



ALLIANCE FINANCIAL
GROUP BERHAD (6627-X)

Banking Made Personal



ACHIEVING GROWTH

2011 ANNUAL REPORT

Achieving Growth

The Group continues to chart new milestones amidst a recovering domestic economic environment. We respond quickly to the emerging needs of modern lifestyles yet stay true to our values consistently.

The Group continues to offer innovative products and services complemented by personalised relationships to all our customers.

We remain competitive and focused on our long-term business strategies and will continue to strengthen our business momentum by improving productivity. We are also committed to ensuring strong risk management practices, active liquidity management and a healthy capital position.



**ACHIEVING GROWTH
THROUGH VISION AND
STRATEGY**



**ACHIEVING GROWTH
THROUGH CUSTOMER
FOCUS**



**ACHIEVING GROWTH
THROUGH PERFORMANCE
EXCELLENCE**

Vision

A leading integrated financial solutions provider with regional reach, delivering the best customer experience and creating long term shareholder value.

Mission

We will deliver excellent customer experience through strategic alliances and enhanced group synergy, employing best-in-class technology and human capital.

Values

CARING

Beyond just our business objectives, we care about people – their existence, welfare, passions and dreams.

And we are committed to treating people fairly and compassionately through open communication, mutual respect and team spirit.

CONVICTION

We believe in always exceeding expectations, by having the courage to raise the bar and challenging the status quo.

And we will take responsibility for our actions in this pursuit of success in the marketplace.

CREATIVITY

We will constantly push the boundaries of conventional thinking to come up with innovative solutions.

RESILIENCE

We will stay focused and relentlessly pursue our promise of excellence. Staying the course in good times and hard times to achieve our goals.

We will stay strong in the face of new challenges by being flexible – continuously adapting and improving.

INTEGRITY

We practise uncompromising integrity and ethics in all our dealings.

CONTENTS

3	Corporate Profile
4	Genealogy of Alliance Bank Malaysia Berhad
6	Corporate Information
7	Corporate Structure
8	Products and Services
12	Financial Highlights

Leadership

14	Directors
19	Directors of Major Subsidiaries
22	Senior Management

Perspectives

30	Statement by Chairman of Alliance Financial Group Berhad
34	Statement by Chairman of Alliance Bank Malaysia Berhad
40	Business and Operations Review by Group Chief Executive Officer of Alliance Bank Malaysia Berhad
56	Calendar of Significant Events

Accountability

66	Statement on Corporate Governance
75	Corporate Responsibility
78	Audit Committee Report
82	Statement on Internal Control
83	Risk Management

Additional Information

89	Additional Compliance Information
90	List of Properties
93	Directory
100	Analysis of Shareholdings
102	Substantial Shareholders
102	Directors' Shareholdings



Financials

- 103 Financial Statements of Alliance Financial Group Berhad
- Statement of Board of Directors' Responsibilities
 - Directors' Report
 - Statement by Directors
 - Statutory Declaration
 - Independent Auditors' Report
 - Statement of Financial Position
 - Statements of Comprehensive Income
 - Consolidated Statement of Changes in Equity
 - Statement of Changes in Equity
 - Consolidated Statements of Cash Flow
 - Statements of Cash Flow
 - Notes to the Financial Statements
- 209 Abridged Financial Statements of Alliance Bank Malaysia Berhad
- 229 Basel II Pillar 3 Disclosure of Alliance Bank Malaysia Berhad

Notice and Form

- 265 Notice of Annual General Meeting Form of Proxy

CORPORATE PROFILE

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

ABMB, together with its subsidiaries, Alliance Investment Bank Berhad (AIBB), Alliance Islamic Bank Berhad (AIS) and Alliance Investment Management Berhad (AIMB) provide a wide range of financial products and services in commercial banking, financing, investment banking, stockbroking, Islamic banking, unit trust funds management, fund management, investment advisory and other related financial services.

GENEALOGY OF ALLIANCE BANK MALAYSIA BERHAD

1958

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

1959

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

1975

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

1982

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

1985

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

1986-1995

During this time, 16 branches were established nationwide.

1996

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

1998

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

1999

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

2001

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

2004

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

2005

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

2006

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

2007

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

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

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

2008

AIS commenced its Islamic banking business on 1 April after assuming the entire Islamic banking business portfolio of ABMB.

Today

Alliance Financial Group, comprising ABMB, AIBB, AIS and AIMB, is now a dynamic, integrated financial services group offering end-to-end financing solutions through its Consumer Banking, SME Banking, Corporate & Commercial Banking, Islamic Banking, Investment Banking and Stockbroking businesses, as well as Unit Trust and Asset Management by providing products and services that are suited for every customer at every stage of their life.

It provides easy access throughout the country by serving its broad base of customers via multi-pronged delivery channels which include retail branches,

Alliance Personal branches, Alliance Rakan branches, Privilege Banking Centres, Islamic Banking Centres, Business Centres, Investment Bank branches, Direct Marketing offices and Unit Trust agent offices located nationwide in a mix of rural and urban areas.

With over five decades of proud history in contributing to the financial community in Malaysia with its innovative and entrepreneurial business spirit through its principal subsidiaries, the Group aspires to be Malaysia's premier integrated financial services group delivering the best customer experience and creating long-term shareholder value.

CORPORATE INFORMATION

DIRECTORS

Datuk Oh Chong Peng

Chairman, Independent Non-Executive Director

Dato' Thomas Mun Lung Lee

Senior Independent Non-Executive Director

Tan Yuen Fah

Independent Non-Executive Director

Stephen Geh Sim Whye

Independent Non-Executive Director

Phoon Siew Heng

Non-Independent Non-Executive Director

Megat Dziauddin bin Megat Mahmud

Independent Non-Executive Director

Kung Beng Hong

Non-Independent Non-Executive Director

Ou Shian Waei (Appointed on 1.7.2010)

Independent Non-Executive Director

Sng Seow Wah (Appointed on 18.11.2010)

Non-Independent Non-Executive Director

GROUP COMPANY SECRETARY

Lee Wei Yen (MAICSA 7001798)

REGISTERED OFFICE

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

Tel : 03-2694 4888

Fax : 03-2694 6200

Website : www.alliancegroup.com.my

Email : enquiry@alliancegroup.com.my

REGISTRAR

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

Tel : 03-6201 1120

Fax : 03-6201 3121

AUDITORS

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

PRINCIPAL BANKER

Alliance Bank Malaysia Berhad

BURSA MALAYSIA STOCK NAME/CODE

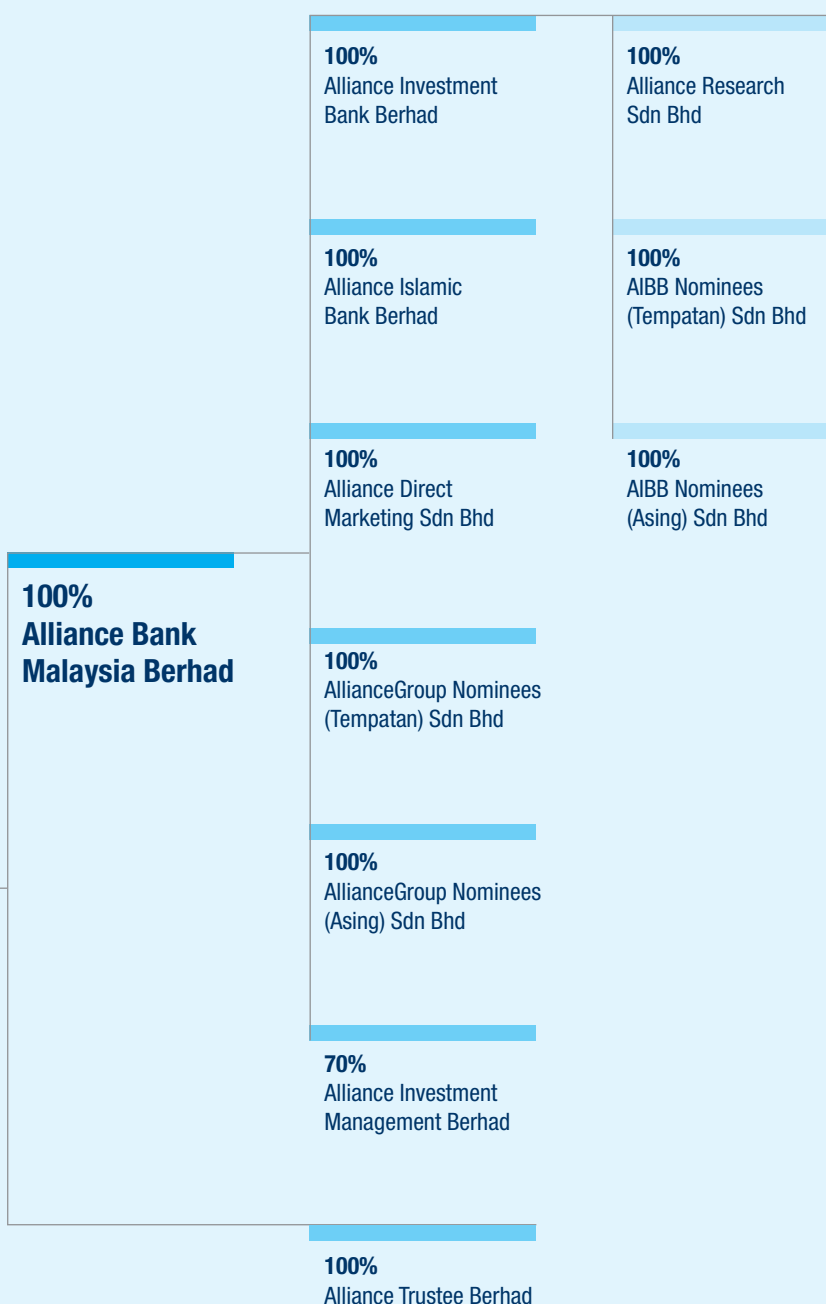
AFG/2488

INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

MYL248800004

CORPORATE STRUCTURE

as at 31 May 2011



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

PRODUCTS AND SERVICES



Alliance Bank Malaysia Berhad

Personal Banking

Wealth Management

Deposits

- AllianceSave Manjaku
- AllianceSave Pendidikan
- Savings Account/Basic Savings Account
- Current Account/Basic Current Account
- Fixed Deposit
- AllianceSave
- Alliance Senior Savers
- Alliance FDGold
- Alliance Hybrid Account

Wills and Trust Services

- Alliance Legacy

Structured Investment

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

Unit Trust Investment

- Equity Funds
- Fixed Income-Bond Funds
- Money Market Funds

Share Trading and Margin Facilities

- Alliance Share Margin Financing
- Alliance Share Trading
- ESOS/IPO/Placement Financing

Bancassurance

- Bijak Malaysia
- Alliance CashBack Protector II
- Alliance Cash Plus
- Alliance Cash Maximiser
- Alliance MaxWealth
- Alliance Motor Insurance
- Alliance Travel Protector
- Alliance Premier Protector
- Alliance Senior Protector
- Alliance Home Protector
- Smart Protector Enhanced (Telemarketing)
- Alliance Mortgage Reducing Term Assurance
- Alliance MyRetirement RP
- Alliance MyRetirement SP
- Alliance MyLifestyle
- Alliance MyJunior
- Alliance Income Saver (May 2011)
- Alliance i-Vantage (May 2011)
- Alliance i-Medic (May 2011)
- Alliance Family Takaful Investment (May 2011)
- Alliance Safe Assure
- Alliance Passenger Assure
- Alliance Mortgage Reducing Term Takaful
- Alliance Credit Term Takaful (May 2011)
- Alliance 100% Hospital Income Plan (Telemarketing)
- Alliance My Protection (Telemarketing)
- Alliance Cash Back Personal Accident (Telemarketing)



Loans

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

Cards

- Alliance Gold and Classic Credit Cards
- Alliance Platinum Credit Card
- IKEA Friends Credit Card
- IKEA Friends Loyalty Payment Card
- Alliance CPA Australia Gold Credit Card
- Alliance CNI Gold Credit Card
- Alliance CNI Gold Payment Card
- Alliance Business Platinum Card
- Alliance Chinese Independent School (CIS) Payment Card
- Alliance Chinese Independent School (CIS) Credit Card
- Alliance You:nique Rates Credit Card
- Alliance You:nique Rewards Credit Card
- Alliance You:nique Rebates Credit Card
- Alliance You:nique Prepaid Card
- Alliance Allianz Insurance Gold & Platinum Credit Cards
- Tiger Football Club Credit Card
- Tiger Football Club Prepaid Card
- Alliance Standard Debit MasterCard
- Alliance Platinum Debit MasterCard
- Alliance Premium Debit MasterCard



Corporate and Commercial Banking

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





SME Banking

- Credit Facilities
 - Working Capital Financing
 - Equipment Financing
 - Business Premises Financing
 - Schemes promoted by CGC/BNM/Government
 - Business Platinum Card
 - Foreign Exchange
- Trade Facilities
 - Letter of Credits
 - Trust Receipts
 - Foreign Currency Trade Loan
 - Bankers Acceptances
 - Export Bills Purchased/Discounting
 - Export Credit Refinancing
 - Export LC Negotiation
 - Collection Bills
 - Shipping Guarantees
 - Export LC Advising/Confirmation
 - Bank Guarantees (BGs)
 - Promissory Notes
- Bancassurance
 - Commercial Line General Insurance
 - Keyman Credit-Life Insurance
 - Alliance Business Shield
- Cash Management
 - Account Management
 - Business Current Account
 - Business Fixed Deposit
 - Business Foreign Currency Current Account
 - Business Foreign Currency Fixed Deposit
 - Biz-Xpress Card: Deposit cum Withdrawal function via Self-Service Terminals (ATM, CDM and CES)
 - Business Internet Banking
 - Collection Management
 - Payee Corporation Service
 - Auto Debit Service
 - iBayar Facility
 - Bulk Cheque Collection Service
 - Cash in Transit
 - Cash Concentration Solution
 - Liquidity Management
 - Auto Sweeping Service
 - Bounce Cheque Protection Service
 - Payment Management
 - Payroll (Salary/EPF Monthly Contribution/PCB-LHDN Payment)
 - Bulk Payment
 - Bulk Payment with Remittance Advice
 - Remittances (CO/DD/FTT/FDD/IBG/RENTAS)
 - Fund Transfer (Own account transfer/Group account transfer/Designated 3rd Party Transfer)
 - Bills Payment
 - Business Rewards Services

Alliance Islamic Bank Berhad

Deposits

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

Financing

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

Business Financing

- Term Financing-i
- Leasing-i
- Biz Prop Financing-i
- Cash Line Facility-i
- Revolving Credit-i



- Alliance i-Wish SaveLink Business Financing-i
- Bridging Financing-i
- Contract Financing-i
- Project Financing-i

Trade Financing

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

Cards

- ASLAM International Debit Card
- Alliance Islamic Debit MasterCard



PRODUCTS AND SERVICES (cont'd)



Alliance Investment Bank Berhad

Corporate Finance

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

Debt Finance & Advisory

Customised solutions via Conventional and Islamic:

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

Financial Markets

- Acceptance of Authorised Term Deposits
- Foreign Transactions and Hedging
- Inter-Bank Deposits and Placements
- Treasury Bills
- Bank Negara Bills
- Cagamas Notes
- Negotiable Instruments of Deposit
- Bankers Acceptances
- Malaysian Government Securities
- Private Debt Securities
- Interbank
 - Interbank Mudharabah
 - Wadiah – Placement with BNM
 - NIDC (Negotiable Instrument of Deposit)
 - Innah concept
 - Interbank Commodity Murabahah
 - Murabahah concept imbedded in Tawaru' concept
- Corporate Deposit
 - MMDI (Money Market Deposit – Islamic)
 - Mudharabah concept

Equity Capital Markets

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

Corporate Banking

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

Islamic Banking

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

Stockbroking Services

- Institutional and Retail Share Trading
- Inter-Broking Services
- Online Share Trading Services
- Share Margin Financing
- Nominees and Custodian Services
- Foreign Share Trading



Alliance Investment Management Berhad

Management of Unit Trust Funds

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

Provision of Fund Management and Investment Advisory Services

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

Agency Development

- Alternative Distribution Channel



Alliance Research Sdn Bhd

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



AllianceGroup Nominees (Tempatan) Sdn Bhd

AllianceGroup Nominees (Asing) Sdn Bhd

- Nominee and Custody Services

Alliance Trustee Berhad

- Trustee Services

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 MARCH	2011	2010	2009	2008	2007
OPERATING RESULTS (RM Million)					
Net income	1,129	1,065	1,054	1,018	922
Profit before taxation and zakat	553	409	303	502	151
Net profit after taxation and zakat	409	302	229	380	107
KEY BALANCE SHEET DATA (RM Million)					
Total assets	36,072	31,664	31,846	27,675	26,390
Gross loans, advances and financing	22,439	21,410	19,590	16,545	14,493
Total liabilities	32,715	28,712	29,080	25,081	24,443
Deposits from customers	28,346	23,628	25,575	21,352	19,104
Paid-up capital	1,548	1,548	1,548	1,548	1,218
Shareholders' equity	3,352	2,947	2,762	2,589	1,943
Commitments and contingencies	15,909	14,293	15,081	13,976	7,973
SHARE INFORMATION AND VALUATIONS					
Share Information					
Earnings per share (sen)	26.7	19.7	14.9	25.4	9.1
Diluted earnings per share (sen)	26.7	19.6	14.8	25.4	7.9
Gross dividend per share (sen)	7.00¹	6.40 ¹	6.25 ¹	6.25	–
Net assets per share (RM)	2.17	1.91	1.79	1.67	1.60
Share price as at 31 March (RM)	3.17	2.88	1.69	2.68	2.87
Market capitalisation (RM Million)	4,907	4,458	2,616	4,149	3,496
Share Valuations					
Gross dividend yield (%)	2.21	2.22	3.70	2.33	–
Dividend payout ratio (%)	26.2	32.5	41.9	19.1	–
Price to earnings multiple (times)	11.9	14.6	11.3	10.6	31.5
Price to book multiple (times)	1.5	1.5	0.9	1.6	1.8
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest-earning assets	2.7	2.7	2.8	2.8	2.9
Net return on average equity	13.0	10.5	8.6	16.8	5.8
Net return on average assets	1.2	0.9	0.8	1.4	0.4
Net return on average risk-weighted assets	1.9	1.4	1.2	2.3	0.7
Cost to income ratio	48.3	52.1	53.0	46.2 ²	53.4
Asset Quality Ratios					
Loan loss coverage	90.1	94.4	99.7	79.9	67.5
Gross impaired loans ratio	3.3⁴	3.8	4.5	7.0	10.8
Net impaired loans ratio	1.9⁴	1.8	1.8	3.3	5.5
Gross loan to deposit ratio	78.8	90.6	76.4	76.3	67.2
Capital Adequacy Ratios³ (after deducting proposed final dividend)					
Core capital ratio	11.95	11.13	10.30	11.19	10.73
Risk-weighted capital ratio	16.09	15.40	14.65	16.06	16.47

¹ Tax exempt under the single tier tax system

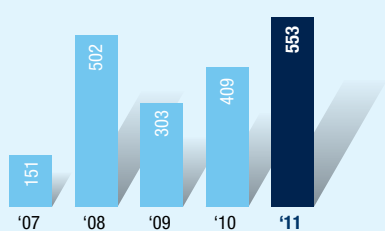
² Included once-off write-back of other operating expenses

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

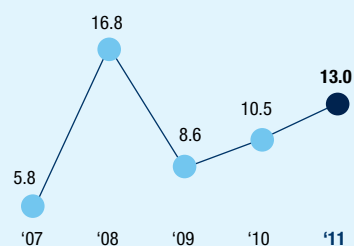
⁴ After adoption of Financial Reporting Standard (FRS) 139 loan impairment

Improved Earnings

Profit Before Taxation and Zakat (RM Million)

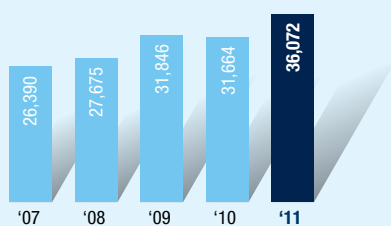


Net Return on Average Equity (%)

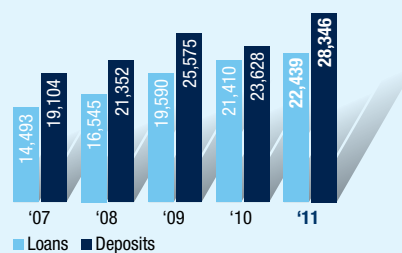


Steady Balance Sheet Growth

Total Assets (RM Million)

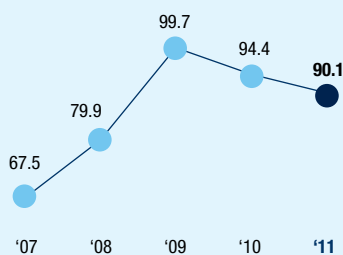


Loans and Deposits (RM Million)

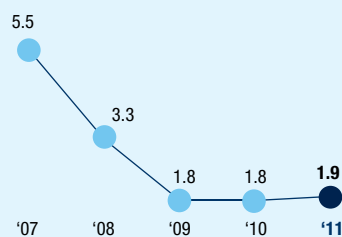


Continued Improvement in Assets Quality

Loan Loss Coverage (%)

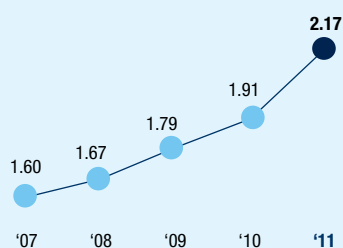


Net Impaired Loans Ratio (%)

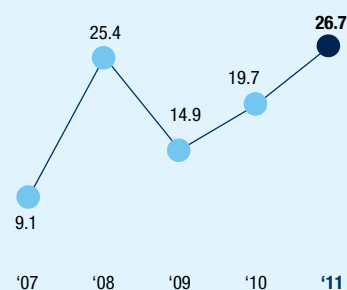


Enhanced Shareholders Value

Net Assets Per Share (RM)



Earnings Per Share (sen)



DIRECTORS



1st row from left

Datuk Oh Chong Peng
Dato' Thomas Mun Lung Lee
Tan Yuen Fah
Stephen Geh Sim Whye
Phoon Siew Heng

2nd row from left

Megat Dziauddin bin Megat Mahmud
Kung Beng Hong
Ou Shian Waei
Sng Seow Wah
Chua Eng Kee

3rd row from left

Zakaria bin Abd Hamid
Tee Kim Chan (*Resigned from the ABMB Board on 7 June 2011*)
Kuah Hun Liang
Assoc. Prof. Dr Abdul Rahman bin Awang
Tuan Haji Md Ali bin Md Sarif





DIRECTORS (cont'd)

Datuk Oh Chong Peng

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

Aged 66, a Malaysian, was appointed Chairman of the Board on 21 April 2006. He had his accountancy training in London from 1964 and qualified as a Chartered Accountant in 1969. He is a Fellow of the Institute of Chartered Accountants in England and Wales as well as a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants.

