# ALLIANCE FINANCIAL GROUP BERHAD (6627-X)

## FINANCIAL STATEMENTS

# 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 Malaysian Financial Reporting Standards and International Financial Reporting Standards. 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 2013.

## 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 | 714,020 | 347,246 |
| Taxation and zakat | (175,897) | (82,152) |
| Net profit after taxation and zakat | 538,123 | 265,094 |
| Attributable to: | | |
| Owners of the parent | 538,044 | 265,094 |
| Non-controlling interests | 79 | – |
| Net profit after taxation and zakat | 538,123 | 265,094 |

## 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 2012 were as follows:

| | | RM'000 |
|---|---|---|
| (i) | First interim dividend of 6.6 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 2013, was paid on 28 August 2012 | 100,254 |
| (ii) | Second interim dividend of 10.0 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 2013, was paid on 28 February 2013 | 152,228 |
| | | 252,482 |

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 RM1,921,000 and RM2,583,000 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 6 July 2012 and 31 January 2013, 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:

*Share options and share grants offered/awarded on 6 July 2012*

(i) 13,021,400 share options under the Share Option Plan at an option price of RM4.22 per share which will be vested subject to the achievement of performance conditions.

(ii) 1,705,300 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.

*Share options and share grants offered/awarded on 31 January 2013*

(i) 1,050,000 share options under the Share Option Plan at an option price of RM4.25 per share which will be vested subject to the achievement of performance conditions.

(ii) 73,700 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 2013, the Trustee of the ESS had purchased 4,641,600 ordinary shares of RM1.00 each from the open market at an average price of RM3.91 per share. The total consideration for the purchase including transaction costs was RM18,173,900. 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 2013, 3,412,800 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 and Share Option Plan of the ESS. As at 31 March 2013, the Trustee of the ESS held 25,695,600 ordinary shares representing 1.66% of the issued and paid-up capital of the Company. Such shares are held at a carrying amount of RM76,232,000 and further relevant details are disclosed in Note 29 to the financial statements.

## BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2013

For the 12 months ended 31 March 2013, the Group's net profit after taxation was RM538.1 million, an increase of 7.0% compared to FYE2012 due to higher net income and net bad debts write-back.

Arising from the improvement in profits, the Group achieved a return on equity of 13.8% and its earnings per share rose to 35.3 sen (FYE2012: 33.0 sen). The Group also paid a higher total net dividend of 16.6 sen (FYE2012: 13.3 sen), which represents a dividend payout ratio of 46.9% (FYE2012: 42.3%).

The Group's net interest income, including Islamic financing income, grew by 5.2% in tandem with 12.8% expansion in the total loans portfolio to RM28.2 billion, from RM25.0 billion a year ago. As customer deposits registered a growth of 11.9% to RM36.0 billion, the loans-to-deposits ratio has risen to 78.4% as at 31 March 2013, from 77.7% last year in line with the Group's objective to ensure more effective utilisation of the balance sheet.

# DIRECTORS' REPORT

## BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2013 (cont'd)

Other operating income registered a 12.5% growth from higher fee income and gains from treasury trading. Accordingly, non-interest income ratio has further improved to 28.7%, from 27.0% a year ago. Overhead expenses rose by 8.0% as the Group continued its investments in human capital and upgrading of technology and infrastructure to support the on-going business expansion. As a result, the Group's overheads to total income ratio has increased marginally to 47.9%, from 47.6% a year ago.

The Group's asset quality registered further improvement, with the gross impaired loans ratio declining to 2.1%, from 2.5% as of 31 March 2012. The net impaired loans ratio stood at 1.1%, and the Group's loan loss coverage was 82.5%.

The Group's risk-weighted capital ratio remained strong at 14.8%, with Common Equity Tier 1 ratio at 10.6%.

*Performance by business segment*

The Group's businesses are presented in the following business segments: Consumer Banking, Business Banking, Financial Markets and Investment Banking.

Consumer Banking provides a wide range of personal banking solutions including mortgages, term loans, personal loans, hire purchase facilities, credit cards and wealth management. For the 12 months ended 31 March 2013, Consumer Banking registered profit before taxation of RM161.8 million, which is 6.7% higher compared to same period last year. The increase is due to higher net income from loans growth and non-interest income, mitigated by higher collective provisions as loans growth has accelerated to 17.1%, from 8.9% in the corresponding period. Segment assets was RM16.3 billion as at 31 March 2013.

Business Banking covers Small-and-Medium Enterprise and Wholesale Banking. For the 12 months ended 31 March 2013, Business Banking registered a profit before taxation of RM368.4 million, 19.6% higher compared to RM307.9 million during the same period last year. The increase was mainly due to growth in net income as well as higher write-back of net bad debts as a result of loan recoveries. Segment assets was RM11.2 billion as at 31 March 2013.

Financial Markets provides foreign exchange, money market, hedging, and investment (capital market instruments) solutions for banking customers. For the 12 months ended 31 March 2013, Financial Markets recorded profit before taxation of RM261.6 million, an improvement of 5.5% compared to same period last year. The increase was mainly due to higher net income and capital gains from active portfolio management of the trading and available for sale securities.

Investment Banking covers stockbroking activities and corporate advisory. It reported a loss before taxation of RM14.2 million for the 12 months ended 31 March 2013, due to lower brokerage revenue as a result of lower trading value on Bursa Malaysia and lower fee income.

## ECONOMIC OUTLOOK AND PROSPECTS

Bank Negara Malaysia forecasts the domestic economy to register a growth of between 5.0% to 6.0% in 2013. Gross domestic product ("GDP") growth will be driven by domestic demand, led by healthy consumer and capital spending by the private and Government sector. The external demand is expected to improve as the global economy recovers in 2013. The monetary policy in 2013 will focus on addressing the overall outlook for inflation and growth of the Malaysian economy.

## BUSINESS OUTLOOK

With the Malaysian economy expected to register a moderate gross domestic product ("GDP") growth of 5.0% to 6.0% in 2013, the Group will continue to capitalise on its strengths to generate sustainable revenue from Consumer Banking and Business Banking, while expanding opportunities in Wealth Management, Transaction Banking, Treasury and Investment Banking.

In financial year ending 2014, the Group expects sustainable loans growth in Consumer Banking, driven mainly by mortgage lending, hire purchase, personal loans, credit cards and share margin financing. In addition to balance sheet growth, Consumer Banking will also focus on growing its non-interest income through its holistic wealth management solutions.

In financial year ending 2014, the lending activities of Business Banking are expected to grow moderately, in tandem with the continuing demand for credit by businesses, arising from the implementation of projects under the Economic Transformation Programme and Iskandar project.

Business Banking will also continue to focus on cross-selling efforts to grow non-interest income in transaction banking, foreign exchange, investment banking, wealth management products, and business platinum card by capitalising on technology advancements.

## BUSINESS OUTLOOK (cont'd)

Financial Markets will continue to focus on the trading of fixed income securities, primarily Government securities and private debt securities, foreign exchange as well as treasury sales.

Investment Banking has rebuilt its Institutional Business in FYE2013 and the priority in financial year ending 2014 will be to refine its retail broking business model to achieve operational efficiency. Investment Banking will continue to focus on effective cost management, as well as improving efficiency and productivity. In the corporate finance and advisory business, Investment Banking will continue to leverage on Group's Business Banking customer base.

## 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 December 2012, 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
Stephen Geh Sim Whye
Tan Yuen Fah
Megat Dziauddin Bin Megat Mahmud
Kung Beng Hong
Ou Shian Waei
Sng Seow Wah
Lee Ah Boon

## 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 | | | |
|---|---|---|---|---|
| | 1.4.2012 | Acquired | Sold | 31.3.2013 |
| **The Company** | | | | |
| Megat Dziauddin Bin Megat Mahmud | | | | |
| – Direct | 3,000 | – | – | 3,000 |
| Sng Seow Wah | | | | |
| – Direct | 105,800 | 66,850 | – | 172,650 |
| Dato' Thomas Mun Lung Lee | | | | |
| – Indirect (held through spouse, Datin Teh Yew Kheng) | 35,000 | – | – | 35,000 |

| | | Number of Options Over Ordinary Shares of RM1.00 Each | | | | |
|---|---|---|---|---|---|---|
| | Exercise price RM | 1.4.2012 | Offered | Vested | Exercised | 31.3.2013 |
| Sng Seow Wah | 3.15 | 835,300 | – | – | – | 835,300# |
| Sng Seow Wah | 3.58 | 1,279,900 | – | – | – | 1,279,900# |
| Sng Seow Wah | 4.22 | – | 2,065,300# | – | – | 2,065,300 |

# Vesting is subject to the achievement of performance conditions.

| | | Number of Grants Over Ordinary Shares of RM1.00 Each | | | |
|---|---|---|---|---|---|
| | Date of grant | 1.4.2012 | Awarded | Vested | 31.3.2013 |
| Sng Seow Wah | 23 September 2010 | 133,700 | – | (66,850) | 66,850* |
| Sng Seow Wah | 28 July 2011 | 174,400 | – | – | 174,400* |
| Sng Seow Wah | 20 July 2012 | – | 200,000* | – | 200,000 |

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

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

## SHARE CAPITAL

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

## BAD AND DOUBTFUL DEBTS

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

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

# DIRECTORS' REPORT

## CURRENT ASSETS

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

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

## VALUATION METHOD

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

## CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year other than in the ordinary course of business.

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

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

# DIRECTORS' REPORT

## SUBSEQUENT EVENTS

The significant events subsequent to the reporting date are disclosed in Note 52 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 28 May 2013.

**Datuk Oh Chong Peng**

**Dato' Thomas Mun Lung Lee**

Kuala Lumpur, Malaysia

# 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 87 to 208 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provision of the Companies Act, 1965 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 2013 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 56 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 28 May 2013.

**Datuk Oh Chong Peng**

**Dato' Thomas Mun Lung Lee**

Kuala Lumpur, Malaysia

# STATUTORY DECLARATION

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

I, Ng Lip Choon, 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 87 to 208 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 abovenamed Ng Lip Choon
at Kuala Lumpur in the
Federal Territory on 28 May 2013.

**Ng Lip Choon**

Before me,

**Sivanason a/l Marimuthu**
Commissioner for Oaths

Kuala Lumpur, Malaysia
28 May 2013

# 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 87 to 207 which comprise the statements of financial position as at 31 March 2013 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 55.

*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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act,1965 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2013 and of their financial performance and cash flows for the year then ended.

## Report on other legal and regulatory requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification and any adverse comment made under Section 174(3) of the Act.

# INDEPENDENT AUDITORS' REPORT

to the Members of Alliance Financial Group Berhad
(Incorporated in Malaysia)

## Other reporting responsibilities

The supplementary information set out in Note 56 on page 208 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

**Ong Ching Chuan**
(No. 2907/11/13 (J))
Chartered Accountant

Kuala Lumpur, Malaysia
28 May 2013

# STATEMENTS OF FINANCIAL POSITION
as at 31 March 2013

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| **ASSETS** | | | | | | | |
| Cash and short-term funds | 3 | **1,296,681** | 1,875,994 | 914,069 | **17,670** | 6,501 | 46,858 |
| Deposits and placements with banks and other financial institutions | 4 | **153,236** | 97,713 | 100,228 | **10,101** | 19,315 | 605,700 |
| Balances due from clients and brokers | 5 | **50,122** | 61,764 | 80,543 | **–** | – | – |
| Financial assets held-for-trading | 6 | **1,519,930** | 1,491,995 | 1,938,250 | **–** | – | – |
| Financial investments available-for-sale | 7 | **10,362,450** | 9,123,201 | 9,259,940 | **–** | – | – |
| Financial investments held-to-maturity | 8 | **596,949** | 795,256 | 940,726 | **–** | – | – |
| Derivative financial assets | 9 | **19,792** | 23,712 | 32,047 | **–** | – | – |
| Loans, advances and financing | 10 | **27,771,741** | 24,488,832 | 21,893,950 | **–** | – | – |
| Other assets | 11 | **76,007** | 78,157 | 87,621 | **695** | 269 | 219 |
| Tax recoverable | | **476** | 465 | 3,244 | **474** | 462 | 799 |
| Statutory deposits | 12 | **1,330,972** | 1,163,083 | 291,108 | **–** | – | – |
| Investments in subsidiaries | 13 | **–** | – | – | **1,778,096** | 1,777,505 | 1,777,489 |
| Investment in associate | 14 | **–** | 26,552 | 28,530 | **–** | – | – |
| Investment property | 15 | **27,748** | 27,748 | 27,748 | **–** | – | – |
| Property, plant and equipment | 16 | **83,217** | 90,293 | 104,837 | **468** | 516 | 285 |
| Intangible assets | 17 | **356,168** | 354,902 | 357,682 | **–** | – | – |
| Deferred tax assets | 18 | **11,361** | 15,341 | 84,083 | **302** | 300 | 284 |
| | | **43,656,850** | 39,715,008 | 36,144,606 | **1,807,806** | 1,804,868 | 2,431,634 |
| Non-current assets and subsidiary held for sale | 53 | **35,179** | 3,814 | – | **–** | – | – |
| **TOTAL ASSETS** | | **43,692,029** | 39,718,822 | 36,144,606 | **1,807,806** | 1,804,868 | 2,431,634 |
| **LIABILITIES AND EQUITY** | | | | | | | |
| Deposits from customers | 19 | **36,004,315** | 32,186,913 | 28,385,434 | **–** | – | – |
| Deposits and placements of banks and other financial institutions | 20 | **2,009,996** | 2,161,005 | 1,952,200 | **–** | – | – |
| Balances due to clients and brokers | 21 | **30,852** | 20,626 | 46,987 | **–** | – | – |
| Bills and acceptances payable | 22 | **73,713** | 178 | 111,159 | **–** | – | – |
| Derivative financial liabilities | 9 | **15,870** | 26,241 | 33,347 | **–** | – | – |
| Amount due to Cagamas Berhad | 23 | **16,290** | 22,044 | 125,776 | **–** | – | – |
| Other liabilities | 24 | **823,636** | 870,806 | 811,890 | **1,977** | 4,354 | 1,529 |
| Subordinated obligations | 25 | **612,193** | 611,615 | 600,000 | **–** | – | – |
| Long term borrowings | 26 | **–** | – | 601,272 | **–** | – | 601,272 |
| Provision for taxation | | **26,274** | 24,527 | 40,507 | **–** | – | – |
| Deferred tax liabilities | 18 | **24,430** | 23,012 | 6,190 | **–** | – | – |
| | | **39,637,569** | 35,946,967 | 32,714,762 | **1,977** | 4,354 | 602,801 |
| Liabilities directly associated with non-current assets and subsidiary held for sale | 53 | **19,291** | – | – | **–** | – | – |
| **TOTAL LIABILITIES** | | **39,656,860** | 35,946,967 | 32,714,762 | **1,977** | 4,354 | 602,801 |

# STATEMENTS OF FINANCIAL POSITION
as at 31 March 2013

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Share capital | 27 | **1,548,106** | 1,548,106 | 1,548,106 | **1,548,106** | 1,548,106 | 1,548,106 |
| Reserves | 28 | **2,558,548** | 2,287,038 | 1,920,416 | **333,955** | 320,602 | 323,894 |
| Shares held for Employees' Share Scheme | 29 | **(76,232)** | (68,194) | (43,167) | **(76,232)** | (68,194) | (43,167) |
| **CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT** | | **4,030,422** | 3,766,950 | 3,425,355 | **1,805,829** | 1,800,514 | 1,828,833 |
| Non-controlling interests | | **4,747** | 4,905 | 4,489 | **–** | – | – |
| **TOTAL EQUITY** | | **4,035,169** | 3,771,855 | 3,429,844 | **1,805,829** | 1,800,514 | 1,828,833 |
| **TOTAL LIABILITIES AND EQUITY** | | **43,692,029** | 39,718,822 | 36,144,606 | **1,807,806** | 1,804,868 | 2,431,634 |
| **COMMITMENTS AND CONTINGENCIES** | 45 | **19,079,207** | 18,741,373 | 15,909,028 | **–** | – | – |

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

# STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 March 2013

| | Note | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|---|
| Interest income | 31 | **1,429,325** | 1,321,367 | **2,201** | 12,947 |
| Interest expense | 32 | **(698,866)** | (654,259) | **–** | (14,178) |
| Net interest income/(expense) | | **730,459** | 667,108 | **2,201** | (1,231) |
| Net income from Islamic banking business | 33 | **242,158** | 257,028 | **–** | – |
| | | **972,617** | 924,136 | **2,201** | (1,231) |
| Other operating income | 34 | **360,414** | 320,182 | **349,859** | 267,198 |
| Net income | | **1,333,031** | 1,244,318 | **352,060** | 265,967 |
| Other operating expenses | 35 | **(639,270)** | (591,796) | **(4,383)** | (4,113) |
| Operating profit before allowance | | **693,761** | 652,522 | **347,677** | 261,854 |
| Write-back of losses on loans, advances and financing and other losses | 36 | **24,513** | 2,456 | **–** | – |
| Write-back of/(allowance for) impairment | 37 | **474** | 21,643 | **(431)** | (970) |
| Operating profit after allowance | | **718,748** | 676,621 | **347,246** | 260,884 |
| Share of results of associate | 14 | **(4,728)** | (1,978) | **–** | – |
| Profit before taxation and zakat | | **714,020** | 674,643 | **347,246** | 260,884 |
| Taxation and zakat | 38 | **(175,897)** | (171,524) | **(82,152)** | (61,095) |
| Net profit after taxation and zakat | | **538,123** | 503,119 | **265,094** | 199,789 |
| Other comprehensive income: | | | | | |
| Revaluation reserve on financial investments available-for-sale | | | | | |
| – Net (loss)/gain from change in fair value | | **(23,163)** | 85,531 | **–** | – |
| – Transfer from/(to) deferred tax | | **5,791** | (21,382) | **–** | – |
| Other comprehensive (expense)/income, net of tax | | **(17,372)** | 64,149 | **–** | – |
| Total comprehensive income for the year | | **520,751** | 567,268 | **265,094** | 199,789 |
| Profit attributable to: | | | | | |
| Owners of the parent | | **538,044** | 502,635 | **265,094** | 199,789 |
| Non-controlling interests | | **79** | 484 | **–** | – |
| Net profit after taxation and zakat | | **538,123** | 503,119 | **265,094** | 199,789 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | **520,672** | 566,784 | **265,094** | 199,789 |
| Non-controlling interests | | **79** | 484 | **–** | – |
| Total comprehensive income for the year | | **520,751** | 567,268 | **265,094** | 199,789 |
| Earnings per share attributable to owners of the parent: | | | | | |
| Basic (sen) | 39(a) | **35.3** | 33.0 | | |
| Diluted (sen) | 39(b) | **35.3** | 32.9 | | |

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

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2013

| Group | Note | Attributable to Owners of the Parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share Capital RM'000 | Share Premium RM'000 | Statutory Reserve RM'000 | Capital Reserve RM'000 | Revaluation Reserve RM'000 | Employees' Share Scheme ("ESS") Reserve RM'000 | Profit Equalisation Reserve ("PER") RM'000 | Shares held for ESS RM'000 | Retained Profits RM'000 | Total RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
| At 1 April 2011 | | | | | | | | | | | | | |
| – As previously stated | | 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 |
| – Effect of change in accounting policy | | – | – | – | – | – | – | – | – | 73,241 | 73,241 | – | 73,241 |
| As restated | | 1,548,106 | 304,289 | 544,368 | 7,013 | 68,620 | 13,768 | 1,033 | (43,167) | 981,325 | 3,425,355 | 4,489 | 3,429,844 |
| Net profit after taxation and zakat | | – | – | – | – | – | – | – | – | 502,635 | 502,635 | 484 | 503,119 |
| Other comprehensive income | | – | – | – | – | 64,149 | – | – | – | – | 64,149 | – | 64,149 |
| Total comprehensive income | | – | – | – | – | 64,149 | – | – | – | 502,635 | 566,784 | 484 | 567,268 |
| Transfer to statutory reserve | | – | – | 55,761 | – | – | – | – | – | (55,761) | – | – | – |
| Purchase of shares pursuant to ESS | 29 | – | – | – | – | – | – | – | (28,638) | – | (28,638) | – | (28,638) |
| Share-based payment under ESS | | – | – | – | – | – | 6,649 | – | – | – | 6,649 | – | 6,649 |
| Transfer to retained profits on shares lapsed: | | | | | | | | | | | | | |
| – employees of subsidiaries | | – | – | – | – | – | (2,919) | – | – | 2,919 | – | – | – |
| – own employees | | – | – | – | – | – | (61) | – | – | 61 | – | – | – |
| Dividends paid to shareholders | 40 | – | – | – | – | – | – | – | – | (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) | 1,227,804 | 3,766,950 | 4,905 | 3,771,855 |

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 March 2013

| Group | Note | Attributable to Owners of the Parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share Capital RM'000 | Share Premium RM'000 | Statutory Reserve RM'000 | Capital Reserve RM'000 | Revaluation Reserve RM'000 | Employees' Share Scheme ("ESS") Reserve RM'000 | Profit Equalisation Reserve ("PER") RM'000 | Shares held for ESS RM'000 | Retained Profits RM'000 | Total RM'000 | Non-Controlling Interests RM'000 | Total Equity RM'000 |
| At 1 April 2012 | | | | | | | | | | | | | |
| – As previously stated | | 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 |
| – Effect of change in accounting policy | | – | – | – | – | – | – | – | – | 96,521 | 96,521 | – | 96,521 |
| As restated | | 1,548,106 | 304,289 | 600,129 | 7,013 | 132,769 | 14,001 | 1,033 | (68,194) | 1,227,804 | 3,766,950 | 4,905 | 3,771,855 |
| Net profit after taxation and zakat | | – | – | – | – | – | – | – | – | 538,044 | 538,044 | 79 | 538,123 |
| Other comprehensive expense | | – | – | – | – | (17,372) | – | – | – | – | (17,372) | – | (17,372) |
| Total comprehensive (expense)/income | | – | – | – | – | (17,372) | – | – | – | 538,044 | 520,672 | 79 | 520,751 |
| Transfer to statutory reserve | | – | – | 43,577 | – | – | – | – | – | (43,577) | – | – | – |
| Purchase of shares pursuant to ESS | 29 | – | – | – | – | – | – | – | (18,174) | – | (18,174) | – | (18,174) |
| Share-based payment under ESS | | – | – | – | – | – | 8,449 | – | – | – | 8,449 | – | 8,449 |
| Transfer to retained profits on shares lapsed: | | | | | | | | | | | | | |
| – employees of subsidiaries | | – | – | – | – | – | (2,579) | – | – | 2,579 | – | – | – |
| – own employees | | – | – | – | – | – | (52) | – | – | 52 | – | – | – |
| Dividends paid to shareholders | 40 | – | – | – | – | – | – | – | – | (252,482) | (252,482) | (237) | (252,719) |
| ESS shares grant vested to: | | | | | | | | | | | | | |
| – employees of subsidiaries | | – | – | – | – | – | (3,822) | – | 3,822 | – | – | – | – |
| – own employees | | – | – | – | – | – | (65) | – | 65 | – | – | – | – |
| ESS shares option exercised by: | | | | | | | | | | | | | |
| – employees of subsidiaries | | – | – | – | – | – | (1,226) | – | 1,226 | – | – | – | – |
| – own employees | | – | – | – | – | – | (16) | – | 16 | – | – | – | – |
| Proceeds from share option exercised | | – | – | – | – | – | – | – | 5,007 | – | 5,007 | – | 5,007 |
| Transfer of ESS shares purchase price difference on shares vested | | – | – | – | – | – | 49 | – | – | (49) | – | – | – |
| **At 31 March 2013** | | 1,548,106 | 304,289 | 643,706 | 7,013 | 115,397 | 14,739 | 1,033 | (76,232) | 1,472,371 | 4,030,422 | 4,747 | 4,035,169 |

