

# SERVING YOU BETTER

2012 ANNUAL REPORT



ALLIANCE FINANCIAL  
GROUP BERHAD (6627-X)

*Banking Made Personal*



## SERVING YOU BETTER

The paradigms featured on the cover represent the milestones we have achieved in our continuous journey towards service excellence. The series of enlarging paradigms also express our commitment to constantly expand our focus and capacity to serve you better.

Everyday, in every way, we aim to break new ground as we heighten our standards of service excellence. Through this focus on elevating customer experiences, delivering long-term shareholder value, adhering to responsible practices and raising our competencies and capabilities, we intend to always make a positive difference in the way we serve you.

The faces in the paradigm represent staff of Alliance Financial Group, Alliance Bank and its banking entities. It is our way of thanking all our staff for their spirit towards serving you better.

## DELIVERING VALUE



## ENHANCING EXPERIENCES



## ELEVATING CAPABILITIES





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## CORPORATE PROFILE

Alliance Financial Group Berhad was incorporated in Malaysia on 7 April 1966 and was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 July 1979. The Group is principally involved in the provision of financial services through Alliance Bank Malaysia Berhad.

Alliance Bank Malaysia Berhad, together with its subsidiaries, Alliance Investment Bank Berhad, Alliance Islamic Bank Berhad and Alliance Investment Management Berhad, provides a wide range of financial products and services in commercial banking, financing, investment banking, stockbroking, Islamic banking, unit trust funds management, fund management, investment advisory and other related financial services.



## History of Alliance Financial Group

Banque de L'Indochine commenced operations in Malaya with its first branch in the Selangor Kwangtung Association Building, Jalan Pudu, Kuala Lumpur. This branch was subsequently relocated to Jalan Raja Chulan, Kuala Lumpur, in 1975.

**1958**

Banque de L'Indochine opened a sub-branch at Jalan Batu, Kuala Lumpur (now known as Jalan Tunku Abdul Rahman).

**1959**

The name of the Bank was changed to Banque de L'Indochine et de Suez (Banque Indosuez). In the same year, Banque Indosuez acquired a building in Jalan Raja Chulan, Kuala Lumpur, to serve as its headquarters.

**1975**

Malaysian French Bank Berhad was incorporated to assume the banking business of the two local branches of Banque Indosuez. The incorporation was the result of the French government's nationalisation of Banque Indosuez and also of the subsequent restructuring of the Bank's businesses in Malaysia to comply with local banking regulations.

**1982**

**1985**

The Bank established its "first" branch in Taman Maluri, Kuala Lumpur. In the same year, eight more branches were opened throughout the country.

**1986-1995**

During this time, 16 branches were established nationwide.

**1996**

Malaysian French Bank Berhad changed its name to Multi-Purpose Bank Berhad.

**1998**

By February 1998, the Bank had a network of 34 branches nationwide, including Sabah and Sarawak.

**1999**

Multi-Purpose Bank Berhad was selected to be one of the anchor banks in the Malaysian government's bank consolidation initiative. Multi-Purpose Bank Berhad successfully anchored the merger with International Bank Malaysia Berhad, Sabah Bank Berhad, Sabah Finance Berhad, Bolton Finance Berhad, Amanah Merchant Bank Berhad, and Bumiputra Merchant Bankers Berhad.



**ALLIANCE  
FINANCIAL GROUP**

*Banking Made Personal*

The Alliance Banking Group was established on 19 January with the successful merger of seven financial institutions. The newly-merged entity's name and logo were unveiled to the public for the first time as the Alliance Banking Group comprising Alliance Bank Malaysia Berhad (Alliance Bank), Alliance Finance Berhad, Alliance Merchant Bank Berhad and Alliance Unit Trust Management Berhad.

**2001**

On 1 August, Alliance Finance Berhad merged with Alliance Bank. Consequently, Hire Purchase is now offered at all Alliance Bank's retail branches nationwide.

**2004**

On 1 January, Alliance Merchant Bank Berhad acquired 100% equity interest in Kuala Lumpur City Securities (KLCS).

**2005**

In August, Alliance Merchant Bank Berhad changed its name to Alliance Investment Bank Berhad (AIBB). In December, KLCS merged with AIBB to offer a full suite of investment banking services.

**2006**

**2007**

In April, Alliance Unit Trust Management Berhad merged with Alliance Capital Asset Management Berhad to form Alliance Investment Management Berhad.

In June, Alliance Islamic Bank Berhad was incorporated as a wholly-owned subsidiary of Alliance Bank.

In conjunction with the change of name of its holding company from Malaysian Plantations Berhad to Alliance Financial Group Berhad on 31 August, Alliance Banking Group underwent a major rebranding exercise and was renamed Alliance Financial Group.

**2008**

Alliance Islamic Bank Berhad commenced its Islamic banking business on 1 April after assuming the entire Islamic banking business portfolio of Alliance Bank.

**2011**

In January, Alliance Bank and AIA Bhd entered into a joint venture to form AIA AFG Takaful Bhd., which offers a range of Takaful savings, protection and investment products.

## Today

The Alliance Financial Group, comprising Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad, Alliance Islamic Bank Berhad and Alliance Investment Management Berhad, is a dynamic, integrated financial services group offering banking and financial services through its consumer banking, SME banking, wholesale banking, Islamic banking, investment banking, stockbroking, unit trust and asset management businesses.

It provides easy access to its broad base of customers throughout the country via multi-pronged delivery channels which include retail branches, Alliance Personal branches, Privilege Banking Centres, Islamic Banking Centres, Business Centres, Investment Bank branches, direct marketing offices and unit trust agent offices located nationwide, as well as mobile and Internet banking.

With over five decades of proud history in contributing to the financial community in Malaysia with its innovative and entrepreneurial business spirit through its principal subsidiaries, the Group is committed to delivering the best customer experience and creating long-term shareholder value.



# Corporate Information

## DIRECTORS

**Datuk Oh Chong Peng** *Chairman, Independent Non-Executive Director*

**Dato' Thomas Mun Lung Lee** *Senior Independent Non-Executive Director*

**Stephen Geh Sim Whye** *Independent Non-Executive Director*

**Tan Yuen Fah** *Independent Non-Executive Director*

**Megat Dziauddin bin Megat Mahmud** *Independent Non-Executive Director*

**Kung Beng Hong** *Non-Independent Non-Executive Director*

**Ou Shian Waei** *Independent Non-Executive Director*

**Sng Seow Wah** *Non-Independent Non-Executive Director*

**Lee Ah Boon** *(Appointed on 18 April 2012) Non-Independent Non-Executive Director*

**Phoon Siew Heng** *(Resigned on 18 April 2012) Non-Independent Non-Executive Director*

## GROUP COMPANY SECRETARY

Lee Wei Yen (MAICSA 7001798)

## REGISTERED OFFICE

3rd Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur, Malaysia

Tel : 03-2694 4888  
Fax : 03-2694 6200  
Website : [www.alliancegroup.com.my](http://www.alliancegroup.com.my)  
Email : [enquiry@alliancefg.com](mailto:enquiry@alliancefg.com)

## REGISTRAR

Shareworks Sdn Bhd  
No. 10-1, Jalan Sri Hartamas 8  
Sri Hartamas  
50480 Kuala Lumpur, Malaysia

Tel : 03-6201 1120  
Fax : 03-6201 3121

## AUDITORS

PricewaterhouseCoopers  
Chartered Accountants  
Level 10, 1 Sentral  
Jalan Travers  
Kuala Lumpur Sentral  
P.O. Box 10192  
50706 Kuala Lumpur, Malaysia

## PRINCIPAL BANKER

Alliance Bank Malaysia Berhad

## BURSA MALAYSIA STOCK NAME/CODE

AFG/2488

## INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

MYL248800004

# Corporate Structure

as at 31 May 2012



*This chart features the main operating companies and does not include inactive companies and companies that are under members' voluntary liquidation.*

# Products and Services

## ALLIANCE BANK MALAYSIA BERHAD

### Personal Banking

#### Wealth Management

##### Deposits

- Savings Account/Basic Savings Account
- AllianceSave Pendidikan
- Alliance Buddy
- Alliance Senior Savers
- Alliance My eSavings Account
- Current Account/Basic Current Account
- AllianceSave
- Alliance Hybrid Account
- Fixed Deposit
- Alliance FDGold

##### Wills and Trust Services

- Alliance Legacy

##### Structured Investment

- Alliance Interest-rate Linked Structured Investment
- Alliance Dual Currency Investment (DCI)
- Alliance Gold-AUD Linked Structured Investment (GOALS)

##### Retail Bond

- MYR Retail Bond

##### Unit Trust Investment

- Bond Funds
- Balanced Funds
- Equity Funds
- Money Market Funds

##### Investment Lending and Share Services

- Alliance Share Margin Financing
  - Margin + Trading 2-in-1 Account
  - External Margin Account
- Alliance Share Trading
  - Cash Trading Account
  - Collateralised Trading Account
  - T+7 Trading Account
- ESOS/IPO/Placement Financing
- Investment Margin Financing

##### Bancassurance

- Alliance Motor Insurance
- Alliance Travel Protector
- Alliance Premier Protector
- Alliance Senior Protector
- Alliance Home Protector
- Alliance Mortgage Reducing Term Assurance
- Alliance i-Vantage
- Alliance Family Takaful Investment
- Alliance Safe Assure
- Alliance Passenger Assure
- Alliance Mortgage Reducing Term Takaful
- Premier Income 5
- Global Bond Income Plan
- Mortgage Reducing Term Assurance
- Mortgage Level Term Assurance
- Mortgage Reducing Takaful Term
- Secure Plus

### Loans

- Alliance SaveLink Home Loan
- Alliance Conventional Home Loan
- Alliance SaveLink Interest Payment Option
- Alliance OD/FD Express
- Alliance SaveLink Commercial Property Loan
- Alliance Conventional Commercial Property Loan
- Alliance Hire Purchase

### Cards

- Alliance Gold and Classic Credit Cards
- Alliance Platinum Credit Card
- Alliance CPA Australia Gold Credit Card
- Alliance CNI Gold Credit Card
- Alliance CNI Gold Prepaid Card
- Alliance Business Platinum Card
- Alliance Chinese Independent School (CIS) Credit Card
- Alliance Chinese Independent School (CIS) Prepaid Card
- Alliance You:nique Rates Credit Card
- Alliance You:nique Rewards Credit Card
- Alliance You:nique Rebates Credit Card
- Alliance You:nique Prepaid Card
- Alliance Allianz Insurance Gold & Platinum Credit Cards
- DiGi Simple Prepaid Card
- Tiger Football Club Credit Card
- Tiger Football Club Prepaid Card
- Alliance My eSavings Debit MasterCard
- Alliance Hybrid Standard Debit MasterCard
- Alliance Hybrid Platinum Debit MasterCard
- Alliance Hybrid AP Platinum Debit MasterCard
- Alliance Hybrid Premium Debit MasterCard

### Wholesale Banking

- Credit Facilities
  - Working Capital Financing
  - Term Loan
  - Bridging Loan
  - Syndicated Loan
  - Business Premises Financing
  - Supplier Financing
  - Business Platinum Card
  - Foreign Currency Loan
- Trade Facilities
  - Letter of Credits
  - Trust Receipts
  - Bankers Acceptances
  - Export Bills Purchased/Discounting
  - Export Credit Refinancing
  - Export LC Negotiation
  - Collection Bills
  - Shipping Guarantees
  - Export LC Advising/Confirmation
  - Bank Guarantees (BGs)
  - Promissory Notes
  - Foreign Currency Trade Loan
- Foreign Exchange







- Cash Management
  - Account Management
    - Business Current Account
    - Business Fixed Account
    - Business Foreign Currency Current Account
    - Business Foreign Currency Fixed Deposit
    - Business Internet Banking
  - Collection Management
    - Payee Corporation Service
    - Auto Debit Service
    - Bulk Cheque Collection Service
    - Cash in Transit
    - Cash Concentration Solution
    - Biz-Xpress Card: Deposit cum Withdrawal function via Self-Service Terminals (ATM, CDM and CES)
  - Liquidity Management
    - Auto Sweeping Service
    - Business Rewards Services
- Payment Management
  - Payroll (Salary/EPF Monthly Contribution/PCB-LHDN Payment/Socso Payment)
  - Bulk Payment
  - Bulk Payment with Remittance Advice
  - Remittances (CO/DD/FTT/FDD/IBG/RENTAS)
  - Fund Transfer (Own account transfer/Group account transfer/Designated 3rd Party Transfer)
  - Bills Payment
- Interest Rate Swap
- Bancassurance

## SME Banking

- Credit Facilities
  - Working Capital Financing
  - Equipment Financing
  - Business Premises Financing
  - Schemes promoted by CGC/BNM/Government
  - Foreign Exchange
- Trade Facilities
  - Letter of Credits
  - Trust Receipts
  - Foreign Currency Trade Loan
  - Bankers Acceptances
  - Export Bills Purchased/Discounting
  - Export Credit Refinancing
  - Export LC Negotiation
  - Collection Bills
  - Shipping Guarantees
  - Export LC Advising/Confirmation
  - Bank Guarantees (BGs)
  - Promissory Notes
  - Supplier Credit Financing

- Bancassurance
  - Commercial Line General Insurance
  - Keyman Credit-Life Insurance
  - Alliance Business Shield/Biz Assure
- Business Credit Card
  - MyBusiness Platinum Card
  - Business Platinum Card
- Cash Management
  - Account Management
    - Business Current Account
    - Business Fixed Deposit
    - Business Foreign Currency Current Account
    - Business Foreign Currency Fixed Deposit
    - Biz-Xpress Card: Deposit cum Withdrawal function via Self-Service Terminals (ATM, CDM and CES)
  - Business Internet Banking
  - Collection Management
    - Payee Corporation Service
    - Auto Debit Service
    - iBayar Facility
    - Bulk Cheque Collection Service
    - Cash in Transit
  - Liquidity Management
    - Auto Sweeping Service
    - Bounce Cheque Protection Service
    - Business Rewards Services
  - Payment Management
    - Payroll (Salary/EPF/SOCSSO Monthly Contribution/PCB-LHDN Payment)
    - Bulk Payment
    - Bulk Payment with Remittance Advice
    - Remittances (CO/DD/FTT/FDD/IBG/RENTAS)
    - Fund Transfer (Own account transfer/Group account transfer/Designated 3rd Party Transfer)
    - Bills Payment

## Financial Market

- Foreign Exchange Transactions
- Hedging Solution
  - Currency Options
  - Interest Rate Swap
- Structured Investments
- Money Market Deposit
- Money Market Deposit – Islamic
- Negotiable Instrument of Deposit
- Negotiable Islamic Deposit Certificate
- Banker Acceptances
- Islamic Acceptance of Bills



## Products and Services (cont'd)

# ALLIANCE ISLAMIC BANK BERHAD

## Deposits

- Basic Savings Account-i
- Wadi'ah Yad Dhamanah Savings Account-i
- Mudharabah Savings Account-i
- Alliance My eSaving Account-i
- Basic Current Account-i
- Wadi'ah Yad Dhamanah Current Account-i
- Mudharabah Current Account-i
- Alliance Hybrid Account-i
- General Investment Account-i
- Investment Account-i

## Financing

- Alliance CashVantage Personal Financing-i
- Alliance i-Wish Home Financing-i
- Alliance i-Wish Flexi Home Financing-i
- Alliance Hire Purchase-i

## Business Financing

- Term Financing-i
- Leasing-i
- Biz Prop Financing-i
- Cash Line Facility-i
- Revolving Credit-i
- Alliance i-Wish SaveLink Business Financing-i
- Bridging Financing-i
- Contract Financing-i
- Project Financing-i

## Trade Financing

- Letters of Credit-i
- Trust Receipt-i
- Shipping Guarantee-i
- Accepted Bills-i
- Bill of Exchange Negotiated/Purchase-i
- Export Credit Refinancing-i
- Pre-Shipment & Post-Shipment
- Bank Guarantee-i
- Murabahah Working Capital Financing-i

## Cards

- Alliance My eSaving Debit MasterCard-i
- Alliance Hybrid Standard Debit MasterCard-i
- Alliance Hybrid Platinum Debit MasterCard-i
- Alliance Hybrid AP Platinum Debit MasterCard-i
- Alliance Hybrid Premium Debit MasterCard-i
- ASLAM International Debit Card

## Unit Trust Investment

- Islamic Equity Funds
- Islamic Balanced Funds
- Islamic Bond Funds
- Islamic Money Market Funds



# ALLIANCE INVESTMENT BANK BERHAD

## Corporate Finance

- Initial Public Offerings
  - involving public issues of new securities and/or offers for sale of existing securities in companies seeking listing and quotation on the Main Market and the ACE Market of Bursa Malaysia Securities Berhad as well as listing of Real Estate Investment Trusts (REITs).
- Secondary Offerings
  - involving raising of funds subsequent to the initial public offering through rights issues, restricted issues, private placements and special issues of both equity and equity-linked instruments.
- Corporate Restructuring Advisory
- Merger, Takeover and Acquisition Advisory
- Independent Advice to Minority Shareholders
- Valuation of Companies

## Debt Finance & Advisory

Customised solutions via Conventional and Islamic:

- Structured Financing
- Asset Securitisation
- Project Financing
- Fixed/Floating Rate Bonds
- Commercial Papers/Medium Term Note Programmes
- Loan Syndication

## Equity Capital Markets

- Underwritings and Private Placements of Initial Public Offerings
- Underwritings of Rights Issues
- Primary and Secondary Private Placements of Equity and Equity-Linked Instruments
- Underwriting and Private Placements of Real Estate Investment Trusts (REITs)
- Book-Building/Accelerated Book-Building of Equity and Equity-Linked Instruments

## Corporate Banking

- Credit Facilities
- Bankers Acceptance
- Bank Guarantee
- Term Loans

## Islamic Banking

- Bal' Bithaman Ajil
- Murabahah Working Capital Financing
- Islamic Accepted Bills
- Mudharabah Investment Account Deposits
- Kafalah Bank Guarantee

## Stockbroking Products & Services

- Institutional and Retail Share Trading
  - Cash Trading Account
  - Collateralised Trading Account
  - Alliance Flexi 7
- Share Margin Financing
  - Alliance M-Switch
  - Alliance MaxiMargin
  - Alliance FBM30
- Online Share Trading Services
  - eAllianceShare
  - Mobile Share Trading
- E-Services
  - Direct Credit
  - E-dividend
- Foreign Share Trading
- Nominees and Custodian Services

## Investment Research



## ALLIANCE INVESTMENT MANAGEMENT BERHAD

### Management of Unit Trust Funds

- Alliance First Fund
- Alliance Vision Fund
- Alliance Moneyplus Fund
- Alliance Dana Adib
- Alliance Tactical Growth Fund
- Alliance Optimal Income Fund
- Alliance Islamic Money Market Fund
- Alliance Dana Alif
- Alliance Global Equities Fund
- Alliance Asian Bond Fund
- Alliance Global Diversified Property Fund
- Alliance ADVANTAGE GEM Treasures Fund
- Kinabalu Institutional Money Market Fund
- Alliance Islamic Institutional Money Market Fund
- Alliance Regular Income Fund
- Alliance Regular Income Fund 2
- Alliance Regular Income Fund 3
- Alliance Regular Income Fund 4

### Provision of Fund Management and Investment Advisory Services

- Equity
- Fixed Income
- Mixed/Balanced
- Money Market
- Direct Mandates

### Agency Development

- Alternative Distribution Channel



## ALLIANCE RESEARCH SDN BHD

- Equity Research
- Economic Research
- Industry Research
- Corporate Research
- Investment Advisory Services

## ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD

## ALLIANCEGROUP NOMINEES (ASING) SDN BHD

- Nominee and Custody Services

## ALLIANCE TRUSTEE BERHAD

- Trustee Services



# Financial Highlights

FINANCIAL YEAR ENDED 31 MARCH	2012	2011	2010	2009	2008
<b>OPERATING RESULTS (RM million)</b>					
Net income	1,250	1,129	1,065	1,054	1,018
Profit before taxation and zakat	644	553	409	303	502
Net profit after taxation and zakat	480	409	302	229	380
<b>KEY BALANCE SHEET DATA (RM million)</b>					
Total assets	39,603	36,072	31,664	31,846	27,675
Gross loans, advances and financing	24,984	22,439	21,410	19,590	16,545
Total liabilities	35,928	32,715	28,712	29,080	25,081
Deposits from customers	32,131	28,346	23,628	25,575	21,352
Paid-up capital	1,548	1,548	1,548	1,548	1,548
Shareholders' equity	3,670	3,352	2,947	2,762	2,589
Commitments and contingencies	18,741	15,909	14,293	15,081	13,976
<b>SHARE INFORMATION AND VALUATIONS</b>					
<b>Share Information</b>					
Earnings per share (sen)	31.5	26.7	19.7	14.9	25.4
Diluted earnings per share (sen)	31.4	26.7	19.6	14.8	25.4
Gross dividend per share (sen)	13.30 <sup>1</sup>	7.00 <sup>1</sup>	6.40 <sup>1</sup>	6.25 <sup>1</sup>	6.25
Net assets per share (RM)	2.37	2.17	1.91	1.79	1.67
Share price as at 31 March (RM)	3.89	3.17	2.88	1.69	2.68
Market capitalisation (RM million)	6,022	4,907	4,458	2,616	4,149
<b>Share Valuations</b>					
Gross dividend yield (%)	3.42	2.21	2.22	3.70	2.33
Dividend payout ratio (%)	42.3	26.2	32.5	41.9	19.1
Price to earnings multiple (times)	12.3	11.9	14.6	11.3	10.6
Price to book multiple (times)	1.6	1.5	1.5	0.9	1.6
<b>FINANCIAL RATIOS (%)</b>					
<b>Profitability Ratios</b>					
Net interest margin on average interest-earning assets	2.5	2.7	2.7	2.8	2.8
Net return on average equity	13.6	13.0	10.5	8.6	16.8
Net return on average assets	1.3	1.2	0.9	0.8	1.4
Net return on average risk-weighted assets	2.0	1.9	1.4	1.2	2.3
Cost to income ratio	47.3	48.3	52.1	53.0	46.2 <sup>2</sup>
<b>Asset Quality Ratios</b>					
Loan loss coverage	108.5	90.1	94.4	99.7	79.9
Gross impaired loans ratio	2.4	3.3	3.8	4.5	7.0
Net impaired loans ratio	1.4 <sup>4</sup>	1.9 <sup>4</sup>	1.8	1.8	3.3
Gross loan to deposit ratio	77.8	78.8	90.6	76.4	76.3
<b>Capital Adequacy Ratios<sup>3</sup></b> <b>(after deducting proposed final dividend)</b>					
Core capital ratio	11.52	11.95	11.13	10.30	11.19
Risk-weighted capital ratio	15.22	16.09	15.40	14.65	16.06

<sup>1</sup> Tax exempt under the single tier tax system

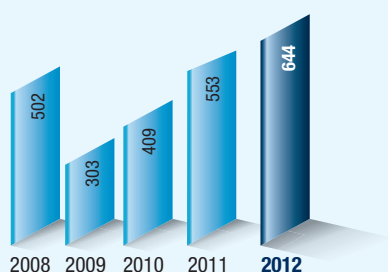
<sup>2</sup> Included once-off write-back of other operating expenses

<sup>3</sup> Computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework-Basel II with effect from 1 January 2008

<sup>4</sup> After adoption of Financial Reporting Standard (FRS) 139 loan impairment

## Improved Earnings

Profit Before Taxation and Zakat (RM million)



Net Return on Average Equity (%)

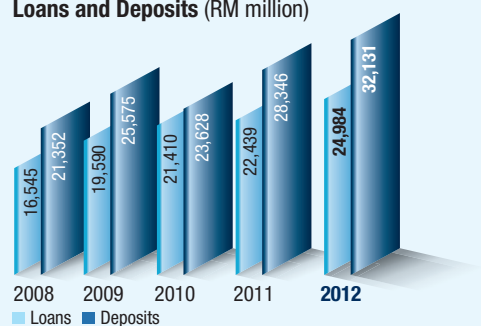


## Steady Balance Sheet Growth

Total Assets (RM million)

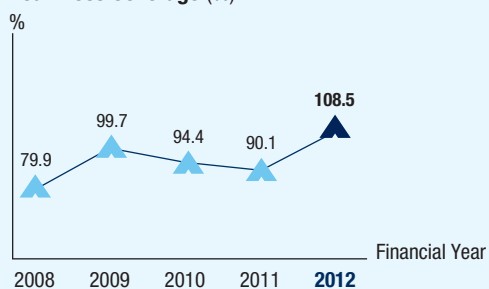


Loans and Deposits (RM million)



## Continued Improvement in Assets Quality

Loan Loss Coverage (%)

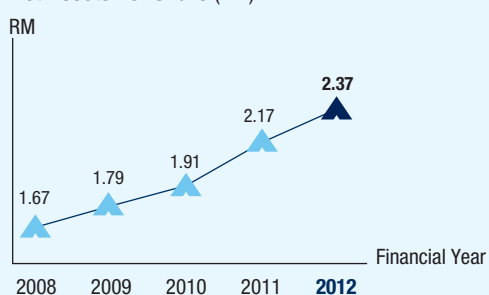


Net Impaired Loans Ratio (%)

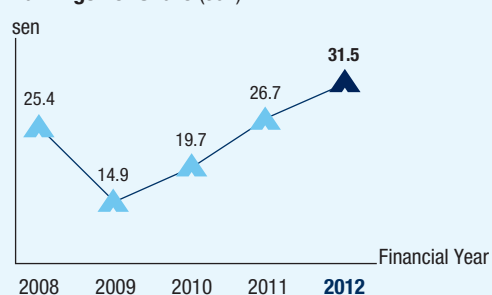


## Enhanced Shareholders Value

Net Assets Per Share (RM)



Earnings Per Share (sen)



## Directors

	1	2
3	4	5
	6	7

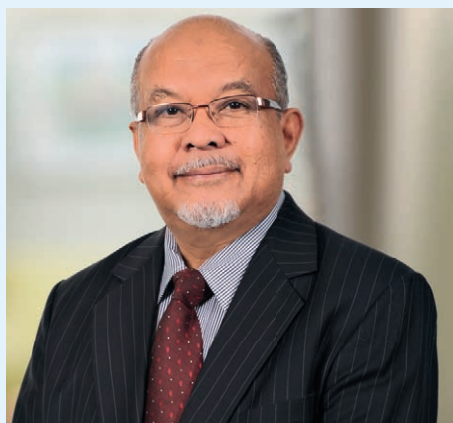
1. Datuk Oh Chong Peng
2. Dato' Thomas Mun Lung Lee
3. Stephen Geh Sim Whye
4. Tan Yuen Fah
5. Megat Dziauddin bin Megat Mahmud
6. Kung Beng Hong
7. Ou Shian Waei





8	9	10
11	12	
13	14	

8. Lee Ah Boon
9. Zakaria bin Abd Hamid
10. Kuah Hun Liang
11. Sng Seow Wah
12. Assoc. Prof. Dr Abdul Rahman bin Awang
13. Tuan Haji Md Ali bin Md Sarif
14. Phoon Siew Heng  
(Resigned from the AFG and ABMB Boards on 18 April 2012)



## Directors (cont'd)

### Datuk Oh Chong Peng

*(Chairman, Independent Non-Executive Director)  
Chairman of Nomination Committee,  
Remuneration Committee and  
Employees' Share Participating Scheme Committee*

Aged 67, a Malaysian, was appointed Chairman of the Board on 21 April 2006. He had his accountancy training in London from 1964 and qualified as a Chartered Accountant in 1969. He is a Fellow of the Institute of Chartered Accountants in England and Wales as well as a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA).

Datuk Oh joined Coopers & Lybrand (now called PricewaterhouseCoopers) in London in 1969 and in Malaysia in 1971. He was a Partner of Coopers & Lybrand Malaysia from 1974 and retired as a Senior Partner in 1997. He was with the Rashid Hussain Berhad Group of Companies between 1998 and 2003.

Datuk Oh is a Government-appointed member of the Labuan Financial Services Authority and a member of the Steering Committee of Financial Institutions Directors' Education (FIDE) Programme. He is a Council Member of Universiti Tunku Abdul Rahman (UTAR) and a trustee of the UTAR Education Foundation.

His past appointments included stints as a Government-appointed Member of the Kuala Lumpur Stock Exchange, now called Bursa Malaysia Berhad (1990-1996), member of the Malaysian Accounting Standards Board (2004-2009) as well as a Council Member (1981-2001) and President (1994-1996) of MICPA.

Datuk Oh currently sits on the Boards of British American Tobacco (Malaysia) Berhad, IJM Corporation Berhad, IJM Plantations Berhad, Kumpulan Europlus Berhad, Malayan Flour Mills Berhad, Dialog Group Berhad and several other companies.

### Dato' Thomas Mun Lung Lee

*(Senior Independent Non-Executive Director)  
Member of Nomination Committee,  
Remuneration Committee and  
Employees' Share Participating Scheme Committee*

Aged 74, a Malaysian, was appointed to the Board on 26 September 2005. He has been in legal practice as an advocate and solicitor for over 40 years. He is a barrister-at-law (England) and holds a Master of Arts (MA) and Master of Law (LLM) degrees from Cambridge University, United Kingdom (UK). He is a member of the Appeals Committee of Bursa Malaysia Berhad and the Steering Committee of FIDE Programme. He is also an arbitrator with the Court of Arbitration for Sport based in Lausanne, Switzerland.

Dato' Thomas Lee is currently a Senior Partner of Lee Hishammuddin Allen & Gledhill. He is the Chairman of Alliance Bank Malaysia Berhad (ABMB) and Alliance Investment Bank Berhad (AIBB). He also holds directorships in Chartis Malaysia Insurance Berhad, American International Assurance Berhad, AIA Takaful International Berhad, Saujana Resort (M) Berhad, AIA AFG Takaful Berhad and several other private companies.

### Stephen Geh Sim Whye

*(Independent Non-Executive Director)  
Chairman of Audit Committee and  
Member of Nomination Committee*

Aged 56, a Malaysian, was appointed to the Board on 5 May 2004. He is a Chartered Accountant with the MIA since 1987 and was admitted as a member of the MICPA in 1985.

He became a member of the Malaysian Institute of Taxation in 1992. Since 1984, he has been a practising accountant and consultant to several companies. He has wide experience in the financial management of companies involved in tin mining, oil palm and rubber plantations, manufacturing, property development and construction.

He was involved in the financial management of a number of Malaysian manufacturing and trading companies with overseas investments, besides serving as their tax adviser.

He is currently the Managing Director of GSW Consultants Sdn Bhd.

## Tan Yuen Fah

*(Independent Non-Executive Director)  
Member of Audit Committee*

Aged 67, a Singaporean, was appointed to the Board on 1 July 2005. He holds a Bachelor of Accountancy degree from the former University of Singapore and a Bachelor of Law degree from the University of Wolverhampton, UK. He also holds a Post-Graduate Diploma in Business Administration from the Manchester Business School, UK. He is a Fellow of the Institute of Certified Public Accountants of Singapore, Fellow of the Certified Practising Accountant, Australia, Fellow of The Association of Chartered Certified Accountants, UK and an Associate of the Chartered Institute of Management Accountants, UK.

Mr Tan had 11 years of experience in the commerce and industry sector prior to joining the banking and finance sector. He joined Overseas Union Bank Ltd, Singapore in 1979, holding various senior positions and retired in 2002 as Executive Vice President.

He is currently a Director of ABMB, Guthrie GTS Limited, Union (2009) Limited, Wildlife Reserves Singapore Pte Ltd, Singapore Zoological Gardens, The Jurong Bird Park Pte Ltd and the National Kidney Foundation in Singapore.

## Megat Dziauddin bin Megat Mahmud

*(Independent Non-Executive Director)  
Member of Audit Committee,  
Nomination Committee,  
Remuneration Committee and  
Employees' Share Participating Scheme Committee*

Aged 66, a Malaysian, was appointed to the Board on 26 September 2005. Tuan Haji Megat holds a Bachelor of Science (Econs) (Hons) degree from the Queen's University of Belfast, Northern Ireland, and is a Fellow of the Institute of Chartered Accountants in Ireland as well as a Chartered Accountant with the MIA.

He has more than 30 years of experience in senior managerial capacities. He had served Golden Hope Plantations Berhad as Group Director-Finance, Arab-Malaysian Merchant Bank Berhad as General Manager-Operations and subsequently as General Manager-Investment, Bank Simpanan Nasional as Finance Manager and the Accountant-General's Department as Treasury Accountant.

He currently sits on the Boards of ABMB, AIBB, Alliance Islamic Bank Berhad (AIS), Alliance Investment Management Berhad (AIMB), MNRB Holdings Berhad, MNRB Retakaful Berhad, Malaysian Reinsurance Berhad, Pernec Corporation Berhad and several private limited companies.

## Kung Beng Hong

*(Non-Independent Non-Executive Director)  
Member of Audit Committee,  
Nomination Committee,  
Remuneration Committee and  
Employees' Share Participating Scheme Committee*

Aged 67, a Malaysian, was appointed to the Board on 21 April 2006. He holds a Bachelor of Arts (Hons) degree in Economics from the University of Malaya. He is a Fellow and a Council Member of the Institute of Bankers Malaysia.

Mr Kung has 44 years working experience in the banking industry and has held numerous senior management positions, mainly in Malaysia, including CEO/Directorship positions in three banks. His experience includes positions held in Citibank N.A. in the United States and Singapore.

He is currently the Advisor of Fullerton Financial Holdings Pte Ltd and sits on the Boards of ABMB and AIBB. He also holds directorships in UOA Asset Management Sdn Bhd, Quill Motorcars Sdn Bhd, Asian Institute of Finance Berhad and FIDE Forum.

## Ou Shian Waei

*(Independent Non-Executive Director)  
Member of Audit Committee,  
Remuneration Committee and  
Employees' Share Participating Scheme Committee*

Aged 61, a Malaysian, was appointed to the Board on 1 July 2010. He holds a Bachelor of Science degree in Chemistry from the University of Malaya. Mr Ou started his career with a local bank as a management trainee from 1976 to 1980. He joined IBM Malaysia in 1981 as a trainee System Engineer and held various technical and management positions before retiring as the Managing Director of IBM Malaysia in January 2010 after almost 30 years of service.

Mr Ou was the PIKOM (Association of Malaysia Computer Industry) Councillor from 1997 to 1998 and was awarded the 'Key Industry Leader Award' in 2006 by PIKOM (now called The National ICT Association of Malaysia) for his contributions to Malaysia's IT industry. He was also the Chairman of the National International Technology Council (NITC) Taskforce for IT literacy in 1997 and Adjunct Professor for the Department of Economics & Business Administration at Universiti Putra Malaysia from 1998 to 1999.

He currently sits on the Boards of ABMB, Chartis Malaysia Insurance Berhad and HeiTech Padu Berhad.

**Directors** (cont'd)**Lee Ah Boon**

*(Non-Independent Non-Executive Director)  
Member of Nomination Committee,  
Remuneration Committee and  
Employees' Share Participating Scheme Committee*

Aged 61, a Singaporean, was appointed to the Board on 18 April 2012. He holds a Bachelor of Accounting (Hons) degree from University of Singapore.

Mr Lee is currently the Chief Operating Officer of Fullerton Financial Holdings (International) Pte Ltd overseeing the areas of operations and technology, human resources, compliance, corporate communication and special projects.

Mr Lee was with Citibank in 1990 and served in a variety of roles in the Consumer Bank in Singapore which included CFO, Senior Operations Officer, Head of Credit Card business and Business Manager. In 2005, he started up Citibank's Consumer Business in China and later returned to Singapore as Regional Operations Head of Citibank, before joining Barclays Bank in early 2009 as International Technology Head for its Global Retail and Commercial Bank businesses.

He currently sits on the Boards of ABMB, Mekong Development Bank and several other companies.

**Sng Seow Wah**

*(Non-Independent Non-Executive Director)*

Aged 53, a Singaporean, was appointed to the Board on 18 November 2010. He was appointed as Group Chief Executive Officer and Director of ABMB on 5 July 2010. He holds a Bachelor's Degree in Accountancy from the National University of Singapore, and attended the Advanced Management Programme at the Wharton School, University of Pennsylvania, U.S., as well as the Corporate and Investment Banking Programme at Macquarie University, Australia.

Mr Sng is an experienced banker with many years of leading and developing high performing organisations, in a number of well-established regional and international banks. Prior to joining ABMB, he was the Executive Vice President, Head of Human Resources, Special Projects & Corporate Communications of Fullerton Financial Holdings (International) Pte Ltd. In this capacity, Mr Sng also held several directorships across the Asian region.

From 2003 to 2008, Mr Sng was the Executive Vice President and Head of Enterprise Banking at OCBC Bank Singapore. Before OCBC, he was with Citibank Singapore as the Managing Director of the Local Corporate Group. He had also previously held senior commercial and corporate banking positions in Banque Nationale De Paris, and Westpac Banking Corporation.

Mr Sng currently sits on the Boards of AIBB and Malaysian Electronic Payment System Sdn. Bhd.

**Phoon Siew Heng**

*(Resigned on 18 April 2012)  
(Non-Independent Non-Executive Director)  
Member of Nomination Committee,  
Remuneration Committee and  
Employees' Share Participating Scheme Committee*

Aged 48, a Singaporean, was appointed to the Board on 12 July 2005. He holds a Bachelor of Economics (Hons) degree from Monash University, Australia.

Mr Phoon was a Deputy Director in the Ministry of Finance, Singapore, from 1988 to 1992 before he joined Standard Chartered Merchant Bank Asia Limited from 1992 to 1999. He was with Temasek International Pte Ltd from 1999 to September 2007, and later with Wah Hin & Co (Pte) Ltd as an Executive Advisor from January 2008 to October 2008. He rejoined Temasek in November 2008. He was transferred to Seatown Holdings International Pte Ltd on 1 January 2012.

Mr Phoon is currently the Executive Director and Chief Executive Officer of Seatown Holdings International Pte Ltd and sits on the Boards of several companies, including AIBB, Fullerton Fund Management Company Limited, Eastern Health Alliance Pte Ltd and Infocomm Development Authority of Singapore (IDA).



## Other Information of Directors

### (i) Family Relationship

None of the Directors have any family relationship with each other and/or major shareholders of the Company.

### (ii) Conflict of Interest

None of the Directors have any conflict of interest with the Company.

### (iii) List of Convictions for Offences

None of the Directors have been convicted for any offences within the past 10 years.

### (iv) Attendance of Directors at Board Meetings

There were eight Board Meetings held during the financial year ended 31 March 2012. Details of attendance of the Directors at Board Meetings are as follows:

Name of Director	Attendance
Datuk Oh Chong Peng	8/8
Dato' Thomas Mun Lung Lee	8/8
Stephen Geh Sim Whye	8/8
Tan Yuen Fah	8/8
Megat Dziauddin bin Megat Mahmud	7/8
Kung Beng Hong	8/8
Ou Shian Waei	8/8
Sng Seow Wah	8/8
Phoon Siew Heng (Resigned on 18 April 2012)	6/8
Lee Ah Boon (Appointed on 18 April 2012)	N/A

## Directors of Major Subsidiaries

### Alliance Bank Malaysia Berhad

**Dato' Thomas Mun Lung Lee**  
(Chairman/Independent  
Non-Executive Director)

**Sng Seow Wah**  
(Group Chief Executive Officer/  
Executive Director)

**Megat Dziauddin bin  
Megat Mahmud**  
(Independent Non-Executive Director)

**Kung Beng Hong**  
(Non-Independent Non-Executive Director)

**Tan Yuen Fah**  
(Independent Non-Executive Director)

**Zakaria bin Abd Hamid**  
(Independent Non-Executive Director)

**Ou Shian Waei**  
(Independent Non-Executive Director)

**Kuah Hun Liang**  
(Appointed on 15 December 2011)  
(Independent Non-Executive Director)

**Lee Ah Boon**  
(Appointed on 18 April 2012)  
(Non-Independent Non-Executive Director)

**Chua Eng Kee**  
(Retired on 28 January 2012)  
(Independent Non-Executive Director)

**Phoon Siew Heng**  
(Resigned on 18 April 2012)  
(Non-Independent Non-Executive Director)

### Alliance Investment Bank Berhad

**Dato' Thomas Mun Lung Lee**  
(Chairman/Independent  
Non-Executive Director)

**Megat Dziauddin bin  
Megat Mahmud**  
(Independent Non-Executive Director)

**Phoon Siew Heng**  
(Non-Independent Non-Executive Director)

**Zakaria bin Abd Hamid**  
(Independent Non-Executive Director)

**Kung Beng Hong**  
(Non-Independent Non-Executive Director)

**Kuah Hun Liang**  
(Independent Non-Executive Director)

**Sng Seow Wah**  
(Appointed on 20 July 2011)  
(Non-Independent Non-Executive Director)

**Tee Kim Chan**  
(Retired on 26 July 2011)  
(Non-Independent Non-Executive Director)

### Alliance Islamic Bank Berhad

**Megat Dziauddin bin  
Megat Mahmud**  
(Chairman/Independent  
Non-Executive Director)

**Tuan Haji Yahya bin Ibrahim**  
(Chief Executive Officer/  
Executive Director)

**Zakaria bin Abd Hamid**  
(Independent Non-Executive Director)

**Assoc. Prof. Dr Abdul Rahman  
bin Awang**  
(Independent Non-Executive Director)

**Tuan Haji Md Ali bin Md Sarif**  
(Independent Non-Executive Director)

### **Zakaria bin Abd Hamid**

Aged 59, a Malaysian, was appointed to the Board of ABMB on 24 April 2009. Encik Zakaria possesses a Bachelor of Economics degree from the University of Malaya. He has over 33 years of experience in banking, corporate finance and advisory services.

Encik Zakaria has held senior positions in various organisations including Maybank Berhad, Bumiputra Merchant Bankers Berhad, Technology Resources Industries Berhad, Malaysia Helicopters Services Berhad, Natwide Group of Companies and KYM Holdings Berhad.

He currently sits on the Boards of AIBB, AIS and ICB Financial Group Holdings AG.

### **Kuah Hun Liang**

Aged 50, a Malaysian, was appointed to the Board of ABMB on 15 December 2011.

Mr Kuah has over 28 years of experience in the financial services' industry having commenced his career in Public Bank. He later joined Deutsche Bank AG as Treasurer and was subsequently promoted as Head of Global Markets when the bank ventured into investment banking. Mr Kuah was appointed Executive Director of Deutsche Bank (M) Berhad in 2000 and in 2002, he assumed the role and responsibilities of Chief Executive Officer.

A graduate from the University of East London with a Bachelor of Science (Hons) degree in Applied Economics, Mr Kuah was also the former Treasurer and Director of the Malaysian-German Chamber of Commerce and former Chairman of the Star Publications (Malaysia) Berhad.

Mr Kuah currently sits on the Boards of AIBB, AIMB and Rexit Berhad.

### **Assoc. Prof. Dr Abdul Rahman bin Awang**

Aged 66, a Malaysian, was appointed to the Board of AIS on 11 February 2011. He brings with him more than 30 years of experience in Islamic law whilst serving in various universities in Malaysia. He is currently an Associate Professor at the Department of Islamic Law, Ahmad Ibrahim Faculty of Laws at International Islamic University Malaysia.

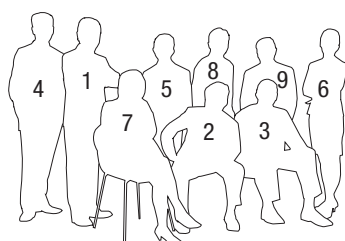
Dr Abdul Rahman holds a PhD in Islamic Law from the University of Edinburgh, United Kingdom and has obtained a Master of Laws (Comparative Laws) from Temple University, Philadelphia, as well as a Shariah and Law degree from Al-Azhar, University of Cairo, Egypt.

### **Tuan Haji Md Ali bin Md Sarif**

Aged 58, a Malaysian, was appointed to the Board of AIS on 23 March 2011. He is currently a distinguished academic fellow of the Institute of Islamic Banking and Finance (IIBF), International Islamic University Malaysia. Prior to joining IIBF in 2008, he was with Maybank Group from 1976, holding various senior positions until his retirement as Head of Planning, Maybank Islamic Berhad. He has extensive experience in the areas of Islamic Banking, Corporate Planning, Asset & Liability Management as well as Banking Operations.

Tuan Haji Md Ali holds a Bachelor of Economics degree from the University of Malaya and an MBA (Finance) from University Kebangsaan Malaysia (UKM). He also holds a Diploma in Islamic Studies and a Post-Graduate Diploma in Islamic Law from UKM.