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

Datuk Oh is a Government-appointed member of the Labuan Financial Services Authority, a trustee of the UTAR Education Foundation, and a council member of University Tunku Abdul Rahman. He is also a member of the Steering Committee of Financial Institutions Directors' Education Programme.

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

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

Dato' Thomas Mun Lung Lee

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

Aged 73, a Malaysian, he has been in legal practice as an advocate and solicitor for over 40 years and was appointed to the Board on 26 September 2005. He is a barrister at law (England) and holds a Master of Arts (MA) and Master of Law (LLM) degrees from Cambridge University, United Kingdom (UK). A member of the Appeals Committee of Bursa Malaysia Berhad and the Steering Committee of Financial Institutions Directors' Education Programme, he is also an arbitrator with the Court of Arbitration for Sport, Lausanne, Switzerland.

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

Tan Yuen Fah

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

Aged 66, a Singaporean, was appointed to the Board on 1 July 2005. He holds a Bachelor of Accountancy from the University of Singapore and a Bachelor of Law from the University of Wolverhampton, UK. He also holds a post-graduate diploma in Business Administration from the Manchester Business School, UK. He is a Fellow of the Institute of Certified Public Accountants of Singapore, CPA (Australia), the Association of Chartered Certified Accountants, UK and an Associate of the Chartered Institute of Management Accountants, UK.

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

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

Stephen Geh Sim Whye

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

Aged 55, a Malaysian, was appointed to the Board on 5 May 2004. He is an accountant by profession and was admitted as a member of MICPA in 1985.

In 1987, Mr Geh was admitted into the Malaysian Institute of Accountants as a Chartered Accountant and became a member of Malaysian Institute of Taxation in 1992. Since 1984, he has been a practising accountant and consultant to several companies. He has wide experience in the financial management of companies involved in tin mining, oil palm and rubber plantations, manufacturing, property development and construction.

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

He is currently the Managing Director of GSW Consultants Sdn Bhd and sits on the Board of a private company.

Phoon Siew Heng

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

Aged 47, a Singaporean, was appointed to the Board on 12 July 2005. He holds a Bachelor of Economics (Honours) degree from Monash University, Australia.

Mr Phoon is currently Head of Strategy, IndoChina and Latin America and also Co-Head of India at Temasek International Pte Ltd. He was with Temasek from 1999 to September 2007, and later with Wah Hin & Co (Pte) Ltd as an Executive Advisor from January 2008 to October 2008, before rejoining Temasek in November 2008. Mr Phoon was with Standard Chartered Merchant Bank Asia Limited from 1992 to 1999. He was a Deputy Director in the Ministry of Finance, Singapore, from 1988 to 1992.

He currently sits on the Boards of ABMB, AIBB, Eastern Health Alliance Pte Ltd, Info-communications Development Authority of Singapore, IDA International Pte Ltd and Temasek Financial (II) Private Limited.

Megat Dziauddin bin

Megat Mahmud

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

Aged 65, a Malaysian, was appointed to the Board on 26 September 2005. He holds a Bachelor of Science (Econs) (Hons) degree from the Queen's University of Belfast, Northern Ireland and is a Fellow of the Institute of Chartered Accountants in Ireland as well as a Chartered Accountant with MIA.

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

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

Kung Beng Hong

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

Aged 66, a Malaysian, was appointed to the Board on 21 April 2006. He holds a Bachelor of Arts (Honours) degree in Economics from the University of Malaya. He is a Fellow and a Council Member of the Institute of Bankers Malaysia.

Mr Kung has 43 years working experience in the banking industry and has held numerous senior management positions, mainly in Malaysia, including CEO/Directorship positions in three banks. His experience includes positions held in Citibank N.A. in the United States and Singapore.

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

DIRECTORS (cont'd)

Ou Shian Waei

(Independent Non-Executive Director)

*Member of Audit Committee,
Remuneration Committee and
Employees' Share Participating Scheme Committee*

Aged 60, a Malaysian, was appointed to the Board on 1 July 2010. He holds a Bachelor of Science degree in Chemistry from the University of Malaya. Mr Ou started his career with a local bank as a management trainee from 1976 to 1980. He joined IBM Malaysia in 1981 as a trainee System Engineer and has since held various technical and management positions. Mr Ou was the Managing Director of IBM Malaysia before retiring in January 2010 after almost 30 years of service with the company.

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

He is currently the Advisor, IBM Malaysia and sits on the Boards of ABMB, Chartis Malaysia Insurance Berhad and Heitech Padu Berhad.

Sng Seow Wah

(Non-Independent Non-Executive Director)

Aged 52, a Singaporean, was appointed to the Board on 18 November 2010. He was appointed as Group Chief Executive Officer and Director of ABMB on 5 July 2010. He holds a Bachelor's Degree in Accountancy from the National University of Singapore, and attended the Advanced Management Programme at the Wharton School, University of Pennsylvania, as well as the Corporate & Investment Banking Programme at Macquarie University.

Mr Sng is an experienced banker with more than 25 years of leading growth and developing high performing organisations, in a number of well respected regional and international banks. Prior to joining ABMB, he was the Executive Vice President, Head of Human Resources, Special Projects & Corporate Communications of Fullerton Financial Holdings (International) Pte Ltd. In this capacity, Mr Sng also held several directorships across the Asian region.

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

Other Information of Directors

(i) Family Relationship

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

(ii) Conflict of Interest

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

(iii) List of Convictions for Offences

None of the Directors have been convicted for any offences (other than traffic offences, if any) within the past 10 years.

(iv) Attendance of Directors at Board Meetings

There were eleven Board Meetings held during the financial year ended 31 March 2011. Details of attendance of the Directors at Board Meetings are as follows:

Name of Director	Attendance
Datuk Oh Chong Peng	11/11
Dato' Thomas Mun Lung Lee	11/11
Tan Yuen Fah	11/11
Stephen Geh Sim Whye	11/11
Phoon Siew Heng	10/11
Megat Dziauddin bin Megat Mahmud	11/11
Kung Beng Hong	11/11
Ou Shian Waei (Appointed on 1.7.2010)	9/9
Sng Seow Wah (Appointed on 18.11.2010)	4/4

DIRECTORS OF MAJOR SUBSIDIARIES

Alliance Bank Malaysia Berhad	Alliance Investment Bank Berhad	Alliance Islamic Bank Berhad
Dato' Thomas Mun Lung Lee (Chairman/Independent Non-Executive Director)	Dato' Thomas Mun Lung Lee (Chairman/Independent Non-Executive Director)	Megat Dziauddin bin Megat Mahmud (Chairman/Independent Non-Executive Director)
Sng Seow Wah (Group Chief Executive Officer/ Executive Director)	Megat Dziauddin bin Megat Mahmud (Independent Non-Executive Director)	Tuan Haji Yahya bin Ibrahim (Chief Executive Officer/ Executive Director)
Megat Dziauddin bin Megat Mahmud (Independent Non-Executive Director)	Phoon Siew Heng (Non-Independent Non-Executive Director)	Zakaria bin Abd Hamid (Independent Non-Executive Director)
Chua Eng Kee (Independent Non-Executive Director)	Zakaria bin Abd Hamid (Independent Non-Executive Director)	Assoc. Prof. Dr Abdul Rahman bin Awang (Independent Non-Executive Director)
Phoon Siew Heng (Non-Independent Non-Executive Director)	Kung Beng Hong (Non-Independent Non-Executive Director)	Tuan Haji Md Ali bin Md Sarif (Independent Non-Executive Director)
Kung Beng Hong (Non-Independent Non-Executive Director)	Tee Kim Chan (Non-Independent Non-Executive Director)	
Tan Yuen Fah (Independent Non-Executive Director)	Kuah Hun Liang (Independent Non-Executive Director)	
Zakaria bin Abd Hamid (Independent Non-Executive Director)		
Ou Shian Waei (Independent Non-Executive Director)		
Tee Kim Chan (Resigned on 7 June 2011) (Non-Independent Non-Executive Director)		

DIRECTORS OF MAJOR SUBSIDIARIES (cont'd)

Chua Eng Kee

Aged 64, a Malaysian, was appointed to the Board of Alliance Bank Malaysia Berhad (ABMB) on 28 January 2003. He holds a Bachelor of Economics (Honours) degree from the University of Malaya. He has over 30 years of experience in the banking industry, having worked in a merchant bank, finance company, commercial bank and as an appointee of Bank Negara Malaysia from 1987 to 1991.

Mr Chua has held senior positions in various financial institutions and has vast experience in corporate and investment banking as well as commercial and retail banking. In addition to banking, Mr Chua has worked in the building and construction industry, as well as in property development. He is a director and shareholder of a number of privately owned construction and property development companies.

Currently, he is the Chairman of the Group Risk Management Committee and a member of the Group Nominating Committee. He previously served as Chairman of Group Operational Risk Management Committee and as a member of the Group Audit Committee.

Zakaria bin Abd Hamid

Aged 58, a Malaysian, was appointed to the Board of ABMB on 24 April 2009. Encik Zakaria possesses a Bachelor of Economics degree from the University of Malaya. He is a qualified Certified Financial Planner and is a member of the Financial Planning Association of Malaysia. He has over 33 years of experience in banking, corporate finance and advisory services.

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

He currently sits on the Boards of Alliance Investment Bank Berhad (AIBB), Alliance Islamic Bank Berhad (AIS) and ICB Financial Group Holdings AG.

Tee Kim Chan

(Resigned from the ABMB Board on 7 June 2011)

Aged 57, a Malaysian, was appointed to the Board of ABMB on 24 April 2009. He was admitted to the Honourable Society of Lincoln's Inn, London in 1978 and enrolled as an advocate and solicitor of the High Court of Malaya in 1979. He is a practising advocate and solicitor. He was formerly the Chairman of the Negeri Sembilan Bar Committee and was also a former member of the Bar Council.

Mr Tee first joined the Group as a Director of Alliance Financial Group Berhad (AFGB) on 15 January 2004. He retired as a Director of AFGB on 29 July 2009. He is the Board Chairman of International Commercial Bank (Lao) Limited and is a Director of The Nomad Group Berhad, ICB Islamic Bank Ltd, Bangladesh and several other private companies.

Kuah Hun Liang

Aged 49, a Malaysian, was appointed to the Board of AIBB on 9 December 2010.

Mr Kuah has over 27 years of experience in the financial services' industry having commenced his career in Public Bank. He later joined Deutsche Bank AG as Treasurer and was subsequently promoted as Head of Global Markets when the bank ventured into investment banking. Mr Kuah was appointed Executive Director of Deutsche Bank (M) Berhad in 2000 and in 2002, he assumed the role and responsibilities of Chief Executive Officer.

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

Mr Kuah is currently a director of Rexit Berhad and UBG Berhad.

Assoc. Prof. Dr Abdul Rahman bin Awang

Aged 65, a Malaysian, was appointed to the Board of AIS on 11 February 2011. He brings with him more than 30 years of experience in Islamic law whilst serving in various universities in Malaysia. He is currently an Associate Professor at the Department of Islamic Law, International Islamic University Malaysia.

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

Tuan Haji Md Ali bin Md Sarif

Aged 57, a Malaysian, was appointed to the Board of AIS on 23 March 2011. He is currently a distinguished academic fellow of the Institute of Islamic Banking and Finance (IIBF), International Islamic University Malaysia. Prior to joining IIBF in 2008, he was with Maybank Group from 1976, holding various senior positions until his retirement as Head of Planning, Maybank Islamic Berhad. He has extensive experience in the areas of Islamic Banking, Corporate Planning, Asset & Liability Management as well as Banking Operations.

Tuan Haji Md Ali holds a Bachelor of Economics Degree from University Malaya and an MBA (Finance) from University Kebangsaan Malaysia.

SENIOR MANAGEMENT





1st row from left

Sng Seow Wah
Ronnie Lim Kheng Swee
Steve K. Miller
Choo Joon Keong
Yeo Chin Tiong
Rafidz Rasiddi

3rd row from left

Pang Choon Han
Low Choon Seong
Michelle Chow Lai Pheng
Lee Wei Yen

2nd row from left

Tuan Haji Yahya bin Ibrahim
Raymond Leung Chun-Kow
Eric Lee
Timothy Daniels
Leong Sow Yoke

SENIOR MANAGEMENT (cont'd)

Sng Seow Wah *Group Chief Executive Officer*

Mr Sng Seow Wah is the Group Chief Executive Officer and Director of Alliance Bank Malaysia Berhad (ABMB or the Bank) since 5 July 2010. He is also a Director of Alliance Financial Group Berhad.

Mr Sng is an experienced banker with more than 25 years of leading growth and developing high performing organisations in a number of well respected regional and international banks.

He was Executive Vice President and Head of Enterprise Banking at OCBC Bank Singapore from 2003 to 2008 where he led the successful transformation of the business into a sustainable, high performing unit with a strong reputation for customer focus and service. In the years under his leadership, the business produced consistently excellent results and high employee engagement ratings.

Before OCBC, Mr Sng was with Citibank Singapore as the Managing Director of the Local Corporate Group. He had also previously held senior corporate and commercial banking positions in Banque Nationale De Paris, and Westpac Banking Corporation.

Prior to joining Alliance Bank, Mr Sng was the Executive Vice President, Head of Human Resources, Special Projects & Corporate Communications of Fullerton Financial Holdings (International) Pte Ltd, which is part of Temasek Holdings. In this role, he held several directorships across the Asian region and led the development of senior management teams across a portfolio of financial services companies and banks.

Mr Sng has a Bachelor's degree in Accountancy from the National University of Singapore. He attended the Advanced Management Programme at the Wharton School, University of Pennsylvania, as well as the Corporate & Investment Banking Programme at Macquarie University. He is currently a Council Member of The Association of Banks in Malaysia and Director of Malaysian Electronic Payment Systems Sdn Bhd.

Ronnie Lim Kheng Swee *Head, Consumer Banking*

Mr Ronnie Lim joined the Bank on 24 January 2011 as Head of Consumer Banking. He has over 20 years of experience in consumer banking whilst serving in Standard Chartered Bank and Citibank Malaysia.

During his tenure with Standard Chartered Bank Malaysia Berhad, he was involved in the development of new products and services for Bancassurance and Wealth Management, enhancement and improvement of frontline and customers' experiences, premium banking, e-commerce management, branch operations as well as re-engineering of account opening processes.

Prior to joining the Bank, Mr Lim was the Head of Wealth Management and CitiGold Segment Marketing in Citibank Berhad and was responsible for the development of new products, tools, services and processes to enhance overall customer proposition.

Mr Lim holds a Bachelor of Economics degree from the National University of Malaysia and is a Certified Financial Planner (CFP).

Steve K. Miller *Head, SME Banking*

Mr Steve K. Miller joined the Bank as the Head of SME Banking on 7 September 2009. He is responsible for the overall strategy and growth of the SME Banking Division, looking into programme lending, liabilities business, transaction banking, including trade and cash management, and other fee-based businesses.

Mr Miller brings with him over 16 years experience in SME banking, Consumer Finance, Business Development, Marketing and Operations from previous appointments in the United States, Taiwan and Indonesia.

He holds a Bachelor of Arts degree from Columbia University, USA.

▶ Choo Joon Keong

Head, Corporate and Commercial Banking

Mr Choo Joon Keong was appointed the Head of Corporate Banking on 26 May 2008. In August 2010, Corporate Banking merged with Commercial Banking to become Corporate and Commercial Banking.

In Mr Choo's present capacity as the Head of Corporate and Commercial Banking, he is responsible for the strategic development of the business to deliver sustainable growth and performance targets.

Mr Choo brings with him over 15 years of management experience in financial services spanning Malaysia and China. Prior to joining the Bank, he was the Deputy President (Business) of a locally incorporated foreign bank in China with its headquarters in Shanghai. He was primarily responsible for business development activities of the Corporate Banking Division. He also assisted in setting up the Personal Financial Services and Treasury Divisions.

Mr Choo has a Bachelor of Business in Accounting degree from RMIT University, Melbourne, Australia.

▶ Yeo Chin Tiong

Head, Financial Markets

Mr Yeo Chin Tiong was appointed the Head of Financial Markets effective 25 November 2010, and is responsible for the overall Group's treasury functions.

He brings with him more than 30 years of working experience in Treasury, having served in various financial institutions such as Bank Negara Malaysia, Bank of America Malaysia Berhad, Overseas Union Bank Malaysia Berhad, Aseambankers Malaysia Berhad as well as Mayban Discounts Berhad. Prior to joining the Bank, he was the Head of Treasury in OSK Investment Bank.

Mr Yeo holds a Bachelor of Economics from the National University of Malaysia. He is the Honorary Treasurer for the Persatuan Pasaran Kewangan Malaysia (PPKM). He also represents PPKM on the Institut Bank-Bank Malaysia's examination panel for the Pasaran Kewangan Malaysia Certificate.

▶ Rafidz Rasiddi

Chief Executive Officer

Alliance Investment Bank Berhad

(w.e.f. 1 April 2011)

Encik Rafidz Rasiddi joined Alliance Investment Bank Berhad (AIBB) as Chief Executive Officer on 1 April 2011. He brings with him more than 19 years of industry experience, having served in various financial institutions in Malaysia.

Before joining AIBB, he was the Head of Investment Banking at RHB Investment Bank where he was responsible for the equities and futures stockbroking, equity and debt capital market advisory services, ECM and private equity businesses. He was a member of the RHB Banking Group's Credit Committee and a Director of a number of its subsidiaries. En. Rafidz was also previously with CIMB Group's Corporate & Investment Banking division where he served in senior positions in Corporate Finance, Private Equity and as the Country Head of CIMB-GK Securities (Thailand).

Encik Rafidz holds a Bachelor of Science degree majoring in Economics from The City University, London.

▶ Tuan Haji Yahya bin Ibrahim

Chief Executive Officer

Alliance Islamic Bank Berhad

Tuan Haji Yahya bin Ibrahim is the Chief Executive Officer of Alliance Islamic Bank Berhad (AIS). Prior to his present appointment, he was the Group Head for Islamic Banking at ABMB and led the project team that was instrumental in the formation of AIS.

During his tenure with ABMB, he has held various positions including heading the then Multi-Purpose Unit Trust Berhad and Multi-Purpose Finance Berhad. Prior to joining Alliance Bank on 27 June 1994, he served in the property development and merchant banking sectors.

Tuan Haji Yahya earned a Master in Business Administration degree from the Southern Illinois University Edwardsville, USA.

SENIOR MANAGEMENT (cont'd)

▶ **Raymond Leung Chun-Kow** *Group Chief Operating Officer*

Mr Raymond Leung Chun-Kow joined the Bank on 19 January 2011 as Group Chief Operating Officer. He brings with him a wealth of experience spanning Products, Operations, Technology, Process Re-engineering, e-Commerce and Services Management for Capital Market/Treasury, Corporate, Consumer and Private Banking. In addition, he also has a solid experience in service quality, risk and financial management functions.

Prior to joining the Bank, Mr Leung served the Citibank Group in Singapore, Toronto and Hong Kong, and was the Head of Operations & Technology with the Shanghai Fullerton Management Consultancy where he was responsible for the operations and technology functions of its investment projects in China.