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

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2013

| Company | Note | 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 |
|---|---|---|---|---|---|---|---|
| | | ← Non-Distributable | | | → | <Distributable> | |
| 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) |
| – 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 | 14,001 | (68,194) | 2,312 | 1,800,514 |
| **At 1 April 2012** | | **1,548,106** | **304,289** | **14,001** | **(68,194)** | **2,312** | **1,800,514** |
| Net profit after taxation | | **–** | **–** | **–** | **–** | **265,094** | **265,094** |
| Purchase of shares pursuant to ESS | | **–** | **–** | **–** | **(18,174)** | **–** | **(18,174)** |
| Share-based payment under ESS | | **–** | **–** | **8,449** | **–** | **–** | **8,449** |
| Transfer to retained profits on shares lapsed: | | | | | | | |
| – employees of subsidiaries | | **–** | **–** | **(2,579)** | **–** | **–** | **(2,579)** |
| – own employees | | **–** | **–** | **(52)** | **–** | **52** | **–** |
| Dividends paid to shareholders | 40 | **–** | **–** | **–** | **–** | **(252,482)** | **(252,482)** |
| ESS recharge amount received from subsidiaries | | **–** | **–** | **–** | **3,822** | **–** | **3,822** |
| ESS shares grant vested to: | | | | | | | |
| – employees of subsidiaries | | **–** | **–** | **(3,822)** | **–** | **–** | **(3,822)** |
| – own employees | | **–** | **–** | **(65)** | **65** | **–** | **–** |
| ESS shares option exercised by: | | | | | | | |
| – employees of subsidiaries | | **–** | **–** | **(1,226)** | **1,226** | **–** | **–** |
| – own employees | | **–** | **–** | **(16)** | **16** | **–** | **–** |
| Proceeds from share option exercised | | **–** | **–** | **–** | **5,007** | **–** | **5,007** |
| Transfer of ESS shares purchase price difference on shares vested | | **–** | **–** | **49** | **–** | **(49)** | **–** |
| **At 31 March 2013** | | **1,548,106** | **304,289** | **14,739** | **(76,232)** | **14,927** | **1,805,829** |

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

# CONSOLIDATED STATEMENTS OF CASH FLOW

for the year ended 31 March 2013

| | 2013 RM'000 | 2012 RM'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation and zakat | **714,020** | 674,643 |
| Adjustments for: | | |
| Accretion of discount less amortisation of premium of financial investments | **(125,996)** | (94,369) |
| Depreciation of property, plant and equipment | **26,432** | 29,374 |
| Dividends from financial investments available-for-sale | **(3,739)** | (10,229) |
| Gain on disposal of property, plant and equipment | **(472)** | (200) |
| Gain on disposal of non current asset held for sale | **(7,556)** | – |
| Gain on disposal of associate company | **(23,176)** | – |
| Loss on disposal of foreclosed properties | **–** | 20 |
| Net gain from redemption of financial investments held-to-maturity | **(7,771)** | (16,831) |
| Net gain from sale of financial assets held-for-trading | **(704)** | (3,699) |
| Net gain from sale of financial investments available-for-sale | **(61,526)** | (47,408) |
| Unrealised (gain)/loss on revaluation of financial assets held-for-trading | **(46)** | 185 |
| Unrealised gain on revaluation of derivative instruments | **(5,407)** | (1,572) |
| Interest expense on subordinated obligations | **29,419** | 34,513 |
| Interest expense on long term borrowings | **–** | 14,178 |
| Interest income from financial investments held-to-maturity | **(12,527)** | (22,751) |
| Interest income from financial investments available-for-sale | **(245,750)** | (253,237) |
| Interest income from financial assets held-for-trading | **(2,755)** | (3,862) |
| Allowance for loans, advances and financing (net of recoveries) | **27,708** | 30,735 |
| Allowance for other assets | **4,676** | 6,238 |
| Write-back of commitments and contingencies | **(197)** | (4,210) |
| Net write-back of financial investments available-for-sale | **(474)** | (22,759) |
| Net write-back of financial investments held-to-maturity | **–** | (344) |
| Impairment for property, plant and equipment | **–** | 1,460 |
| Amortisation of computer software | **20,334** | 18,239 |
| Share options/grants under ESS | **8,449** | 6,649 |
| Property, plant and equipment written off | **511** | 2,046 |
| Computer software written off | **1** | 841 |
| Share of results of associate | **4,728** | 1,978 |
| Operating profit before working capital changes | **338,182** | 339,628 |
| Changes in working capital: | | |
| Deposits from customers | **3,817,402** | 3,801,479 |
| Deposits and placements of banks and other financial institutions | **(151,009)** | 208,805 |
| Bills and acceptances payable | **73,535** | (110,981) |
| Balances due from clients and brokers | **21,868** | (7,453) |
| Other liabilities | **(27,694)** | 75,641 |
| Deposits and placements with banks and other financial institutions | **(62,592)** | 2,515 |
| Financial assets held-for-trading | **(2,936)** | 460,685 |
| Loans, advances and financing | **(3,310,617)** | (2,625,617) |
| Other assets | **(16,668)** | 1,670 |
| Statutory deposits with Bank Negara Malaysia | **(167,889)** | (871,975) |
| Amount due to Cagamas Berhad | **(5,754)** | (103,732) |
| Cash generated from operations | **505,828** | 1,170,665 |
| Taxes and zakat paid | **(163,302)** | (120,533) |
| Net cash generated from operating activities | **342,526** | 1,050,132 |

# CONSOLIDATED STATEMENTS OF CASH FLOW

for the year ended 31 March 2013

| | 2013<br>RM'000 | 2012<br>RM'000 |
|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Dividends received from financial investments available-for-sale | **3,735** | 10,219 |
| Interest received from financial investments held-to-maturity | **12,527** | 22,751 |
| Interest received from financial investments available-for-sale | **245,750** | 253,237 |
| Interest received from financial assets held-for-trading | **2,755** | 3,862 |
| Purchase of property, plant and equipment | **(20,909)** | (22,720) |
| Purchase of computer software | **(23,776)** | (16,300) |
| Purchase of shares held for ESS | **(18,174)** | (28,638) |
| Proceeds from disposal of property, plant and equipment | **1,507** | 770 |
| Proceeds from disposal of associate company | **45,000** | – |
| Proceeds from disposal of non-current asset held for sale | **11,370** | – |
| Proceeds from disposal of foreclosed properties | **–** | 4,285 |
| Proceeds from share option exercised by own employees | **5,007** | – |
| Proceeds from redemption and maturity of financial investments held-to-maturity (net of purchase) | **265,191** | 218,950 |
| Purchase of financial investments available-for-sale, net of proceeds | **(1,157,776)** | 319,507 |
| Net cash (used in)/generated from investing activities | **(627,793)** | 765,923 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Redemptions of subordinated bonds | **–** | (600,000) |
| Proceeds from issuance of subordinated notes | **–** | 597,366 |
| Interest paid on subordinated obligations | **(28,841)** | (32,778) |
| Repayment of long term borrowings | **–** | (600,000) |
| Interest paid on long term borrowings | **–** | (15,450) |
| Dividends paid to non-controlling interests | **(237)** | (68) |
| Dividends paid to shareholders of the Company | **(252,482)** | (203,200) |
| Net cash used in financing activities | **(281,560)** | (854,130) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | **(566,827)** | 961,925 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **1,875,994** | 914,069 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **1,309,167** | 1,875,994 |
| **Cash and cash equivalents comprise the following:** | | |
| Cash and short-term funds | **1,296,681** | 1,875,994 |
| Cash and short-term funs reclassified to non-current assets held for sale (Note 53) | **12,486** | – |
| | **1,309,167** | 1,875,994 |

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

# STATEMENTS OF CASH FLOW
for the year ended 31 March 2013

| | 2013 RM'000 | 2012 RM'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | **347,246** | 260,884 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **51** | 103 |
| Interest income from deposits and placements with banks and other financial institutions | **(2,201)** | (12,947) |
| Interest expense on long term borrowings | **–** | 14,178 |
| Allowance for impairment losses on amount due from subsidiaries | **431** | 970 |
| Loss on disposal of property, plant and equipment | **–** | 109 |
| Share options/grants under ESS | **8,449** | 6,649 |
| Gross dividend income from subsidiary | **(347,488)** | (265,765) |
| Operating profit before working capital changes | **6,488** | 4,181 |
| Changes in working capital: | | |
| Receivables | **10** | (42) |
| Payables | **(2,393)** | 2,472 |
| Deposits | **9,213** | 586,385 |
| Subsidiaries | **(7,843)** | (7,118) |
| Cash generated from operations | **5,475** | 585,878 |
| Taxes (paid)/refunded | **(293)** | 667 |
| Net cash generated from operating activities | **5,182** | 586,545 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received from deposits and placements with banks and other financial institutions | **2,201** | 12,947 |
| Purchase of shares held for ESS | **(18,174)** | (28,638) |
| Purchase of property, plant and equipment | **(3)** | (536) |
| Proceeds from disposal of property, plant and equipment | **–** | 93 |
| Dividend received | **265,616** | 204,324 |
| ESS recharge amount received from subsidiaries | **3,822** | 3,558 |
| Proceeds from share option exercised by owned employees | **5,007** | – |
| Net cash generated from investing activities | **258,469** | 191,748 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividends paid | **(252,482)** | (203,200) |
| Repayment of long term borrowings | **–** | (601,272) |
| Interest paid on long term borrowings | **–** | (14,178) |
| Net cash used in financing activities | **(252,482)** | (818,650) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | **11,169** | (40,357) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **6,501** | 46,858 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **17,670** | 6,501 |
| **Cash and cash equivalents comprise the following:** | | |
| Cash and short-term funds | **17,670** | 6,501 |

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

## 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 28 May 2013.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

**Malaysian Financial Reporting Standards ("MFRS") Framework**

The financial statements of the Group have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965.

The financial statements of the Group for the financial year ended 31 March 2013 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1, 'First-time Adoption of Malaysian Financial Reporting Standards'. The Group have consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 April 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 31 March 2012 and 1 April 2011 in the financial statements have been restated to give effect to these changes. Note 54 discloses the impact of the transition to MFRS on the Group's reported financial position, financial performance and cash flows.

The financial statements of the Group have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

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 MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts 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 judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment 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 judgment 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of Preparation (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 2013

(i) 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".

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

(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 amendments do not address which items are presented in OCI.

(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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of Preparation (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 2014

(i) 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.

Financial year beginning on/after 1 April 2015

(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 for MFRS 139 to MFRS 9.

MFRS 9 introduces changes in the way the Group accounts for financial instruments. Due to the complexity of this standard and its proposed changes, the financial effects of its adoption are still being assessed by the Group.

Unless otherwise disclosed, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Group in the year of initial application.

### (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. Acquisition-related costs are expensed as incurred.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

#### (i) Subsidiaries (cont'd)

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.

All profits and losses of 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. All 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.

When a business combination involves more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

#### (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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

#### (iii) Changes in ownership interests

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 at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, 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. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### (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).

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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 judgment 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.

#### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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.

### (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% |

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Property, Plant and Equipment and Depreciation (cont'd)

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.

### (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 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 loans 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 loans is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If the individually assessment does not results in impairment provisions, the Group includes them in group of similar credit risk characteristics and collectively assesses them for impairment.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Impairment of Assets (cont'd)

#### (i) Loans, advances and financing (cont'd)

Loans which are not individually assessed, are grouped together for collective impairment assessment. These loans are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

#### (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 different between the acquisition cost (net of any priciple 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Impairment of Assets (cont'd)

#### (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.

### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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.

### (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 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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.

For impaired loans where the value has been reduced as a result of impairment loss, interest income continues to be accrued using the rate of interest used to discount the future cash flows for the purposes of measuring the impairment.

#### (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).

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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.

#### (a) 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.

#### (b) 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.

#### (c) 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.

#### (d) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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.

### (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").

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (aa) Employee Benefits (cont'd)

#### (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 share 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 instituitions and other bodies on behalf of customers to secure loans, overdraft and other banking facilities.

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 MFRS 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 | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Cash and balances with banks and other financial institutions | **503,023** | 488,970 | 501,618 |
| Money at call and deposit placements maturing within one month | **793,658** | 1,387,024 | 412,451 |
| | **1,296,681** | 1,875,994 | 914,069 |

| | Company | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Cash and balances with banks and other financial institutions | **10** | 9 | 32 |
| Money at call and deposit placements maturing within one month | **17,660** | 6,492 | 46,826 |
| | **17,670** | 6,501 | 46,858 |

Note:

The Company's cash and short term funds as of 31 March 2013 comprises amounts maintained with:

(i) its banking subsidiaries amounting to RM8,716,000 (31 March 2012: RM6,492,000; 1 April 2011: RM44,465,000).

(ii) other licensed bank amounting to RM8,944,000 (31 March 2012: RM Nil; 1 April 2011: RM Nil), pursuant to the Company's ESS.

## 4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Group | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Licensed banks | **153,236** | 97,713 | 50,193 |
| Licensed investment banks | **–** | – | 50,035 |
| | **153,236** | 97,713 | 100,228 |

| | Company | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Licensed banks | **–** | 4,275 | 605,700 |
| Licensed investment banks | **10,101** | 15,040 | – |
| | **10,101** | 19,315 | 605,700 |

Note:

The Company's deposits and placements comprises amounts with maturity of more than 1 month maintained with:

(i) its banking subsidiaries amounting to RM10,101,000 (31 March 2012: RM15,040,000; 1 April 2011: RM600,000,000).

(ii) other licensed bank amounting to RM Nil (31 March 2012: RM4,264,000; 1 April 2011: RM2,298,000), pursuant to the Company's ESS.

## 5. BALANCES DUE FROM CLIENTS AND BROKERS

| | Group | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Due from clients | **34,205** | 58,060 | 96,318 |
| Due from brokers | **17,132** | 4,900 | – |
| | **51,337** | 62,960 | 96,318 |
| Less: Allowance for other losses | **(1,215)** | (1,196) | (15,775) |
| | **50,122** | 61,764 | 80,543 |

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 | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Classified as doubtful | **58** | 165 | 976 |
| Classified as bad | **1,290** | 1,420 | 15,856 |
| | **1,348** | 1,585 | 16,832 |

The movements in allowance for other losses are as follows:

| | Group | |
|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** |
| At beginning of year | | |
| – As previously stated | **1,262** | 15,799 |
| – Effect of change in accounting policy | **(66)** | (24) |
| As restated | **1,196** | 15,775 |
| Allowance made/(write-back) during the year, net | **19** | (129) |
| Amount written off | **–** | (14,450) |
| At end of year | **1,215** | 1,196 |

## 6. FINANCIAL ASSETS HELD-FOR-TRADING

| | Group | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| **At fair value** | | | |
| Money market instruments: | | | |
| Bank Negara Malaysia bills | **1,519,930** | 1,371,696 | 1,848,299 |
| Malaysian Government securities | **–** | 20,053 | – |
| Malaysian Government investment certificates | **–** | 100,246 | 59,951 |
| Malaysian Government treasury bills | **–** | – | 30,000 |
| | **1,519,930** | 1,491,995 | 1,938,250 |

## 7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

| | Group | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| **At fair value** | | | |
| Money market instruments: | | | |
| Malaysian Government securities | **1,265,606** | 2,316,772 | 3,244,713 |
| Malaysian Government investment certificates | **2,336,784** | 1,833,967 | 764,371 |
| Cagamas bonds | **–** | 35,254 | 35,396 |
| Negotiable instruments of deposits | **1,676,828** | 884,535 | 1,741,201 |
| Bankers' acceptances | **2,113,749** | 1,944,074 | 1,388,637 |
| Quoted securities in Malaysia: | | | |
| Shares | **9** | 4,212 | 3,875 |
| Debt securities | **–** | 4,768 | 7,818 |
| Unquoted securities: | | | |
| Shares | **137,383** | 135,888 | 117,587 |
| Debt securities and medium term notes | **2,832,091** | 1,963,731 | 1,956,342 |
| | **10,362,450** | 9,123,201 | 9,259,940 |

## 8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

| | Group | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| **At amortised cost** | | | |
| Money market instruments: | | | |
| Malaysian Government securities | **152,497** | 328,639 | 804,820 |
| Malaysian Government investment certificates | **438,766** | 439,463 | 105,624 |
| **At cost** | | | |
| Quoted securities in Malaysia: | | | |
| Debt securities | **–** | – | 4,902 |
| Unquoted securities: | | | |
| Debt securities | **46,217** | 74,283 | 116,711 |
| | **637,480** | 842,385 | 1,032,057 |
| Accumulated impairment | **(40,531)** | (47,129) | (91,331) |
| | **596,949** | 795,256 | 940,726 |

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

| | Group | |
|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** |
| At beginning of year | **47,129** | 91,331 |
| Reclassified to financial investments available-for-sale due to conversion of bond into equity instrument | **–** | (4,902) |
| Write-back during the year | **(6,598)** | (39,300) |
| At end of year | **40,531** | 47,129 |

## 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.

| | 31 March 2013 | | | 31 March 2012 | | | 1 April 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Contract/ Notional | Fair Value | | Contract/ Notional | Fair Value | | Contract/ Notional | Fair Value | |
| **Group** | **Amount RM'000** | **Assets RM'000** | **Liabilities RM'000** | **Amount RM'000** | **Assets RM'000** | **Liabilities RM'000** | **Amount RM'000** | **Assets RM'000** | **Liabilities RM'000** |
| Trading Derivative | | | | | | | | | |
| **Foreign exchange contracts and commodity contracts:** | | | | | | | | | |
| – Currency forwards | **766,579** | **2,571** | **(4,572)** | 859,253 | 4,792 | (6,243) | 442,706 | 1,217 | (7,713) |
| – Currency swaps | **2,972,174** | **11,465** | **(5,918)** | 1,690,284 | 9,774 | (8,784) | 1,819,102 | 18,692 | (18,042) |
| – Currency spots | **119,254** | **162** | **(152)** | 258,209 | 185 | (150) | 76,047 | 70 | (37) |
| – Currency options | **80,105** | **209** | **(105)** | 122,204 | 467 | (324) | 24,473 | 90 | (57) |
| – Gold options | **–** | **–** | **–** | 217,538 | 2,512 | (1,102) | 482,299 | 2,499 | (2,499) |
| **Interest rate related contracts:** | | | | | | | | | |
| – Interest rate swaps | **2,045,000** | **5,094** | **(3,084)** | 2,106,781 | 5,982 | (9,215) | 2,112,000 | 9,479 | (4,999) |
| **Equity related contracts:** | | | | | | | | | |
| – Options | **54,032** | **291** | **(291)** | – | – | – | – | – | – |
| Hedging Derivatives | | | | | | | | | |
| **Interest rate related contracts:** | | | | | | | | | |
| – Interest rate swaps | **211,608** | **–** | **(1,748)** | 14,115 | – | (423) | – | – | – |
| Total derivative assets/(liabilities) | **6,248,752** | **19,792** | **(15,870)** | 5,268,384 | 23,712 | (26,241) | 4,956,627 | 32,047 | (33,347) |

The Group use fair value hedges to protect against the changes in fair value of financial assets and financial liabilities for a structured deposit 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.

## 10. LOANS, ADVANCES AND FINANCING

| | Group | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Overdrafts | **1,902,717** | 1,854,599 | 1,755,656 |
| Term loans/financing | | | |
| – Housing loans/financing | **10,980,836** | 9,269,933 | 8,340,142 |
| – Syndicated term loans/financing | **454,866** | 475,520 | 289,733 |
| – Hire purchase receivables | **820,934** | 654,393 | 784,158 |
| – Other term loans/financing | **8,511,897** | 7,729,424 | 6,323,214 |
| Bills receivables | **263,450** | 308,763 | 179,607 |
| Trust receipts | **176,776** | 207,515 | 176,815 |
| Claims on customers under acceptance credits | **2,262,586** | 2,337,993 | 2,203,865 |
| Staff loans [include RM NIL loans to Directors of banking subsidiary (31 March 2012: RM92,000; 1 April 2011: RM121,000)] | **50,120** | 54,567 | 60,938 |
| Credit/charge card receivables | **581,335** | 623,563 | 663,059 |
| Revolving credits | **1,197,953** | 1,044,595 | 1,348,813 |
| Other loans | **1,022,010** | 451,282 | 347,518 |
| Gross loans, advances and financing | **28,225,480** | 25,012,147 | 22,473,518 |
| Add: Sales commissions and handling fees | **23,935** | 28,523 | 24,969 |
| Less: Allowance for impaired loans, advances and financing | | | |
| – Individual assessment allowance | **(128,471)** | (157,966) | (179,423) |
| – Collective assessment allowance | **(349,203)** | (393,872) | (425,114) |
| Total net loans, advances and financing | **27,771,741** | 24,488,832 | 21,893,950 |

(i) By maturity structure:

| | | | |
|---|---|---|---|
| Within one year | **7,839,679** | 7,038,788 | 6,884,232 |
| One year to three years | **776,896** | 823,437 | 771,689 |
| Three years to five years | **1,318,636** | 1,184,497 | 1,390,315 |
| Over five years | **18,290,269** | 15,965,425 | 13,427,282 |
| Gross loans, advances and financing | **28,225,480** | 25,012,147 | 22,473,518 |

(ii) By type of customer:

| | | | |
|---|---|---|---|
| Domestic non-bank financial institutions | | | |
| – Stockbroking companies | **16,909** | – | 20,002 |
| – Others | **456,836** | 207,164 | 187,412 |
| Domestic business enterprises | | | |
| – Small and medium enterprises | **6,038,657** | 5,474,004 | 4,786,939 |
| – Others | **4,979,563** | 4,975,449 | 4,544,584 |
| Government and statutory bodies | **10,905** | 12,618 | 18,224 |
| Individuals | **15,714,244** | 13,469,972 | 12,367,461 |
| Other domestic entities | **248,380** | 247,679 | 14,671 |
| Foreign entities | **759,986** | 625,261 | 534,225 |
| Gross loans, advances and financing | **28,225,480** | 25,012,147 | 22,473,518 |