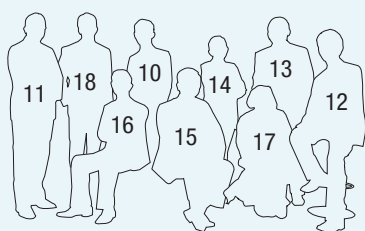
## Senior Management



1. **Sng Seow Wah**  
Group Chief Executive Officer
2. **Ronnie Lim Kheng Swee**  
Head, Consumer Banking
3. **Steve K. Miller**  
Head, SME Banking
4. **Choo Joon Keong**  
Head, Wholesale Banking
5. **Yeo Chin Tiong**  
Head, Financial Markets
6. **Leong Sow Yoke**  
Group Chief Internal Auditor
7. **Chew Siew Suan**  
Head, Group Human Resource
8. **Victor Khor Eng Swee**  
Head, Group Transaction Banking and Alternate Channels
9. **Yong Kok Mun**  
Head, Branch Banking, Service and Process Management







10. Rafidz Rasiddi  
Chief Executive Officer,  
Alliance Investment Bank Berhad

11. Tuan Haji Yahya bin Ibrahim  
Chief Executive Officer,  
Alliance Islamic Bank Berhad

12. Raymond Leung Chun-Kow  
Group Chief Operating Officer

13. Eric Lee  
Group Chief Financial Officer

14. Amarjeet Kaur  
Head, Group Corporate Strategy  
and Development

15. Pang Choon Han  
Group Chief Risk Officer

16. Andrew Chow Thim Kwong  
Group Chief Credit Officer

17. Mary James  
Group Chief Information Officer

18. Lee Wei Yen  
Group Company Secretary



# DELIVERING V





# LUE

We continue to build long-term shareholder value by balancing risks with rewards, improving our asset quality and leveraging on the strengths of our niche lines of business to deliver sustainable growth.



# Statement by Chairman of Alliance Financial Group Berhad



## Dear Shareholders

**I am pleased to present the Annual Report of the Alliance Financial Group Berhad for the financial year ended 31 March 2012, which was another year of profitable growth for the Group driven by the momentum from the strategic rebalancing of our banking business in January 2011. Understanding the real needs of our customers has been a critical component of this success. The Group continues to make great strides despite the industry's increasing competition and the challenging economic environment; it is now stronger than ever and poised for more exciting growth ahead.**

### Operating Environment

2011 proved to be a challenging year across all sectors. While the global economy remained fragile in the past year due to natural disasters, political unrests and markets in turmoil, Asia's economy continues to demonstrate its resilience against macroeconomic headwinds, in part due to its robust financial balance sheets. Against this background, the Malaysian economy rose 5.1% underpinned by strong domestic demand.

At Alliance, we remained steadfast in building revenue across all business units, serving our customers with excellence and capitalising on new growth opportunities to increase non-interest income.

### Performance Review

Profit before tax rose 16.4% to RM643.6 million. After setting aside taxation, profit attributable to shareholders was up 17.3% at RM479.8 million, yet another record performance from the previous high of RM409.2 million the year before. Return on equity rose 13.6% from 13.0% in the previous year while return on assets improved to 1.3%. Earnings per share were up 18.0% at 31.5 sen.

Arising from the expansion in the loans portfolio, net interest income and income from Islamic banking operations rose by 3.0% to RM930.2 million. Non-interest income, however, expanded on a much faster rate of 20.2% due to recurring transaction income to 26.8% from 20.8% a year ago. Loans growth was up by 11.3% to RM25.0 billion and deposits grew 13.4% to RM32.1 billion. Our loans-to-deposit ratio remained healthy at 77.8% compared to 78.8% last year. Prudent risk management further improved impaired loans ratio from 3.3% to 2.4% and is within the banking industry average levels. Loan loss coverage improved from 90.1% to 108.5%.

In view of the expansion in business operations and information technology infrastructure investment to support future growth, operating costs increased moderately by 8.6% to RM591.8 million. We further improved the cost-to-income ratio to 47.3% compared to 48.3% last year.

As at 31 March 2012, our total assets rose 9.8% to RM39.6 billion. Our capital position remained strong with Risk-Weighted Capital Ratio at 15.2%, well above regulatory and Basel III requirements while the Core Capital Ratio of 11.5% reflects continued sound capital management.



All this resulted in our market capitalisation improving to over RM6.0 billion. AFG was the largest gainer in the Financial sector on Bursa Securities in 2011 with its share price rising more than 30%, outperforming the KL Financial Index.

## Dividends

The Group declared a total dividend of 13.3 sen per share, a significant increase from 7.0 sen the year before. The first interim dividend of 5.6 sen per share was paid on 26 August 2011 and the second interim dividend of 7.7 sen per share was paid on 28 February 2012. The total distribution for the financial year ended 2012 amounted to RM203.2 million, equivalent to a dividend payout ratio of 42.3% of the Group's net profit.

I wish to inform that the Group will henceforth adopt a dividend policy of paying up to 50% of its net profit as dividend to shareholders, subject to regulatory approvals.

## Corporate Development

A key corporate development during the year was the formalisation of the eight-year bancassurance agreement between Alliance Bank Malaysia Berhad and AIA Bhd, to market conventional life insurance protection and savings products developed by AIA. This is our second collaboration with AIA after a joint venture signed in January 2011 to offer Takaful insurance. The collaboration with AIA is part of the Bank's strategy to expand the range of products in our wealth management business.

## Promising Outlook

For 2012, economic growth in the country is expected to moderate in view of the lingering eurozone debt crisis. While the weaker global demand may dampen Malaysian exports in the year ahead, private sector investments and consumer spending are expected to support gross domestic product of between 4% and 5%.

The outlook for the Malaysian banking industry is expected to remain positive given the underlying strengths of the domestic economy and the accelerated roll out of various projects under the government's Economic Transformation Programme (ETP). The ETP projects will continue to have a knock-on effect on the economy and support corporate loans growth and capital market activities. All these bode well for both Consumer and Business Banking; these segments will continue to be strong growth drivers for the Group.

We have already made significant headway in tapping into the higher level of demand for financing and transaction banking activities arising from sectors targeted under the ETP and 10th Malaysia Plan. Our proven expertise in the identified sectors such as construction, oil palm plantation, real estate, retail and education will be a key differentiator and generate more prospects to grow non-interest income.

Given the vital roles of both the Consumer and SME market in the growth of the Malaysian economy, we will continue to align our resources to capture greater market share and build long term business relationships.

We are now on a strong platform to move into the next financial year in an increasingly competitive environment. Alliance Bank will capitalise on our market position as a significantly improved player, our clear niche in Consumer and Business Banking, strong capital and good asset quality. We will build on the momentum of the past year to capture new business opportunities and strengthen our leadership position in targeted markets and product segments.

In particular, we will further expand our transaction banking, cash management, treasury sales, wealth management and investment banking businesses to build sustainable long-term revenue growth. We will also continue to invest and upgrade our technology, infrastructure and human capital, to enhance our capabilities to serve our customers more effectively and efficiently, as well as step up to higher productivity with effective cost management.

Amidst all this, we will also remain mindful of the uncertain operating environment and undertake the necessary measures to reinforce prudent and effective balance sheet management strategies to mitigate risks while remaining flexible to market changes.

## Corporate Responsibility

In making strides towards our goal of becoming "The Best Customer Service Bank in Malaysia", we are equally committed to the well-being of the communities we serve. During the year, we contributed in a variety of meaningful ways to help underprivileged homes and non-government charities. Our employees have been remarkable volunteers in giving their time and skills to help needy causes we support.

## Acknowledgements

I am proud of the dedication of our employees and would like to thank them for their increasingly excellent service rendered to customers to reinforce the Alliance brand. The Group will continue to gain employees' feedback on what we can do to make the workplace even better and enhance their professional development with exciting career development opportunities and training.

On behalf of the Board and Management, I would like to thank Mr Phoon Siew Heng who retired from the Board on 18 April 2012 after seven years of valuable contribution to the Group, and to welcome Mr Lee Ah Boon who was appointed as a Board Member of the Group, also on 18 April 2012.

I would also like to take this opportunity to thank all our stakeholders and customers for their loyal support, Bank Negara Malaysia, Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other regulatory authorities for their continual guidance, as well as fellow directors for their wise counsel and insights.

### DATUK OH CHONG PENG

*Chairman, Alliance Financial Group Berhad*

## Statement by Chairman of Alliance Bank Malaysia Berhad



**I am pleased to report that despite the challenging global economic conditions in 2011, Alliance Bank Malaysia Berhad delivered to shareholders higher profits for the financial year ended 31 March 2012. Profit after taxation rose by 16.6% to RM484.3 million, and our return on equity further improved to 14.0%. We continued to focus on organic growth and better asset quality to further consolidate our position in the financial services industry. Our loans portfolio expanded by 11.3%, and our net impaired loans ratio declined to 1.4%, whilst the loan loss coverage rose to 108.5%, from financial year ended 31 March 2011. Today, Alliance Bank is better positioned to capitalise on market opportunities and deliver profitable growth in a sustainable manner.**

### The Year In Review

2011 continued to bring with it new challenges and stresses in the international financial markets. Given the extensive trade links, Malaysia was not immune from the global forces of contraction following the downgrade of the US sovereign credit ratings, the eurozone debt crisis and the Middle East geopolitical tensions, as well as the earthquake that shook Japan. However, we have been fortunate that the Government has reacted with speed and decisiveness in the accelerated implementation of various Entry Point Projects under its Economic Transformation Programme and ensured an accommodative monetary policy. As a result, the Malaysian economy expanded by 5.1%, a healthy outcome under the circumstances, considering the fact that the world's gross domestic product declined to 3.8% in 2011.

### Our Business Performance

Against this background, the Bank's results for the financial year ended 31 March 2012 were satisfactory, as the Bank remained steadfast in the implementation of its business strategy of focusing on Consumer and Business Banking, as well as relentless pursuit of customer service excellence.

We enjoyed solid growth of 11.3% in loans to RM25.0 billion, and outperformed the industry, gaining greater market share in key segments of housing and SME financing. Customer deposits increased by 10.9% to RM32.2 billion as at end-March 2012, and the loans-to-deposits ratio was maintained at 77.7%.

Revenues from non-interest income activities rose 41.9% or RM94.6 million in line with the focus on recurring fee income from treasury sales and wealth management, as well as product bundling and cross-selling of products and services. The non-interest income ratio has risen to 26.8%, from 20.7% a year ago.

During the year, we continued to upgrade our technology infrastructure, streamlined our branch processes and enhanced service quality and operational efficiency across all touch points in an effort to drive higher productivity and efficiency. Our efforts in re-engineering our front and back office operations, and aligning the organisation structure have resulted in significant improvements in sales productivity and service delivery, with better turnaround time for underwriting, over-the-counter service, and complaint resolution, as well as the drop in the cost-to-income ratio to 47.0%.

## Preparing For Tomorrow's Growth

We embarked on various initiatives to deepen and strengthen our client relationships through the customer segmentation model. We are mindful that to grow and stay relevant, the Bank must be highly disciplined and focused on its long term competitiveness to deliver an unsurpassed customer service to achieve its vision to be "The Best Customer Service Bank in Malaysia".

Our value proposition is based on building long-term relationships with our customers by:

- Understanding and meeting our customers' needs and expectations at every stage of their financial life cycle.
- Recognising and serving our customers as individuals, each with their own personal needs and preferences, by delivering on our brand promise, *Banking Made Personal*.
- Offering a full suite of products, services and solutions relevant to the needs of our customers.

I am encouraged that the success of our initiative to develop a new level of customer experience is already becoming evident, with the Bank winning the coveted "Excellence in SME Banking" award from the global research consultancy, IDC Financial Insights.

## Challenges Ahead and Strategic Priorities

While we continue to build on this success and pursue expansion plans to ensure sustainable growth, we are also mindful of the changing dynamics in the industry and the need for stronger and more resilient banks that can face up to new banking realities of increased regulations and complexity of risks. In this regard, we are more agile and nimble in responding to the changes in the market place and exploiting opportunities that come our way. Hence, moving forward from a position of strength, the Bank's three key strategic priorities for the financial year ending 31 March 2013 are:

- To build a consistent and sustainable financial performance by growing our core businesses of Consumer and Business Banking, while pursuing fresh opportunities in new areas which include, amongst others, wealth management, treasury sales and bancassurance. We will also continue to reinforce our prudent, effective balance sheet management strategies and integrated risk management and governance to sustain profitability.
- To be Malaysia's "Best Customer Service Bank" within the next few years by building on our brand promise, *Banking Made Personal*, through improvement of processes and the quality of our service.



- To develop "Engaged Employees with the Right Values" by redefining our core values and strengthening our performance management systems to create a culture which rewards staff for their hard work, creativity and team work.

*A detailed report is contained in the Review by the Group Chief Executive Officer.*

## Acknowledgements

On behalf of the Board of Directors, I would like to thank our shareholders, our growing number of customers, stakeholders and business partners for their support and confidence in the Bank.

I would also like to thank my fellow directors of Alliance Bank for their great support and hard work.

To Datuk Oh Chong Peng and the Board of Directors of our holding company, Alliance Financial Group Berhad, I would like to place on record my sincere appreciation for their insights, advice and support.

Three directors have left during the year, Mr Tee Kim Chan, Mr Chua Eng Kee and Mr Phoon Siew Heng, and I would like to thank them for their past services. During the year, Mr Kuah Hun Liang and Mr Lee Ah Boon joined the Board, and I would like to welcome them both.

I would also like to express my sincere thanks and gratitude to Bank Negara Malaysia, Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other government agencies and regulatory authorities for their continual support, guidance and assistance.

I believe that with the growth momentum supported by a strong balance sheet and proven business model, driven by a strong and united team, Alliance Bank will continue to deliver increasing returns to all our stakeholders. We look forward to the new financial year with optimism.

### DATO' THOMAS MUN LUNG LEE

*Chairman, Alliance Bank Malaysia Berhad*



# ENH







# NCING

## EXPERIENCES

Through customer-centric innovation, the provision of delightful experiences and the expansion of delivery channels, we aim to build “The Best Customer Service Bank in Malaysia”.

## Business and Operations Review

### By Group Chief Executive Officer of Alliance Bank Malaysia Berhad



**For the Alliance Bank Group, financial year ended 31 March 2012 was an exciting year. We stayed focused on executing the strategic initiatives and delivered net profit after tax of RM484.3 million and return on equity of 14.0%, the highest in recent years.**

We delivered another record performance for financial year ended 31 March 2012 (FY2012), underpinned by strong growth in non-interest income and better asset quality as well as a disciplined approach to risk and financial management. We also enhanced our franchise value by expanding the scale of our business operations, while simultaneously laying the groundwork for new initiatives for the future.

#### Achieving Growth

Malaysia has been quite well insulated from the financial and economic turmoil of the eurozone debt crisis and natural disasters. Although these uncertainties have not impacted business confidence in the country, the global macro-economic conditions, coupled with further consolidation within the banking industry and heightened competition, contributed to a tough operating environment. Taking these challenges in its stride, we remained focused on the execution of our strategic plans and initiatives, leveraging on synergies inherent within the Group to deliver higher earnings.

We began FY2012 by outlining the Group's medium term aspirations for the financial performance metrics:

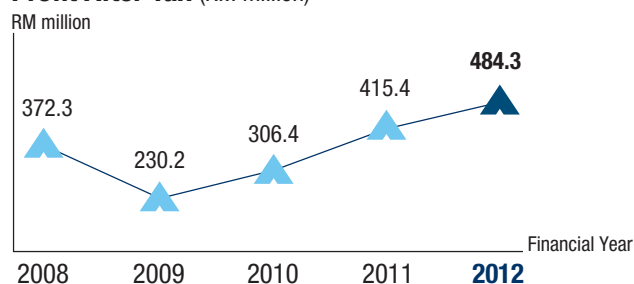
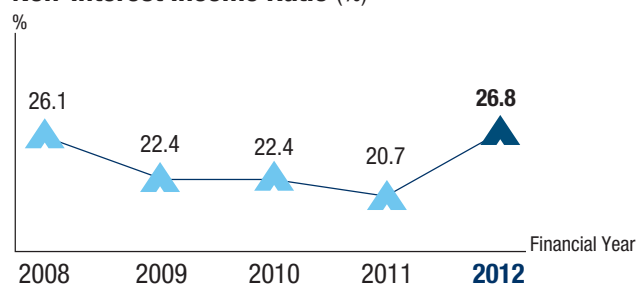
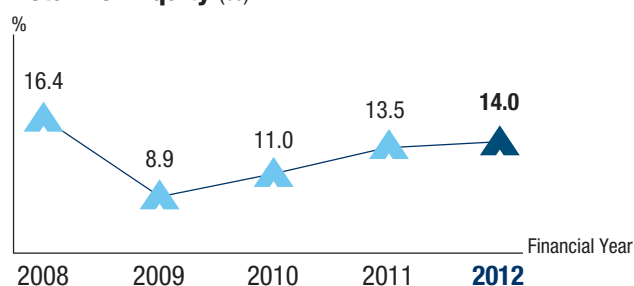
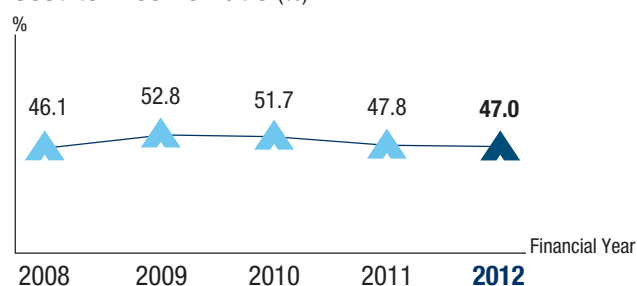
- To achieve asset quality that is better than industry average;
- To increase non-interest income to 30% of total revenue;
- To reduce cost-to-income ratio through targeted revenue growth and improved productivity; and
- To achieve return on equity that is comparable to the industry average of between 14% and 16% by focusing on underlying earnings momentum and effective capital management.

We are pleased to inform that the Bank is on the right track towards achieving our medium term aspirations, and building "The Best Customer Service Bank in Malaysia" as reflected by the recent customer satisfaction survey results, sound financial performance, and well-diversified and sustainable growth.

#### Financial Performance

We registered our best ever financial performance in recent years with a record net profit after tax of RM484.3 million, representing a 16.6% year-on-year growth and our highest ever return on equity of 14.0%. The following figures highlight the performance summary of the Group for the financial year.

Profit Growth	<ul style="list-style-type: none"> <li>Record net profit at RM484.3 million, up 16.6% year-on-year, driven by increase in non-interest income and lower impairment charges.</li> <li>Return on equity at 14.0%, up from 13.5% a year ago.</li> </ul>
Business Expansion	<ul style="list-style-type: none"> <li>Total assets expanded to RM39.6 billion or 9.8% year-on-year.</li> <li>Gross loans growth of 11.3% to RM25.0 billion, underpinned by expansion in mortgage loans and SME lending.</li> <li>Deposit growth of 10.9% to RM32.2 billion.</li> <li>Non-interest income expanded by 41.9% to RM320.3 million from RM225.7 million a year ago. Non-interest income ratio improved to 26.8% from 20.7% previously.</li> <li>Current Account Savings Account ratio maintained at 33.7%.</li> </ul>
Productivity	<ul style="list-style-type: none"> <li>Cost-to-income ratio dropped to 47.0%, from 47.8% a year earlier, reflecting our increased emphasis on cost management initiatives.</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>Liquid balance sheet, with loans to deposits ratio maintained at 77.7%.</li> <li>Net impaired loans ratio continued to improve to 1.4%, from 1.9% in FY2011, due to better underwriting standards and intensified collection efforts.</li> <li>Loan loss coverage rose to 108.5% from 90.1% previously, as the Bank had set aside collective provisions under Bank Negara Malaysia's transitional provision for FRS139 adoption.</li> </ul>
Capital Management	<ul style="list-style-type: none"> <li>Risk-weighted capital ratio stood at 15.2%, while Tier One capital ratio is at 11.5%, well above regulatory and Basel III requirements.</li> </ul>

**Profit After Tax (RM million)****Non-Interest Income Ratio (%)****Return on Equity (%)****Cost-to-Income Ratio (%)**

## Business and Operations Review

By Group Chief Executive Officer of Alliance Bank Malaysia Berhad (cont'd)

## Financial Performance

	FY2011	FY2012	Change %
<b>Profitability / Efficiency Ratios</b>			
Return on Equity	13.5%	14.0%	+0.5%
Return on Assets	1.2%	1.3%	+0.1%
Non-Interest Income Ratio	20.7%	26.8%	+5.5%
Cost-to-Income Ratio	47.8%	47.0%	+0.8%
<b>Asset Quality</b>			
Gross Impaired Loans	3.3%	2.4%	+0.9%
Loan Loss Coverage Ratio	90.1%	108.5%	+18.4%
<b>Liquidity &amp; Capital Ratios</b>			
CASA Ratio	33.3%	33.7%	+0.4%
Loan to Deposit Ratio	77.0%	77.7%	+0.7%
Risk-Weighted Capital Ratio	16.1%	15.2%	-0.9%
Core Capital Ratio	12.0%	11.5%	-0.5%

	FY2011	FY2012	Change	Change %
<b>Summarised Income Statement (RM million)</b>				
Net Interest & Islamic Banking Income	906.1	931.4	25.3	+2.8%
Non-Interest Income	225.7	320.3	94.6	+41.9%
Net Income	1,131.8	1,251.7	119.9	+10.6%
Operating Expenses	541.7	588.8	47.1	+8.7%
Net Profit After Taxation	415.4	484.3	68.9	+16.6%
<b>Summarised Balance Sheet (RM billion)</b>				
Net Loans, Advances and Financing	21.8	24.4	2.6	+11.8%
Investment and Dealing Securities	12.1	11.4	0.7	-6.1%
Deposits from Customers	29.0	32.2	3.2	+10.9%
Total Assets	36.0	39.6	3.6	+9.8%

Note: '+' indicates improvement in performance.

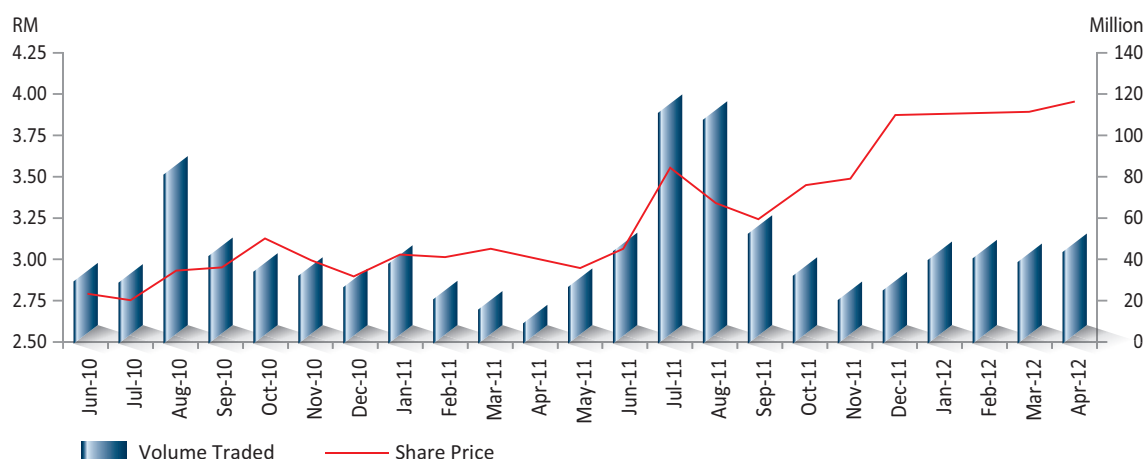
## A Greater Shareholder Value Creation

The intrinsic value of the Bank strengthened in tandem, with earnings per share seeing a 15.7% year-on-year expansion to 81 sen. Net asset per share rose 10.6% to RM3.64, against RM3.29 last financial year.

Arising from the improved financial performance, at the close of FY2012, the share price of the holding company,

Alliance Financial Group Berhad (AFG), was RM3.89 per share, up 22.7% against RM3.17 on 31 March 2011, and it outperformed the Kuala Lumpur Composite Index. In fact, in calendar year 2011, AFG was the top performing financial stock, garnering an overall increase in market capitalisation of 22.7% to RM6.0 billion and moving up the ranking to be the 43rd largest company on Bursa Securities as at end-December 2011.

## AFG Share Price and Volume





## Business Performance

Building on the momentum established, the Bank's priorities for the year were focused on:

- Ensuring broad revenue growth, both interest income and non-interest income, across all areas of the Bank, through bundling and cross-selling of innovative products and services offered by the various lines of business, such as Consumer Banking, SME Banking, Wholesale Banking and Financial Markets;
- Enhancing our customers' overall service experience with us by building strong and enduring relationships with our customers and providing them with fast, simple and convenient service by leveraging on our Customer Relationship Management system and process re-engineering initiatives; and
- Strengthening our human capital and reinforcing our core values, as the successful execution of the Bank's plans depends on the combined knowledge, skills and commitment of our people.

The success of these strategies is clearly evident in the business volume expansion as we successfully leveraged our streamlined business processes, the efficiency of our operating model as well as the introduction of new products and opportunities to drum up our Consumer and SME businesses in difficult market conditions. Hence, we actually achieved our best-ever gross loans growth to date of 11.3%, compared to 4.8% in previous year, outperforming the banking industry growth of 10.9%. The total gross loans outstanding expanded by RM2.5 billion during the year, and our market share rose to 2.5%.

Concurrently, we also continued to mobilise more deposits from our cross-selling initiatives, with customer deposits increasing by RM3.2 billion (10.9%) to RM32.2 billion during the year. We have also successfully built a diversified and loyal deposits base.



## Consumer Banking

Consumer Banking contributed RM185.2 million, or 25%, of the Bank's pre-tax profit, driven by improved cross-selling activities and new wealth management products.

The Bank also continued with the Customer Segmentation model launched in 2010 to be more customer-centric, giving priority to strengthening service and product propositions that cater to customers' lifestyle needs. We focused on two broad market segments, the mass market and mass affluent segments, to offer multi-channel banking experience.

We also focused on developing a liability-led business, enhancing our distribution channels and launching deposit campaigns. We continued to rebalance our deposits portfolio with better quality current and savings accounts (CASA). As a result, the CASA ratio improved to 34%, from 32% in the previous year.

### Mortgage Loans

In lending activities, the priority was on the expansion of the mortgage lending portfolio, as the Bank strived to capitalise on the improved market sentiment for new housing projects. During the year, total new housing loans approved amounted to RM4.8 billion.

The success was due mainly to:

- an increase in our in-house direct sales force, tie-ups with top developers for end-financing projects, and working closely with direct sales agencies; and
- offering competitive and value added Home Loan products via relationship pricing, product bundling and innovative product development to cater to different needs of the customers, such as first-time home buyers, upgraders, re-financiers, or investors.

The Bank also actively supported the Government's aspirations of affordable housing under the 1Malaysia Housing Programme and My First Home Scheme.

Besides having a robust integrated risk management framework for optimisation of credit quality management, we also integrated and streamlined our credit functions in loan processing to further reduce the turnaround time to customers.

### Credit Cards

Cards contributed 13% of Consumer Banking's revenue and 5% of the total loans outstanding. The revenue was derived mainly from fees, reflecting the increase in credit card base and merchant network, as well as rising spend on business platinum cards.

## Business and Operations Review

By Group Chief Executive Officer of Alliance Bank Malaysia Berhad (cont'd)

### Hire Purchase

The hire purchase loans portfolio accounts for 2.0% of the Bank's total loan portfolio. The Bank has recently undertaken a strategic review of the dynamics of the hire purchase business and concluded that there is scope to build scale in the car financing market.

The Bank will expand its hire purchase centres network and streamline the work processes as well as strengthen the relationship with car distributors.

### Personal Loans

The revenue contribution to Consumer Banking was relatively unchanged at 17% for the past two years, as the Bank continued to emphasise on higher yielding Personal Loans, which expanded by 15% in FY2012.

A robust credit risk framework has enabled the Personal Loans business to keep its impaired loans ratio at less than 1%, compared to the industry average of 2%.

### Wealth Management

We enhanced our wealth management business to contribute to greater income diversification for the Bank. Our focus was on strengthening product development capabilities and wealth management propositions, to offer a suite of products tailored to meet customers' risk profiles and requirements. New wealth management products that reflected the prevailing market sentiments include high yield bonds, gold structures and capital guaranteed investment-linked insurance plans.

The Bank's wealth advisory platform has been enhanced with the roll-out of bundled products and the formation of a specialist team comprising investment counselors, treasury and insurance specialists to deliver high levels of expert advice and service to customers.

### Unit Trusts and Stockbroking

Arising from the global market volatility, most retail investors preferred simple investment products for capital preservation and regular income stream. In response to this customer need, the Bank introduced several fixed income and dividend-based funds, resulting in the doubling of the average monthly Unit Trust sales volume during the year.

The Bank has engaged an independent licensed investment advisor to undertake regular fund reviews and to provide up-to-date analysis and recommended portfolio modeling via asset allocation strategies, in order to enable customers to make the right investment decisions.

The Bank has also introduced a variant called Investment Lending as a yield-enhancement and wealth-building strategy for share trading and margin financing customers. In addition to domestic equities, other underlying assets that are acceptable include unit trusts, structured investments and bonds. The Bank's first Investment Margin Financing product was launched in February 2012 as a closed-ended Unit Trust Fund.

To tap into the growing demand for Structured Investment products, the Bank also launched two interest-rate linked investment products during the year. The Bank will continue to diversify the range of structured investment products to cater to the needs of investors in different market conditions.

### Bancassurance

Bancassurance revenue increased to RM20.3 million during the year arising from the introduction of new products. In 2011, the Bank launched two innovative regular premium products which generated strong sales – the Alliance Income Saver in May 2011 and the FutureSave in October 2011. Another product which was popular was the Secure Plus, a unique return-guaranteed high yield single premium plan.

Bancassurance continues to leverage on alternative channels to expand its customer reach. This includes the insurance partners conducting telemarketing and Internet marketing, as well as the mobile sales teams and the insurance specialists offering a full range of comprehensive products to cater to customers' insurance needs and to provide financial protection advisory services.

The Bank further strengthened its relationship with AIA Bhd (AIA) when it formalised an eight-year arrangement with AIA to offer its customers conventional life insurance products via the Bank's branches and other alternative delivery channels. This arrangement further complements the joint-venture established in January 2011 to offer Takaful insurance products.

We are confident that AIA's proven track record and professional expertise in developing innovative and comprehensive financial protection solutions, complemented by the Bank's distribution network will benefit our customers.



## Deposits

The Consumer Banking deposits portfolio increased by RM400 million to RM15.9 billion. The Hybrid Account remained our best-selling deposits product, benefiting customers as it combines the high-yield current or savings account together with the Alliance Debit Master Card.

During the year, the Bank reviewed the interest rates to increase market competitiveness and reduce overall cost of funds by mobilising more CASA. These efforts have been reflected in the improvement of the Bank's CASA to total deposits ratio to 34%, compared with 32% in the last financial year. We will continue to drive flagship deposits products through customer relationships and strategic marketing. A key part of our strategy in deposits gathering, going forward, is through the enhancement of transactional capabilities and experience for our customers.



## Transaction Banking

In line with providing customers with the latest tools to conduct their transactions, the Bank embarked on the implementation of a new Internet Banking platform with enhanced features and new customer-centric processes. The new platform, to be rolled out in the second half of 2012, features:

- better customer experience with shorter turnaround time;
- new wealth management capabilities for customers to better manage their savings and investments while keeping track of any liabilities; and
- refreshed easy-to-use interface coupled with powerful transactional and security features in line with today's industry standards.

In addition, the functionalities and features of the recently implemented Customer Relationship Management solution enable the Bank to serve its customers much better and deliver higher sales productivity, as it now has a "single customer view" of the customer's total relationship with the Bank.

## Direct Marketing

Alliance Direct Marketing remains a primary distribution channel for the Bank's core consumer products such as mortgages, personal loans and credit cards. During the year, despite intensified competition, it contributed 50% of total mortgage loan sales, 19% of total new credit card acquisitions and 73% of total personal loans.

## SME Banking

The small and medium enterprise (SME) segment remained a core focus of the Bank, contributing 15.8% of the Bank's profit before tax. The positive impact from SME Banking's strategic initiatives is evident from the loans growth of 15.8% and deposit growth of 15.9%, with the number of new-to-bank Business Current Account expanding by 50% year-on-year.



Our customer loyalty rating continues to improve, with key indicators that measure customers' likelihood to recommend us to other SMEs continuing to be significantly higher than the industry benchmark.

## Enhancing Customer Relationship and Growth

Given the rising prominence of the SME segment in the economy, the Bank has strategically aligned its resources to capture greater market share and growth, with its 30 SME Business Centres across the country. In the past year, SME Banking has undertaken a number of strategic initiatives to transform its customer relationship and growth model, with a customer value proposition of "Your Trusted Partner in Growth". Our strategic direction is to differentiate, via unrivalled customer experience, to be the "Best SME Bank in Malaysia".

## The Power of Advanced Analytics

Our relationship management model goes back to the fundamentals of personalised, long-term relationships serving customers through the different life-stages of their business. By combining this with the power of advanced analytics and the newly-deployed Customer Relationship Management system, we were able to understand our customers' needs better and offer the right product to the right customer.



## Business and Operations Review

By Group Chief Executive Officer of Alliance Bank Malaysia Berhad (cont'd)

### Build New Connections, Strengthen Existing Ones

In keeping with our *Banking Made Personal* proposition, we implemented several 'Wow' service initiatives such as networking sessions and joint events with key customers to help drive business opportunities for them, while helping other customers establish meaningful business connections.

To champion the cause of the SME community, we have also provided educational support to emerging segments such as the Women Entrepreneurs Forum, and teamed up with local chambers of commerce in various forums and seminars to discuss business opportunities and challenges.



### Well-rounded SME Bankers

We continued to invest in the professional development of our staff, for example, via structured learning roadmaps, to build a core team who is strong in technical and inter-personal skills to serve our customers effectively in the long term.

### Proactive Risk Management Approach

We use a state-of-the-art programme lending model to achieve quick credit turnaround time of less than one week, compared to the industry average of two weeks. We also proactively monitor risk via data analytics to identify key triggers and behavioral changes so that early corrective action can be taken.



### Innovative Solutions

Alliance SME is the first bank in Malaysia to launch the Picture Business Credit Card (MyBusiness Platinum Card) that enables SMEs to feature an image of their business on the face of the card. The card also provides various payment flexibility and cost savings features and facilities.

One of the innovative campaigns launched was the "Free Banking for 1 Year" Business Current Account, where new account holders get to enjoy fee waivers for a year, for transactions performed via Alliance Online Banking.

### Wholesale Banking

Wholesale Banking contributed 15.9% of the Bank's total pre-tax profit. Loan growth for the year was 15.4%, underpinned by good quality assets.

Wholesale Banking activities focused on sectors and industry value chains which are closely correlated to the Economic Transformation Programme, as well as projects identified under the 10th Malaysia Plan. Some of the identified sectors such as construction, oil palm plantation, real estate, retail and education are already our preferred sectors in which we have proven expertise. We made significant headway in tapping the higher level of demand for financing and transaction banking activities arising from these targeted programmes.



Through our Business Reward Services, a cash management programme launched in 2010, we also managed to grow our deposits base from existing and new clientele.

We also participated in syndicated loans and club deals, besides working closely with Alliance Investment Bank Berhad, Treasury Sales and Transaction Banking, to grow non-interest income in transaction banking, foreign exchange and investment banking.





## Financial Markets

Besides managing the funding and liquidity requirements of the Bank, the Financial Markets team is also responsible for marketing treasury products to various customer segments.

To support Treasury sales-related business, we adopt a client-led approach supported by enhanced product development capabilities and delivery. We have built dedicated sales teams, research and product capabilities, supported by a multi-product platform to offer hedging solutions for SME and corporate clients and new structured investments for Consumer Banking customers.



## Islamic Banking

Our Islamic Banking business, which functions on a shared business and operating platform with the rest of the Bank, is carried out largely through Alliance Islamic Bank (AIS). It offers a full range of comprehensive Shariah-compliant products and services.

For FY2012, AIS registered a profit before tax and zakat of RM97.1 million, a year-on-year growth of 28.6%. It accounted for 15.1% of the Bank's profits and 16.4% of total assets. During the year, its total financing portfolio expanded by 11.0%, resulting in the financing to deposits ratio rising to 86.5%.

Reflecting the better asset quality, the gross impaired financing ratio improved further to 1.5%, better than the industry average of 2.5%, while the financing loss coverage increased to 154.1% in tandem with the higher financing growth. It also has a strong capital position, with a Risk-Weighted Capital Ratio of 13.4% and a Core Capital Ratio of 11.5%.



AIS seeks to provide fast, simple and convenient Shariah-compliant solutions that are competitive and fulfill customer needs. AIS will continue to work closely with the other business units to roll out innovative products and enhance Shariah knowledge of the staff and their customers through continuous engagement and training sessions.

As an Islamic business entity, AIS has fulfilled its obligation for *zakat* payment to various entitled bodies, in particular to "Pusat Pungutan Zakat Wilayah Persekutuan" and directly to individuals such as underprivileged students pursuing their studies in various universities. Apart from that, AIS has initiated an annual community programme with orphanages during the holy month of *Ramadhan*.

## Investment Banking

Alliance Investment Bank Berhad (AIBB) provides a wide range of services which include stockbroking, corporate advisory, corporate finance, underwriting and placement of equity securities, private debt financing and advisory, loan syndication, corporate banking and treasury.

In the Ratings Agency Malaysia (RAM) 2011 League Table, AIBB was ranked No. 5 in terms of "Number of Issues", and No. 7 for "Programme Value".

AIBB registered a pre-tax profit of RM53.1 million, a decline of 13.3% due to lower income from brokerage, and an increase in operating expenses.

AIBB will continue to focus on strengthening its franchise – enhancing capabilities within its stockbroking and research teams as well as expanding its team of institutional dealers. It is also developing its share trading centres, mobile and Internet broking channels and margin financing business, to facilitate better client relationship management and complement its traditional remisier channel.

## Business and Operations Review

By Group Chief Executive Officer of Alliance Bank Malaysia Berhad (cont'd)

### Stockbroking

Revenue for the year declined by 20.8% due to lower trading income from brokerage and other fees, in tandem with the drop in trading volumes on Bursa Securities, as our stockbroking business remained concentrated in the retail segment.

### Capital Markets

By working more closely with Wholesale Banking, AIBB's notable assignments completed during the year were the IPO of Peterlabs Holdings Berhad on the ACE market and the rights issues of Gefung Berhad, Malton Berhad and Press Metal Berhad.

Capital Markets will continue to focus on providing a wide range of investment banking advisory services to small and medium corporates, by leveraging on the Bank's Business Banking segment.



### Funds Management

The volatility of global stock markets in the year under review was a dampener on investor sentiment towards the equity funds but provided a boost for fixed income funds, especially those funds that offered stable returns with fixed maturity dates. The industry remained competitive, expanding by 7% in 2011, with over 60 new funds being launched during the year.

Against this backdrop, Alliance Investment Management Berhad (AIMB) did well as its revenues rose 11.1% and pre-tax profit increased to RM2.1 million, from RM0.7 million a year earlier. It also launched two more fixed income funds under the Alliance Regular Income Fund (ARIF) series. The ARIF 3 and 4 achieved total sales of RM121 million and RM71 million respectively. Following the launch of these new funds, the total assets under management stood at RM2.3 billion as at end-March 2012.

### Branch Operations & Service Quality

In line with the Bank's aspiration to be "The Best Customer Service Bank in Malaysia", enhancing service quality and operational efficiency through continuous improvement across all touch points remained an important focus for us to build our competitive positioning. A number of initiatives to drive customer centricity were implemented, with the goal of making banking with us easier for our customers, and also for our staff to serve our customers better. Some of our initiatives were:

- The deployment of the Customer Relationship Management system has given us a holistic view of our customers, enabling customers' requests to be fulfilled efficiently across departments, leading to improved turnaround time.



- Our branch structure was transformed to be more customer-centric through the appointment of a branch manager as the steward of the branch. Through streamlining of roles and increased empowerment, this has translated to increased efficiency and enhanced customer experience.
- Customised training programmes were implemented for the front-line staff to ensure that they had the skill sets to engage with customers.
- We continued to give serious attention to customer complaints, feedback and the results of the "Mystery Shopper" programme to monitor branch service standards.
- We re-engineered processes to further improve the turnaround time in various areas of operations e.g. account opening and credit card processes, as well as leveraged on our branch network to give customers the convenience to transact with us at their preferred location.





To ensure that the Bank's efforts are delivering results, we have measured critical aspects of the overall customer experience, with the following improvements:

- 95% of our customers were served within four minutes across our branch network, which led to increased customer satisfaction due to shortened waiting time.
- Automated Teller Machines (ATM) and Cash Deposit Machines availability times have improved to 99% and 96% respectively.
- 99% of customer-related issues were resolved within three days, well within the industry's standard turnaround time of 10 days.

Our customers can be assured that we will continue to commit significant resources and to re-align the customer operational processes to build a "customer first" culture in our pursuit to achieve best-in-class service standards.



## Group Technology Capabilities

The Bank believes that a cohesive IT strategy and enterprise architecture coupled with the re-engineering of business processes, is key to promoting operational efficiency and providing a differentiated customer experience in a cost effective manner. We have adopted the following strategy to enhance our Bank's technology capabilities:

- Fast, simple and convenient customer experience across all touch-points.
- e-channels that enable customer self-service and interactions.
- Customer Relationship Management system that provides insights on customers' behaviour and needs.
- Improved decision making with Management Information System that supports fast and accurate reporting and analytics.
- Cost effective and productive delivery platform for all customer transactions.
- Secure, resilient and compliant banking environment.

The more notable achievements during the year included:

- Enhanced customer offerings on self-service channels, such as value added services through ATMs, improved uptime of our ATMs, and new mobile applications for stockbroking services;
- A major revamp of our Internet banking services which will be available to customers in 2012;
- The implementation of a Customer Relationship Management system which not only provides a single view of our customers, but also allows us the ability to capture all interactions with our customers; and
- The implementation of the Enterprise Financial solutions, which would integrate the enterprise general ledger, budgeting and forecasting, procurement and financial datamarts and enable management to make more informed decisions.

In line with Bursa Securities' new directive on trading platforms, we have since upgraded our system to adopt a single front-end trading platform. This new upgrade enables us to trade in local and foreign markets, and to implement new order types. We expect to complete the first phase of this project in September 2012, after which, we will begin replacing the back-end of the systems in the coming financial year.

We have relocated our Disaster Recovery site and are in the process of upgrading our infrastructure to provide better recovery capabilities. We have also successfully implemented Open Office and virtualisation to reduce operating costs for technology.

We will also continue to invest in technology to enhance Internet security such as the prevention of intrusions and service attacks.

## Strengthening Risk Management

Given the uncertainties and volatility in financial markets during the year, as well as intensified market competition, it is important that we have a robust and holistic risk management framework as we pursue our expansion plans. In this regard, the Bank recognises the importance of capital and risk governance, and continues to enhance its effective risk management capabilities to facilitate sustainable business growth via the following key thrusts:

- Strategically determining our risk appetite which focuses on sustainable growth and implementing the Internal Capital Adequacy Assessment Process, which integrates strategy, processes and infrastructure, so as to ensure a more effective utilisation of capital across the Group.
- Proactive risk management, by focusing on sector analysis, sensitivity analysis, stress-testing scenario analysis, as well as top risk identification and mitigation.
- Enhancing the approval process for the introduction of new products and services.

## Business and Operations Review

By Group Chief Executive Officer of Alliance Bank Malaysia Berhad (cont'd)

- Upgrading our credit risk infrastructure, including the independent validation of credit risk rating models, the probability of default and loss-given-default models for consumer and business portfolios.
- Parallel monitoring and reporting of new liquidity standards and revised capital standards under Basel III to facilitate smooth transition upon implementation by Bank Negara Malaysia.
- Conducting training to heighten risk awareness within the Group.
- Benchmarking against market practices and international standards such as Basel Committee for Banking Supervisors and Islamic Financial Services Board.

## Group Internal Audit

The principal function of Group Internal Audit (GIA) is to provide an independent and objective assurance that the risk management systems, internal controls and governance processes which are critical to the Bank's business and strategic objectives are effective.

Several improvement initiatives were introduced in FY2012. The Audit Methodology was revised and updated to reflect changes in the internal control system and work processes and to incorporate new activities, thereby ensuring its continued relevance and effectiveness. A three-year Audit Planning Cycle was established to facilitate better resource planning and the scheduling of auditable units in accordance with the relative risk rating. A new report format was introduced and a more timely report distribution mechanism was put in place.

GIA also launched its Guest Auditor Programme, where selected line managers are invited to join the internal audit team as guest auditors for audit assignments. While guest auditors gain experience and exposure into areas of the Bank other than his or her own, GIA benefits from their functional or business unit knowledge. This allows for the sharing of knowledge and experience across the Bank.