▶ **Eric Lee** *Group Chief Financial Officer*

Mr Eric Lee was appointed as the Group Chief Financial Officer on 4 January 2010.

Mr Lee has broad based business and finance experience and his overall responsibility is to strategise and improve operations. His roles include analysing and identifying challenges and opportunities facing the Group as well as managing reporting and regulatory responsibilities.

Prior to joining Alliance Bank, Mr Lee was the Chief Financial Officer of a major global company based in Beijing, where he oversaw their finance operations covering the Greater China region. For over 20 years, he has held various leadership roles in management positions in both local and multi-national corporations within Asia.

Mr Lee is a member of the Malaysian Association of Certified Public Accountants (MACPA) and Malaysian Institute of Accountants (MIA).

▶ **Timothy Daniels** *Head, Corporate Strategy and Corporate Communications*

Mr Timothy Daniels joined the Bank in August 2009 as the Head of Corporate Strategy and Business Planning. In his current capacity as the Head of Corporate Strategy & Corporate Communications, he oversees Corporate Strategy, Investor Relations, Group Project Management Office, Corporate Social Responsibility, Group Corporate Affairs and Group Corporate Branding.

Mr Daniels has a distinguished 19-year career in various international financial institutions in the UK, USA and Singapore, ranging from investment banking, consumer banking, finance and strategy.

He holds a Master of Economics degree from the University of Edinburgh, and an MBA degree from the J.L. Kellogg Graduate School of Management, Northwestern University.

▶ **Leong Sow Yoke** *Group Chief Internal Auditor*

Ms Leong Sow Yoke joined the Bank as the Group Chief Internal Auditor on 8 December 2010.

Ms Leong is a seasoned banker with over 25 years of experience in the audit profession that includes both internal and external audits as well as general and IT audits. She began her career in a large accounting firm performing general and IT audits for clients that included the country's major banks, flagship airline and other main industry players followed by a stint in a conglomerate with businesses that span retail, manufacturing and finance. She later went on to serve as the Chief Internal Auditor for two foreign banks.

In addition to being a Chartered Accountant and Fellow of Association of Chartered Certified Accountants (FCCA), Ms Leong is also a Certified Information Systems Auditor (CISA) and Certified in Risk and Information Systems Control (CRISC) certified.

Ms Leong is a well respected audit professional and an examiner for the Certificate in Internal Auditing for Financial Institutions (CIAFIN) administered by Institut Bank-Bank Malaysia (IBBM) since January 2006. She also served as a Director in the Malaysia Chapter of ISACA (previously known as the Information Systems Audit and Control Association) between June 2008 and May 2010.

Pang Choon Han

Group Chief Risk Officer

Mr Pang Choon Han joined the Group on 1 November 2006 where he was later appointed as the Head of Group Market Risk Management. He is presently the Group Chief Risk Officer while concurrently heading the Group Market Risk Management.

He has a career spanning over 22 years in audit and market risk management. Prior to joining the Group, he led the Market Risk Supervision Department of a large domestic banking group.

In his role as Group Chief Risk Officer, Mr. Pang is responsible for developing, implementing and reviewing the Group's core risk management framework and policies covering credit, operational, market and liquidity risks. Other major functions include monitoring the Group's portfolio risk exposures, reviewing new product proposals, and providing risk management input on various business and operational matters.

He currently chairs the Group Operational Risk Management Committee and participates in several Senior Management Committees, including Group Assets & Liabilities Management Committee.

Mr Pang is an Associate Member of the Chartered Institute of Management Accountants (UK).

Low Choon Seong

*Group Chief Credit Officer
Head, Group Special Assets*

Mr Low Choon Seong joined the Bank on 1 December 2005 as the Head of Group Special Assets where he is responsible for the recoveries function of the Group. In December 2008, he also assumed the role of Group Chief Credit Officer. His responsibilities now include the development and maintenance of the Group's overall credit policies, as well as the management and supervision of all aspects of the Group's credit exposure.

Mr Low has over 30 years experience in both foreign and local banks, primarily in corporate and commercial lending, recovery and credit risk management. During his tenure with a foreign bank, he was also involved in group projects and was seconded to an overseas branch of the bank as the Chief Credit Officer.

Mr Low holds a Diploma in Banking from the Chartered Institute of Bankers, London, and is a Senior Associate of the Institute of Bankers, Malaysia.

Michelle Chow Lai Pheng

Head, Group Human Resource

Ms Michelle Chow Lai Pheng was appointed the Head of Group Human Resource on 15 May 2008. She is responsible for the overall strategic direction and execution of Group Human Resource management and development initiatives. Ms Chow brings with her over 20 years of experience in human resource management and development, mainly in financial services with vast exposure in the local, China and Singapore markets.

Prior to joining the Bank, she was the Chief Officer, Human Resources for an international organisation, overseeing its human resource function in Malaysia, China and Singapore. Her various roles in senior management positions of both local and international corporations have provided her with the opportunity to work with executive teams across different cultures.

Ms Chow holds a Bachelor of Law degree from the University of London and a Certificate in Legal Practice from the Legal Profession Qualifying Board, Malaysia.

Lee Wei Yen

Group Company Secretary

Mr Lee Wei Yen joined AFGB on 1 April 2004 and was appointed to the Bank as Company Secretary on 1 December 2004.

He brings with him more than 20 years of extensive experience and exposure in corporate matters including corporate restructuring, mergers, takeovers, initial public offerings and other corporate exercises for companies in various industries such as banking, insurance, stockbroking, asset management, unit trust management, property development, trading and manufacturing.

Mr Lee holds a Master of Business Administration degree in Finance from Universiti Putra Malaysia and a Master of Advanced Business Practice from the University of South Australia. He is an Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators.

ACHIEVING GROWTH THROUGH VISION AND STRATEGY

The Group is paving its way forward as Malaysia's premier integrated financial services group with its strong consumer and business banking focus. Our strategies for growth are centred on driving customer experience and enhancing productivity. Our staff remain committed to working together towards our shared goals.



STATEMENT BY CHAIRMAN OF ALLIANCE FINANCIAL GROUP BERHAD



Dear Shareholders,

I am pleased to present the Annual Report of the Alliance Financial Group Berhad for the financial year ended 31 March 2011, a year that saw the Group achieving record profits in a generally improved operating environment.



Operating Environment

According to Bank Negara Malaysia (BNM), emerging economies accounted for more than two-thirds of global growth in 2010. Advanced economies continued to be weighed down by large swings in the financial markets, particularly in the United States and Europe, where the recovery remained fragile. As a result, the stronger growth in the first half of the year was tempered in the second half due to the less certain economic outlook. The global economy expanded by 5% in 2010.

Following a downturn in 2009, the Malaysian economy rebounded in 2010 to expand by 7.2%. The Malaysian financial system also demonstrated its resilience throughout the year, despite the contagion risks arising from fiscal and banking developments in Europe and geo-political tensions in the Middle East. Reaping the benefits of financial reforms put in place over the past several years, the Malaysian banking sector has remained strong with ample liquidity and sound capitalisation. During the year, the aggregate risk-weighted capital ratio and core capital ratio further strengthened to 14.8% and 13.0% respectively, which is well above the current regulatory minimum levels as well as the higher requirements under Basel III. The banking sector also registered stronger financial results, largely driven by higher net interest income and lower provision for impairment.

While economic and market conditions for financial institutions have generally improved, many challenges remain. They include, among others, changes in the regulatory landscape, inherent risks of the industry, increased competition from local and foreign players and the evolving needs and expectations of clients.

Performance Review

Taking the challenges in its stride and by building on the foundations that have been laid, the Group was able to maximise the benefits of the nation's economic recovery. In meeting all financial expectations for the year, the Group has confirmed the viability of its business model and registered progress on many fronts to ensure sustainable long-term shareholder value.

For the 12 months under review ended 31 March 2011, the Group recorded profit before taxation of RM553.1 million, an increase of RM144.2 million or 35.3% from the previous financial year. The increase in profit before taxation was driven by higher net income, lower overheads and lower impairment charges. Profit after taxation was the highest ever achieved by the Group at RM409.2 million.

Total net income for the year grew to RM1,128.7 million from RM1,064.5 million previously, on the back of a 4.8% growth in gross loans and financing. Similarly, net interest income improved 14.5% year-on-year to RM670.3 million.

The Group achieved an improved return on equity of 13.0% compared to 10.5% last year, on the back of a return on asset of 1.2%. In line with the Group's improved profitability, earnings per share rose from 19.7 sen to 26.7 sen per share.

Effective 1 April 2010, the Group has adopted a more stringent criterion on the classification of impaired loans due to the adoption of FRS 139. Consequently, the Group's gross impaired loans ratio has improved to 3.3% as at 31 March 2011 from 3.9% at the beginning of the financial year. Under the FRS 139 regime, the Group's loan impairment allowance is computed based on the transitional provision under BNM's guidelines on Classification and Impairment Provision for Loans/Financing, whereby collective assessment allowance is computed based on 1.5% of total outstanding loans/financing and net of individual assessment allowance. For the year under review, allowance for impaired loans and financing was recorded at RM668.0 million compared to RM761.5 million previously.

Dividends

For the year under review, the Group has declared a total dividend of 7.0 sen per share, tax exempt under the single tier tax system. The first interim dividend of 3.3 sen per share was paid on 27 August 2010. On 28 February 2011, the Group paid its second interim dividend of 3.7 sen per share.



STATEMENT BY CHAIRMAN OF ALLIANCE FINANCIAL GROUP BERHAD (cont'd)

To have your cash dividend entitlements credited directly into your bank account, you are advised to immediately provide your bank account number and other information to Bursa Malaysia Depository Sdn Bhd (Bursa Depository) through your stock broker by completing the prescribed form.

Corporate Developments

The year in review saw two major corporate developments. On 28 January 2011, AIA Bhd and our wholly-owned subsidiary, Alliance Bank Malaysia Berhad (ABMB or the Bank), officially launched a new joint-venture known as AIA AFG Takaful Bhd. The strategic alliance brings together the financial strengths and expertise of two powerful brands to offer a range of Takaful savings, protection and investment products customised to meet the unique demands of Malaysia's large Muslim population. This is in line with our aspiration to be Malaysia's premier integrated banking group offering the best customer experience by expanding the breadth and depth of its product offerings.

In the other corporate development, the Group successfully launched the first tranche of RM600 million Subordinated Medium Term Notes (Subordinated Notes), attracting the interest of a diverse spectrum of investors. The Subordinated Notes issued by ABMB on 8 April 2011 was part of the RM1.5 billion Subordinated Medium Term Notes Programme approved by BNM and the Securities Commission Malaysia on 30 December 2010 and 25 February 2011 respectively.

Achieving Growth

The Group has made strategic use of its reputation for stability and performance to transform itself into a growth-oriented organisation. Our operating model and long-term approach to growth and shareholder value creation are rooted in the following priorities:

- Increasing productivity levels and cost efficiencies
- Ensuring a continued high quality credit profile
- Maintaining strong capital and high liquidity levels

By remaining focused on these fundamentals, the Group has continued to deliver results that show the strength and promise of the company. The growing strength of our capital position, combined with the depth of our liquidity and strength of our assets are a powerful source of competitive advantage.

The Group's financial performance also reflects the robustness and quality of its business lines. By leveraging on its nationwide infrastructure, investing in technology, and launching products, services and solutions relevant to the market, the Group has delivered improved performance across many of its business segments. Virtually, all our businesses have advanced their position in each market and product category, with positive developments in key drivers such as deposits, sales and customer numbers. The Group's progress can also be measured in terms of the number of awards and accolades received in the areas of advertising and promotion, marketing and innovation. The Sahabat SME Award was also awarded to the Group in recognition of its contributions to the development and support of small and medium enterprises (SMEs) in the country.

A Promising Outlook

Although the global economy is expected to grow by 5% in 2011, downside risks to growth remain. Amidst concerns over large fiscal deficits and increasing government debt in the advanced economies, the growing uncertainty in the Middle East has already caused a surge in oil prices to 2008 levels. It is still not clear how the gradually recovering but still fragile economies of Europe and the US would handle another prolonged period of high oil prices, which could drive up inflation and retard growth.

On the home front, the Malaysian economy is projected to grow by 5-6% in 2011, supported mainly by continued expansion in domestic demand. While it is not possible to be completely insulated from external shocks, the Government has taken steps to strengthen Malaysia's financial system so that it is able to withstand global volatility and risks. A new financial sector blueprint is scheduled to be unveiled in June 2011, which will enhance the capacity of the financial system to serve the new requirements of a higher-value added economy.



At the Group level, we approach the next financial year with cautious optimism. Across the Group, we intend to rebuild broad revenue whilst concurrently investing in underlying capabilities and systems to ensure a more diverse range of earnings across our franchises. The Group is committed to building internal capabilities to enable all businesses and key operational areas to support its growth in the future. In addition, we will deliver top-line growth to meet and/or surpass market expectations.

The Group will focus on driving revenue growth especially in Consumer Banking, SME Banking and Treasury, whilst significantly enhancing our non-interest income. We will invest and manage our priorities to address operational, infrastructure, service and human capital aspects of our business in realising our long term ambitions.

The Group expects to continue to record satisfactory performance in the new financial year ending 31 March 2012.

Corporate Responsibility

The Group's corporate responsibility activities are continuously guided by the principles of accountability, honesty, transparency and sustainability. The Board recognises that we have an obligation to safeguard the interests of all stakeholders, enhance shareholder value and protect the reputation of the Group and its subsidiaries. As such, we continue to implement good corporate governance practices throughout all our businesses to maintain the sustainability of the business and deliver strong value to all shareholders.

While the Group continues to be active in philanthropic endeavours, we also place great emphasis on corporate responsibility activities which impact in a more tangible and sustainable manner upon our marketplace, our workplace, our community and our environment.

Acknowledgements

On behalf of the Board and Management, I would like to thank our valued customers, shareholders, associates and business partners for their continued support. Their confidence in the Group has helped us achieve our goals and expand our horizons. The Group enjoys a close working relationship with BNM, Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other regulatory authorities and I wish to thank them for their continued support, guidance and assistance.

The momentum the Group has achieved was made possible by management and staff working cohesively as a team. We are also fortunate to have an extremely strong and engaged Board and the diverse experience and expertise of our members is a distinct advantage. I would like to extend a warm welcome to Mr Sng Seow Wah, who joined the Bank on 5 July 2010 as Group Chief Executive Officer, and the Board on 18 November 2010. I also welcome Mr Ou Shian Waei who joined the Board on 1 July 2010. We look forward to benefiting from their fresh insights, knowledge and experience.

To my fellow Directors of the Board and the Directors of the subsidiaries, thank you for your wise counsel, insights and tireless contributions.

To our valued shareholders, the Directors, management and staff will continue to deliver growth to ensure good returns on your investment.

The Group has come a long way, but much remains to be done if we are to reach our full potential. I am confident it will be possible to achieve all we have set out to do and realise our vision if we continue to work together in the spirit of common enterprise.

DATUK OH CHONG PENG

Chairman, Alliance Financial Group Berhad



STATEMENT BY CHAIRMAN OF ALLIANCE BANK MALAYSIA BERHAD



In a more favourable operating environment, Alliance Bank Malaysia Berhad (the Bank) and its subsidiaries exceeded financial expectations for the financial year ended (FYE) 31 March 2011. Profit before taxation rose by 34.9% to RM559.7 million on the back of a net income of RM1,131.8 million.

In tandem with the good financial results, the Bank continued its organic growth. The Bank made in-roads into markets, products and services by focusing on the following key priorities:

- Deepening client relationship through the customer segmentation model to meet the specific needs of customers.
- Delivering a full suite of innovative products and services to meet the changing needs of the market.
- Accelerating business growth through cross-selling and bundling of products and services across business lines.
- Leveraging on the Alliance brand and nationwide foot-print to extend our businesses and win new customers.
- Enhancing the overall customer experience through superior products and services to differentiate the Bank from its peers.



Financial Performance

The solid financial results posted during the year in review was attributed to progress made across our business lines. This will be covered in greater detail by Mr Sng Seow Wah, our Group Chief Executive Officer, who joined the Group shortly before the last Annual General Meeting.

In terms of net income generation, two of our business lines, SME and Financial Markets, have registered double-digit growth of 16.0% and 11.5% respectively.

Consequently, all key shareholder value indicators have remained on track:

- Overall loan assets grew by 4.8% at an optimal mix of 86.2% variable and 13.8% fixed rate loans.
- GNPLS improved to 3.3%.
- The Bank remained well-capitalised with our core capital at 12.0% (31 March 2010: 11.1%) and RWCR at 16.1% (31 March 2010: 15.4%).
- The Bank has declared a final net dividend of RM99.8 million for the financial year ended 31 March 2011.

Corporate Developments

The Bank continued to leverage on strategic partnerships to increase its penetration into key market segments. On 28 January 2011, the Bank formed a new joint venture with AIA Bhd, known as AIA AFG Takaful Bhd, to offer a range of Takaful savings, protection and investment products. By combining the respective strengths of two powerful brands in their respective businesses, the joint venture is expected to capture a larger slice of the growing Takaful market and meet the expanding needs of the country's Muslim population.

In another key corporate exercise, the Bank completed an issuance of the first tranche of RM600 million Subordinated Medium Term Notes (Subordinated Notes) during the year as approved by Bank Negara Malaysia (BNM) and the Securities Commission Malaysia. The Subordinated Notes are also eligible for inclusion as the Bank's Tier-2 capital under BNM's capital adequacy regulations.

The Subordinated MTN Programme is rated A2 with a stable outlook by RAM Rating Services Berhad (RAM). RAM has also reaffirmed the long and short-term financial institutional rating of Alliance Bank of A1 and P1 respectively, pointing to the Bank's sound financial profile.

The Bank's Subordinated Notes attracted a strong response from a diverse spectrum of investors. The order book was more than six times the issue size and the final pricing was well within the lower band of initial price guidance.

The proceeds from the issuance of the first tranche have been used to redeem the existing RM600 million Subordinated Bonds of the Bank on 26 May 2011.

Key Business Initiatives

The results achieved in FYE 2011 is a foundation for the Bank to build on for the next few years. As we stand today, our strengths include a healthy capital position, strong risk and credit functions, a full suite of licences and businesses and a critical mass of loyal customers. Being small sized, we are typically more agile and nimble in responding to changes in the market-place and exploiting opportunities that come our way. We also have a strong and resonant brand proposition, *Banking Made Personal*.

Moving forward from a position of strength, the Bank's strategic priorities will be to:

- Focus on revenue momentum, including interest and non-interest income to generate a more diverse range of earnings across all its franchises.
- Deliver top line growth to meet or exceed market expectations.
- Prioritise investment and management efforts to address the operational, infrastructure, service and human capital needs to achieve long-term goals and aspirations.
- Maximise growth opportunities in under-leveraged franchises (Treasury, Transaction Banking and Investment Banking) and in other segments (SME, Wealth Management).
- Initiate improvements to differentiate ourselves in terms of customer service and branding.



STATEMENT BY CHAIRMAN OF ALLIANCE BANK MALAYSIA BERHAD (cont'd)

Among the more attractive segments is SME Banking, where we expect to see higher revenue growth owing to various projects launched by the Government to spur economic growth. The 2011 Budget contains some provisions that will lead to an incremental build-up of business activities for SMEs, which in turn will see an increase in working capital requirements. The Bank has already established a good relationship with SMEs, achieving an impressive 71% loyalty score in the 2010 annual customer satisfaction survey. Having won the Sahabat SME Award 2010, the Bank has been recognised for its contributions towards the development and support of SMEs in the country. The foundation has therefore been laid for us to increase our share of the potentially lucrative SME market.

Islamic banking represents another growth opportunity for the Bank. The Government is committed to reinforce Malaysia's position as a global hub for Islamic finance. Malaysia has the second largest Takaful market after Saudi Arabia, and has registered a 40% annual growth rate. The Bank is planning to launch a broader range of Shariah-compliant financial solutions covering Islamic banking and Takaful to enhance its leadership position in this niche segment and to meet the growing demand of customers.

Various initiatives by both private and public sectors, as well as government initiatives, augur well for investment banking in the coming year. In view of this, the Alliance Investment Bank Berhad (AIBB) will increase its remisier base, expand and improve on alternate channel offerings (online and through the Bank's share trading centres), enhance institutional sales and research capabilities.

A New Level of Customer Experience

Moving forward, the ability to deliver an unsurpassed customer experience will be the key to differentiating ourselves from the competition. Our value proposition is based on building long-term relationships with our clients by:

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

By building on our brand promise, *Banking Made Personal*, the task before us is to take the customer experience to a new level within the industry. Changes are already being introduced and we aspire to be the Best Customer Service Bank in Malaysia. The end result will be a win-win situation not only for our customers, but also all our other key stakeholders, namely our employees, regulators and our shareholders.

Ensuring Sustainable Growth

Risks are inherent in all aspects of the Bank's operations. The Bank's ability to manage these risks is a key competency that is supported by a strong risk culture and an effective Integrated Risk Management Framework. In adopting a proactive approach to risk management, we are able to drive the sustainability of our businesses, strengthen resilience and enhance shareholder value.

