity fund raising, debt fund raising, mergers and acquisitions and corporate restructuring.

(v) Others

Others refer to mainly other business operations such as unit trust, asset management, alternative distribution channels, trustee services and head office.

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51. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Liquidation of subsidiary

The following subsidiaries have been liquidated pursuant to Section 272(5) of the Companies Act, 1965:

- (a) Subsidiary of Alliance Bank Malaysia Berhad
 - (i) AllianceGroup Properties Sdn. Bhd. - liquidated with effect from 11 November 2011.
- (b) Subsidiaries of Alliance Investments Bank Berhad
 - (ii) KLCS Asset Management Sdn. Bhd. - liquidated with effect from 28 April 2011.
 - (iii) KLCity Ventures Sdn. Bhd. - liquidated with effect from 11 November 2011.
 - (iv) KLCity Unit Trust Berhad - liquidated with effect from 28 December 2011.

52. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial reporting period that require disclosure or adjustment to the financial statements.

53. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2012 RM'000	2011 RM'000
Building	2,453	—
Freehold land	1,009	—
Leasehold land	352	—
	3,814	—

Property, plant and equipment where deposits have been received from buyers of the properties and where a definitive buyer have been identified will classified as non-current assets held for sale. The disposals are expected to be completed in next financial year.

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54. REALISED AND UNREALISED PROFITS

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained profits				
- Realised	1,360,783	1,045,846	2,012	5,553
- Unrealised	51,858	144,761	300	284
	1,412,641	1,190,607	2,312	5,837
Less: Consolidation adjustments	(281,358)	(282,523)	–	–
Total retained profits as per accounts	1,131,283	908,084	2,312	5,837

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Accordingly, the unrealised retained profits of the Group and the Company as disclosed above excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these gains and losses are incurred in the ordinary course of business of the Group and the Company, and are hence deemed as realised.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.