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

| | | Group | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| (iii) By interest/profit rate sensitivity: | | | |
| Fixed rate | | | |
| – Housing loans/financing | **83,318** | 90,842 | 107,750 |
| – Hire purchase receivables | **820,934** | 654,394 | 784,158 |
| – Other fixed rate loans/financing | **1,843,089** | 1,997,715 | 2,207,220 |
| Variable rate | | | |
| – Base lending rate plus | **19,556,732** | 16,761,836 | 15,019,589 |
| – Cost plus | **5,668,573** | 5,203,667 | 4,124,035 |
| – Other variable rates | **252,834** | 303,693 | 230,766 |
| Gross loans, advances and financing | **28,225,480** | 25,012,147 | 22,473,518 |
| (iv) By economic purposes: | | | |
| Purchase of securities | **1,076,433** | 456,014 | 354,975 |
| Purchase of transport vehicles | **737,908** | 561,821 | 704,166 |
| Purchase of landed property | **15,335,694** | 13,116,463 | 11,533,279 |
| *of which: – Residential* | ***11,609,873*** | *9,761,038* | *8,687,329* |
| *– Non–residential* | ***3,725,821*** | *3,355,425* | *2,845,950* |
| Purchase of fixed assets excluding land and buildings | **130,994** | 117,110 | 99,836 |
| Personal use | **1,952,851** | 2,147,220 | 2,095,847 |
| Credit card | **581,335** | 623,563 | 663,059 |
| Construction | **296,431** | 249,710 | 253,621 |
| Merger and acquisition | **369,164** | 207,265 | – |
| Working capital | **6,266,473** | 6,338,755 | 6,129,647 |
| Others | **1,478,197** | 1,194,226 | 639,088 |
| Gross loans, advances and financing | **28,225,480** | 25,012,147 | 22,473,518 |
| (v) By geographical distribution: | | | |
| Northern region | **1,884,397** | 1,915,373 | 1,886,813 |
| Central region | **21,463,279** | 18,846,423 | 16,466,555 |
| Southern region | **2,492,437** | 2,102,419 | 2,018,373 |
| East Malaysia region | **2,385,367** | 2,147,932 | 2,101,777 |
| Gross loans, advances and financing | **28,225,480** | 25,012,147 | 22,473,518 |

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

| | Group | |
|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 |
| **(vi) Movements in impaired loans, advances and financing ("impaired loans") are as follows:** | | |
| At beginning of year | | |
| – As previously stated | **601,135** | 741,324 |
| – Effect of change in accounting policy | **28,101** | 34,157 |
| As restated | **629,236** | 775,481 |
| Impaired during the year | **524,030** | 435,383 |
| Reclassified as non-impaired during the year | **(315,366)** | (361,159) |
| Recoveries | **(156,795)** | (106,986) |
| Amount written off | **(101,872)** | (113,483) |
| At end of year | **579,233** | 629,236 |
| Gross impaired loans as % of gross loans, advances and financing | **2.1%** | 2.5% |
| **(vii) Movements in the allowance for impairment on loans, advances, and financing are as follows:** | | |
| **Individual assessment allowance** | | |
| At beginning of year | | |
| – As previously stated | **266,349** | 328,375 |
| – Transfers to collective assessment allowance | **(108,383)** | (148,952) |
| As restated | **157,966** | 179,423 |
| Allowance made during the year (net) | **19,674** | 3,108 |
| Amount written off | **(47,649)** | (24,565) |
| Transfer to collective assessment allowance | **(1,520)** | – |
| At end of year | **128,471** | 157,966 |
| **Collective assessment allowance** | | |
| At beginning of year | | |
| – As previously stated | **386,017** | 339,636 |
| – Effect of change in accounting policy | **(100,528)** | (63,474) |
| – Transfers from collective assessment allowance | **108,383** | 148,952 |
| As restated | **393,872** | 425,114 |
| Allowance made during the year (net) | **8,034** | 27,627 |
| Amount written off | **(54,223)** | (58,869) |
| Transfers from individual assessment allowance | **1,520** | – |
| At end of year | **349,203** | 393,872 |

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

| | Group 31 March 2013 RM'000 | Group 31 March 2012 RM'000 | Group 1 April 2011 RM'000 |
|---|---|---|---|
| (viii) Impaired loans by economic purposes: | | | |
| Purchase of securities | **5,092** | 5,436 | 10,268 |
| Purchase of transport vehicles | **5,611** | 5,710 | 9,156 |
| Purchase of landed property | **282,371** | 266,682 | 301,869 |
| *of which: – Residential* | ***213,718*** | *191,394* | *224,680* |
| *– Non-residential* | ***68,653*** | *75,288* | *77,189* |
| Purchase of fixed assets excluding land and buildings | **204** | 190 | 182 |
| Personal use | **32,089** | 31,130 | 39,031 |
| Credit card | **9,107** | 9,908 | 12,694 |
| Construction | **11,330** | 11,870 | 12,777 |
| Working capital | **197,330** | 256,919 | 329,051 |
| Others | **36,099** | 41,391 | 60,453 |
| Gross impaired loans | **579,233** | 629,236 | 775,481 |
| (ix) Impaired loans by geographical distribution: | | | |
| Northern region | **112,029** | 139,407 | 108,540 |
| Central region | **379,755** | 378,774 | 524,880 |
| Southern region | **40,911** | 53,056 | 73,171 |
| East Malaysia region | **46,538** | 57,999 | 68,890 |
| Gross impaired loans | **579,233** | 629,236 | 775,481 |

## 11. OTHER ASSETS

| | Group 31 March 2013 RM'000 | Group 31 March 2012 RM'000 | Group 1 April 2011 RM'000 |
|---|---|---|---|
| Other receivables, deposits and prepayments (Note (a)) | **103,601** | 100,059 | 103,113 |
| Trade receivables | **46** | 2,514 | 2,190 |
| Foreclosed properties | **–** | – | 4,200 |
| | **103,647** | 102,573 | 109,503 |
| Less: Allowance for other losses (Note (c)) | **(27,640)** | (24,416) | (21,882) |
| | **76,007** | 78,157 | 87,621 |

| | Company 31 March 2013 RM'000 | Company 31 March 2012 RM'000 | Company 1 April 2011 RM'000 |
|---|---|---|---|
| Other receivables, deposits and prepayments | **241** | 250 | 208 |
| Amount due from subsidiaries (Note (b)) | **3,194** | 2,327 | 1,349 |
| | **3,435** | 2,577 | 1,557 |
| Less: Allowance for other losses (Note (c)) | **(2,740)** | (2,308) | (1,338) |
| | **695** | 269 | 219 |

## 11. OTHER ASSETS (cont'd)

Note:

(a) Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Group is an amount of RM16,290,000 (31 March 2012: RM22,044,000, 1 April 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 | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Non-interest bearing | **3,194** | 2,327 | 1,349 |
| Less: Allowance for impairment losses | **(2,740)** | (2,308) | (1,338) |
| | **454** | 19 | 11 |

The amounts due from subsidiaries of RM3,194,000 (31 March 2012: RM2,327,000; 1 April 2011: RM1,349,000) are unsecured, interest-free and repayable upon demand.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **31 March 2013 RM'000** | **31 March 2012 RM'000** |
| At beginning of year | **24,416** | 21,882 | **2,308** | 1,338 |
| Allowance net of write-back | **3,224** | 2,534 | **432** | 970 |
| At end of year | **27,640** | 24,416 | **2,740** | 2,308 |

## 12. STATUTORY DEPOSITS

Statutory deposits comprise the following:

(a) Non-interest bearing statutory deposits of RM1,330,872,000 (31 March 2012: RM1,162,983,000; 1 April 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.

(b) Interest bearing statutory deposits of RM100,000 (31 March 2012: RM100,000; 1 April 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 | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Unquoted shares, at cost | | | |
| At beginning of year | **1,810,438** | 1,810,438 | 1,817,638 |
| Liquidation of a subsidiary | **–** | – | (7,200) |
| | **1,810,438** | 1,810,438 | 1,810,438 |
| Employees' Share Scheme (Note (a)) | **14,951** | 14,360 | 14,344 |
| | **1,825,389** | 1,824,798 | 1,824,782 |
| Less: Accumulated impairment | **(47,293)** | (47,293) | (47,293) |
| At end of year | **1,778,096** | 1,777,505 | 1,777,489 |

Note:

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

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

| | | Effective equity interest | | |
|---|---|---|---|---|
| **Name** | **Principal activities** | **31 March 2013** | **31 March 2012** | **1 April 2011** |
| | | **%** | **%** | **%** |
| *Subsidiaries of the Company* | | | | |
| Alliance Bank Malaysia Berhad | Banking and finance business and the provision of related financial services | **100** | 100 | 100 |
| Hijauan Setiu Sdn. Bhd. | Investment holding | **100** | 100 | 100 |
| Setiu Integrated Resort Sdn. Bhd. | Investment holding | **100** | 100 | 100 |
| Pridunia Sdn. Bhd. | Dormant | **100** | 100 | 100 |
| Alliance Trustee Berhad | Trustee services | **100** | 100 | 100 |
| Kota Indrapura Development Corporation Berhad | Property holding | **100** | 100 | 100 |

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

| Name | Principal activities | Effective equity interest 31 March 2013 % | 31 March 2012 % | 1 April 2011 % |
|---|---|---|---|---|
| *Subsidiaries of Alliance Bank Malaysia Berhad* | | | | |
| Alliance Investment Bank Berhad | Investment banking business including Islamic banking, provision of stockbroking services and related financial services | **100** | 100 | 100 |
| Alliance Islamic Bank Berhad | Islamic banking and the provision of related financial services | **100** | 100 | 100 |
| Alliance Direct Marketing Sdn. Bhd. | Dealing in sales and distribution of consumer and commercial banking products | **100** | 100 | 100 |
| AllianceGroup Nominees (Asing) Sdn. Bhd. | Nominee services | **100** | 100 | 100 |
| AllianceGroup Nominees (Tempatan) Sdn. Bhd. | Nominee services | **100** | 100 | 100 |
| Alliance Investment Management Berhad | Management of unit trusts funds, provision of fund management and investment advisory services | **70** | 70 | 70 |
| AllianceGroup Properties Sdn. Bhd. | Liquidated | **–** | – | 100 |
| *Subsidiaries of Alliance Investment Bank Berhad* | | | | |
| Alliance Research Sdn. Bhd. | Investment advisory | **100** | 100 | 100 |
| AIBB Nominees (Tempatan) Sdn. Bhd. | Nominee services | **100** | 100 | 100 |
| AIBB Nominees (Asing) Sdn. Bhd. | Nominee services | **100** | 100 | 100 |
| KLCS Sdn. Bhd. | Dormant | **100** | 100 | 100 |
| Alliance Investment Futures Sdn. Bhd. | Dormant | **100** | 100 | 100 |
| Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up) | Dormant | **100** | 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

## 14. INVESTMENT IN ASSOCIATE

| | Group | |
|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 |
| Unquoted shares | | |
| At beginning of year | **26,552** | 28,530 |
| Disposal | **(21,824)** | – |
| Share of post acquisition losses | **(4,728)** | (1,978) |
| At end of year | **–** | 26,552 |
| Represented by: | | |
| Share of net tangible assets | **–** | 26,552 |

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

| | | Effective equity interest | | |
|---|---|---|---|---|
| **Name** | **Principal activities** | **31 March 2013** | **31 March 2012** | **1 April 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:

| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
|---|---|---|---|
| **Assets and Liabilities** | | | |
| Current assets | **–** | 11,968 | 207 |
| Non-current assets | **–** | 78,780 | 99,647 |
| | **–** | 90,748 | 99,854 |
| Current liabilities | **–** | 2,242 | 4,665 |
| | **–** | 2,242 | 4,665 |
| **Results** | | | |
| Revenue | **15,779** | 9,812 | 1,206 |
| Loss for the year | **(15,758)** | (6,594) | (4,810) |

On 11 March 2013, an announcement was made to Bursa Malaysia on Share Sale Agreement with American International Assurance Berhad ("AIA") for the disposal of its 30% equity interest in AIA AFG Takaful Berhad comprising 30,000,000 ordinary shares of RM1.00 each fully paid for a total cash consideration of RM45 million ("The Disposal"). Gain from the disposal is amounting to RM15 million for Alliance Bank Malaysia Berhad and RM23.2 million for the Group.

## 15. INVESTMENT PROPERTY

| | Group | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Freehold land, at cost | **23,114** | 23,114 | 23,114 |
| Development costs | **8,943** | 8,943 | 8,943 |
| | **32,057** | 32,057 | 32,057 |
| Accumulated impairment: | | | |
| At beginning/end of year | **(4,309)** | (4,309) | (4,309) |
| | **27,748** | 27,748 | 27,748 |

The fair value of the freehold land was RM34,758,000 (31 March 2012: RM34,758,000; 1 April 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 RM278,870 (31 March 2012: RM286,412; 1 April 2011: RM334,947) for the current financial year.

## 16. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land RM'000 | Leasehold land 50 years or more RM'000 | Leasehold land Less than 50 years RM'000 | Buildings RM'000 | Renovations RM'000 | Office equipment and furniture RM'000 | Computer equipment RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| 2013 | | | | | | | | | |
| **Cost** | | | | | | | | | |
| At beginning of year | 1,953 | 12,037 | 1,850 | 43,200 | 116,013 | 69,159 | 128,624 | 2,781 | 375,617 |
| Additions | – | – | – | – | 12,073 | 2,562 | 6,274 | – | 20,909 |
| Disposals | – | (364) | – | (111) | (531) | (542) | (326) | (1,458) | (3,332) |
| Written off | – | – | – | – | (2,067) | (590) | (960) | (1) | (3,618) |
| Reclassified to non-current assets held for sale (Note 53) | – | – | – | – | (370) | (621) | (652) | – | (1,643) |
| At end of year | 1,953 | 11,673 | 1,850 | 43,089 | 125,118 | 69,968 | 132,960 | 1,322 | 387,933 |
| **Accumulated Depreciation** | | | | | | | | | |
| At beginning of year | – | 2,560 | 834 | 12,096 | 91,071 | 52,855 | 119,922 | 718 | 280,056 |
| Charge for the year | – | 70 | 44 | 729 | 13,304 | 6,308 | 5,851 | 126 | 26,432 |
| Disposals | – | (50) | – | (39) | (505) | (476) | (292) | (935) | (2,297) |
| Written off | – | – | – | – | (1,581) | (566) | (960) | (1) | (3,108) |
| Reclassified to non-current assets held for sale (Note 53) | – | – | – | – | (370) | (615) | (650) | – | (1,635) |
| At end of year | – | 2,580 | 878 | 12,786 | 101,919 | 57,506 | 123,871 | (92) | 299,448 |
| **Accumulated Impairment** | | | | | | | | | |
| At beginning/end of year | – | – | – | 5,268 | – | – | – | – | 5,268 |
| **Net Carrying Amount** | 1,953 | 9,093 | 972 | 25,035 | 23,199 | 12,462 | 9,089 | 1,414 | 83,217 |

# NOTES TO THE FINANCIAL STATEMENTS
31 March 2013

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

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

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

| | Computer equipment RM'000 | Office equipment and furniture RM'000 | Motor vehicles RM'000 | Renovations RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| 2013 | | | | | |
| **Cost** | | | | | |
| At beginning of year | **276** | **554** | **500** | **635** | **1,965** |
| Additions | **–** | **3** | **–** | **–** | **3** |
| Written-off | **–** | **(2)** | **–** | **–** | **(2)** |
| At end of year | **276** | **555** | **500** | **635** | **1,966** |
| **Accumulated Depreciation** | | | | | |
| At beginning of year | **276** | **524** | **17** | **632** | **1,449** |
| Charge for the year | **–** | **8** | **42** | **1** | **51** |
| Written-off | **–** | **(2)** | **–** | **–** | **(2)** |
| At end of year | **276** | **530** | **59** | **633** | **1,498** |
| **Net Carrying Amount** | **–** | **25** | **441** | **2** | **468** |
| 2012 | | | | | |
| **Cost** | | | | | |
| At beginning of year | 276 | 554 | 396 | 599 | 1,825 |
| Additions | – | – | 500 | 36 | 536 |
| Disposal | – | – | (396) | – | (396) |
| At end of year | 276 | 554 | 500 | 635 | 1,965 |
| **Accumulated Depreciation** | | | | | |
| At beginning of year | 276 | 515 | 165 | 584 | 1,540 |
| Charge for the year | – | 9 | 46 | 48 | 103 |
| Disposal | – | – | (194) | – | (194) |
| At end of year | 276 | 524 | 17 | 632 | 1,449 |
| **Net Carrying Amount** | – | 30 | 483 | 3 | 516 |

## 17. INTANGIBLE ASSETS

| | Group | |
|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 |
| Goodwill | | |
| **Cost** | | |
| At beginning of year | **304,149** | 304,149 |
| Reclassified to non-current assets held for sale (Note 53) | **(2,107)** | – |
| At end of year | **302,042** | 304,149 |
| **Accumulated impairment:** | | |
| At beginning/end of year | **(2,084)** | (2,084) |
| **Net carrying amount** | **299,958** | 302,065 |
| Computer software | | |
| **Cost** | | |
| At beginning of year | **198,079** | 182,980 |
| Additions | **23,776** | 16,300 |
| Disposal | **(100)** | – |
| Written off | **(138)** | (1,201) |
| Reclassified to non-current assets held for sale (Note 53) | **(983)** | – |
| At end of year | **220,634** | 198,079 |
| **Accumulated amortisation** | | |
| At beginning of year | **(145,242)** | (127,363) |
| Charge for the year | **(20,334)** | (18,239) |
| Disposal | **100** | – |
| Written off | **137** | 360 |
| Reclassified to non-current assets held for sale (Note 53) | **915** | – |
| At end of year | **(164,424)** | (145,242) |
| **Net carrying amount** | **56,210** | 52,837 |
| **Total carrying amount of goodwill and computer software** | **356,168** | 354,902 |

## 17. INTANGIBLE ASSETS (cont'd)

### (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 | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Corporate banking | **44,758** | 44,758 | 44,758 |
| Commercial banking | **13,459** | 13,459 | 13,459 |
| Small and medium enterprise banking | **42,621** | 42,621 | 42,621 |
| Consumer banking | **101,565** | 101,565 | 101,565 |
| Financial markets | **83,284** | 83,284 | 83,284 |
| Corporate finance and equity capital market | **1,838** | 1,838 | 1,838 |
| Stock–broking business | **12,433** | 12,433 | 12,433 |
| Asset management | **–** | 2,107 | 2,107 |
| | **299,958** | 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 10.11% - 19.46% (31 March 2012: 10.15% - 23.30%; 1 April 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.

#### (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 5.1% (31 March 2012: 4.7%; 1 April 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 | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Deferred tax assets, net | **11,361** | 15,341 | 84,083 |
| Deferred tax liabilities, net | **(24,430)** | (23,012) | (6,190) |
| | **(13,069)** | (7,671) | 77,893 |

| | Company | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Deferred tax assets, net | **302** | 300 | 284 |

| | Group | | Company | |
|---|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 31 March 2013 RM'000 | 31 March 2012 RM'000 |
| At beginning of year | | | | |
| – As previously stated | **(7,671)** | 102,307 | **300** | 284 |
| – Effect of change in accounting policy | **–** | (24,414) | **–** | – |
| As restated | **(7,671)** | 77,893 | **300** | 284 |
| Recognised in statement of comprehensive income | **(10,888)** | (64,182) | **2** | 16 |
| Recognised in equity | **5,791** | (21,382) | **–** | – |
| Reclassified to non-current assets held for sale (Note 53) | **(301)** | – | **–** | – |
| At end of year | **(13,069)** | (7,671) | **302** | 300 |

| | Group | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Deferred tax assets | | | |
| – to be recovered more than 12 months | **13,049** | 14,464 | 51,307 |
| – to be recovered within 12 months | **(1,688)** | 877 | 32,776 |
| | **11,361** | 15,341 | 84,083 |
| Deferred tax liabilities | | | |
| – to be recovered more than 12 months | **(2,952)** | 2,182 | 212 |
| – to be recovered within 12 months | **(21,478)** | (25,194) | (6,402) |
| | **(24,430)** | (23,012) | (6,190) |

## 18. DEFERRED TAX (cont'd)

| | Company | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Deferred tax assets | | | |
| – to be recovered more than 12 months | **68** | 51 | 32 |
| – to be recovered within 12 months | **234** | 249 | 252 |
| | **302** | 300 | 284 |

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

| | Group | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Deferred tax assets | **42,033** | 51,076 | 117,288 |
| Deferred tax liabilities | **(55,102)** | (58,747) | (39,395) |
| | **(13,069)** | (7,671) | 77,893 |

| | Company | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Deferred tax assets | **307** | 302 | 293 |
| Deferred tax liabilities | **(5)** | (2) | (9) |
| | **302** | 300 | 284 |

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

| Group | Allowance for losses on loans, advances and financing RM'000 | Unabsorbed tax losses and capital allowances RM'000 | Other temporary differences RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Deferred tax assets:** | | | | |
| At 1 April 2011 | | | | |
| – As previously stated | 85,638 | 4,238 | 51,826 | 141,702 |
| – Effect of change in accounting policy | (24,414) | – | – | (24,414) |
| As restated | 61,224 | 4,238 | 51,826 | 117,288 |
| Recognised in statement of comprehensive income | (48,898) | (1,050) | (16,264) | (66,212) |
| At 31 March 2012 | 12,326 | 3,188 | 35,562 | 51,076 |
| Recognised in statement of comprehensive income | (12,326) | (1,247) | 4,849 | (8,724) |
| Reclassified to non–current assets held for sale (Note 53) | – | – | (319) | (319) |
| At 31 March 2013 | **–** | **1,941** | **40,092** | **42,033** |

## 18. DEFERRED TAX (cont'd)

| Group | Financial investments available-for-sale RM'000 | Property, plant and equipment RM'000 | Total RM'000 |
|---|---|---|---|
| **Deferred tax liabilities:** | | | |
| At 1 April 2011 | 22,874 | 16,521 | 39,395 |
| Recognised in statement of comprehensive income | – | (2,030) | (2,030) |
| Recognised in equity | 21,382 | – | 21,382 |
| At 31 March 2012 | 44,256 | 14,491 | 58,747 |
| Recognised in statement of comprehensive income | – | 2,164 | 2,164 |
| Recognised in equity | (5,791) | – | (5,791) |
| Reclassified to non-current assets held for sale (Note 53) | – | (18) | (18) |
| At 31 March 2013 | **38,465** | **16,637** | **55,102** |

| Company | Other temporary differences RM'000 | Total RM'000 |
|---|---|---|
| **Deferred tax assets:** | | |
| At 31 March 2011 | 293 | 293 |
| Recognised in statement of comprehensive income | 9 | 9 |
| At 31 March 2012 | 302 | 302 |
| Recognised in statement of comprehensive income | 5 | 5 |
| At 31 March 2013 | **307** | **307** |

| | Property, plant and equipment RM'000 | Total RM'000 |
|---|---|---|
| **Deferred tax liabilities:** | | |
| At 31 March 2011 | 9 | 9 |
| Recognised in statement of comprehensive income | (7) | (7) |
| At 31 March 2012 | 2 | 2 |
| Recognised in statement of comprehensive income | 3 | 3 |
| At 31 March 2013 | **5** | **5** |

| | Group | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 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 | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Demand deposits | **10,386,420** | 9,141,209 | 8,010,395 |
| Savings deposits | **1,712,779** | 1,700,686 | 1,633,845 |
| Fixed/investment deposits | **17,111,582** | 15,595,344 | 14,580,270 |
| Money market deposits | **4,675,375** | 4,147,378 | 3,082,061 |
| Negotiable instruments of deposits | **1,973,601** | 1,407,325 | 993,052 |
| Structured deposits (Note) | **144,558** | 194,971 | 85,811 |
| | **36,004,315** | 32,186,913 | 28,385,434 |

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

| | | | |
|---|---|---|---|
| Due within six months | **19,162,880** | 16,539,329 | 14,489,283 |
| Six months to one year | **4,468,776** | 4,516,406 | 4,098,314 |
| One year to three years | **112,328** | 72,776 | 54,539 |
| Three years to five years | **16,574** | 21,536 | 13,247 |
| | **23,760,558** | 21,150,047 | 18,655,383 |

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

| | | | |
|---|---|---|---|
| Domestic financial institutions | **2,402,307** | 1,411,638 | 998,676 |
| Government and statutory bodies | **1,474,286** | 1,396,323 | 1,069,088 |
| Business enterprises | **12,914,181** | 11,845,743 | 10,111,082 |
| Individuals | **16,205,037** | 15,707,697 | 15,227,162 |
| Others | **3,008,504** | 1,825,512 | 979,426 |
| | **36,004,315** | 32,186,913 | 28,385,434 |

Note:

(a) Structured deposits represent foreign currency time deposits with embedded foreign exchange, gold commodity and equity 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 RM105,804,000 (31 March 2012: RM14,115,000; 1 April 2011: RM Nil) using interest rate swaps.

| | Group | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Structured deposits | **105,804** | 14,115 | – |
| Fair value changes arising from fair value hedges | **(1,748)** | (423) | – |
| | **104,056** | 13,692 | – |

The fair value gain of the interest rate swap in this hedge transaction as at financial year ended 31 March 2013 is RM1,748,000 (31 March 2012: RM423,000; 1 April 2011: RM Nil).