As defined by Bursa Malaysia's corporate social responsibility (CSR) framework, CSR goes beyond charitable deeds or lending financial support to charities. The Bank's corporate responsibility programmes and efforts are closely aligned to its business priorities and they address its commitment to the workplace, marketplace, community and the environment. In addition, our employees truly uphold our core value of "Caring" by devoting time, energy and resources on their own to participate in community service and volunteerism.

Acknowledgements

On behalf of the Board of Directors, I would like to thank our growing numbers of customers, many of whom have been associated with the Bank for many years. It has been a pleasure to serve them. The Bank also enjoys the support and co-operation of our business partners and the various government agencies and regulatory authorities such as BNM, Securities Commission Malaysia and Bursa Malaysia Securities Berhad. I would like to express my sincere thanks and gratitude to them.



Hard work, commitment and professionalism are bed-rock elements of our success and these qualities are exemplified in the management and staff of the Bank. Over the past year, we have brought in new talent while continuing to appreciate the contributions of the existing management and staff. Together, they bring passion to their jobs and working together as a team, we will continue to scale new heights.

I would also like to record my sincere appreciation to Datuk Oh Chong Peng and the Board of Directors of our holding company, Alliance Financial Group Berhad. Their advice and support are very much appreciated. Mr Ou Shian Waei was appointed to the Board of Directors during the year in review. Having led a well-known multinational in the IT business, he brings with him a wealth of experience. Mr Sng Seow Wah was appointed as the Group Chief Executive Officer in July 2010. He is an experienced banker, with more than 25 years of experience. In April 2011, Encik Rafidz Rasiddi joined the Group as CEO of AIBB. With more than 19 years of industry experience, he will spearhead AIBB's drive to provide a comprehensive and integrated investment banking suite of services. On behalf of the Board, I welcome all of them.

Finally, last but not least, our shareholders deserve special mention. Their continued support and faith in the Group have always been a motivating factor and is very much appreciated.

We look forward to the new financial year with optimism. I believe we have the momentum, balance sheet strength, talents, proven business model and strategies and the entrepreneurial spirit to continue delivering growing returns to all our stakeholders.

DATO' THOMAS MUN LUNG LEE

Chairman, Alliance Bank Malaysia Berhad



ACHIEVING GROWTH THROUGH CUSTOMER FOCUS

What sets Alliance Bank apart from the other banks is the importance we place on ensuring that banking is a personal experience. We see our customers as unique individuals with diverse expectations and are committed to understanding every one of them better.





BUSINESS AND OPERATIONS REVIEW

BY GROUP CHIEF EXECUTIVE OFFICER

OF ALLIANCE BANK MALAYSIA BERHAD



Operating Environment

The Malaysian financial system remained stable and supportive of economic growth despite the continuing uncertainties and challenges in the global operating environment, largely stemming from continued structural weaknesses in the advanced economies and large swings in global financial markets. The Malaysian economy rebounded strongly in 2010 to register a growth of 7.2%, driven mainly by robust domestic demand and private sector activities.

The banking sector remained well-capitalised, reinforced by the high quality of capital in the form of common equity and reserves. The aggregate risk-weighted capital ratio (RWCR) and core capital ratio (CCR) were 14.8% and 13.0% respectively, which were well above the current regulatory minimum levels as well as the higher requirements under Basel III. Profitability of the banking sector improved further in 2010, due largely to higher net interest income and lower provisioning for impairment.

Achieving Growth

Building on the momentum established and against the backdrop of a more favourable operating environment, the Financial Year ended 31 March 2011 (FYE 2011) was a year of achieving growth. By refocusing the business model and leveraging on synergies inherent within the Group, new products and services were rolled out to address the needs of targeted market segments. This has translated into improved financial numbers, matched by a commendable performance on the operational front.

The Group is consolidating its position as one of Malaysia's premier integrated financial services groups.

Financial Performance

The FYE 2011 has been a significant year of growth for the Group and this was reflected in the key financial performance indicators. During the year, the Group posted a profit before tax (PBT) of RM553.1 million compared to RM408.9 million from the previous year. The 35.3% increase was attributed to higher net income, lower overheads and lower impairment charges.

All key shareholder value indicators remain on track. Return on equity improved from 10.5% to 13.0%, on the back of a return of asset of 1.2%. Earnings per share saw a 35.5% year-on-year growth to 26.7 sen per share. On the strength of the Group's improved financial performance, the Group paid a total dividend of 7.0 sen per share for the year under review. Alliance Bank Malaysia Berhad (ABMB or the Bank), a fully owned subsidiary, has declared a final net dividend of RM99.8 million for FYE 2011.

Net interest income improved by 14.5% on the back of broad-based growth in the loans and financing segments. The Group's capital position remained healthy, with the RWCR and CCR improving to 16.1% and 12.0% respectively from 15.4% and 11.1% registered previously.

Overheads were contained at RM544.9 million, representing savings of RM9.7 million over the previous year. Consequently, cost-to-income ratio has improved from 52.1% to 48.3%.

With effect from 1 April 2010, the Group adopted a more stringent criterion on the classification of impaired loans arising from the adoption of FRS 139; based on this, the Group's gross impaired loans ratio improved to 3.3% as at 31 March 2011 from 3.9% recorded at the beginning of the financial year. Effective 1 April 2010, the Group's loan impairment allowance was computed based on the transitional provision under Bank Negara Malaysia's (BNM) guidelines on Classification and Impairment Provision for Loans/Financing net of individual assessment allowance. For the 12 months ended 31 March 2011, allowance for losses on loans, advances and financing was recorded at RM668.0 million compared to RM761.5 million for the previous corresponding period.

Alliance Bank Malaysia Berhad

Although the economic and market conditions for financial institutions improved during the year under review, the overall environment remained challenging, marked by increasing competition from both local and foreign players, regulatory reforms and the changing needs and expectations of customers. Taking these challenges in its stride, ABMB continued to demonstrate strength, stability and prudent management as it remained focused on achieving growth across all its business lines.

The progress achieved the past year has been borne out by the financial results. Net income increased by 6.1% to RM1,131.8 million, while PBT 34.9% to RM559.7 million during the year in review. For the financial year ended 31 March 2011, the Bank declared a final net dividend of RM99.8 million.

The quality of the Bank's balance sheet continued to strengthen, with CCR and RWCR increasing to 12.0% and 16.1% respectively. The Bank adopted FRS 139 with effect from 1 April 2010. Despite more stringent criteria on classification on impaired loans, the asset quality of the Bank continued to be strong, and gross impaired loans improved to 3.3% as at 31 March 2011 from 3.9% recorded at the beginning of the financial year.



BUSINESS AND OPERATIONS REVIEW BY GROUP CHIEF EXECUTIVE OFFICER OF ALLIANCE BANK MALAYSIA BERHAD (cont'd)

As at FYE 2011, the Group had a network of 106 branch offices spread across the country. It consists of 99 Alliance Bank branches and seven Alliance Investment Bank branches.

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

- Deepening customer relationships through the Customer Segmentation Model for deeper banking service experience.
- Diversifying the breadth and depth of products and services to meet customers' growing needs and expectations.
- Leveraging cross-selling opportunities within the Group and bundling of products and services to expand the customer base.
- Investing in infrastructure and IT platforms to support growth and meet the expectations of customers.
- Building and developing the talent pool to meet present and future human capital requirements.

Consumer Banking continued to perform in line with expectations in fiscal 2011, accounting for 40.3% of the Group's revenue and 65.6% of total loans. PBT was posted at RM154.1 million or 29.6% of the Group's PBT. Total number of customers grew by 10.9%, while total assets and liabilities increased by 1.0% and 12.7% respectively from the previous financial year.

SME Banking delivered a commendable performance, contributing 22.6% to the Group's revenue. At FYE 2011, SME loans and deposits grew by 11.5% and 16.4% respectively on a year-on-year comparison. The growth was attributed mainly to a focus on expanding borrowing relationships with smaller scale SME businesses which generate stronger margins for the bank. The unit has also worked on the improvement of processes, especially turnaround time for loan applications.

In August 2010, Corporate Banking and Commercial Banking were merged to form Corporate & Commercial Banking, capitalising on shared strengths in relationships with clients. The unit contributed RM173.4 million or 15.4% of the Group's revenue and recorded PBT of RM79.1 million or 14.1%. It achieved 10.5% loans growth without compromising on asset quality.

For the year under review, Alliance Investment Bank Berhad (AIBB) recorded an operating profit of RM42.2 million for the financial year ended 31 March 2011, an increase of RM5.8 million mainly due to savings in other operating expenses. AIBB also registered a PBT of RM61.2 million for the FYE 31 March 2011, a decline of RM3.5 million compared to the last financial year, mainly due to lower write-back of losses on loans, advances and financing.

For the year ended 31 March 2011, Alliance Islamic Bank Berhad (AIS) recorded a PBT of RM75.5 million. It contributed 17.3% of the Group's assets and 13.7% of the Group's profit for the FYE 2011. AIS achieved a financing growth of 17.3% as per its desired portfolio mix. The quality of its financing asset portfolio continued to improve quarter on quarter, with both net non-performing financing and financing loss ratios at 0.9% and 152.5% respectively as at 31 March 2011, being better than industry's average of 2.1% and 88% respectively.

The year under review brought the Bank its share of awards and accolades in recognition of its accomplishments in marketing, innovation and contributions to the development and support of small and medium-sized industries in Malaysia.

While focused on our objective of increasing shareholder value, we are aware that risk is inherent in our business. Sound risk management practices are fundamental to the Bank's success, and we continue to strengthen our Integrated Risk Management Framework (IRMF).

We continue to uphold our conviction by acting in a socially responsible manner as our way of conducting our business is more than just an ethical duty. In addition to our obligation to our stakeholders, we strive to earn the trust and respect of those we serve.



Consumer Banking

Consumer Banking remained the Group's largest revenue earner, accounting for 40.3% of Group revenue and 65.6% of total loans in FYE 2011. PBT was posted at RM154.1 million, or 29.6% of the Group's PBT.

The launch of the Customer Segmentation Model has made Consumer Banking more customer-centric. Total customer franchise grew by 10.9%, while total assets and total liabilities increased by 1.0% and 12.7% respectively, compared to the previous financial year.

Mortgage Loans

Our Mortgage Loans business strived to capitalise on improved market sentiment for new housing projects. In aiming for an optimal balance in its product mix, about 62.8% of Mortgage Loans business was derived from the financing of completed properties. Islamic sales continued to increase, contributing 28.1% of total mortgage sales. The Bank's share of Islamic Mortgage receivables has also increased to 3.4%.

The year in review saw a further decrease in the non-performing loans (NPL) ratio, which declined to 2.6%.

Hire Purchase

The Customer Segmentation Model has brought about higher yield segments with lower credit risks. We have also streamlined the Bank's hire purchase centres and re-engineered work processes to optimise productivity, enhance efficiency and contain costs.

Revenue for the year improved by 18.2%, driven by higher disbursements. NPL improved to 0.9% from 1.6% recorded the preceding year.

Credit Cards

The Bank's credit card business generated revenue of RM58.4 million during the FYE 2011. Half of the revenue was derived from fees, reflecting the changing hybrid mix of the card business.

New acquisitions and portfolio sales both delivered record growth. In terms of market positioning, the Bank has a strong track record in niche segments. For the year under review, it has maintained a leadership position in the commercial segment for card usage. In the prepaid cards segment, the You:nique Prepaid card is now one of the leading products in the market.



We have expanded our co-brand portfolio which includes IKEA, CPA Australia, CNI Gold, Allianz Insurance and Tiger FC. Our standing in the credit card business has been enhanced by the number of awards and accolades received. This is covered in a different section of this report.

Personal Loans

During the year in review, the Bank's Personal Loans business achieved revenue of RM77.0 million and trading profit of RM39.2 million, up 2.4% and 29.8% respectively from the previous financial year. Our total loan base continued to expand albeit at a moderate pace, finishing the year with 52,000 accounts.

A robust credit risk framework has enabled the Personal Loans business to keep its Impaired Loans ratio at less than 1.0%, compared to the industry average of 2.5%. Our net bad debt of 1.17% for the loans market was also among the lowest in the industry.



BUSINESS AND OPERATIONS REVIEW BY GROUP CHIEF EXECUTIVE OFFICER OF ALLIANCE BANK MALAYSIA BERHAD (cont'd)

Wealth Management

In response to the uncertain market, the Bank continued to strengthen its product development capabilities to deliver a suite of products tailored to meet customers' risk profiles and requirements. New wealth management products that reflected the prevailing market sentiments ranged from bonds with yields better than fixed deposit rates, gold structures to capital guaranteed investment-linked insurance plans.

The Bank's wealth advisory platform has been enhanced with the formation of a wealth adviser sales force, revamping of the training programme and marketing activities, and upgrading of systems and processes. Cross-selling opportunities within the Group were tapped with the roll-out of bundled products such as Privilege Banking and Alliance Personal offerings to selected AIBB, ABMB, SME Banking and Corporate & Commercial Banking clients.

Unit Trusts and Stockbroking

For most of 2010, the global investment market was characterised by uncertainty and volatility, due mainly to fears of a deepening recession in the United States and fiscal woes. Valuations in key Southeast Asian markets were impacted by concerns relating to asset bubbles and appreciating currencies.

During the year, the Bank offered private placement financing for two initial public offerings, namely Malaysia Marine & Heavy Engineering Holdings Bhd and Petronas Chemicals Group Bhd. The Bank also offers share trading and share margin facilities through 10 share trading centres (STCs) nationwide catering to customers who prefer to deal in direct equities. Customers also have the option to trade online via allianceonline, our online banking facility.

The Bank continued to provide specially designed and carefully monitored unit trust products for investors. Funds are professionally managed and distributed by 10 existing Unit Trust Management Companies. Funds and portfolio performance are continually benchmarked and reviewed to deliver with a recommended portfolio to match a customer's particular needs, objectives and risk tolerance.

Group Bancassurance

Group Bancassurance developed new key products to enhance the overall value proposition for customers. It also formed strategic partnerships across the Group and with AIA Malaysia Berhad to set up a new Family Takaful joint-venture.

During the year, Group Bancassurance successfully developed and sold three innovative investment-linked insurance structures. The combined premium generated during the year was the largest recorded in the Bank's history. As a result, revenue derived from Bancassurance grew more than three times compared to the previous year.

Group Bancassurance has also turned to alternative channels such as telemarketing and e-marketing (SMS and e-mails) to reach out to a bigger customer base for its insurance products. This has facilitated the penetration into new markets for the sale of bundled insurance products such as Mortgage Reducing Term Assurance (MRTA) with mortgage loans or Personal Accident Insurance (PA) with personal loans.

Deposits

The Hybrid Account that comes packaged with the Alliance Hybrid Debit Master Card has become one of the Bank's best selling products. As its name suggests, it serves a dual function as a high-yield current or savings account depending on a customer's needs. The Alliance Debit Master Card is a secure, convenient and innovative cash management tool that enables cardmembers to personalise their ATM and daily spending limit. It also allows rebates of up to 2.0% for customer point-of-sale transactions worldwide.

Since its launch, the Hybrid Account helped drive the Bank's growth in current and savings account (CASA) balances. It has also contributed towards increasing the Bank's current account growth and ensuring the CASA:Fixed Deposit (CASA:FD) ratio of 32.0%, against the industry average of 36.4%.



Direct Marketing

Alliance Direct Marketing (ADM) is the Bank's main distribution channel for core consumer products such as personal loans, payment and credit cards, and mortgages. Following a re-organisation exercise in 2009, ADM has strengthened the capabilities of its sales teams. During the year, ADM contributed 63.7% of personal loans' sales and 52.1% of payment card sales. The unit also accounted for 46.0% of mortgages and 10.6% of total credit card sales.

Alternative Channels & e-Banking

In an increasingly competitive environment, the Bank continues to improve on its alternative and e-Banking delivery channels to ensure that it remains relevant to the changing needs of its customers.

The Customer Relationship Management (CRM) system was implemented during the year to improve customer insights in order to respond more effectively to the needs of customers. Our Internet Banking services have been enhanced with the 2-Factor Authentication, a security feature that provides a double layer of security measures. The Bank has also collaborated with Pos Malaysia Berhad to increase the number of billers on its bill payment offering. Our allianceonline users have also increased by 11.4%.

Meanwhile, the Bank's ongoing efforts to encourage migration from over-the-counter services to phone banking have paid off. Telephone Pin (T-Pin) registration grew by 37.0% during the year. During the year, self-service channels such as Automated Teller Machines (ATMs), Cash Deposit Machines (CDMs) and Cheque Express Services (CES) accounted for a total of 22.6 million transactions. The older machines have been replaced to ensure peak performance, reliability and security.

SME Banking

The small and medium enterprise (SME) segment remained a core focus of the Bank. During FYE 2011, Alliance SME posted a 53.1% year-on-year improvement in PBT, contributing 22.6% to the Group's revenue. SME loans and deposits grew by 11.5% and 16.4% respectively from the previous year, while gross NPL improved from 2.27% to 2.20%.

Geared for Growth

The year in review saw SME Banking implementing a new sales and relationship management structure along with new initiatives to connect with the desired SME customer segments. Work processes were improved, notably turnaround time for loan applications. The unit also explored new growth prospects, which involved expanding the commercial mortgage sales team, enhancing its Bancassurance sales expertise and focusing on wealth management products.

Deepening Relationships

SME Banking manages 30 SME Business Centres across Malaysia. Through these centres, the unit manages a diverse customer base of around 60,000 customers covering all the major sectors within the Malaysian SME market. In FYE 2011, Alliance SME added over 6,500 new customers to its portfolio. We were also considered to be the main banker by 70% of our customers in a recent survey.

By adopting a relationship-driven approach, SME Banking is able to select the best customers from each industry segment and develop the relationship effectively over the customer life-cycle. As our targeted customer base consists of SME customers and small commercial entities with a minimum annual turnover of RM250,000, we have developed a business model that is uniquely positioned to exploit opportunities across the entire market. A diverse customer base, both in terms of sector and size, has also ensured an adequate spread of risk across the entire SME landscape. This has enabled Alliance SME to record some of the lowest NPL results within the industry.

To expand our base of loyal customers, we have developed a dedicated SME Hotline for better service delivery. By capitalising on the Bank's new CRM system, we are focused on customer retention and seek ways to reduce attrition rate.



BUSINESS AND OPERATIONS REVIEW BY GROUP CHIEF EXECUTIVE OFFICER OF ALLIANCE BANK MALAYSIA BERHAD (cont'd)

Programme-Based Lending

A unique programme-based credit and risk model that has been put in place for the past five years has enabled the SME portfolio to achieve consistent loan growth, while maintaining best in class NPL results. The model is based on the following key principles:

- Simple application process.
- Robust qualitative and quantitative analyses of the SME entity.
- Pro-active behavioral risk analysis throughout the customer life-cycle.
- Experienced remedial risk units working effectively with customers experiencing business challenges.

Since April 2009, Alliance SME has utilised a scorecard platform for a more effective management of the underwriting and risk management process for the small SME segment. The scorecard establishes a credit profile of customers, which has contributed towards achieving a sustainable revenue stream with a best in industry loan book quality.

In FYE 2011, Alliance SME implemented a Behaviour Scorecard that can be used to pro-actively monitor behavioral changes in the customer base as well as to identify potential opportunities to expand relationships with targeted customers. By improving efficiency and resource utilisation in the annual review process, the Behaviour Scorecard has helped reduce the cost of credit processing.

Supporting the SME Community

The Group continued to support the growing SME community in Malaysia and in a collaborative effort with BFM 89.9, an independent radio station, we sponsored a programme designed to further develop the skills of local SMEs. We have also worked closely with the local Chambers of Commerce, the Federation of Malaysian Manufacturers (FMM) and the Association of Banks Malaysia (ABM) to organise workshops and dialogues, the objective being to raise awareness among SMES of financing opportunities available within the banking industry.



Corporate & Commercial Banking

Corporate Banking and Commercial Banking merged in August 2010 to become Corporate & Commercial Banking. This was done to capitalise on the common approach to relationship banking, leading to better service levels and tailoring financial solutions to meet our individual client's needs.

For the financial year under review, Corporate & Commercial Banking contributed RM173.4 million or 15.4% of the Group's revenue. The segment achieved a 10.5% loan growth without compromising on asset quality.

Strategies, Initiatives and Prospects

Going forward, Corporate & Commercial Banking will focus primarily on sectors closely linked to the various Entry Point Projects (EPPs) under the Government's Economic Transformation Programme (ETP) and the 10th Malaysian Plan (10MP).

The ETP has identified 131 EPPs, of which 19 have already been launched. EPPs are high-impact projects that will help kick-start the ETP. Some of the sectors identified as EPPs are already the Bank's preferred industry sectors such as construction, plantation, oil and gas and real estate development. The Bank already has expertise in the construction, plantation and real estate sectors.



At Corporate & Commercial Banking, our expertise in construction, oil palm/plantation and real-estate sectors have proven to be key winning factors. As the combined investment value of the 131 EPPs is RM1.4 trillion, this represents a window of opportunity we can tap into for loans, credit, transaction banking and advisory services. We are also most likely to be able to provide support with our customised financing on a selective basis to our construction clients who are poised to secure and undertake a selection of infrastructure projects under the ETP and 10MP.