In November 2011, the Bank engaged an independent review team to perform a Quality Assessment on GIA to assess its efficiency and effectiveness. The independent review team concluded that the internal audit activities undertaken by GIA are in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

## Human Capital and Service Quality

We recognise that the ability to attract and retain good talents in a high performance culture is critical to our ability to drive continued business growth, high standards of customer service and product excellence. FY2012 has been a year of re-alignment and capacity building for Group Human Resources. Thus, our focus has been on initiatives that will ensure a strong foundation of growth for the Bank, such as career progression, talent management, leadership development, learning programmes and skill enhancement opportunities.



We streamlined the organisation structure for better accountability and continued to emphasise fair and robust performance management.

We continue to build up our employees' knowledge and skills through extensive investments in training and development programmes. To ensure that our compensation and benefits are competitive, and to attract and retain our staff, the Bank participates in the annual compensation and benefits survey. We also reviewed the staff benefits, to ensure that they are aligned to prudent market practices.

We have also embarked on a job evaluation exercise to ensure that job grades and positions accurately reflect respective job scope and size.

Communication channels have also been set up for all staff to have easier access to management. They include email channels, the formalisation of the whistle blowing policy, quarterly employees town halls at regional levels, and Pulse Lunch with the Group Chief Executive Officer or senior management team members. A newsletter, inAlliance, to keep employees informed of happenings within the Group is published electronically on a monthly basis.



## Awards and Recognitions

We continued to receive various awards and recognitions from the industry, affirming the Bank's commitment of delivering excellence to all its stakeholders.

The Bank made it to the 2011 Malaysia's Top 100 Leading Graduate Employers list. We also made it to the Top 100 Public Listed Companies List of the 2011 Malaysian Corporate Governance Index. These achievements indicate that we are on the right track in growing and developing our people, and practising good corporate governance.

The Bank's SME Banking won the coveted "Excellence in SME Banking" award by IDC Financial Insights at the 7th Annual Financial Insights Innovation Award ceremony. The Bank was one of two Malaysian banks among the 10 winners from the Asia Pacific region.

The SMI Association also recognised the Bank as a "friend" of SMEs, with the Sahabat SME Award 2011, for the second consecutive year. SME Banking was also a finalist in the Asian Banker Award, competing against leading regional financial institutions across the Asia Pacific. The Bank scored on the innovation front, by pioneering the first Picture Business Credit Card in Malaysia, with the launch of the "MyBusiness Platinum Card" in response to the needs of the SME community.

Our credit card business, which has been winning local and international awards for the last three years, received two more awards for the You:nique Prepaid card "Mohd. Khairuddin, Your Mum Is Nagging You" campaign, namely "Dragons of Asia" Silver Award for the Best Use of Internet by Promotion Marketing Awards of Asia, and the Silver Award at the Malaysia Effie Awards 2011. The Bank was also the only banking institution to walk away with this coveted award that is jointly organised by the Malaysian Advertising Association, Association of Accredited Advertising Agents Malaysia (4As) and Media Specialists Association, in association with the Malaysia External Trade Development Corporation. As there were no Gold Effie winners, the Silver award was the highest award.

## Corporate Responsibility

Even as we enjoy success as a corporate entity, the Bank remains dedicated in upholding our role as a responsible corporate citizen. Corporate Responsibility at the Bank has always been more than just about serving the community. It is a business philosophy, about having a sustainable business strategy that is aligned with our values and impacts in a more tangible and sustainable manner our marketplace, workplace, environment and community.

One of the key developments recently was the launch of our Corporate Responsibility strategic theme, namely Financial Literacy. In this regard, we are engaging in various initiatives to equip children with the importance of money management.

A detailed Corporate Responsibility report can be found on page 62.

## Investor Relations

The Group continues to actively engage the financial community, stakeholders and other key constituencies of the Alliance Financial Group to provide consistent, accurate, transparent and timely information. This is in accordance with the principles and best practices prescribed as part of the Group's corporate governance policies.



## Business and Operations Review

By Group Chief Executive Officer of Alliance Bank Malaysia Berhad (cont'd)

Engagements with the investors and other stakeholders serve as a platform for the Group to disclose its financial performance, strategies, business directions, and developments of interest to the investing public. Information presented at the briefings is uploaded onto the Alliance Financial Group's corporate website at [www.alliancegroup.com.my/quarterlyresults.html](http://www.alliancegroup.com.my/quarterlyresults.html) to promote accessibility of information.

## Going Forward

Uncertain prospects for the global economy and turmoil in the eurozone may dampen consumer sentiments in 2012. Malaysia's gross domestic product growth is forecast to range between 4% and 5% this year. Monetary policy is expected to remain accommodative and interest rates stable with the Overnight Policy Rate being retained at 3% p.a. for the year.

The outlook for the Malaysian financial services sector is, however, expected to remain stable given the underlying strengths of the domestic economy and continued roll-out of the Government's Economic Transformation Programme.

The sector is expected to benefit from the greater operational flexibility provided in the Financial Sector Blueprint 2011-2020 recently released by Bank Negara Malaysia, although competition is expected to intensify from the locally-incorporated foreign banking institutions operating in the country.

Despite these challenges, we are very excited with the prospects of the Bank as there are opportunities to enhance our competitiveness and build on the business growth momentum. Our core business model of focusing on Consumer and Business Banking segments, and driving non-interest income to achieve a higher return on equity, remains unchanged.

Our strategic priorities are:

- To build consistent and sustainable financial performance.
- To become "The Best Customer Service Bank in Malaysia".
- To develop "Engaged Employees with the Right Values".

## Building consistent and sustainable financial performance

We aim to generate long-term recurring revenues from existing and new business opportunities by leveraging on the current growth momentum. Our strategy is to grow our existing core business of Consumer and Business Banking while pursuing fresh opportunities in Investment Banking, Wholesale Banking and Financial Markets such as Treasury Sales, Hire Purchase and Transaction Banking.

We will also continue to strengthen our credit policies and risk management practices, to ensure that we take the necessary measures to mitigate risks while remaining flexible to market changes. Proactive asset and liability management will continue to be high on our agenda. In addition, we will also continue to strengthen our technology infrastructure as well as our Alliance Bank brand to ensure that we have a solid foundation from which to pursue sustainable growth.

## Being "The Best Customer Service Bank in Malaysia"

To continue delivering excellent customer service and experience, we have to fulfil banking relationships by meeting customers' needs for simplicity, timeliness and convenience. We also recognise that as customers become better connected, more informed and more empowered, there is a need to equip our bankers with the right tools and skill sets to anticipate and fulfil these new customer expectations.

Our processes and systems too need to be customer-centric to provide customers with a delightful experience of easy and efficient access to our products and services when engaging with us. This includes automating current customer-related processes to improve delivery and turnaround time.



## Developing Engaged Employees with the Right Values

A united and involved team is very important to the success of the Bank. We are emphasising our core values to strengthen the right behaviours required as part of our work culture to achieve the Bank's mission and vision. Major initiatives, amongst others, include maintaining a fair and transparent performance management system, collaborative cross-division joint goals to improve team work, and the implementation of talent management and succession planning.

We will continue to work hard to sustain our growth momentum and with committed and supportive employees, the Bank is in a good position to achieve the key strategic objectives. I am hopeful that, barring any unforeseen circumstances, this time next year, we should be delivering a better financial performance, and at the same time contribute to the stability and integrity of the Malaysian financial system.



## Appreciation

The Bank's sustained growth and financial performance is due largely to the unwavering support and loyalty, as well as the trust and confidence of our customers, partners, investors and associates. We would like to take this opportunity to thank our customers and to reiterate our commitment to serve them better.

We also acknowledge the important roles played by our regulators, especially Bank Negara Malaysia, Securities Commission Malaysia and Bursa Malaysia Securities Berhad. Their support and guidance have been invaluable and are deeply appreciated.

The Bank's progress is also due to the hard work, dedication and commitment of our management and staff, who have demonstrated team work to achieve all that we have set out to do.

I also wish to express my gratitude to members of our Board for their continued and invaluable guidance. I look forward to their support in the coming year as we take Alliance Bank to the next level.

**SNG SEOW WAH**

*Group Chief Executive Officer*

## Calendar of Significant Events

### Financial Calendar

for financial year ended 31 March 2012

Activities	Date
<b>ANNOUNCEMENT OF RESULTS</b>	
• First Financial Quarter ended 30 June 2011	16 August 2011
• Second Financial Quarter ended 30 September 2011	16 November 2011
• Third Financial Quarter ended 31 December 2011	21 February 2012
• Fourth Financial Quarter ended 31 March 2012	23 May 2012
<b>DIVIDEND</b>	
• First Interim Dividend of 5.6 sen per share, tax exempt under the single tier tax system	
– Declaration	26 July 2011
– Entitlement	12 August 2011
– Payment	26 August 2011
• Second Interim Dividend of 7.7 sen per share, tax exempt under the single tier tax system	
– Declaration	20 January 2012
– Entitlement	15 February 2012
– Payment	28 February 2012
ISSUE OF 2012 ANNUAL REPORT	26 June 2012
46th ANNUAL GENERAL MEETING	20 July 2012



## Corporate Calendar

for financial year ended 31 March 2012

### 12 May 2011

#### Alliance Bank Supports Chinese Independent Schools through Card Programme

In conjunction with Teachers' Day, the Bank presented hampers to teachers of selected schools under its Alliance Chinese Independent Schools Affinity Card Programme. Since 2005, the Bank has contributed over RM600,000 via the Card Programme to support ongoing activities at selected schools. The Card Programme is a micro-donation facility based on a donate-as-you-spend concept where one Timeless Bonus Point (TBP) is awarded for every Ringgit spent. The TBP is then converted into cash value and auto-credited to any of the selected schools nationwide.



### 23 May 2011

#### Alliance Bank Goes Green at GTower

The Bank expanded its branch footprint in the heart of Kuala Lumpur with the latest addition at GTower, Malaysia's first internationally-certified Green Building. The 4,400 sq.ft. functionally-designed branch offers a full range of Consumer, SME and Islamic Banking facilities, complete with a 24-hour e-Banking lobby, a Privilege Banking Centre with safe deposit box facility and a Share Trading Centre.

### 28 May 2011

#### AFG Annual Dinner 2011

The Group's Board of Directors, senior management committee and staff dressed to the theme of "Legendary Heroes", and enjoyed an evening of entertainment and fun at the Group's event of the year.



#### AFG Staff Receive Professional Accreditation by IBBM

With support from the Group's Organisational Development and Learning, 18 staff from various departments graduated with Certified Credit Professional and Pasaran Kewangan Malaysia Certificate accredited by *Institut Bank-Bank Malaysia*. They are now certified credit professionals in their respective portfolios.

### 1 June 2011

#### Alliance Islamic Bank Launches Shariah-Compliant Alliance Family Takaful Investment-Linked Plan

The Bank's Islamic Banking arm joined hands with Takaful Ikhlas Sdn Bhd and FWU Malaysia Sdn Bhd to launch the Alliance Family Takaful Investment-Linked Plan, a Shariah-compliant family *takaful* investment-linked product. The savings and investment plan comes with family *takaful* coverage for customers who wish to plan for their future financial needs.



### 17 June 2011

#### Alliance Bank Presents 2011 Women Entrepreneurs' Forum

Alliance SME Banking, in partnership with Money Compass, organised a one-day forum to reach out to aspiring women entrepreneurs and to extend the necessary support and assistance to empower women towards successful entrepreneurship. It was well-attended by women SME entrepreneurs, leaders from women and entrepreneur associations, and corporate leaders from the IT and banking sectors.

## Corporate Calendar (cont'd)

### 6 July 2011

#### Employees Town Hall and AFG Spirit Awards 2011

Group Chief Executive Officer and segment heads shared pivotal key messages of how the Bank is moving forward, with over 1,500 staff from the central, northern and southern regions. At the West Malaysia's Town Hall, 13 staff were awarded the AFG Spirit Awards 2011 for their commitment and dedication in carrying out their duties. Four other recipients were earlier honoured at the Town Hall in East Malaysia.

### 13 July 2011

#### Media Briefing on APEA 2011

The Bank held a media briefing to announce its latest initiative to support small and medium enterprises (SMEs), and to recognise the efforts by local entrepreneurs, by becoming the official banking partner of the prestigious Asia Pacific Entrepreneurship Awards 2011 (APEA 2011) organised by Enterprise Asia. The Awards is a regional programme that recognises outstanding entrepreneurs across Asia. It honours men and women who demonstrate exemplary enterprising spirit and who are committed to social responsibilities that come with business leadership.



#### FundsUPERMART.com Recommended Unit Trusts Awards 2011/12

Alliance Asian Bond Fund and Alliance Global Equities, two of Alliance Investment Management Berhad's funds, were among investments recommended by FundsUPERMART.com for their exemplary track records.

### 8 August 2011

#### You:nique Prepaid Card Clinches Three Regional Awards at the 2011 Promotion Marketing Awards of Asia (PMAA) "Dragons of Asia" Awards

The You:nique Prepaid Card was awarded the following:

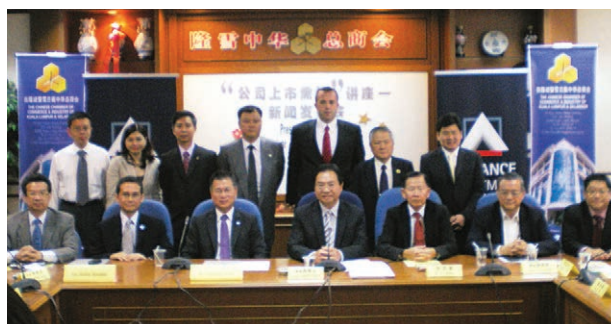
- Best Use of the Internet in a Promotion Marketing Campaign (Silver)
- Best Product Launch or Re-Launch (Merit)
- Best Small Budget Campaign (Merit)

These awards attested to the Bank's creative efforts in promoting financial planning in a non-conventional way to engage a larger audience.

### 19 August 2011

#### "Going for Initial Public Offering (IPO)" Seminar

Alliance Investment Bank Berhad (AIBB) and industry practitioners delivered a half-day session to over 400 aspiring companies on what it takes for a company to list on Bursa Securities, the benefits and drawbacks of being listed, as well as the market outlook for the year. The seminar was organised by the Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor, and Associated Chinese Chambers of Commerce and Industry of Malaysia Socio-Economic Research Centre, and co-organised by the Klang Chinese Chamber of Commerce and Industry.



### 6 September 2011

#### Alliance Bank ilovegolf Tournament 2011

For the second year, Alliance Bank SME Banking sponsored a golf tournament that took place at some of the country's best golf courses. The 10-leg tournament teed off on 15 September 2011 at The Mines Resort & Golf Club in Kuala Lumpur and ended on 15 December 2011 at the Sutera Harbour Golf & Country Club in Sabah.

## 20 September 2011

### The Edge-Bursa Malaysia KL Rat Race 2011

The Group took part for the first time in The Edge-Bursa Malaysia KL Rat Race 2011. Representing the Group were Group Chief Executive Officer Mr Sng Seow Wah and Group Chief Internal Auditor Ms Leong Sow Yoke who participated in the CEO Category, while Encik Rafidz Rasiddi (Alliance Investment Bank Berhad), Mr Simon Lee (Group Company Secretarial), Mr Yeo Chin Tiong and Mr Vijayan Doraisamy from Financial Markets and Ms Shirley Chung Sen Kuai from Group Special Assets took part in the Seniors Category. The Group's participation was in support of Bursa Securities' corporate social responsibility programme and to create awareness of the less fortunate.



## 7 October 2011

### Press Conference on Multi-Purpose Insurans Run 2012

The Bank participated in the press conference of the inaugural Multi-Purpose Insurance Bhd Run 2012. The Bank also donated RM100 each to 30 participating children from Yayasan Sunbeam Home via its Alliance Save Pendidikan account in conjunction with the Run.

## 8 & 9 October 2011

### AFG Treasure Hunt 2011

The annual AFG Treasure Hunt 2011 attracted over 600 staff in 152 cars from Klang Valley, northern and southern regions. Flagged off at the head office in Kuala Lumpur, the hunt ended at Bukit Gambang Resort City, Kuantan, Pahang, where "treasures" comprising daily food essentials were donated to Rapha Children's Home, Pusat Jagaan Kanak-Kanak Terencat Akal Kuantan and Rumah Orang-Orang Tua Indah.

## 12 October 2011

### Malaysia Effie Awards 2011

Alliance Bank Credit Card, You:nique's "Mohd. Khairuddin, Your Mum Is Nagging You" campaign won the Silver Award at the Malaysia Effie Awards 2011. The Bank was the only banking institution to walk away with this coveted award. The prestigious Effie Awards is the only global award that honours achievement in meeting and exceeding marketing communications objectives, with a focus on effective campaigns.



## 28 October 2011

### Press Conference on "Youth Entrepreneurship and Business Opportunities in Economic Transformation Programme" Conference

The Bank, in collaboration with the Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor, held a press conference to announce the hosting of the "Youth Entrepreneurship and Business Opportunities in Economic Transformation Programme (ETP)". The event was co-organised by the Klang Chinese Chamber of Commerce and Industry and Socio-Economic Research Centre, and supported by the Associated Chinese Chambers of Commerce and Industry of Malaysia, eight major Chinese youth organisations, Branding Association of Malaysia, Malaysian Retailers Association and SMI Association of Malaysia. The conference topics included innovative business opportunities and technical education for youths, and business opportunities for retail chains under the ETP.



## Corporate Calendar (cont'd)

### 6 December 2011

#### Employees Town Hall

Group Chief Executive Officer shared the Group's financial performance and the Bank's outlook with 1,400 staff from Klang Valley, northern and southern regions with the theme to be "The Best Customer Service Bank in Malaysia". Alliance bankers were called upon to be customer-focused, deliver quality and professional service, and to "serve from the heart". A similar town hall was also held in East Malaysia on 3 December 2011.



### 8 December 2011

#### Malaysian Corporate Governance Index 2011

The Group was listed as one of the top 100 public-listed companies in the Malaysian Corporate Governance (MCG) Index 2011 by the Minority Shareholder Watchdog Group. The annual MCG Index creates awareness and encourages best corporate governance practices among public-listed companies in Malaysia.

#### Alliance Bank Honoured as "Friend" of SMEs

The Bank was acclaimed a "friend" of small and medium enterprises (SME) for the second consecutive year by the SMI Association of Malaysia. The Bank was presented with the Sahabat SME Award 2011 at the 10th SME Recognition Award ceremony for excellent performance in nurturing the growth of the SME market through innovative financial solutions.

### 18 December 2011

#### Alliance Bank Among Malaysia's Top 100 Leading Graduate Employers in 2011

Alliance Bank was ranked 81st among 100 top employers of choice in the 100 Leading Graduate Employers in Malaysia for Year 2011 survey. More than 12,000 students, graduates and young professionals in Malaysia participated in the survey.

### 16 January 2012

#### Alliance Bank Says "THANK YOU" to Customers

The Bank invited 600 clients of Consumer Banking, SME Banking, Wholesale Banking, Financial Markets and Alliance Investment Bank Berhad to an eight-course Chinese dinner at the Grand Ballroom, Sime Darby Convention Centre in Kuala Lumpur, in appreciation of their support. In addition to dinner, the Bank also invited two well-established market analysts and a renowned feng shui expert to present their views on the market outlook.



### 17 January 2012

#### Alliance Bank Launches Development Programme to Skill Up Its Managers

The Bank embarked on its inaugural Managerial Development Programme for 25 selected employees from different business and support units nationwide. The six-month intensive management training programme, launched by the Group Chief Executive Officer, was initiated in response to feedback from the Bank's Employee Engagement Survey 2011.





## 22 February 2012

### Alliance Bank Hosts First Efma Retail Banking Advisory Council Meeting in Malaysia

The Bank hosted the first European Financial Marketing Association (Efma) Retail Banking Advisory Council Meeting in Malaysia. Over 40 leading retail bankers from local and regional banks attended the one-day closed door meeting to exchange ideas and experience on multi-channel banking and leveraging different channels to deliver better service to customers.

## 24 February 2012

### Alliance Bank Recognised for “Excellence in SME Banking” by IDC Financial Insights

The Bank was recognised for its “Excellence in SME Banking” by IDC Financial Insights at the annual 7th Financial Insights Innovation Award (FIIA) ceremony held during the Asian Financial Services Congress in Singapore. The Bank's submission was among 172 entries received from leading banks across the Asia Pacific (excluding Japan) region.

## 25 February 2012

### Seminar on National Key Economic Areas – Wholesale and Retail, Greater Kuala Lumpur and Financial Services

Alliance Bank collaborated with the Chinese Chamber of Commerce & Industry of Kuala Lumpur and Selangor, and the Socio-Economic Research Centre to present a seminar on three of the National Key Economic Areas (NKEA), namely Wholesale and Retail, Greater Kuala Lumpur, and Financial Services. Over 200 participants attended the half-day talk at Wisma Chinese Chamber of Commerce in Kuala Lumpur. The NKEA seminar featured speakers from the Performance Management and Delivery Unit (PEMANDU) under the Prime Minister's Department. There was a lively exchange between panelists and audience on issues close to the SME sector such as financing and business opportunities from the Economic Transformation Programme and Government Transformation Plan.



## 8 March 2012

### Alliance Bank Launches MyBusiness Platinum Card

The Bank launched the Alliance Bank MyBusiness Platinum Card which provides small and medium enterprise business owners with an additional platform to brand their company by having it on the card face. The Bank complements this service by extending the full benefits and privileges of a Platinum card to the cardmember, and an attractive cash back feature of up to 1.25% on total monthly card expenditure. It also allows cardmembers the option of either a longer interest-free repayment period or cash rebate on interest paid.



## 28 March 2012

### Alliance Bank Inks Bancassurance Arrangement with AIA

The Bank formalised an eight-year Bancassurance agreement with AIA Berhad (AIA) to provide the best-of-breed life insurance protection and savings products to its customers. The move deepens cooperation between the two partners following a joint venture to offer Takaful insurance in January 2011. Under this Bancassurance arrangement, Alliance Bank will sell, market and promote conventional life insurance products developed by AIA via the Bank's distribution channels.



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## CAPABILITIES



A motivated and united team with the right values holds the key to a high performance organisation.



# Statement on Corporate Governance

The Board of Directors of Alliance Financial Group Berhad has adopted the best practice of corporate governance in all areas of its activities with the objective of achieving business prosperity and corporate accountability. The ultimate objective is to safeguard the interests of all stakeholders and to enhance shareholders' value. The Board is committed to ensure that the Company is in compliance with the guidelines on Best Practices in Corporate Governance set out in the Malaysian Code on Corporate Governance (Revised 2007) and Bank Negara Malaysia (BNM) Guidelines on Corporate Governance for Licensed Institutions.

## 1. The Board of Directors

### 1.1 Composition

The Board comprises nine members, who are all Non-Executive Directors, of whom six are Independent Directors. The Board is constituted of individuals of high calibre and diverse experience and collectively has the necessary skills and qualifications to effectively manage the Company and to discharge the responsibilities of the Board. The current Board members are all very experienced in the management of businesses and in terms of academic background have skills in the areas of law, banking, finance, accounting, economic, information technology and human capital.

The presence of a majority of Independent Non-Executive Directors also provides the necessary checks and balances to ensure that the interests of all shareholders and the general public are given due consideration in the decision-making process.

A brief profile of each Director is presented on pages 14 to 19 of this Annual Report.

### 1.2 Duties and Responsibilities

The Board is led by the Chairman, Datuk Oh Chong Peng, who is an Independent Non-Executive Director.

The Chairman receives strong and positive support from the Group Company Secretary in discharging his duties and responsibilities to ensure the effective functioning of the Board.

There are matters specifically reserved for the Board's decision to ensure that the direction and control of the Group are firmly in hand. The day-to-day conduct of the Group's business is delegated to the employees subject to the authority limits given. The Board is ultimately responsible for the overall performance of the Company and of the Group.

The principal duties and responsibilities of the Board are:

- formulating the business direction and objectives of the Group;
- reviewing, adopting and approving the Group's annual budgets, strategic plans, key operational initiatives, major investments and funding decisions;
- overseeing the conduct of business of the Group;
- reviewing the risk management processes within the Group;
- assuming responsibility in succession planning within the Group; and
- reviewing the adequacy and integrity of internal control systems and management information systems to ensure compliance with relevant laws, rules, regulations, directives and guidelines.

The Board also assumes various functions and responsibilities that are required of them by regulatory authorities, as specified in guidelines and directives issued from time to time.

### 1.3 Board Charter

The Board has adopted a charter which was designed to provide Directors and Officers with greater clarity regarding the role of the Board, the requirements of Directors in carrying out their role and discharging their duties to the Company, and the Board's operating practices. The charter will be reviewed from time to time and updated in accordance with the needs of the Company and any new regulations that may have an impact on the role and responsibilities of the Board.

### 1.4 Directors' Code of Ethics

The Directors in the Group adhere to the Code of Ethics as set out in the Bank Negara Malaysia's BNM/GP7 - Part 1 Code of Ethics: Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry and the Code of Ethics for Company Directors established by the Companies Commission of Malaysia.

### 1.5 Board Meetings

The Board meets on a regular basis to review business performance, strategies, business plans and significant policies as well as to consider business and other proposals which require the Board's approval. Ad-hoc Board meetings, where necessary, are held to deliberate on corporate proposals or urgent issues which require the Board's consideration between scheduled meetings.



The Board met eight times during the financial year ended 31 March 2012 (FY2012). Details of each Director's attendance during the financial year are as follows:

Name of Director	Attendance
Datuk Oh Chong Peng ( <i>Chairman</i> )	8/8
Dato' Thomas Mun Lung Lee	8/8
Stephen Geh Sim Whye	8/8
Tan Yuen Fah	8/8
Megat Dziauddin bin Megat Mahmud	7/8
Kung Beng Hong	8/8
Ou Shian Waei	8/8
Sng Seow Wah	8/8
Phoon Siew Heng (Resigned on 18 April 2012)	6/8
Lee Ah Boon (Appointed on 18 April 2012)	N/A

## 1.6 Access to Information

Board members are provided with relevant proposal papers and supporting documents at least three clear days before the relevant Board and Board Committee meetings to provide sufficient time for the Directors to review, consider and obtain further information, where required, for deliberation at meetings. Urgent proposals can be presented less than three clear days subject to approval of the Chairman. Senior management and advisers are invited to attend Board meetings, where necessary, to provide additional information and insights on the relevant agenda items tabled at Board meetings.

The Directors have full access to the services of the Company Secretary, whose role includes ensuring that Board procedures, applicable rules and regulations are complied with.

Every Director has the right to resources, whenever necessary and reasonable, for the performance of his duties at the cost of the Company. Directors may seek external independent professional advice at the expense of the Company, to assist them in making well-informed decisions whether as a full Board or in their individual capacity.

## 1.7 Appointment and Re-election of Directors

Pursuant to the guidelines issued by BNM, the appointment of new Directors and re-appointment of Directors upon the expiry of their respective tenure of office as approved by BNM, are subject to the prior approval of BNM.

Any proposed appointment of new Board members and proposed re-appointment will be assessed by the Nomination Committee. The Nomination Committee will, upon its assessment, submit its recommendation to the Board for approval subject to BNM's consent.

Upon appointment, new Directors are advised of their legal and statutory responsibilities. All Directors are also regularly being updated on new requirements affecting their responsibility and are constantly reminded of their obligations.

In accordance with the Articles of Association of the Company, newly appointed Directors shall hold office only until the next Annual General Meeting (AGM), and shall then be eligible for re-election. Additionally, one-third (1/3) of the remaining existing Directors shall retire from office at each AGM and be eligible to offer themselves for re-election provided always that all Directors shall retire from office at least once every three years.

A Director of the Company who is over the age of 70 years will retire at the AGM and may be re-appointed pursuant to Section 129 of the Companies Act, 1965.

As the capacity, energy and enthusiasm of a Director is not necessarily linked to age, it is deemed not appropriate to prescribe age limits for the retirement of directors. The Board believes in having healthy mix of age and experience and therefore does not prescribe a minimum or maximum age limit for its Board members apart from what is laid down under Section 129 of the Companies Act, 1965.

The Board had adopted the policy where Non-Executive Independent Directors after having served for 12 years will not be considered for further re-appointment.

## Statement on Corporate Governance (cont'd)

### 1.8 Directors' Training

The Board places the responsibility for training of directors on the Nomination Committee which on a continuous basis, evaluates and determines the training needs of Directors.

As at 31 March 2012, all the Directors have completed the Mandatory Accreditation Programme and pursuant to the requirement of Bursa Securities, they have attended various training programmes during the financial year.

The Company has in place a Directors' Orientation Programme for newly appointed Directors to familiarise themselves with the Group's business operations. The Directors are provided with the opportunity for relevant training programmes on an ongoing basis on areas relating to the banking and financial industry to keep themselves abreast with the latest developments in the marketplace including the eight-day Financial Institutions Directors' Education (FIDE) Programme which promotes high-impact Boards by strengthening Board competencies in dealing with corporate governance, risk management and strategic issues faced by the financial services industry.

During the financial year, all the Directors have attended seminars, conferences and courses on various topics covering accounting, tax, corporate governance, finance, management and risk management. Some of the seminars, conferences and courses attended by Directors are:

- Advanced Corporate Tax Planning
- Improving Corporate Governance in Malaysian Capital Markets – The Role of the Audit Committee
- Budget Seminar
- FIDE Programme : Board IT Governance & Risk Management
- FIDE Programme : Board Risk Management Committee Programme – Managing Risks in Banks
- FIDE programme : Insurance Insights Programme
- FIDE Programme : Banking Insights
- Operational Risk Management
- Introduction to Actuarial Liability Provisioning and Introduction to Risk Based Capital
- Italian Insurance Market Overview
- State of the Market Using Business Intelligence to optimise Profitability in a Challenging Market
- Catastrophic Modeling and the Tools available in the market today
- Solvency II – A non-technical Strategic Overview and Potential Relevance to Asia
- ICLIF Leadership & Governance Conference

- Corporate Governance Blueprint 2011 – Towards Excellence In Corporate Governance
- Controversies on Financial Reporting Practices in Malaysia – An Educational Perspective
- Reviewing the Risk and Control on the Quality of Financial Statement
- Malaysian Competition Act
- First Asian Central Bank's Watchers Conference – Promoting Financial and Monetary Stability at a Time of Transition
- Scrutinising Financial Statement Fraud and Detection Of Red Flags For Directors and Officers Of PLC's And Government Regulatory Agencies
- Strategic ALM & Capital Adequacy

### 1.9 Board Committees

The Board has established various Board Committees to assist and complement the Board in the execution of its responsibilities. Each Board Committee operates within its terms of reference, which clearly define its functions and authority. The Board Committees of the Company are as follows:

#### a) Audit Committee

The Terms of Reference and the composition of the Audit Committee are presented in the Audit Committee Report on pages 65 to 69 of this Annual Report.

#### b) Nomination Committee

The Nomination Committee reviews the existing mix of skills, experience, size, effectiveness of the Board, Board Committees and contribution of each individual Director. It also considers and recommends to the Board, candidates for directorships.

The salient Terms of Reference of the Nomination Committee are as follows:

- to establish minimum requirements for the Board i.e. required mix of skills, experience, qualification and other core competencies required of a director. The Committee is also responsible for establishing minimum requirements for the Chief Executive Officer (CEO). The requirements and criteria should be approved by the full Board;
- to recommend and assess the nominees for directorship, Board committee members as well as nominees for the CEO. This includes assessing directors for reappointment, before an application for approval is submitted to BNM. The actual decision as to who shall be nominated should be the responsibility of the full Board;

- to oversee the overall composition of the Board, in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review;
- to recommend to the Board the removal of a Director/CEO from the Board/Management if the Director/CEO is ineffective, errant and negligent in discharging his responsibilities;
- to establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO and other key senior management officers. Annual assessment is conducted based on an objective performance criterion. Such performance criteria are approved by the full Board;
- to ensure that all Directors continue to receive appropriate training in order to keep abreast with the latest development in the industry;
- to oversee the appointment, management succession planning and performance evaluation of key senior management officers;
- to recommend to the Board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities; and
- to assess, on an annual basis, to ensure that the Directors and key senior management officers are not disqualified under Section 56 of the Banking and Financial Institutions Act, 1989.

The Nomination Committee annually assesses the effectiveness of the Board as a whole and the contribution of each individual Director by way of a set of customised self-assessment questionnaires. In addition to the self-assessment by Directors, each individual Director's performance will be assessed by the Board Chairman. The results of the self-assessment by Directors and assessment of individual Directors by the Board Chairman are compiled by the Group Company Secretary and tabled to the Nomination Committee and Board for deliberation.

Arising from the annual review, the Nomination Committee was satisfied that the current size and composition of the Board is appropriate and well-balanced with the right mix of skills and that the Board comprises individuals of calibre, credibility and with necessary skills and qualifications to enable the Board to discharge its responsibility effectively.

The Nomination Committee has also assessed the independence of Independent Directors and the fitness and propriety of the Directors.

The Nomination Committee comprises entirely of Non-Executive Directors with the majority being independent. In FY2012, a total of four meetings were held by the Nomination Committee. The members of the Nomination Committee and the details of attendance during the financial year are as follows:

Committee Members	Attendance
Datuk Oh Chong Peng ( <i>Chairman</i> )	4/4
Dato' Thomas Mun Lung Lee	4/4
Megat Dziauddin bin Megat Mahmud	3/4
Stephen Geh Sim Whye	4/4
Kung Beng Hong (Appointed on 13 March 2012)	1/1
Phoon Siew Heng (Resigned on 18 April 2012)	3/4
Lee Ah Boon (Appointed on 18 April 2012)	N/A

#### c) Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on the remuneration package of Non-Executive Directors. The reviews cover all aspects of remuneration, including but not limited to Directors' fees, allowances and benefits-in-kind based on the level of responsibilities undertaken by the particular Director concerned.

The salient Terms of Reference of the Remuneration Committee are as follows:

## Statement on Corporate Governance (cont'd)

- to recommend a framework of remuneration for Directors, CEO and key senior management officers of the Company for the full Board's approval. The remuneration framework should support the Company's culture, objectives and strategy and should reflect the responsibility and commitment, which goes with the Board membership and responsibilities of the CEO and senior management officers. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain the employees and/or directors of calibre, and yet not excessive to the extent of the Company's funds are used to subsidise the excessive remuneration. This framework should cover all aspects of remuneration including director's fees, salaries, allowances, bonuses, options and benefits-in-kind;
- to provide oversight on remuneration matters of operating subsidiaries and to recommend specific remuneration packages for Executive Director(s) and CEO. The remuneration package should be structured such that it is competitive and consistent with the Company's culture, objectives and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependant on short-term performance to avoid incentives for excessive risk-taking. As for Non-Executive Directors and Independent Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the board. In addition, the remuneration of each Board member may differ based on their level of expertise, knowledge and experience;
- to review annually the Group Policy on remuneration of Non-Executive Directors of the subsidiaries and to recommend the remuneration of the Non-Executive Directors for the Board's approval;
- to approve new key senior management appointments and remuneration package, transfers and promotions of senior management officers and assessing the performance of key senior management officers of the Company; and
- to review and approve annual salary increment and performance bonus for employees of the Company.

The Remuneration Committee comprises of entirely Non-Executive Directors with the majority being independent. In FY2012, two meetings were held by the Remuneration Committee. The members of the Remuneration Committee and the details of attendance during the financial year are as follows:

Committee Members	Attendance
Datuk Oh Chong Peng ( <i>Chairman</i> )	2/2
Dato' Thomas Mun Lung Lee	2/2
Megat Dziauddin bin Megat Mahmud	2/2
Ou Shian Waei	2/2
Kung Beng Hong	2/2
Phoon Siew Heng (Resigned on 18 April 2012)	–
Lee Ah Boon (Appointed on 18 April 2012)	N/A

### d) Employees' Share Participating Scheme Committee

The Employees' Share Participating Scheme Committee (ESPS Committee) is a sub-committee of the Remuneration Committee established to implement and administer the AFG Employees' Share Scheme (ESS) in accordance with the Bye-Laws approved by the shareholders of the Company on 28 August 2007.

The members of the ESPS Committee and the details of attendance during the financial year are as follows:

Committee Members	Attendance
Datuk Oh Chong Peng ( <i>Chairman</i> )	2/2
Dato' Thomas Mun Lung Lee	2/2
Megat Dziauddin bin Megat Mahmud	2/2
Ou Shian Waei	2/2
Kung Beng Hong	2/2
Phoon Siew Heng (Resigned on 18 April 2012)	1/2
Lee Ah Boon (Appointed on 18 April 2012)	N/A

The minutes of all Board Committees are circulated to the Board for notation.



### 1.10 Directors' Remuneration

The objective of the Company's policy on Directors' remuneration is to attract and retain Directors needed to steer the Company towards achieving its goal effectively. The determination of the Non-Executive Directors' remuneration is a matter for the Board as a whole.

The level of remuneration of Non-Executive Directors is linked to their level of responsibilities.

Non-Executive Directors are paid annual Directors' fees and sitting allowances for attending to Board/Board Committee meetings. The members of Board Committees are also paid allowances for additional responsibilities undertaken. Directors of the Company who are employees within the Group are remunerated separately in accordance with their employment contracts.

Details of the Company's Directors' Remuneration (including benefits-in-kind) for each Director in the Company and the Group for FY2012 are set out below:

	COMPANY		Company Total RM'000	SUBSIDIARIES								Group Total RM'000
	Fees RM'000	Salary, Allowances, Benefits-in-kind and others RM'000		ABMB		AIBB		AIS		AIMB		
				Fees RM'000	Salary, Allowances, Benefits-in-kind and others RM'000	Fees RM'000	Salary, Allowances, Benefits-in-kind and others RM'000	Fees RM'000	Salary, Allowances, Benefits-in-kind and others RM'000	Fees RM'000	Salary, Allowances, Benefits-in-kind and others RM'000	
Executive Directors	–	–	–	–	–	–	–	–	–	–	–	–
Non-Executive Directors												
Datuk Oh Chong Peng (Chairman)	120	73	193	–	–	–	–	–	–	–	–	193
Dato’ Thomas Mun Lung Lee	60	42	102	144	82	120	8	–	–	–	–	456
Stephen Geh Sim Whye	60	48	108	–	–	–	–	–	–	–	–	108
Tan Yuen Fah	60	37	97	72	38	–	–	–	–	–	–	207
Megat Dziauddin bin Megat Mahmud	60	53	113	72	80	60	8	120	9	30	24	516
Kung Beng Hong	60	47	107	72	159	60	42	–	–	–	–	440
Ou Shian Waei	60	42	102	72	51	–	–	–	–	–	–	225
Sng Seow Wah	–	–	–	–	* 3,426	–	–	–	–	–	–	* 3,426
Phoon Siew Heng (Resigned on 18 April 2012)	60	29	89	72	64	60	30	–	–	–	–	315
Lee Ah Boon (Appointed on 18 April 2012)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	540	371	911	504	3,900	300	88	120	9	30	24	5,886

\* This includes the fair value of share options and share grants offered/awarded to Mr Sng Seow Wah under the Employees' Share Scheme amounting to RM733,000.

ABMB: Alliance Bank Malaysia Berhad

AIBB: Alliance Investment Bank Berhad

AIS: Alliance Islamic Bank Berhad

AIMB: Alliance Investment Management Berhad

## Statement on Corporate Governance (cont'd)

## 2. Accountability and Audit

### 2.1 Financial Reporting

The annual financial statements and quarterly results are reviewed by the Audit Committee and approved by the Board of Directors for BNM's clearance prior to public release. A statement by the Directors explaining the Board's responsibility for preparing the annual financial statements is set out on page 80 of this Annual Report.

### 2.2 Risk Management Framework

A Risk Management report, which provides an overview of the risk management framework within the Group, is disclosed on pages 71 to 77 of this Annual Report.

### 2.3 Internal Control

A Statement on Internal Control, which provides an overview of the state of internal control within the Group, is disclosed on page 70 of this Annual Report.

### 2.4 Policy against Fraud

All employees are entrusted with the responsibility to stay alert to risk of fraud and assist in the combat against fraud. The Group has in place reporting procedures with regards to fraud, robbery/burglary and including breach of the Code of Ethics.

The Group also has in place a Whistleblower Policy which is designed to provide an avenue for staff to report any possible financial improprieties such as manipulation of financial results, misappropriation of assets, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, or other improprieties. The Whistleblower Policy is also an avenue for employees to raise concerns in relation to the specific issues which are in the interest of integrity and justice, and which fall outside the scope of other Group policies and procedures.

### 2.5 Anti-Money Laundering and Counter-Financing of Terrorism

The Anti-Money Laundering and Anti-Terrorism Financing Act 2001 provides the legal framework to counter money laundering and terrorism financing in reporting institutions. In order to reduce the likelihood of any of the entities within the Group becoming vehicles for money laundering, terrorism financing and other unlawful activities, the Group has a policy on anti-money laundering and counter-financing of terrorism setting out the minimum standards that are to be adopted and implemented by the entities within the Group.

The key features of the policy are:

- a customer acceptance policy which requires, amongst others, establishment of a business relationship only after satisfactory verification and due diligence of a new customer or persons acting on their behalf;
- ongoing monitoring of transactions to detect unusual and suspicious patterns of activity and intensified monitoring for higher risk customers;
- clear enunciation of the roles and responsibilities of various persons within the Group, including the Board of Directors;
- requirement for reporting of suspicious transactions and prohibition against disclosure of suspicious transaction reports made;
- co-operation with the Financial Intelligence Unit, BNM and other regulatory authorities with no compromise on confidentiality of customer information;
- proper retention of records for the prescribed retention period; and
- ensuring staff awareness and training.

The standards expected by the Group are upheld and reinforced by periodic training programmes on anti-money laundering and counter-financing of terrorism.

### 2.6 Relationship with the Auditors

Through the Audit Committee, the Company has established a formal and transparent relationship with the auditors, both internal and external. The External Auditors are invited to discuss the annual financial statements, their audit plan, audit findings and other special matters that require the Board's attention. The Audit Committee meets with the External Auditors and Internal Auditors twice a year, without the presence of the Management.

## 3. Corporate Responsibility

The Board has adopted the best practices in corporate governance in all its activities to ensure that we achieve business prosperity for the benefit of all stakeholders. Whilst we are committed to achieving our business and financial goals in an ethical, responsible and sustainable manner, we are also mindful of the need to fulfil our responsibilities to the marketplace, workplace, community and the environment in which we operate.

## 4. Investor Relations and Shareholders Communication

The Company acknowledges the importance of regular communication with shareholders and investors. The Company endeavours to maintain constant and effective communication with shareholders through timely and comprehensive announcements. The Board regards the AGM as an opportunity to communicate directly with shareholders and encourages attendance and participation. The notice of AGM is despatched to shareholders, together with explanatory notes or circulars on items of special business, at least 21 days prior to the meeting date.

The Investor Relations team engages the financial community, stakeholders and other key constituencies of the Group to provide consistent, accurate, transparent and timely information. Briefings for analysts are conducted every quarter in conjunction with the release of the quarterly financial results to provide consistent dialogue between the Group's Senior Management and the investment community. During the last 12 months, the Group has participated at roadshows and dialogues to share with the investment community the latest updates and pertinent information on the Group's progress. These platforms enabled the investment community to express their views on the Group's performance and in turn, the Group had the opportunity to manage investors' expectations and strengthen their understanding of the Group.

Shareholders, potential investors and members of the public can access the Company's website at [www.alliancegroup.com.my](http://www.alliancegroup.com.my) for information of the Group. They can also convey their concerns and queries to the Senior Independent Non-Executive Director of the Company, Dato' Thomas Mun Lung Lee. The Senior Independent Non-Executive Director serves as the point of contact between the Independent Directors and the Chairman on sensitive issues and act as a designated contact to shareholders' concerns or queries that may be raised, as an alternative to the formal channel of communication with shareholders.

All correspondence to the Senior Independent Non-Executive Director can be faxed to 03-2694 6200 or sent via e-mail to [leetml@yahoo.com](mailto:leetml@yahoo.com), or by mail to the registered office of the Company at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

## 5. Corporate Disclosure

The Corporate Disclosure Policies and Procedures for the Group (CDPP) provides timely, consistent and fair disclosure of corporate information to enable informed decisions by investors.

The objectives of the CDPP are:

- a) raising awareness of Directors, management and employees on disclosure requirements and practices;
- b) providing guidance in disseminating corporate information to, and in dealing with investors, analysts, media representatives and the public; and
- c) ensuring compliance with the disclosure obligations under the Main Market Listing Requirements of Bursa Securities and other applicable laws.

The Group Company Secretary being the Corporate Disclosure Manager (CDM), serves as the primary contact person for matters referenced in the CDPP. He oversees and co-ordinates disclosure of material information to Bursa Securities. The CDM also ensures compliance with the CDPP and undertakes reviews of any violations, including assessment and implementation of appropriate consequences and remedial action.

Certain designated senior management staff of the Group are authorised to communicate Group information to the investing public. The authorised spokespersons are regularly reminded of their responsibility to exercise due diligence in making sure that the information to be disseminated to the investing public is accurate, clear, timely and complete, and that due care is observed when responding to analysts, the media and the investing public.