## 20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Group | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Licensed banks | **790,228** | 976,450 | 744,993 |
| Licensed investment banks | **425,940** | 180,036 | 280,380 |
| Licensed Islamic banks | **150,342** | 245,468 | 6,000 |
| Bank Negara Malaysia | **643,486** | 759,051 | 920,827 |
| | **2,009,996** | 2,161,005 | 1,952,200 |

## 21. BALANCES DUE TO CLIENTS AND BROKERS

| | Group | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Due to clients | **30,852** | 20,626 | 40,704 |
| Due to brokers | **–** | – | 6,283 |
| | **30,852** | 20,626 | 46,987 |

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.

Following the issuance of FRSIC Consensus 18, the Group no longer recognises trust monies balances in the statement of financial position, as the Group does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. The trust monies maintained by the Group amounting to RM63,290,000 (31 March 2012: RM54,289,000; 1 April 2011: RM39,756,000) have been excluded accordingly.

## 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 | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Other payable and accruals | **802,528** | 849,576 | 787,517 |
| Remiser's accounts | **21,108** | 21,230 | 24,373 |
| | **823,636** | 870,806 | 811,890 |

| | Company | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Other payable and accruals | **1,603** | 3,996 | 1,524 |
| Amount due to subsidiaries (Note) | **374** | 358 | 5 |
| | **1,977** | 4,354 | 1,529 |

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

## 25. SUBORDINATED OBLIGATIONS

| | | Group | | |
|---|---|---|---|---|
| | | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Tier – 2 Subordinated bonds | (a) | **–** | – | 600,000 |
| Tier – 2 Subordinated Medium Term Notes | (b) | **612,193** | 611,615 | – |
| | | **612,193** | 611,615 | 600,000 |

**(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.

## 25. SUBORDINATED OBLIGATIONS (cont'd)

### (b) Tier – 2 Subordinated Medium Term Notes

| | Group | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| At cost | **600,000** | 600,000 | – |
| Accumulated unamortised discount | **(1,672)** | (2,171) | – |
| Interest accrued | **13,865** | 13,786 | – |
| | **612,193** | 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.

## 26. LONG TERM BORROWINGS

| | Group/Company | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Unsecured | | | |
| 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 | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| **Authorised** | | | |
| 2,000,000,000 ordinary shares of RM1 each | **2,000,000** | 2,000,000 | 2,000,000 |
| **Issued and fully paid** | | | |
| Ordinary shares: | | | |
| At 1 April/31 March | | | |
| 1,548,106,000 ordinary shares of RM1 each | **1,548,106** | 1,548,106 | 1,548,106 |

## 28. RESERVES

| | | Group | | |
|---|---|---|---|---|
| | **Note** | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Non-distributable: | | | | |
| Statutory reserve | (a) | **643,706** | 600,129 | 544,368 |
| Capital reserve | (b) | **7,013** | 7,013 | 7,013 |
| Revaluation reserve | (c) | **115,397** | 132,769 | 68,620 |
| Employees' share scheme reserve | (d) | **14,739** | 14,001 | 13,768 |
| Share premium | | **304,289** | 304,289 | 304,289 |
| Profit equalisation reserve | (e) | **1,033** | 1,033 | 1,033 |
| | | **1,086,177** | 1,059,234 | 939,091 |
| Distributable: | | | | |
| Retained profits | (f) | **1,472,371** | 1,227,804 | 981,325 |
| | | **2,558,548** | 2,287,038 | 1,920,416 |

## 28. RESERVES (cont'd)

| | Company | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Employees' share scheme reserve | **14,739** | 14,001 | 13,768 |
| Share premium | **304,289** | 304,289 | 304,289 |
| | **319,028** | 318,290 | 318,057 |
| Distributable: | | | |
| Retained profits | **14,927** | 2,312 | 5,837 |
| | **333,955** | 320,602 | 323,894 |

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

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 MFRS 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 4,641,600 ordinary shares of RM1.00 each from the open market at an average price of RM3.91 per share. The total consideration for the purchase including transaction coats was RM18,173,900. 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 2013, 3,412,800 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 2013, the Trustee of the ESS held 25,695,600 ordinary shares representing 1.66% of the issued and paid-up capital of the Company.

## 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
31 March 2013

## 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 2013 | Share Options Number of Share Options | | | | | Share Grants Number of Share Grants | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | At beginning of year '000 | Offered/ awarded '000 | Vested/ exercised '000 | Lapsed '000 | At end of year '000 | At beginning of year '000 | Offered/ awarded '000 | Vested '000 | Lapsed '000 | At end of year '000 |
| 2009 Share Scheme | 4,011 | – | – | (4,011) | – | – | – | – | – | – |
| 2010 Share Scheme | 4,480 | – | (3,519) | (961) | – | 680 | – | (628) | (52) | – |
| 2011 Share Scheme | 5,166 | – | (37) | (1,112) | 4,017 | 1,390 | – | (644) | (202) | 544 |
| 2012 Share Scheme | 8,990 | – | (29) | (1,447) | 7,514 | 1,933 | – | (24) | (320) | 1,589 |
| 2013 Share Scheme (1st grant) | – | 13,021 | (8) | (751) | 12,262 | – | 1,705 | (14) | (111) | 1,580 |
| 2013 Share Scheme (2nd grant) | – | 1,050 | – | – | 1,050 | – | 74 | – | – | 74 |
| | 22,647 | 14,071 | (3,593) | (8,282) | 24,843 | 4,003 | 1,779 | (1,310) | (685) | 3,787 |
| WAEP (RM) | 3.09 | 4.22 | 2.40 | 3.01 | 3.85 | | | | | |

| Group 2012 | Share Options Number of Share Options | | | | | Share Grants Number of Share Grants | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | At beginning of year '000 | Offered/ awarded '000 | Vested/ exercised '000 | Lapsed '000 | At end of year '000 | At beginning of year '000 | Offered/ awarded '000 | Vested '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 | | | | | |

## 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 (cont'd):

| Company 2013 | Share Options Number of Share Options | | | | | Share Grants Number of Share Grants | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | At beginning of year '000 | Offered/ awarded '000 | Vested/ exercised '000 | Lapsed '000 | At end of year '000 | At beginning of year '000 | Offered/ awarded '000 | Vested '000 | Lapsed '000 | At end of year '000 |
| 2009 Share Scheme | 92 | – | – | (92) | – | – | – | – | – | – |
| 2010 Share Scheme | 111 | – | (98) | (13) | – | 12 | – | (12) | – | – |
| 2011 Share Scheme | 85 | – | – | – | 85 | 20 | – | (10) | – | 10 |
| 2012 Share Scheme | 211 | – | – | – | 211 | 35 | – | – | – | 35 |
| 2013 Share Scheme (1st grant) | – | 301 | – | – | 301 | – | 33 | – | – | 33 |
| | 499 | 301 | (98) | (105) | 597 | 67 | 33 | (22) | – | 78 |
| WAEP (RM) | 3.08 | 4.22 | 2.38 | 2.66 | 3.84 | | | | | |

| Company 2012 | Share Options Number of Share Options | | | | | Share Grants Number of Share Grants | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | At beginning of year '000 | Offered/ awarded '000 | Vested/ exercised '000 | Lapsed '000 | At end of year '000 | At beginning of year '000 | Offered/ awarded '000 | Vested '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 | | | | | |

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

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

| | WAEP RM | Exercise Period |
|---|---|---|
| 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 |
| 2013 Share Options (1st grant) | 4.22 | 06.07.2015 – 05.07.2017 |
| 2013 Share Options (2nd grant) | 4.25 | 31.01.2016 – 30.01.2017 |

| | | Vesting Dates |
|---|---|---|
| 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 |
| 2013 Share Grants (1st grant) | – First 50% of the share grants | 06.07.2014 |
| | – Second 50% of the share grants | 06.07.2015 |
| 2013 Share Grants (2nd grant) | – First 50% of the share grants | 31.01.2015 |
| | – Second 50% of the share grants | 31.01.2016 |

Note:

(i) 2009 Share Options had since lapsed and all shares were forfeited due to performance measures were not meet during the extended grace period.

(ii) 2010 Share Option was vested as the Group has met the performance targets.

(iii) 2009 and 2010 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 |
|---|---|
| *Since commencement of the ESS* | |
| 2009 Share Scheme | 48.7% |
| 2010 Share Scheme | 48.5% |
| 2011 Share Scheme | 43.5% |
| 2012 Share Scheme | 48.8% |
| *During the financial year* | |
| 2013 Share Scheme | **39.8%** |

## 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 | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 (1st grant) | 2013 (2nd grant) |
| **Fair value of the shares as at grant date,** | | | | | | |
| – 2 September 2008 (RM) | 0.7040 | – | – | – | **–** | **–** |
| – 25 August 2009 (RM) | – | 0.7489 | – | – | **–** | **–** |
| – 23 September 2010 (RM) | – | – | 0.8980 | – | **–** | **–** |
| – 22 July 2011 (RM) | – | – | – | 0.8790 | **–** | **–** |
| – 5 July 2012 (RM) | – | – | – | – | **0.6900** | **–** |
| – 30 January 2013 (RM) | – | – | – | – | **–** | **0.6000** |
| Weighted average share price (RM) | 2.6600 | 2.4000 | 3.1300 | 3.7200 | **4.2200** | **4.2500** |
| Weighted average exercise price (RM) | 2.6989 | 2.3784 | 3.1480 | 3.5800 | **4.2200** | **4.2500** |
| Expected volatility (%) | 0.2709 | 0.3403 | 0.3115 | 0.2977 | **0.2345** | **0.2019** |
| Expected life (years) | 7 | 7 | 7 | 6 | **5** | **4** |
| Risk free rate (%) | 3.79 to 5.22 | 2.04 to 4.61 | 2.92 to 4.04 | 2.93 to 4.18 | **2.96 to 3.97** | **2.99 to 3.90** |
| Expected dividend yield (%) | 1.78 | 1.78 | 1.78 | 3.08 | **3.46** | **3.51** |

| | Share Grants | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 (1st grant) | 2013 (2nd grant) |
| **Fair value of the shares as at grant date,** | | | | | | |
| – 2 September 2008 (RM) | 2.5432 | – | – | – | **–** | **–** |
| – 25 August 2009 (RM) | – | 2.2941 | – | – | **–** | **–** |
| – 23 September 2010 (RM) | – | – | 2.9930 | – | **–** | **–** |
| – 22 July 2011 (RM) | – | – | – | 3.4405 | **–** | **–** |
| – 5 July 2012 (RM) | – | – | – | – | **3.8000** | **–** |
| – 30 January 2013 (RM) | – | – | – | – | **–** | **3.8200** |
| Weighted average share price (RM) | 2.6600 | 2.4000 | 3.1300 | 3.7200 | **4.2200** | **4.2500** |
| Expected volatility (%) | 0.2709 | 0.3403 | 0.3115 | 0.2977 | **0.2345** | **0.2019** |
| Risk free rate (%) | 3.79 to 5.22 | 2.04 to 4.61 | 2.92 to 4.04 | 2.93 to 4.18 | **2.96 to 3.97** | **2.99 to 3.90** |
| Expected dividend yield (%) | 1.78 | 1.78 | 1.78 | 3.08 | **3.46** | **3.51** |

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.

## 31. INTEREST INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Loans, advances and financing | **1,033,185** | 901,937 | **–** | – |
| Money at call and deposit placements with financial instituitions | **7,682** | 41,836 | **2,201** | 12,947 |
| Financial assets held-for-trading | **2,755** | 3,862 | **–** | – |
| Financial investments available-for-sale | **245,750** | 253,237 | **–** | – |
| Financial investments held-to-maturity | **12,527** | 22,751 | **–** | – |
| Others | **1,430** | 3,375 | **–** | – |
| | **1,303,329** | 1,226,998 | **2,201** | 12,947 |
| Accretion of discount less amortisation of premium | **125,996** | 94,369 | **–** | – |
| | **1,429,325** | 1,321,367 | **2,201** | 12,947 |

## 32. INTEREST EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Deposits and placements of banks and other financial institutions | **54,668** | 33,640 | **–** | – |
| Deposits from customers | **610,948** | 565,206 | **–** | – |
| Loans sold to Cagamas | **–** | 2,908 | **–** | – |
| Subordinated obligations | **29,419** | 34,513 | **–** | – |
| Long term borrowings | **–** | 14,178 | **–** | 14,178 |
| Others | **3,831** | 3,814 | **–** | – |
| | **698,866** | 654,259 | **–** | 14,178 |

## 33. NET INCOME FROM ISLAMIC BANKING BUSINESS

| | Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Income derived from investment of depositors' funds and others | **326,733** | 336,497 |
| Income derived from investment of Islamic Banking funds | **33,150** | 32,152 |
| Income attributable to depositors and financial institutions | **(147,661)** | (139,025) |
| | **212,222** | 229,624 |
| Add: Income due to head office eliminated at Group level | **29,936** | 27,404 |
| | **242,158** | 257,028 |

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.

## 34. OTHER OPERATING INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | **2013 RM'000** | **2012 RM'000** | **2013 RM'000** | **2012 RM'000** |
| (a) Fee income: | | | | |
| Commissions | **75,740** | 55,160 | **–** | – |
| Service charges and fees | **30,561** | 30,546 | **–** | – |
| Portfolio management fees | **6,557** | 6,994 | **–** | – |
| Corporate advisory fees | **4,378** | 6,073 | **–** | – |
| Underwriting commissions | **705** | 990 | **–** | – |
| Brokerage fees | **10,019** | 14,499 | **–** | – |
| Guarantee fees | **9,209** | 8,764 | **–** | – |
| Processing fees | **6,850** | 10,817 | **–** | – |
| Commitment fees | **14,731** | 14,376 | **–** | – |
| Other fee income | **16,228** | 28,533 | **–** | – |
| | **174,978** | 176,752 | **–** | – |
| (b) Investment income: | | | | |
| Gain arising from sale/redemption of: | | | | |
| – Financial assets held-for-trading | **704** | 3,699 | **–** | – |
| – Financial investments available-for-sale | **61,526** | 47,408 | **–** | – |
| – Financial investments held-to-maturity | **7,771** | 16,831 | **–** | – |
| Unrealised gain/(loss) from revaluation of: | | | | |
| – Financial assets held-for-trading | **46** | (185) | **–** | – |
| – Derivative financial instruments | **5,407** | 1,572 | **–** | – |
| Realised gain on derivative financial instruments | **37,361** | 37,444 | **–** | – |
| Gross dividend income from: | | | | |
| – Financial investments available-for-sale | **3,739** | 10,229 | **–** | – |
| – Subsidiary | **–** | – | **347,488** | 265,765 |
| | **116,554** | 116,998 | **347,488** | 265,765 |
| (c) Other income: | | | | |
| Foreign exchange gain | **18,871** | 7,977 | **–** | – |
| Gain/(loss) on disposal of property, plant and equipment | **472** | 200 | **–** | (109) |
| Gain on disposal of non-current assets held for sale | **7,556** | – | **–** | – |
| Loss on disposal of foreclosed properties | **–** | (20) | **–** | – |
| Gain from disposal of an associate | **23,176** | – | **–** | – |
| Others | **18,807** | 18,275 | **2,371** | 1,542 |
| | **68,882** | 26,432 | **2,371** | 1,433 |
| Total other operating income | **360,414** | 320,182 | **349,859** | 267,198 |

## 35. OTHER OPERATING EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Personnel costs | | | | |
| – Salaries, allowances and bonuses | **318,657** | 290,164 | **1,756** | 1,470 |
| – Contribution to EPF | **51,713** | 47,849 | **342** | 307 |
| – Share options/grants under ESS | **8,449** | 6,649 | **227** | 156 |
| – Others | **38,772** | 31,495 | **177** | 138 |
| | **417,591** | 376,157 | **2,502** | 2,071 |
| Establishment costs | | | | |
| – Depreciation of property, plant and equipment | **26,432** | 29,374 | **51** | 103 |
| – Amortisation of computer software | **20,334** | 18,239 | **–** | – |
| – Rental of premises | **28,654** | 27,414 | **70** | 62 |
| – Water and electricity | **7,279** | 6,137 | **5** | 10 |
| – Repairs and maintenance | **10,990** | 9,965 | **75** | 78 |
| – Information technology expenses | **41,296** | 33,255 | **3** | 3 |
| – Others | **11,898** | 20,007 | **3** | – |
| | **146,883** | 144,391 | **207** | 256 |
| Marketing expenses | | | | |
| – Promotion and advertisement | **12,039** | 11,178 | **–** | – |
| – Branding and publicity | **5,382** | 4,756 | **–** | – |
| – Others | **5,112** | 4,688 | **–** | – |
| | **22,533** | 20,622 | **–** | – |
| Administration and general expenses | | | | |
| – Communication expenses | **12,858** | 13,126 | **5** | 3 |
| – Printing and stationery | **3,661** | 3,756 | **6** | 5 |
| – Insurance | **8,219** | 5,926 | **–** | – |
| – Professional fees | **16,046** | 13,750 | **133** | 238 |
| – Others | **11,479** | 14,068 | **1,530** | 1,540 |
| | **52,263** | 50,626 | **1,674** | 1,786 |
| Total other operating expenses | **639,270** | 591,796 | **4,383** | 4,113 |

Included in the other operating expenses are the following:

| | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|
| Auditors' remuneration [Note (a)] | **1,968** | 1,516 | **111** | 98 |
| Hire of equipment | **3,954** | 3,964 | **–** | 10 |
| Property, plant and equipment written off | **511** | 2,046 | **–** | – |
| Computer software written off | **1** | 841 | **–** | – |

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

| | Group 2013 RM'000 | Group 2012 RM'000 | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|---|---|
| **(a) Auditors' remuneration** | | | | |
| Statutory audit fee | **1,026** | 896 | **59** | 51 |
| Audit related services | **796** | 485 | **37** | 33 |
| Tax compliance work | **123** | 117 | **10** | 9 |
| Tax related services | **18** | 13 | **–** | – |
| Other services | **5** | 5 | **5** | 5 |
| Total | **1,968** | 1,516 | **111** | 98 |
| **(b) Directors' remuneration** | | | | |
| Directors of the Company: | | | | |
| Non-Executive Directors | | | | |
| – Allowances | **904** | 912 | **336** | 340 |
| – Fees | **1,434** | 1,497 | **537** | 540 |
| – Benefits-in-kind | **62** | 55 | **38** | 31 |
| | **2,400** | 2,464 | **911** | 911 |
| CEOs and Directors of Subsidiaries: | | | | |
| Chief Executive Officers | | | | |
| – Salaries and allowances | **3,555** | 3,047 | **–** | – |
| – Bonuses | **2,800** | 3,010 | **–** | – |
| – Contribution to EPF | **1,001** | 911 | **–** | – |
| – Share options/grants under ESS | **1,495** | 930 | **–** | – |
| – Benefits-in-kind | **53** | 56 | **–** | – |
| | **8,904** | 7,954 | **–** | – |
| Non-Executive Directors | | | | |
| – Allowances | **290** | 240 | **–** | – |
| – Fees | **554** | 504 | **–** | – |
| | **844** | 744 | **–** | – |
| | **12,148** | 11,162 | **911** | 911 |
| Past Directors | | | | |
| – Salaries and allowances including meeting allowance | **864** | 182 | **1** | – |
| – Fees | **24** | 179 | **3** | – |
| – Contribution to EPF | **35** | 10 | **–** | – |
| – Share options/grants under ESS | **15** | – | **–** | – |
| – Benefits-in-kind | **1** | – | **–** | – |
| | **939** | 371 | **4** | – |
| Total | **13,087** | 11,533 | **915** | 911 |
| Total Directors' remuneration excluding benefits-in-kind | **12,971** | 11,422 | **877** | 880 |

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

### (b) Directors' remuneration (cont'd)

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Executive Directors/ CEOs | Non-Executive Directors | Executive Directors/ CEOs | Non-Executive Directors |
| Directors of the Company: | | | | |
| Below RM50,000 | – | – | – | – |
| RM50,001 – RM100,000 | – | 4 | – | 2 |
| RM100,001 – RM150,000 | – | 3 | – | 5 |
| RM150,001 – RM200,000 | – | 1 | – | 1 |
| RM200,001 – RM250,000 | – | – | – | – |
| RM250,001 – RM300,000 | – | – | – | – |
| RM300,001 – RM350,000 | – | – | – | – |
| RM350,001 – RM400,000 | – | – | – | – |
| RM400,001 – RM450,000 | – | – | – | – |
| Above RM450,000 | – | – | – | – |
| Directors of the Group: | | | | |
| Below RM50,000 | – | 1 | – | – |
| RM50,001 – RM100,000 | – | – | – | – |
| RM100,001 – RM150,000 | – | 4 | – | 5 |
| RM150,001 – RM200,000 | – | 1 | – | 1 |
| RM200,001 – RM250,000 | – | 4 | – | 2 |
| RM250,001 – RM300,000 | – | 1 | – | 1 |
| RM300,001 – RM350,000 | – | – | 1 | 1 |
| RM350,001 – RM400,000 | 1 | – | – | – |
| RM400,001 – RM450,000 | – | 1 | – | 1 |
| Above RM450,000 | 4 | 2 | 3 | 2 |

## 36. WRITE-BACK OF LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER LOSSES

| | Group | |
|---|---|---|
| | 2013 RM'000 | 2012 RM'000 |
| Write-back of losses on loans, advances and financing: | | |
| (a) Individual assessment allowance | | |
| – Made during the year (net) | 19,674 | 3,108 |
| (b) Collective assessment allowance | | |
| – Made during the year (net) | 8,034 | 27,627 |
| (c) Bad debts on loans and financing | | |
| – Recovered | (78,360) | (65,590) |
| – Written off | 21,660 | 30,371 |
| | (28,992) | (4,484) |
| Write-back of commitments and contingencies | (197) | (4,210) |
| Allowance for other assets | 4,676 | 6,238 |
| | (24,513) | (2,456) |

## 37. (WRITE–BACK OF)/ALLOWANCE FOR IMPAIRMENT

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Write-back of impairment on securities: | | | | |
| – Financial investments available-for-sale | **(474)** | (22,759) | **–** | – |
| – Financial investments held-to-maturity | **–** | (344) | **–** | – |
| Allowance for impairment on property, plant and equipment (Note 16) | **–** | 1,460 | **–** | – |
| Allowance for impairment on debts due from subsidiaries | **–** | – | **431** | 970 |
| | **(474)** | (21,643) | **431** | 970 |

## 38. TAXATION AND ZAKAT

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Income tax provision for current year | **177,444** | 205,607 | **82,154** | 61,128 |
| Deferred tax | **(2,617)** | (33,938) | **(2)** | (55) |
| | **174,827** | 171,669 | **82,152** | 61,073 |
| Under/(over) provision in prior years | **896** | (258) | **–** | 22 |
| Taxation | **175,723** | 171,411 | **82,152** | 61,095 |
| Zakat | **174** | 113 | **–** | – |
| | **175,897** | 171,524 | **82,152** | 61,095 |

Income tax is calculated at the Malaysian statutory tax rate of 25% (31 March 2012: 25%; 1 April 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 | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Profit before taxation and zakat | **714,020** | 674,643 | **347,246** | 260,884 |
| Taxation at Malaysian statutory tax rate of 25% (2012: 25%) | **178,505** | 168,661 | **86,812** | 65,221 |
| Effect of expenses not deductible for tax purposes | **3,053** | 6,869 | **340** | 852 |
| Effect of income not subject to tax | **(6,731)** | (2,752) | **(5,000)** | (5,000) |
| Under/(over) provision in prior years | **896** | (258) | **–** | 22 |
| Unabsorbed tax losses which deferred tax recognised during the year | **–** | (1,109) | **–** | – |
| Tax expense for the year | **175,723** | 171,411 | **82,152** | 61,095 |
| Tax savings during the year arising from: | | | | |
| – utilisation of tax losses brought forward from previous year | **1,232** | 2,173 | **–** | – |

## 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 | |
|---|---|---|
| | **2013** | **2012** |
| Net profit attributable to owners of the parent (RM'000) | **538,044** | 502,635 |
| Weighted average number of ordinary shares in issue ('000) | **1,548,106** | 1,548,106 |
| Effect of shares bought back for ESS ('000) | **(25,739)** | (24,467) |
| | **1,522,367** | 1,523,639 |
| Basic earnings per share (sen) | **35.3** | 33.0 |

### (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 2013.

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| Net profit attributable to owners of the parent (RM'000) | **538,044** | 502,635 |
| Weighted average number of ordinary shares in issue ('000) | **1,548,106** | 1,548,106 |
| Effect of shares bought back for ESS ('000) | **(25,739)** | (24,467) |
| Effect of Share Grants under ESS ('000) | **3,787** | 4,003 |
| | **1,526,154** | 1,527,642 |
| Diluted earnings per share (sen) | **35.3** | 32.9 |

## 40. DIVIDENDS

| | Dividend in respect of financial year | | Net Dividends per Ordinary Share | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 Sen | 2012 Sen |
| Recognised during the financial year: | | | | |
| First interim dividend | | | | |
| 6.6 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 2013, was paid on 28 August 2012 | **100,254** | – | **6.48** | – |
| 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 |
| Second interim dividend | | | | |
| 10.0 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 2013 | **152,228** | – | **9.83** | – |
| 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 |
| | **252,482** | 203,200 | **16.31** | 13.13 |

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 RM4,504,000 (2012: RM2,697,000) being dividends paid for those shares were added back to the appropriation of retained profits in respect of the dividends.