In the Real Estate Contract Financing (RECF) business, the Bank will continue to selectively finance projects that fit the underwriting standards of the RECF business model in selected locations such as the Klang Valley, Penang/ Butterworth area and Kota Kinabalu.

Business Rewards Services, a new cash management product that helps customers manage their excess cash better, will be among the new offerings in the new financial year. The new product is expected to help grow our deposits especially CASA from new-to-bank clientele base.

In April 2011, the government launched the Capital Market Masterplan 2 (CMP2), which is expected to further strengthen the dynamics of the Malaysian capital market. In view of this, we will be exploring opportunities to cross-sell our services to clients that has a proven track record on Bursa Malaysia.

Alliance Investment Bank Berhad

Alliance Investment Bank Berhad (AIBB), the investment banking arm of the Group, provides stockbroking, corporate advisory, corporate finance, underwriting and placement of equity securities, private debt financing and advisory, loan syndication, corporate banking and treasury services.

AIBB recorded an operating profit of RM42.2 million for the financial year ended 31 March 2011, an increase of RM5.8 million mainly due to savings in operating expenses.

AIBB also registered a profit before taxation of RM61.2 million for the FYE 31 March 2011, a decline of RM3.5 million compared to the last financial year, mainly due to lower write-back of losses on loans, advances and financing.

Stockbroking

Revenue for the year fell 30.5% from RM31.7 million to RM22.0 million mainly due to trading income from brokerage and other fees which fell 27.6% from RM27.6 million to RM20.1 million. Meanwhile, interest income declined 52.5% year-on-year from RM4.0 million to RM1.9 million. During the year under review, in terms of value of trading, contribution by the retail segment was approximately 76.1% while institutional sales comprised the remainder 23.9%.

Capital Markets

By capitalising on group synergies and working more closely with Corporate & Commercial Banking, AIBB was able to originate more capital deals during the year under review. Highlights of the year include the successful co-arranged syndicated facilities of RM1.5 billion for Urusharta Cemerlang Sdn Bhd and its subsidiary, as well as being the lead arranger for a subordinated medium term notes programme of up to RM1.5 billion in nominal value for ABMB. AIBB also co-managed the initial issuance of RM600 million nominal value of subordinated medium term notes by ABMB and participated in the underwriting of the listing of Petronas Chemicals Group in November 2010.

Financial Markets

Financial Markets manages the Group's funding and liquidity needs, portfolio management in approved securities, and trading activities in support of Treasury sales business. For the year under review, net interest income grew 29.6% to RM145.9 million while non-interest income was RM76.9 million, an improvement of 21.7%. With increasing market volatility, Financial Markets manages risks such as market, credit and FX, to ensure consistent delivery of profits from its treasury activities via active management of its balance sheet.

The year in review saw the introduction of Gold-AUD Linked Structured Investments, also known as GOALS, specifically tailored for the wealth management business of Consumer Bank.

For the new financial year, Financial Markets will diversify its revenue base by expanding its treasury sales to the Bank's clients and increasing its treasury product range.



BUSINESS AND OPERATIONS REVIEW BY GROUP CHIEF EXECUTIVE OFFICER OF ALLIANCE BANK MALAYSIA BERHAD (cont'd)

Alliance Investment Management Berhad

As the Group's asset management arm, Alliance Investment Management Berhad (AIMB) offers a variety of financial products ranging from equities to bonds, conventional to Islamic products and local to foreign products for both corporate and individual customers. AIMB has 10 local funds and six global funds in its suite of offerings. A number of our funds have won numerous awards in local and international markets. Among the achievements of FYE 2011, the Alliance Global Equities Fund has consistently out-performed its peers in the consistent return category according to the Lipper Fund table.

During the year under review, AIMB's main distribution channel, namely Institutional Unit Trust Advisors (IUTAs), generated RM260.4 million in sales while other channels accounted for another RM74.9 million. Assets Under Management (AUM) grew by 10.6% to RM2.77 billion.

Strategic Focus

AIMB has capitalised on collaborations with strategic fund partners such as the Fullerton Fund Management Company (Singapore) to introduce innovative products and create a new investment experience for its customers. By offering clients complete financial solutions, AIMB is focused on building long-term, value-enhancing relationships.

In the drive to create a higher profile for AIMB and its products, resources have also been channeled to improve product branding and consumer awareness, notably in the Islamic segment. At the same time, an on-going programme of re-training and re-skilling of the talent pool has contributed towards capabilities' building.

New Products

AIMB continued to increase its product range and leverage on multi-distribution channels to accelerate AUM growth. It has also scaled up its relationship with key IUTAs, whilst growing its agency network.

During the year, AIMB successfully launched its second and third series of Alliance Regular Income Fund (ARIF), which were well received by the market. ARIF is a close-ended Asian-centric bond fund that primarily targets investors with low-risk tolerance who wish to diversify their assets by investing in a predominantly Asian bond portfolio with a view towards a consistent and stable level of investment returns.

Alliance Islamic Bank Berhad

Alliance Islamic Bank Berhad (AIS) was set up in April 2008 to grow the Bank's market share of the Islamic financial segment and to support Malaysia's aspiration to be an Islamic financial hub. For the FYE 31 March 2011, AIS recorded a PBT and zakat (PBTZ) of RM75.5 million, contributing 13.7% of the Group's profits. The unit also achieved a financing growth of 17.3% in its desired portfolio mix. The quality of its financing asset portfolio continued to improve through each successive quarter, with net impaired financing and financing loss ratios registered at 0.9% and 152.5% respectively as at 31 March 2011. These numbers are an improvement over the industry's average of 2.1% and 88% respectively. AIS remained well-capitalised with a core capital ratio of 11.7%, benchmarked against BNM's requirement of 8%. Its risk-weighted capital ratio remained strong at 13.4% as at financial year-end.

In line with the best practices laid out in the BNM's Shariah Governance Framework, the AIS Board of Directors has been strengthened with two new appointees; one is a Shariah expert while the other has extensive Islamic banking experience. Approval has also been given to expand the Shariah Committee to five members, with two new appointees set to join in the coming financial year.

Since its incorporation, AIS has developed a suite of over 30 Shariah-compliant products and services catering to a specific but growing sector of the banking public. AIS was also one of the first local Islamic financial institutions to migrate from a product-focused to a customer-centric and Shariah-compliant model. This has yielded the desired results, notably in Consumer and SME banking. Throughout the year, AIS continued to practise sound risk management measures in its Islamic financing portfolios, whilst improving cost efficiencies to ensure that its liquidity and capital positions remained strong.



To ensure full Shariah compliance in all its operations, Shariah reviews and Control Self Assessment exercises were conducted throughout the year. All AIS staff also received customised Shariah compliance training to serve the expanding needs of a specialised market.

Going forward, AIS will invest in boosting its underlying capabilities and systems to diversify its earnings base and deliver top-line growth to meet or surpass market expectations. Whilst enhancing non-financing income, it will look to Consumer Banking, SME Banking and Treasury as the key drivers of future revenue growth. To meet this objective, AIS manages its priorities to address key operational, infrastructure and human capital aspects of its business.

Branch Operations & Service Quality

The Group has rolled out various initiatives to deliver a customer experience that is differentiated, consistent and personalised across its network of 106 branches.

To realise our vision to be the best financial service provider in terms of customer service, our primary focus was on the on-going training and development of our employees. Through the “Service Making A Difference” training platform, our objective is to instil in our people an awareness that they are personally accountable for the outcome of any interaction with customers. The Group has also introduced customised training programmes for our front-line staff to ensure that they are able to deliver the desired results. Processes continue to be streamlined for the ease and convenience of customers.

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

- 92% of our customers were served within four minutes, which is a significant reduction in customer waiting time.
- Automated teller machines (ATM) and cash deposit machines (CDM) were available for 98% and 94% of the time respectively.
- 99% of customer-related issues were resolved within the standard turnaround time of 10 days for the industry.

Customer feedback is taken seriously and remains an important channel to improve our service levels. All feedback is carefully collated and studied to determine the areas for improvement. The Group recognises the importance of accurate and timely information in delivering improved customer experience. In this regard, we have invested in and launched a CRM system to provide our staff with a holistic view of our customers’ portfolio so that we can more accurately provide them with the products and services they may require at a particular point in their financial life-cycle.

The positive feedback we have received from our customers suggests that we are on the right track. As we move into the new financial year, we will continue to solicit feedback to identify opportunities for continuous improvement in our service levels.

Group Internal Audit

The principal function of Group Internal Audit (GIA) is to provide an independent and objective assurance that the risk management systems, internal controls and governance processes critical to the Group’s business and strategic objectives are effective and that its operations are under proper controls. GIA adopts a sound risk-based methodology to ensure that audits are carried out in a systematic and disciplined fashion. It is guided by an Internal Audit Charter that defines its purpose, authority, scope, independence and responsibilities. With the implementation of the Guidelines on the Internal Audit Function of licensed institutions in July last year, the Group’s Internal Audit Charter was revised and subsequently adopted by the Board.

While the establishment of an effective internal audit function is the Board’s responsibility, the oversight of the function is delegated to the Audit Committee (AC). GIA reports directly and has unencumbered access to the AC, thereby ensuring the independence of the audit function.

The review of the Group’s financial statement is a responsibility shared by GIA and our external auditors, PricewaterhouseCoopers. While GIA undertakes the first and third quarter reviews, PricewaterhouseCoopers is responsible for the Group’s half yearly and annual reviews of the financial statements.



BUSINESS AND OPERATIONS REVIEW BY GROUP CHIEF EXECUTIVE OFFICER OF ALLIANCE BANK MALAYSIA BERHAD (cont'd)

Group Technology Capabilities

The Group believes that technology is the leveler in an increasingly competitive playing field. In a business where the customer experience can be the differentiating factor, we are harnessing the innovative power of technology to stay ahead.

New Business Enhancements

In February 2011, we implemented a comprehensive CRM system that provides a 360° dashboard overview of customers' profile. This allows us to institutionalise the knowledge that we have of our customers across all segments. It leads to significant improvements in our interaction with customers. The system combines transactional, analytical and engagement features and processes to help deliver optimum business results by matching customers' needs with the right products and services.

With a better understanding of our customers, we are able to re-organise, automate and synchronise business processes to improve the customer experience, increase customer loyalty and retention.

Customer Experience Improvements

Several initiatives were launched during the year. By combining customers' account statements, they now have the convenience of viewing their loans and deposits accounts in a single statement. Web-savvy customers will appreciate the look and feel of our new allianceonline facility which has been modified to be more user-friendly. We have also increased the number of e-biller facilities such as POS online and eDividend to meet growing demand.

Apart from the Bank's own customers, our multiple award-winning You:nique Prepaid Card has been extended to non-Alliance Bank customers. A total of 97,000 cards were issued and the demand is still growing.

Measures were also taken to ensure maximum up-time of self-service machines such as ATMs, Cash Deposit Machines (CDMs) and Cheque Express Service (CES) to ensure uninterrupted customer service delivery. The function and security features of the self-service machines are frequently updated, keeping abreast with the latest technology and functionality. During the year, 34 units of ATMs and CDMs nationwide were upgraded with enhanced functions.

The Bank's customers may also now locate the nearest Alliance Bank branch for their banking convenience, either through a click of a mouse or a touch of a mobile phone screen. This innovative service has been made possible through collaboration with Chalkboard, a mobile and ad-network that has given the Bank the distinction of becoming the first local financial services provider to leverage on location-based technologies. The new facility enables customers who are within a 2-kilometre radius from our Alliance Bank branches or any of the over 500 participating merchants, to access the latest available products and services offered to them.

To support our IT enhanced infrastructure, we are investing in year-round training backed by activities that are specifically designed to ensure that our employees stay motivated and enthusiastic in the work-place. A service attitude training programme will be launched in FYE 2012 and it will be made mandatory for all service personnel within the Group.

Compliance and Risk Mitigation Initiatives

Technology will continue to play a pivotal role in the risk management process set out in the Group's Risk Transformation Roadmap. As an integral part of the roadmap, we have implemented a multi-factor authentication for allianceonline that will protect customers' online transactions.

The features of the Group's Collateral Limit Management System have been improved allowing for more effective management and monitoring of credit, market and operational risks. We are also in the process of enhancing our disaster recovery capabilities to provide for better recovery time.

Human Capital Development

Finding the right-fit candidate for leadership positions is critical to building bench strength. During the year, the Group's top leadership team was enhanced when talented internal candidates were promoted. In addition, the Group was able to attract candidates with the desirable skill-sets and competencies to lead the organisation for the next thrust forward.

We continue to focus on growing our own talent pool to eventually assume supervisory and leadership roles. Concurrently, the Group continues to offer internship programmes to undergraduate students, while fresh graduates are hired and trained in tandem with the Group's expansion.



Each year, a significant slice of the Group's annual operating budget is devoted to the training and development of employees. The Group's training curricular for FYE 2011 was competency-based, focusing on the development of core, regulatory/compliance, as well as functional/technical competencies. As a supplement to the in-house programmes, employees also have the opportunity to attend external professional courses and technical training programmes. Leadership Development Programmes were also offered to employees at the managerial level to enhance their competencies in people and performance management and to build cross-functional teams.

We continued to sponsor certification programmes offered by the Malaysia Insurance Institute, Institut Bank-Bank Malaysia, Federation of Investment Managers and Securities Industry Development Corporation, among others, to ensure our staff have the right competencies.

Via our new Human Resource Management System, employees can take ownership of their own learning and development process from the various modules available online.

Investor Relations

The Investor Relations (IR) team engages the financial community, stakeholders and other key constituencies of the Group to provide consistent, accurate, transparent and timely information. This is based on the engagement framework and processes that has been developed in accordance with the principles and best practices prescribed as part of the Group's corporate governance policies.

Engaging Stakeholders and Investors

The Group has a strong following among domestic and international institutional investors, fund managers and equity research analysts. With three new research houses added to the list in FYE 2011, the Group's performance is presently monitored by 15 international and local research houses.

Besides meeting the regulatory reporting requirements, the Group ensures the timely delivery of comprehensive information to its stake-holders through a number of channels. The level of investor interest in the Group's operations and activities is reflected in the high frequency of visits to our website, which can be accessed through www.alliancebank.com.my/investorrelations.html and the number of requests for personal meetings. The IR team is also actively engaged with the Minority Shareholder Watchdog Group (MSWG) who is invited to attend our conferences and annual general meeting.

Members of the senior management also directly and actively engage the investing community, ensuring that views and information on the Group is appropriate and substantive. They conduct presentations on the Group's quarterly results; these presentations serve as a platform for the Group to disclose its financial performance, strategies for moving forward and other developments of interest to the investing public. The investing community has used these platforms to express their views on the Group's performance directly to senior management as well as the Board of Directors. We welcome advice and constructive criticisms from the communities that we serve as part of our commitment towards excellence and delivering more.

Snapshot of Investor Relations Activities for the Financial Year Ended 31 March 2011

1st Quarter 2010/2011	• Publication of 1Q 2010/2011 Results • Media Statement and Analysts Briefing (August 2010)
2nd Quarter 2010/2011	• Publication of Annual Report 2010 • Annual General Meeting (July 2010) • Publication of Half Year 2010/2011 Results • Media Statement and Analysts Briefing by Teleconference (November 2010)
3rd Quarter 2010/2011	• Publication of 3Q 2010/2011 Results • Media Statement and Analysts Briefing by Teleconference (February 2011)
4th Quarter 2010/2011	• Publication of Full Year 2010/2011 Results • Media Statement and Analysts Briefing (May 2011)



BUSINESS AND OPERATIONS REVIEW BY GROUP CHIEF EXECUTIVE OFFICER OF ALLIANCE BANK MALAYSIA BERHAD (cont'd)

Awards & Recognition

During the course of the year, we were recognised by the industry for our various innovative programmes and initiatives.

You:nique, one of the Bank's flagship products, added six more titles and accolades to its name in FYE 2011, including four Kancil Awards in various categories. For the second time in a row, the Bank was inducted into the MasterCard Hall of Fame as a finalist in coming up with the Most Effective Card Marketing Programme. We were also named among Top 10 Most Innovative Retail Financial Institutions by The Asian Banker.

The Bank also drew rave reviews from The Edge Financial Daily, The Sun and Advertising and Marketing Magazine for developing a viral campaign that was believable, down-to-earth and relevant to the youths of today. Launched in June 2010, the campaign remains to this day one of the most visited video commercials on YouTube in Malaysia.

FYE 2011 also brought the Bank its share of recognition in its SME Banking segment. The unit won the Sahabat SME Award 2010 in recognition of the contributions made to the development and support of SMEs in the country by the Small and Medium Industries (SMI) Association of Malaysia.

Group Special Assets

Malaysia has adopted the Financial Reporting Standards 139 (FRS 139) in line with international accounting standards, to promote greater transparency and provide more information to the financial community.

Key Best Practices

Under FRS 139, the Group has established new policies for impairment of loans, which provides for a performing loan to be classified when there is deterioration in the fair value of the exposure. The Group's overall recoveries and provisioning policy is in line with general best practices. In relation to the re-scheduling and re-structuring of impaired loans, we continue to maintain its re-classification to performing status only after repayments have been received for a continuous period of six months.

The Group continued to engage closely with appointed Real Estate Agencies and this has generated more interest in properties being auctioned, resulting in higher prices. Based on their track records, we have also streamlined the legal firms representing the bank on relevant litigation matters. This has helped expedite the disposal of legal suits.

Provisioning and Re-classification of Accounts in Arrears

Under the FRS 139 regime, a Loan Loss Provision (LLP) is taken upon the classification of a loan as impaired, regardless as to whether the loan is non-performing. Loans that are three months in arrears are classified in accordance to mandate.

Impaired loans with principal outstanding amounts above RM1.0 million are individually assessed for LLPs using the net present value approach or future cash flow receipts from the realisation of collateral. For loans with outstanding principal amount below RM1.0 million, a hybrid process has been adopted with Loss Given Default (LGD) being used to collectively assess the impairment for non-performing loans with a vintage of five years and above; the current BNM GP3 guidelines is applied for those below five years. LGD is a common parameter in risk models and is defined as the credit loss that is expected to be incurred should a borrower default on a loan from the bank.

Creating Shareholder Value

Better and earlier recoveries of impaired loans will improve the bottom-line, which in turn has a positive impact on shareholder value. As at FYE 2011, the Group's gross impaired loan ratio stood at 3.3%, an improvement from 3.9% recorded at the beginning of the financial year and in line with the industry average.



Risk Management

As the environment in which we operate continues to evolve, the Group is exposed to a variety of risks across our spectrum of business activities. The ability to manage these risks is a key competency within the Group, which is supported by a strong risk culture backed by the application of effective risk management approaches and internal controls.

Risk Management Infrastructure

The Group's Integrated Risk Management Framework (IRMF) ensures that all practices are consistent with industry best practices to better enable the Group to deal with economic and business challenges.

The IRMF spells out the accountability and responsibility for effective management of risks. At the highest level, the Board carries out high-level risk oversight of the Group's business and operational activities; including implementation of strategic initiatives and tactical plans. The Board oversight role extends to cover corporate governance matters, strategic business direction, liquidity and capitalisation needs. The Board is supported by the Group Risk Management Committee (GRMC), which is responsible for risk oversight within the Group, and to ensure that the necessary infrastructure and resources are in place.

At senior management level, risk committees such as the Group Operational Risk Management Committee (GORMC) and Group Assets and Liabilities Management Committee (GALCO) assist the GRMC in managing operational, market and liquidity risks. Proposed changes to credit risk policies and frameworks are mutually discussed and agreed between the business and risk units, prior to being tabled to the GRMC. Islamic Banking issues involving Shariah principles are deliberated by the Shariah Committee, which serves an advisory bridge to the Board.

The IRMF has identified three lines of defence in the risk management process. Frontline business units and business risk units form the first line of defence; Group Risk Management forms the second line while Group Internal Audit forms the third line. This is built on the understanding that the frontline owns the business and the associated risks; whilst the second/third lines of defence exist to provide supporting checks and assurance.

Strengthening Risk Management

The year in review saw various efforts to improve risk management across the Group. These included a combination of pre-existing/ongoing initiatives and some new initiatives. The following are examples of initiatives that were carried out:

- Reviewing the approving authorities/structures for loan originations, to improve turnaround time.
- Carrying out product reviews; and making fine-tuning adjustments where warranted.
- Reviewing and improving credit scorecards.
- Reviewing internal processes and operational manuals to reflect operational changes and to foster process improvement.
- Providing briefings and refresher training on risk management, in particular on operational risk matters and lessons learnt from real case studies.
- Performing stress testing to gauge the potential impact of various scenarios on the Group's financial position, business, customers and product segments. These included stress tests and simulations from different risk perspectives, e.g. credit, market and liquidity risk.

Corporate Responsibility

At Alliance, Corporate Responsibility (CR) has always been a mainstream business issue. The Group's CR agenda rests on four major pillars: Marketplace Development; Workplace Development; Community Development and Environmental Preservation. A full report on the Group's CR efforts and programmes appears in a separate section of this report.