To take advantage of current information technology to disseminate relevant information to the investing public, all announcements released by the Company are made accessible via the Company's website, [www.alliancegroup.com.my](http://www.alliancegroup.com.my).

## 6. Dealings in Securities

The Group has in place an internal procedure governing dealings in securities by the Directors and employees to prevent contravention of applicable rules and requirements, including the provisions of the Main Market Listing Requirements of Bursa Securities and insider trading laws.

"Watch List" and "Restricted List" are circulated regularly to AIBB Directors and relevant employees reminding them to refrain from dealing with relevant securities. Directors and principal officers of the Group are also reminded on a quarterly basis in relation to restriction in dealings in securities of the Company during Closed Periods.

This Statement on Corporate Governance is made in accordance with a resolution of the Board of Directors dated 30 May 2012.

## Corporate Responsibility

We are committed to run our business in a responsible and sustainable manner that adds value for our stakeholders, workplace, community and the environment. Corporate Responsibility is an integral part of our strategy to become “The Best Customer Service Bank in Malaysia”. To do this, we leverage on our expertise and thought leadership to align our Corporate Responsibility activities with our business. These initiatives, in turn, are guided by the principles of accountability, honesty, transparency, and sustainability, as well as Bursa Securities’ corporate social responsibility framework.

### Responsibility to the Marketplace

We continue to actively engage shareholders, investors and customers to strengthen every aspect of our relationships with them.

In line with the integrity and ethical conduct in all our business dealings, the Group provides consistent, accurate, transparent and timely information to our shareholders and investors. They receive frequent reports from the Investor Relations team, the Financial Markets team and Alliance Research to allow them to make decisions based on the most up-to-date information. Announcements and press releases are uploaded on our corporate websites for viewing by our stakeholders and the public.

In addition, we regularly meet industry analysts to provide information about the Group’s performance that may be used for public dissemination. The information presented at these briefings is uploaded on the Group’s corporate website at [www.alliancegroup.com.my/quarterlyresults.html](http://www.alliancegroup.com.my/quarterlyresults.html) to promote accessibility of information. The Group’s performance is presently monitored by 17 international and local research houses, two more than in the previous year. The Investor Relations team also engages the Minority Shareholder Watchdog Group, inviting them to attend our conferences and annual general meeting.

We are also committed to building long-term partnerships with our customers by truly understanding their issues and concerns. This enables us to enhance operations and to provide a complete range of products and services to pre-empt their needs at different stages of their life cycle and business cycle.

The Alliance Wealth Guide Quarterly Market Outlook under Consumer Banking was launched in the second quarter of financial year ended 31 March 2012 and features subject-matter experts who share their views on the market outlook on a quarterly basis. The videos are uploaded on [www.alliancewealthguide.com.my](http://www.alliancewealthguide.com.my) for viewing by our customers.

The Bank’s pro-active engagement with the small and medium enterprises (SMEs) community was recognised abroad and at home. The Bank won the coveted “Excellence in SME Banking” honour at the 7th Financial Insights Innovation Award ceremony on 24 February 2012 held in conjunction with the Asian Financial Services Congress. The Bank was recognised for its comprehensive approach towards SME banking. It was one of two Malaysian banks among the 10 winners from the Asia-Pacific region.



On the domestic front, the Bank was recognised as a “friend” of SMEs for the second consecutive year for its innovative financial solutions in nurturing the growth of SMEs. The Bank was presented the Sahabat SME Award 2011 by SMI Association of Malaysia at the 10th SME Recognition Award ceremony on 8 December 2011.

On 12 March 2012, the Bank introduced the Alliance Bank MyBusiness Platinum Card which allows SME business owners to brand their company on the card face.

The Bank was also actively involved in three seminars to skill-up SMEs:

- 19 August 2011 – Representatives from Alliance Investment Bank Berhad were featured as principal speakers at the “Going for IPO” seminar held at the Sime Darby Convention Centre in Kuala Lumpur. This seminar aimed to guide SMEs on how to get themselves listed and was promoted by the Associated Chinese Chambers of Commerce & Industry of Malaysia, and co-organised by the Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor, Associated Chinese Chambers of Commerce & Industry of Malaysia Socio-Economic Research Centre and Klang Chinese Chamber of Commerce and Industry.
- 21 September 2011 – The Bank organised a “Sun Tzu Art of War” seminar at the Mandarin Oriental Hotel in Kuala Lumpur for aspiring entrepreneurs who were keen to learn how to apply ancient military strategies for business today.
- 25 February 2012 - The Bank collaborated with the Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor and Socio-Economic Research Centre to present a seminar on three National Key Economic Areas – Wholesale and Retail, Greater Kuala Lumpur and Financial Services. Over 200 participants attended the half-day talk at Wisma Chinese Chamber of Commerce in Kuala Lumpur. The seminar featured speakers from the Performance Management & Delivery Unit (PEMANDU) under the Prime Minister’s Department that oversees the implementation and progress of the national Economic Transformation Programme and Government Transformation Programme.



## Responsibility at the Workplace

The Alliance family is the most valuable asset that continues to drive its success. We are committed to remain as an employer of choice by providing a safe, healthy and conducive working environment for our employees.

Human capital investment is a strategic and integral part of the Group's policies, financial commitment and business framework. Its development is critical to our goal of being Malaysia's Best Customer Service Bank. We continue to invest in training and development programmes that are aligned to the Group's business objectives as well as to employees' career development and professional growth.

We participate in salary and benefits surveys annually to ensure our compensation package is competitive in the industry. In addition, we continue to focus on talent development and career growth opportunities to improve staff retention. We frequently engage employees in open two-way communication via multiple channels to seek views and feedback so that they can be served better with a dedicated Group Human Resource team.

### Development Programmes

The Group has a Talent Management Framework that provides employees with comprehensive training programmes, skill enhancement opportunities and career development options. In January 2012, the Management Development Programme was launched to groom young talents to take on future leadership roles. This is a six-month structured leadership programme to equip participants with essential skills to be effective managers. It includes customised classroom and business simulation sessions, as well as business projects. Each participant is assigned a mentor from the senior management team of the Group to enhance their learning experience.

### Pulse Lunches

The Group Chief Executive Officer and his senior management team have scheduled lunches with employees from different departments and branches from time to time to communicate and help employees better understand the Group's strategies. More importantly, this is a significant platform of communication between senior management and employees to foster open two-way communication, share feedback, and encourage employees to share ideas.

### Nationwide Town Halls

To ensure alignment of strategy and focus for the entire organisation, as well as transparent communication between management and employees, regular town hall sessions are held in both Peninsular Malaysia and East Malaysia throughout the financial year under review. The town hall sessions are an opportunity for management to provide updates on the latest developments in the Group, and for the staff to discuss their concerns and suggestions about improving the organisation.

### Email for Ideas and Suggestions

An email ID was set up specifically to solicit ideas and suggestions from employees to find ways to further improve and/or streamline processes. This inbox is accessed by the Group Chief Executive Officer and managed by one of his key staff members.

### Employee Engagement Survey

This survey is conducted annually to seek employees' views and feedback on how the Group can enhance its employee value proposition. The feedback is collected by an independent consultant, and studied by the Group to draw up strategies for a more conducive workplace and address areas of employees' concern.

### A Helping Hand

The Bank's employees responded admirably yet again to help a colleague in distress. In December 2011, a bank staff from Sabah suffered a series of misfortunes. Co-workers quickly pitched in to help her tide over the situation.

In recognition of our efforts to make our organisation "A Great Place to Work", we were recognised as one of 2011 Malaysia's Top 100 Leading Graduate Employers, and was listed as one of the Top 100 Public Listed Companies of the 2011 Malaysian Corporate Governance Index.

## Responsibility to the Community

The Group gives back to the community in a variety of ways. We continue to dedicate considerable resources to local communities, promote education initiatives and encourage our employees to volunteer their time and skills in such endeavours. Our efforts are driven by activities and programmes that promote sustainable economic development and self-sufficiency in line with our mission, vision and core values.

### Financial Literacy Programme

As financial management becomes increasingly important, we now focus on financial literacy as the main pillar of our Corporate Responsibility activities.

In July 2011, the Bank participated in Bank Negara Malaysia's 2011 Annual Financial Education Workshops for Teachers and School Children. Alliance Bank employees in Johor Bahru organised a financial education workshop for 35 teachers at the Taman Molek branch.



## Corporate Responsibility (cont'd)

We also launched a Financial Literacy Programme for young school children in April 2012. This exciting programme called “Money & Math Challenge” aims to teach and equip young Malaysians with basic money skills such as saving regularly and spending wisely. This programme also leverages on the Bank’s core financial services and wealth management expertise.

### Zakat

The Group fully supports *Zakat* contribution through Alliance Islamic Bank Berhad (AIS), which carefully selects Shariah-compliant and charitable causes that fit *Zakat* criteria. The contributions were channelled through schools, higher education institutions, healthcare centres and homes for the underprivileged. In 2011, AIS donated *Zakat* funds to cover the cost of dialysis for kidney patients who cannot afford such treatments. The treatments were channelled through Islah Dialisis Sdn Bhd on behalf of AIS.



AIS employees often take time to serve as volunteers at organisations supported by the Group by lending a helping hand or bringing festive cheer to those living in underprivileged homes such as Raudhatul Ikhwan Orphanage.

### Supporting Non-profit Causes

The Group also continued to support the community and non-profit organisations for the underprivileged.



### Empowering Women

We continued our support for the advancement of women in both corporate and SME sectors, by hosting a forum themed “Strive for Success, Live in Balance”. The event aimed to inspire women to take up the challenge to become significant contributors to Malaysia’s economic growth. It covered topics such as women in power, success stories, motivation, self-alignment and lifestyle balance, as well as prudent financial management for women entrepreneurs. The forum featured women guest speakers from the SME sector, and high-ranking women in the local corporate sector.

### Responsibility to the Environment

We believe that every small step makes a difference towards environmental sustainability.

While we place priority on investing in information technology infrastructure to deliver the best service to our customers, we continuously strive to reduce the overall energy usage to minimise its impact on the environment. This we achieve by constantly updating our network of servers and computers, implementing virtualisation technologies, and consolidating our data centres. These have resulted in overall reduction in energy consumption and real estate footprint.

We also made it a priority to contract an IT-waste disposal specialist to dispose obsolete machinery in compliance with processes approved by the Department of Environment under the purview of the Ministry of Natural Resources and Environment.

# Audit Committee Report

## Audit Committee

The Audit Committee comprises the following Directors:

**Stephen Geh Sim Whye** (Appointed as Chairman on 20 January 2012)  
Chairman, Independent Non-Executive Director

**Tan Yuen Fah** (Re-designated as member on 20 January 2012)  
Independent Non-Executive Director

**Megat Dziauddin bin Megat Mahmud**  
Independent Non-Executive Director

**Kung Beng Hong**  
Non-Independent Non-Executive Director

**Ou Shian Waei**  
Independent Non-Executive Director

## Terms of Reference

### 1. Policy

It is the policy of the Company to establish an Audit Committee to ensure that the internal and external audit functions are properly conducted and that audit recommendations are being carried out effectively.

### 2. Objectives

The objectives of this policy are:

- a) to comply with the relevant regulatory and statutory requirements on Audit Committee; and
- b) to provide independent oversight of the Company and subsidiaries' financial reporting and internal control system and ensuring checks and balances within the Company and subsidiaries.

### 3. Composition of the Audit Committee

The Audit Committee shall be appointed by the Directors which shall fulfil the following requirements:

- a) the Audit Committee must be composed of no fewer than three members;
- b) all the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors;

c) the members of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director; and

d) at least one member of the Audit Committee:

- i) must be a member of the Malaysian Institute of Accountants; or
- ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience; and
  - aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

No alternate Director shall be appointed as a member of the Audit Committee.

### 4. Secretary to the Audit Committee

The Company Secretary shall be the Secretary to the Audit Committee.

## Audit Committee Report (cont'd)

### 5. Quorum

Two members of the Audit Committee shall constitute a quorum at any meeting and majority of members present must be Independent Directors to form a quorum.

### 6. Attendance at Meetings

- The Head of Group Internal Audit is invited to attend all meetings of the Audit Committee.
- The Head of Finance and the External Auditors are normally invited to attend meetings as and when necessary.
- Other Board members and employees may attend meetings upon the invitation of the Audit Committee.
- The Secretary of the Audit Committee shall provide the necessary administrative and secretarial services for the effective functioning of the Audit Committee. The minutes of meetings are circulated to the Audit Committee Members and to all other members of the Board.

### 7. Frequency of Meetings

The Audit Committee shall meet at least four times a year. However, the frequency of meetings would increase depending on the scope of the audit activities and the number of audit reports produced.

### 8. Functions of the Audit Committee

The functions of the Audit Committee are as follows:

- a) To consider the appointment of the External Auditors, the audit fee and any questions of resignation or dismissal and whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment;
- b) To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- c) To recommend the nomination of a person or persons as the External Auditors;
- d) To approve the provision of non-audit service by the External Auditors;
- e) To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the External Auditors;
- f) To assess objectivity, performance and independence of the External Auditors (for example by reviewing and assessing the various relationships between the External Auditors and the Company or any other entity);
- g) To review:
  - with the External Auditors, the audit plan;
  - with the External Auditors, their evaluation of the system of internal controls;
  - with the External Auditors, their audit report;
  - the assistance given by the Company's officers to the External Auditors;
  - the consolidated financial statements of the Company; and
  - any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedures or course of conduct that raises questions of management integrity;
- h) To review the quarterly and year-end financial statements of the Company, prior to the approval of the Board of Directors, focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - any other significant and unusual events;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements;
- i) To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary);
- j) To review the External Auditors' Management letter and Management's response;
- k) To meet with the External Auditors without executive Board members presence at least twice a year;
- l) To propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines;



m) To review the effectiveness of internal controls and risk management processes;

n) To do the following where an internal audit function exists:

- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and ensure that appropriate actions are taken on the recommendations of the internal audit function in a timely manner;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of senior staff members of the internal audit function;
- take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- consider the major findings of internal investigations and Management's responses;
- establish an appropriate mechanism to address and manage situations where there is a threat to the objectivity of the internal audit; and
- establish a mechanism to assess performance and effectiveness of the internal audit function;

o) Where the internal audit function lacks the expertise needed to perform the audit of specialised areas, external experts may be engaged. However, the Audit Committee remains responsible for ensuring that audit of specialised areas is adequate;

p) In situations that external experts are engaged to carry out review of specialised areas where internal audit is not or not sufficiently proficient, the Audit Committee should ensure that:

- terms and scope of the engagement, the working arrangement with the internal auditors and reporting requirements are clearly established; and
- if the External Auditors are engaged, the Audit Committee is responsible for ensuring that such engagement does not compromise the independence of the External Auditors in their roles as statutory auditors of the Company;

q) To verify the allocation of share options/share grants/share save (where applicable) pursuant to the Company's Employees' Share Scheme at the end of each financial year as being in compliance with the criteria of allocation pursuant to the Employees' Share Scheme and to issue a statement verifying such allocation to be included in the annual report; and

r) To consider and examine any other matters as defined by the Board.

## 9. Authority of the Audit Committee

The Audit Committee is authorised by the Board to:

- a) investigate any matter within the scope of the Audit Committee's duties;
- b) have full and unrestricted access to any information in the Company;
- c) obtain independent professional advice or other advice, whenever deemed necessary;
- d) make recommendations for improvements of operating performance and management control arising from internal and external audit recommendations;
- e) have the resources which are required to perform its duties;
- f) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity, if any; and
- g) be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The Chairman and/or members of the Audit Committee are authorised by the Board to engage on a continuous basis with senior management, the Chairman, the Chief Executive Officer, the Head of Finance, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Company.

## 10. Reporting of Breaches to the Bursa Malaysia Securities Berhad

Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Securities Berhad's Listing Requirements, the Audit Committee must promptly report such matter to the Bursa Malaysia Securities Berhad.

## Audit Committee Report (cont'd)

### Audit Committee Meetings held in the Financial Year Ended 31 March 2012 (FY2012)

During the FY2012, a total of six Audit Committee meetings were held. The details of attendance of the Committee members are as follows:

Name of Committee Member	Attendance
Stephen Geh Sim Whye	6/6
Tan Yuen Fah	6/6
Megat Dziauddin bin Megat Mahmud	6/6
Kung Beng Hong	6/6
Ou Shian Waei	6/6

### Summary of Activities

The Audit Committee has during the FY2012 carried out the following duties:

- Reviewed the quarterly results and made recommendations to the Board for approval;
- Reviewed with the External Auditors, the draft Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2011;
- Reviewed with the External Auditors, their report on the Limited Review of Half Year Financial Statements for the six months period ended 30 September 2011;
- Reviewed with the External Auditors, their management letter together with Management's responses to the audit findings for the financial year ended 31 March 2011;
- Reviewed with the External Auditors, their audit plan for the FY2012;
- Reviewed the non-audit services rendered by the External Auditors;
- Considered the re-appointment of the External Auditors and their audit fees for the FY2012;
- Reviewed the Statement on Internal Control, Audit Committee Report and Risk Management Report for inclusion in the 2011 Annual Report;
- Reviewed the allocation of share options and share grants pursuant to the Employees' Share Scheme of the Company for 2010 Grant;
- Reviewed the internal audit reports with Internal Auditors;

- Reviewed with the Internal Auditors, the internal audit plan for the FY2012;
- Reviewed recurrent related party transactions entered into by the Company and its subsidiaries;
- Reviewed the Terms of Reference of Audit Committee;
- Reviewed the Group Internal Audit's Strategic Plan;
- Reviewed the Group Internal Audit Charter;
- Reviewed the Audit Risk Rating Methodology;
- Reviewed the Summary of Fraud Cases reported to Bank Negara Malaysia;
- Reviewed the Internal Procedures for Related Party Transactions and Recurrent Related Party Transactions;
- Met with the External Auditors without the presence of Management twice during the year; and
- Met with the Internal Auditors without the presence of Management twice during the year.

Subsequent to the FY2012, the Audit Committee carried out the following duties:

- Reviewed with the External Auditors, the draft Audited Financial Statements of the Company and the Group for the FY2012;
- Reviewed with the External Auditors, their management letter together with Management's responses to the audit findings for the FY2012;
- Reviewed the non-audit services rendered by the External Auditors;
- Considered the re-appointment of the External Auditors and their audit fees for the financial year ending 31 March 2013;
- Reviewed the allocation of share options and share grants pursuant to the Employees' Share Scheme of the Company for 2011 Grant;
- Reviewed recurrent related party transactions entered into by the Company and its subsidiaries;
- Reviewed the Statement on Internal Control, Audit Committee Report and Risk Management Report for inclusion in the 2012 Annual Report;
- Reviewed the Terms of Reference of Audit Committee;

- i) Reviewed with the Internal Auditors, the internal audit plan for the financial year ending 31 March 2013;
- j) Reviewed the Audit Risk Rating Methodology;
- k) Reviewed the Summary of Fraud Cases reported to Bank Negara Malaysia;
- l) Reviewed the Questionnaires for Annual Assessment of Performance of the Audit Committee;
- m) Met with the External Auditors without the presence of Management; and
- n) Met with the Internal Auditors without the presence of Management.

### Group Internal Audit Function

The internal audit function is undertaken by the Group Internal Audit. The Group Internal Audit's primary role is to assist the Audit Committee to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the system of internal controls that mitigate critical risks.

The authority of the Group Internal Audit is provided in the Internal Audit Charter, which formally documents the roles, duties and responsibilities of the Internal Auditors. The Group Chief Internal Auditor reports directly to the Audit Committee of the Group.

Group Internal Audit adopts a risk-based approach that deploys audit resources to focus on significant risk areas and thus, enhance the effectiveness and efficiency of the audit function by prioritising the audits of areas which have been assessed as having potentially higher risks.

Group Internal Audit works collaboratively with Risk Management to monitor the risk governance framework and the risk management processes that are applied to ensure an acceptable level of risk exposure which is consistent with the risk management policy of the Group. The Internal Auditors also work closely with the External Auditors to resolve any control issues raised by them to ensure that significant issues are duly acted upon by Management.

The cost incurred for the Group's internal audit function during the financial year amounted to RM5.0 million.

### Statement on Employees' Share Scheme (ESS)

The Audit Committee confirms that the share options and share grants offered/awarded to eligible employees of the Company and its subsidiaries pursuant to the ESS during the financial year under review had been made in accordance with the criteria of allocation pursuant to the Bye-Laws of the ESS.

# Statement on Internal Control

## Responsibility

The Board acknowledges its overall responsibility for the Group's system of internal control and for reviewing its adequacy and integrity. The system of internal control is designed to manage the Group's risks within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. It can therefore only provide a reasonable but not absolute assurance of effectiveness against material misstatement of management and financial information or against financial losses and fraud.

The Board regularly receives and reviews reports on internal control and is of the view that the system of internal control that has been instituted throughout the Group is sound and adequate to safeguard the shareholders' investments and the Group's assets.

The Group has instituted an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of internal control when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and is in accordance with the 'Statement on Internal Control: Guidance for Directors of Public Listed Companies', issued by the Task Force on Internal Control. The role of Management is to implement the Board's policies, procedures and guidelines on risk and control to identify and evaluate the risks faced and design, operate and monitor a suitable system of internal control to manage these risks.

The Board has extended the responsibilities of the Audit Committee ("AC") to include the role of oversight on internal controls on behalf of the Board, including identifying risk areas and communicating critical risk issues to the Board. The AC is supported by an independent Internal Audit function which reports directly to it. The Internal Auditors have performed their duties with impartiality, competency and due professional care.

## Risk Management Framework

The Board, through its Group Risk Management Committee ("GRMC") provides oversight on risk management strategies, methodologies, policies and guidelines, risk tolerance and other risk related matters of the Group. Approval of risk policies by the Board is obtained where necessitated by regulatory requirements. In addition, the GRMC also oversees the functions of management committees such as the Group Assets and Liabilities Management Committee and Group Operational Risk Management Committee, which assume the responsibility of monitoring specific areas of risks pertaining to the Group's business activities and implement various risk management policies and procedures.

Major risks arising from the Group's day-to-day activities in the financial services industry comprise credit risk, liquidity risk, market risk and operational risk. For more information on the risks and relevant guidelines and policies, please refer to Note 43 under the Financial Statements.

## System of Internal Control

To ensure that a sound system of control is in place, the Board has established primary processes in reviewing the adequacy and integrity of the system of internal controls. The primary processes include:

- Regular and comprehensive management reports are made available to the Board on a monthly basis, covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans;
- Clearly defined delegation of responsibilities to committees of the Board and to Management including organisation structures and appropriate authority levels;
- Operational risk management framework, business continuity management framework, code of conduct, human resource policies and performance reward system to support business objectives, risk management and the system of internal control;
- Properly defined policies and procedures to control applications and the environment of computer information systems;
- Regular update of internal policies and procedures, to adapt to changing risk profiles and address operational deficiencies;
- Regular review of the business processes by the Group's internal audit, to assess the effectiveness of the control environment and highlight significant control gaps impacting the Group;
- Documentation and periodic assessment of controls and processes by all business and support units for managing key risks; and
- Regular senior management meetings are held to review, identify, discuss and resolve strategic, operational, financial and key management issues.

## Review of the Statement by External Auditors

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Internal Control for the financial year ended 31 March 2012 and have reported the results of the review thereof to the Board.



# Risk Management

## Risk Management Philosophy

- Strong risk management culture to ensure returns that commensurate with our financing and risk taking activities.
- Proactive management of risk exposures within our risk appetite by constantly fine tuning our risk management approaches in line with the changing financial landscape.

## Integrated Risk Management Framework

The Group's Integrated Risk Management Framework (IRMF) sets the fundamental elements to manage business and financial risks on an integrated group-wide basis.

The IRMF supports a programme of action that is consistent with industry's best practices to better position the Group to deal with economic and business challenges. The main thrusts of the IRMF are:



- Consistent risk frameworks, policies and measurements for each type of risk, across all lines of business i.e. enterprise-wide risk management.
- Effective integration of risk policies and processes into business decision-making.
- Integration of risk strategy, risk organisation, risk processes and risk methodology/tools.

## Risk Governance Framework



## Risk Management (cont'd)

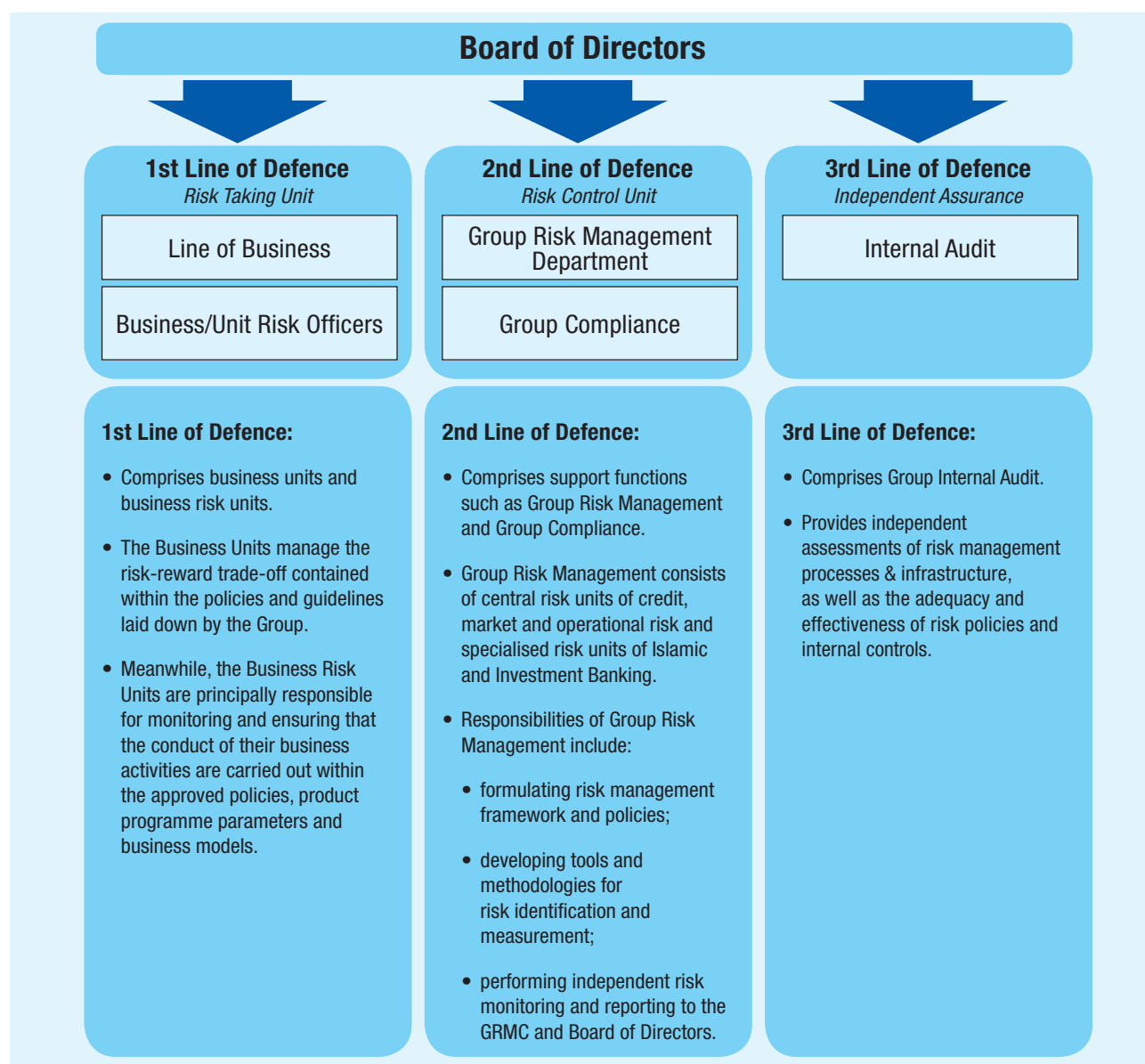
The Board of Directors, through the Group Risk Management Committee (GRMC), is responsible for the overall risk oversight. This includes reviewing and approving risk management policies, risk appetite, risk exposures and limits, whilst ensuring the necessary infrastructure and resources are in place.

GRMC is supported by specialised risk committees and risk working groups to manage credit, market, liquidity, operational risks and other key risks:

- Credit Risk Working Group
- Group Assets & Liabilities Management Committee
- Group Operational Risk Management Committee
- Product Working Group

Business units and risk management units are represented at the respective committees/working groups, to reflect the joint ownership of business and risk management responsibilities by both the risk takers and risk managers.

## Three Lines of Defence



## Capital Management

### Basel II, Pillar 1 – Capital Computation

The Group has adopted the following computational approval for capital requirements under Pillar 1 of Bank Negara Malaysia's (BNM) guidelines:

- Risk Weighted Capital Adequacy Framework for conventional banks;
- BNM Capital Adequacy Framework for Islamic Banks for Islamic banks.

Risk Category	Approach
Credit Risk	Standardised Approach
Market Risk	Standardised Approach
Operational Risk	Basic Indicator Approach

### Basel II, Pillar 2 – Internal Capital Adequacy Assessment Process (ICAAP)

In accordance with BNM's implementation of the Pillar 2 guidelines – Internal Capital Adequacy Assessment Process (ICAAP), the Group had initiated its capital management planning process. The Group had established its Capital Management Framework which covers three dimensions i.e. strategy, process and infrastructure. The objective is to ensure that the Group is adequately capitalised. The Group promotes efficient use of capital by aligning business strategy, risk appetite and expected returns with capital requirements.

In addition, the Group had formalised its Risk Appetite Statement which aims to promote balanced, sustainable growth whilst balancing the risk-reward trade-off. The Group's Risk Appetite Statement expresses the quantum of risks that the Group is willing to accept within its overall strategy. The focus areas are Strategic and Reputational Risks with core components on capital adequacy, liquidity, earnings volatility and asset quality.

### Basel II, Pillar 3 – Disclosure Requirements

Meanwhile, Pillar 3 of Basel II requires banks to provide consistent and comprehensive disclosures for risk management practices, to improve transparency in the financial markets and enhance market discipline. This is in place since March 2011. Please refer to the Basel II Pillar 3 Disclosure on page 207.

### Basel III

At the end of 2011, BNM had issued guidelines on the Implementation of Basel III. BNM's guidelines were broadly in line with Basel standards issued earlier in December 2010. Generally, the implementation of the Basel III guidelines aims to strengthen the capital components of the banking institution in order for them to be more resilient to financial stress. The primary recommendations of Basel III include:

- Higher minimum common equity and Tier-1 capital
- Capital conservation and counter-cyclical buffer
- Leverage ratio
- Phasing out of certain capital instruments

The regulators have given these additional requirements, in addition to Basel II, a phased-in transitional period of eight years from 2011 and full adoption in 2019. With regard to the proposed phased de-recognition of Hybrid Tier-1 capital instruments, the Group does not expect to be impacted as it does not have such instruments. The Group had put in place processes to monitor the additional capital requirements and Basel III liquidity ratios to ensure smooth transition when these ratios are subsequently implemented by BNM.

### Stress Testing

The Group carries out stress tests to estimate the potential impact of extreme events on the Group's earnings, balance sheet and capital. These stress tests also aim to gauge our sensitivity and vulnerability to a sector, customer segment or product segment.

The Group has a stress testing framework which is applied to identify:

- Potential vulnerable risk areas of the Group's portfolio to stress events. It examines an alternative future that could cause problems to the Group's portfolio, thus enabling the Group to assess the potential worst case scenarios and to be prepared to face such challenges; and
- Possible events or future changes in financial and economic conditions that could have unfavourable effects on the Group's ability to withstand such changes (particularly in relation to the Group's capital and earnings capacity to absorb potentially significant losses), thus enabling the Group to take steps to manage these risks and conserve capital.

The Stress Test Working Group comprises representatives from Group Risk, Business Risk, Group Finance and the Lines of Business. The stress test parameters are formulated internally, taking into account the economic scenario, plus current and forecasted key indicators over a rolling one year period. The scenario, parameters and eventual stress test results are presented to the Stress Test Working Group and to the GRMC and Board for concurrence and approval respectively.

## Risk Management (cont'd)

Stress tests are conducted on specific areas, line of business, entity and group level to identify potential vulnerabilities brought about by the events/scenarios identified. The results, including impact on earnings and capital of the respective entities and group are analysed and reported to the Stress Test Working Group, GRMC/Board and BNM. Where necessary, proactive action is taken to address weakness or vulnerability in the portfolio.

### Credit Risk Management

#### *Risk Definition:*

Credit risk arises from the risk of financial loss as a result of the failure of a customer or counter-party to discharge his contractual obligations. The Group's credit risk exposures arise primarily from its lending, investment and trading activities.

#### *Credit Risk Management:*

The Credit Risk Management Framework defines core policies to be adopted by the credit granting programmes, products and business models. The core policies, together with business level policies, require that the Group underwrites risks that are within our risk appetite. Regular credit reviews and business-specific early warning frameworks ensure early detection of an imminent problem, thereby improving the chances of remedial action or recovery.

In the Group's Credit Risk Management, internal credit rating scorecards/models or external credit rating are used as credit evaluation tools to underwrite loans and invest in debt securities as well as other credit processes. The scorecards and models are validated regularly to ensure robustness and relevancy.

Business Risk Units monitor and report credit portfolio quality to the Credit Risk Working Group and GRMC regularly. Such reporting enables the identification of adverse credit trends, allowing corrective measures, and re-alignment of risk strategies when necessary.

Functionally, Group Credit Risk Management is responsible for managing credit risk, involving the following roles:

- formulate group-wide credit risk policies;
- formulate risk control limits;
- portfolio risk monitoring;
- develop risk measurement methodology;
- monitor and report credit exposures.

The Group is a firm believer in building and enhancing the risk frameworks and measurement tools to improve the capability of managing credit risk. For example, the Group had rolled-out the enhanced credit risk rating model/system for Wholesale Banking. Besides that, the Group had established the Model Development Framework which governs the model development process for credit rating models. There is also close engagement between business units, business risk managers and credit underwriters for better alignment of credit policy changes and execution.

### Market Risk Management

#### *Risk Definition:*

Market Risk is the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity prices, commodity prices and in their implied volatilities.

Liquidity Risk takes two forms: funding liquidity risk and market liquidity risk. Funding liquidity risk could arise if the Group is unable to meet financial commitments when due. Market liquidity risk arises if the Group is unable to unwind or offset its position in the market within a short span of time, at or near the previous market price, because of inadequate market depth or disruptions to the marketplace.

#### *Market Risk Management:*

The Market Risk Management Framework outlines the core policies and methodologies in managing market and liquidity risks. The framework integrates the Group's internal policies with best practices and relevant regulatory requirements. It is supplemented by product specific policies that define the risk limits and parameters for the product plus administrative procedures to handle and report exceptions, risk monitoring and reporting.

Market risk, in the Banking Book, is supervised primarily by the Group Assets & Liabilities Management Committee and executed through Financial Markets whereas market risk in the Trading Book is managed primarily by Financial Markets based on policies and limits approved by the GRMC/Board.

The bulk of the Group's treasury positions are held under the Banking Book, which predominantly consists of Government bonds with a smaller proportion of corporate bonds. The Trading Book is relatively small, comprising mainly foreign exchange instruments, which are primarily entered into to meet the needs of our wealth management, commercial and corporate customers. The Bank also engages in proprietary trading of bonds and interest rate swaps. These activities are governed by risk limits such as cash limits, sensitivity limits, loss limits and Value-at-Risk.



While the Group offers share financing, stockbroking and unit trust management services to our retail customers, the treasury arm did not undertake proprietary trading of equities and commodities during the financial year ended 31 March 2012.



Group Market Risk Management undertakes the following support roles:

- Formulating and reviewing the Group's market risk and asset liability management frameworks and policies in accordance with the Group's business direction and revised regulatory requirements. This includes developing appropriate risk measures and associated risk limits to manage market and liquidity risks.
- Carrying out independent monitoring of treasury activities on a daily basis, including reporting and escalation of exceptions and scheduled reporting of market and liquidity exposures to senior management and Board of Directors.
- Providing independent market-to-market valuation of treasury positions and risk exposures, using rates obtained from various sources, such as independent market price/information providers.
- Reviewing new product proposal papers (in conjunction with other risk management units) to assess the market and liquidity risks prior to launching new products.
- Providing integrated risk management support activities in conjunction with other Risk Management functions and participating with other departments on joint assignments and projects involving market risk, liquidity risk and asset-liability management and stress testing exercises.

To assist in the management of market and liquidity risks, the Group has invested and established the following risk infrastructure, systems and tools and methodologies:

Risk Exposures	Application System	Tools / Methodologies
Trading Book	Middle Office Module Treasury System 	<ul style="list-style-type: none"> <li>• Notional limits</li> <li>• Sensitivity limit (Price Value of a Basis Point)</li> <li>• Value-at-Risk</li> <li>• Stress testing</li> <li>• Back testing</li> </ul>
Banking Book	Assets & Liabilities Management System 	<ul style="list-style-type: none"> <li>• Repricing gap analysis</li> <li>• Net interest income simulation</li> <li>• Economic value of equity</li> <li>• Liquidity gap analysis</li> <li>• Liquidity ratios &amp; benchmarks</li> <li>• Liquidity stress test</li> <li>• Contingency funding plan</li> </ul>

For the year under review, the Group had implemented the following initiatives:

- Parallel monitoring and reporting of Basel III new capital and liquidity standards in readiness of BNM's implementation of the Basel III guidelines;
- Establishing the internal capital adequacy process inclusive of the Capital Management Framework and Risk Appetite Statement.

## Operational Risk Management

### Risk Definition:

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

### Operational Risk Management:

Management, escalation and reporting processes are instituted through various management committees such as the Group Operational Risk Management Committee and Group Risk Management Committee as well as the Board. The responsibilities of the committees and Board include the following:

- Oversight and implementation of the Operational Risk Management Frameworks;
- Regular review of operational risks reports and profiles;
- Address operational risk issues;
- Ensure compliance with regulatory and internal requirements including disclosures.

The Group has adopted the following guiding principles for operational risk management:

- Sound risk management practices as outlined in the ORM Framework, which is in accordance with Basel II and regulatory guidelines; (For Islamic Banking, a separate ORM Framework has been adopted to ensure compliance with the Islamic Financial Services Board and relevant regulatory bodies.)
- Board and Senior Management oversight;
- Defined responsibilities for all staff;
- Established operational risk methodologies and processes applied in the identification, assessment, measurement, control and monitor of risks;
- Regular dashboard reports submitted to Senior Management and GRMC;
- Continuous cultivation of an organisational culture that places great emphasis on effective operational risk management and adherence to sound operating controls.

## Risk Management (cont'd)

In line with the best practices for management of operational risks, we employ several tools applicable across the Group, such as:

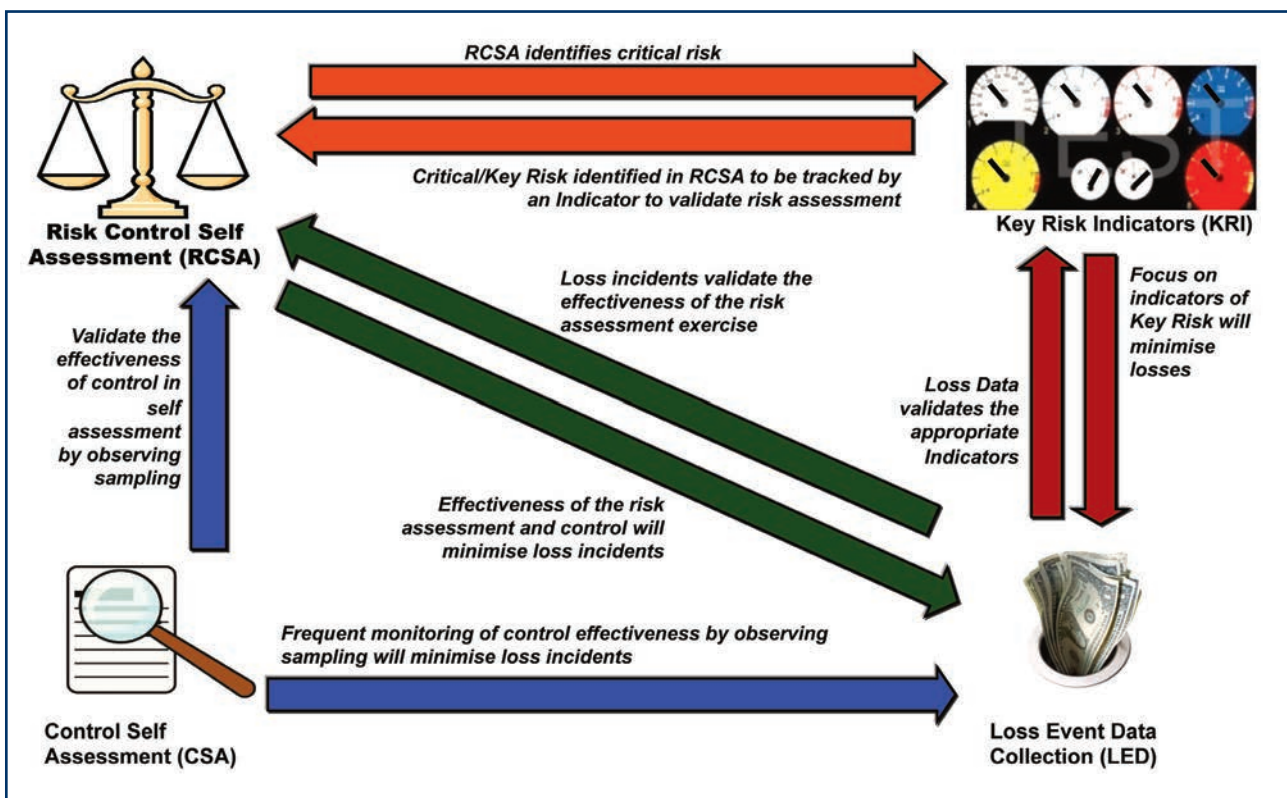
- Risk and Control Self Assessment
- Control Self Assessment
- Key Risk Indicators
- Loss Event Data Collection

The Group also ensures that the operational risk awareness programme is conducted on an on-going basis. The training programme includes emphasis on business continuity planning. Meanwhile, scheduled business continuity and disaster recovery exercises are conducted at periodic intervals.

Internal audit plays its part in ensuring an independent assurance of the implementation of the Framework through their regular audit reviews and reports to the Group Audit Committee.

In the past year, the Group had reviewed internal processes, operational tools and indicators to foster improvements in process and risk mitigation techniques. In addition, the approval process for new products was improved to expedite the approval process whilst balancing risk management.

The illustration below summarises how the operational risk tools complement one another.



## Islamic Risk Management

### **Risk Definition:**

Shariah Compliance risk arises from the risk of failure to comply with Shariah rules and principles determined by the relevant Shariah advisory councils. The Shariah compliance in the Islamic banking activities, *inter alia*, includes prohibition of *Riba* (interest), *Gharar* (uncertainty) and *Maisir* (gambling).

### **Islamic Risk Management:**

Islamic Risk Management focuses on managing Operational and Shariah Compliance Risk, besides managing the credit and market risks in Islamic Banking operations.

Under the Group's Islamic Operational Risk Management Framework, including Shariah Governance Framework, the Group applies several key measures, *inter alia*:

- Adopting sound risk management practices in accordance with the Islamic Financial Services Board, and other relevant regulatory guidelines;
- Providing continuous Board and Senior Management oversight;
- Emplacing qualified Shariah Committee members with capabilities to deliberate on Shariah issues and provide sound Shariah decisions;
- Ensuring at least one representative from the Shariah Committee in the Board of Directors;
- Ensuring that the Group complies with Shariah principles in relation to existing and new products, services and business activities at all times, by having adequate mechanisms and processes;
- Establishing clear lines of roles and responsibilities;
- Providing timely management reports;
- Fostering a risk awareness culture through on-going staff training;

- Deploying the Shariah Review and Audit Team to conduct independent Shariah reviews regularly at various business lines and reporting their findings to the Shariah Committee and Board. The functions cover, amongst others, training, research and regular assessment on Shariah compliance in the activities and operations of the Group;
- Reporting Shariah non-compliant incidents and issues to the Shariah Committee and the Board. Any rectification should only be carried out in consultation with the Shariah Committee and any non-compliant income discovered during the review exercise will be channeled to charities.

For the past year, concerted efforts were taken to improve the Shariah review process to ensure compliance to Shariah principles and requirements. In addition, the Group had commenced the tracking of Shariah non-compliances data via the ORM system in line with the risk assessment process for ICAAP. Regular training on Shariah-related concepts and risk issues is conducted to heighten the risk awareness within the Group.

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## Additional Compliance Information

The following additional compliance information is provided in accordance with Paragraph 9.25 of the Main Market Listing Requirements of Bursa Securities:

### 1. Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during the financial year ended 31 March 2012.

### 2. Non-Audit Fees

Non-audit fees paid/payable to the external auditors, Messrs PricewaterhouseCoopers by the Group for the financial year ended 31 March 2012 amounted to RM620,000.