## 41. CAPITAL COMMITMENTS

| | Group | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Capital expenditure: | | | |
| Authorised and contracted for | **37,960** | 58,075 | 23,338 |
| Authorised but not contracted for | **–** | 56 | 6,020 |
| | **37,960** | 58,131 | 29,358 |

## 42. MATERIAL LITIGATIONS

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 ABMB's participation was RM18.5 million. In 2002, the credit facilities were restructured to a loan of RM30.0 million, of which 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 abovementioned 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 (of which ABMB's exposure will be approximately RM32.0 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 has filed an appeal against the said decision. The High Court on 24 June 2009 granted the agent bank a stay of execution of the judgment pending disposal of its appeal at the Court of Appeal.

Prior to the hearing at the Court of Appeal, the advice from the agent bank's solicitors is that there is a better than even chance of succeeding in the said appeal.

On 23 January 2013, after hearing all parties the Court of Appeal have reserved its decision to a date to be notified by the Court.

## 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 risk of financial loss resulting from the failure of the Group's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle financial commitments. 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.

Secondary credit exposure arises 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.

## 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 be paid 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 credit facilities granted to customers.

| | Group | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| **Credit risk exposure of on-balance sheet:** | | | |
| Cash and short-term funds (exclude cash in hand) | **1,053,165** | 1,684,754 | 704,200 |
| Deposits and placements with banks and other financial institutions | **153,236** | 97,713 | 100,228 |
| Balances due from clients and brokers | **50,122** | 61,764 | 80,543 |
| Financial assets held-for-trading | **1,519,930** | 1,491,995 | 1,938,250 |
| Financial investments available-for-sale (exclude equity securities) | **10,225,058** | 8,983,101 | 9,138,478 |
| Financial investments held-to-maturity | **596,949** | 795,256 | 940,726 |
| Derivative financial assets | **19,792** | 23,712 | 32,047 |
| Loans, advances and financing | **27,747,806** | 24,460,309 | 21,868,981 |
| Total on-balance sheet | **41,366,058** | 37,598,604 | 34,803,453 |
| **Credit risk exposure of off-balance sheet:** | | | |
| Financial guarantees | **500,258** | 463,962 | 453,370 |
| Credit related commitments and contingencies | **12,330,197** | 13,009,027 | 10,499,031 |
| Total off-balance sheet | **12,830,455** | 13,472,989 | 10,952,401 |
| Total maximum exposure | **54,196,513** | 51,071,593 | 45,755,854 |

| | Company | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| **Credit risk exposure of on-balance sheet:** | | | |
| Cash and short-term funds (exclude cash in hand) | **17,669** | 6,500 | 46,857 |
| Deposits and placements with banks and other financial institutions | **10,101** | 19,315 | 605,700 |
| Total on-balance sheet/maximum exposure | **27,770** | 25,815 | 652,557 |

# NOTES TO THE FINANCIAL STATEMENTS
31 March 2013

## 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 31 March 2013 | 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 |
|---|---|---|---|---|---|---|---|---|---|
| Cash and short-term funds | 738,087 | 315,078 | – | – | – | – | – | – | 1,053,165 |
| Deposits and placements with banks and other financial institutions | – | 153,236 | – | – | – | – | – | – | 153,236 |
| Balances due from clients and brokers | – | – | – | – | – | – | – | 50,122 | 50,122 |
| Financial assets held-for-trading | 1,519,930 | – | – | – | – | – | – | – | 1,519,930 |
| Financial investments available-for-sale | 3,653,718 | 5,828,940 | 158,284 | 418,331 | 78,449 | – | – | 87,336 | 10,225,058 |
| Financial investments held-to-maturity | 591,264 | 513 | 5,172 | – | – | – | – | – | 596,949 |
| Derivative financial assets | – | 19,629 | – | – | – | – | – | 163 | 19,792 |
| Loans, advances and financing | – | 2,895,855 | 111,178 | 7,626,069 | 438,726 | 11,362,649 | 575,222 | 4,738,107 | 27,747,806 |
| **Total on-balance sheet** | 6,502,999 | 9,213,251 | 274,634 | 8,044,400 | 517,175 | 11,362,649 | 575,222 | 4,875,728 | 41,366,058 |
| Financial guarantees | – | 32,582 | 20,468 | 369,636 | 38,080 | – | – | 39,492 | 500,258 |
| Credit related commitments and contingencies | – | 1,091,666 | 55,548 | 2,988,350 | 847,321 | 600,903 | 218 | 6,746,191 | 12,330,197 |
| **Total off-balance sheet** | – | 1,124,248 | 76,016 | 3,357,986 | 885,401 | 600,903 | 218 | 6,785,683 | 12,830,455 |
| **Total credit risk** | 6,502,999 | 10,337,499 | 350,650 | 11,402,386 | 1,402,576 | 11,963,552 | 575,440 | 11,661,411 | 54,196,513 |

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (ii) Credit risk concentrations (cont'd)

| Group<br>31 March 2012 | 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 |
|---|---|---|---|---|---|---|---|---|---|
| Cash and short-term funds | 1,067,241 | 617,513 | – | – | – | – | – | – | 1,684,754 |
| Deposits and placements with banks and other financial institutions | – | 97,713 | – | – | – | – | – | – | 97,713 |
| Balances due from clients and brokers | – | – | – | – | – | – | – | 61,764 | 61,764 |
| Financial assets held-for-trading | 1,491,995 | – | – | – | – | – | – | – | 1,491,995 |
| Financial investments available-for-sale | 4,202,309 | 4,237,686 | 137,155 | 374,422 | 31,529 | – | – | – | 8,983,101 |
| Financial investments held-to-maturity | 768,101 | 21,949 | 5,206 | – | – | – | – | – | 795,256 |
| Derivative financial assets | – | 23,712 | – | – | – | – | – | – | 23,712 |
| Loans, advances and financing | – | 2,575,043 | 125,179 | 7,075,576 | 283,811 | 9,558,392 | 436,954 | 4,405,354 | 24,460,309 |
| **Total on-balance sheet** | 7,529,646 | 7,573,616 | 267,540 | 7,449,998 | 315,340 | 9,558,392 | 436,954 | 4,467,118 | 37,598,604 |
| Financial guarantees | – | 37,712 | 19,908 | 338,361 | 30,596 | 300 | – | 37,085 | 463,962 |
| Credit related commitments and contingencies | – | 1,339,215 | 66,964 | 3,126,409 | 1,225,981 | 3,404,765 | 230 | 3,845,463 | 13,009,027 |
| **Total off-balance sheet** | – | 1,376,927 | 86,872 | 3,464,770 | 1,256,577 | 3,405,065 | 230 | 3,882,548 | 13,472,989 |
| **Total credit risk** | 7,529,646 | 8,950,543 | 354,412 | 10,914,768 | 1,571,917 | 12,963,457 | 437,184 | 8,349,666 | 51,071,593 |

# NOTES TO THE FINANCIAL STATEMENTS
31 March 2013

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (ii) Credit risk concentrations (cont'd)

| Group<br>1 April 2011 | 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 |
|---|---|---|---|---|---|---|---|---|---|
| Cash and short-term funds | 524,670 | 179,530 | – | – | – | – | – | – | 704,200 |
| Deposits and placements with banks and other financial institutions | – | 100,228 | – | – | – | – | – | – | 100,228 |
| Balances due from clients and brokers | – | – | – | – | – | – | – | 80,543 | 80,543 |
| Financial assets held-for-trading | 1,938,250 | – | – | – | – | – | – | – | 1,938,250 |
| Financial investments available-for-sale | 4,059,908 | 4,584,626 | 162,118 | 300,215 | 31,611 | – | – | – | 9,138,478 |
| Financial investments held-to-maturity | 910,444 | 24,951 | 5,236 | – | 95 | – | – | – | 940,726 |
| Derivative financial assets | – | 30,657 | – | – | – | – | – | 1,390 | 32,047 |
| Loans, advances and financing | – | 2,006,826 | 147,517 | 6,401,964 | 408,590 | 8,478,477 | 557,576 | 3,868,031 | 21,868,981 |
| **Total on-balance sheet** | 7,433,272 | 6,926,818 | 314,871 | 6,702,179 | 440,296 | 8,478,477 | 557,576 | 3,949,964 | 34,803,453 |
| Financial guarantees | – | 28,423 | 22,630 | 341,328 | 23,932 | – | – | 37,057 | 453,370 |
| Credit related commitments and contingencies | – | 804,322 | 75,937 | 2,442,788 | 1,304,866 | 1,276,176 | 1,101 | 4,593,841 | 10,499,031 |
| **Total off-balance sheet** | – | 832,745 | 98,567 | 2,784,116 | 1,328,798 | 1,276,176 | 1,101 | 4,630,898 | 10,952,401 |
| **Total credit risk** | 7,433,272 | 7,759,563 | 413,438 | 9,486,295 | 1,769,094 | 9,754,653 | 558,677 | 8,580,862 | 45,755,854 |

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (ii) Credit risk concentrations (cont'd)

| Company<br>2013 | Financial, Insurance and Business Services RM'000 | Total RM'000 |
|---|---|---|
| Cash and short-term funds | **17,669** | **17,669** |
| Deposits and placements with banks and other financial institutions | **10,101** | **10,101** |
| **Total credit risk** | **27,770** | **27,770** |
| **2012** | | |
| Cash and short-term funds | 6,500 | 6,500 |
| Deposits and placements with banks and other financial institutions | 19,315 | 19,315 |
| **Total credit risk** | 25,815 | 25,815 |
| **2011** | | |
| Cash and short-term funds | 46,857 | 46,857 |
| Deposits and placements with banks and other financial institutions | 605,700 | 605,700 |
| **Total credit risk** | 652,557 | 652,557 |

#### (iii) Collaterals

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

- For personal housing loans/financing, mortgages over residential properties;
- For commercial property loans/financing, 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/financing are loans/financing with arrears more than 90 days or are judgmentally triggered as impaired.

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

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

**Distribution of loans, advances and financing by credit quality**

| | Group | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Neither past due nor impaired | **26,514,509** | 23,255,955 | 20,710,623 |
| Past due but not impaired | **1,131,738** | 1,126,956 | 987,414 |
| Impaired | **579,233** | 629,236 | 775,481 |
| Gross loans, advances and financing | **28,225,480** | 25,012,147 | 22,473,518 |
| Sales commissions and handling fees | **23,935** | 28,523 | 24,969 |
| Less: Allowance for impairment | | | |
| – Individual assessment | **(128,471)** | (157,966) | (179,423) |
| – Collective assessment | **(349,203)** | (393,872) | (425,114) |
| Net loans, advances and financing | **27,771,741** | 24,488,832 | 21,893,950 |
| Financial effect of collateral held for loans, advances and financing | **72.3%** | 70.9% | 60.9% |

**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 | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Grading classification | | | |
| – Good | **25,049,436** | 22,379,010 | 19,168,648 |
| – Fair | **1,465,073** | 876,945 | 1,541,975 |
| | **26,514,509** | 23,255,955 | 20,710,623 |

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

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

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

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

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

**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 | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Past due up to 1 month | **925,366** | 909,157 | 773,027 |
| Past due > 1 – 2 months | **188,773** | 187,351 | 186,858 |
| Past due > 2 – 3 months | **17,599** | 30,448 | 27,529 |
| | **1,131,738** | 1,126,956 | 987,414 |

**Loans, advances and financing assessed as impaired**

An analysis of the gross amount of loans, advances and financing individually assessed as impaired by the Group is as follows:

| | Group | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| Gross impaired loans/financing | **579,233** | 629,236 | 775,481 |
| Gross individually assessed impaired loans/financing | **260,255** | 287,675 | 298,168 |
| Less: Allowance for impairment | | | |
| – Individual impaired | **(128,471)** | (157,966) | (179,423) |
| Net individually assessed impaired loans | **131,784** | 129,709 | 118,745 |

#### (v) Repossessed collateral

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

| | Group | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| *Nature of assets* | | | |
| Industrial factory | **–** | – | 5,300 |
| Residential property | **–** | – | 105 |
| | **–** | – | 5,405 |

Repossessed or foreclosed properties are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified under 'Other Assets' in the consolidated statements of financial position.

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (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 instituitions, debt securities and derivative financial assets. Cash and short term funds herein excludes the cash in hand. Debt securities include 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.

Most listed and some unlisted securities are rated by external rating agencies. The Group uses external credit ratings provided by RAM, MARC, Fitch, Moody's 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 instituitions RM'000 | Financial assets held-for-trading RM'000 | Financial investments available-for-sale RM'000 | Financial investments held-to-maturity RM'000 | Derivative financial assets RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **31 March 2013** | | | | | | | |
| *By rating agencies* | | | | | | | |
| **RAM** | | | | | | | |
| AAA | 220,377 | 32,241 | – | 1,085,150 | – | 11,227 | 1,348,995 |
| AA1 | 32,203 | 92,705 | – | 173,450 | – | 2,418 | 300,776 |
| AA2 | 59 | – | – | 87,336 | – | 654 | 88,049 |
| AA3 | – | – | – | 53,721 | – | 1,034 | 54,755 |
| A1 | – | – | – | – | – | 1 | 1 |
| A2 | – | – | – | – | – | 5 | 5 |
| **MARC** | | | | | | | |
| AAA | – | – | – | 781,704 | – | – | 781,704 |
| AA+ | – | – | – | 10,211 | – | – | 10,211 |
| AA- | – | – | – | 46,495 | – | – | 46,495 |
| **Fitch** | | | | | | | |
| AA- | 1,492 | – | – | – | – | – | 1,492 |
| A | – | – | – | – | – | 184 | 184 |
| A1 | 1,654 | – | – | – | – | – | 1,654 |
| **Moody's** | | | | | | | |
| AA1 | 627 | – | – | – | – | 15 | 642 |
| AA+ | 1,593 | – | – | – | – | – | 1,593 |
| AA3 | 1,646 | – | – | – | – | – | 1,646 |
| A+ | – | – | – | – | – | 57 | 57 |
| A | 359 | – | – | – | – | – | 359 |
| A1 | 1,225 | – | – | – | – | – | 1,225 |
| A2 | 14,060 | – | – | – | – | 5 | 14,065 |
| A3 | 173 | – | – | – | – | – | 173 |
| BAA1 | 3,258 | – | – | – | – | – | 3,258 |
| **S&P** | | | | | | | |
| AA- | 3,062 | – | – | – | – | 31 | 3,093 |
| A | 7,253 | – | – | – | – | 112 | 7,365 |
| BB- | 17 | – | – | – | – | – | 17 |
| Government backed | 738,087 | – | 1,519,930 | 4,196,414 | 591,263 | – | 7,045,694 |
| Unrated [Note] | 26,020 | 28,290 | – | 3,790,577 | 5,686 | 4,049 | 3,854,622 |
| | 1,053,165 | 153,236 | 1,519,930 | 10,225,058 | 596,949 | 19,792 | 13,568,130 |

## 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 instituitions RM'000 | Financial assets held-for-trading RM'000 | Financial investments available-for-sale RM'000 | Financial investments held-to-maturity RM'000 | Derivative financial assets RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **31 March 2012** | | | | | | | |
| *By rating agencies* | | | | | | | |
| **RAM** | | | | | | | |
| 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 | 261,323 | – | – | – | – | 30 | 261,353 |
| **MARC** | | | | | | | |
| AAA | – | – | – | 324,242 | – | – | 324,242 |
| AA- | – | – | – | 31,529 | – | – | 31,529 |
| **Fitch** | | | | | | | |
| AA+ | – | – | – | – | – | 111 | 111 |
| A1 | 5,303 | – | – | – | – | – | 5,303 |
| **Moody's** | | | | | | | |
| 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 |
| **S&P** | | | | | | | |
| 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 backed | 854,144 | – | 1,491,995 | 4,932,081 | 768,102 | 1,467 | 8,047,789 |
| Unrated [Note] | 43,982 | 169 | – | 2,833,378 | 27,154 | 5,254 | 2,909,937 |
| | 1,684,754 | 97,713 | 1,491,995 | 8,983,101 | 795,256 | 23,712 | 13,076,531 |

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (vi) Credit quality – Financial instruments (cont'd)

| | Cash and short-term funds RM'000 | Deposits and placements with financial institutions RM'000 | Financial assets held-for-trading RM'000 | Financial investments available-for-sale RM'000 | Financial investments held-to-maturity RM'000 | Derivative financial assets RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **1 April 2011** | | | | | | | |
| *By rating agencies* | | | | | | | |
| **RAM** | | | | | | | |
| AAA | 86,461 | – | – | 831,253 | – | 23,265 | 940,979 |
| AA1 | 10 | – | – | 337,646 | – | 60 | 337,716 |
| AA2 | 211 | – | – | 51,098 | – | 3,556 | 54,865 |
| AA3 | – | – | – | 32,193 | – | 6 | 32,199 |
| A1 | 33,530 | 50,029 | – | – | – | 1,032 | 84,591 |
| C3 | – | – | – | 7,003 | – | – | 7,003 |
| **MARC** | | | | | | | |
| AAA | – | – | – | 240,381 | – | – | 240,381 |
| AA- | – | – | – | 31,610 | – | 2,338 | 33,948 |
| **Fitch** | | | | | | | |
| AA- | 597 | – | – | – | – | – | 597 |
| A1 | 6,294 | – | – | – | – | – | 6,294 |
| A+ | – | – | – | – | – | 5 | 5 |
| **Moody's** | | | | | | | |
| AA1 | 3,357 | – | – | – | – | – | 3,357 |
| AA3 | 5,747 | – | – | – | – | – | 5,747 |
| A1 | 563 | – | – | – | – | – | 563 |
| A2 | 2,068 | – | – | – | – | – | 2,068 |
| A3 | 402 | – | – | – | – | – | 402 |
| BAA1 | 795 | – | – | – | – | – | 795 |
| C | 699 | – | – | – | – | – | 699 |
| **S&P** | | | | | | | |
| AA | 170 | – | – | – | – | – | 170 |
| AA- | 978 | – | – | – | – | – | 978 |
| A | 1,516 | – | – | – | – | – | 1,516 |
| Government backed | 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 |
| | 704,200 | 100,228 | 1,938,250 | 9,138,478 | 940,726 | 32,047 | 12,853,929 |

Note:

Unrated financial instruments comprises placements with financial institutions where credit rating is not available and also investment in bankers' acceptances, negotiable instruments of deposits and debt securities that are no longer rated or are exempted from credit rating.

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk

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.

The Group has established a framework of approved risk policies, measurement methodologies and risk limits as approved by the Group Risk Management Committee to manage market risk. Market risk arising from the trading activities is controlled via position limits, sensitivity limits and regular revaluation of positions versus market prices, where available.

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/profit rate of return and shifts in the composition of the assets and liabilities. Interest rate/rate of return risk is managed through interest/profit 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 Management Committee ("ALCO") 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 interest/profit rates on its financial position and cash flows. The effects of changes in the levels of interest rates on the market value of securities are monitored regularly and the outcome of mark-to-market valuations are escalated to Management regularly. The table below summarises the effective interest rates at the end of reporting period and the periods in which the financial instruments will re-price or mature, whichever is the earlier.