BUSINESS AND OPERATIONS REVIEW BY GROUP CHIEF EXECUTIVE OFFICER OF ALLIANCE BANK MALAYSIA BERHAD (cont'd)

Marketplace Development

The Group has maintained strong efforts to engage the marketplace, with investors and shareholders being its main target audience. One of the most important sources of timely and accurate information is our website that is updated regularly. It includes quarterly financial results and highlights of important developments within the Group. Investors also receive the Group's Annual Report, which provides comprehensive summaries of the Group's financial position, operations and strategic directions. Other platforms have also been established for face-to-face communication with the investing public. Apart from the Annual General Meeting, analysts and press briefings are conducted on a regular basis.

Workplace Development

Apart from a comprehensive training programme for all levels of employees, employees are also encouraged to pursue professional and technical qualifications to advance their careers with the Bank. In addition, we have also invested in a Human Resource Management System, which offers programmes on a modular basis.

The Group CEO and his key senior executives host quarterly Town Hall meetings with staff to have a transparent and open dialogue to discuss business updates and market developments, and to enhance internal communications.

Socially, the Group's Annual Dinner has become much anticipated staple, allowing management and staff an opportunity to mingle in an informal and convivial setting. The AFG Recreational & Sports Club has been at the forefront of promoting a healthy lifestyle, organising games and competitions to bring staff from various branches together. Under the auspices of the Cahaya Mata Scholarship Scheme, we have sponsored close to RM150,000 to help children of our employees advance their tertiary education.

Community Development

The Staff Charity Day Programme, launched in June 2010, not only encourages the Alliance family to contribute their time and energy to enriching the community at large, but also inculcates a sense of purpose, belonging and team spirit. Each staff is given a day off and a stipend to support causes that they believe in.

The Staff Donation Programme, initiated during the year on a purely voluntary basis, allows employees to channel their monthly financial contribution to one of the three pre-selected non-governmental organisations (NGOs).

Beyond financial assistance, our staff have also been generous with their time and energy. Free tuition and contributions of much-needed household necessities to the under-privileged, participation in blood donation campaigns and charity runs, as well as visits to orphanages are some of the many ways we have strived to enrich our communities.

The Alliance CIS Affinity Card Programme, a micro-donation programme initiated as a joint-effort between the Bank and its credit card customers, have donated over RM630,000 to fund school activities and projects at 16 Chinese independent schools.

The Group has also sponsored workshops and programmes for tertiary-level students in collaboration with the various institutions of higher learning in the Klang Valley. These programmes were specially designed to ease the passage of graduating students to the realities of the business environment. Donations have also been channeled towards the teaching of mentally disabled children and adults in special schools and centres throughout Selangor and the Federal Territory.

Environmental Preservation

The Group is committing resources and efforts to minimise the impact of its operations on the environment. To this end, steps have already been taken to conserve energy, with all air-conditioning units in the Group automatically switched off at 5.45 pm.

In observation of Earth Hour, all non-essential lights and electrical items in the Group's branches nationwide were switched off for an hour. On its own, it may only seem a small gesture, but we stand united with millions of people across the globe participating in one of the largest climate events in history.



Going Forward

The operating environment in the new financial year is expected to remain conducive for growth, with the Malaysian economy projected to expand by 5-6% in 2011. The coming year will also see new policy measures being introduced by the Government to further develop the financial sector. A key priority will be the development of a new financial sector blueprint to enhance the capacity and capability of the Malaysian financial sector to serve the needs of a high value-added and high income economy, which is the main thrust of the 10th Malaysia Plan, 2011 – 2015.

The Group is committed to play an active part in the nation's transformation plan. At present, we are supporting the Government's efforts to reinforce Malaysia's position as a global hub for Islamic finance and in assisting SMEs to achieve their potential as the key driver of economic growth and innovation.

In the coming financial year, our main priorities will be to:

- Ensure broad revenue growth across all areas of the Group;
- Enhance our customers' overall service experience with us; and
- Strengthen our human capital and reinforce the Group's core values.

Revenue Growth

There is significant potential to be realised across the Group's diverse lines of business. Our task ahead will be to drive revenue momentum across all our businesses to increase both interest and non-interest income.

In the immediate future, the Group expects revenue growth to be highest in the Consumer Banking, SME and Treasury businesses. Strong growth is also expected in Corporate & Commercial Banking, together with increased contributions from our Investment Banking and Asset Management businesses. The contribution from AIS is expected to follow expanding market demand for Islamic banking products.

We will be leveraging on all our business areas to enhance non-interest income, especially in areas such as treasury sales, stockbroking, wealth management and bancassurance.

Enhancing the Customer Service Experience

The Group has built strong and enduring relationships with our customers over 50 years of business. We intend to deepen and further leverage these relationships to ensure we are the bank of choice for business owners, their businesses and employees.

We aim to be the best customer service bank in Malaysia and we plan to enhance the service experience of our customers to achieve this aspiration. By understanding the needs and expectations of our clients at each stage of their financial life cycle, we intend to provide them with a customer experience that is fast, simple and convenient. We will continue to enhance our branch distribution and service network, leveraging on our CRM systems and customer segmentation model to ensure that we recognise and serve each one of our customers as an individual whose relationship we value.

Strengthening Our Human Capital

The successful execution of the Group's plans will depend on the combined knowledge, skills and commitment of all our people and these will be strengthened through our training and development efforts. Even as we grow, we will also reinforce our core values, which are the governing principles that will set us apart from others. We cannot compromise on these values, especially 'Integrity', which is at the heart of the Group's way of doing business. We will also ensure that meritocracy continues to be an integral part of our culture and this will be strengthened Group-wide through the rigorous application of our Performance Management System and standards.

Appreciation

The Bank owes its success to the unwavering support and loyalty of our many customers. It has been an honour and a privilege to serve you and we hope we can do even better in the near future.

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

The steady progress we have made is also due to the hard work and dedication of our management and staff working together as a cohesive team to achieve all that we have set out to do.

Riding on the momentum established, we look forward to the future with confidence and optimism.

Thank you.

SGN SEOW WAH

Group Chief Executive Officer



CALENDAR OF SIGNIFICANT EVENTS

FINANCIAL CALENDAR

for financial year ended 31 March 2011

Activities

Date

ANNOUNCEMENT OF RESULTS

- | | |
|--|------------------|
| • First Financial Quarter ended 30 June 2010 | 20 August 2010 |
| • Second Financial Quarter ended 30 September 2010 | 22 November 2010 |
| • Third Financial Quarter ended 31 December 2010 | 21 February 2011 |
| • Fourth Financial Quarter ended 31 March 2011 | 25 May 2011 |

DIVIDEND

- | | |
|---|------------------|
| • First Interim Dividend of 3.3 sen per share, tax exempt under the single tier tax system | |
| – Declaration | 28 July 2010 |
| – Entitlement | 13 August 2010 |
| – Payment | 27 August 2010 |
| • Second Interim Dividend of 3.7 sen per share, tax exempt under the single tier tax system | |
| – Declaration | 21 January 2011 |
| – Entitlement | 16 February 2011 |
| – Payment | 28 February 2011 |

ISSUE OF 2011 ANNUAL REPORT

1 July 2011

45th ANNUAL GENERAL MEETING

28 July 2011

CORPORATE CALENDAR

for financial year ended 31 March 2011



01 APR



10 APR



15 MAY

01 APR
2010

Haiti Earthquake Emergency Appeal Fund

AFG and staff contributed RM10,000 to the Haiti Earthquake Emergency Appeal Fund, as part of the world-wide effort to assist Haitians affected by the earthquake early this year.

10 – 11 APR
2010

AFG Treasure Hunt 2010

The annual AFG Treasure Hunt saw the participation of 120 cars. As part of the event, participants spent 4 1/2 hours at the Cerebral Palsy (Spastic) Children's Association of Penang (SCAP), where they spruced up the premises. The Bank also contributed RM3,000 in cash and in kind to SCAP.

21 APR
2010

AIS Contributes to Zakat

The Zakat Committee of Alliance Islamic Bank Berhad (AIS) contributed RM20,000 to Pusat Rawatan Dialisis ISLAH (PRDI) set up to assist patients suffering from kidney failure.

15 MAY
2010

AFG Netball Tournament

A total of six teams took part in the first ever netball tournament organised by the AFG Recreational & Sports Club.

CORPORATE CALENDAR (cont'd)

26 MAY 2010**Bank Honours Top Three CIS Schools**

In conjunction with Teacher's Day, the Bank presented gift hampers to the top three schools in its Chinese Independent Schools (CIS) Credit Card Affinity Programme. Under this programme, a total of RM632,361.81 was collected as of December 2010. There are currently 16 CIS participating in this programme.

01 JUN 2010**AFGB Analyst Briefing**

The Group announced its fourth quarter results for FYE 2010 to analysts, posting a profit before taxation of RM408.9 million for the financial year ended 31 March 2010 when compared to the RM303.3 million registered in the last financial year. The improvement was due to its operating profit increase by RM14.5 million and write-back of loan allowances for a corporate loan and reduction of general allowance rate to 1.5%. The improvement was also offset by further impairment made in relation to Collateralised Loan Obligations.

04 JUN 2010**Launch of Staff Charity Day and Staff Donation Programme**

The Bank's Staff Charity Day and Staff Donation Programme aims at encouraging staff to participate in its CSR initiatives, which focuses primarily on children, women and the physically and mentally challenged. Under these programmes, staff are given a day off to undertake a community service of choice, or channel a specified amount from their salary via monthly salary deduction. To demonstrate its commitment to corporate social responsibility, the Group will match staff's donations ringgit-for-ringgit.

07 JUN 2010**Alliance Partners BFM 89.9**

The Bank embarked on a partnership with BFM 89.9 to present The Resource Centre, a 20-minute show that brings together various financial experts, practitioners and companies to share their expertise and advice that will help SME business owners and managers grow and manage their businesses. The radio segment was aired on weekdays from 7 June to December 2010.

26 MAY**1 JUN****04 JUN****07 JUN**

05 JUL



27 JUL



06 JUL

05 JUL
2010

Alliance-Prudential MOU

The Bank joined Prudential Assurance Malaysia Berhad (Prudential) to form a strategic partnership in developing a strong bancassurance footprint in the market. Effective 1 July 2010, Prudential's comprehensive list of life protection, health insurance, retirement, children and long-term savings products are distributed at all Alliance Bank branches and distribution channels nationwide.

06 – 07 JUL
2010

6th Asian Banking CEO Roundtable

The Bank and Temasek Holdings Pte Ltd (Temasek) of Singapore jointly hosted the 6th Asia Banking CEO Roundtable with the theme "Managing for the Future". Attended by delegates from Malaysia, Singapore, Indonesia, Thailand, China, India, Japan and Korea, the annual Temasek closed-door initiative brings together Chairmen and CEOs of major banks in the Asian region for an exchange on key issues and trends facing the banking industry. Four major issues were discussed at the event: The New Financial Landscape; Growth Strategies Post-Crisis; Expanding Beyond: Tapping Opportunities in Pan-Asian Banking; and Competing in the Global Market: Opportunities and Challenges for Islamic Finance.

27 JUL
2010

Alliance SME "Rich Biz Poor Biz Success & Sustainability"

Alliance Bank SME Banking, in partnership with Money Compass, organised the "Rich Biz Poor Biz Success & Sustainability" seminars on 27 July and 5 August 2010 to provide SME customers exposure and knowledge of the latest developments in the industry. Both seminars attracted a good turnout from over 170 SME entrepreneurs, solution providers and corporate leaders from the banking, IT and telecommunications sectors.

CORPORATE CALENDAR (cont'd)

29 JUL
2010**AFGB's 44th Annual General Meeting**

At the AFBG's 44th Annual General Meeting, the Group reported a satisfactory financial performance for the year ended 31 March 2010, despite challenging global conditions that impacted the local operating environment. Total net income for the year under review grew to RM1.06 billion from RM1.05 billion previously.

23 AUG
2010**AFGB Analyst Briefing**

The Group tabled its first quarter results for the financial year to analysts, recording a profit before taxation of RM150.3 million, an increase of RM87.9 million or 140.7% compared to the corresponding quarter last year.

28 AUG
2010**Market Outlook for 2nd Half 2010 and Investment Strategies**

The Bank hosted an investment seminar entitled "Market Outlook for 2nd Half 2010 and Investment Strategies" in Sabah for over 250 attendees. Supported by Celcom Axiata Berhad, the seminar provided investors with informative tools and tips in managing their investment portfolios.

13 OCT
2010**Alliance Cares for Baby Eeyian**

AFG Recreational & Sports Club organised a fund-raising campaign for a staff member of the USJ Branch whose new-born baby was diagnosed with "*tetrology of fallot*" (hole in the heart) and needed RM37,000 for corrective surgery.

**29 JUL****13 OCT****23 AUG****28 AUG**

18 OCT



03 NOV



26 NOV

18 OCT
2010

Alliance Fiesta

The Alliance Fiesta, which was attended by over 1,000 AFG staff from the Klang Valley area, raised RM19,700 from the sale of charity booklets. The money was donated to three local NGOs.

03 NOV
2010

GCEO Town Hall

The first town hall meeting for staff organised in Klang Valley was held to address critical issues in the Bank by the new GCEO and management. Subsequent town hall meetings were also held at regional levels i.e. Northern (12 November), East Malaysia (23 November) and Southern (3 December).

18 NOV
2010

Alliance Bank Optimises Investment Opportunities with Alliance MyOptimizer

In conjunction with the launch of Alliance MyOptimizer, the Bank hosted a series of investment-cum-feng shui roadshows nationwide for its customers. Alliance MyOptimizer is a five-year investment-linked insurance plan.

26 NOV
2010

Alliance Bank Snags Four Digital Awards at the Kancil Awards 2010

The Bank bagged four awards in the Digital category at the Kancil Awards 2010 for its marketing campaign, "Mohd Khairuddin" for You:nique Prepaid Card. It was awarded the Merit mention in the Digital category for Online Advertising (banners, brand applications) and Websites, and a Bronze mention for the Digital Campaign and Social Media categories respectively.

07 DEC
2010

You:nique Wins at MasterCard Hall of Fame Marketing Awards 2010

The You:nique Re-launch was one of the finalists for the Most Effective Card Marketing Programme Award category in the MasterCard Hall of Fame Marketing Awards 2010, which took place in Hong Kong.



07 DEC

CORPORATE CALENDAR (cont'd)

10 DEC 2010**Sahabat SME Recognition Award 2010**

The Bank was awarded the Sahabat SME Award by SMI Association of Malaysia in recognition of its contributions made towards the development and support of SMEs in the country.

28 JAN 2011**Launch of AIA AFG Takaful Bhd**

AIA Bhd and Alliance Bank officially launched a new joint venture, the AIA AFG Takaful Berhad, which offers a broad range of Takaful savings, protection and investment products designed to meet the unique needs of Malaysians.

01 MAR 2011**GCEO Town Hall**

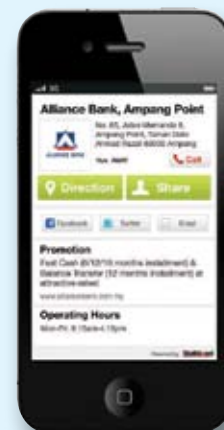
Over 1,400 staff from the Northern, Southern and Klang Valley branches attended the first town hall meeting of the year, which provided a forum for the GCEO and business heads to share their perspectives, strategies and key growth areas to drive the Bank's future performance.

09 MAR 2011**Alliance Bank Investors Presentation**

The Bank tabled a proposed RM1.5 billion Subordinated Medium Term Notes programme to potential investors. The programme was assigned an A2 rating by RAM Rating Services Bhd. Alliance Investment Bank Berhad is the Principal Adviser and Lead Arranger for the programme.

**28 JAN****01 MAR****09 MAR**

24 MAR



29 MAR

25 MAR

24 MAR
2011

Alliance Bank Supports Communities

Alliance Bank staff contributed RM58,980 to charity through the monthly salary deduction scheme, under the Staff Donation Programme launched by the Group last year. The contributions were presented to Lembaga Pengurusan Kebajikan Anak Yatim, Malaysian Association of the Blind and Women's Aid Organisation (WAO).

25 MAR
2011

Alliance Bank Observes Earth Hour

Alliance Bank branches switched off non-essential electrical appliances at 3.45pm for an hour in support of the annual environmental initiative that has attracted participation across 128 countries and over 4,500 cities in every continent.

28 MAR
2011

Alliance Bank Sponsors Reality Show on Shopping

In collaboration with Tourism Malaysia, the Bank sponsored a reality show on shopping, "Truly A Shopper", to draw public awareness on prudent financial management.

29 MAR
2011

Alliance Bank Offers Location-based Lifestyle Access

Alliance Bank collaborated with Chalkboard, a mobile and ad-network, to offer customers who are within a 2-kilometer radius of any Alliance Bank branches or any of its 500 participating merchants, to the latest available products and services.

ACHIEVING GROWTH THROUGH PERFORMANCE EXCELLENCE

Though economic conditions may be beyond our control, internal excellence is not. We will continue to drive growth by improving our key processes, developing our people and ensuring that we invest in the right systems.





STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Alliance Financial Group Berhad has adopted the best practice of corporate governance in all areas of its activities with the objective of achieving business prosperity and corporate accountability. The ultimate objective is to safeguard the interests of all stakeholders and to enhance shareholders' value. The Board is committed to ensure that the Company is in compliance with the guidelines on Best Practices in Corporate Governance set out in the Malaysian Code on Corporate Governance (Revised 2007) and Bank Negara Malaysia (BNM) Guidelines on Corporate Governance for Licensed Institutions (Revised BNM/GP1).

1. The Board of Directors

1.1 Composition

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

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

A brief profile of each Director is presented on pages 14 to 18 of this Annual Report.

1.2 Duties and Responsibilities

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

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

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

The Board is ultimately responsible for the overall performance of the Company and of the Group.

The principal duties and responsibilities of the Board are:

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

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

1.3 Board Charter

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

1.4 Directors' Code of Ethics

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

1.5 Board Meetings

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

The Board met eleven times during the financial year ended 31 March 2011. Details of each Director's attendance for the financial year ended 31 March 2011 are as follows:

Name of Director	Attendance
Datuk Oh Chong Peng (Chairman)	11/11
Dato' Thomas Mun Lung Lee	11/11
Tan Yuen Fah	11/11
Stephen Geh Sim Whye	11/11
Phoon Siew Heng	10/11
Megat Dziauddin bin Megat Mahmud	11/11
Kung Beng Hong	11/11
Ou Shian Waei (Appointed on 1.7.2010)	9/9
Sng Seow Wah (Appointed on 18.11.2010)	4/4

1.6 Access to Information

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

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

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

1.7 Appointment and Re-election of Directors

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

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

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

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

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

1.8 Directors' Training

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

All the Directors have completed the Mandatory Accreditation Programme and attended various training programmes under the Continuing Education Programmes pursuant to the requirements of Bursa Securities.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

During the financial year, the Directors have attended seminars, conferences and courses on various topics covering accounting, tax, corporate governance, finance, management, Islamic banking and risk management. Some of the seminars, conferences and courses attended by Directors as at 31 March 2011 included the following:

- Financial Institutions Directors' Education Programme ("FIDE") – Core Program
- FRS 139 and significant accounting standards/regulatory update
- Financial Industry Conference 2010
- 7th Annual Kuala Lumpur Islamic Finance Forum
- 18th World Congress of Accountants 2010
- Basic principles of Reinsurance & its application to the revenue account
- Regulator-Industry Dialogue: 10 Years Assessment on Current Financial Sector Masterplan-Preparing the Industry & Implications for the New Blueprint
- Regional Cambridge Symposium on Economic Crime
- Building Audit Committees for Tomorrow (FIDE Specialised Programme)
- International Conference on Financial Crime and Terrorism Financing 2010
- Assessing the Risk and Control Environment
- IT Governance and Risk Management
- Bloomberg Islam – The Comprehensive Islamic Finance Platform

1.9 Board Committees

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

(a) Audit Committee

The Terms of Reference and the composition of the Audit Committee are presented in the Audit Committee Report on pages 78 to 81 of this Annual Report.

(b) Nomination Committee

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

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

- to establish minimum requirements for the board i.e. required mix of skills, experience, qualification and other core competencies required of a director. The Committee is also responsible for establishing minimum requirements for the Chief Executive Officer (CEO). The requirements and criteria should be approved by the full board;
- to recommend and assess the nominees for directorship, board committee members as well as nominees for the CEO. This includes assessing directors for reappointment, before an application for approval is submitted to BNM. The actual decision as to who shall be nominated should be the responsibility of the full board;
- to oversee the overall composition of the board, in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors through annual review;
- to recommend to the board the removal of a director/CEO from the board/management if the director/CEO is ineffective, errant and negligent in discharging his responsibilities;

- to establish a mechanism for the formal assessment on the effectiveness of the board as a whole and the contribution of each director to the effectiveness of the board, the contribution of the board's various committees and the performance of the CEO and other key senior management officers. Annual assessment is conducted based on an objective performance criterion. Such performance criteria are approved by the full board;
- to ensure that all directors continue to receive appropriate training in order to keep abreast with the latest development in the industry;
- to oversee the appointment, management succession planning and performance evaluation of key senior management officers;
- to recommend to the board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities; and
- to assess, on an annual basis, to ensure that the directors and key senior management officers are not disqualified under Section 56 of the Banking and Financial Institutions Act, 1989.