### 3. Variations in Results

There were no variances of 10% or more between the audited results for the financial year ended 31 March 2012 and the unaudited results previously announced.

### 4. Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Group involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

### 5. Profit Guarantee

There was no profit guarantee given by the Company in respect of the financial year ended 31 March 2012.

### 6. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued by the Company which were exercised during the financial year ended 31 March 2012.

### 7. Share Buy-Back

The Company did not buy back any of its shares during the financial year ended 31 March 2012.

### 8. American Depositary Receipt (ADR) or Global Depositary Receipt (GDR)

The Company did not sponsor any ADR or GDR programmes during the financial year ended 31 March 2012.

### 9. Sanctions and/or Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 March 2012.





# 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
<b>The Company</b>				
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.

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# 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.

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# 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



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## 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

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## 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.

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# 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
<b>ASSETS</b>					
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	—	—	—
<b>TOTAL ASSETS</b>		<b>39,603,485</b>	<b>36,071,936</b>	<b>1,804,868</b>	<b>2,431,634</b>
<b>LIABILITIES AND EQUITY</b>					
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	—	—
<b>TOTAL LIABILITIES</b>		<b>35,928,151</b>	<b>32,715,333</b>	<b>4,354</b>	<b>602,801</b>
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)
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>3,670,429</b>	<b>3,352,114</b>	<b>1,800,514</b>	<b>1,828,833</b>
Non-controlling interests		4,905	4,489	—	—
<b>TOTAL EQUITY</b>		<b>3,675,334</b>	<b>3,356,603</b>	<b>1,800,514</b>	<b>1,828,833</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>39,603,485</b>	<b>36,071,936</b>	<b>1,804,868</b>	<b>2,431,634</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	45	<b>18,741,373</b>	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

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income	31	<b>1,328,122</b>	1,203,438	<b>12,947</b>	18,214
Interest expense	32	<b>(654,259)</b>	(533,176)	<b>(14,178)</b>	(21,382)
Net interest income/(expense)		<b>673,863</b>	670,262	<b>(1,231)</b>	(3,168)
Net income from Islamic banking business	33	<b>256,329</b>	232,732	<b>—</b>	—
		<b>930,192</b>	902,994	<b>(1,231)</b>	(3,168)
Other operating income	34	<b>320,182</b>	225,722	<b>267,198</b>	147,844
Net income		<b>1,250,374</b>	1,128,716	<b>265,967</b>	144,676
Other operating expenses	35	<b>(591,796)</b>	(544,900)	<b>(4,113)</b>	(4,002)
Operating profit before allowance		<b>658,578</b>	583,816	<b>261,854</b>	140,674
Allowance for losses on loans, advances and financing and other losses	36	<b>(34,640)</b>	(33,309)	<b>—</b>	—
Write-back of/(allowance for) impairment	37	<b>21,643</b>	4,076	<b>(970)</b>	(642)
Operating profit after allowance		<b>645,581</b>	554,583	<b>260,884</b>	140,032
Share of results of associate	14	<b>(1,978)</b>	(1,470)	<b>—</b>	—
Profit before taxation and zakat		<b>643,603</b>	553,113	<b>260,884</b>	140,032
Taxation and zakat	38	<b>(163,764)</b>	(143,962)	<b>(61,095)</b>	(31,190)
Net profit after taxation and zakat		<b>479,839</b>	409,151	<b>199,789</b>	108,842
Other comprehensive income:					
Revaluation reserve on financial investments available-for-sale					
- Net gain/(loss) from change in fair value		<b>85,531</b>	(7,925)	<b>—</b>	—
- Transfer (to)/from deferred tax		<b>(21,382)</b>	1,981	<b>—</b>	—
Other comprehensive income/(expense), net of tax		<b>64,149</b>	(5,944)	<b>—</b>	—
Total comprehensive income for the year		<b>543,988</b>	403,207	<b>199,789</b>	108,842
Profit attributable to:					
Owners of the parent		<b>479,355</b>	409,202	<b>199,789</b>	108,842
Non-controlling interests		<b>484</b>	(51)	<b>—</b>	—
Net profit after taxation and zakat		<b>479,839</b>	409,151	<b>199,789</b>	108,842
Total comprehensive income attributable to:					
Owners of the parent		<b>543,504</b>	403,258	<b>199,789</b>	108,842
Non-controlling interests		<b>484</b>	(51)	<b>—</b>	—
Total comprehensive income for the year		<b>543,988</b>	403,207	<b>199,789</b>	108,842
Earnings per share attributable to owners of the parent:					
Basic (sen)	39(a)	<b>31.5</b>	26.7		
Diluted (sen)	39(b)	<b>31.4</b>	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													
		Employees'											
		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	Non-Controlling Interests	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group	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	-	-	-	-	(5,944)	-	-	-	409,202	409,202	(51)	409,151
	Other comprehensive expense	-	-	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	(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	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	-	-	-	-	-	-	-	(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:													
- 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	975,301	(2,643,762)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	826,534	3,470,296
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	1,801,835	826,534
<b>Cash and cash equivalents comprise the following:</b>		
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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(40,357)</b>	<b>16,011</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>46,858</b>	<b>30,847</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>6,501</b>	<b>46,858</b>
<b>Cash and cash equivalents comprise the following:</b>		
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
	<b>1,874,333</b>	<b>914,038</b>	<b>6,501</b>	<b>46,858</b>

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	—
	<b>97,713</b>	<b>100,228</b>	<b>19,315</b>	<b>605,700</b>

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	—
	<b>62,960</b>	96,318
Less: Allowance for other losses	(1,262)	(15,799)
	<b>61,698</b>	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
	<b>1,585</b>	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)	—
	<b>1,262</b>	15,799

## 6. FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2012 RM'000	2011 RM'000
<b>At fair value</b>		
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
	<b>1,491,995</b>	1,938,250

# Notes to the Financial Statements

31 March 2012

## 7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	2012 RM'000	Group 2011 RM'000
<b>At fair value</b>		
<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
	<b>9,123,201</b>	<b>9,259,940</b>

## 8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

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

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	<b>47,129</b>	<b>91,331</b>

# 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 RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Foreign exchange contracts and commodity contracts:</b>						
- 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)
<b>Interest rate related contracts:</b>						
- Interest rate swaps	2,106,781	5,982	(9,215)	2,112,000	9,479	(4,999)
<b>Hedging Derivatives</b>						
<b>Interest rate related contracts:</b>						
- Interest rate swaps	14,115	—	(423)	—	—	—
<b>Total derivative assets/(liabilities)</b>	<b>5,268,384</b>	<b>23,712</b>	<b>(26,241)</b>	<b>4,956,627</b>	<b>32,047</b>	<b>(33,347)</b>

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

31 March 2012

## 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>		
<b>Individual assessment allowance</b>		
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
<b>Collective assessment allowance</b>		
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
	<b>601,135</b>	<b>741,324</b>
(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
	<b>601,135</b>	<b>741,324</b>

## 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
	<b>102,573</b>	109,503	<b>2,577</b>	1,557
Less: Allowance for other losses [Note (c)]	<b>(24,416)</b>	(21,882)	<b>(2,308)</b>	(1,338)
	<b>78,157</b>	87,621	<b>269</b>	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)
	<b>19</b>	<b>11</b>

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

31 March 2012

## 13. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

Name	Principal activities	Effective equity interest	
		2012 %	2011 %
<b><i>Subsidiaries of the Company</i></b>			
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
<b><i>Subsidiaries of Alliance Bank Malaysia Berhad</i></b>			
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
<b><i>Subsidiaries of Alliance Investment Bank Berhad</i></b>			
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

31 March 2012

## 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)
	<b>26,552</b>	<b>28,530</b>
Represented by:		
Share of net tangible assets	<b>26,552</b>	<b>28,530</b>

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
<b>Assets and Liabilities</b>		
Current assets	11,968	207
Non-current assets	78,780	99,647
	<b>90,748</b>	<b>99,854</b>
Current liabilities	2,242	4,665
	<b>2,242</b>	<b>4,665</b>
<b>Results</b>		
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
	<b>32,057</b>	<b>32,057</b>
Accumulated impairment:		
At beginning/end of year	(4,309)	(4,309)
	<b>27,748</b>	<b>27,748</b>

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

31 March 2012

## 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							
<b>2012</b>										
<b>Cost</b>										
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
<b>Accumulated Depreciation</b>										
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
<b>Accumulated Impairment</b>										
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
<b>Net Carrying Amount</b>	1,953	9,477	1,016		25,836	24,942	16,304	8,702	2,063	90,293



# Notes to the Financial Statements

31 March 2012

## 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							
<b>2011</b>										
<b>Cost</b>										
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
<b>Accumulated Depreciation</b>										
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
<b>Accumulated Impairment</b>										
At beginning/end of year	-	-	-		3,956	-	-	-	-	3,956
<b>Net Carrying Amount</b>	2,962	9,946	1,036		30,595	33,158	16,353	8,905	1,882	104,837

# Notes to the Financial Statements

31 March 2012

## 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
<b>2012</b>					
<b>Cost</b>					
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
<b>Accumulated Depreciation</b>					
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
<b>Net Carrying Amount</b>	–	30	483	3	516
<b>2011</b>					
<b>Cost</b>					
At beginning/end of year	276	554	396	599	1,825
<b>Accumulated Depreciation</b>					
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
<b>Net Carrying Amount</b>	–	39	231	15	285

## 17. INTANGIBLE ASSETS

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

# Notes to the Financial Statements

31 March 2012

## 17. INTANGIBLE ASSETS (cont'd)

	Group	
	2012 RM'000	2011 RM'000
<b>Computer software</b>		
<b>Cost</b>		
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
<b>Accumulated Amortisation</b>		
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)
<b>Net Carrying Amount</b>	52,837	55,617
<b>Total carrying amount of goodwill and computer software</b>	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.

# Notes to the Financial Statements

31 March 2012

## 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)	—	—
	<b>(7,671)</b>	<b>102,307</b>	<b>300</b>	<b>284</b>
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	<b>(7,671)</b>	<b>102,307</b>	<b>300</b>	<b>284</b>
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
	<b>15,341</b>	<b>109,099</b>	<b>300</b>	<b>284</b>
Deferred tax liabilities				
- to be recovered more than 12 months	2,182	212	—	—
- to be recovered within 12 months	(25,194)	(7,004)	—	—
	<b>(23,012)</b>	<b>(6,792)</b>	<b>—</b>	<b>—</b>
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)
	<b>(7,671)</b>	<b>102,307</b>	<b>300</b>	<b>284</b>

# Notes to the Financial Statements

31 March 2012

## 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
<b>Deferred tax assets:</b>				
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)
<b>At 31 March 2012</b>	<b>12,326</b>	<b>3,188</b>	<b>35,562</b>	<b>51,076</b>

Group	Financial investments available-for-sale RM'000	Property, plant and equipment RM'000	Total RM'000
<b>Deferred tax liabilities:</b>			
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
<b>At 31 March 2012</b>	<b>44,256</b>	<b>14,491</b>	<b>58,747</b>

Company	Other temporary differences RM'000	Total RM'000
<b>Deferred tax assets:</b>		
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
<b>At 31 March 2012</b>	<b>302</b>	<b>302</b>

Company	Property, plant and equipment RM'000	Other temporary differences RM'000	Total RM'000
<b>Deferred tax liabilities:</b>			
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)
<b>At 31 March 2012</b>	<b>2</b>	<b>—</b>	<b>2</b>



# 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
	<b>32,130,962</b>	<b>28,345,647</b>

- (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
	<b>21,094,096</b>	<b>18,615,596</b>

- (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
	<b>32,130,962</b>	<b>28,345,647</b>

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)	–
	<b>13,692</b>	<b>–</b>

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).

# Notes to the Financial Statements

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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
	<b>2,161,005</b>	<b>1,952,200</b>

## 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
	<b>74,915</b>	<b>86,743</b>

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
	<b>870,807</b>	<b>811,890</b>	<b>4,354</b>	<b>1,529</b>

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	—
	<b>611,615</b>	<b>600,000</b>

# Notes to the Financial Statements

31 March 2012

## 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.

# Notes to the Financial Statements

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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
<b>Authorised</b>				
At beginning/end of year	2,000,000	2,000,000	2,000,000	2,000,000
<b>Issued and fully paid</b>				
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

31 March 2012

## 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.



# Notes to the Financial Statements

31 March 2012

## 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.

# Notes to the Financial Statements

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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					

# Notes to the Financial Statements

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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					

# Notes to the Financial Statements

31 March 2012

## 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%

# Notes to the Financial Statements

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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)	—	—	—	—	<b>0.8790</b>
Weighted average share price (RM)	3.1000	2.6600	2.4000	3.1300	<b>3.7200</b>
Weighted average exercise price (RM)	3.0696	2.6989	2.3784	3.1480	<b>3.5800</b>
Expected volatility (%)	0.2617	0.2709	0.3403	0.3115	<b>0.2977</b>
Expected life (years)	7	7	7	7	<b>6</b>
Risk free rate (%)	3.57 to 4.57	3.79 to 5.22	2.04 to 4.61	2.92 to 4.04	<b>2.93 to 4.18</b>
Expected dividend yield (%)	1.78	1.78	1.78	1.78	<b>3.08</b>
	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)	—	—	—	—	<b>3.4405</b>
Weighted average share price (RM)	3.1000	2.6600	2.4000	3.1300	<b>3.7200</b>
Expected volatility (%)	0.2617	0.2709	0.3403	0.3115	<b>0.2977</b>
Risk free rate (%)	3.57 to 4.57	3.79 to 5.22	2.04 to 4.61	2.92 to 4.04	<b>2.93 to 4.18</b>
Expected dividend yield (%)	1.78	1.78	1.78	1.78	<b>3.08</b>

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

31 March 2012

## 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	—	—
	<b>1,233,753</b>	<b>1,121,259</b>	<b>12,947</b>	<b>18,214</b>
Accretion of discount less amortisation of premium	94,369	82,179	—	—
	<b>1,328,122</b>	<b>1,203,438</b>	<b>12,947</b>	<b>18,214</b>

## 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	—	—
	<b>654,259</b>	<b>533,176</b>	<b>14,178</b>	<b>21,382</b>

## 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)
	<b>228,925</b>	<b>207,747</b>
Add: Income due to head office eliminated at Group level	27,404	24,985
	<b>256,329</b>	<b>232,732</b>

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	—	—
	<b>176,752</b>	<b>147,107</b>	<b>—</b>	<b>—</b>
(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
	<b>116,998</b>	<b>55,964</b>	<b>265,765</b>	<b>146,462</b>
(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
	<b>26,432</b>	<b>22,651</b>	<b>1,433</b>	<b>1,382</b>
Total other operating income	<b>320,182</b>	<b>225,722</b>	<b>267,198</b>	<b>147,844</b>

# Notes to the Financial Statements

31 March 2012

## 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
	<b>376,157</b>	<b>333,338</b>	<b>2,071</b>	<b>1,822</b>
<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	—	—
	<b>144,391</b>	<b>138,987</b>	<b>256</b>	<b>233</b>
<u>Marketing expenses</u>				
- Promotion and advertisement	11,178	8,912	—	—
- Branding and publicity	4,756	4,861	—	—
- Others	4,688	4,805	—	—
	<b>20,622</b>	<b>18,578</b>	<b>—</b>	<b>—</b>
<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
	<b>50,626</b>	<b>53,997</b>	<b>1,786</b>	<b>1,947</b>
Total other operating expenses	<b>591,796</b>	<b>544,900</b>	<b>4,113</b>	<b>4,002</b>
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	—	—

# Notes to the Financial Statements

31 March 2012

## 35. OTHER OPERATING EXPENSES (cont'd)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>(a) Auditors' remuneration</b>				
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>(b) Directors' remuneration</b>				
<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

31 March 2012

## 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



# Notes to the Financial Statements

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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
	<b>(21,643)</b>	<b>(4,076)</b>	<b>970</b>	<b>642</b>

## 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)
	<b>163,909</b>	<b>143,622</b>	<b>61,073</b>	<b>31,236</b>
(Over)/under provision in prior years	(258)	(22)	22	(46)
	<b>163,651</b>	<b>143,600</b>	<b>61,095</b>	<b>31,190</b>
Taxation	113	362	—	—
Zakat				
	<b>163,764</b>	<b>143,962</b>	<b>61,095</b>	<b>31,190</b>

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

# Notes to the Financial Statements

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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

# Notes to the Financial Statements

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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
	<b>203,200</b>	<b>107,086</b>	<b>13.13</b>	<b>6.92</b>

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
	<b>58,131</b>	<b>29,358</b>

# Notes to the Financial Statements

31 March 2012

## 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.

# Notes to the Financial Statements

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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
<b>Credit risk exposure of on-balance sheet:</b>				
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	—	—
<b>Total on-balance sheet</b>	<b>37,854,264</b>	<b>35,045,403</b>	<b>25,815</b>	<b>652,557</b>
<b>Credit risk exposure of off-balance sheet:</b>				
Financial guarantees	463,962	453,370	—	—
Credit related commitments and contingencies	13,009,027	10,499,031	—	—
<b>Total off-balance sheet</b>	<b>13,472,989</b>	<b>10,952,401</b>	<b>—</b>	<b>—</b>
<b>Total maximum exposure</b>	<b>51,327,253</b>	<b>45,997,804</b>	<b>25,815</b>	<b>652,557</b>

## 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
Financial investments 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	-	-	-	-	-	-	-	-	-
<b>Total on-balance sheet</b>	<b>7,529,646</b>	<b>7,592,535</b>	<b>272,376</b>	<b>7,614,537</b>	<b>322,398</b>	<b>9,597,766</b>	<b>439,620</b>	<b>4,485,386</b>	<b>37,854,264</b>
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
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,376,927</b>	<b>86,872</b>	<b>3,464,770</b>	<b>1,256,577</b>	<b>3,405,065</b>	<b>230</b>	<b>3,882,548</b>	<b>13,472,989</b>
<b>Total credit risk</b>	<b>7,529,646</b>	<b>8,969,462</b>	<b>359,248</b>	<b>11,079,307</b>	<b>1,578,975</b>	<b>13,002,831</b>	<b>439,850</b>	<b>8,367,934</b>	<b>51,327,253</b>

# Notes to the Financial Statements

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## 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	—	—	—	—	—	—	—	—	—
<b>Total on-balance sheet</b>	<b>7,433,272</b>	<b>6,949,069</b>	<b>323,814</b>	<b>6,859,499</b>	<b>453,419</b>	<b>8,498,859</b>	<b>557,262</b>	<b>3,970,209</b>	<b>35,045,403</b>
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
<b>Total off-balance sheet</b>	<b>—</b>	<b>832,745</b>	<b>98,567</b>	<b>2,784,116</b>	<b>1,328,798</b>	<b>1,276,176</b>	<b>1,101</b>	<b>4,630,898</b>	<b>10,952,401</b>
<b>Total credit risk</b>	<b>7,433,272</b>	<b>7,781,814</b>	<b>422,381</b>	<b>9,643,615</b>	<b>1,782,217</b>	<b>9,775,035</b>	<b>558,363</b>	<b>8,601,107</b>	<b>45,997,804</b>

# 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
<b>Total credit risk</b>	<b>25,815</b>	<b>25,815</b>
<b>2011</b>		
Cash and short-term funds	46,857	46,857
Deposits and placements with banks and other financial institutions	605,700	605,700
<b>Total credit risk</b>	<b>652,557</b>	<b>652,557</b>

#### (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
	<b>23,255,955</b>	<b>20,710,623</b>

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
	<b>1,126,956</b>	<b>987,414</b>

##### 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	<b>334,786</b>	<b>412,949</b>



# 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

Reposessed 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
<b>Group 2012</b>							
<i>By rating agencies</i>							
<b><u>RAM</u></b>							
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
<b><u>MARC</u></b>							
AAA	—	—	—	324,242	—	—	324,242
AA-	—	—	—	31,529	—	—	31,529
<b><u>FITCH</u></b>							
AA+	—	—	—	—	—	111	111
A1	5,303	—	—	—	—	—	5,303
<b><u>MOODY</u></b>							
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
<b><u>S&amp;P</u></b>							
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
	<b>1,683,092</b>	<b>97,713</b>	<b>1,491,995</b>	<b>8,983,101</b>	<b>795,256</b>	<b>23,712</b>	<b>13,074,869</b>

# 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
<b>Group 2011</b>							
<i>By rating agencies</i>							
<b>RAM</b>							
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
<b>MARC</b>							
AAA	—	—	—	240,381	—	—	240,381
AA-	—	—	—	31,610	—	2,338	33,948
<b>FITCH</b>							
AA-	597	—	—	—	—	—	597
A1	6,294	—	—	—	—	—	6,294
A+	—	—	—	—	—	5	5
<b>MOODY</b>							
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
<b>S&amp;P</b>							
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

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## 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		
<b>Assets</b>										
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	
<b>Total assets</b>	<b>21,326,979</b>	<b>3,066,820</b>	<b>627,876</b>	<b>709,294</b>	<b>4,336,127</b>	<b>5,524,209</b>	<b>2,496,473</b>	<b>1,515,707</b>	<b>39,603,485</b>	
<b>Liabilities</b>										
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	
<b>Total liabilities carried forward</b>	<b>16,753,117</b>	<b>4,179,397</b>	<b>2,581,711</b>	<b>5,274,850</b>	<b>1,324,782</b>	<b>40,701</b>	<b>4,846,584</b>	<b>25,818</b>	<b>35,026,960</b>	

# 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.



# 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 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	
<b>Assets</b>									
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
<b>Total assets</b>	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
<b>Liabilities</b>									
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
<b>Total liabilities carried forward</b>	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)

Company 2012	Non-trading book						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		Non- interest sensitive RM'000
<b>Assets</b>								
Cash and short-term funds	6,477	-	-	-	-	-	24	6,501
Deposits and placements with banks and other financial institutions	-	-	19,264	-	-	-	51	19,315
Other non-interest sensitive balances	-	-	-	-	-	-	1,779,052	1,779,052
<b>Total assets</b>	6,477	-	19,264	-	-	-	1,779,127	1,804,868
<b>Liabilities</b>								
Other non-interest sensitive balances	-	-	-	-	-	-	4,354	4,354
<b>Total liabilities</b>	-	-	-	-	-	-	4,354	4,354
Equity	-	-	-	-	-	-	1,800,514	1,800,514
<b>Total liabilities and equity</b>	-	-	-	-	-	-	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	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			
<b>Assets</b>									
Cash and short-term funds	46,763	–	–	–	–	–	95	46,858	2.74
Deposits and placements with banks and other financial institutions	–	–	–	400,000	200,000	–	5,700	605,700	2.76
Other non-interest sensitive balances	–	–	–	–	–	–	1,779,076	1,779,076	–
<b>Total assets</b>	46,763	–	–	400,000	200,000	–	1,784,871	2,431,634	
<b>Liabilities</b>									
Long term borrowings	–	–	–	–	600,000	–	1,272	601,272	3.60
Other non-interest sensitive balances	–	–	–	–	–	–	1,529	1,529	–
<b>Total liabilities</b>	–	–	–	–	600,000	–	2,801	602,801	
Equity	–	–	–	–	–	–	1,828,833	1,828,833	–
<b>Total liabilities and equity</b>	–	–	–	–	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
<b>Assets</b>						
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
<b>Total financial assets</b>	<b>421,536</b>	<b>531</b>	<b>2,918</b>	<b>131,070</b>	<b>12,785</b>	<b>568,840</b>
<b>Liabilities</b>						
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
<b>Total financial liabilities</b>	<b>597,642</b>	<b>17,296</b>	<b>12,305</b>	<b>107,920</b>	<b>41,696</b>	<b>776,859</b>
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
<b>Net open position</b>	<b>(676)</b>	<b>7,269</b>	<b>2,694</b>	<b>(1,777)</b>	<b>10,721</b>	<b>18,231</b>
<b>Group 2011</b>						
<b>Assets</b>						
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
<b>Total financial assets</b>	<b>183,734</b>	<b>2,339</b>	<b>1,583</b>	<b>38</b>	<b>61,674</b>	<b>249,368</b>
<b>Liabilities</b>						
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
<b>Total financial liabilities</b>	<b>194,003</b>	<b>1,692</b>	<b>11,080</b>	<b>34,988</b>	<b>20,885</b>	<b>262,648</b>
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
<b>Net open position</b>	<b>(1,984)</b>	<b>6,529</b>	<b>(2,922)</b>	<b>(37,553)</b>	<b>46,794</b>	<b>10,864</b>

# Notes to the Financial Statements

31 March 2012

## 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)
<b>2011</b>				
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 RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000
<b>Impact on net interest income</b>				
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.



# Notes to the Financial Statements

31 March 2012

## 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.

# Notes to the Financial Statements

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

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
<b>Assets</b>						
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
<b>Total assets</b>	<b>7,954,044</b>	<b>4,579,553</b>	<b>1,695,869</b>	<b>704,830</b>	<b>24,669,189</b>	<b>39,603,485</b>
<b>Liabilities</b>						
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
<b>Total financial liabilities</b>	<b>22,090,756</b>	<b>4,245,467</b>	<b>2,628,585</b>	<b>5,346,846</b>	<b>1,616,497</b>	<b>35,928,151</b>
Equity	–	–	–	–	3,670,429	3,670,429
Non-controlling interests	–	–	–	–	4,905	4,905
<b>Total liabilities and equity</b>	<b>22,090,756</b>	<b>4,245,467</b>	<b>2,628,585</b>	<b>5,346,846</b>	<b>5,291,831</b>	<b>39,603,485</b>
<b>Net maturity mismatch</b>	<b>(14,136,712)</b>	<b>334,086</b>	<b>(932,716)</b>	<b>(4,642,016)</b>	<b>19,377,358</b>	<b>–</b>

# Notes to the Financial Statements

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
<b>Assets</b>						
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
<b>Total assets</b>	<b>7,914,132</b>	<b>4,766,596</b>	<b>1,764,228</b>	<b>1,492,335</b>	<b>20,134,645</b>	<b>36,071,936</b>
<b>Liabilities</b>						
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
<b>Total financial liabilities</b>	<b>20,080,825</b>	<b>3,931,970</b>	<b>2,543,978</b>	<b>4,319,813</b>	<b>1,838,747</b>	<b>32,715,333</b>
Equity	–	–	–	–	3,352,114	3,352,114
Non-controlling interests	–	–	–	–	4,489	4,489
<b>Total liabilities and equity</b>	<b>20,080,825</b>	<b>3,931,970</b>	<b>2,543,978</b>	<b>4,319,813</b>	<b>5,195,350</b>	<b>36,071,936</b>
Net maturity mismatch	(12,166,693)	834,626	(779,750)	(2,827,478)	14,939,295	–

# Notes to the Financial Statements

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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 (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
<b>Assets</b>						
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
<b>Total assets</b>	<b>6,504</b>	<b>–</b>	<b>19,315</b>	<b>122</b>	<b>1,778,927</b>	<b>1,804,868</b>
<b>Liabilities</b>						
Other financial liabilities	2,790	–	–	–	1,564	4,354
<b>Total financial liabilities</b>	<b>2,790</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,564</b>	<b>4,354</b>
Equity	–	–	–	–	1,800,514	1,800,514
<b>Total liabilities and equity</b>	<b>2,790</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,802,078</b>	<b>1,804,868</b>
<b>Net maturity mismatch</b>	<b>3,714</b>	<b>–</b>	<b>19,315</b>	<b>122</b>	<b>(23,151)</b>	<b>–</b>
<b>Company 2011</b>						
<b>Assets</b>						
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
<b>Total assets</b>	<b>46,860</b>	<b>–</b>	<b>5,700</b>	<b>400,080</b>	<b>1,978,994</b>	<b>2,431,634</b>
<b>Liabilities</b>						
Long term borrowings	1,272	–	–	–	600,000	601,272
Other financial liabilities	5	–	–	–	1,524	1,529
<b>Total financial liabilities</b>	<b>1,277</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>601,524</b>	<b>602,801</b>
Equity	–	–	–	–	1,828,833	1,828,833
<b>Total liabilities and equity</b>	<b>1,277</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,430,357</b>	<b>2,431,634</b>
<b>Net maturity mismatch</b>	<b>45,583</b>	<b>–</b>	<b>5,700</b>	<b>400,080</b>	<b>(451,363)</b>	<b>–</b>

**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
<b>Non derivative financial liabilities</b>							
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
<b>Items not recognised in the statement of financial position</b>							
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
<b>Derivatives financial liabilities</b>							
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)
<b>Derivatives settled on a gross basis</b>							
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
<b>Non derivative financial liabilities</b>							
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
<b>Items not recognised in the statement of financial position</b>							
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
<b>Derivatives financial liabilities</b>							
<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
<b>Total financial liabilities</b>	<b>2,790</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,564</b>	<b>-</b>	<b>4,354</b>

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

# Notes to the Financial Statements

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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
<b>Tier-I capital (Core Capital)</b>		
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)
<b>Total Tier-I capital</b>	<b>3,158,752</b>	<b>2,782,295</b>

# Notes to the Financial Statements

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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
<b>Tier-II capital</b>		
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)
<b>Total Capital Base</b>	<b>4,133,980</b>	<b>3,712,141</b>

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

	2012 RM'000	2011 RM'000
	<b>Group</b>	
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
<b>31 March 2012</b>			
<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%
<b>31 March 2011</b>			
<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
<b>Group 2012</b>				
<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
	<b>13,472,989</b>	<b>—</b>	<b>4,494,384</b>	<b>3,869,050</b>
<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
	<b>5,268,384</b>	<b>23,712</b>	<b>99,681</b>	<b>47,965</b>
	<b>18,741,373</b>	<b>23,712</b>	<b>4,594,065</b>	<b>3,917,015</b>

# Notes to the Financial Statements

31 March 2012

## 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
<b>Group</b>				
<b>2011</b>				
<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.

# Notes to the Financial Statements

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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
<b>(a) Transactions</b>				
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>(b) Balances</b>				
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
	<b>13,953</b>	<b>10,326</b>	<b>1,407</b>	<b>1,342</b>
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
<b>Group</b>				
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	<b>4,225</b>	<b>3,050</b>	<b>543</b>	<b>379</b>
<b>Company</b>				
At beginning of year	276	221	28	29
Offered/awarded	171	55	23	9
Vested	(68)	—	(12)	(10)
At end of year	<b>379</b>	<b>276</b>	<b>39</b>	<b>28</b>

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).

# Notes to the Financial Statements

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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
<b>Group</b>				
<b>Financial assets</b>				
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
<b>Financial liabilities</b>				
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
<b>Company</b>				
<b>Financial assets</b>				
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
<b>Financial liability</b>				
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.

# Notes to the Financial Statements

31 March 2012

## 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.

# Notes to the Financial Statements

31 March 2012

## 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
<b>Group 2012</b>				
<b>Assets</b>				
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
<b>Liabilities</b>				
Derivative financial liabilities	–	26,241	–	26,241
<b>Group 2011</b>				
<b>Assets</b>				
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
<b>Liabilities</b>				
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.

# Notes to the Financial Statements

31 March 2012

## 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
<b>Group</b>	
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.







# Notes to the Financial Statements

31 March 2012

## 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	—
	<b>3,814</b>	—

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.

# Notes to the Financial Statements

31 March 2012

## 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	<b>1,360,783</b>	1,045,846	<b>2,012</b>	5,553
- Unrealised	<b>51,858</b>	144,761	<b>300</b>	284
	<b>1,412,641</b>	1,190,607	<b>2,312</b>	5,837
Less: Consolidation adjustments	<b>(281,358)</b>	(282,523)	—	—
Total retained profits as per accounts	<b>1,131,283</b>	908,084	<b>2,312</b>	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.



# ALLIANCE BANK MALAYSIA BERHAD (88103-W)

## Abridged Financial Statements

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# Statements of Financial Position of Alliance Bank Malaysia Berhad

as at 31 March 2012

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>ASSETS</b>				
Cash and short-term funds	1,730,290	958,111	1,874,332	911,730
Deposits and placements with banks and other financial institutions	143,461	954,610	93,438	100,228
Balances due from clients and brokers	–	–	61,698	80,519
Financial assets held-for-trading	1,342,302	1,176,190	1,491,995	1,938,250
Financial investments available-for-sale	7,419,911	6,329,994	9,123,201	9,259,940
Financial investments held-to-maturity	228,622	633,521	795,256	940,726
Derivative financial assets	23,712	32,047	23,712	32,047
Loans, advances and financing	19,727,393	17,718,442	24,360,203	21,796,319
Other assets	79,901	103,509	77,799	87,008
Tax recoverable	14,022	–	15,019	2,442
Statutory deposits with Bank Negara Malaysia	901,250	225,300	1,162,983	291,008
Investments in subsidiaries	801,664	801,664	–	–
Investments in associates	30,230	30,230	27,035	29,038
Property, plant and equipment	87,696	100,847	89,778	104,553
Deferred tax assets	–	75,272	15,038	108,808
Intangible assets	238,588	241,141	354,902	357,682
	32,769,042	29,380,878	39,566,389	36,040,298
Non-current assets held for sale	3,814	–	3,814	–
<b>TOTAL ASSETS</b>	<b>32,772,856</b>	<b>29,380,878</b>	<b>39,570,203</b>	<b>36,040,298</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from customers	26,958,903	23,418,868	32,153,643	28,997,092
Deposits and placements of banks and other financial institutions	1,186,730	1,390,331	2,161,005	1,952,200
Balances due to clients and brokers	–	–	74,915	86,743
Bills and acceptances payable	131	111,140	178	111,159
Derivative financial liabilities	26,241	33,347	26,241	33,347
Amount due to Cagamas Berhad	22,044	125,776	22,044	125,776
Other liabilities	720,819	663,533	866,788	810,317
Provision for taxation	–	35,206	7,372	40,507
Deferred tax liabilities	12,191	–	23,012	6,792
Subordinated obligations	611,615	600,000	611,615	600,000
<b>TOTAL LIABILITIES</b>	<b>29,538,674</b>	<b>26,378,201</b>	<b>35,946,813</b>	<b>32,763,933</b>
Share capital	600,517	600,517	600,517	600,517
Reserves	2,633,665	2,402,160	3,017,968	2,671,360
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNER OF THE PARENT</b>	<b>3,234,182</b>	<b>3,002,677</b>	<b>3,618,485</b>	<b>3,271,877</b>
Non-controlling interests	–	–	4,905	4,488
<b>TOTAL EQUITY</b>	<b>3,234,182</b>	<b>3,002,677</b>	<b>3,623,390</b>	<b>3,276,365</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>32,772,856</b>	<b>29,380,878</b>	<b>39,570,203</b>	<b>36,040,298</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>16,775,305</b>	<b>14,758,344</b>	<b>18,741,373</b>	<b>15,909,028</b>

# Statements of Comprehensive Income of Alliance Bank Malaysia Berhad

for the year ended 31 March 2012

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income	1,263,818	1,126,444	1,328,045	1,203,400
Interest expense	(618,607)	(490,539)	(652,989)	(530,003)
Net interest income	645,211	635,905	675,056	673,397
Net income from Islamic banking business	—	—	256,329	232,732
Other operating income	316,554	213,041	320,276	225,701
Net income	961,765	848,946	1,251,661	1,131,830
Other operating expenses	(429,312)	(399,763)	(588,821)	(541,682)
Operating profit before allowance	532,453	449,183	662,840	590,148
Allowance for losses on loans, advances and financing and other losses	(28,643)	(19,405)	(34,043)	(33,008)
Write-back of impairment	15,187	4,070	21,643	4,076
Operating profit after allowance	518,997	433,848	650,440	561,216
Share of results of associates	—	—	(2,003)	(1,467)
Profit before taxation and zakat	518,997	433,848	648,437	559,749
Taxation and zakat	(131,246)	(112,438)	(164,107)	(144,381)
Net profit after taxation and zakat	387,751	321,410	484,330	415,368
Other comprehensive income:				
Revaluation reserve on financial investments available-for-sale				
- Net gain/(loss) from change in fair value	60,377	(7,054)	85,531	(7,925)
- Transfer (to)/from deferred tax	(15,094)	1,763	(21,382)	1,981
Other comprehensive income/(expense), net of tax	45,283	(5,291)	64,149	(5,944)
Total comprehensive income for the year	433,034	316,119	548,479	409,424
Profit attributable to:				
Owner of the parent	387,751	321,410	483,846	415,419
Non-controlling interests	—	—	484	(51)
Net profit after taxation and zakat	387,751	321,410	484,330	415,368
Total comprehensive income attributable to:				
Owner of the parent	433,034	316,119	547,995	409,475
Non-controlling interests	—	—	484	(51)
Total comprehensive income for the year	433,034	316,119	548,479	409,424
Earnings per share attributable to owner of the parent				
- Basic (sen)			81	70
- Diluted (sen)			61	52



# Statements of Changes In Equity of Alliance Bank Malaysia Berhad

for the year ended 31 March 2012

	Non-distributable reserves			Distributable reserves				
	Ordinary shares RM'000	ICPS <sup>1</sup> RM'000	Share premium RM'000	Statutory reserve RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Retained profits RM'000	Total equity RM'000
Bank								
At 1 April 2010	596,517	4,000	597,517	601,561	48,342	10,334	941,332	2,799,603
Net profit after taxation and zakat	-	-	-	-	-	-	321,410	321,410
Other comprehensive expense	-	-	-	-	(5,291)	-	-	(5,291)
Total comprehensive (expense)/income	-	-	-	-	(5,291)	-	321,410	316,119
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	4,852	-	4,852
Payment for ESS recharged from parent	-	-	-	-	-	(3,051)	-	(3,051)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(332)	332	-
Dividends paid	-	-	-	-	-	-	(114,846)	(114,846)
At 31 March 2011	596,517	4,000	597,517	601,561	43,051	11,803	1,148,228	3,002,677
At 1 April 2011	596,517	4,000	597,517	601,561	43,051	11,803	1,148,228	3,002,677
Net profit after taxation and zakat	-	-	-	-	-	-	387,751	387,751
Other comprehensive income	-	-	-	-	45,283	-	-	45,283
Total comprehensive income	-	-	-	-	45,283	-	387,751	433,034
Share-based payment under ESS	-	-	-	-	-	5,955	-	5,955
Payment for ESS recharged from parent	-	-	-	-	-	(3,161)	-	(3,161)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	156	(156)	-
Transfer to retained profits on shares options lapsed	-	-	-	-	-	(2,479)	2,479	-
Dividends paid	-	-	-	-	-	-	(204,323)	(204,323)
At 31 March 2012	596,517	4,000	597,517	601,561	88,334	12,274	1,333,979	3,234,182

<sup>1</sup> ICPS = Irredeemable (non-cumulative) Convertible Preference Shares.