# NOTES TO THE FINANCIAL STATEMENTS
31 March 2013

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

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

| Group 31 March 2013 | Non-trading book 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 | Trading book RM'000 | Total RM'000 | Effective interest/ profit rate % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Cash and short-term funds | 756,832 | – | – | – | – | – | 539,849 | – | 1,296,681 | 2.55 |
| Deposits and placements with banks and other financial institutions | – | 117,877 | – | 35,342 | – | – | 17 | – | 153,236 | 1.47 |
| Balances due from clients and brokers | 98 | – | – | – | – | – | 50,024 | – | 50,122 | 12.00 |
| Financial assets held-for-trading | – | – | – | – | – | – | – | 1,519,930 | 1,519,930 | 3.02 |
| Financial investments available-for-sale | 1,323,802 | 2,451,115 | 439,336 | 33,595 | 3,047,692 | 2,851,581 | 215,329 | – | 10,362,450 | 3.73 |
| Financial investments held-to-maturity | – | – | – | – | 589,156 | – | 7,793 | – | 596,949 | 3.72 |
| Derivative financial assets | | | | | | | | | | |
| – Trading derivatives | – | – | – | – | – | – | – | 19,792 | 19,792 | – |
| Loans, advances and financing | 21,726,659 | 1,132,788 | 315,932 | 885,032 | 1,436,362 | 2,173,409 | 101,559* | – | 27,771,741 | 5.12 |
| Other non-interest/profit sensitive balances | – | – | – | – | – | – | 1,921,128 | – | 1,921,128 | – |
| **Total assets** | 23,807,391 | 3,701,780 | 755,268 | 953,969 | 5,073,210 | 5,024,990 | 2,835,699 | 1,539,722 | 43,692,029 | |

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

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

| Group<br>31 March 2013 | Non-trading book<br>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 | Trading book RM'000 | Total RM'000 | Effective interest/ profit rate % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | | | |
| Deposits from customers | 18,696,013 | 4,797,267 | 2,747,137 | 4,452,208 | 165,393 | 74,297 | 5,072,000 | – | 36,004,315 | 2.30 |
| Deposits and placements of banks and other financial institutions | 1,320,268 | 87,761 | 54,700 | 95,383 | 442,970 | – | 8,914 | – | 2,009,996 | 2.06 |
| Balances due to clients and brokers | – | – | – | – | – | – | 30,852 | – | 30,852 | – |
| Bills and acceptances payable | 4,927 | 68,729 | 57 | – | – | – | – | – | 73,713 | 3.23 |
| Derivative financial liabilities | | | | | | | | | | |
| – Trading derivatives | – | – | – | – | – | – | – | 14,122 | 14,122 | – |
| – Hedging derivatives | – | – | – | – | 174 | 1,574 | – | – | 1,748 | n/a |
| Amount due to Cagamas Berhad | – | – | – | – | 16,290 | – | – | – | 16,290 | 4.61 |
| Subordinated obligations | – | – | – | – | 598,328 | – | 13,865 | – | 612,193 | 4.92 |
| Other non-interest/profit sensitive balances | – | – | – | – | – | – | 893,631 | – | 893,631 | – |
| Total liabilities | 20,021,208 | 4,953,757 | 2,801,894 | 4,547,591 | 1,223,155 | 75,871 | 6,019,262 | 14,122 | 39,656,860 | |
| Equity | – | – | – | – | – | – | 4,030,422 | – | 4,030,422 | – |
| Non-controlling interests | – | – | – | – | – | – | 4,747 | – | 4,747 | – |
| **Total liabilities and equity** | 20,021,208 | 4,953,757 | 2,801,894 | 4,547,591 | 1,223,155 | 75,871 | 10,054,431 | 14,122 | 43,692,029 | |
| On-balance sheet interest sensitivity gap | 3,786,183 | (1,251,977) | (2,046,626) | (3,593,622) | 3,850,055 | 4,949,119 | (7,218,732) | 1,525,600 | – | |

* 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 2013

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

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

| Group 31 March 2012 | Non-trading book 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 | Trading book RM'000 | Total RM'000 | Effective interest/ profit rate % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Cash and short-term funds | 1,385,735 | – | – | – | – | – | 490,259 | – | 1,875,994 | 3.04 |
| Deposits and placements with banks and other financial institutions | – | 93,138 | 4,429 | – | – | – | 146 | – | 97,713 | 2.32 |
| Balances due from clients and brokers | 1,631 | – | – | – | – | – | 60,133 | – | 61,764 | 12.00 |
| Financial assets held-for-trading | – | – | – | – | – | – | – | 1,491,995 | 1,491,995 | 3.00 |
| 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 | 3.79 |
| Financial investments held-to-maturity | – | 50,081 | 134,359 | 11,992 | 357,154 | 233,114 | 8,556 | – | 795,256 | 3.55 |
| 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 | 77,398* | – | 24,488,832 | 5.46 |
| Other non-interest/profit sensitive balances | – | – | – | – | – | – | 1,760,355 | – | 1,760,355 | – |
| Total assets | 21,328,641 | 3,066,820 | 627,876 | 709,294 | 4,336,127 | 5,524,209 | 2,610,148 | 1,515,707 | 39,718,822 | |

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

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

| Group 31 March 2012 | Non-trading book 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 | Trading book RM'000 | Total RM'000 | Effective interest/ profit rate % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | | | |
| Deposits from customers | 15,998,443 | 3,716,695 | 2,353,813 | 5,203,955 | 87,647 | 40,278 | 4,786,082 | – | 32,186,913 | 2.31 |
| Deposits and placements of banks and other financial institutions | 771,753 | 462,662 | 226,140 | 61,329 | 628,462 | – | 10,659 | – | 2,161,005 | 2.02 |
| Balances due to clients and brokers | – | – | – | – | – | – | 20,626 | – | 20,626 | 2.90 |
| Bills and acceptances payable | 14 | 40 | 124 | – | – | – | – | – | 178 | 3.36 |
| 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 | 4.54 |
| Subordinated obligations | – | – | – | – | 597,829 | – | 13,786 | – | 611,615 | 4.92 |
| Other non-interest/profit sensitive balances | – | – | – | – | – | – | 918,345 | – | 918,345 | – |
| **Total liabilities** | 16,770,210 | 4,179,397 | 2,581,711 | 5,274,850 | 1,324,782 | 40,701 | 5,749,498 | 25,818 | 35,946,967 | |
| Equity | – | – | – | – | – | – | 3,766,950 | – | 3,766,950 | – |
| Non-controlling interests | – | – | – | – | – | – | 4,905 | – | 4,905 | – |
| **Total liabilities and equity** | 16,770,210 | 4,179,397 | 2,581,711 | 5,274,850 | 1,324,782 | 40,701 | 9,521,353 | 25,818 | 39,718,822 | |
| On-balance sheet interest sensitivity gap | 4,558,431 | (1,112,577) | (1,953,835) | (4,565,556) | 3,011,345 | 5,483,508 | (6,911,205) | 1,489,889 | – | |

* 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 2013

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

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

| Group 1 April 2011 | Non-trading book 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 | Trading book RM'000 | Total RM'000 | Effective interest/profit rate % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Cash and short-term funds | 412,029 | – | – | – | – | – | 502,040 | – | 914,069 | 2.90 |
| Deposits and placements with banks and other financial institutions | – | 100,000 | 160 | – | – | – | 68 | – | 100,228 | 3.05 |
| Balances due from clients and brokers | 1,070 | – | – | – | – | – | 79,473 | – | 80,543 | 12.00 |
| Financial assets held-for-trading | – | – | – | – | – | – | – | 1,938,250 | 1,938,250 | 2.82 |
| 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 | 3.50 |
| Financial investments held-to-maturity | 10,009 | – | 633,480 | – | 292,381 | – | 4,856 | – | 940,726 | 2.75 |
| 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 | 170,944* | – | 21,893,950 | 5.67 |
| Other non-interest/profit sensitive balances | – | – | – | – | – | – | 984,853 | – | 984,853 | – |
| **Total assets** | 18,552,087 | 3,660,202 | 1,563,417 | 363,355 | 4,512,029 | 3,596,782 | 1,926,437 | 1,970,297 | 36,144,606 | |

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

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

| | Non-trading book | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Group<br>1 April 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 | Non-interest/ profit sensitive RM'000 | Trading book RM'000 | Total RM'000 | Effective interest/ profit rate % |
| **Liabilities** | | | | | | | | | | |
| Deposits from customers | 13,933,272 | 3,176,893 | 2,484,735 | 4,129,928 | 91,335 | – | 4,569,271 | – | 28,385,434 | 2.19 |
| Deposits and placements of banks and other financial institutions | 968,458 | 61,196 | 8,952 | 23,447 | 882,911 | – | 7,236 | – | 1,952,200 | 2.13 |
| Balances due to clients and brokers | 34,516 | – | – | – | – | – | 12,471 | – | 46,987 | 2.55 |
| Bills and acceptances payable | 86,161 | 24,948 | 50 | – | – | – | – | – | 111,159 | 3.04 |
| Derivative financial liabilities | | | | | | | | | | |
| – Trading derivatives | – | – | – | – | – | – | – | 33,347 | 33,347 | – |
| Amount due to Cagamas Berhad | – | – | – | 100,000 | 25,134 | – | 642 | – | 125,776 | 3.77 |
| Subordinated obligations | – | 600,000 | – | – | – | – | – | – | 600,000 | 6.09 |
| Long term borrowings | – | – | – | – | 600,000 | – | 1,272 | – | 601,272 | 3.60 |
| Other non-interest/profit sensitive balances | – | – | – | – | – | – | 858,587 | – | 858,587 | – |
| **Total liabilities** | 15,022,407 | 3,863,037 | 2,493,737 | 4,253,375 | 1,599,380 | – | 5,449,479 | 33,347 | 32,714,762 | |
| Equity | – | – | – | – | – | – | 3,425,355 | – | 3,425,355 | – |
| Non-controlling interests | – | – | – | – | – | – | 4,489 | – | 4,489 | – |
| **Total liabilities and equity** | 15,022,407 | 3,863,037 | 2,493,737 | 4,253,375 | 1,599,380 | – | 8,879,323 | 33,347 | 36,144,606 | |
| On-balance sheet interest sensitivity gap | 3,529,680 | (202,835) | (930,320) | (3,890,020) | 2,912,649 | 3,596,782 | (6,952,886) | 1,936,950 | – | |

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

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

**(b) Market Risk** (cont'd)

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

| | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Company**<br>**31 March 2013** | **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** | **Total RM'000** | **Effective interest rate %** |
| **Assets** | | | | | | | | | |
| Cash and short-term funds | 17,643 | – | – | – | – | – | 27 | 17,670 | 2.98 |
| Deposits and placements with banks and other financial institutions | 10,092 | – | – | – | – | – | 9 | 10,101 | 3.01 |
| Other non-interest sensitive balances | – | – | – | – | – | – | 1,780,035 | 1,780,035 | – |
| **Total assets** | 27,735 | – | – | – | – | – | 1,780,071 | 1,807,806 | |
| **Liabilities** | | | | | | | | | |
| Other non-interest sensitive balances | – | – | – | – | – | – | 1,977 | 1,977 | – |
| **Total liabilities** | – | – | – | – | – | – | 1,977 | 1,977 | |
| Equity | – | – | – | – | – | – | 1,805,829 | 1,805,829 | – |
| **Total liabilities and equity** | – | – | – | – | – | – | 1,807,806 | 1,807,806 | |

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

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

| | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Company 31 March 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** | **Non-interest sensitive RM'000** | **Total RM'000** | **Effective interest rate %** |
| **Assets** | | | | | | | | | |
| Cash and short-term funds | 6,477 | – | – | – | – | – | 24 | 6,501 | 2.96 |
| Deposits and placements with banks and other financial institutions | – | – | 19,264 | – | – | – | 51 | 19,315 | 3.17 |
| Other non-interest sensitive balances | – | – | – | – | – | – | 1,779,052 | 1,779,052 | – |
| **Total assets** | 6,477 | – | 19,264 | – | – | – | 1,779,127 | 1,804,868 | |
| **Liabilities** | | | | | | | | | |
| Other non-interest sensitive balances | – | – | – | – | – | – | 4,354 | 4,354 | – |
| **Total liabilities** | – | – | – | – | – | – | 4,354 | 4,354 | |
| Equity | – | – | – | – | – | – | 1,800,514 | 1,800,514 | – |
| **Total liabilities and equity** | – | – | – | – | – | – | 1,804,868 | 1,804,868 | |

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

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

| Company 1 April 2011 | Non-trading book: 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 | Total RM'000 | Effective interest rate % |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| 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 | – |
| **Total assets** | 46,763 | – | – | 400,000 | 200,000 | – | 1,784,871 | 2,431,634 | |
| **Liabilities** | | | | | | | | | |
| Long term borrowings | – | – | – | – | 600,000 | – | 1,272 | 601,272 | 3.60 |
| Other non-interest sensitive balances | – | – | – | – | – | – | 1,529 | 1,529 | – |
| **Total liabilities** | – | – | – | – | 600,000 | – | 2,801 | 602,801 | |
| Equity | – | – | – | – | – | – | 1,828,833 | 1,828,833 | – |
| **Total liabilities and equity** | – | – | – | – | 600,000 | – | 1,831,634 | 2,431,634 | |

## 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 Company is not exposed to any foreign currency exchange risk.

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.

| | US Dollars RM'000 | Singapore Dollars RM'000 | Euro Dollars RM'000 | Australian Dollars RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **31 March 2013** | | | | | | |
| **Assets** | | | | | | |
| Cash and short-term funds | 141,281 | 1,492 | 4,115 | 50,431 | 11,061 | 208,380 |
| Deposits and placements with banks and other financial institutions | 92,705 | – | – | 32,241 | – | 124,946 |
| Derivative financial assets | 90 | – | – | – | – | 90 |
| Loans, advances and financing | 233,205 | – | 834 | – | 3,174 | 237,213 |
| Other financial assets | 1 | – | – | 4 | 5 | 10 |
| Total financial assets | 467,282 | 1,492 | 4,949 | 82,676 | 14,240 | 570,639 |
| **Liabilities** | | | | | | |
| Deposits from customers | 172,743 | 18,656 | 9,757 | 71,454 | 48,046 | 320,656 |
| Deposits and placements of banks and other financial institutions | 383,440 | 2,332 | 1,846 | – | – | 387,618 |
| Bill and acceptance payables | 102 | 3 | – | – | 6 | 111 |
| Total financial liabilities | 556,285 | 20,991 | 11,603 | 71,454 | 48,052 | 708,385 |
| On-balance sheet open position | (89,003) | (19,499) | (6,654) | 11,222 | (33,812) | (137,746) |
| Off-balance sheet open position | 134,746 | 21,961 | 13,506 | (13,818) | 42,453 | 198,848 |
| **Net open position** | 45,743 | 2,462 | 6,852 | (2,596) | 8,641 | 61,102 |

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (ii) Foreign currency exchange risk (cont'd)

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

## 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.

| Group<br>31 March 2013 | Balance<br>RM'000 | Average for the year<br>RM'000 | Minimum<br>RM'000 | Maximum<br>RM'000 |
|---|---|---|---|---|
| Instruments: | | | | |
| FX swap | **(259)** | **(6,722)** | **(134)** | **(116,210)** |
| Government securities | **(14,380)** | **(15,644)** | **(8,717)** | **(25,567)** |
| Private debt securities | **(2,785)** | **(1,534)** | **(452)** | **(2,965)** |
| **31 March 2012** | | | | |
| 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) |
| **1 April 2011** | | | | |
| Instruments: | | | | |
| FX swap | (770) | (525) | (272) | (989) |
| Government securities | (11,487) | (7,650) | (4,256) | (12,201) |
| Private debt securities | (5,144) | (3,641) | (1,870) | (6,456) |

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (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.

| | Group | |
|---|---|---|
| | **- 100 bps** | **+ 100 bps** |
| **31 March 2013** | **Increase/(Decrease)** | |
| | **RM'000** | **RM'000** |
| **Impact on net interest income** | | |
| Ringgit Malaysia | **(56,563)** | **56,563** |
| As percentage of net interest income | **(5.8%)** | **5.8%** |
| **31 March 2012** | | |
| **Impact on net interest income** | | |
| Ringgit Malaysia | (53,366) | 53,366 |
| As percentage of net interest income | (5.8%) | 5.8% |
| **1 April 2011** | | |
| **Impact on net interest income** | | |
| Ringgit Malaysia | (44,616) | 44,616 |
| As percentage of net interest income | (4.8%) | 4.8% |

Note:

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

**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.

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (c) Liquidity Risk

Liquidity risk is the inability of the Group to meet financial commitment when due.

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 market place.

#### (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<br>31 March 2013 | Up to<br>1 month<br>RM'000 | >1 – 3<br>months<br>RM'000 | >3 – 6<br>months<br>RM'000 | >6 – 12<br>months<br>RM'000 | >1 year<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and short-term funds | 1,296,670 | 11 | – | – | – | 1,296,681 |
| Deposits and placements with banks and other financial institutions | – | 153,062 | 174 | – | – | 153,236 |
| Balances due from clients and brokers | 35,060 | – | – | – | 15,062 | 50,122 |
| Financial investments | 2,438,861 | 2,966,195 | 442,597 | 112,258 | 6,519,418 | 12,479,329 |
| Loans, advances and financing | 5,653,977 | 1,647,590 | 1,012,443 | 652,699 | 18,805,032 | 27,771,741 |
| Other asset balances | 69,959 | 13,439 | 10,388 | 6,123 | 1,841,011 | 1,940,920 |
| **Total assets** | 9,494,527 | 4,780,297 | 1,465,602 | 771,080 | 27,180,523 | 43,692,029 |
| **Liabilities** | | | | | | |
| Deposits from customers | 24,212,928 | 4,285,514 | 2,854,150 | 4,404,196 | 247,527 | 36,004,315 |
| Deposits and placements of banks and other financial institutions | 1,176,805 | 88,846 | 205,992 | 95,383 | 442,970 | 2,009,996 |
| Balances due to clients and brokers | 29,623 | – | – | – | 1,229 | 30,852 |
| Bills and acceptances payable | 4,927 | 68,729 | 57 | – | – | 73,713 |
| Amount due to Cagamas Berhad | – | – | – | – | 16,290 | 16,290 |
| Subordinated obligations | 13,865 | – | – | – | 598,328 | 612,193 |
| Other financial liabilities | 500,509 | 31,875 | 30,526 | 55,642 | 290,949 | 909,501 |
| **Total financial liabilities** | 25,938,657 | 4,474,964 | 3,090,725 | 4,555,221 | 1,597,293 | 39,656,860 |
| Equity | – | – | – | – | 4,030,422 | 4,030,422 |
| Non-controlling interests | – | – | – | – | 4,747 | 4,747 |
| **Total liabilities and equity** | 25,938,657 | 4,474,964 | 3,090,725 | 4,555,221 | 5,632,462 | 43,692,029 |
| **Net maturity mismatch** | (16,444,130) | 305,333 | (1,625,123) | (3,784,141) | 21,548,061 | – |

## 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<br>31 March 2012 | Up to<br>1 month<br>RM'000 | >1 – 3<br>months<br>RM'000 | >3 – 6<br>months<br>RM'000 | >6 – 12<br>months<br>RM'000 | >1 year<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and short-term funds | 1,875,994 | – | – | – | – | 1,875,994 |
| Deposits and placements with banks and other financial institutions | – | 93,270 | 4,443 | – | – | 97,713 |
| Balances due from clients and brokers | 42,207 | – | – | – | 19,557 | 61,764 |
| Financial investments | 1,031,877 | 2,922,378 | 697,092 | 97,906 | 6,661,199 | 11,410,452 |
| Loans, advances and financing | 4,970,968 | 1,549,576 | 987,155 | 598,935 | 16,382,198 | 24,488,832 |
| Other asset balances | 36,224 | 14,328 | 7,186 | 7,989 | 1,718,340 | 1,784,067 |
| **Total assets** | 7,957,270 | 4,579,552 | 1,695,876 | 704,830 | 24,781,294 | 39,718,822 |
| **Liabilities** | | | | | | |
| Deposits from customers | 20,710,785 | 3,736,550 | 2,376,978 | 5,228,010 | 134,590 | 32,186,913 |
| 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 | 19,513 | – | – | – | 1,113 | 20,626 |
| 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 | 260,814 | 944,586 |
| **Total financial liabilities** | 22,092,418 | 4,245,467 | 2,628,585 | 5,346,846 | 1,633,651 | 35,946,967 |
| Equity | – | – | – | – | 3,766,950 | 3,766,950 |
| Non-controlling interests | – | – | – | – | 4,905 | 4,905 |
| **Total liabilities and equity** | 22,092,418 | 4,245,467 | 2,628,585 | 5,346,846 | 5,405,506 | 39,718,822 |
| **Net maturity mismatch** | (14,135,148) | 334,085 | (932,709) | (4,642,016) | 19,375,788 | – |

## 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<br>1 April 2011 | Up to<br>1 month<br>RM'000 | >1 – 3<br>months<br>RM'000 | >3 – 6<br>months<br>RM'000 | >6 – 12<br>months<br>RM'000 | >1 year<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and short-term funds | 914,069 | – | – | – | – | 914,069 |
| Deposits and placements with banks and other financial institutions | – | 100,065 | 163 | – | – | 100,228 |
| Balances due from clients and brokers | 61,441 | – | – | – | 19,102 | 80,543 |
| Financial investments | 2,122,429 | 3,187,345 | 809,576 | 932,379 | 5,087,187 | 12,138,916 |
| Loans, advances and financing | 4,792,753 | 1,471,389 | 946,576 | 557,078 | 14,126,154 | 21,893,950 |
| Other asset balances | 26,137 | 7,797 | 9,203 | 2,878 | 970,885 | 1,016,900 |
| **Total assets** | 7,916,829 | 4,766,596 | 1,765,518 | 1,492,335 | 20,203,328 | 36,144,606 |
| **Liabilities** | | | | | | |
| Deposits from customers | 18,436,430 | 3,205,854 | 2,505,723 | 4,146,075 | 91,352 | 28,385,434 |
| 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 | 45,444 | – | – | – | 1,543 | 46,987 |
| 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 | 239,700 | 891,934 |
| **Total financial liabilities** | 20,080,856 | 3,931,970 | 2,543,978 | 4,319,813 | 1,838,145 | 32,714,762 |
| Equity | – | – | – | – | 3,425,355 | 3,425,355 |
| Non-controlling interests | – | – | – | – | 4,489 | 4,489 |
| **Total liabilities and equity** | 20,080,856 | 3,931,970 | 2,543,978 | 4,319,813 | 5,267,989 | 36,144,606 |
| **Net maturity mismatch** | (12,164,027) | 834,626 | (778,460) | (2,827,478) | 14,935,339 | – |

## 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<br>31 March 2013 | Up to<br>1 month<br>RM'000 | >1 – 3<br>months<br>RM'000 | >3 – 6<br>months<br>RM'000 | >6 – 12<br>months<br>RM'000 | >1 year<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and short-term funds | **17,670** | **–** | **–** | **–** | **–** | **17,670** |
| Deposits and placements with banks and other financial institutions | **–** | **10,101** | **–** | **–** | **–** | **10,101** |
| Other asset balances | **434** | **–** | **–** | **–** | **1,779,601** | **1,780,035** |
| **Total assets** | **18,104** | **10,101** | **–** | **–** | **1,779,601** | **1,807,806** |
| **Liabilities** | | | | | | |
| Other financial liabilities | **374** | **–** | **–** | **–** | **1,603** | **1,977** |
| **Total financial liabilities** | **374** | **–** | **–** | **–** | **1,603** | **1,977** |
| Equity | **–** | **–** | **–** | **–** | **1,805,829** | **1,805,829** |
| **Total liabilities and equity** | **374** | **–** | **–** | **–** | **1,807,432** | **1,807,806** |
| **Net maturity mismatch** | **17,730** | **10,101** | **–** | **–** | **(27,831)** | **–** |
| **31 March 2012** | | | | | | |
| **Assets** | | | | | | |
| Cash and short-term funds | 6,501 | – | – | – | – | 6,501 |
| Deposits and placements with banks and other financial institutions | – | – | 19,315 | – | – | 19,315 |
| Other asset balances | 3 | – | – | 122 | 1,778,927 | 1,779,052 |
| **Total assets** | 6,504 | – | 19,315 | 122 | 1,778,927 | 1,804,868 |
| **Liabilities** | | | | | | |
| Other financial liabilities | 2,790 | – | – | – | 1,564 | 4,354 |
| **Total financial liabilities** | 2,790 | – | – | – | 1,564 | 4,354 |
| Equity | – | – | – | – | 1,800,514 | 1,800,514 |
| **Total liabilities and equity** | 2,790 | – | – | – | 1,802,078 | 1,804,868 |
| **Net maturity mismatch** | 3,714 | – | 19,315 | 122 | (23,151) | – |
| **1 April 2011** | | | | | | |
| **Assets** | | | | | | |
| Cash and short-term funds | 46,858 | – | – | – | – | 46,858 |
| Deposits and placements with banks and other financial institutions | – | – | 5,700 | 400,000 | 200,000 | 605,700 |
| Other asset balances | 2 | – | – | 80 | 1,778,994 | 1,779,076 |
| **Total assets** | 46,860 | – | 5,700 | 400,080 | 1,978,994 | 2,431,634 |
| **Liabilities** | | | | | | |
| Long term borrowings | 1,272 | – | – | – | 600,000 | 601,272 |
| Other financial liabilities | 5 | – | – | – | 1,524 | 1,529 |
| **Total financial liabilities** | 1,277 | – | – | – | 601,524 | 602,801 |
| Equity | – | – | – | – | 1,828,833 | 1,828,833 |
| **Total liabilities and equity** | 1,277 | – | – | – | 2,430,357 | 2,431,634 |
| **Net maturity mismatch** | 45,583 | – | 5,700 | 400,080 | (451,363) | – |