The Nomination Committee annually assesses the effectiveness of the Board as a whole and the contribution of each individual Director by way of a set of customised self-assessment questionnaires. The results of the self-assessment by Directors are compiled by the Company Secretary and tabled to the Nomination Committee and Board for deliberation. Arising from the annual review, on recommendation of the Nomination Committee, the Board had agreed to include peer assessment in addition to the current self-assessment by individual director in the next financial year.

The Nomination Committee comprises entirely of Non-Executive Directors with the majority being independent. For the financial year ended 31 March 2011, a total of four meetings were held by the Nomination Committee. The members of the Nomination Committee and the details of attendance during the financial year ended 31 March 2011 are as follows:

Committee Members	Attendance
Datuk Oh Chong Peng (Chairman)	4/4
Dato' Thomas Mun Lung Lee	4/4
Phoon Siew Heng	3/4
Megat Dziauddin bin Megat Mahmud	4/4
Stephen Geh Sim Whye	4/4

(c) Remuneration Committee

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

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

- to recommend a framework of remuneration for directors, CEO and key senior management officers of the Company for the full board's approval. The remuneration framework should support the Company's culture, objectives and strategy and should reflect the responsibility and commitment, which goes with the board membership and responsibilities of the CEO and senior management officers. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain the employees and/or directors of calibre, and yet not excessive to the extent of the Company's funds are used to subsidise the excessive remuneration. This framework should cover all aspects of remuneration including director's fees, salaries, allowances, bonuses, options and benefits-in-kind;

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

- to provide oversight on remuneration matters of operating subsidiaries and to recommend specific remuneration packages for executive director(s) and CEO. The remuneration package should be structured such that it is competitive and consistent with the Company's culture, objectives and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependant on short-term performance to avoid incentives for excessive risk-taking. As for non-executive directors and independent directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the board. In addition, the remuneration of each board member may differ based on their level of expertise, knowledge and experience;
- to review annually the Group Policy on remuneration of non-executive directors of the subsidiaries and to recommend the remuneration of the non-executive directors for the board's approval;
- to approve new key senior management appointments and remuneration package, transfers and promotions of senior management officers and assessing the performance of key senior management officers of the Company; and
- to review and approve annual salary increment and performance bonus for employees of the Company.

The Remuneration Committee comprises of entirely Non-Executive Directors with the majority being independent. For the financial year ended 31 March 2011, one meeting was held by the Remuneration Committee. The members of the Remuneration Committee and the details of attendance during the financial year ended 31 March 2011 are as follows:

Committee Members	Attendance
Datuk Oh Chong Peng (Chairman)	1/1
Dato' Thomas Mun Lung Lee	1/1
Phoon Siew Heng	1/1
Megat Dziauddin bin Megat Mahmud	1/1
Ou Shian Waei (Appointed on 1.8.2010)	1/1
Kung Beng Hong (Appointed on 19.10.2010)	N/A

(d) Employees' Share Participating Scheme Committee

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

The members of the ESPS Committee and the details of attendance during the financial year ended 31 March 2011 are as follows:

Committee Members	Attendance
Datuk Oh Chong Peng (Chairman)	3/3
Dato' Thomas Mun Lung Lee	3/3
Phoon Siew Heng	2/3
Megat Dziauddin bin Megat Mahmud	3/3
Ou Shian Waei (Appointed on 1.8.2010)	2/2
Kung Beng Hong (Appointed on 19.10.2010)	1/1

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

1.10 Directors' Remuneration

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

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

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

Details of the Company's Directors' Remuneration (including benefits-in-kind) for each Director in the Company and the Group for the financial year ended 31 March 2011 are set out below:

	COMPANY		Company Total RM'000	SUBSIDIARIES								Group Total RM'000
	Fees RM'000	Salary, Allowances, Benefits-in-kind and others RM'000		ABMB		AIBB		AIS		AIMB		
				Fees RM'000	Salary, Allowances, Benefits-in-kind and others RM'000	Fees RM'000	Salary, Allowances, Benefits-in-kind and others RM'000	Fees RM'000	Salary, Allowances, Benefits-in-kind and others RM'000	Fees RM'000	Salary, Allowances, Benefits-in-kind and others RM'000	
Executive Directors	–	–	–	–	–	–	–	–	–	–	–	–
Non-Executive Directors												
Datuk Oh Chong Peng (Chairman)	120	85	205	–	–	–	–	–	–	–	–	205
Dato’ Thomas Mun Lung Lee	60	46	106	144	104	120	8	–	–	–	–	482
Tan Yuen Fah	60	42	102	72	44	–	–	–	–	–	–	218
Stephen Geh Sim Whye	60	51	111	–	–	–	–	–	–	–	–	111
Phoon Siew Heng	60	36	96	72	68	60	27	–	–	–	–	323
Megat Dziauddin bin Megat Mahmud	60	58	118	72	88	60	7	120	10	30	23	528
Kung Beng Hong	60	42	102	72	258	60	39	–	–	–	–	531
Ou Shian Waei	45	37	82	23	9	–	–	–	–	–	–	114
Sng Seow Wah	–	–	–	–	* 2,119	–	–	–	–	–	–	* 2,119
Total	525	397	922	455	2,690	300	81	120	10	30	23	4,631

* This includes the fair value of share options and share grants offered/awarded to Mr Sng Seow Wah under the Employees' Share Scheme amounting to RM183,347.

ABMB: Alliance Bank Malaysia Berhad

AIBB: Alliance Investment Bank Berhad

AIS: Alliance Islamic Bank Berhad

AIMB: Alliance Investment Management Berhad

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

2. Accountability and Audit**2.1 Financial Reporting**

The annual financial statements and quarterly results are reviewed by the Audit Committee and approved by the Board of Directors for BNM's clearance prior to public release. A statement by the Directors explaining the Board's responsibility for preparing the annual financial statements is set out on page 104 of this Annual Report.

2.2 Risk Management Framework

A Risk Management report, which provides an overview of the risk management framework within the Group, is disclosed on pages 83 to 88 of this Annual Report.

2.3 Internal Control

A Statement on Internal Control, which provides an overview of the state of internal control within the Group, is disclosed on page 82 of this Annual Report.

2.4 Policy against Fraud

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

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

2.5 Anti-Money Laundering and Counter-Financing of Terrorism

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

The key features of the policy are:

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

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

2.6 Relationship with the Auditors

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

3. Corporate Responsibility

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

4. Investor Relations and Shareholders Communication

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

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

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

All correspondence to the Senior Independent Non-Executive Director can be faxed to 03-2694 6200 or by e-mail to enquiry@alliancegroup.com.my, or by mail to the registered office of the Company at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

5. Corporate Disclosure

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

The objectives of the CDPP are:

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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

6. Dealings in Securities

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

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

This Statement on Corporate Governance is made in accordance with a resolution of the Board of Directors dated 2 June 2011.

CORPORATE RESPONSIBILITY

In line with Bursa Malaysia's corporate social responsibility framework for public listed companies, the Group's Corporate Responsibility (CR) programmes and initiatives address four main areas: marketplace development, workplace development, community development and environmental preservation.

Marketplace Development

Our investors and shareholders need consistent, accurate and timely information in order to make informed decisions. In cultivating relations with the investment community, the Group's Investor Relations unit has developed an engagement framework and processes as part of good corporate governance practices.

The Group has maintained a strong following among domestic and international institutional investors. During the year under review, the Group's performance was monitored by a total of 15 research houses, an increase of three from the previous year.

Another important channel of communication is the Group's website. This is updated regularly and includes quarterly financial results and highlights of important developments within the Group. Investors also have access to our Annual Report, which provides year-end summaries of the Group's financial position, review of activities, strategies and outlook for the coming financial year. Our press releases are sent to all major dailies for publication, and subsequently posted on our website.

The annual general meeting and analysts' briefings are opportunities for senior management personnel to outline the Group's strategic plans and business directions as well as to respond directly to enquiries from the investment community. Through these meetings, the Group has also strengthened ties with the Minority Shareholder Watchdog Group.

Our investor relations team closely monitors suggestions and recommendations by the investing community and forwards it to senior management and the Board for consideration.

Alliance Bank also regularly organises investment seminars at different locations throughout the country for our customers to discuss issues of current interest. Its Consumer Banking Wealth Management hosted a seminar entitled 'Market Outlook for 2H2010 & Investment Strategies' held in Sandakan, Sabah which was attended by several hundred participants. SME Banking also co-sponsored a seminar, 'Rich Biz, Poor Biz, Success and Sustainability' in support of the Government's efforts in developing resilient and innovation-led SMEs.

The Group and Temasek Holdings co-hosted the 6th Asian Banking CEO Roundtable, which brought together the Chairmen and Chief Executive Officers of major banks across Asia for a lively discussion on key issues and trends facing the banking industry.

Workplace Development

The Group endeavours to attract, develop and retain the best talents the market has to offer by providing a conducive working environment. We believe in a trusting, open and mutually supportive work environment that reflects our core corporate values. These core values form the basis of a strong corporate culture that fosters teamwork and holds the Group together.

Our remuneration package is also one of the most attractive in the market and salary surveys are conducted annually to ensure it remains competitive. The safety and health of our employees have always been priority issues and we are continually looking into ways to improve our performance in these areas.

We have also implemented a group-wide Employee Engagement Framework. An employee engagement survey was also conducted at the financial year-end to gauge employees' perceptions and to determine the areas that could be improved upon.

The year in review saw a series of town hall meetings organised to promote transparent two-way communication between management and staff. For management, it was an opportunity to discuss the latest developments in the Group and to align expectations with those of the employees. Staff were encouraged to give their feedback at these meetings or put their thoughts in writing to the Group Chief Executive Officer via a dedicated e-mail channel which is frequently publicised internally. Where appropriate, this feedback is incorporated and embedded in our processes and procedures.

The development of its human capital continued to be a key strategic focus for the Group. The Group's competency-based training calendar focused on the development of core, regulatory, compliance as well as functional and technical competencies. In-house courses were supplemented by external professional training programmes. The Group continued to sponsor certification programmes offered by accredited professional bodies such as the Malaysia Insurance Institute, Federation of Investment Managers and Securities Industry Development Corporation and Institut Bank-Bank Malaysia. We have also invested in an online Human Resource Management System which empowers employees to take ownership of their personal development and career progression.



CORPORATE RESPONSIBILITY (cont'd)

As a measure of where the Group stands as an employer of choice, we take pride that many of our employees have been with us for most of their career. Employees who have served the Group for 15 and 25 years were recognised and rewarded for their services and loyalty during the annual AFG Long Service Awards.

Community Development

The future of Alliance is inherently linked to the vitality of the communities in which it serves. Through a wide array of activities that include community-development programmes, philanthropy, volunteerism and promotion of health, education, arts and sports, we are making a difference in improving the quality of life in the community.

Empowering employees

The Group has launched two programmes to encourage staff to play a more active role in cultivating a deeper and more meaningful relationship with the community.

Under the Group's Staff Charity Day programme, staff are given a day off and a stipend to dedicate time and effort to community projects. Over 1,500 staff from all levels participated actively in this programme during the fiscal year 2011.

The other initiative is the Staff Donation Programme launched in June 2010 to enable employees to contribute to any three non-governmental organisations (NGOs) of their choice through a salary deduction scheme. The Group has set aside funds to match employees' donations under this programme. Since its inception, a total of RM58,980 has been collected. The amount raised has been channeled to the Lembaga Pengurusan Kebajikan Anak Yatim, the Women's Aid Organisation and the Malaysian Association of the Blind.



A firm believer in quality education for a sustainable future, the Bank has contributed RM632,361.81 since September 2005 via the Alliance Chinese

Independent School (CIS) Affinity Card programme in support of ongoing activities at selected schools. This is a micro-donation facility based on a donate-as-you-spend concept for its card members to make contributions to their preferred school(s) of choice.

Reinforcing Core Values

Caring and creativity goes hand in hand and this was amply displayed by our people in planning and executing the various community projects undertaken during the year. From selling food, online fund-raising, auction of art pieces, dancing competition to washing cars, our employees have raised thousands of Ringgit to benefit orphanages, hospitals, welfare homes, NGOs and other worthy causes throughout the country.

Wherever possible, the Group has capitalised on social events to raise funds. Volunteers from 10 departments joined forces to set up food and games booth at the Alliance Fiesta, raising some RM20,000 for charity. At various Customer Appreciation events, we have sold art pieces and other items donated by our customers. Staff and their family came out in force to support the Dance-a-Thon event organised by the staff in the East Regional Management Office and five Sabah branches, where close to RM25,000 was raised.

As well as the primary objective of raising money, these events have helped build teamwork across the Group. The car wash charity event, for instance, brought together staff from 20 branches in the Klang Valley to raise funds for a welfare home. In another example, the entire team from one division used their lunch hour for two weeks to pack festive hampers for sale.

Bringing Festive Cheer

In celebrating Malaysia's diverse cultural heritage and its many festivals, the Group has taken pains to ensure that the under-privileged and those living at the fringes of society are not forgotten. During the festive seasons of Raya, Christmas and Chinese New Year, various teams from the Group have visited orphanages and welfare homes. Apart from cash donations, our people have contributed groceries, clothing, stationery and other useful items. At the community rehabilitation centre at Selayang, the Group distributed duit raya to more than 600 under-privileged people. At the Hindu festival of Thaipusam, volunteers from the Group were on hand to distribute drinks and snacks to devotees. More than just material contributions, it is often the time that our staff have spent interacting with the people at the homes and orphanages that has been most appreciated.



Attending to special needs

During the year, the Group made a cash contribution to the Selangor and Federal Territory Association for the Mentally Handicapped to assist with the expenses for the continuous education of 530 mentally challenged adults and children in 12 centres. Likewise, we have also contributed to the Braille Association of Malaysia for the production of 1,000 books in Braille to be distributed free-of-charge nationwide. The Group also lent its support to the Society for the Advancement of the Blind to organise educational and vocational classes.

A culture of volunteerism

Many employees came forward to volunteer their time, talents and energy to give back to society. As part of the annual AFG Treasure Hunt, participants stopped by the Cerebral Palsy Children's Association of Penang where they spruced up the surroundings and repainted the physiotherapy room. Our staff clocked in some 200 hours over a two-month period to teach children how to read and build self-esteem as part of an NGO's volunteer programme. The Group has also visited an orang asli community in Pahang where staff participated in a *gotong-royong* or self-help project, collecting garbage and cleaning the river-banks. Among other memorable examples, a team of Alliance staff has contributed money and their services to assist the Pertiwi Soup Kitchen in distributing packed food to the homeless.

Environmental Preservation

The Group is committing resources and efforts to implement green initiatives. From the time we launched an awareness campaign back in 2008, we have since taken positive steps to conserve energy and paper usage. All air-conditioning units at our premises are automatically switched off at 5.45 pm and are only restarted at 8.45 am. To conserve paper, double-sided printing and copying has become a standard practice.

The Group has long supported the conservation activities of the World Wide Fund for Nature (WWF), especially Malaysia's dwindling tiger population. Contributions were also channeled to support the move to protect the Ulu Muda forest to ensure that the water supply to Kedah, Penang and Perlis would not be compromised.



Our employees have also embarked on various green initiatives as part of the Staff Charity Day Programme. Staff supported the Sungai Tekala Recreational Park by refurbishing facilities and cleaning up the surrounding areas. At the Forest Research Institute Malaysia, our people planted trees and cleared the waterfall area and walking trails of rubbish. Some of our employees also formed volunteer teams to help clean the cages and exhibit areas, feed the animals and assist the zookeepers with the animal shows at Zoo Negara. To inculcate a healthy respect for the environment, children from a local shelter home were taken to the Aquaria, where they learned about Malaysia's rich marine heritage.

As manifestation of our commitment to the environment, the Group observed Earth Hour on 25 March 2011. For one hour beginning at 3.45 pm, all non-essential lights and electrical appliances were switched off across the Group's 106 branches nationwide.

AUDIT COMMITTEE REPORT

Audit Committee

The Audit Committee comprises the following Directors:

Tan Yuen Fah (Chairman)

Independent Non-Executive Director

Kung Beng Hong

Non-Independent Non-Executive Director

Stephen Geh Sim Whye

Independent Non-Executive Director

Ou Shian Waei (Appointed on 1.8.2010)

Independent Non-Executive Director

Megat Dziauddin bin Megat Mahmud

Independent Non-Executive Director

Terms of Reference

1. Policy

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

2. Objectives

The objectives of this policy are:

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

3. Composition of the Audit Committee

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

- (a) the Audit Committee must be composed of no fewer than three members;
- (b) all the Audit Committee members must be non-executive directors, with a majority of them being independent directors;
- (c) the members of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director; and
- (d) at least one member of the Audit Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience; and

(aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

(bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

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

4. Secretary to the Audit Committee

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

5. Quorum

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

6. Attendance at Meetings

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

7. Frequency of Meetings

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

8. Functions of the Audit Committee

The functions of the Audit Committee are as follows:

- (a) To consider the appointment of the External Auditors, the audit fee and any questions of resignation or dismissal and whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment;
- (b) To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) To recommend the nomination of a person or persons as the External Auditors;
- (d) To approve the provision of non-audit service by the External Auditors;
- (e) To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the External Auditors;
- (f) To assess objectivity, performance and independence of the External Auditors (for example by reviewing and assessing the various relationships between the External Auditors and the Company or any other entity);
- (g) To review:
 - with the External Auditors, the audit plan;
 - with the External Auditors, their evaluation of the system of internal controls;
 - with the External Auditors, their audit report;
 - the assistance given by the Company's officers to the External Auditors;
 - the consolidated financial statements of the Company; and
 - any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedures or course of conduct that raises questions of management integrity;
- (h) To review the quarterly and year-end financial statements of the Company, prior to the approval of the Board of Directors, focusing particularly on:
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - any other significant and unusual events;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements;
- (i) To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary);
- (j) To review the External Auditors' Management letter and Management's response;
- (k) To meet with the External Auditors without executive Board members presence at least twice a year;
- (l) To propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines;
- (m) To review the effectiveness of internal controls and risk management processes;
- (n) To do the following where an internal audit function exists:
 - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and ensure that appropriate actions are taken on the recommendations of the internal audit function in a timely manner;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function;
 - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
 - consider the major findings of internal investigations and Management's responses;
 - establish an appropriate mechanism to address and manage situations where there is a threat to the objectivity of the internal audit; and
 - establish a mechanism to assess performance and effectiveness of the internal audit function;

AUDIT COMMITTEE REPORT (cont'd)

- (o) Where the internal audit function lacks the expertise needed to perform the audit of specialised areas, external experts may be engaged. However, the Audit Committee remains responsible for ensuring that audit of specialised areas is adequate;
- (p) In situations that external experts are engaged to carry out review of specialised areas where internal audit is not or not sufficiently proficient, the Audit Committee should ensure that:
 - terms and scope of the engagement, the working arrangement with the internal auditors and reporting requirements are clearly established; and
 - if the External Auditors are engaged, the Audit Committee is responsible for ensuring that such engagement does not compromise the independence of the External Auditors in their roles as statutory auditors of the Company;
- (q) To verify the allocation of share options/share grants/share save (where applicable) pursuant to the Company's Employees' Share Scheme at the end of each financial year as being in compliance with the criteria of allocation pursuant to the Employees' Share Scheme and to issue a statement verifying such allocation to be included in the annual report; and
- (r) To consider and examine any other matters as defined by the Board.

9. Authority

The Audit Committee is authorised by the Board to:

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

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

10. Reporting of Breaches to the Bursa Malaysia Securities Berhad

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

Audit Committee Meetings held for the Financial Year Ended 31 March 2011

During the financial year ended 31 March 2011, a total of six Audit Committee meetings were held. The details of attendance of the Committee members are as follows:

Name of Committee Member	Attendance
Tan Yuen Fah	6/6
Stephen Geh Sim Whye	6/6
Megat Dziauddin bin Megat Mahmud	5/6
Kung Beng Hong	6/6
Ou Shian Waei (Appointed on 1.8.2010)	3/3

Summary of Activities

The Audit Committee has during the financial year ended 31 March 2011 carried out the following duties:

- (a) Reviewed the quarterly results and made recommendations to the Board for approval;
- (b) Considered the adoption of BNM Guideline on Transitional Provisions Model for Loan Impairment in regard to FRS 139;
- (c) Reviewed with the External Auditors, the draft Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2010;
- (d) Reviewed with the External Auditors, their report on the Limited Review of Half Year Financial Statements for the six months period ended 30 September 2010;
- (e) Reviewed with the External Auditors, their management letter together with Management's responses to the audit findings for the financial year ended 31 March 2010;

- (f) Reviewed with the External Auditors, their audit plan for the financial year ended 31 March 2011;
- (g) Reviewed the non-audit services rendered by the External Auditors;
- (h) Reviewed the internal audit reports with Internal Auditors;
- (i) Reviewed the Statement on Internal Control, Audit Committee Report and Risk Management Report for inclusion in the 2010 Annual Report;
- (j) Reviewed the allocation of share options and share grants pursuant to the Employees' Share Scheme of the Company for 2009 Grant;
- (k) Reviewed with the Internal Auditors, the internal audit plan for the Company and its non-bank subsidiaries for the financial year ended 31 March 2011;
- (l) Reviewed recurrent related party transactions entered into by the Company and its subsidiaries;
- (m) Reviewed the Whistleblower Policy of the Company;
- (n) Reviewed the Terms of Reference of Audit Committee;
- (o) Reviewed the Group Corporate Secretarial Function and its non-banking subsidiaries;
- (p) Met with the External Auditors without the presence of Management twice during the year; and
- (q) Met with the Internal Auditors without the presence of Management twice during the year.