# Statements of Changes In Equity of Alliance Bank Malaysia Berhad

for the year ended 31 March 2012

Group	Attributable to Equity Holder of the Bank											
	Ordinary shares RM'000	ICPS RM'000	Share premium RM'000	Statutory reserve RM'000	Other reserves RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Profit equalisation reserve ("PER") RM'000	Retained profits RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 April 2010	596,517	4,000	597,517	735,515	10,018	74,564	12,185	26,388	918,801	2,975,505	4,539	2,980,044
Net profit/(loss) after taxation and zakat	-	-	-	-	-	-	-	-	415,419	415,419	(51)	415,368
Other comprehensive expense	-	-	-	-	-	(5,944)	-	-	-	(5,944)	-	(5,944)
Total comprehensive (expense)/income	-	-	-	-	-	(5,944)	-	-	415,419	409,475	(51)	409,424
Share-based payment under ESS	-	-	-	-	-	-	5,228	-	-	5,228	-	5,228
Payment for ESS recharged from parent	-	-	-	-	-	-	(3,485)	-	-	(3,485)	-	(3,485)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(384)	-	384	-	-	-
Transfer to statutory reserve	-	-	-	50,891	-	-	-	-	(50,891)	-	-	-
Transfer to PER	-	-	-	-	-	-	-	(25,355)	25,355	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(114,846)	(114,846)	-	(114,846)
At 31 March 2011	596,517	4,000	597,517	786,406	10,018	68,620	13,544	1,033	1,194,222	3,271,877	4,488	3,276,365
At 1 April 2011	596,517	4,000	597,517	786,406	10,018	68,620	13,544	1,033	1,194,222	3,271,877	4,488	3,276,365
Net profit/(loss) after taxation and zakat	-	-	-	-	-	-	-	-	483,846	483,846	484	484,330
Other comprehensive income	-	-	-	-	-	64,149	-	-	-	64,149	-	64,149
Total comprehensive income	-	-	-	-	-	64,149	-	-	483,846	547,995	484	548,479
Share-based payment under ESS	-	-	-	-	-	-	6,494	-	-	6,494	-	6,494
Payment for ESS recharged from parent	-	-	-	-	-	-	(3,558)	-	-	(3,558)	-	(3,558)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	172	-	(172)	-	-	-
Transfer to retained profits on shares options lapsed	-	-	-	-	-	-	(2,919)	-	2,919	-	-	-
Transfer to statutory reserve	-	-	-	55,761	-	-	-	-	(55,761)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(204,323)	(204,323)	(67)	(204,390)
At 31 March 2012	596,517	4,000	597,517	842,167	10,018	132,769	13,733	1,033	1,420,731	3,618,485	4,905	3,623,390

# Statements of Cash Flows of Alliance Bank Malaysia Berhad

for the year ended 31 March 2012

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation and zakat	<b>518,997</b>	433,848	<b>648,437</b>	559,749
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	<b>(90,058)</b>	(75,141)	<b>(94,369)</b>	(82,179)
Depreciation of property, plant and equipment	<b>27,091</b>	34,908	<b>29,271</b>	39,516
Amortisation of computer software	<b>17,853</b>	14,014	<b>18,239</b>	14,420
Dividends from financial investments available-for-sale	<b>(9,544)</b>	(2,886)	<b>(10,229)</b>	(3,705)
Dividends from subsidiaries	<b>(34,732)</b>	(17,263)	—	—
(Gain)/loss on disposal of property, plant and equipment	<b>(306)</b>	321	<b>(309)</b>	329
Property, plant and equipment written off	<b>2,019</b>	3,261	<b>2,046</b>	3,399
Computer software written off	<b>841</b>	1	<b>841</b>	1
Loss on disposal of foreclosed properties	—	38	<b>20</b>	38
Net gain from redemption of financial investments held-to-maturity	<b>(16,831)</b>	(3)	<b>(16,831)</b>	(3)
Net gain from sale of financial assets held-for-trading	<b>(3,568)</b>	(417)	<b>(3,699)</b>	(417)
Net gain from sale of financial investments available-for-sale	<b>(43,050)</b>	(1,872)	<b>(47,408)</b>	(3,509)
Unrealised loss/(gain) on revaluation of financial assets held-for-trading	<b>149</b>	(220)	<b>185</b>	(256)
Interest expense on subordinated obligations	<b>34,513</b>	36,540	<b>34,513</b>	36,540
Unrealised gain on revaluation of derivative instruments	<b>(1,572)</b>	(4,149)	<b>(1,572)</b>	(4,149)
Interest income from financial investments held-to-maturity	<b>(17,063)</b>	(24,187)	<b>(22,751)</b>	(30,682)
Interest income from financial investments available-for-sale	<b>(208,528)</b>	(146,531)	<b>(253,237)</b>	(206,340)
Interest income from financial assets held-for-trading	<b>(3,798)</b>	(1,044)	<b>(3,862)</b>	(1,044)
Allowance for loans, advances and financing (net of recoveries)	<b>56,742</b>	77,524	<b>89,744</b>	103,804
Allowance for other assets (net of recoveries)	<b>5,436</b>	6,353	<b>5,596</b>	4,974
Net write-back of financial investments available-for-sale	<b>(16,303)</b>	(579)	<b>(22,759)</b>	(585)
Net write-back of financial investments held-to-maturity	<b>(344)</b>	(3,491)	<b>(344)</b>	(3,491)
Allowance for impairment of property, plant and equipment	<b>1,460</b>	—	<b>1,460</b>	—
(Write-back of)/allowance for commitment and contingencies	<b>(1,482)</b>	(2,866)	<b>(4,210)</b>	59
Share options/grants under Employees' Share Scheme	<b>5,955</b>	4,852	<b>6,494</b>	5,228
Share of results of associates	—	—	<b>2,003</b>	1,467
Operating profit before working capital changes	<b>223,877</b>	331,011	<b>357,269</b>	433,164
Changes in working capital:				
Deposits from customers	<b>3,540,035</b>	2,913,422	<b>3,156,551</b>	4,646,392
Deposits and placements of banks and other financial institutions	<b>(203,601)</b>	(412,521)	<b>208,805</b>	(346,208)
Bills and acceptances payable	<b>(111,009)</b>	(420,229)	<b>(110,981)</b>	(427,191)
Other liabilities	<b>71,282</b>	(26,201)	<b>73,194</b>	3,953
Deposits and placements with banks and other financial institutions	<b>811,149</b>	48,844	<b>6,790</b>	71,354
Financial assets held-for-trading	<b>(152,792)</b>	(1,153,072)	<b>460,685</b>	(1,909,800)
Loans, advances and financing	<b>(2,065,693)</b>	(538,246)	<b>(2,653,628)</b>	(1,146,201)
Other assets	<b>(1,873)</b>	(21,747)	<b>2,452</b>	(22,445)
Balances due from clients and brokers	—	—	<b>22,085</b>	5,971
Amount due from/(to) subsidiaries	<b>19,148</b>	(9,003)	—	—
Amount due (to)/from holding company	<b>(353)</b>	218	<b>(353)</b>	218
Statutory deposits with Bank Negara Malaysia	<b>(675,950)</b>	(17,100)	<b>(871,975)</b>	(32,602)
Amount due (to)/from Cagamas Berhad	<b>(103,732)</b>	97,699	<b>(103,732)</b>	97,699
Payment for ESS recharged from parent	<b>(3,161)</b>	(3,051)	<b>(3,558)</b>	(3,485)
Cash generated from operations	<b>1,347,327</b>	790,024	<b>543,604</b>	1,370,819
Taxes and zakat paid	<b>(99,456)</b>	(86,382)	<b>(121,198)</b>	(119,269)
Net cash generated from operating activities	<b>1,247,871</b>	703,642	<b>422,406</b>	1,251,550

# Statements of Cash Flows of Alliance Bank Malaysia Berhad

for the year ended 31 March 2012

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividends from financial investments available-for-sale	9,538	2,842	10,219	3,657
Dividends from subsidiaries	26,088	12,947	–	–
Interest income from financial investments held-to-maturity	17,063	24,187	22,751	30,682
Interest income from financial investments available-for-sale	208,528	146,531	253,237	206,340
Interest income from financial assets held-for-trading	3,798	1,044	3,862	1,044
Purchase of property, plant and equipment	(21,599)	(14,347)	(22,184)	(14,882)
Purchase of computer software	(16,141)	(10,222)	(16,300)	(10,400)
Proceeds from redemption and maturity of financial investments held-to-maturity (net of purchase)	474,065	37,735	218,950	6,640
Proceeds from redemption and maturity of financial investments available-for-sale (net of purchase)	(942,169)	(2,949,231)	319,507	(3,940,354)
Proceeds from disposal of property, plant and equipment	672	1,718	677	1,818
Proceeds from disposal of foreclosed properties	4,200	62	4,285	62
Proceeds from disposal of computer software	–	134	–	155
Acquisition of investment in an associate	–	(30,000)	–	(30,000)
Net cash (used in)/generated from investing activities	(235,957)	(2,776,600)	795,004	(3,745,238)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest expense on subordinated obligations	(32,778)	(36,540)	(32,778)	(36,540)
Dividends paid to holding company	(204,323)	(114,846)	(204,323)	(114,846)
Dividends paid to non-controlling interests	–	–	(67)	–
Proceeds from issuance of subordinated notes	597,366	–	597,366	–
Redemption of subordinated bonds	(600,000)	–	(600,000)	–
Net cash used in financing activities	(239,735)	(151,386)	(239,802)	(151,386)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	772,179	(2,224,344)	977,608	(2,645,074)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	958,111	3,182,455	824,226	3,469,300
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	1,730,290	958,111	1,801,834	824,226
<b>Cash and cash equivalents comprise the following:</b>				
Cash and short-term funds	1,730,290	958,111	1,874,332	911,730
Less: Monies held in trust	–	–	(72,498)	(87,504)
	1,730,290	958,111	1,801,834	824,226

# Notes to the Financial Statements of Alliance Bank Malaysia Berhad

31 March 2012

## 1. FINANCIAL ASSETS HELD-FOR-TRADING

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>At fair value</b>				
<u>Money market instruments:</u>				
Bank Negara Malaysia bills	1,222,003	1,096,239	1,371,696	1,848,299
Malaysian Government securities	20,053	—	20,053	—
Malaysian Government investment certificates	100,246	59,951	100,246	59,951
Malaysian Government treasury bills	—	20,000	—	30,000
	<b>1,342,302</b>	<b>1,176,190</b>	<b>1,491,995</b>	<b>1,938,250</b>

## 2. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>At fair value</b>				
<u>Money market instruments:</u>				
Malaysian Government securities	1,894,220	2,659,093	2,316,772	3,244,713
Malaysian Government investment certificates	1,132,121	162,420	1,833,967	764,371
Negotiable instruments of deposits	1,344,854	1,042,371	884,535	1,741,201
Bankers' acceptances	1,532,859	956,814	1,944,074	1,388,637
Cagamas bonds	20,137	20,213	35,254	35,396
<u>Quoted securities in Malaysia:</u>				
Shares	13	11	4,212	3,875
Debt securities	4,768	7,818	4,768	7,818
<u>Unquoted securities:</u>				
Shares	94,895	82,607	135,888	117,587
Debt securities and medium term notes	1,396,044	1,398,647	1,963,731	1,956,342
	<b>7,419,911</b>	<b>6,329,994</b>	<b>9,123,201</b>	<b>9,259,940</b>

## 3. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>At amortised cost</b>				
<u>Money market instruments:</u>				
Malaysian Government securities	227,177	629,057	328,639	804,820
Malaysian Government investment certificates	—	—	439,463	105,624
<b>At cost</b>				
<u>Quoted securities in Malaysia:</u>				
Debt securities	—	—	—	4,902
<u>Unquoted securities:</u>				
Debt securities	18,858	61,177	74,283	116,711
	<b>246,035</b>	<b>690,234</b>	<b>842,385</b>	<b>1,032,057</b>
Accumulated impairment	<b>(17,413)</b>	<b>(56,713)</b>	<b>(47,129)</b>	<b>(91,331)</b>
	<b>228,622</b>	<b>633,521</b>	<b>795,256</b>	<b>940,726</b>

# Notes to the Financial Statements of Alliance Bank Malaysia Berhad

31 March 2012

## 3. FINANCIAL INVESTMENTS HELD-TO-MATURITY (cont'd)

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

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At beginning of year	56,713	60,204	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)	(39,300)	(3,491)
At end of year	17,413	56,713	47,129	91,331

## 4. LOANS, ADVANCES AND FINANCING

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Overdrafts	1,688,688	1,603,198	1,853,950	1,753,908
Term loans/financing				
- Housing loans/financing	7,759,852	7,351,039	9,259,885	8,325,550
- Syndicated term loans/financing	464,662	267,440	472,949	287,171
- Hire purchase receivables	310,473	385,945	654,336	784,046
- Other term loans/financing	5,698,114	4,311,669	7,715,570	6,310,426
Bills receivables	308,446	178,851	308,763	179,607
Trust receipts	184,050	157,722	207,515	176,527
Claims on customers under acceptance credits	1,947,273	1,846,053	2,337,986	2,202,863
Staff loans [included loans to Directors of a subsidiary of RM92,000 (2011 : RM121,000)]	28,602	32,821	54,567	60,938
Credit/charge card receivables	623,563	663,059	623,563	663,059
Revolving credits	843,909	1,156,101	1,043,680	1,347,748
Other loans	357,647	270,341	451,282	347,518
Gross loans, advances and financing	20,215,279	18,224,239	24,984,046	22,439,361
Add: Sales commissions and handling fees	38,007	37,722	28,523	24,969
Less: Allowance for impaired loans, advances and financing				
- Individual assessment allowance	(225,092)	(273,141)	(266,349)	(328,375)
- Collective assessment allowance	(300,801)	(270,378)	(386,017)	(339,636)
Total net loans, advances and financing	19,727,393	17,718,442	24,360,203	21,796,319



# Notes to the Financial Statements of Alliance Bank Malaysia Berhad

31 March 2012

## 4. LOANS, ADVANCES AND FINANCING (cont'd)

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(i) <u>By maturity structure:</u>				
Within one year	6,073,222	5,994,251	7,023,573	6,868,094
One year to three years	548,778	433,016	822,931	771,372
Three years to five years	725,846	1,032,189	1,253,470	1,389,244
Over five years	12,867,433	10,764,783	15,884,072	13,410,651
Gross loans, advances and financing	20,215,279	18,224,239	24,984,046	22,439,361
(ii) <u>By type of customer:</u>				
Domestic non-bank financial institutions				
- Stockbroking companies	—	20,002	—	20,002
- Others	136,426	156,186	207,162	187,410
Domestic business enterprises				
- Small and medium enterprises	4,681,284	4,096,619	5,472,374	4,784,192
- Others	4,197,590	3,789,961	4,961,344	4,531,660
Government and statutory bodies	12,477	15,973	12,618	18,224
Individuals	10,382,595	9,633,266	13,457,860	12,349,218
Other domestic entities	247,403	14,311	247,679	14,671
Foreign entities	557,504	497,921	625,009	533,984
Gross loans, advances and financing	20,215,279	18,224,239	24,984,046	22,439,361
(iii) <u>By interest/profit rate sensitivity:</u>				
Fixed rate				
- Housing loans/financing	20,472	24,800	90,812	107,669
- Hire purchase receivables	310,474	385,945	654,337	784,046
- Other fixed rate loans/financing	679,660	732,674	1,997,225	2,207,047
Variable rate				
- Base lending rate plus	14,429,451	13,374,171	16,737,766	14,989,061
- Cost plus	4,493,616	3,553,060	5,200,601	4,120,772
- Other variable rates	281,606	153,589	303,305	230,766
Gross loans, advances and financing	20,215,279	18,224,239	24,984,046	22,439,361
(iv) <u>By economic purposes:</u>				
Purchase of securities	362,374	276,517	456,010	354,975
Purchase of transport vehicles	212,046	296,030	561,763	703,969
Purchase of landed property	11,181,060	10,133,099	13,100,915	11,514,820
of which: - Residential	8,317,105	7,730,398	9,750,258	8,671,706
- Non-residential	2,863,955	2,402,701	3,350,657	2,843,114
Purchase of fixed assets excluding land and buildings	115,605	96,745	117,110	99,836
Personal use	865,242	728,463	2,146,045	2,093,967
Credit card	623,563	663,059	623,563	663,059
Construction	236,718	238,415	249,709	253,621
Mergers and acquisition	207,265	—	207,265	—
Working capital	5,499,729	5,331,170	6,327,613	6,116,583
Others	911,677	460,741	1,194,053	638,531
Gross loans, advances and financing	20,215,279	18,224,239	24,984,046	22,439,361

# Notes to the Financial Statements of Alliance Bank Malaysia Berhad

31 March 2012

## 4. LOANS, ADVANCES AND FINANCING (cont'd)

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(v) <u>By geographical distribution:</u>				
Northern region	1,643,285	1,573,741	1,911,286	1,882,761
Central region	15,045,510	13,149,993	18,825,748	16,442,221
Southern region	1,692,052	1,670,614	2,100,061	2,014,167
East Malaysia region	1,834,432	1,829,891	2,146,951	2,100,212
Gross loans, advances and financing	20,215,279	18,224,239	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	592,458	676,315	741,324	843,866
Impaired during the year	344,894	467,756	441,439	564,613
Reclassified as performing during the year	(268,690)	(290,824)	(361,159)	(328,118)
Recoveries	(75,220)	(143,048)	(106,986)	(190,022)
Amount written off	(81,457)	(117,741)	(113,483)	(149,015)
At end of year	511,985	592,458	601,135	741,324
Gross impaired loans as % of gross loans, advances and financing	2.5%	3.3%	2.4%	3.3%
(vii) <u>Movements in the allowance for impaired loans are as follows:</u>				
<b>Individual assessment allowance</b>				
At beginning of year	273,141	321,364	328,375	389,578
Allowance made during the year (net)	26,319	69,518	43,363	87,812
Amount written off	(74,368)	(117,741)	(105,389)	(149,015)
At end of year	225,092	273,141	266,349	328,375
<b>Collective assessment allowance</b>				
At beginning of year	270,378	262,372	339,636	323,644
Allowance made during the year (net)	30,423	8,006	46,381	15,992
At end of year	300,801	270,378	386,017	339,636
As % of gross loans, advances and financing less individual assessment allowance	1.5%	1.5%	1.6%	1.5%

# Notes to the Financial Statements of Alliance Bank Malaysia Berhad

31 March 2012

## 4. LOANS, ADVANCES AND FINANCING (cont'd)

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(viii) <u>Impaired loans analysed by economic purposes are as follows:</u>				
Purchase of securities	4,081	4,586	5,432	10,268
Purchase of transport vehicles	2,692	2,536	5,652	8,959
Purchase of landed property	221,820	265,205	251,134	283,410
<i>of which: - Residential</i>	<b>162,967</b>	<i>198,490</i>	<b>180,614</b>	<i>209,057</i>
<i>- Non-residential</i>	<b>58,853</b>	<i>66,715</i>	<b>70,520</b>	<i>74,353</i>
Purchase of fixed assets excluding land and buildings	190	182	190	182
Personal use	19,111	27,032	29,955	37,151
Credit card	9,908	12,694	9,908	12,694
Construction	11,868	12,777	11,869	12,777
Working capital	206,438	229,497	245,777	315,987
Others	35,877	37,949	41,218	59,896
Gross impaired loans	<b>511,985</b>	592,458	<b>601,135</b>	741,324
(ix) <u>Impaired loans by geographical distribution:</u>				
Northern region	109,955	84,733	135,319	104,487
Central region	299,618	375,912	358,099	500,546
Southern region	46,629	65,280	50,698	68,965
East Malaysia region	55,783	66,533	57,019	67,326
Gross impaired loans	<b>511,985</b>	592,458	<b>601,135</b>	741,324

# Notes to the Financial Statements of Alliance Bank Malaysia Berhad

31 March 2012

## 5. COMMITMENTS AND CONTINGENCIES

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

The off-balance sheet exposures and their related counterparty credit risk of the Bank and 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
<b>Bank 2012</b>				
<u>Credit-related exposures</u>				
Direct credit substitutes	354,758	—	354,758	354,758
Transaction-related contingent items	515,510	—	257,755	257,755
Short-term self-liquidating trade-related contingencies	126,778	—	25,356	25,356
Irrevocable commitments to extent credit:				
- maturity exceeding one year	3,645,632	—	1,822,816	1,518,664
- maturity not exceeding one year	4,675,582	—	935,116	858,102
Unutilised credit card lines	2,188,661	—	437,732	340,525
	<b>11,506,921</b>	<b>—</b>	<b>3,833,533</b>	<b>3,355,160</b>
<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
	<b>5,268,384</b>	<b>23,712</b>	<b>99,681</b>	<b>47,965</b>
	<b>16,775,305</b>	<b>23,712</b>	<b>3,933,214</b>	<b>3,403,125</b>

# Notes to the Financial Statements of Alliance Bank Malaysia Berhad

31 March 2012

## 5. COMMITMENTS AND CONTINGENCIES (cont'd)

The off-balance sheet exposures and their related counterparty credit risk of the Bank and 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
<b>Group</b>				
<b>2012</b>				
<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
	<b>13,472,989</b>	<b>—</b>	<b>4,494,384</b>	<b>3,869,050</b>
<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
	<b>5,268,384</b>	<b>23,712</b>	<b>99,681</b>	<b>47,965</b>
	<b>18,741,373</b>	<b>23,712</b>	<b>4,594,065</b>	<b>3,917,015</b>

# Notes to the Financial Statements of Alliance Bank Malaysia Berhad

31 March 2012

## 5. COMMITMENTS AND CONTINGENCIES (cont'd)

The off-balance sheet exposures and their related counterparty credit risk of the Bank and 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
<b>Bank</b>				
<b>2011</b>				
<u>Credit-related exposures</u>				
Direct credit substitutes	388,733	—	388,733	388,733
Transaction-related contingent items	484,479	—	242,239	242,239
Short-term self-liquidating trade-related contingencies	118,582	—	23,716	23,716
Irrevocable commitments to extent credit:				
- maturity exceeding one year	1,356,908	—	678,454	582,106
- maturity not exceeding one year	4,027,184	—	805,437	737,330
Unutilised credit card lines	3,425,831	—	685,166	528,386
	9,801,717	—	2,823,745	2,502,510
<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
	14,758,344	32,047	2,946,953	2,552,578



# Notes to the Financial Statements of Alliance Bank Malaysia Berhad

31 March 2012

## 5. COMMITMENTS AND CONTINGENCIES (cont'd)

The off-balance sheet exposures and their related counterparty credit risk of the Bank and 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
<b>Group</b>				
<b>2011</b>				
<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

# Notes to the Financial Statements of Alliance Bank Malaysia Berhad

31 March 2012

## 6. CAPITAL ADEQUACY

The capital adequacy ratios of the Bank and the Group 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.

(a) The capital adequacy ratios of the Bank and the Group are as follows:

	Bank		Group	
	2012	2011	2012	2011
<u>Before deducting proposed dividends</u>				
Core capital ratio	13.93%	14.63%	12.00%	12.40%
Risk-weighted capital ratio	14.37%	14.98%	15.71%	16.54%
<u>After deducting proposed dividends</u>				
Core capital ratio	13.32%	14.09%	11.52%	11.95%
Risk-weighted capital ratio	13.76%	14.44%	15.22%	16.09%

(b) The components of Tier I and Tier II Capital of the Bank and the Group are as follows:

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b><u>Tier I Capital (Core Capital)</u></b>				
Paid-up share capital	596,517	596,517	596,517	596,517
ICPS	4,000	4,000	4,000	4,000
Share premium	597,517	597,517	597,517	597,517
Retained profits	1,333,979	1,148,228	1,420,731	1,194,222
Statutory reserves	601,561	601,561	842,167	786,406
Other reserves	—	—	10,018	10,018
Non-controlling interests	—	—	4,905	4,488
	3,133,574	2,947,823	3,475,855	3,193,168
Less: Purchased goodwill/goodwill on consolidation	(186,272)	(186,272)	(302,065)	(302,065)
Deferred tax assets	—	(75,272)	(15,038)	(108,808)
Total Tier I Capital	2,947,302	2,686,279	3,158,752	2,782,295
<b><u>Tier II Capital</u></b>				
Subordinated obligations	597,829	600,000	597,829	600,000
Collective assessment allowance	296,498	265,588	381,019	333,466
Total Tier II Capital	894,327	865,588	978,848	933,466
Total Capital	3,841,629	3,551,867	4,137,600	3,715,761
Less: Investment in subsidiaries	(801,664)	(801,664)	(3,620)	(3,620)
Total Capital Base	3,039,965	2,750,203	4,133,980	3,712,141

# Notes to the Financial Statements of Alliance Bank Malaysia Berhad

31 March 2012

## 6. CAPITAL ADEQUACY (cont'd)

- (c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Bank and the Group are as follows:

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Credit Risk	<b>19,074,667</b>	16,437,247	<b>23,601,495</b>	20,149,305
Market risk	<b>157,119</b>	54,919	<b>265,432</b>	71,884
Operational risk	<b>1,925,797</b>	1,863,398	<b>2,445,524</b>	2,222,953
Total RWA and capital requirements	<b>21,157,583</b>	18,355,564	<b>26,312,451</b>	22,444,142

Detailed information on the risk exposures above, as prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) is presented in the Bank's Pillar 3 Report.

# Independent Auditors' Report

to the member of Alliance Bank Malaysia Berhad (88103-W) (Incorporated in Malaysia)

On 30 May 2012, we reported on the statutory financial statements of Alliance Bank Malaysia Berhad for the financial year ended 31 March 2012. In that report we stated that:

## “Report on the financial statements

We have audited the financial statements of Alliance Bank Malaysia Berhad on pages 11 to 135 which comprise the statements of financial position as at 31 March 2012 of the Bank and of the Group, and the statements of comprehensive income, changes in equity and cash flows of the Bank and of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 53.

### *Directors' responsibility for the financial statements*

The Directors of the Bank 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 judgement, 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 Bank'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 Bank'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 Bank and of the Group as at 31 March 2012 and of their financial performances 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 Bank 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 Bank'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) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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# Independent Auditors' Report

to the member of Alliance Bank Malaysia Berhad (88103-W) (Incorporated in Malaysia)

## Other matters

This report is made solely to the member of the Bank, 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."

Other than the non-publication of all the notes to the financial statements, excluding those notes for the Bank and the Group pertaining to financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity, loans, advances and financing, commitments and contingencies and capital adequacy, the financial statements reproduced herewith are similar in all material respects to those reported on by us.

Accordingly, for a fuller appreciation of the state of affairs of the Bank and the Group as at 31 March 2012 and of the results and cash flows of the Bank and the Group for the financial year ended on that date, reference should be made to the statutory financial statements of the Bank for the financial year ended 31 March 2012 in which context of our report of 30 May 2012 was made.

### **PricewaterhouseCoopers**

(No. AF: 1146)

Chartered Accountants

Kuala Lumpur, Malaysia

30 May 2012

### **Ong Ching Chuan**

(No. 2907/11/13 (J))

Chartered Accountant

The full version of the financial statements is available at Alliance Bank's website at [www.alliancebank.com.my](http://www.alliancebank.com.my)



# ALLIANCE BANK MALAYSIA BERHAD (88103-W)

## Basel II Pillar 3 Disclosure

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# Basel II Pillar 3 Disclosure of Alliance Bank Malaysia Berhad

31 March 2012

## OVERVIEW

Bank Negara Malaysia (“BNM”) guidelines on capital adequacy require Alliance Bank Malaysia Berhad and its subsidiaries (“the Group”) to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM’s capital adequacy guidelines covers 3 main aspects:

- (a) Pillar 1 - covers the calculation of risk-weighted assets for credit risk, market risk and operational risk.
- (b) Pillar 2 - involves assessment of other risks (eg interest rate risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques.
- (c) Pillar 3 - covers disclosure and external communication of risk and capital information by banks.

The Group maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

To ensure that risks and returns are appropriately balanced, the Group has implemented a Group-wide Integrated Risk Management Framework, with guidelines for identifying, measuring, and managing risks. This process includes quantifying and aggregating various risks in order to ensure the Group and each entity has sufficient capital to cushion unexpected losses and remain solvent.

In summary, the capital management process involves the following:

- (i) Monitoring of regulatory capital and ensuring that the minimum regulatory requirements and approved internal ratios are adhered.
- (ii) Estimation of capital requirements based on ongoing forecasting and budgeting process.
- (iii) Regular reporting of regulatory and internal capital ratios to management.

In addition, the Group’s capital adequacy under extreme but plausible stress scenarios are periodically assessed via a Group-wide stress test exercise. The results of the stress tests are reported to senior management, to provide them with an assessment of the financial impact of such events on the Group’s earnings and capital.

The Group’s Pillar 3 Disclosure is governed by the Group Disclosure Policy on Basel II Risk-Weighted Capital Adequacy Framework - Pillar 3 which sets out the minimum disclosure standards, the approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process which covers the verification and review of the accuracy of information disclosed.

# Basel II Pillar 3 Disclosure of Alliance Bank Malaysia Berhad

31 March 2012

## 1.0 SCOPE OF APPLICATION

The Basel II Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on Alliance Bank Malaysia Berhad ("the Bank"), its subsidiaries and associate companies. The Group offers Conventional and Islamic banking services. The latter includes the acceptance of deposits and granting of financing under the Shariah principles via the Bank's wholly-owned subsidiary, Alliance Islamic Bank Berhad. Information on subsidiary and associate companies are available in Note 13 and 14 to the audited financial statements.

The basis of consolidation for the use of regulatory capital purposes is similar to that for financial accounting purposes as prescribed in Note 2(b) to the audited financial statements, except for the investments in subsidiaries which are engaged in nominees activities and sales distribution are excluded from the regulatory consolidation and is deducted from regulatory capital.

There are no significant restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiaries of the Group that are not included in the consolidation for regulatory purposes as at the financial year end.

The capital adequacy information is computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II). The Group has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk.

## 2.0 CAPITAL

In managing its capital, the Group's objectives are:

- (i) to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by Bank Negara Malaysia,
- (ii) to maintain sufficient capital resources to support the Group's risk appetite and to enable future business growth, and
- (iii) 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 above the regulatory requirements, 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 deliberation and to the Board for approval.

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

### 2.1 Capital Adequacy Ratios

Under Pillar I, the Group has adopted the Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Basic Indicator Approach for operational risk. Under the Standardised Approach, risk-weights are used to assess the capital requirements for exposures in credit risk and market risk, whilst the capital required for operational risk under the Basic Indicator Approach is computed as a fixed percentage of the Group's average gross income.

# Basel II Pillar 3 Disclosure of Alliance Bank Malaysia Berhad

31 March 2012

## 2.0 CAPITAL (cont'd)

### 2.1 Capital Adequacy Ratios (cont'd)

(a) The capital adequacy ratios of the Bank and the Group are as follows:

	Bank		Group	
	2012	2011	2012	2011
<u>Before deducting proposed dividends</u>				
Core capital ratio	<b>13.93%</b>	14.63%	<b>12.00%</b>	12.40%
Risk-weighted capital ratio	<b>14.37%</b>	14.98%	<b>15.71%</b>	16.54%
<u>After deducting proposed dividends</u>				
Core capital ratio	<b>13.32%</b>	14.09%	<b>11.52%</b>	11.95%
Risk-weighted capital ratio	<b>13.76%</b>	14.44%	<b>15.22%</b>	16.09%

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
<b>31 March 2012</b>		
<u>Before deducting proposed dividends</u>		
Core capital ratio	<b>12.35%</b>	<b>57.91%</b>
Risk-weighted capital ratio	<b>14.19%</b>	<b>58.39%</b>
<u>After deducting proposed dividends</u>		
Core capital ratio	<b>11.52%</b>	<b>56.65%</b>
Risk-weighted capital ratio	<b>13.36%</b>	<b>57.13%</b>
<b>31 March 2011</b>		
<u>Before deducting proposed dividends</u>		
Core capital ratio	11.65%	57.17%
Risk-weighted capital ratio	13.37%	57.33%
<u>After deducting proposed dividends</u>		
Core capital ratio	11.65%	55.51%
Risk-weighted capital ratio	13.37%	55.67%

The detailed capital adequacy ratios of the above banking subsidiaries are set out in the Pillar 3 Report of the respective entity.

# Basel II Pillar 3 Disclosure of Alliance Bank Malaysia Berhad

31 March 2012

## 2.0 CAPITAL (cont'd)

### 2.2 Capital Structure

The following table represents the Bank and the Group's capital position. Details on capital resources, including share capital, irredeemable (non-cumulative) convertible preference shares ("ICPS"), share premium and reserves are found in Note 25 and 26 of the audited financial statements. Details on the terms and conditions of subordinated obligations are contained in Note 24 of the audited financial statements.

The following tables present the components of Tier I and Tier II capital and deduction from capital.

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b><u>Tier I capital (Core Capital)</u></b>				
Paid-up share capital	596,517	596,517	596,517	596,517
ICPS	4,000	4,000	4,000	4,000
Share premium	597,517	597,517	597,517	597,517
Retained profits	1,333,979	1,148,228	1,440,176	1,194,222
Statutory reserves	601,561	601,561	822,722	786,406
Other reserves	—	—	10,018	10,018
Non-controlling interests	—	—	4,905	4,488
	<b>3,133,574</b>	<b>2,947,823</b>	<b>3,475,855</b>	<b>3,193,168</b>
Less: Purchased goodwill/goodwill on consolidation	(186,272)	(186,272)	(302,065)	(302,065)
Deferred tax assets	—	(75,272)	(15,038)	(108,808)
<b>Total Tier I capital</b>	<b>2,947,302</b>	<b>2,686,279</b>	<b>3,158,752</b>	<b>2,782,295</b>
<b><u>Tier II Capital</u></b>				
Subordinated obligations	597,829	600,000	597,829	600,000
Collective assessment allowance	296,498	265,588	381,019	333,466
<b>Total Tier II capital</b>	<b>894,327</b>	<b>865,588</b>	<b>978,848</b>	<b>933,466</b>
<b>Total Capital</b>	<b>3,841,629</b>	<b>3,551,867</b>	<b>4,137,600</b>	<b>3,715,761</b>
Less: Investment in subsidiaries	(801,664)	(801,664)	(3,620)	(3,620)
<b>Total Capital Base</b>	<b>3,039,965</b>	<b>2,750,203</b>	<b>4,133,980</b>	<b>3,712,141</b>

# Basel II Pillar 3 Disclosure of Alliance Bank Malaysia Berhad

31 March 2012

## 2.0 CAPITAL (cont'd)

### 2.3 Risk-Weighted Assets ("RWA") and Capital Requirements

#### Regulatory Capital Requirements

The following table present the minimum regulatory capital requirement of the Bank and the Group:

Bank 2012 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	5,022,323	5,022,323	—	—
Public sector entities	50,855	50,855	10,171	814
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	3,754,235	3,754,235	973,940	77,915
Insurance companies, securities firms and fund managers	447	447	447	36
Corporates	7,954,029	7,537,571	6,932,437	554,595
Regulatory retail	6,386,726	5,730,542	4,297,906	343,832
Residential mortgages	6,574,048	6,563,663	2,813,719	225,098
Higher risk assets	7,065	7,065	10,597	848
Other assets	479,264	479,264	288,026	23,042
Equity exposures	125,138	125,138	182,992	14,639
Defaulted exposures	142,744	135,108	161,307	12,905
Total on-balance sheet exposures	30,496,874	29,406,211	15,671,542	1,253,724
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,827,677	3,822,467	3,346,379	267,710
Derivative financial instruments	99,681	99,681	47,965	3,837
Defaulted exposures	5,856	5,854	8,781	703
Total off-balance sheet exposures	3,933,214	3,928,002	3,403,125	272,250
Total on and off-balance sheet exposures	34,430,088	33,334,213	19,074,667	1,525,974
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	1,347,746	(3,463)	136,388	10,911
Foreign currency risk	20,731	(2,619)	20,731	1,658
Total	1,368,477	(6,082)	157,119	12,569
(iii) Operational Risk	—	—	1,925,797	154,064
Total RWA and capital requirements	34,430,088	33,334,213	21,157,583	1,692,607

# Basel II Pillar 3 Disclosure of Alliance Bank Malaysia Berhad

31 March 2012

## 2.0 CAPITAL (cont'd)

### 2.3 RWA and Capital Requirements (cont'd)

#### Regulatory Capital Requirements (cont'd)

The following table present the minimum regulatory capital requirement of the Bank and the Group (cont'd):

Group 2012 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,143,989	7,143,989	—	—
Public sector entities	50,855	50,855	10,171	814
Banks, DFIs and MDBs	4,392,711	4,392,711	1,105,558	88,445
Insurance companies, securities firms and fund managers	476	476	476	38
Corporates	9,689,833	9,031,886	8,226,723	658,138
Regulatory retail	8,759,219	8,058,947	6,054,024	484,322
Residential mortgages	7,620,144	7,609,112	3,313,763	265,101
Higher risk assets	7,159	7,159	10,739	859
Other assets	626,605	626,605	435,436	34,835
Equity exposures	169,942	169,942	250,198	20,016
Defaulted exposures	225,479	217,286	277,392	22,191
Total on-balance sheet exposures	38,686,412	37,308,968	19,684,480	1,574,759
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	4,481,607	4,462,291	3,849,888	307,991
Derivative financial instruments	99,681	99,681	47,965	3,837
Defaulted exposures	12,777	12,775	19,162	1,533
Total off-balance sheet exposures	4,594,065	4,574,747	3,917,015	313,361
Total on and off-balance sheet exposures	43,280,477	41,883,715	23,601,495	1,888,120
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	1,497,439	(3,463)	138,881	11,110
Equity risk	3,419	—	9,402	752
Foreign currency risk	20,731	(2,619)	20,731	1,658
Options risk	70,122	—	96,418	7,713
Total	1,591,711	(6,082)	265,432	21,233
(iii) <u>Operational Risk</u>	—	—	2,445,524	195,642
Total RWA and capital requirements	43,280,477	41,883,715	26,312,451	2,104,995



# Basel II Pillar 3 Disclosure of Alliance Bank Malaysia Berhad

31 March 2012

## 2.0 CAPITAL (cont'd)

### 2.3 RWA and Capital Requirements (cont'd)

#### Regulatory Capital Requirements (cont'd)

The following table present the minimum regulatory capital requirement of the Bank and the Group (cont'd):

Bank 2011 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	4,080,874	4,080,874	—	—
Public sector entities	50,115	50,115	10,023	802
Banks, DFIs and MDBs	3,362,759	3,362,759	897,984	71,839
Insurance companies, securities firms and fund managers	20,508	20,508	20,508	1,641
Corporates	6,763,126	6,510,754	5,644,357	451,549
Regulatory retail	5,638,108	5,059,901	3,794,925	303,594
Residential mortgages	6,341,015	6,330,391	2,715,930	217,274
Higher risk assets	15,586	15,585	23,378	1,870
Other assets	471,964	471,964	293,175	23,454
Equity exposures	112,848	112,848	164,558	13,165
Defaulted exposures	286,359	283,637	319,831	25,586
Total on-balance sheet exposures	27,143,262	26,299,336	13,884,669	1,110,774
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	2,797,541	2,794,898	2,463,236	197,059
Derivative financial instruments	123,208	123,208	50,068	4,005
Defaulted exposures	26,198	26,183	39,274	3,142
Total off-balance sheet exposures	2,946,947	2,944,289	2,552,578	204,206
Total on and off-balance sheet exposures	30,090,209	29,243,625	16,437,247	1,314,980
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	1,185,668	(5,004)	40,907	3,272
Foreign currency risk	14,012	(3,158)	14,012	1,121
Total	1,199,680	(8,162)	54,919	4,393
(iii) Operational Risk	—	—	1,863,398	149,072
Total RWA and capital requirements	30,090,209	29,243,625	18,355,564	1,468,445

# Basel II Pillar 3 Disclosure of Alliance Bank Malaysia Berhad

31 March 2012

## 2.0 CAPITAL (cont'd)

### 2.3 RWA and Capital Requirements (cont'd)

#### Regulatory Capital Requirements (cont'd)

The following table present the minimum regulatory capital requirement of the Bank and the Group (cont'd):

Group 2011 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,693,101	5,693,101	—	—
Public sector entities	50,115	50,115	10,023	802
Banks, DFIs and MDBs	3,544,007	3,544,007	707,997	56,640
Insurance companies, securities firms and fund managers	20,508	20,508	20,508	1,641
Corporates	8,307,011	7,964,488	6,802,410	544,192
Regulatory retail	7,947,769	7,335,513	6,629,408	530,352
Residential mortgages	7,065,748	7,054,380	1,925,014	154,001
Higher risk assets	15,699	15,698	23,548	1,884
Other assets	693,557	693,557	510,783	40,863
Equity exposures	152,540	152,540	224,096	17,928
Defaulted exposures	366,240	360,740	427,503	34,200
Total on-balance sheet exposures	33,856,295	32,884,647	17,281,290	1,382,503
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,171,389	3,166,633	2,777,424	222,194
Derivative financial instruments	123,208	123,208	50,068	4,005
Defaulted exposures	27,047	27,015	40,523	3,242
Total off-balance sheet exposures	3,321,644	3,316,856	2,868,015	229,441
Total on and off-balance sheet exposures	37,177,939	36,201,503	20,149,305	1,611,944
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	1,947,728	(5,004)	48,460	3,877
Equity risk	3,419	—	9,412	753
Foreign currency risk	14,012	(3,158)	14,012	1,121
Total	1,965,159	(8,162)	71,884	5,751
(iii) <u>Operational Risk</u>	—	—	2,222,953	177,836
Total RWA and capital requirements	37,177,939	36,201,503	22,444,142	1,795,531

Note:

Under Islamic Banking, the Group does not use Profit-sharing Investment Account ("PSIA") as a risk absorbent mechanism.

The Bank and the Group do not have exposure to any Large Exposure Risk for equity holdings as specified under BNM's Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

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## 3.0 CREDIT RISK

Credit risk is the risk of financial loss arising from the failure of a borrower or counterparty to meet its obligations. Credit risk arises mainly from lending/financing activities and trading/holding of debt securities.

### *Risk Governance*

The Board has overall responsibility for credit risk oversight of the Group through the Group Risk Management Committee ("GRMC"). The GRMC, supported by the Credit Risk Working Group ("CRWG"), reviews and aligns credit risk management framework and policies to business strategies, ensuring appropriate balancing in risk taking and risk appetite. In addition, the CRWG reviews and assesses asset quality and risk profile reports/dashboards and direct implementation of prompt corrective measures in the event of any exceptions/anomalies.

Credit risk management process includes establishing framework, policies and guidelines for activities in the Group which attracts credit risk. The Credit Risk Management Framework ("CRMF") sets the broad based requirement for credit risk taking activities; under which, comprehensive policies and guidelines are developed for the credit approving hierarchy and discretionary approving authority, development, application and validation of credit rating tools, acceptable credit and negative list, acceptable collateral and margin, credit review and monitoring, early warning and rehabilitation, impairment and recovery.

### *Credit Risk Management*

Credit risk management begins with initial underwriting and continues through the borrower's credit cycle. Statistical techniques in conjunction with experiential judgement are used in portfolio management, covering underwriting guidelines, product pricing, setting credit limits, operating processes and metrics to quantify and balance risks and returns. In addition, credit facility limits and credit concentration limits are applied to prevent over-concentration of risks. Concentration risk is managed by limiting exposure to single borrower/group, credit rating grade and industry segments. These limits are aligned with business strategies of the respective units, taking into consideration the regulatory constraints.

Credit facilities are reviewed regularly; corporate exposures on group exposure basis and retail exposures on portfolio basis. Problem loans and loans with early warning signs are subject to early warning reporting framework.

Business Risk and Business Portfolio Management functions ensure that credit risks are being taken and maintained in compliance with group-wide credit policies and guidelines. These functions ensure proper activation of approved limits, appropriate endorsement of excesses and policy exceptions, monitor compliance with credit standards and/or credit covenants established by management and/or regulators. These functions also subject all credit facilities to regular review including the conduct of accounts and rating; facilities with indications of deterioration in quality are subject to the early warning frameworks. Recovery of problem or impaired loans are managed by specialists who are independent of the business units.

An independent credit review team conducts regular review of approved credit applications. These reviews provide senior management with assurance that the Bank's credit policies/limits are adhered to.

Stress testing are used to ascertain the size of probable losses under a range of scenarios for the loan portfolio and the impact to bottom lines and capital. These stress tests are performed using different market and economic assumptions to assess possible vulnerability and effective mitigating actions when required.

### *Impaired Loans and Provisions*

FRS 139 has been adopted for the treatment of impaired loans and loan loss provision. Please refer to Note 2(i)(i) of the audited financial statements for accounting policy of impaired loans, advances and financing.

Past due accounts are loan accounts with any payment of principal and/or interest due and not paid, but are not classified as impaired. Loans are classified as impaired if the judgmental or mandatory triggers are triggered.

Individual assessments are performed on impaired accounts with principal outstanding RM1 million and above. Discounted cashflow method will be used to determine the recoverable amounts. The remaining loans portfolio are then collectively assessed for impairment allowance provision. The Group applied transitional arrangement as prescribed in the guideline issued by BNM for collective assessment, based on 1.5% of total outstanding loans, net of individual assessment allowance.

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## 3.0 CREDIT RISK (cont'd)

### 3.1 Distribution of Credit Exposures

#### (a) Geographical Distribution

The following tables represent the Bank and the Group's major type of gross credit exposure by geographic distribution. Exposure are allocated to the region in which the customer is located and are disclosed before taking account of any collateral held or other credit enhancements and after allowance for impairment where appropriate.

Bank 2012	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	East Malaysia RM'000
Cash and short-term funds	—	1,539,052	—	—
Deposits and placements with banks and other financial institutions	—	143,461	—	—
Financial assets held-for-trading	—	1,342,302	—	—
Financial investments available-for-sale	—	7,325,003	—	—
Financial investments held-to-maturity	—	228,622	—	—
Derivative financial assets	—	23,712	—	—
Loans, advances and financing	1,581,138	14,912,616	1,672,228	1,824,205
<b>Total on-balance sheet</b>	<b>1,581,138</b>	<b>25,514,768</b>	<b>1,672,228</b>	<b>1,824,205</b>
Financial guarantees	48,823	291,800	21,381	32,904
Credit related commitments and contingencies	594,161	9,126,214	524,327	867,311
<b>Total credit exposure</b>	<b>2,224,122</b>	<b>34,932,782</b>	<b>2,217,936</b>	<b>2,724,420</b>

Group 2012				
Cash and short-term funds	—	1,683,092	—	—
Deposits and placements with banks and other financial institutions	—	93,438	—	—
Balances due from clients and brokers	13,791	44,023	3,884	—
Financial assets held-for-trading	—	1,491,995	—	—
Financial investments available-for-sale	—	8,983,101	—	—
Financial investments held-to-maturity	—	795,256	—	—
Derivative financial assets	—	23,712	—	—
Loans, advances and financing	1,839,563	18,663,157	2,078,713	2,136,264
<b>Total on-balance sheet</b>	<b>1,853,354</b>	<b>31,777,774</b>	<b>2,082,597</b>	<b>2,136,264</b>
Financial guarantees	67,643	332,255	27,880	36,184
Credit related commitments and contingencies	659,453	10,363,305	652,725	1,333,544
<b>Total credit exposure</b>	<b>2,580,450</b>	<b>42,473,334</b>	<b>2,763,202</b>	<b>3,505,992</b>

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## 3.0 CREDIT RISK (cont'd)

### 3.1 Distribution of Credit Exposures (cont'd)

#### (a) Geographical Distribution (cont'd)

Bank 2011	Geographical region			East Malaysia RM'000
	Northern RM'000	Central RM'000	Southern RM'000	
Cash and short-term funds	—	779,323	—	—
Deposits and placements with banks and other financial institutions	—	954,610	—	—
Financial assets held-for-trading	—	1,176,190	—	—
Financial investments available-for-sale	—	6,247,376	—	—
Financial investments held-to-maturity	—	633,521	—	—
Derivative financial assets	—	32,047	—	—
Loans, advances and financing	1,524,762	12,969,040	1,643,642	1,813,654
<b>Total on-balance sheet</b>	1,524,762	22,792,107	1,643,642	1,813,654
Financial guarantees	43,640	294,674	23,141	32,409
Credit related commitments and contingencies	666,131	7,736,584	343,135	662,003
<b>Total credit exposure</b>	2,234,533	30,823,365	2,009,918	2,508,066

Group 2011				
Cash and short-term funds	—	701,862	—	—
Deposits and placements with banks and other financial institutions	—	100,228	—	—
Balances due from clients and brokers	20,440	54,124	5,955	—
Financial assets held-for-trading	—	1,938,250	—	—
Financial investments available-for-sale	—	9,138,478	—	—
Financial investments held-to-maturity	—	940,726	—	—
Derivative financial assets	—	32,047	—	—
Loans, advances and financing	1,825,015	16,217,604	1,984,668	2,083,699
<b>Total on-balance sheet</b>	1,845,455	29,123,319	1,990,623	2,083,699
Financial guarantees	54,799	333,960	29,450	35,161
Credit related commitments and contingencies	720,453	8,524,888	401,562	852,128
<b>Total credit exposure</b>	2,620,707	37,982,167	2,421,635	2,970,988

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## 3.0 CREDIT RISK (cont'd)

### 3.1 Distribution of Credit Exposures (cont'd)

#### (b) Industry Distribution

The following tables represent the Bank and the Group's major type of gross credit exposure by sector. The analysis are based on the sector in which the customer is engaged.

Bank 2012	Government and Central bank RM'000	Financial, insurance & business services RM'000	Transport, storage & communication 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
Cash and short-term funds	903,812	635,240	-	-	-	-	-	-	1,539,052
Deposits and placements with banks and other financial institutions	-	143,461	-	-	-	-	-	-	143,461
Financial assets held-for-trading	1,342,302	-	-	-	-	-	-	-	1,342,302
Financial investments	3,077,911	3,874,479	84,766	266,737	21,110	-	-	-	7,325,003
Financial investments available-for-sale	227,177	1,445	-	-	-	-	-	-	228,622
Derivative financial assets	-	23,712	-	-	-	-	-	-	23,712
Loans, advances and financing	-	2,239,321	100,562	6,145,387	214,618	8,172,207	142,593	2,975,499	19,990,187
<b>Total on-balance sheet</b>	<b>5,551,202</b>	<b>6,917,658</b>	<b>185,328</b>	<b>6,412,124</b>	<b>235,728</b>	<b>8,172,207</b>	<b>142,593</b>	<b>2,975,499</b>	<b>30,592,339</b>
Financial guarantees	-	34,503	19,817	274,277	29,205	300	-	36,806	394,908
Credit related commitments and contingencies	-	1,156,018	66,185	2,545,111	1,197,481	2,787,615	5	3,359,598	11,112,013
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,190,521</b>	<b>86,002</b>	<b>2,819,388</b>	<b>1,226,686</b>	<b>2,787,915</b>	<b>5</b>	<b>3,396,404</b>	<b>11,506,921</b>
<b>Total credit risk</b>	<b>5,551,202</b>	<b>8,108,179</b>	<b>271,330</b>	<b>9,231,512</b>	<b>1,462,414</b>	<b>10,960,122</b>	<b>142,598</b>	<b>6,371,903</b>	<b>42,099,260</b>



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## 3.0 CREDIT RISK (cont'd)

### 3.1 Distribution of Credit Exposures (cont'd)

#### (b) Industry Distribution (cont'd)

The following tables represent the Bank and the Group's major type of gross credit exposure by sector. The analysis are based on the sector in which the customer is engaged (cont'd).