## 43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (c) Liquidity Risk (cont'd)

#### (ii) Contractual maturity of financial liabilities on an undiscounted basis

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

| Group<br>31 March 2013 | Up to<br>1 month<br>RM'000 | >1 – 3<br>months<br>RM'000 | >3 – 6<br>months<br>RM'000 | >6 – 12<br>months<br>RM'000 | >1 – 5<br>years<br>RM'000 | Over<br>5 years<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|
| **Non derivative financial liabilities** | | | | | | | |
| Deposits from customers | 24,323,712 | 4,562,305 | 3,073,556 | 4,578,618 | 105,672 | 75,980 | 36,719,843 |
| Deposits and placements of banks and other financial institutions | 1,176,945 | 91,599 | 207,125 | 99,403 | 450,791 | – | 2,025,863 |
| Balances due to clients and brokers | 30,852 | – | – | – | 1,113 | – | 31,965 |
| Bills and acceptances payable | 4,927 | 68,729 | 57 | – | – | – | 73,713 |
| Amount due to Cagamas Berhad | 436 | 310 | 747 | 1,496 | 14,551 | – | 17,540 |
| Subordinated obligations | 14,460 | – | – | 14,460 | 701,220 | – | 730,140 |
| Other financial liabilities | 500,824 | 31,875 | 30,526 | 55,642 | 290,634 | – | 909,501 |
| | 26,052,156 | 4,754,818 | 3,312,011 | 4,749,619 | 1,563,981 | 75,980 | 40,508,565 |
| Items not recognised in the statement of financial position | | | | | | | |
| Financial guarantees | 68,162 | 89,551 | 115,148 | 179,987 | 42,998 | 4,412 | 500,258 |
| Credit related commitments and contingencies | 6,733,398 | 66,251 | 31,293 | 157,473 | 302,404 | 5,039,378 | 12,330,197 |
| | 6,801,560 | 155,802 | 146,441 | 337,460 | 345,402 | 5,043,790 | 12,830,455 |
| **Derivatives financial liabilites** | | | | | | | |
| Derivatives settled on a net basis | | | | | | | |
| Interest rate derivatives | (53) | (593) | (522) | (675) | (1,843) | (306) | (3,992) |
| Hedging derivatives | 110 | 194 | 399 | 793 | 5,478 | 58 | 7,032 |
| Net inflow/(outflow) | 57 | (399) | (123) | 118 | 3,635 | (248) | 3,040 |
| Derivatives settled on a gross basis | | | | | | | |
| Outflow | (1,088,067) | (250,850) | (230,221) | (148,133) | – | – | (1,717,271) |
| Inflow | 1,083,369 | 249,198 | 226,951 | 147,006 | – | – | 1,706,524 |
| | (4,698) | (1,652) | (3,270) | (1,127) | – | – | (10,747) |

## 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<br>31 March 2012 | Up to<br>1 month<br>RM'000 | >1 – 3<br>months<br>RM'000 | >3 – 6<br>months<br>RM'000 | >6 – 12<br>months<br>RM'000 | >1 – 5<br>years<br>RM'000 | Over<br>5 years<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|
| **Non derivative financial liabilities** | | | | | | | |
| Deposits from customers | 20,986,096 | 3,793,932 | 2,415,161 | 5,326,817 | 105,595 | 45,994 | 32,673,595 |
| Deposits and placements of banks and other financial institutions | 771,036 | 475,051 | 226,942 | 69,525 | 644,646 | – | 2,187,200 |
| Balances due to clients and brokers | 42,207 | – | – | – | 19,557 | – | 61,764 |
| 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 | 251,282 | – | 918,345 |
| | 22,390,140 | 4,295,551 | 2,666,489 | 5,464,001 | 1,732,766 | 45,994 | 36,594,941 |
| Items not recognised in the statement of financial position | | | | | | | |
| Financial guarantees | 76,173 | 96,467 | 91,971 | 113,733 | 85,551 | 67 | 463,962 |
| Credit related commitments and contingencies | 8,071,144 | 124,021 | 56,918 | 96,849 | 337,410 | 4,322,685 | 13,009,027 |
| | 8,147,317 | 220,488 | 148,889 | 210,582 | 422,961 | 4,322,752 | 13,472,989 |
| **Derivatives financial liabilites** | | | | | | | |
| Derivatives settled on a net basis | | | | | | | |
| Interest rate derivatives | (57) | (752) | (624) | (1,214) | (2,801) | (424) | (5,872) |
| Hedging derivatives | – | 34 | 35 | 69 | 548 | 102 | 788 |
| Net (outflow)/inflow | (57) | (718) | (589) | (1,145) | (2,253) | (322) | (5,084) |
| Derivatives settled on a gross basis | | | | | | | |
| Outflow | (544,827) | (597,400) | (251,471) | (58,264) | – | – | (1,451,962) |
| Inflow | 542,768 | 586,117 | 249,632 | 56,806 | – | – | 1,435,323 |
| | (2,059) | (11,283) | (1,839) | (1,458) | – | – | (16,639) |

## 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<br>1 April 2011 | Up to<br>1 month<br>RM'000 | >1 – 3<br>months<br>RM'000 | >3 – 6<br>months<br>RM'000 | >6 – 12<br>months<br>RM'000 | >1 – 5<br>years<br>RM'000 | Over<br>5 years<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|
| **Non derivative financial liabilities** | | | | | | | |
| Deposits from customers | 18,496,981 | 3,297,271 | 2,551,908 | 4,220,324 | 94,517 | – | 28,661,001 |
| Deposits and placements of banks and other financial institutions | 972,010 | 61,576 | 9,267 | 29,934 | 911,890 | – | 1,984,677 |
| Balances due to clients and brokers | 85,200 | – | – | – | 1,543 | – | 86,743 |
| Bills and acceptances payable | 98,025 | 32,884 | 43 | – | – | – | 130,952 |
| Amount due to Cagamas Berhad | 665 | 379 | 1,045 | 105,643 | 23,716 | – | 131,448 |
| Subordinated obligations | – | 618,270 | – | – | – | – | 618,270 |
| Long term borrowings | 1,775 | 3,610 | 5,444 | 10,830 | 619,079 | – | 640,738 |
| Other financial liabilities | 539,469 | 39,671 | 24,365 | 48,729 | 240,302 | – | 892,536 |
| | 20,194,125 | 4,053,661 | 2,592,072 | 4,415,460 | 1,891,047 | – | 33,146,365 |
| Items not recognised in the statement of financial position | | | | | | | |
| Financial guarantees | 83,560 | 79,896 | 92,500 | 124,509 | 72,905 | – | 453,370 |
| Credit related commitments and contingencies | 8,283,090 | 55,910 | 42,868 | 89,113 | 249,215 | 1,778,835 | 10,499,031 |
| | 8,366,650 | 135,806 | 135,368 | 213,622 | 322,120 | 1,778,835 | 10,952,401 |
| **Derivatives financial liabilites** | | | | | | | |
| Derivatives settled on a net basis | | | | | | | |
| Interest rate derivatives Inflow/(outflow) | – | (292) | (91) | 82 | 1,802 | 1,381 | 2,882 |
| Derivatives settled on a gross basis | | | | | | | |
| 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) |
| **Company** | | | | | | | |
| **31 March 2013** | | | | | | | |
| Other financial liabilities | **–** | **–** | **–** | **–** | **1,977** | **–** | **1,977** |
| **Total financial liabilities** | **–** | **–** | **–** | **–** | **1,977** | **–** | **1,977** |
| **31 March 2012** | | | | | | | |
| Other financial liabilities | 2,790 | – | – | – | 1,564 | – | 4,354 |
| **Total financial liabilities** | 2,790 | – | – | – | 1,564 | – | 4,354 |
| **1 April 2011** | | | | | | | |
| Long term borrowings | 1,775 | 3,610 | 5,444 | 10,830 | 619,079 | – | 640,738 |
| Other financial liabilities | 5 | – | – | – | 1,524 | – | 1,529 |
| **Total financial liabilities** | 1,780 | 3,610 | 5,444 | 10,830 | 620,603 | – | 642,267 |

## 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 non-compliance risk arises from the Bank's failure to comply with the Shariah rules and principles determined by the relevant Shariah advisory 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, determining control gaps, assessesing potential loss and enhancing controls to mitigate the risks.

Every line of business is responsible for the management of their day-to-day operational and Shariah Compliance risks while support, monitoring and reporting is facilitated by the Group Operational Risk Management Department and Shariah Review function.

The main activities undertaken by the Group in managing operational and Shariah non-compliance risks include the identification of risks control ;monitoring the key risk indicators, reviews of policies and procedures; operational risk and Shariah non-compliance risk awareness training and business continuity management.

The Group applies the Basic Indicator Approach for operational risk capital charge computation.

## 44. CAPITAL ADEQUACY

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

With effect from 1 January 2013, the capital adequacy ratios of the Banking group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The risk-weighted assets of the Group are computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

Accordingly, the capital adequacy ratios of the Banking Group as at 31 March 2013 are computed under the Capital Adequacy Framework.

The minimum regulatory capital adequacy ratios are as follow:

| Calendar Year | Common Equity Tier 1 ("CET I") Capital Ratio | Tier I Capital Ratio | Total Capital Ratio |
|---|---|---|---|
| 2013* | 3.5% | 4.5% | 8.0% |
| 2014* | 4.0% | 5.5% | 8.0% |
| 2015 | 4.5% | 6.0% | 8.0% |

* transitional arrangements according to BNM Guidelines

For the comparative presentations, the capital adequacy ratios however have been set out in accordance with BNM's Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components). The minimum regulatory capital adequacy requirement is 8.0% (2011: 8.0%) for the risk-weighted capital ratio.

## 44. CAPITAL ADEQUACY (cont'd)

| | |
|---|---|
| **31 March 2013** | **Group** |
| Before deducting proposed dividends | |
| CET I capital ratio | **11.22%** |
| Tier I capital ratio | **12.66%** |
| Total capital ratio | **15.37%** |
| After deducting proposed dividends | |
| CET I capital ratio | **10.62%** |
| Tier I capital ratio | **12.06%** |
| Total capital ratio | **14.77%** |
| **31 March 2012** | |
| Before deducting proposed dividends | |
| Core capital ratio | 12.37% |
| Risk-weighted capital ratio | 15.62% |
| After deducting proposed dividends | |
| Core capital ratio | 11.88% |
| Risk-weighted capital ratio | 15.13% |
| **1 April 2011** | |
| Before deducting proposed dividends | |
| Core capital ratio | 12.83% |
| Risk-weighted capital ratio | 16.63% |
| After deducting proposed dividends | |
| Core capital ratio | 12.39% |
| Risk-weighted capital ratio | 16.18% |

## 44. CAPITAL ADEQUACY (cont'd)

**(a) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the revised Capital Adequacy Framework are as follows:**

| | 31 March 2013 RM'000 |
|---|---|
| **CET I Capital** | |
| Paid-up share capital | 596,517 |
| Share premium | 201,517 |
| Retained profits | 1,749,256 |
| Statutory reserves | 885,744 |
| Revaluation reserves | 115,397 |
| Other reserves | 10,018 |
| | 3,558,449 |
| Less: Regulatory adjustment | |
| – Goodwill and other intangibles | (358,275) |
| – Deferred tax assets | (11,040) |
| – 55% of revaluation reserve | (63,468) |
| Total CET I Capital | 3,125,666 |
| **Tier I Capital** | |
| ICPS | 4,000 |
| Share premium | 396,000 |
| Total additional Tier I Capital | 400,000 |
| Total Tier I Capital | 3,525,666 |
| **Tier II Capital** | |
| Subordinated obligations | 538,495 |
| Collective assessment allowance | 221,153 |
| Less: Regulatory adjustment | |
| – Investment in subsidiaries and associates | (4,117) |
| Total Tier II Capital | 755,531 |
| **Total Capital** | 4,281,197 |

## 44. CAPITAL ADEQUACY (cont'd)

**(b) Components of Tier I and Tier II capital under the BNM's Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) are as follows:**

| | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
|---|---|---|
| **Tier I Capital (Core Capital)** | | |
| Paid-up share capital | 596,517 | 596,517 |
| ICPS | 4,000 | 4,000 |
| Share premium | 597,517 | 597,517 |
| Retained profits | 1,517,252 | 1,267,463 |
| Statutory reserves | 842,167 | 786,406 |
| Other reserves | 10,018 | 10,018 |
| Non-controlling interests | 4,905 | 4,488 |
| | 3,572,376 | 3,266,409 |
| Less: Purchased goodwill/goodwill on consolidation | (302,065) | (302,065) |
| Deferred tax assets | (15,038) | (83,792) |
| Total Tier I Capital | 3,255,273 | 2,880,552 |
| **Tier II Capital** | | |
| Subordinated obligations | 597,829 | 600,000 |
| Collective assessment allowance | 260,666 | 254,546 |
| Total Tier II Capital | 858,495 | 854,546 |
| Total Capital | 4,113,768 | 3,735,098 |
| Less: Investment in subsidiaries | (3,620) | (3,620) |
| **Total Capital Base** | 4,110,148 | 3,731,478 |

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

| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
|---|---|---|---|
| Credit risk | **25,175,746** | 23,601,495 | 20,149,305 |
| Market risk | **76,045** | 265,432 | 71,884 |
| Operational risk | **2,603,941** | 2,445,524 | 2,222,953 |
| Total RWA and capital requirements | **27,855,732** | 26,312,451 | 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.

## 44. CAPITAL ADEQUACY (cont'd)

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

| | Alliance Bank Malaysia Berhad | Alliance Islamic Bank Berhad | Alliance Investment Bank Berhad |
|---|---|---|---|
| **31 March 2013** | | | |
| Before deducting proposed dividends | | | |
| CET I capital ratio | **12.24%** | **12.93%** | **96.24%** |
| Tier I capital ratio | **13.62%** | **12.93%** | **96.24%** |
| Total capital ratio | **13.62%** | **13.72%** | **96.40%** |
| After deducting proposed dividends | | | |
| CET I capital ratio | **11.51%** | **12.93%** | **94.96%** |
| Tier I capital ratio | **12.90%** | **12.93%** | **94.96%** |
| Total capital ratio | **12.90%** | **13.72%** | **95.12%** |
| **31 March 2012** | | | |
| Before deducting proposed dividends | | | |
| Core capital ratio | 14.23% | 13.00% | 58.39% |
| Risk-weighted capital ratio | 14.28% | 14.04% | 58.51% |
| After deducting proposed dividends | | | |
| Core capital ratio | 13.63% | 12.17% | 57.13% |
| Risk-weighted capital ratio | 13.68% | 13.21% | 57.25% |
| **1 April 2011** | | | |
| Before deducting proposed dividends | | | |
| Core capital ratio | 15.05% | 12.28% | 56.95% |
| Risk-weighted capital ratio | 15.09% | 13.37% | 57.34% |
| After deducting proposed dividends | | | |
| Core capital ratio | 14.50% | 12.28% | 55.29% |
| Risk-weighted capital ratio | 14.55% | 13.37% | 55.68% |

## 45. COMMITMENTS AND CONTINGENCIES

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

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

| | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk-Weighted Assets RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **31 March 2013** | | | | |
| Credit-related exposures | | | | |
| Direct credit substitutes | 387,122 | – | 387,122 | 387,122 |
| Transaction-related contingent items | 585,435 | – | 292,717 | 292,717 |
| Short-term self-liquidating trade-related contingencies | 140,311 | – | 28,062 | 28,062 |
| Irrevocable commitments to extent credit: | | | | |
| – maturity exceeding one year | 5,027,371 | – | 2,513,685 | 2,010,313 |
| – maturity not exceeding one year | 5,301,405 | – | 1,060,281 | 909,385 |
| Unutilised credit card lines | 1,388,811 | – | 277,762 | 217,673 |
| | 12,830,455 | – | 4,559,629 | 3,845,272 |
| Derivative financial instruments | | | | |
| Foreign exchange related contracts: | | | | |
| – less than one year | 3,938,112 | 14,407 | 58,978 | 28,489 |
| Interest rate related contracts: | | | | |
| – one year or less | 1,060,000 | 640 | 2,374 | 475 |
| – over one year to three years | 775,000 | 2,521 | 15,521 | 3,104 |
| – over three years | 421,608 | 1,933 | 20,560 | 9,719 |
| Equity related contracts: | | | | |
| – over one year to three years | 54,032 | 291 | 4,817 | 2,697 |
| | 6,248,752 | 19,792 | 102,250 | 44,484 |
| | 19,079,207 | 19,792 | 4,661,879 | 3,889,756 |

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

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

| | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk-Weighted Assets RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **31 March 2012** | | | | |
| Credit-related exposures | | | | |
| 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 an on-going underwritting 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 |
| Derivative financial instruments | | | | |
| 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 |
| **1 April 2011** | | | | |
| Credit-related exposures | | | | |
| 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 |
| Derivative financial instruments | | | | |
| 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.

## 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 | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Within one year | **28,127** | 26,744 | 21,295 |
| Between one and five years | **18,464** | 33,788 | 14,183 |
| | **46,591** | 60,532 | 35,478 |

| | Company | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Within one year | **317** | 14 | 316 |
| Between one and five years | **155** | 770 | 810 |
| | **472** | 784 | 1,126 |

The operating leases for the Group's 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 2013.

## 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 | |
|---|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 31 March 2013 RM'000 | 31 March 2012 RM'000 |
| **(a) Transactions** | | | | |
| Interest income | | | | |
| – subsidiaries | **–** | – | **(2,026)** | (12,869) |
| – key management personnel | **(202)** | (98) | **–** | – |
| Dividend income | | | | |
| – subsidiary | **–** | – | **(347,488)** | (265,765) |
| Overhead expenses recharged | | | | |
| – subsidiaries | **–** | – | **(2,803)** | (1,998) |
| Interest expenses | | | | |
| – key management personnel | **145** | 1,079 | **–** | – |
| Management fees | | | | |
| – related companies | **853** | 903 | **–** | – |
| **(b) Balances** | | | | |
| Amount due to deposits from customers | | | | |
| – key management personnel | **(8,088)** | (14,498) | **–** | – |
| Overdraft | | | | |
| – key management personnel | **80** | 3,168 | **–** | – |
| Money at call and deposit placements with financial institutions | | | | |
| – subsidiaries | **–** | – | **18,806** | 21,540 |
| Loans, advances and financing | | | | |
| – key management personnel | **7,808** | 4,434 | **–** | – |
| Other assets | | | | |
| – subsidiaries | **–** | – | **472** | 19 |
| Other liabilities | | | | |
| – subsidiaries | **–** | – | **(374)** | (358) |

(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.

## 48. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

### (c) Compensation of key management personnel

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

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **31 March 2013 RM'000** | **31 March 2012 RM'000** |
| Short-term employee benefits | | | | |
| Fees | **1,988** | 2,072 | **537** | 540 |
| Salary and other remuneration, including meeting allowances | **12,605** | 12,074 | **994** | 921 |
| Contribution to EPF | **1,532** | 1,540 | **90** | 79 |
| Share options/grants under ESS | **2,054** | 1,336 | **163** | 106 |
| Benefits-in-kind | **119** | 122 | **38** | 31 |
| | **18,298** | 17,144 | **1,822** | 1,677 |
| Included in the total key management personnel are: | | | | |
| Directors' remuneration (Note 35(b)) | **12,148** | 11,162 | **911** | 911 |

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 | |
|---|---|---|---|---|
| **Group** | **31 March 2013 '000** | **31 March 2012 '000** | **31 March 2013 '000** | **31 March 2012 '000** |
| At beginning of year | **4,168** | 3,050 | **543** | 379 |
| Directors/key management personnel appointed during the year | **560** | 68 | **49** | 7 |
| Offered/awarded | **3,141** | 2,569 | **278** | 350 |
| Vested | **(259)** | – | **(99)** | (73) |
| Lapsed | **(914)** | (1,519) | **(59)** | (120) |
| At end of year | **6,696** | 4,168 | **712** | 543 |
| **Company** | | | | |
| At beginning of year | **379** | 276 | **39** | 28 |
| Offered/awarded | **272** | 171 | **26** | 23 |
| Vested | **(77)** | (68) | **(12)** | (12) |
| Lapsed | **(77)** | – | **–** | – |
| At end of year | **497** | 379 | **53** | 39 |

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).