Group 2012	Government and Central bank RM'000	Financial, insurance & business services RM'000	Transport, storage & communication 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
Cash and short-term funds	1,067,241	615,851	-	-	-	-	-	-	1,683,092
Deposits and placements with banks and other financial institutions	-	93,438	-	-	-	-	-	-	93,438
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
available-for-sale									
Financial investments	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									
<b>Total on-balance sheet</b>	<b>7,529,646</b>	<b>7,588,260</b>	<b>272,376</b>	<b>7,614,537</b>	<b>322,398</b>	<b>9,597,766</b>	<b>439,620</b>	<b>4,485,386</b>	<b>37,849,989</b>
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
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,376,927</b>	<b>86,872</b>	<b>3,464,770</b>	<b>1,256,577</b>	<b>3,405,065</b>	<b>230</b>	<b>3,882,548</b>	<b>13,472,989</b>
<b>Total credit risk</b>	<b>7,529,646</b>	<b>8,965,187</b>	<b>359,248</b>	<b>11,079,307</b>	<b>1,578,975</b>	<b>13,002,831</b>	<b>439,850</b>	<b>8,367,934</b>	<b>51,322,978</b>

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## 3.0 CREDIT RISK (cont'd)

### 3.1 Distribution of Credit Exposures (cont'd)

#### (b) Industry Distribution (cont'd)

The following tables represent the Bank and the Group's major type of gross credit exposure by sector. The analysis are based on the sector in which the customer is engaged (cont'd).

Bank	Government and Central bank	Financial, insurance & business services	Transport, storage & communication	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	475,797	303,526	—	—	—	—	—	—	779,323
Deposits and placements with banks and other financial institutions	—	954,610	—	—	—	—	—	—	954,610
Financial assets held-for-trading	1,176,190	—	—	—	—	—	—	—	1,176,190
Financial investments	2,872,338	3,060,617	94,805	198,478	21,138	—	—	—	6,247,376
Financial investments available-for-sale	629,057	4,464	—	—	—	—	—	—	633,521
Derivative financial assets	—	30,657	—	—	—	—	—	1,390	32,047
Loans, advances and financing	—	1,735,053	118,112	5,606,218	338,973	7,565,729	210,351	2,376,662	17,951,098
<b>Total on-balance sheet</b>	<b>5,153,382</b>	<b>6,088,927</b>	<b>212,917</b>	<b>5,804,696</b>	<b>360,111</b>	<b>7,565,729</b>	<b>210,351</b>	<b>2,378,052</b>	<b>27,774,165</b>
Financial guarantees	—	26,634	20,441	294,532	15,544	—	—	36,713	393,864
Credit related commitments and contingencies	—	663,928	70,045	2,106,726	1,248,880	947,023	5	4,371,246	9,407,853
<b>Total off-balance sheet</b>	<b>—</b>	<b>690,562</b>	<b>90,486</b>	<b>2,401,258</b>	<b>1,264,424</b>	<b>947,023</b>	<b>5</b>	<b>4,407,959</b>	<b>9,801,717</b>
<b>Total credit risk</b>	<b>5,153,382</b>	<b>6,779,489</b>	<b>303,403</b>	<b>8,205,954</b>	<b>1,624,535</b>	<b>8,512,752</b>	<b>210,356</b>	<b>6,786,011</b>	<b>37,575,882</b>

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## 3.0 CREDIT RISK (cont'd)

### 3.1 Distribution of Credit Exposures (cont'd)

#### (b) Industry Distribution (cont'd)

The following tables represent the Bank and the Group's major type of gross credit exposure by sector. The analysis are based on the sector in which the customer is engaged (cont'd).

Group 2011	Government and Central bank RM'000	Financial, insurance & business services RM'000	Transport, storage & communication 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
Cash and short-term funds	524,670	177,192	-	-	-	-	-	-	701,862
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
Derivative financial assets	-	30,657	-	-	-	-	-	1,390	32,047
Loans, advances and financing	-	2,029,108	156,460	6,559,284	421,713	8,498,859	557,262	3,888,300	22,110,986
<b>Total on-balance sheet</b>	<b>7,433,272</b>	<b>6,946,762</b>	<b>323,814</b>	<b>6,859,499</b>	<b>453,419</b>	<b>8,498,859</b>	<b>557,262</b>	<b>3,970,209</b>	<b>35,043,096</b>
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	948,916	327,265	4,594,937	10,499,031
<b>Total off-balance sheet</b>	<b>-</b>	<b>832,745</b>	<b>98,567</b>	<b>2,784,116</b>	<b>1,328,798</b>	<b>948,916</b>	<b>327,265</b>	<b>4,631,994</b>	<b>10,952,401</b>
<b>Total credit risk</b>	<b>7,433,272</b>	<b>7,779,507</b>	<b>422,381</b>	<b>9,643,615</b>	<b>1,782,217</b>	<b>9,447,775</b>	<b>884,527</b>	<b>8,602,203</b>	<b>45,995,497</b>

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## 3.0 CREDIT RISK (cont'd)

### 3.1 Distribution of Credit Exposures (cont'd)

#### (c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets of the Bank and the Group:

<b>Bank 2012</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1 – 3 months RM'000</b>	<b>&gt;3 – 6 months RM'000</b>	<b>&gt;6 – 12 months RM'000</b>	<b>&gt;1 year RM'000</b>	<b>Total RM'000</b>
Cash and short-term funds	1,730,290	–	–	–	–	1,730,290
Deposits and placements with banks and other financial institutions	–	143,461	–	–	–	143,461
Financial investments	649,224	2,430,032	572,018	37,165	5,302,396	8,990,835
Loans, advances and financing	4,329,030	1,273,642	804,274	394,744	12,925,703	19,727,393
Other asset balances	34,096	14,212	7,184	7,763	2,117,622	2,180,877
<b>Total on-balance sheet exposure</b>	<b>6,742,640</b>	<b>3,861,347</b>	<b>1,383,476</b>	<b>439,672</b>	<b>20,345,721</b>	<b>32,772,856</b>
<b>Group 2012</b>						
Cash and short-term funds	1,874,332	–	–	–	–	1,874,332
Deposits and placements with banks and other financial institutions	–	93,270	168	–	–	93,438
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	36,590	14,213	7,186	7,767	1,704,324	1,770,080
<b>Total on-balance sheet exposure</b>	<b>7,954,409</b>	<b>4,579,438</b>	<b>1,691,594</b>	<b>704,608</b>	<b>24,640,154</b>	<b>39,570,203</b>

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## 3.0 CREDIT RISK (cont'd)

### 3.1 Distribution of Credit Exposures (cont'd)

#### (c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets of the Bank and the Group (cont'd):

<b>Bank 2011</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1 – 3 months RM'000</b>	<b>&gt;3 – 6 months RM'000</b>	<b>&gt;6 – 12 months RM'000</b>	<b>&gt;1 year RM'000</b>	<b>Total RM'000</b>
Cash and short-term funds	958,111	–	–	–	–	958,111
Deposits and placements with banks and other financial institutions	21,456	100,065	100,089	–	733,000	954,610
Financial investments	1,446,532	1,794,212	395,558	803,688	3,699,715	8,139,705
Loans, advances and financing	4,328,948	1,158,824	758,896	363,815	11,107,959	17,718,442
Other asset balances	40,544	7,741	9,201	2,699	1,549,825	1,610,010
<b>Total on-balance sheet exposure</b>	<b>6,795,591</b>	<b>3,060,842</b>	<b>1,263,744</b>	<b>1,170,202</b>	<b>17,090,499</b>	<b>29,380,878</b>
<b>Group 2011</b>						
Cash and short-term funds	911,730	–	–	–	–	911,730
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	26,142	7,741	9,201	2,699	966,803	1,012,586
<b>Total on-balance sheet exposure</b>	<b>7,911,829</b>	<b>4,766,540</b>	<b>1,764,226</b>	<b>1,492,156</b>	<b>20,105,547</b>	<b>36,040,298</b>

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## 3.0 CREDIT RISK (cont'd)

### 3.2 Past Due Loans, Advances and Financing Analysis

- (a) Past due but not impaired loans, advances and financing are loans where the customer has failed to make a principal or interest payment when contractually due, and includes loans which are due one or more days after the contractual due date but less than 3 months.

Past due loans, advances and financing are analysed as follows:

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Past due up to 1 month	602,109	506,042	909,157	773,027
Past due > 1 - 2 months	127,224	125,603	187,351	186,858
Past due > 2 - 3 months	15,430	13,894	30,448	27,529
	<b>744,763</b>	<b>645,539</b>	<b>1,126,956</b>	<b>987,414</b>

Past due loans, advances and financing analysed by sector are as follows:

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Financial, insurance & business services	42,494	21,146	43,478	22,501
Transport, storage & communication	1,332	2,895	2,835	5,128
Agriculture, manufacturing, wholesale & retail trade	48,189	52,558	55,198	62,001
Construction	9,495	3,873	14,924	5,467
Residential mortgage	459,166	355,794	516,795	395,189
Motor vehicle financing	53,242	72,636	139,333	170,745
Other consumer loans	130,845	136,637	354,393	326,383
	<b>744,763</b>	<b>645,539</b>	<b>1,126,956</b>	<b>987,414</b>

Past due loans, advances and financing analysed by significant geographic areas:

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Northern region	53,820	62,787	73,720	89,855
Central region	535,488	417,416	835,122	662,773
Southern region	84,411	97,640	130,463	143,087
East Malaysia region	71,044	67,696	87,651	91,699
	<b>744,763</b>	<b>645,539</b>	<b>1,126,956</b>	<b>987,414</b>



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## 3.0 CREDIT RISK (cont'd)

### 3.3 Impaired Loans, Advances and Financing Analysis

Impaired loans, advances and financing analysed by sectors:

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Financial, insurance & business services	55,110	80,103	55,181	90,110
Transport, storage & communication	11,924	10,680	12,003	16,932
Agriculture, manufacturing, wholesale & retail trade	202,433	204,970	247,621	246,266
Construction	29,688	30,975	41,193	95,343
Residential mortgage	161,405	198,918	177,614	209,552
Motor vehicle financing	1,811	2,322	4,407	5,677
Other consumer loans	49,614	64,490	63,116	77,444
	<b>511,985</b>	<b>592,458</b>	<b>601,135</b>	<b>741,324</b>

Impairment allowances on impaired loans, advances and financing analysed by sectors:

	Individual impairment allowance RM'000	Collective impairment allowance RM'000	Individual impairment net (write-back)/ charge for the year RM'000	Individual impairment write-off for the year RM'000
<b>Bank 2012</b>				
Financial, insurance & business services	7,102	33,682	(1,175)	(4,432)
Transport, storage & communication	10,679	1,669	(36)	—
Agriculture, manufacturing, wholesale & retail trade	98,658	94,109	13,754	(23,819)
Construction	25,949	3,711	(546)	(1,112)
Residential mortgage	52,621	123,258	(11,293)	(9,941)
Motor vehicle financing	711	2,163	(499)	(1,109)
Other consumer loans	29,372	42,209	26,114	(33,955)
	<b>225,092</b>	<b>300,801</b>	<b>26,319</b>	<b>(74,368)</b>
<b>Group 2012</b>				
Financial, insurance & business services	7,171	34,522	(2,705)	(8,748)
Transport, storage & communication	10,681	6,614	(100)	(18)
Agriculture, manufacturing, wholesale & retail trade	116,409	110,787	13,707	(25,083)
Construction	33,218	4,965	(4,880)	(1,128)
Residential mortgage	54,166	144,656	(11,447)	(10,357)
Motor vehicle financing	1,388	6,639	(544)	(3,742)
Other consumer loans	43,316	77,834	49,332	(56,313)
	<b>266,349</b>	<b>386,017</b>	<b>43,363</b>	<b>(105,389)</b>

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## 3.0 CREDIT RISK (cont'd)

### 3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Impairment allowances on impaired loans, advances and financing analysed by sectors (cont'd):

	Individual impairment allowance RM'000	Collective impairment allowance RM'000	Individual impairment net charge/ (write-back) for the year RM'000	Individual impairment write-off for the year RM'000
<b>Bank 2011</b>				
Financial, insurance & business services	12,675	25,958	2,610	(6,848)
Transport, storage & communication	10,600	1,786	(752)	(105)
Agriculture, manufacturing, wholesale & retail trade	107,481	84,754	23,826	(35,962)
Construction	26,817	4,932	903	(800)
Residential mortgage	74,107	113,371	5,064	(21,642)
Motor vehicle financing	2,318	3,174	1,378	(6,555)
Other consumer loans	39,143	36,403	36,489	(45,829)
	273,141	270,378	69,518	(117,741)
<b>Group 2011</b>				
Financial, insurance & business services	18,595	30,363	1,246	(6,848)
Transport, storage & communication	10,677	2,357	(758)	(284)
Agriculture, manufacturing, wholesale & retail trade	126,543	99,075	19,527	(36,164)
Construction	38,435	6,165	(1,093)	(1,464)
Residential mortgage	76,222	127,392	6,006	(22,576)
Motor vehicle financing	5,674	8,385	4,085	(11,326)
Other consumer loans	52,229	65,899	58,799	(70,353)
	328,375	339,636	87,812	(149,015)

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## 3.0 CREDIT RISK (cont'd)

### 3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Impaired loans, advances and financing and impairment allowances by geographical areas:

	Impaired loans, advances and financing RM'000	Individual impairment allowance RM'000	Collective impairment allowance RM'000
<b>BANK 2012</b>			
Northern region	109,955	62,147	23,866
Central region	299,618	132,894	224,414
Southern region	46,629	19,824	25,134
East Malaysia region	55,783	10,227	27,387
	<b>511,985</b>	<b>225,092</b>	<b>300,801</b>
<b>Group 2012</b>			
Northern region	135,319	71,723	27,773
Central region	358,099	162,591	294,942
Southern region	50,698	21,348	31,234
East Malaysia region	57,019	10,687	32,068
	<b>601,135</b>	<b>266,349</b>	<b>386,017</b>
<b>BANK 2011</b>			
Northern region	84,733	48,979	23,082
Central region	375,912	180,953	195,268
Southern region	65,280	26,972	24,756
East Malaysia region	66,533	16,237	27,272
	<b>592,458</b>	<b>273,141</b>	<b>270,378</b>
<b>Group 2011</b>			
Northern region	104,487	57,746	27,761
Central region	500,546	224,617	250,673
Southern region	68,965	29,499	29,879
East Malaysia region	67,326	16,513	31,323
	<b>741,324</b>	<b>328,375</b>	<b>339,636</b>

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## 3.0 CREDIT RISK (cont'd)

### 3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Movement in loans impairment allowances are analysed as follows:

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>Individual impairment allowance:</b>				
At beginning of year	273,141	321,364	328,375	389,578
Allowance made during the year (net)	26,319	69,518	43,363	87,812
Amount written-off	(74,368)	(117,741)	(105,389)	(149,015)
At end of year	225,092	273,141	266,349	328,375
<b>Collective impairment allowance:</b>				
At beginning of year	270,378	262,372	339,636	323,644
Allowance made during the year (net)	30,423	8,006	46,381	15,992
At end of year	300,801	270,378	386,017	339,636











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## 3.0 CREDIT RISK (cont'd)

### 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), Standard and Poor's ("S&P"), Moody's and Fitch. In the context of the Group's portfolio, external credit assessments are mainly applicable to banks/financial institutions and rated corporations. The Group follows the process prescribed under BNM RWCAF-Basel II to map the ratings to the relevant risk-weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

The following tables show the rated exposures according to rating by Eligible Credit Assessment Institutions ("ECAIs"):

#### BANK 2012

##### (a) Ratings of corporate by approved ECAIs

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>						
<b>Credit Exposures (using Corporate Risk-Weights)</b>						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		50,855	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	4,459
Corporates		1,207,981	34,476	—	—	8,676,650
<b>Total</b>		<b>1,258,836</b>	<b>34,476</b>	<b>—</b>	<b>—</b>	<b>8,681,109</b>

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## 3.0 CREDIT RISK (cont'd)

### 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAs (cont'd):

**BANK  
2012**

(b) Short-term ratings of banking institutions and corporate by approved ECAs

Exposure Class	Short-term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>						
Banks, MDBs and FDIs		2,566,211	—	—	—	1,227,345
<b>Rated Credit Exposures (using Corporate Risk-Weights)</b>						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		—	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	—
Corporates		20,137	—	—	—	—
<b>Total</b>		<b>2,586,348</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,227,345</b>

(c) Ratings of Sovereigns and Central banks by approved ECAs

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>							
Sovereigns and Central Banks		5,028,387	—	—	—	—	—
<b>Total</b>		<b>5,028,387</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

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## 3.0 CREDIT RISK (cont'd)

### 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAIs (cont'd):

#### BANK 2012

(d) Ratings of banking institutions by approved ECAIs

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Banks, MDBs and FDIs		30,848	2,336	—	—	—	—
<b>Total</b>		<b>30,848</b>	<b>2,336</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

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## 3.0 CREDIT RISK (cont'd)

### 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAIs (cont'd):

Group  
2012

(a) Ratings of corporate by approved ECAIs

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>						
<b>Credit Exposures (using Corporate Risk-Weights)</b>						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		50,855	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	4,488
Corporates		1,713,312	34,476	—	—	10,266,362
<b>Total</b>		<b>1,764,167</b>	<b>34,476</b>	<b>—</b>	<b>—</b>	<b>10,270,850</b>

(b) Short-term ratings of banking institutions and corporate by approved ECAIs

Exposure Class	Short-term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>						
Banks, MDBs and FDIs		3,068,732	—	—	—	1,358,206
<b>Rated Credit Exposures (using Corporate Risk-Weights)</b>						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		—	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	—
Corporates		20,137	—	—	—	—
<b>Total</b>		<b>3,088,869</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,358,206</b>



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## 3.0 CREDIT RISK (cont'd)

### 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAIs (cont'd):

Group  
2012

(c) Ratings of Sovereigns and Central banks by approved ECAIs

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
On and Off Balance-Sheet Exposures		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereigns and Central Banks		7,210,053	—	—	—	—	—
<b>Total</b>		<b>7,210,053</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

(d) Ratings of banking institutions by approved ECAIs

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off Balance-Sheet Exposures		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Banks, MDBs and FDIs		35,943	2,336	—	—	—	—
<b>Total</b>		<b>35,943</b>	<b>2,336</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

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## 3.0 CREDIT RISK (cont'd)

### 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAs (cont'd):

Bank  
2011

(a) Ratings of corporate by approved ECAs

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>						
<b>Credit Exposures (using Corporate Risk-Weights)</b>						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		50,115	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	20,510
Corporates		1,189,323	—	—	4,599	7,152,992
<b>Total</b>		1,239,438	—	—	4,599	7,173,502

(b) Short-term ratings of banking institutions and corporate by approved ECAs

Exposure Class	Short-term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>						
Banks, MDBs and FDIs		2,084,358	—	—	—	561,312
<b>Rated Credit Exposures (using Corporate Risk-Weights)</b>						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		—	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	—
Corporates		—	—	—	—	—
<b>Total</b>		2,084,358	—	—	—	561,312

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## 3.0 CREDIT RISK (cont'd)

### 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAIs (cont'd):

**Bank  
2011**

(c) Ratings of Sovereigns and Central banks by approved ECAIs

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		4,080,874	—	—	—	—	—
<b>Total</b>		4,080,874	—	—	—	—	—

(d) Ratings of banking institutions by approved ECAIs

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Banks, MDBs and FDIs		76,636	—	—	—	—	752,678
<b>Total</b>		76,636	—	—	—	—	752,678

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## 3.0 CREDIT RISK (cont'd)

### 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAs (cont'd):

Group  
2011

(a) Ratings of corporate by approved ECAs

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>						
<b>Credit Exposures (using Corporate Risk-Weights)</b>						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		50,115	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	20,510
Corporates		1,682,772	—	—	7,002	8,463,228
<b>Total</b>		1,732,887	—	—	7,002	8,483,738

(b) Short-term ratings of banking institutions and corporate by approved ECAs

Exposure Class	Short-term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>						
Banks, MDBs and FDIs		3,089,183	—	—	—	485,391
<b>Rated Credit Exposures (using Corporate Risk-Weights)</b>						
Public Sector Entities (applicable for entities risk-weighted based on their external ratings as corporates)		—	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	—
Corporates		—	—	—	—	—
<b>Total</b>		3,089,183	—	—	—	485,391

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## 3.0 CREDIT RISK (cont'd)

### 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAIs (cont'd):

**Group  
2011**

(c) Ratings of Sovereigns and Central banks by approved ECAIs

Exposure Class  On and Off Balance-Sheet Exposures  Sovereigns and Central Banks  Total	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		5,711,101	—	—	—	—	—
		5,711,101	—	—	—	—	—

(d) Ratings of banking institutions by approved ECAIs

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+to BBB-	BB+ to B-	C+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Banks, MDBs and FDIs		81,657	—	—	—	—	—
Total		81,657	—	—	—	—	

Note:

There is no outstanding securitisation contract at the Bank and the Group that required disclosure of ratings and short-term rating of securitisation by approved ECAIs.

# Basel II Pillar 3 Disclosure of Alliance Bank Malaysia Berhad

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## 3.0 CREDIT RISK (cont'd)

### 3.5 Credit Risk Mitigation ("CRM")

The Group uses a wide range of collaterals to mitigate credit risks. For the purpose of computing Basel II capital charge for credit risk, the process of using guarantees and eligible collaterals as credit risk mitigants are as prescribed in the RWCAF.

In the course of lending, the Group does accept collaterals that are not eligible under the RWCAF. The process of taking collaterals whether or not eligible under RWCAF, including valuation method and loan to value are defined in the Credit and Product Programme; and the Credit Risk Management Framework. Main collaterals acceptable to the Group include cash, guarantees, commercial and residential real estates, and physical collateral/financial collateral for example motor vehicles or shares. Guarantees on loans are accepted after the financial viability of the guarantors have been ascertained.

The following tables represent the Bank and the Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the RWCAF.

Bank 2012 Exposure Class	Exposure before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<b>Credit Risk</b>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,022,323	—	—	—
Public sector entities	50,855	—	—	—
Banks, DFIs and MDBs	3,754,235	—	—	—
Insurance companies, securities firms and fund managers	447	—	—	—
Corporates	7,954,029	—	416,457	—
Regulatory retail	6,386,726	—	656,183	—
Residential mortgages	6,574,048	—	10,385	—
Higher risk assets	7,065	—	—	—
Other assets	479,264	—	—	—
Equity exposure	125,138	—	—	—
Defaulted exposures	142,744	—	7,637	—
Total on-balance sheet exposures	30,496,874	—	1,090,662	—
Off-balance sheet exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,927,358	—	5,211	—
Defaulted exposures	5,856	—	2	—
Total off-balance sheet exposures	3,933,214	—	5,213	—
Total on and off-balance sheet exposures	34,430,088	—	1,095,875	—

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## 3.0 CREDIT RISK (cont'd)

### 3.5 Credit Risk Mitigation ("CRM") (cont'd)

The following tables represent the Bank and the Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the RWCAF. (cont'd)

Group 2012 Exposure Class	Exposure before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<b>Credit Risk</b>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,143,989	—	—	—
Public sector entities	50,855	—	—	—
Banks, DFIs and MDBs	4,392,711	—	—	—
Insurance companies, securities firms and fund managers	476	—	—	—
Corporates	9,689,833	—	657,948	—
Regulatory retail	8,759,219	—	700,271	—
Residential mortgages	7,620,144	—	11,033	—
Higher risk assets	7,159	—	—	—
Other assets	626,605	—	—	—
Equity exposure	169,942	—	—	—
Defaulted exposures	225,479	—	8,193	—
Total on-balance sheet exposures	38,686,412	—	1,377,445	—
Off-balance sheet exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,581,288	—	19,316	—
Defaulted exposures	12,777	—	2	—
Total off-balance sheet exposures	4,594,065	—	19,318	—
Total on and off-balance sheet exposures	43,280,477	—	1,396,763	—



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## 3.0 CREDIT RISK (cont'd)

### 3.5 Credit Risk Mitigation ("CRM") (cont'd)

The following tables represent the Bank and the Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the RWCAF. (cont'd)

Bank 2011 Exposure Class	Exposure before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<b>Credit Risk</b>				
On-balance sheet exposures:				
Sovereigns/Central banks	4,080,874	—	—	—
Public sector entities	50,115	—	—	—
Banks, DFIs and MDBs	3,362,759	—	—	—
Insurance companies, securities firms and fund managers	20,508	—	—	—
Corporates	6,763,126	—	253,372	—
Regulatory retail	5,638,108	—	578,209	—
Residential mortgages	6,341,015	—	10,624	—
Higher risk assets	15,586	—	—	—
Other assets	471,964	—	—	—
Equity exposure	112,848	—	—	—
Defaulted exposures	286,359	—	2,722	—
Total on-balance sheet exposures	27,143,262	—	844,927	—
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	2,920,749	—	2,642	—
Defaulted exposures	26,198	—	15	—
Total off-balance sheet exposures	2,946,947	—	2,657	—
Total on and off-balance sheet exposures	30,090,209	—	847,584	—

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## 3.0 CREDIT RISK (cont'd)

### 3.5 Credit Risk Mitigation ("CRM") (cont'd)

The following tables represent the Bank and the Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the RWCAF. (cont'd)

Group 2011 Exposure Class	Exposure before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<b>Credit Risk</b>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,693,101	—	—	—
Public sector entities	50,115	—	—	—
Banks, DFIs and MDBs	3,544,007	—	—	—
Insurance companies, securities firms and fund managers	20,508	—	—	—
Corporates	8,307,011	—	342,524	—
Regulatory retail	7,947,769	—	612,257	—
Residential mortgages	7,065,748	—	11,367	—
Higher risk assets	15,699	—	—	—
Other assets	693,557	—	—	—
Equity exposure	152,540	—	—	—
Defaulted exposures	366,240	—	5,500	—
Total on-balance sheet exposures	33,856,295	—	971,648	—
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,294,597	—	4,755	—
Defaulted exposures	27,047	—	32	—
Total off-balance sheet exposures	3,321,644	—	4,787	—
Total on and off-balance sheet exposures	37,177,939	—	976,435	—

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## 3.0 CREDIT RISK (cont'd)

### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk ("CCR") is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, could default before the final settlement of the transaction's cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR is managed via counterparty limits which is set based on the counterparty's size and credit rating. These limits are monitored daily by Group Risk Management.

CCR is further mitigated via netting agreements, e.g. under the International Swaps and Derivatives Association ("ISDA") master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

CCR is measured via the current exposure method whereby the credit equivalent exposure for derivatives is the sum of the mark-to-market exposure plus the potential future exposure (add-on factor multiplied by the notional amount). The add-on factors are as stipulated by BNM.

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## 3.0 CREDIT RISK (cont'd)

### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

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

Bank 2012	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	354,758	—	354,758	354,758
Transaction-related contingent items	515,510	—	257,755	257,755
Short-term self-liquidating trade-related contingencies	126,778	—	25,356	25,356
Irrevocable commitments to extent credit:				
- maturity exceeding one year	3,645,632	—	1,822,816	1,518,664
- maturity not exceeding one year	4,675,582	—	935,116	858,102
Unutilised credit card lines	2,188,661	—	437,732	340,525
	11,506,921	—	3,833,533	3,355,160
<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
	16,775,305	23,712	3,933,214	3,403,125
<b>Group 2012</b>				
<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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## 3.0 CREDIT RISK (cont'd)

### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

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

Bank 2011	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	388,733	—	388,733	388,733
Transaction-related contingent items	484,479	—	242,239	242,239
Short-term self-liquidating trade-related contingencies	118,582	—	23,716	23,716
Irrevocable commitments to extent credit:				
- maturity exceeding one year	1,356,908	—	678,454	582,106
- maturity not exceeding one year	4,027,184	—	805,437	737,330
Unutilised credit card lines	3,425,831	—	685,166	528,386
	9,801,717	—	2,823,745	2,502,510
<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
	14,758,344	32,047	2,946,953	2,552,578
<b>Group 2011</b>				
<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

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## 4.0 MARKET RISK

Market risk is the risk of losses arising from on and off-balance sheet positions due to movements in market prices. This includes movements in interest rates, foreign exchange rates, equity prices, commodity prices and their implied volatilities. For the Islamic bank, market risk refers to fluctuations in values of tradable, marketable or leaseable assets (including sukuk) and in off-balance sheet individual portfolios such as restricted investment accounts. Rate of return risk and displaced commercial risk are commonly associated with Islamic banking.

### *Risk Governance*

The governance structure for market risk management starts with the Board of Directors which has the overall oversight on market risk management and defines the risk philosophy, principles and core policies. The Board is in turn assisted by the Group Risk Management Committee ("GRMC") which is principally responsible to oversee management activities in managing risks. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place. At Senior Management level, the Group Assets and Liabilities Management Committee ("GALCO") manages the Group's market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the 3 lines of defence concept. Financial Markets as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic audit checking/sampling by Internal Audit.

### *Market Risk Management*

For the Group, market risk is managed on an integrated approach which involves the following processes:

- (i) identification of market risk in new products and changes in risk profiles of existing exposures.
- (ii) assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken.
- (iii) adoption of various market risk measurement tools and techniques to quantify market risk exposures. For example, Value-at-Risk ("VaR"), price value of a basis point ("PV01") and repricing gap analysis.
- (iv) adoption of 3 Lines of Defense concept for monitoring of market risk; Business Units forming the 1st Line, Group Market Risk Management as the 2nd Line and Internal Audit functioning as the 3rd Line.
- (v) scheduled and exception reporting on market risk exposures.

Market risk exists in the Group's activities in bonds, foreign exchange and interest rate swaps, which are transacted primarily by Financial Markets (treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

These exposures are governed by approved policies, risk limits and parameters such as notional measures, sensitivity limits, value-at-risk measures, tenor limits and holding period. The limits and parameters are set vis-a-vis the Group's risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Any limit breaches or exceptions are reported to GALCO and GRMC.

### *Hedging Policies and Strategies*

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into hedges to manage or reduce risk exposures. All hedging strategies are approved by the GALCO and monitored independently by Group Market Risk. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness are monitored and reported monthly to management.

### *Market risk capital charge*

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the bonds, foreign exchange and equities portfolios.

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## 4.0 MARKET RISK (cont'd)

### Regulatory capital requirements

The risk-weighted assets and capital requirements for the various categories of risk under Market risk are as follows:

	BANK		GROUP	
	Risk-Weighted Assets RM'000	Capital Requirements RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
<b>2012</b>				
Interest rate risk				
- General interest rate risk	135,911	10,873	138,404	11,072
- Specific interest rate risk	477	38	477	38
	<b>136,388</b>	<b>10,911</b>	<b>138,881</b>	<b>11,110</b>
Equity risk				
- General interest rate risk	—	—	3,419	273
- Specific interest rate risk	—	—	5,983	479
	<b>—</b>	<b>—</b>	<b>9,402</b>	<b>752</b>
Foreign currency risk	20,731	1,658	20,731	1,658
Options risk	—	—	96,418	7,713
	<b>157,119</b>	<b>12,569</b>	<b>265,432</b>	<b>21,233</b>
<b>2011</b>				
Interest rate risk				
- General interest rate risk	40,057	3,204	47,610	3,809
- Specific interest rate risk	850	68	850	68
	<b>40,907</b>	<b>3,272</b>	<b>48,460</b>	<b>3,877</b>
Equity risk				
- General interest rate risk	—	—	3,425	274
- Specific interest rate risk	—	—	5,987	479
	<b>—</b>	<b>—</b>	<b>9,412</b>	<b>753</b>
Foreign currency risk	14,012	1,121	14,012	1,121
	<b>54,919</b>	<b>4,393</b>	<b>71,884</b>	<b>5,751</b>



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## 5.0 OPERATIONAL 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.

### **Risk Governance**

Management, escalation and reporting of operational risks are instituted through committees such as the Group Operational Risk Management Committee and the Group Risk Management Committee as well as the Board.

The responsibilities of the Committees and Board include the following:

- (i) Oversight and implementation of the Operational Risk Management (“ORM”) Framework;
- (ii) Establishment of risk appetite and the provision of strategic and specific directions;
- (iii) Regular review of operational risks initiatives, reports and profiles;
- (iv) Addressing operational risk issues; and
- (v) Ensuring compliance with regulatory and internal requirements including disclosures.

### **Operational Risk Management**

The Group has adopted the following guiding principles for operational risk management:

- (i) Sound risk management practices as outlined in the ORM Framework. This is in accordance with Basel II and regulatory guidelines. (For Islamic Banking, a separate ORM Framework has been adopted to be in compliance with the Islamic Financial Services Board (“IFSB”) and relevant regulatory bodies).
- (ii) Board and Senior Management oversight.
- (iii) Defined responsibilities for all staff.
- (iv) Established operational risk methodologies and processes applied in the identification, assessment, measurement, control and monitor of risks.
- (v) Regular dashboard reports are submitted to Senior Management and Risk Management Committee.
- (vi) Continuous cultivation of an organisational culture that places great emphasis on effective operational risk management and adherence to sound operating controls.

The ORM framework is supported by a comprehensive group-wide Integrated Operational Risk Management system which include the adoption of the following tools:

- Risk Control Self Assessment
- Loss Event Data Collection
- Key Risk Indicator
- Control Self Assessment

The Group actively promotes operational risk awareness by requiring all staff to attend training on the topic. In addition, business continuity and disaster recovery exercises are regularly conducted to verify the adequacy and reliability of the plans.

Internal audit provides independent assurance of the implementation of the Framework through their regular audit reviews and independent reporting to the Group Audit Committee.

The Group adopts the Basic Indicator Approach for computation of operational RWA.

## 6.0 EQUITY EXPOSURES IN BANKING BOOK

The Bank and the Group hold equity positions in banking books as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equity, fair value is estimated based on quoted or observable market price at the end of the reporting period; and for those unquoted equity, the fair value is estimated using certain valuation technique.

The return of the equity are credited to the statement of comprehensive income and any gain or loss arising from a change in fair value are recognised directly in other comprehensive income or in equity through the statement of changes in equity.

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## 6.0 EQUITY EXPOSURES IN BANKING BOOK (cont'd)

The following table shows the equity exposures in banking book:

	Bank		Group	
	Gross credit exposures RM'000	Risk-weighted assets RM'000	Gross credit exposures RM'000	Risk-weighted assets RM'000
<b>2012</b>				
<b>Publicly traded</b>				
Holding of equity investments	13	13	4,212	4,212
<b>Privately held</b>				
For socio-economic purposes	86,189	86,189	127,183	127,183
Not for socio-economic purposes	8,705	13,058	8,705	13,058
	<b>94,907</b>	<b>99,260</b>	<b>140,100</b>	<b>144,453</b>
<b>2011</b>				
<b>Publicly traded</b>				
Holding of equity investments	11	11	3,875	3,875
<b>Privately held</b>				
For socio-economic purposes	74,200	74,200	109,180	109,180
Not for socio-economic purposes	8,407	12,611	8,407	12,611
	<b>82,618</b>	<b>86,822</b>	<b>121,462</b>	<b>125,666</b>

### Gains and losses on equity exposures in the banking book

The table below present the gains and losses on equity exposures in banking book:

	Bank		Group	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Realised gains/(losses) recognised in the statement of comprehensive income				
- Publicly traded equity investments	–	–	1,484	–
- Privately held equity investments	300	–	(360)	–
	<b>300</b>	<b>–</b>	<b>1,124</b>	<b>–</b>
Unrealised gains/(losses) recognised in revaluation reserve				
- Publicly traded equity investments	2	(6)	337	(43)
- Privately held equity investments	11,911	59,949	18,926	92,928
	<b>11,913</b>	<b>59,943</b>	<b>19,263</b>	<b>92,885</b>

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## 7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book ("IRR/RORBB") arise from exposure of banking book positions to interest rate/profit rate movements. Changes in interest rate/profit rate affect the Group's earnings by changing its net interest/profit income and the level of other interest/profit rate sensitive income and expenses. It also affect the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows change when interest rate/profit rate change.

### ***Risk Governance***

IRR/RORBB is managed collectively by GALCO, Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the Board of Directors/GRMC. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. On the ground, Financial Markets is tasked to execute the approved strategy by managing the asset liabilities as well as the funding and liquidity needs of the Bank/Group. Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

### ***IRR/RORBB Management***

The guiding principles in managing IRR/RORBB include:

- (i) prudent approach in management of IRR/RORBB that commensurate with the Group's size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which is complemented by regular monitoring and reporting.
- (ii) IRR/RORBB are accurately measured and any mismatches identified and reviewed regularly.
- (iii) setting of proper gapping limits and the limits monitored closely.
- (iv) comprehensive IRR/RORBB reporting and review process which provide aggregate information and sufficient supporting detail to enable assessment of the Group's sensitivity to changes in market conditions.

The Group uses a range of tools, including the following primary measures to quantify and monitor IRR/RORBB:

- (i) Repricing gap analysis to measure interest rate/profit rate from the earnings perspective i.e. impact of interest rate/profit rate changes to earnings in the short term.
- (ii) Net interest income/profit income simulation to assess the impact of interest rate/profit rate changes on short term earnings volatility.
- (iii) Economic value of equity ("EVE") simulation which measures long term interest rate/profit rate exposure through deterioration in capital base based on an adverse interest rate/profit rate movements.

Group Risk Management performs independent monitoring of the interest rate/profit rate benchmarks to ensure compliance. Any exceptions are reported and appropriate remedial actions are taken, where necessary. Schedule reporting via risk dashboards are provided to senior management and Board committees monthly. The risk dashboards provide a visual gauge ("dashboard view") on the IRR/RORBB of the Group.

The Group is guided by BNM's guidelines and Basel standards on management of IRR/RORBB.

# Basel II Pillar 3 Disclosure of Alliance Bank Malaysia Berhad

31 March 2012

## 7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (cont'd)

### IRR/RORBB Management (cont'd)

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

	Bank		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
<b>2012</b>				
<b>Impact on net interest income ("NII")</b>				
Ringgit Malaysia	(57,392)	57,392	(53,366)	53,366
<b>Impact on Economic Value ("EV")</b>				
Ringgit Malaysia	(245,450)	245,450	(278,116)	278,116
<b>2011</b>				
<b>Impact on net interest income ("NII")</b>				
Ringgit Malaysia	(58,054)	58,054	(44,616)	44,616
<b>Impact on Economic Value ("EV")</b>				
Ringgit Malaysia	(175,675)	175,675	(47,518)	47,518

## 8.0 SHARIAH GOVERNANCE DISCLOSURES AND PROFIT SHARING INVESTMENT ACCOUNT ("PSIA")

The detailed disclosures under this section can be referred to Note 7.0 of Alliance Islamic Bank Berhad's Pillar 3 report.

# List of Properties

as at 31 March 2012

Location	Current Use	Year of Purchase	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years)	Built-Up Area (Sq Ft)	Net Book Value (RM'000)
1, Jalan Tembaga SD5/2A Bandar Sri Damansara 52100 Kepong, Kuala Lumpur	Alliance Bank's branch/office premises	1992	Freehold	–	18	10,099	714
150 – 152, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Alliance Bank's branch/office premises	1997	Leasehold 99 years	66 years 2078	33	12,056	2,460
43 & 45, Jalan Bunga Tanjung 6A Taman Putra 68000 Ampang, Selangor	Alliance Bank's branch/office premises	1997	Leasehold 99 years	69 years 2081	30	8,400	1,223
1960 E & F, Jalan Stadium 05100 Alor Setar, Kedah	Alliance Bank's branch/office premises	1979	Leasehold 60 years	27 years 2039	31	5,822	459
Ground & Mezzanine Floor Wisma Malvest 20 & 20A Jalan Tun Dr Awang Sungai Nibong Kecil 11900 Bayan Lepas, Pulau Pinang	Alliance Bank's branch/office premises	1995	Freehold	–	17	6,103	1,515
70 & 71, Block 10 Jalan Laksamana Cheng Ho 93200 Kuching, Sarawak	Alliance Bank's branch/office premises	2007	Leasehold 60 years	57 years 2069	5	10,248	2,220
B-400, Jalan Beserah 25300 Kuantan, Pahang	Alliance Bank's branch/office premises	1996	Freehold	–	21	6,967	444
LG134/LG135/G128/F89 Holiday Plaza Jalan Dato Sulaiman 80250 Johor Bharu, Johor	Alliance Bank's branch/office premises	1984	Freehold	–	28	5,414	892
1-01 & 1A-01 Menara MSC Enterprise Jalan Bukit Meldrum 80300 Johor Bahru, Johor	Vacant	1996	Freehold	–	14	13,742	4,186
Lot 1 & 3, Jalan Permas Jaya 10/2 Bandar Baru Permas Jaya, Pelentong, 81750 Masai Johor Bahru, Johor	Alliance Bank's branch/office premises	1996	Freehold	–	19	25,278	1,714
3 & 5, Jalan Bentara 1 Tun Aminah 81300 Johor Bahru, Johor	Alliance Bank's branch/office premises	1996	Freehold	–	20	5,720	1,006
Unit 01-G & 01-1, Seremban City Jalan Tunku Munawir 70000 Seremban, Negeri Sembilan	Alliance Bank's branch/office premises	1997	Freehold	–	13	7,277	1,730

Location	Current Use	Year of Purchase	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years)	Built-Up Area (Sq Ft)	Net Book Value (RM'000)
101 & 103, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Alliance Bank's branch/office premises	1995	Leasehold 99 years	82 years 2094	14	8,920	<b>607</b>
Lot 7 & 9, Block D Nountun Industrial Estate 89350 Inanam Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1996	Leasehold 999 years	911 years 2923	18	7,495	<b>948</b>
Lot 4-6, Block K Sinsuran Complex 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1980	Leasehold 99 years	59 years 2071	34	13,979	<b>623</b>
Lot 1086, Jalan Utara W.D.T. 127 91000 Tawau, Sabah	Alliance Bank's branch/office premises	1981	Leasehold 99 years	48 years 2060	39	15,511	<b>631</b>
Lot 8, Block A Beaufort Jaya Commercial Centre 89808 Beaufort, Sabah	Alliance Bank's branch/office premises	1984	Leasehold 999 years	889 years 2901	26	4,500	<b>240</b>
Lot 1, Block C Mile 4 1/2 Jalan Utara Bandar Kim Fung 90307 Sandakan, Sabah	Alliance Bank's branch/office premises	1992	Leasehold 99 years	68 years 2080	27	4,800	<b>431</b>
1 & 2, Block A, Jalan Jungkat Pangie Light Industrial Complex 89909 Tenom, Sabah	Alliance Bank's branch/office premises	1993	Leasehold 999 years	912 years 2924	18	7,333	<b>322</b>
17, 19 & 21, Jalan USJ 9/5 47620 Subang Jaya, Selangor	Alliance Bank's branch/office premises	1996	Freehold	—	16	13,860	<b>2,655</b>
2 & 3 Block A, Phase III Luyang Commercial Centre Damai Plaza, Jalan Damai 88300 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1994	Leasehold 99 years	69 years 2081	17.5	9,667	<b>998</b>
59-61, Jalan Tiga 90702 Sandakan, Sabah	Alliance Bank's branch/office premises	1963	Leasehold 999 years	877 years 2889	54	9,900	<b>714</b>
Lot B1 & B2, 6th Floor Block 45, Church Road 90702 Sandakan, Sabah	Vacant	1985	Leasehold 999 years	883 years 2895	40	1,500	<b>51</b>
MPWPL U 0072 & 0073 Jalan Merdeka 87008 Labuan	Alliance Bank's branch/office premises	1979	Leasehold 99 years	45, 51 years 2057, 2063	46 46	5,800	<b>706</b>

## List of Properties

as at 31 March 2012 (cont'd)

Location	Current Use	Year of Purchase	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years)	Built-Up Area (Sq Ft)	Net Book Value (RM'000)
Lot 84, Jalan Gaya 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1987	Leasehold 999 years	870 years 2882	54	10,040	<b>1,740</b>
21, Block E Nountun Industrial Estate Jalan Tuaran, 89350 Inanam Kota Kinabalu, Sabah	Vacant	1996	Leasehold 999 years	911 years 2923	12	3,749	<b>389</b>
45, Jalan Sungai Besi Indah 1/21 43300 Balakong, Selangor	Alliance Bank's branch/office premises	2001	Leasehold 99 years	79 years 2091	11	9,958	<b>1,398</b>
3, Jalan SS 15/2A, Wisma Projass 47500 Subang Jaya, Selangor	Alliance Bank's branch/office premises	2005	Freehold	—	26	51,504	<b>7,266</b>
Lot PT2736-2737 PT2283, 48 & 515 and GRN 17305-17307 Kuala Pahang, District of Pekan Pahang	Vacant land	1992	Freehold	—	—	1,167 acres	<b>27,748</b>



# Directory

as at 31 May 2012

## Nationwide Coverage



# Directory

as at 31 May 2012 (cont'd)

## ALLIANCE BANK MALAYSIA BERHAD

### BRANCHES

#### KEDAH

##### **Alor Setar**

1960 E & F, Jalan Stadium  
05100 Alor Setar, Kedah  
Tel : 04-731 0744  
Fax : 04-733 8055

##### **Lunas, Kulim**

888 & 889, Jalan Aman  
Taman Sejahtera  
09600 Lunas, Kulim, Kedah  
Tel : 04-484 3275/76/78  
Fax : 04-484 3277

##### **Sejati Indah, Sungai Petani**

Ground Floor, Wisma Uni-Green  
18, Jalan Permatang Gedong  
Taman Sejati Indah  
08000 Sungai Petani, Kedah  
Tel : 04-431 1673/81  
04-431 2139  
Fax : 04-431 1687

#### PULAU PINANG

##### **Bandar Baru Air Itam**

No. 37, Jalan Angsana  
Bandar Baru Air Itam  
11500 Pulau Pinang  
Tel : 04-827 3288  
Fax : 04-827 3688

##### **Beach Street**

Ground Floor, Bangunan Barkath  
21, Beach Street  
10300 Georgetown, Pulau Pinang  
Tel : 04-262 8100  
Fax : 04-261 3300

##### **Bukit Mertajam**

Ground & 1st Floor  
Wisma Ng Ah Yan  
42, Lebuhr Nangka 2  
Taman Mutiara  
14000 Bukit Mertajam, Pulau Pinang  
Tel : 04-530 3130  
Fax : 04-530 7433

##### **Butterworth**

4105-4107, Jalan Bagan Luar  
12000 Butterworth, Pulau Pinang  
Tel : 04-331 4863/64  
Fax : 04-331 3904

##### **Sungai Nibong Kecil**

Ground & Mezzanine Floor  
Wisma Malvest, 20 & 20A  
Jalan Tun Dr Awang  
Sungai Nibong Kecil  
11900 Bayan Lepas, Pulau Pinang  
Tel : 04-642 5918  
Fax : 04-642 5924

#### PERAK

##### **Ipoh**

40 & 42, Persiaran Greenhill  
30450 Ipoh, Perak  
Tel : 05-241 2342/3  
05-241 2346/8  
Fax : 05-241 2355

##### **Sitiawan**

23 & 24, Jalan Raja Omar  
Taman Selamat  
32000 Sitiawan, Perak  
Tel : 05-691 1212  
Fax : 05-691 7975

#### SELANGOR

##### **Aman Suria Damansara**

J-G-23 & J-G-25, Block J  
Jalan PJU 1/43, PJU1  
Aman Suria Damansara  
47301 Petaling Jaya, Selangor  
Tel : 03-7880 8842  
Fax : 03-7880 4299

##### **Ampang Point**

Ground & Mezzanine Floor  
65, Jalan Mamanda 9  
Ampang Point  
Taman Dato Ahmad Razali  
68000 Ampang, Selangor  
Tel : 03-4252 3822  
Fax : 03-4252 3877

##### **Balakong**

45, Jalan Sungai Besi Indah 1/21  
Taman Sungai Besi Indah  
43300 Seri Kembangan, Selangor  
Tel : 03-8948 6972  
Fax : 03-8948 9530

##### **Bandar Bukit Tinggi**

56, Lorong Batu Nilam 4B  
Bandar Bukit Tinggi  
41200 Klang, Selangor  
Tel : 03-3324 1122  
Fax : 03-3324 3311

##### **Bandar Puteri Puchong**

11 & 13, Jalan Puteri 2/1  
Bandar Puteri Puchong  
47100 Puchong, Selangor  
Tel : 03-8063 2833  
Fax : 03-8063 2711

##### **CP Tower, Petaling Jaya**

Unit 1-2, Right Wing  
Level 1, CP Tower  
11, Jalan 16/11  
Off Jalan Damansara  
46350 Petaling Jaya, Selangor  
Tel : 03-7957 3366  
Fax : 03-7957 3360

##### **Damansara Uptown**

Unit 102 & 103  
Level 1, Uptown 2  
2, Jalan SS21/37  
Damansara Uptown  
47400 Petaling Jaya, Selangor  
Tel : 03-7660 9798  
Fax : 03-7660 9799

##### **Kajang**

Lot 4 & 5, Jalan Jeloh 3  
Off Jalan Bukit  
43000 Kajang, Selangor  
Tel : 03-8733 5966  
Fax : 03-8736 4004

##### **Klang**

Ground Floor  
1, Lorong Kasawari 4B  
Taman Eng Ann  
41150 Klang, Selangor  
Tel : 03-3345 3700  
Fax : 03-3345 3733

##### **Kota Damansara**

7-G & 9-G, Jalan PJU 5/20  
Pusat Perdagangan Kota Damansara  
PJU5 Kota Damansara  
47810 Petaling Jaya, Selangor  
Tel : 03-6142 8632  
Fax : 03-6142 8732

**SELANGOR****Mutiara Damansara**

G19, IKANO Power Centre  
2, Jalan PJU 7/2  
Mutiara Damansara  
47800 Petaling Jaya, Selangor  
Tel : 03-7727 1041  
Fax : 03-7727 1478

**Puchong Jaya**

11, Jalan Kenari 5  
Bandar Puchong Jaya  
47100 Puchong Jaya, Selangor  
Tel : 03-8075 9185  
Fax : 03-8075 9200

**Rawang**

71, Jalan Bandar Rawang 2  
Bandar Baru Rawang  
48000 Rawang, Selangor  
Tel : 03-6091 7622  
Fax : 03-6091 7922

**Selayang**

71 & 73, Jalan 2/3A  
Pusat Bandar Utara Selayang  
KM 12, Jalan Ipoh  
68100 Batu Caves, Selangor  
Tel : 03-6135 1800  
Fax : 03-6135 1787

**Seri Kembangan**

31-1 & 31-2  
Jalan Serdang Perdana 2/1  
Taman Serdang Perdana  
43300 Seri Kembangan  
Selangor  
Tel : 03-8941 6610  
Fax : 03-8941 6620

**Shah Alam**

Ground & 1st Floor  
2, Jalan Murni 25/61  
Taman Sri Muda, Seksyen 25  
40400 Shah Alam, Selangor  
Tel : 03-5121 9336  
Fax : 03-5121 9373

**SS2, Petaling Jaya**

53 & 55, Jalan SS2/55  
47300 Petaling Jaya, Selangor  
Tel : 03-7875 8255  
Fax : 03-7874 0973

**Subang Jaya**

3 Alliance  
3, Jalan SS15/2A  
47500 Subang Jaya, Selangor  
Tel : 03-5634 2870  
Fax : 03-5634 1128

**Sunway Pyramid**

Lot 1.96A, Ground Floor  
New Wing, Sunway Pyramid  
Bandar Sunway  
46150 Petaling Jaya, Selangor  
Tel : 03-5636 0870  
Fax : 03-5636 0670

**Taman Putra**

43-45, Jalan Bunga Tanjung 6A  
Taman Putra  
68000 Ampang, Selangor  
Tel : 03-4291 7740  
Fax : 03-4296 1250

**USJ, Subang Jaya**

Ground & 1st Floor  
17, 19 & 21, Jalan USJ 9/5N  
47620 UEP Subang Jaya, Selangor  
Tel : 03-8024 1300  
Fax : 03-8023 4379

**KUALA LUMPUR****Bangsar**

28, Lorong Ara Kiri 2  
Lucky Garden, Bangsar  
59100 Kuala Lumpur  
Tel : 03-2095 3185  
Fax : 03-2095 3184

**Capital Square**

Ground Floor  
Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2694 8800  
Fax : 03-2694 6867

**GTower, Jalan Tun Razak**

Lot No G-06, Ground Floor  
GTower, No. 199, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 03-2164 8240  
Fax : 03-2168 8390

**Jalan Ipoh**

41 & 43, Jalan Ipoh  
51200 Kuala Lumpur  
Tel : 03-4041 2288  
Fax : 03-4041 3868

**Jalan Mega Mendung**

116, Jalan Mega Mendung  
Bandar Park  
Off Jalan Klang Lama  
58200 Kuala Lumpur  
Tel : 03-7983 1177  
Fax : 03-7987 3511

**Jalan Sultan Ismail**

Mezzanine Floor  
Menara Prudential  
10, Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : 03-2070 4477  
Fax : 03-2070 4900

**Jalan Tun Tan Cheng Lock**

15, Jalan Tun Tan Cheng Lock  
50000 Kuala Lumpur  
Tel : 03-2072 0978  
Fax : 03-2072 0968

**Kepong**

Ground Floor, 52, Jalan Prima  
Vista Magna, Metro Prima Kepong  
52100 Kuala Lumpur  
Tel : 03-6257 9997  
Fax : 03-6257 9996

**Kuchai Entrepreneurs Park**

1, Jalan 1/116B  
Kuchai Entrepreneurs Park  
58200 Kuala Lumpur  
Tel : 03-7984 8800  
Fax : 03-7981 6486

**Mid Valley**

15-G & 15-1  
The Boulevard Offices  
Mid Valley City  
Lingkar Syed Putra  
59200 Kuala Lumpur  
Tel : 03-2283 1849  
Fax : 03-2287 8217

**Mont'Kiara**

Unit A-0G-02, Block A  
Plaza Mont'Kiara  
2, Jalan Kiara, Mont'Kiara  
50480 Kuala Lumpur  
Tel : 03-6203 1543  
Fax : 03-6201 2607

# Directory

as at 31 May 2012 (cont'd)

## KUALA LUMPUR

### Pandan Indah

Ground & Mezzanine Floor  
11 & 13, Jalan Pandan Indah 4/34  
Pandan Indah  
55100 Kuala Lumpur  
Tel : 03-4295 7300  
Fax : 03-4296 4107

### Segambut

Ground & 1st Floor  
22, Wisma Sin Hoh Huat  
Persiaran Segambut Tengah  
51200 Kuala Lumpur  
Tel : 03-6257 2105  
Fax : 03-6257 2680

### Setapak

86, Jalan 2/23A, Taman Danau Kota  
Off Jalan Genting Kelang, Setapak  
53300 Kuala Lumpur  
Tel : 03-4143 9643  
Fax : 03-4143 9568

### Sri Damansara

1, Jalan Tembaga SD 5/2A  
Bandar Sri Damansara  
52100 Kuala Lumpur  
Tel : 03-6275 0144/0529/0684  
Fax : 03-6275 0457  
03-6272 1732

### Taman Connaught

150-152, Jalan Cerdas  
Taman Connaught  
56000 Kuala Lumpur  
Tel : 03-9102 3973  
Fax : 03-9102 3740

### Taman Maluri

254 & 254A, Jalan Mahkota  
Taman Maluri, Cheras  
55100 Kuala Lumpur  
Tel : 03-9285 4133  
Fax : 03-9283 1397

### Taman Tun Dr Ismail

24, Jalan Tun Mohd Fuad 1  
Taman Tun Dr Ismail  
60000 Kuala Lumpur  
Tel : 03-7729 8239  
Fax : 03-7729 8237

## JOHOR

### Batu Pahat

Ground, 1st & 2nd Floor  
2 & 4, Jalan Kundang 3  
Taman Bukit Pasir  
83000 Batu Pahat, Johor  
Tel : 07-431 4088  
Fax : 07-434 0033

### Bukit Bakri, Muar

88, Jalan Tepi Pasar  
Bukit Bakri  
84200 Muar, Johor  
Tel : 06-986 7633  
Fax : 06-986 6721

### Holiday Plaza, Johor Bahru

Unit G128, Holiday Plaza  
Jalan Dato Sulaiman  
Century Garden  
80250 Johor Bahru, Johor  
Tel : 07-331 1200  
Fax : 07-331 1207

### Jalan Tebrau

396B & 396B-1, Jalan Tebrau  
Taman Majidee  
80250 Johor Bahru, Johor  
Tel : 07-332 2331  
Fax : 07-331 1310

### Johor Jaya

50 & 52, Jalan Dedap 13  
Taman Johor Jaya  
81100 Johor Bahru, Johor  
Tel : 07-353 5388  
Fax : 07-355 7377

### Kelapa Sawit, Kulai

16 & 17, Jalan Susur Satu  
26th Mile, Jalan Air Hitam  
Kelapa Sawit  
81030 Kulai, Johor  
Tel : 07-652 3704/5/7  
Fax : 07-652 3706

### Permas Jaya

1 & 3, Jalan Permas Jaya 10/2  
Bandar Baru Permas Jaya  
81750 Johor Bahru, Johor  
Tel : 07-386 2480  
Fax : 07-386 2482

## Segamat

No. 115, Jalan Genuang  
85000 Segamat, Johor  
Tel : 07-931 1170  
Fax : 07-931 2727

### Sri Gading, Batu Pahat

1 & 2, Jalan Ria 1  
Taman Ria Jaya, Sri Gading  
83000 Batu Pahat, Johor  
Tel : 07-455 9406  
Fax : 07-455 9411

### Taman Molek

1 & 1-01, Jalan Molek 1/29  
Taman Molek  
81100 Johor Bahru, Johor  
Tel : 07-355 6577  
Fax : 07-355 4677

### Taman Nusa Bestari

1-G & 1-01, Jalan Bestari 6/2  
Taman Nusa Bestari  
81300 Skudai, Johor  
Tel : 07-237 8626  
Fax : 07-237 8621

### Taman Pelangi

Ground Floor, Shoplot Nos. 1 & 3  
Jalan Perang, Taman Pelangi  
80400 Johor Bahru, Johor  
Tel : 07-332 7016  
Fax : 07-333 7411

### Tesco Desa Tebrau

Lot F09, 1st Floor  
Tesco Desa Tebrau  
Taman Desa Tebrau  
81100 Johor Bahru, Johor  
Tel : 07-357 1127  
Fax : 07-357 0027

### Tun Aminah

3 & 5, Jalan Bentara 1  
Taman Ungku Tun Aminah  
81300 Skudai, Johor  
Tel : 07-554 0031  
Fax : 07-554 2494

### Ulu Tiram

Ground Floor, Lots 34 & 36,  
Jalan Johar 3, Desa Cemerlang  
81800 Ulu Tiram, Johor  
Tel : 07-861 5143  
Fax : 07-861 5157

**MELAKA****Melaka**

99, 101 & 103  
Jalan Melaka Raya 24  
Taman Melaka Raya  
75000 Melaka  
Tel : 06-284 9249  
Fax : 06-284 9248

**Taman Desa Cheng Perdana**

G-1, Ground Floor, Bangunan KK  
Jalan Cheng Perdana 1/1A  
Taman Desa Cheng Perdana 1  
75260 Melaka  
Tel : 06-336 5111  
Fax : 06-336 5110

**NEGERI SEMBILAN****Seremban**

1G & 1-1, Arab Malaysian Business Centre  
Jalan Tuanku Munawir  
70000 Seremban, Negeri Sembilan  
Tel : 06-762 5610/21  
Fax : 06-762 5612

**PAHANG****Kuantan**

B400, Jalan Beserah  
25300 Kuantan, Pahang  
Tel : 09-567 2508  
Fax : 09-567 3307

**TERENGGANU****Kuala Terengganu**

Ground & Mezzanine Floor  
Wisma Kam Choon  
101, Jalan Kampong Tiong  
20100 Kuala Terengganu, Terengganu  
Tel : 09-623 5244  
Fax : 09-623 6379

**SABAH****Bandar Kim Fung, Sandakan**

Lot 1, Block C, Bandar Kim Fung  
Mile 4½, Jalan Utara P.O. Box 163  
Post Office, Mile 1½, Jalan Utara  
90307 Sandakan, Sabah  
Tel : 089-275 020/21/22  
Fax : 089-275 027

**Beaufort**

Lot B, Block A, Beaufort Jaya  
Commercial Centre, P.O. Box 220  
89808 Beaufort, Sabah  
Tel : 087-211 721  
Fax : 087-212 392

**Donggongan**

Wisma PPS  
Donggongan New Township  
W.D.T. No. 56  
80509 Penampang, Sabah  
Tel : 088-713 411/2  
088-718 980  
Fax : 088-718 634

**Federal House, Kingfisher's Park, KK**

(Service Centre)  
Aras 1, Blok A,  
Kompleks Pentadbiran Kerajaan  
Persekutuan Sabah, Jalan UMS  
88400 Kota Kinabalu, Sabah  
Tel : 088-484 718  
Fax : 088-484 712

**Inanam, Kota Kinabalu**

Ground, 1st & 2nd Floor  
Lot 7 & 9, Block D  
Nountun Industrial Estate  
89350 Inanam, Kota Kinabalu, Sabah  
Tel : 088-435 761  
Fax : 088-435 770

**Jalan Gaya**

82 & 84, Jalan Gaya  
88000 Kota Kinabalu, Sabah  
Tel : 088-251 177  
Fax : 088-223 629

**Keningau**

Lot No. 1, Block B-8  
Jalan Arusap  
89000 Keningau, Sabah  
Tel : 087-330 301  
Fax : 087-330 294

**Kota Marudu**

Shoplot No. 8, Block E  
Sedco Shophouses  
P.O. Box 260  
89108 Kota Marudu, Sabah  
Tel : 088-661 104  
Fax : 088-661 106

**Kundasang**

Shoplot No. 6, Block B  
Sedco Shophouses  
P.O. Box 152  
89308 Ranau, Sabah  
Tel : 088-889 679  
Fax : 088-889 676

**Lahad Datu**

Lot 1 MDLD 4709  
Jalan Kastam Lama  
91100 Lahad Datu, Sabah  
Tel : 089-883 911/5  
Fax : 089-883 916

**Luyang Damai**

Ground & 1st Floor, Shoplot No. 2 & 3  
Block A, Luyang Commercial Centre  
Damai Plaza, Phase III, Jalan Damai  
88300 Kota Kinabalu, Sabah  
Tel : 088-249 073/084/085/109  
Fax : 088-249 064

**Sandakan**

59-61, Jalan Tiga  
P.O. Box 224  
90702 Sandakan, Sabah  
Tel : 089-275 193  
089-216 771/089-222 693  
Fax : 089-271 641

**Sinsuran**

Lot 4, 5, & 6, Block K  
Sinsuran Complex  
88000 Kota Kinabalu, Sabah  
Tel : 088-237 762  
Fax : 088-212 511

**Tambunan**

Lot 1, Block B  
Sedco Shophouses, W.D.T. 55  
89659 Tambunan, Sabah  
Tel : 087-771 171  
Fax : 087-771 157

**Tawau**

1086, Jalan Utara, W.D.T. 127  
91009 Tawau, Sabah  
Tel : 089-776 483  
Fax : 089-763 287

# Directory

as at 31 May 2012 (cont'd)

## **SABAH**

### **Tenom**

Ground & Mezzanine Floor  
Shoplot Nos 1 & 2, Block A  
Pangie Light Industrial Complex  
Jalan Jungkat, Tenom New Township  
P.O. Box 379  
89909 Tenom, Sabah  
Tel : 087-737 757  
Fax : 087-737 762

## **SARAWAK**

### **Kuching**

178, Jalan Chan Chin Ann  
93100 Kuching, Sarawak  
Tel : 082-257 129  
Fax : 082-257 275

### **Laksamana**

70 & 71, Block 10  
Jalan Laksamana Cheng Ho  
93200 Kuching, Sarawak  
Tel : 082-230 888  
Fax : 082-238 889

### **Miri**

Ground & 1st Floor  
Lot 353, Block 7  
Miri Concession Land District  
(Pelita Commercial Centre)  
Jalan Miri Pujut  
98000 Miri, Sarawak  
Tel : 085-427 535  
Fax : 085-425 362

### **Sibu**

Ground Floor, 32  
Jalan Bako  
Brooke Drive 3  
96000 Sibu, Sarawak  
Tel : 084-317 628  
Fax : 084-317 148

## **LABUAN**

### **Labuan**

MPWPL U 0072 & 0073  
Jalan Merdeka, P.O. Box 396  
87008 Labuan FT  
Tel : 087-412 826  
Fax : 087-415 446

## **ALLIANCE INVESTMENT BANK BERHAD**

(A participating organisation of  
Bursa Malaysia Securities Berhad)

### **HEAD OFFICE**

19th Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2692 7788  
Fax : 03-2692 8787  
www.allianceinvestmentbank.com.my

### **BRANCHES**

## **PERLIS**

### **Kangar**

2nd Floor, Podium Block  
Bangunan KWSP  
01000 Kangar, Perlis  
Tel : 04-976 5200  
Fax : 04-977 0868

## **KEDAH**

### **Alor Setar**

Lot T-30, 2nd Floor  
Wisma PKNK  
Jalan Sultan Badlishah  
05000 Alor Setar, Kedah  
Tel : 04-731 7088  
Fax : 04-731 8428

## **PULAU PINANG**

### **Pulau Pinang**

Suite 2.1 & Suite 2.4  
Level 2, Wisma Great Eastern  
No. 25, Leboh Light  
10200 Pulau Pinang  
Tel : 04-261 1688  
Fax : 04-261 6363

## **KUALA LUMPUR**

### **Kuala Lumpur**

17th Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2697 6333  
Fax : 03-2697 2929

## **JOHOR**

### **Kluang**

No. 73, Ground Floor & 1st Floor  
Jalan Rambutan  
86000 Kluang, Johor  
Tel : 07-771 7922  
Fax : 07-777 1079

## **PAHANG**

### **Kuantan**

A-397, A-399 & A-401  
Taman Sri Kuantan III, Jalan Beserah  
25300 Kuantan, Pahang  
Tel : 09-566 0800  
Fax : 09-566 0801

## **TERENGGANU**

### **Kuala Terengganu**

No.1D & 1E  
Jalan Air Jerneh  
20300 Kuala Terengganu, Terengganu  
Tel : 09-631 7922  
Fax : 09-631 3255

## **ALLIANCE ISLAMIC BANK BERHAD**

### **HEAD OFFICE**

22nd Floor  
Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2694 8800  
Fax : 03-2698 4691  
www.allianceislamicbank.com.my

### **ISLAMIC BANKING CENTRES**

## **PULAU PINANG**

### **Beach Street**

Ground Floor, Bangunan Barkath  
21, Beach Street  
10300 Georgetown, Pulau Pinang  
Tel : 04-262 8100  
Fax : 04-261 3300



**SELANGOR****Kota Damansara**

7-G & 9-G, Jalan PJU 5/20  
 Pusat Perdagangan Kota Damansara  
 PJU5 Kota Damansara  
 47810 Petaling Jaya, Selangor  
 Tel : 03-6142 8632  
 Fax : 03-6142 8732

**Ampang Point**

Ground & Mezzanine Floor  
 65, Jalan Mamanda 9, Ampang Point  
 Taman Dato Ahmad Razali  
 68000 Ampang, Selangor  
 Tel : 03-4252 3822  
 Fax : 03-4252 3877

**KUALA LUMPUR****Capital Square**

Ground Floor, Menara Multi-Purpose  
 Capital Square  
 No. 8, Jalan Munshi Abdullah  
 50100 Kuala Lumpur  
 Tel : 03-2694 8800  
 Fax : 03-2694 6867

**GTower**

Lot No. G-06, Ground Floor  
 GTower, No. 199  
 Jalan Tun Razak  
 50400 Kuala Lumpur  
 Tel : 03-2164 8240  
 Fax : 03-2168 8390

**JOHOR****Taman Pelangi**

Ground Floor, Shoplot Nos. 1 & 3  
 Jalan Perang, Taman Pelangi  
 80400 Johor Bahru, Johor  
 P.O. Box 61  
 Taman Sri Tebrau  
 80057 Johor Bahru, Johor  
 Tel : 07-333 2064/2177  
 Fax : 07-333 7411

**MELAKA****Taman Desa Cheng Perdana**

G-1, Ground Floor, Bangunan KK  
 Jalan Cheng Perdana 1/1A  
 Taman Desa Cheng Perdana 1  
 75260 Melaka  
 Tel : 06-336 5111  
 Fax : 06-336 5110

**SABAH****Sinsuran**

Lot 4, 5, & 6, Block K  
 Sinsuran Complex  
 88000 Kota Kinabalu, Sabah  
 Tel : 088-237 762  
 Fax : 088-212 511

**ALLIANCE INVESTMENT  
MANAGEMENT BERHAD**

23.01, 23rd Floor  
 Menara Multi-Purpose  
 Capital Square  
 No. 8, Jalan Munshi Abdullah  
 50100 Kuala Lumpur  
 Tollfree: 1-800-88-3065  
 Tel : 03-2698 4299  
 Fax : 03-2693 0792 (General)  
 03-2691 9403 (Operations)  
[www.allianceimb.com.my](http://www.allianceimb.com.my)

**ALLIANCE TRUSTEE BERHAD**

4th Floor, Menara Multi-Purpose  
 Capital Square  
 No. 8, Jalan Munshi Abdullah  
 50100 Kuala Lumpur  
 Tel : 03-2694 8800  
 Fax : 03-2730 2456



# Analysis of Shareholdings

as at 31 May 2012

Class of securities	: Ordinary shares of RM1.00 each
Authorised share capital	: RM2,000,000,000
Issued and paid-up share capital	: RM1,548,105,929
Voting rights	: One vote per ordinary share

## Shareholdings Distribution Schedule

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	1,822	10.01	39,244	0.00
100 – 1,000	4,235	23.27	3,397,895	0.22
1,001 – 10,000	9,430	51.82	40,334,971	2.61
10,001 – 100,000	2,203	12.11	65,050,125	4.20
100,001 – less than 5% of issued shares	506	2.78	846,259,179	54.66
5% and above of issued shares	2	0.01	593,024,515	38.31
<b>Total</b>	<b>18,198</b>	<b>100.00</b>	<b>1,548,105,929</b>	<b>100.00</b>

## Thirty (30) Largest Shareholders

	Name	No. of Shares Held	% of Issued Shares
1.	Maybank Nominees (Tempatan) Sdn Bhd – DBS Bank for Vertical Theme Sdn Bhd	417,831,175	26.99
2.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	175,193,340	11.32
3.	Malaysia Focus Investment Fund Limited	71,228,700	4.60
4.	Medimetro (M) Sdn Bhd	56,000,000	3.62
5.	UOBM Nominees (Asing) Sdn Bhd – Exempt AN for Societe Generale Bank & Trust	40,970,900	2.65
6.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad	34,311,000	2.22
7.	CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank Bhd for Vertical Theme Sdn Bhd	32,026,600	2.07
8.	Public Nominees (Tempatan) Sdn Bhd – PB Trustee Services Berhad (AFG ESS)	29,108,400	1.88
9.	Cartaban Nominees (Asing) Sdn Bhd – Exempt AN for State Street Bank & Trust Company	24,128,800	1.56
10.	Eden Engineering Sdn Bhd	22,295,763	1.44

### Thirty (30) Largest Shareholders (cont'd)

	<b>Name</b>	<b>No. of Shares Held</b>	<b>% of Issued Shares</b>
11.	HSBC Nominees (Asing) Sdn Bhd – HSBC-FS for Target Value Fund	20,424,200	1.32
12.	HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	17,242,517	1.11
13.	HSBC Nominees (Asing) Sdn Bhd – BNP Paribas Secs SVS LUX for Aberdeen Global	16,800,000	1.08
14.	Cartaban Nominees (Asing) Sdn Bhd – BBH (LUX) SCA for Fidelity Funds Asean	16,010,200	1.03
15.	Citigroup Nominees (Asing) Sdn Bhd – CBNY for Dimensional Emerging Markets Value Fund	15,345,200	0.99
16.	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association	14,685,500	0.95
17.	ABB Nominee (Tempatan) Sdn Bhd – Pledged Securities Account for Caizhi Development Sdn Bhd	13,000,076	0.84
18.	Cartaban Nominees (Asing) Sdn Bhd – State Street London Fund 26AD for Asian Equity Fund	9,248,200	0.60
19.	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association	8,563,900	0.55
20.	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt AN for Eastspring Investments Berhad	7,476,400	0.48
21.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad	7,200,100	0.46
22.	Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (ABERDEEN)	7,068,500	0.46
23.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad	6,985,000	0.45
24.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad	6,472,000	0.42
25.	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association	6,250,500	0.40
26.	Cartaban Nominees (Asing) Sdn Bhd – BBH (LUX) SCA for Fidelity Funds Malaysia	6,109,700	0.39
27.	Citigroup Nominees (Asing) Sdn Bhd – CBLDN for Stichting PGGM Depositary	5,677,400	0.37
28.	HSBC Nominees (Asing) Sdn Bhd – BNY Brussels for City of New York Group Trust	5,664,200	0.37
29.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (NOMURA)	5,213,100	0.34
30.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (ABERDEEN)	5,208,000	0.34
	<b>Total</b>	<b>1,103,739,371</b>	<b>71.30</b>

## Substantial Shareholders

as at 31 May 2012

Name of Substantial Shareholder	Direct Interest	No. of Ordinary Shares		Total	% of Issued Shares
		% of Issued Shares	Indirect Interest		
Vertical Theme Sdn Bhd	449,857,775	29.06	—	449,857,775	29.06
Langkah Bahagia Sdn Bhd	—	—	449,857,775 <sup>1</sup>	449,857,775	29.06
Duxton Investments Pte Ltd	—	—	449,857,775 <sup>1</sup>	449,857,775	29.06
Lutfiah Binti Ismail	—	—	449,857,775 <sup>2</sup>	449,857,775	29.06
Fullerton Financial Holdings Pte Ltd	—	—	449,857,775 <sup>3</sup>	449,857,775	29.06
Fullerton Management Pte Ltd	—	—	449,857,775 <sup>4</sup>	449,857,775	29.06
Temasek Holdings (Private) Limited	—	—	449,857,775 <sup>5</sup>	449,857,775	29.06
Minister for Finance of Singapore	—	—	449,857,775 <sup>6</sup>	449,857,775	29.06
Employees Provident Fund Board	197,474,840	12.75	—	197,474,840	12.75

Notes:

- <sup>1</sup> Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Vertical Theme Sdn Bhd.
- <sup>2</sup> Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Langkah Bahagia Sdn Bhd.
- <sup>3</sup> Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Duxton Investments Pte Ltd.
- <sup>4</sup> Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Fullerton Financial Holdings Pte Ltd.
- <sup>5</sup> Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Fullerton Management Pte Ltd.
- <sup>6</sup> Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Temasek Holdings (Private) Limited.

## Directors' Shareholdings

as at 31 May 2012

Shares held in the Company	Direct Interest		Indirect Interest	
	No. of Shares	% of Issued Shares	No. of Shares	% of Issued Shares
Megat Dziauddin bin Megat Mahmud	3,000	negligible	—	—
Dato' Thomas Mun Lung Lee (held through spouse, Datin Teh Yew Kheng)	—	—	35,000	negligible
Sng Seow Wah	105,800	0.007	—	—

Share Options offered in the Company	Exercise Price	No. of Share Options offered
Sng Seow Wah	RM3.15	835,300 <sup>#</sup>
Sng Seow Wah	RM3.58	1,279,900 <sup>#</sup>

<sup>#</sup> Subject to the achievement of performance conditions

Share Grants awarded in the Company	Date of Grant	No. of Share Grants awarded
Sng Seow Wah	23 September 2010	133,700*
Sng Seow Wah	28 July 2011	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.

Other than as disclosed above, none of the other Directors have any interests in the Company or in any of the Company's related corporation.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the 46th Annual General Meeting of Alliance Financial Group Berhad will be held at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 20 July 2012 at 3.00 p.m. for the following purposes:

## AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 March 2012 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
  2. To approve the payment of Directors' fees in respect of the financial year ended 31 March 2012. **Resolution 2**
  3. To re-elect the following Directors who retire by rotation pursuant to Article 82 of the Company's Articles of Association:
    - (a) Tan Yuen Fah **Resolution 3**
    - (b) Kung Beng Hong **Resolution 4**
  4. To re-elect Lee Ah Boon, a Director who retires pursuant to Article 89 of the Company's Articles of Association. **Resolution 5**
  5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration. **Resolution 6**
- As Special Business to consider and, if thought fit, to pass the following resolutions:
6. **Ordinary Resolution** **Resolution 7**  
**Re-appointment of Director pursuant to Section 129 of the Companies Act, 1965**  
 "THAT Dato' Thomas Mun Lung Lee, a Director who retires pursuant to Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
  7. **Special Resolution** **Resolution 8**  
**Proposed Amendments to the Articles of Association of the Company**  
 "THAT the proposed amendments to the Articles of Association of the Company in the form and manner as set out in Appendix I to this Annual Report, be and are hereby approved;  
 AND THAT the Directors of the Company be and are hereby authorised to carry out all the necessary formalities and to do all such things and acts in effecting the aforesaid amendments."
  8. **Ordinary Resolution** **Resolution 9**  
**Proposed allocation of additional options and/or award of ordinary shares of RM1.00 each (Shares) to Sng Seow Wah as Group Chief Executive Officer of Alliance Bank Malaysia Berhad**  
 "THAT the Directors of the Company be and are hereby authorised at any time, and from time to time, to offer and to grant option or options to subscribe for or purchase, and/or to award Shares in the Company up to an additional 1,000,000 Shares, thereby increasing the maximum allocation of up to 2,500,000 Shares in the Company per annum over the period of the Employees' Share Scheme (ESS) of the Company, to Sng Seow Wah, who is the Group Chief Executive Officer of Alliance Bank Malaysia Berhad and a Director of the Company, subject always to such terms and conditions of the Bye-Laws of the ESS;  
 AND THAT the Directors of the Company be and are hereby authorised to allot and issue and/or award from time to time new Shares to him pursuant to the exercise of such options and/or award of Shares."
  9. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and/or the Companies Act, 1965.

BY ORDER OF THE BOARD

**LEE WEI YEN** (MAICSA 7001798)  
Group Company Secretary

Kuala Lumpur  
26 June 2012

# Notice of Annual General Meeting (cont'd)

## Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead.
2. A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. To be valid, the Form of Proxy, duly completed must be deposited at the registered office of the Company at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time set for holding the meeting.
4. A Member who is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. A Member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
6. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
7. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
8. A Member whose name appears in the General Meeting Record of Depositors as at 12 July 2012 shall be regarded as a Member entitled to attend, speak and vote at the meeting or appoint a proxy or proxies to attend and/or vote in his stead.

## EXPLANATORY NOTES

### (i) Re-appointment of Director pursuant to Section 129 of the Companies Act, 1965

Dato' Thomas Mun Lung Lee, a Director over the age of seventy (70) years, shall retire pursuant to Section 129 of the Companies Act, 1965 at the conclusion of the forthcoming 46th Annual General Meeting. The proposed re-appointment of Dato' Thomas Mun Lung Lee will require a resolution passed by a majority of not less than three-fourth (3/4) of the members of the Company who are entitled to vote at the forthcoming Annual General Meeting. The proposed resolution will enable Dato' Thomas Mun Lung Lee to hold office until the conclusion of the next Annual General Meeting of the Company.

### (ii) Proposed Amendments to the Articles of Association of the Company (Proposed Amendments)

The Proposed Amendments is to streamline the Articles of Association of the Company with the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

### (iii) Proposed allocation of additional options and/or award of ordinary shares of RM1.00 each (Shares) to Sng Seow Wah as Group Chief Executive Officer of Alliance Bank Malaysia Berhad (Proposed Additional Allocation)

The shareholders of the Company had, at the Annual General Meeting held on 28 July 2011, approved the resolution to allow the Board of Directors of the Company, to offer and to grant option or options to subscribe for or purchase, and/or to award Sng Seow Wah, the Group Chief Executive Officer of Alliance Bank Malaysia Berhad, up to a maximum of 1,500,000 Shares in the Company per annum over the period of the ESS.

The Board of Directors of the Company had on 28 July 2011, awarded 174,400 share grants under the Share Grant Plan and offered up to 1,279,900 share options under the Share Option Plan of the ESS to Sng Seow Wah.

The first 50% of the share grants awarded under the Share Grant Plan 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 28 July 2011. The vesting of up to 1,279,900 share options offered under the Share Option Plan is subject to the achievement of performance conditions set by the Board of Directors.

The proposed resolution will allow the Board of Directors of the Company, to offer and to grant option or options and/or to award Sng Seow Wah up to an additional 1,000,000 Shares, thereby increasing the maximum allocation of up to 2,500,000 Shares in the Company per annum over the period of the ESS.

The ESS is governed by the Bye-Laws approved by the shareholders of the Company at an Extraordinary General Meeting held on 28 August 2007. It took effect on 3 December 2007 and is in force for a period of 10 years up to 2 December 2017.

In accordance with the Bye-Laws of the ESS, Sng Seow Wah who is the Group Chief Executive Officer and Director of Alliance Bank Malaysia Berhad, a wholly-owned subsidiary of the Company, is eligible to participate in the ESS.

#### Rationale of the Proposed Additional Allocation

The rationale of the Proposed Additional Allocation is to:

- (a) retain and motivate Sng Seow Wah towards better productivity through greater sense of belonging, dedication and loyalty;
- (b) reward him for having contributed to the growth of the Group and whose service is vital to the continued growth of the Group; and
- (c) allow him who will, upon becoming shareholder of the Company, participate in the profits and future growth of the Group.

#### Maximum Number and Basis of Allocation of options/shares

In accordance with the Bye-Laws of the ESS, the total number of options/shares which may be available under the ESS shall not exceed in aggregate ten per cent (10%) of the total issued and paid-up share capital of the Company at any one time during the existence of the ESS provided that:

- (a) Not more than fifty per cent (50%) of the options/shares available under the ESS should be allocated, in aggregate, to Directors and senior management; and
- (b) Not more than ten per cent (10%) of the options/shares available under the ESS should be allocated to any individual Eligible Person who, either singly or collectively through persons connected (as defined in the Listing Requirements) to the Eligible Person, holds 20% or more of the issued and paid-up share capital of the Company.

#### Option Price/Share Grant Price

The 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.

#### Directors' and Major Shareholders' Interests

Sng Seow Wah is deemed interested in the Proposed Additional Allocation as he would be eligible to participate in the ESS. Accordingly, he has abstained and will continue to abstain from deliberations and voting on the Proposed Additional Allocation at the relevant Board meetings.

Sng Seow Wah will also undertake to ensure that he and persons connected to him will abstain from voting in respect of their direct and/or indirect shareholdings in the Company (if any) on the resolution in relation to the Proposed Additional Allocation at the forthcoming Annual General Meeting to be convened.

Save as disclosed above, none of the Directors, major shareholders and persons connected to them has any interest, directly or indirectly, in the Proposed Additional Allocation.

## PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The details of the proposed amendments to the Articles of Association of the Company are as follows:

Reference	Existing Article	Proposed Amendment to Article
Article 2 (Interpretation)	None.	<b>“Exempt Authorised Nominee” means an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.</b>
Article 61 (Notice that proxy is allowed)	In every notice calling a meeting of the Company there shall appear with reasonable prominence, a statement that a Member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote instead of him, and that a proxy need not also be a Member.	In every notice calling a meeting of the Company there shall appear with reasonable prominence, a statement that a Member entitled to attend and vote is entitled to appoint <del>not more than two (2) proxies to attend and vote instead of him, and that a proxy need not also be a Member</del> <b>at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.</b>
Article 75 (Instrument appointing proxy to be in writing)	The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised. The Directors may but shall not be bound to require evidence of the authority of any such attorney or officer. Where a Member is an Authorised Nominee, it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.	The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised. The Directors may but shall not be bound to require evidence of the authority of any such attorney or officer. <del>Where a Member is an Authorised Nominee, it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.</del> <b>Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds. A Member other than an Exempt Authorised Nominee, is entitled to appoint not more than two (2) proxies to attend and vote instead of him.</b> A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.



## APPENDIX 1

Reference	Existing Article	Proposed Amendment to Article
Article 76 (Form of Proxy)	<p>The instrument appointing a proxy shall be in the following form with such variations as circumstances may require or the statutes permit or in such other form as the Exchange may approve:-</p> <p style="text-align: center;">Shareholding represented by Proxy</p> <p>.....</p> <p>I/We,</p> <p>.....</p> <p>..... of .....</p> <p>being a Member/Members of ALLIANCE FINANCIAL GROUP BERHAD hereby appoint .....</p> <p>of .....</p> <p>..... or failing him,</p> <p>.....</p> <p>of .....</p> <p>..... as my/our proxy to vote for me/us and on my/our behalf at the Annual/Extraordinary General Meeting* of the Company to be held on the ..... day of ..... 20 ..... and, at any adjournment thereof for/against* the resolution(s) to be proposed thereat.</p> <p>As witness my/our hand(s) this ..... day of ..... 20 .....</p> <p>*Strike out whichever is not desired. (Unless otherwise instructed the proxy may vote as he thinks fit).</p> <p><u>Notes:</u></p> <p>A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.</p> <p>To be valid, this form, duly completed must be deposited at the Office of the Company not less than 48 hours before the time for holding the meeting.</p> <p>A member who is an authorised nominee may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.</p>	<p>The instrument appointing a proxy shall be in the following form with such variations as circumstances may require or the statutes permit or in such other form as the Exchange may approve:-</p> <p style="text-align: center;">Shareholding represented by Proxy</p> <p>.....</p> <p>I/We,</p> <p>.....</p> <p>..... of .....</p> <p>being a Member/Members of ALLIANCE FINANCIAL GROUP BERHAD hereby appoint .....</p> <p>of .....</p> <p>..... or failing him,</p> <p>.....</p> <p>of .....</p> <p>..... as my/our proxy to vote for me/us and on my/our behalf at the Annual/Extraordinary General Meeting* of the Company to be held on the ..... day of ..... 20 ..... and, at any adjournment thereof for/against* the resolution(s) to be proposed thereat.</p> <p>As witness my/our hand(s) this ..... day of ..... 20 .....</p> <p>*Strike out whichever is not desired. (Unless otherwise instructed the proxy may vote as he thinks fit).</p> <p><u>Notes:</u></p> <p>A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.</p> <p>To be valid, this form, duly completed must be deposited at the Office of the Company not less than 48 hours before the time for holding the meeting.</p> <p><del>A Member who is an Authorised Nominee may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.</del></p>

## PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY (cont'd)

Reference	Existing Article	Proposed Amendment to Article
Article 76 (Form of Proxy) (cont'd)	<p>A member other than an authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.</p> <p>Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.</p> <p>If the appointor is a corporation this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.</p>	<p><b>A Member who is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.</b></p> <p>A Member other than an <b>Exempt</b> Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.</p> <p>Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.</p> <p>If the appointor is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.</p>

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# Form of Proxy

Shareholding represented by Proxy

I/We (full name in block capitals) \_\_\_\_\_  
identity card no./company registration no. \_\_\_\_\_  
of \_\_\_\_\_  
being a Member/Members of ALLIANCE FINANCIAL GROUP BERHAD hereby appoint \_\_\_\_\_  
(NRIC No.) \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_ (NRIC No.) \_\_\_\_\_  
of \_\_\_\_\_

as my/our proxy/proxies to vote for me/us on my/our behalf at the 46th Annual General Meeting of the Company to be held at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Friday, 20 July 2012 at 3.00 p.m. and at any adjournment thereof.

RESOLUTIONS			*FOR	*AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 March 2012 together with the Reports of the Directors and Auditors thereon	Resolution 1		
2.	To approve the payment of Directors' fees in respect of the financial year ended 31 March 2012	Resolution 2		
3.	To re-elect the following Directors who retire by rotation pursuant to Article 82 of the Company's Articles of Association: (a) Tan Yuen Fah (b) Kung Beng Hong	Resolution 3 Resolution 4		
4.	To re-elect Lee Ah Boon, a Director who retires pursuant to Article 89 of the Company's Articles of Association	Resolution 5		
5.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration	Resolution 6		
6.	To re-appoint Dato' Thomas Mun Lung Lee, a Director who retires pursuant to Section 129 of the Companies Act, 1965	Resolution 7		
7.	Proposed Amendments to the Articles of Association of the Company	Resolution 8		
8.	Proposed additional allocation of options and/or award of ordinary shares of RM1.00 each to Sng Seow Wah	Resolution 9		

\* Please indicate with an "X" on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

Seal of Corporation

Signature(s) of Member

## Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead.
2. A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. To be valid, the Form of Proxy, duly completed must be deposited at the registered office of the Company at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time set for holding the meeting.
4. A Member who is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. A Member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
6. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
7. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
8. A Member whose name appears in the General Meeting Record of Depositors as at 12 July 2012 shall be regarded as a Member entitled to attend, speak and vote at the meeting or appoint a proxy or proxies to attend and/or vote in his stead.

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**Group Company Secretary**  
**Alliance Financial Group Berhad**  
3rd Floor, Menara Multi-Purpose  
Capital Square, No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur, Malaysia.

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**Alliance Financial Group Berhad** (6627-X)

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