## 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's 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.

| | Group | | Company | |
|---|---|---|---|---|
| **31 March 2013** | **Carrying amount RM'000** | **Fair value RM'000** | **Carrying amount RM'000** | **Fair value RM'000** |
| **Financial assets** | | | | |
| Cash and short-term funds | **1,296,681** | **1,296,681** | **17,670** | **17,670** |
| Deposits and placements with banks and other financial institutions | **153,236** | **153,236** | **10,101** | **10,101** |
| Balances due from clients and brokers | **50,122** | **50,122** | **–** | **–** |
| Financial assets held-for-trading | **1,519,930** | **1,519,930** | **–** | **–** |
| Financial investments available-for-sale | **10,362,450** | **10,362,450** | **–** | **–** |
| Financial investments held-to-maturity | **596,949** | **600,279** | **–** | **–** |
| Derivative financial assets | **19,792** | **19,792** | **–** | **–** |
| Loans, advances and financing | **27,771,741** | **28,000,945** | **–** | **–** |
| **Financial liabilities** | | | | |
| Deposits from customers | **36,004,315** | **36,004,315** | **–** | **–** |
| Deposits and placements of banks and other financial institutions | **2,009,996** | **1,986,668** | **–** | **–** |
| Balances due to clients and brokers | **30,852** | **30,852** | **–** | **–** |
| Bills and acceptances payable | **73,713** | **73,713** | **–** | **–** |
| Derivative financial liabilities | **15,870** | **15,870** | **–** | **–** |
| Amount due to Cagamas Berhad | **16,290** | **15,080** | **–** | **–** |
| Subordinated obligations | **612,193** | **616,980** | **–** | **–** |
| **31 March 2012** | | | | |
| **Financial assets** | | | | |
| Cash and short-term funds | 1,875,994 | 1,875,994 | 6,501 | 6,501 |
| Deposits and placements with banks and other financial institutions | 97,713 | 97,713 | 19,315 | 19,315 |
| Balances due from clients and brokers | 61,764 | 61,764 | – | – |
| Financial assets held-for-trading | 1,491,995 | 1,491,995 | – | – |
| Financial investments available-for-sale | 9,123,201 | 9,123,201 | – | – |
| Financial investments held-to-maturity | 795,256 | 809,381 | – | – |
| Derivative financial assets | 23,712 | 23,712 | – | – |
| Loans, advances and financing | 24,488,832 | 24,783,987 | – | – |
| **Financial liabilities** | | | | |
| Deposits from customers | 32,186,913 | 32,185,398 | – | – |
| Deposits and placements of banks and other financial institutions | 2,161,005 | 2,128,981 | – | – |
| Balances due to clients and brokers | 20,626 | 20,626 | – | – |
| Bills and acceptances payable | 178 | 178 | – | – |
| Derivative financial liabilities | 26,241 | 26,241 | – | – |
| Amount due to Cagamas Berhad | 22,044 | 20,471 | – | – |
| Subordinated obligations | 611,615 | 611,820 | – | – |

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

### (a) Comparison of carrying amount and fair value (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| **1 April 2011** | **Carrying amount RM'000** | **Fair value RM'000** | **Carrying amount RM'000** | **Fair value RM'000** |
| **Financial assets** | | | | |
| Cash and short-term funds | 914,069 | 914,069 | 46,858 | 46,858 |
| Deposits and placements with banks and other financial institutions | 100,228 | 100,228 | 605,700 | 605,700 |
| Balances due from clients and brokers | 80,543 | 80,543 | – | – |
| Financial assets held-for-trading | 1,938,250 | 1,938,250 | – | – |
| Financial investments available-for-sale | 9,259,940 | 9,259,940 | – | – |
| Financial investments held-to-maturity | 940,726 | 955,844 | – | – |
| Derivative financial assets | 32,047 | 32,047 | – | – |
| Loans, advances and financing | 21,893,950 | 22,171,743 | – | – |
| **Financial liabilities** | | | | |
| Deposits from customers | 28,385,434 | 28,384,802 | – | – |
| Deposits and placements of banks and other financial institutions | 1,952,200 | 1,912,490 | – | – |
| Balances due to clients and brokers | 46,987 | 46,987 | – | – |
| Bills and acceptances payable | 111,159 | 111,159 | – | – |
| Derivative financial liabilities | 33,347 | 33,347 | – | – |
| Amount due to Cagamas Berhad | 125,776 | 125,882 | – | – |
| Subordinated obligations | 600,000 | 615,025 | – | – |
| Long term borrowings | 601,272 | 598,000 | 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.

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.

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

### (a) Comparison of carrying amount and fair value (cont'd)

The methods and assumptions used in estimating the fair values of financial instruments are as follows (cont'd):

**(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**

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.

## 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**

MFRS 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:

| Group<br>31 March 2013 | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets held-for-trading | **–** | **1,519,930** | **–** | **1,519,930** |
| Financial investments available-for-sale | **–** | **10,225,058** | **137,392** | **10,362,450** |
| Derivative financial assets | **–** | **19,972** | **–** | **19,972** |
| **Liabilities** | | | | |
| Derivative financial liabilities | **–** | **15,870** | **–** | **15,870** |
| **Group** | | | | |
| **31 March 2012** | | | | |
| **Assets** | | | | |
| Financial assets held-for-trading | – | 1,491,995 | – | 1,491,995 |
| Financial investments available-for-sale | 4,199 | 8,978,333 | 140,669 | 9,123,201 |
| Derivative financial assets | – | 23,712 | – | 23,712 |
| **Liabilities** | | | | |
| Derivative financial liabilities | – | 26,241 | – | 26,241 |
| **Group** | | | | |
| **1 April 2011** | | | | |
| **Assets** | | | | |
| Financial assets held-for-trading | – | 1,938,250 | – | 1,938,250 |
| Financial investments available-for-sale | 3,864 | 9,130,660 | 125,416 | 9,259,940 |
| Derivative financial assets | – | 32,047 | – | 32,047 |
| **Liabilities** | | | | |
| Derivative financial liabilities | – | 33,347 | – | 33,347 |

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

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

**Determination of fair value and fair value hierarchy** (cont'd)

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.

Reconciliation of movements in level 3 financial instruments:

| | 31 March 2013 RM'000 | 31 March 2012 RM'000 |
|---|---|---|
| **Group** | | |
| At beginning of year | **140,669** | 125,416 |
| Total gains/(losses) recognised in: | | |
| – Statement of comprehensive income | **–** | (300) |
| – Other comprehensive income | **1,491** | 17,704 |
| Purchases | **–** | 563 |
| Disposal/redemption | **(4,768)** | (2,714) |
| At end of year | **137,392** | 140,669 |

## 50. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 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 and 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 holding company operations.

# NOTES TO THE FINANCIAL STATEMENTS
31 March 2013

## 50. Segment Information (cont'd)

| GROUP<br>31 March 2013 | Consumer Banking RM'000 | Business Banking RM'000 | Financial Markets RM'000 | Investment Banking RM'000 | Others RM'000 | Total Operations RM'000 | Inter-segment Elimination RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| Net interest income/(expense) | | | | | | | | |
| – external income/(expense) | 203,811 | 317,738 | 209,698 | 7,395 | 2,953 | 741,595 | (11,136) | 730,459 |
| – inter-segment | 73,452 | 1,770 | (69,649) | (5,573) | – | – | – | – |
| | 277,263 | 319,508 | 140,049 | 1,822 | 2,953 | 741,595 | (11,136) | 730,459 |
| Net income from Islamic banking business | 107,090 | 63,966 | 41,166 | – | – | 212,222 | 29,936 | 242,158 |
| Other operating income | 124,877 | 143,094 | 133,818 | 17,106 | 381,451 | 800,346 | (439,932) | 360,414 |
| Net income | 509,230 | 526,568 | 315,033 | 18,928 | 384,404 | 1,754,163 | (421,132) | 1,333,031 |
| Other operating expenses | (272,383) | (218,282) | (47,273) | (32,875) | (31,425) | (602,238) | 9,734 | (592,504) |
| Depreciation and amortisation | (22,237) | (16,805) | (6,809) | (820) | (95) | (46,766) | – | (46,766) |
| Operating profit | 214,610 | 291,481 | 260,951 | (14,767) | 352,884 | 1,105,159 | (411,398) | 693,761 |
| (Write-back of)/allowance for impairment on loans, advances and financing and other losses | (52,796) | 76,908 | 126 | 529 | (254) | 24,513 | – | 24,513 |
| Write-back of impairment | – | – | 474 | – | – | 474 | – | 474 |
| Segment result | 161,814 | 368,389 | 261,551 | (14,238) | 352,630 | 1,130,146 | (411,398) | 718,748 |
| Share of results in an associate | | | | | | | | (4,728) |
| Taxation and zakat | | | | | | | | (175,897) |
| Net profit after taxation and zakat | | | | | | | | 538,123 |
| Segment assets | 16,318,157 | 11,248,853 | 17,392,781 | 115,924 | 1,912,006 | 46,987,721 | (3,746,914) | 43,240,807 |
| Reconciliation of segment assets to consolidated assets: | | | | | | | | |
| Property, plant and equipment | | | | | | | | 83,217 |
| Unallocated assets | | | | | | | | 11,837 |
| Intangible assets | | | | | | | | 356,168 |
| Total assets | | | | | | | | 43,692,029 |
| Segment liabilities | 16,844,796 | 13,567,665 | 10,280,216 | (13,478) | 90,181 | 40,769,380 | (1,163,224) | 39,606,156 |
| Unallocated liabilities | | | | | | | | 50,704 |
| Total liabilities | | | | | | | | 39,656,860 |

## 50. Segment Information (cont'd)

| GROUP<br>31 March 2012 | Consumer Banking RM'000 | Business Banking RM'000 | Financial Markets RM'000 | Investment Banking RM'000 | Others RM'000 | Total Operations RM'000 | Inter-segment Elimination RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| Net interest income/(expense) | | | | | | | | |
| – external income/(expense) | 135,165 | 306,222 | 223,255 | 5,193 | (15,488) | 654,347 | 12,761 | 667,108 |
| – inter-segment | 95,661 | (10,390) | (81,474) | (3,797) | – | – | – | – |
| | 230,826 | 295,832 | 141,781 | 1,396 | (15,488) | 654,347 | 12,761 | 667,108 |
| Net income from Islamic banking business | 121,680 | 67,489 | 40,454 | – | – | 229,623 | 27,405 | 257,028 |
| Other operating income | 94,087 | 137,829 | 90,422 | 24,606 | 314,687 | 661,631 | (341,449) | 320,182 |
| Net income | 446,593 | 501,150 | 272,657 | 26,002 | 299,199 | 1,545,601 | (301,283) | 1,244,318 |
| Other operating expenses | (251,931) | (200,699) | (39,164) | (31,373) | (26,670) | (549,837) | 5,654 | (544,183) |
| Depreciation and amortisation | (23,025) | (16,256) | (6,086) | (2,078) | (168) | (47,613) | – | (47,613) |
| Operating profit | 171,637 | 284,195 | 227,407 | (7,449) | 272,361 | 948,151 | (295,629) | 652,522 |
| (Write-back of)/allowance for impairment on loans, advances and financing and other losses | (19,977) | 23,754 | (1,045) | 321 | (597) | 2,456 | – | 2,456 |
| Write-back of impairment | – | – | 21,643 | – | – | 21,643 | – | 21,643 |
| Segment result | 151,660 | 307,949 | 248,005 | (7,128) | 271,764 | 972,250 | (295,629) | 676,621 |
| Share of results in an associate | | | | | | | | (1,978) |
| Taxation and zakat | | | | | | | | (171,524) |
| Net profit after taxation and zakat | | | | | | | | 503,119 |
| Segment assets consolidated assets: | 13,322,928 | 11,243,939 | 16,260,597 | 183,957 | 1,885,675 | 42,897,096 | (3,665,827) | 39,231,269 |
| Investment in an associate | | | | | | | | 26,552 |
| Property, plant and equipment | | | | | | | | 90,293 |
| Unallocated assets | | | | | | | | 15,806 |
| Intangible assets | | | | | | | | 354,902 |
| Total assets | | | | | | | | 39,718,822 |
| Segment liabilities | 15,980,443 | 11,087,887 | 9,802,809 | 50,932 | 64,508 | 36,986,579 | (1,087,151) | 35,899,428 |
| Unallocated liabilities | | | | | | | | 47,539 |
| Total liabilities | | | | | | | | 35,946,967 |

## 51. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

**Disposal by Alliance Bank Malaysia Berhad ("ABMB") of its 30% equity interest in AIA AFG Takaful Berhad**

On 11 March 2013, the Company announced that ABMB, a wholly-owned subsidiary of the Company has entered into a conditional Share Sale Agreement with American International Assurance Berhad for the disposal of its 30% equity interest in AIA AFG Takaful Berhad comprising 30,000,000 ordinary shares of RM1.00 each fully paid for a total cash consideration of RM45,000,000. The sale had been completed and AIA AFG Takaful Berhad ceased to be an associate of ABMB.

The disposal does not have any material effect on the net assets per share, earnings per share and gearing of the Company for the financial year ended 31 March 2013.

## 52. SUBSEQUENT EVENTS

**Disposal by Alliance Bank Malaysia Berhad ("ABMB") of its 70% equity interest in Alliance Investment Management Berhad ("AIMB")**

On 25 September 2012, the Company announced that ABMB, a wholly-owned subsidiary of the Company had entered into an agreement to dispose of its 70% equity interest in AIMB for a total consideration of RM12,250,000. The proposed disposal, had been completed and AIMB ceased to be a subsidiary of ABMB with effect from 15 April 2013.

The disposal does not have any material effect on the net assets per share, earnings per share and gearing of the Company for the financial year ended 31 March 2013. In accordance with MFRS 5, AIMB's assets and liabilities are classified as a subsidiary held for sale in the consolidated financial statements.

## 53. NON-CURRENT ASSETS HELD FOR SALE

**(a) Property, plant and equipment**

| | Group | | |
|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Building | – | 2,453 | – |
| Freehold land | – | 1,009 | – |
| Leasehold land | – | 352 | – |
| | – | 3,814 | – |

## 53. NON-CURRENT ASSETS HELD FOR SALE (cont'd)

### (b) Subsidiary held for sale

| | Group | | |
|---|---|---|---|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 1 April 2011 RM'000 |
| **ASSETS** | | | |
| Cash and short-term funds | **12,486** | – | – |
| Deposits and placements with banks and other financial institutions | **7,069** | – | – |
| Other assets | **12,802** | – | – |
| Tax recoverable | **338** | – | – |
| Investments in subsidiaries | **–** | – | – |
| Property, plant and equipment | **8** | – | – |
| Deferred tax assets | **301** | – | – |
| Computer software | **68** | – | – |
| | **33,072** | – | – |
| Goodwill | **2,107** | – | – |
| **Total assets of subsidiary held for sale** | **35,179** | – | – |
| **LIABILITIES** | | | |
| Other liabilities | **19,291** | – | – |
| **Total liabilities of subsidiary held for sale** | **19,291** | – | – |

The assets and liabilites of the above subsidiary held for sale is related to Alliance Investment Management Berhad ("AIMB"), a 70% owned subsidiary of ABMB. On 25 September 2012, an announcement was made to Bursa Malaysia on the proposed disposal by the ABMB, its 70% equity interest in AIMB for a total consideration of RM12,250,000. The proposed disposal had been completed and AIMB ceased to be subsidiary of ABMB with effect from 15 April 2013.

## 54. APPLICATION OF MFRS 1: FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS 1")

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs that were effective for annual periods beginning on or after 1 April 2012 have always been applied. However, MFRS 1 allows certain elective exemptions from such retrospective application and prohibits retrospective application in some other aspects.

### (a) MFRS 1 mandatory exceptions

#### (i) MFRS Estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

#### (ii) Hedge accounting

Hedge accounting can only be applied prospectively from the transition date to a hedging relationship that qualifies for hedge accounting under MFRS 139 "Financial Instruments: Recognition and Measurement" at that date. Hedging relationships cannot be designated retrospectively.

#### (iii) Non-controlling interests

The requirements of MFRS 127 to be applied prospectively from the transition date for allocation of total comprehensive income to non-controlling interests even if this results in non-controlling interests having a deficit balance and accounting for changes in parent's ownership in subsidiary that do not result in loss of control.

The Group has complied with the requirement of the above mandatory exceptions where applicable.

## 54. APPLICATION OF MFRS 1: FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS 1") (cont'd.)

### (b) MFRS 1 exemption options

The Group did not elect for any of the exemption options.

### (c) Reconciliation of MFRS 1 adjustments to total equity, total comprehensive income and statements of cash flows

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from FRSs to MFRSs for the respective financial years noted for equity and total comprehensive income.

The transition from FRS to MFRS has had no effect on the reported equity and total comprehensive income of the Company and reported cash flows generated by the Group and the Company.

#### (i) Reconciliation of equity

| | Group | |
|---|---|---|
| | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
| Equity as reported under FRS | 3,675,334 | 3,356,603 |
| Add/(less): Transitioning adjustment | | |
| Effect of adoption of MFRS 139 | 128,695 | 97,655 |
| Taxation arising from transitioning adjustment | (32,174) | (24,414) |
| Equity on transition to MFRS | 3,771,855 | 3,429,844 |

#### (ii) Reconciliation of total comprehensive income

| | Group |
|---|---|
| | **31 March 2012 RM'000** |
| Total comprehensive income as reported under FRS | 543,988 |
| Add/(less): Transitioning adjustment | |
| Effect of adoption of MFRS 139 | 31,040 |
| Taxation arising from transitioning adjustment | (7,760) |
| Total comprehensive income upon transition to MFRS | 567,268 |

## 55. CHANGE IN ACCOUNTING POLICIES

### (i) MFRS 139 Financial instruments: Recognition and measurement ("MFRS 139")

Prior to 1 April 2012, under the transitional provision for FRS 139 as prescribed by BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, the Group had maintained collective assessment allowance at 1.5% of total outstanding loans/ financing, net of individual assessment allowance. Upon the effective date of MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed.

On 1 April 2012, the Group adopted MFRS 139 "Financial Instruments: Recognition and Measurement" ("MFRS 139") - Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing ("loans/financing"). The Group has applied the requirements of MFRS 139 in the determination of collective assessment allowance.

Under MFRS 139, collective assessment is performed on loans/financing which are not individually significant based on the incurred loss approach. Loans/financing which are individually assessed and where there is no objective evidence of impairment are also included in the group of loans/financing for collective assessment. These loans/financing are pooled into groups with similar credit risk characteristics and the future cash flows for each group is estimated on the basis of the historical loss experience for such assets and discounted to present value. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans/financing.

This change in accounting policy has been accounted for retrospectively and has resulted in a decrease in the collective assessment allowance charged in the statements of comprehensive income and a write-back of collective assessment allowance to the opening retained profits and opening collective assessment allowance in the statements of financial position.

### (ii) FRSIC Consensus 18 "Monies Held in Trust by Participating Organisation of Bursa Malaysia Securities Berhad"

During the current reporting period, the Group has changed its accounting policy in relation to the recognition of balances due to clients and brokers following the adoption of FRSIC Consensus 18, which was developed by the Financial Reporting Standards Implementation Committee ("FRSIC") and issued by the Malaysian Institute of Accountants ("MIA") on 18 September 2012.

Following the adoption of FRSIC Consensus 18 as mentioned in the preceding paragraph, the Group no longer recognises monies held in trust as the Group does not have any control over trust monies to obtain the future economic benefits embodied in the trust monies with the corresponding liability of balances due to clients and brokers as at the end of the reporting period as it does not have any contractual or statutory obligation to these balances that would result in an outflow of resources embodying economic benefits from it.

This change in accounting policy has been accounted for retrospectively and has resulted in a decrease of cash and short-term funds and balances due to clients and brokers as recorded in the statements of financial position of the Group.

## 55. CHANGE IN ACCOUNTING POLICIES (cont'd)

A summary of the financial impact of the change in accounting policies on the financial statements of the Group are as follows:

### (a) Impact on the statements of financial position

| | As previously reported RM'000 | Effect of change in accounting policies RM'000 | As restated RM'000 |
|---|---|---|---|
| **As at 31 March 2012** | | | |
| **ASSETS** | | | |
| Cash and short-term funds | 1,874,332 | 1,662 | 1,875,994 |
| Balances due from clients and brokers | 61,698 | 66 | 61,764 |
| Loans, advances and financing | 24,360,203 | 128,629 | 24,488,832 |
| – Gross loans, advances and financing | 24,984,046 | 28,101 | 25,012,147 |
| – Individual assessment allowance | (266,349) | 108,383 | (157,966) |
| – Collective assessment allowance | (386,017) | (7,855) | (393,872) |
| Tax recoverable | 15,484 | (15,019) | 465 |
| **LIABILITIES AND EQUITY** | | | |
| Deposits from customers | (32,130,962) | (55,951) | (32,186,913) |
| Balances due to clients and brokers | (74,915) | 54,289 | (20,626) |
| Provision for taxation | (7,372) | (17,155) | (24,527) |
| Retained profits | (1,131,283) | (96,521) | (1,227,804) |
| **As at 1 April 2011** | | | |
| **ASSETS** | | | |
| Cash and short-term funds | 914,038 | 31 | 914,069 |
| Balances due from clients and brokers | 80,519 | 24 | 80,543 |
| Loans, advances and financing | 21,796,319 | 97,631 | 21,893,950 |
| – Gross loans, advances and financing | 22,439,361 | 34,157 | 22,473,518 |
| – Individual assessment allowance | (328,375) | 148,952 | (179,423) |
| – Collective assessment allowance | (339,636) | (85,478) | (425,114) |
| Deferred tax assets | 109,099 | (25,016) | 84,083 |
| **LIABILITIES AND EQUITY** | | | |
| Deposits from customers | (28,345,647) | (39,787) | (28,385,434) |
| Balances due to clients and brokers | (86,743) | 39,756 | (46,987) |
| Deferred tax liabilities | (6,792) | 602 | (6,190) |
| Retained profits | (908,084) | (73,241) | (981,325) |

## 55. CHANGE IN ACCOUNTING POLICIES (cont'd)

A summary of the financial impact of the change in accounting policies on the financial statements of the Group are as follows (cont'd):

### (b) Impact on the statements of comprehensive income

| | As previously reported RM'000 | Effect of change in accounting policies RM'000 | As restated RM'000 |
|---|---|---|---|
| **31 March 2012** | | | |
| Interest income | 1,328,122 | (6,755) | 1,321,367 |
| Net income from Islamic banking business | 256,329 | 699 | 257,028 |
| (Allowance made for)/write-back of losses on loans, advances and financing and other losses | (34,640) | 37,096 | 2,456 |
| Profit before taxation | 643,603 | 31,040 | 674,643 |
| Taxation and zakat | (163,764) | (7,760) | (171,524) |
| Net profit after taxation | 479,839 | 23,280 | 503,119 |
| Earnings per share attributable to owner of the parent | | | |
| – Basic (sen) | 31.5 | 1.5 | 33.0 |
| – Diluted (sen) | 31.4 | 1.5 | 32.9 |

### (c) Impact on capital adequacy

| **As at 31 March 2012** | As previously reported RM'000 | As restated RM'000 |
|---|---|---|
| Before deducting proposed dividends | | |
| Core capital ratio | 12.00% | 12.37% |
| Risk-weighted capital ratio | 15.71% | 15.62% |
| After deducting proposed dividends | | |
| Core capital ratio | 11.52% | 11.88% |
| Risk-weighted capital ratio | 15.22% | 15.13% |
| Total Tier I capital | 3,158,752 | 3,255,273 |
| Total Tier II capital | 978,848 | 858,495 |
| Total Capital Base | 4,133,980 | 4,110,148 |
| **As at 1 April 2011** | | |
| Before deducting proposed dividends | | |
| Core capital ratio | 12.40% | 12.83% |
| Risk-weighted capital ratio | 16.54% | 16.63% |
| After deducting proposed dividends | | |
| Core capital ratio | 11.95% | 12.39% |
| Risk-weighted capital ratio | 16.09% | 16.18% |
| Total Tier I capital | 2,782,295 | 2,880,552 |
| Total Tier II capital | 933,466 | 854,546 |
| Total Capital Base | 3,712,141 | 3,731,478 |

Certain comparatives have been restated to conform to current year presentation.

## 56. 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** | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **1 April 2011 RM'000** |
|---|---|---|---|
| Total retained profits | | | |
| – Realised | **1,724,099** | 1,457,304 | 1,119,087 |
| – Unrealised | **28,843** | 51,858 | 144,761 |
| | **1,752,942** | 1,509,162 | 1,263,848 |
| Less: Consolidation adjustments | **(280,571)** | (281,358) | (282,523) |
| Total retained profits as per accounts | **1,472,371** | 1,227,804 | 981,325 |
| **Company** | | | |
| Total retained profits | | | |
| – Realised | **14,625** | 2,012 | 5,553 |
| – Unrealised | **302** | 300 | 284 |
| Total retained profits as per accounts | **14,927** | 2,312 | 5,837 |

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

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

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