Subsequent to the financial year ended 31 March 2011, the Audit Committee carried out the following duties:

- (a) Reviewed with the External Auditors, the draft Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2011;
- (b) Reviewed with the External Auditors, their management letter together with Management's responses to the audit findings for the financial year ended 31 March 2011;
- (c) Reviewed the non-audit services rendered by the External Auditors;
- (d) Reviewed the allocation of share options and share grants pursuant to the Employees' Share Scheme of the Company for 2010 Grant;
- (e) Considered the re-appointment of the External Auditors and their audit fees for the financial year ended 31 March 2012;
- (f) Reviewed the internal audit reports with Internal Auditors;
- (g) Reviewed recurrent related party transactions entered into by the Company and its subsidiaries;
- (h) Reviewed the Terms of Reference of Audit Committee;
- (i) Reviewed the Group Internal Audit's Strategic Plan;
- (j) Met with the External Auditors without the presence of Management;
- (k) Met with the Internal Auditors without the presence of Management;
- (l) Reviewed the Statement on Internal Control, Audit Committee Report and Risk Management Report for inclusion in the 2011 Annual Report; and
- (m) Reviewed the Group Internal Audit Charter.

Internal Audit Function

The internal audit function is undertaken by the Group Internal Audit Department. The Head of Group Internal Audit Department reports directly to the Audit Committee.

The Internal Audit Department is responsible for the provision of independent audit reports to the Audit Committee on the Group's system of internal control and its authority is provided in the Audit Charter, which formally documents the roles, duties and responsibilities of the Internal Auditors. The cost incurred for the Group internal audit function during the financial year amounted to RM4.1 million.

Statement on Employees' Share Scheme (ESS)

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

STATEMENT ON INTERNAL CONTROL

Responsibility

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

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

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

The Board has extended the responsibilities of the Audit Committee to include the role of monitoring all internal controls on behalf of the Board, including identifying risk areas and communicating critical risk issues to the Board. The Audit Committee is supported by an internal audit function which is independent of the activities it audits. The internal auditors have performed their duties with impartiality, competency and due professional care.

Risk Management Framework

The Board ensures that the Group manages risk within clearly defined guidelines and provides an independent oversight to ensure that risk management policies are complied with, through a framework of established control and reporting process.

The Group Risk Management Committee reviews and recommends risk management strategies, policies and risk tolerance for subsequent approval by the Boards of the Group's Banking subsidiaries. In addition, the committee also oversees the activities of the management committees such as the Group Assets and Liabilities Management Committee and Group Operational Risk Management Committee, which assume the responsibility of overseeing specific areas of risks pertaining to the Group's business activities and implement various risk management policies and procedures.

Major risks arising from the Group's day-to-day activities in the financial services industry comprise credit risk, liquidity risk, market risk and operational risk. For more information on the risks and relevant guidelines and policies, please refer to Note 42 under the Financial Statements.

System of Internal Control

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

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

Review of the Statement by External Auditors

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Internal Control for the financial year ended 31 March 2011 and have reported the results of the review thereof to the Board.

RISK MANAGEMENT

Risk Management Philosophy

At Alliance Financial Group, we believe that sound risk management is key to ensuring commensurate returns for our financing and risk-taking activities. To this end, we regularly review our risk management approaches to better understand and manage our exposure to risks within our risk appetite.

The Group has established an Integrated Risk Management Framework (IRMF) that includes risk management and compliance components. The IRMF supports a programme of action that is consistent with industry's best practices to better position the Group to deal with economic and business challenges. Under the IRMF, we have established risk frameworks and governance structures as well as Board and Senior Management risk oversight.

Risk Governance Framework

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

GRMC is supported by specialised risk committees to manage credit, market, liquidity, operational risks and other key risks. These include the Group Assets and Liabilities Management Committee (GALCO) and Group Operational Risk Management Committee (GORMC). Credit risk policy formulation under the Group Credit Risk Working Group is separated from the loan

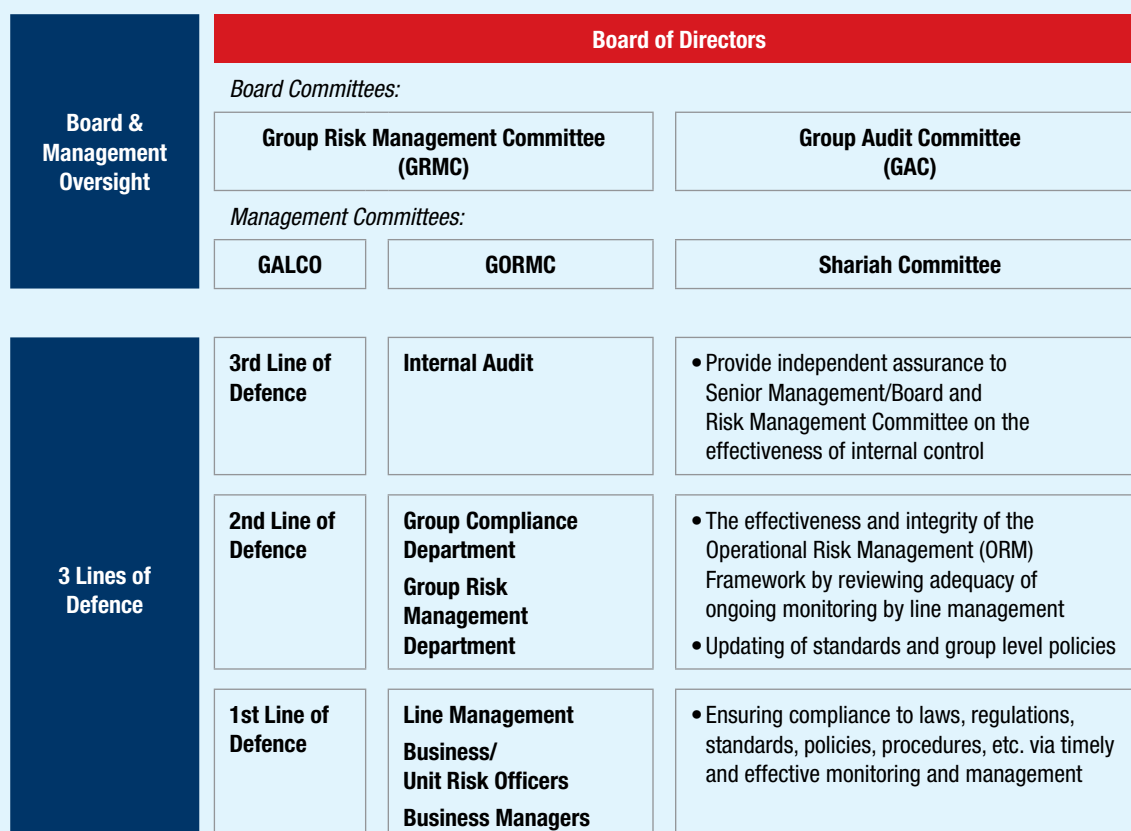
approval functions undertaken by the Group Management Credit Committee. For Islamic financing, Shariah matters/risk issues are deliberated and decided by the Shariah Committee, which serves as advisors to the Board.

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

On a functional basis, business units and business risk units form the first line of defence against risks. The Business units manage the risk-reward trade-off contained within the policies and guidelines laid down by the Group. On the other hand, business risk units are principally responsible for monitoring and ensuring that the conduct of their business activities are carried out within the approved policies, product programme parameters and business models.

Group Risk Management forms the second line of defence. Group Risk Management consists of central units for credit risk management, market risk management and operational risk management and is responsible for assisting the Group in formulating the risk management framework and policies, developing tools and methodologies for risk identification and measurement, performing independent risk monitoring and reporting to the GRMC and Board of Directors.

Group Internal Audit forms the third line of defence by providing independent assessments of risk management processes and infrastructure, as well as the adequacy and effectiveness of risk policies and internal controls.



RISK MANAGEMENT (cont'd)

Basel II

With effect from 1 January 2008, as required by Bank Negara Malaysia (BNM), the Group has adopted the following standards for capital requirements under Pillar 1 of Risk Weighted Capital Adequacy Framework (RWCAF) and BNM Capital Adequacy Framework for Islamic Banks (CAFIB):

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

The guidelines provide guidance on the amount of regulatory capital required in proportion to the risk profile arising from lending/financing, investment and trading activities.

In accordance with BNM's implementation of the Pillar 2 guidelines – Internal Capital Adequacy Assessment Process (ICAAP), the Group has embarked on the journey to prepare for assessment of capital requirement for risks not covered under Pillar 1.

Meanwhile, Pillar 3 of Basel II requires banks to provide consistent and comprehensive disclosures for risk management practices, to improve transparency in the financial markets and enhance market discipline. Please refer to the ABMB Basel II Pillar 3 Disclosure on page 229 for the full report.

Basel III

At the turn of 2011, Bank for International Settlement (BIS) had issued the Basel III Framework with the aim of making banking institutions more resilient to financial stress by requiring amongst others, the following:

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

The regulators have given these additional requirements, in addition to Basel II, a phased-in transitional period of eight years from 2011. With regard to the proposed phased de-recognition of Hybrid Tier-1 capital instruments, the Group does not expect to be impacted as it does not have such instruments.

Stress Testing

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

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

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

The Stress Test Steering Group comprises representatives from Group Risk, Business Risk, Group Finance and the Lines of Business. The stress test parameters are formulated internally, taking into account the economic scenario, plus current and forecasted key indicators over a rolling one year period. The scenario and parameters are presented to the Stress Test Working Group and to the GRMC for deliberation before being rolled out to the respective business units to run portfolio and segmental stress tests.

In collaboration with Group Finance, the results are then centrally consolidated by the Lines of Business at the banking entity and banking group levels, analysed and reported to the Stress Test Steering Group, GRMC/Board and the Central Bank. These results are not reviewed in isolation. Where appropriate, proactive action is taken to adjust our product programmes, lending guidelines and contingency plans.

Credit Risk Management

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

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

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

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

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

- formulate group wide credit risk policies
- formulate risk control limits
- portfolio risk monitoring
- risk measurement methodology
- risk reporting

The Group has over the years invested in building risk management infrastructure, methodology and tools to improve the capability of managing risk. To date, the risk infrastructure is as follows:

Risk Infrastructure/Methodology/Tools

Prospecting & Account Planning	Risk Assessment & Credit Approval	Documentation/ Disbursement	Monitoring	Collection & Recovery
• Group Loans Origination System • Customer Relationship Management System	• Credit Risk Rating Systems • Product Programmes • Risk Acceptance Criteria	• Collateral Management & Limit Monitoring System	• Credit Review • Early Warning Frameworks	• Debt Management System • Collection Strategies • Tracking of Collection and Recoveries
• Retail Loans Origination System and Business Banking Loans Origination Systems have been implemented between 2009 and 2010 • Went live in March 2011	• Development of rating models/ scorecards for retail and business banking and hosting system • Development and periodic review of Product Programmes/Risk Acceptance Criteria	• Phase 3 of Collateral Management & Limit Monitoring System pertaining to straight-through processing with various origination/ transaction systems is in progress	• Low tolerance of late credit review • Early Warning Frameworks tailored to manage different customers in Business Unit	• Debt Management System went live in 2009

Market Risk Management

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

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

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

Market risk in the Banking Book is supervised primarily by the GALCO and executed through Financial Markets whereas market risk in the Trading Book is managed primarily by Financial Markets based on policies and limits approved by the GRMC/Board.

RISK MANAGEMENT (cont'd)

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

While the Group offers share financing, stockbroking and unit trust management services to our retail customers, the treasury arm did not undertake proprietary trading of equities and commodities during the financial year ended 31 March 2011.

Group Market Risk Management undertakes the following support roles:

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

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

	Systems	Tools/Methodology
Trading Book	Middle Office Module, Treasury System	• Notional limits • Sensitivity limit (e.g. Price Value of a Basis Point) • Value-at-Risk • Stress Testing • Back Testing
Banking Book	Assets and Liabilities Management System	• Repricing gap analysis • Net interest income simulation • Liquidity gap analysis • Liquidity ratios and benchmarks • Liquidity stress test and contingency funding plan

Operational Risk Management

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

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

- Oversight and implementation of the Operational Risk Management Frameworks.
- Establishment of risk appetite and the provision of strategic and specific directions.
- Regular review of operational risks reports and profiles.
- Addressing operational risk issues.
- Ensuring compliance with regulatory and internal requirements including disclosures.

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

- Sound risk management practices as outlined in the ORM Framework, which is in accordance with Basel II and regulatory guidelines.

(For Islamic Banking, a separate ORM Framework has been adopted to ensure compliance with the Islamic Financial Services Board (IFSB) and our regulatory bodies.)

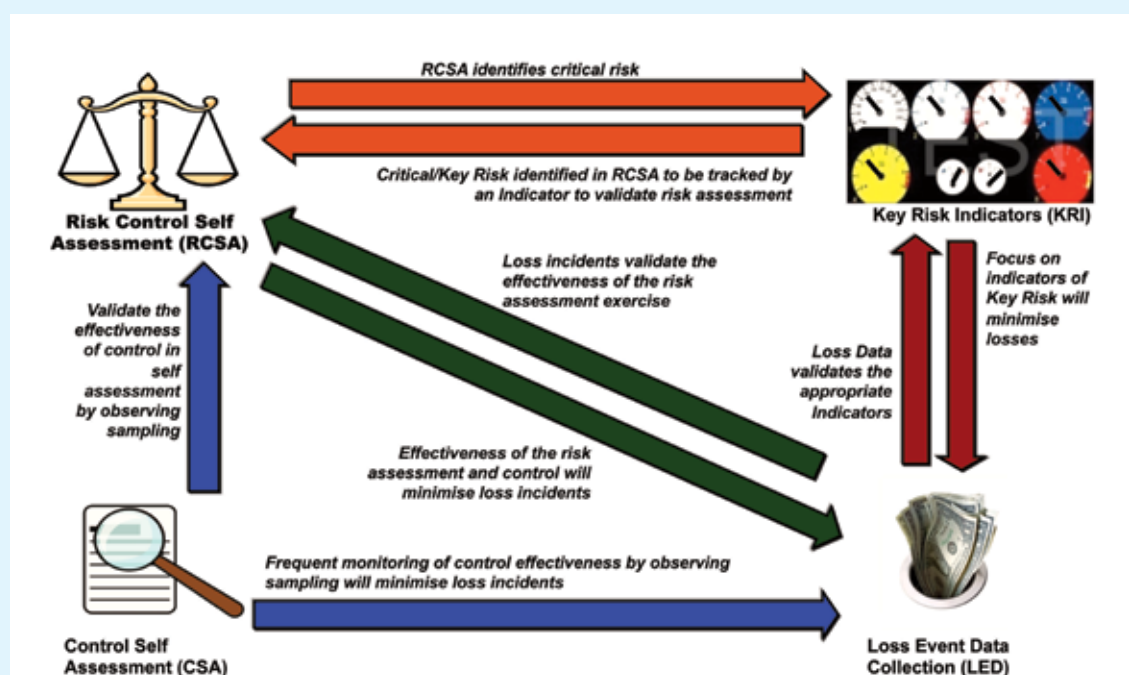
- Board and Senior Management oversight.
- Defined responsibilities for all staff.
- Established operational risk methodologies and processes applied in the identification, assessment, measurement, control and monitor of risks.

- Regular dashboard reports submitted to Senior Management and Risk Management Committee.
- Continuous cultivation of an organisational culture that places great emphasis on effective operational risk management and adherence to sound operating controls.

The tools employed in best practices for management of operational risks applicable across the Group are:

- Risk Control Self Assessment (RCSA)
- Key Risk Indicators (KRIs)
- Loss Event Data Collection (LED)
- Control Self Assessment (CSA)

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



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

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

Islamic Risk Management

Islamic Risk Management focuses on managing Operational and Shariah Compliance Risk, besides managing the Credit and Market Risks in Islamic Banking operations.

Shariah Compliance risk arises from the risk of failure to comply with Shariah rules and principles determined by the relevant Shariah regulatory council. The Shariah compliance in the Islamic Banking business activities includes prohibition of *Riba* (interest), *Gharar* (uncertainty) and *Masyir* (gambling).

RISK MANAGEMENT (cont'd)

Under the Group's Islamic Operational Risk Management Framework (ORM-i), including Shariah Governance Framework, the Group applies several key measures, including:

- Adopting sound risk management practices in accordance with the Islamic Financial Services Board (IFSB), and other relevant regulatory guidelines.
- Providing continuous Board and Senior Management oversight.
- Emplacing qualified Shariah Committee members with capabilities to deliberate on Shariah issues and provide sound Shariah decisions.
- Ensuring at least one representative from the Shariah Committee in the Board of Directors.
- Ensuring that the Bank complies with Shariah principles in relation to existing and new products, services and business activities at all times, by having adequate mechanisms and processes.
- Establishing clear lines of roles and responsibilities.
- Providing timely management reports.
- Fostering a risk awareness culture through ongoing staff training.
- Deploying the Shariah Review Team to conduct independent Shariah reviews regularly at various business lines and reporting their findings to the Shariah Committee and Board. The functions cover amongst others, training, research and regular assessment on Shariah compliance in the activities and operations of the Bank.
- Reporting Shariah non-compliant incidents and issues to the Shariah Committee and the Board. Any rectification should only be carried out in consultation with the Shariah Committee and any non-compliant income discovered during the review exercise will be channeled to charities.

ADDITIONAL COMPLIANCE INFORMATION

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

1. Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during the financial year ended 31 March 2011.

2. Non-Audit Fees

Non-audit fees paid/payable to the external auditors, Messrs PricewaterhouseCoopers by the Group for the financial year ended 31 March 2011 amounted to RM2,394,000.

3. Variations in Results

There were no variances of 10% or more between the audited results for the financial year ended 31 March 2011 and the unaudited results previously announced.

4. Material Contracts

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

5. Profit Guarantee

There was no profit guarantee given by the Company in respect of the financial year ended 31 March 2011.

6. Revaluation of Landed Properties

The Group does not adopt a policy of regular revaluation of its landed properties.

7. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued by the Company which were exercised during the financial year ended 31 March 2011.

8. Share Buy-Back

The Company did not buy back any of its shares during the financial year ended 31 March 2011.

9. American Depositary Receipt (ADR) or Global Depositary Receipt (GDR)

The Company did not sponsor any ADR or GDR programmes during the financial year ended 31 March 2011.

10. Sanctions and/or Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 March 2011.

LIST OF PROPERTIES

as at 31 March 2011

Location	Current Use	Year of Purchase	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years)	Built-Up Area (Sq Ft)	Net Book Value (RM'000)
11A, Jalan Raja Chulan 50200 Kuala Lumpur	Alliance Bank's branch/office premises	1982	Freehold	–	40	37,200	2,559
1, Jalan Tembaga SD5/2A Bandar Sri Damansara 52100 Kepong, Kuala Lumpur	Alliance Bank's branch/office premises	1992	Freehold	–	17	10,099	721
150 – 152, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Alliance Bank's branch/office premises	1997	Leasehold 99 years	67 years 2078	32	12,012	2,504
43 & 45, Jalan Bunga Tanjung 6A Taman Putra 68000 Ampang, Selangor	Alliance Bank's branch/office premises	1997	Leasehold 99 years	70 years 2081	29	8,400	1,245
1960 E & F, Jalan Stadium 05100 Alor Setar, Kedah	Alliance Bank's branch/office premises	1979	Leasehold 60 years	28 years 2039	30	6,330	469
Ground & Mezzanine Floor Wisma Malvest 20 & 20A Jalan Tun Dr Awang Sungai Nibong Kecil 11900 Bayan Lepas, Pulau Pinang	Alliance Bank's branch/office premises	1995	Freehold	–	16	5,667	1,519
71, Lot 3175 & 3176, Block 10 Jalan Laksamana Cheng Ho 93200 Kuching, Sarawak	Alliance Bank's branch/office premises	2007	Leasehold 60 years	58 years 2069	4	9,862	2,280
B-400, Jalan Beserah 25300 Kuantan, Pahang	Alliance Bank's branch/office premises	1996	Freehold	–	20	6,967	457
LG134/LG135/G128/F89 Holiday Plaza Jalan Dato Sulaiman 80250 Johor Bharu, Johor	Alliance Bank's branch/office premises	1984	Freehold	–	27	5,454	911
1-01 & 1A-01 Menara Sarawak Enterprise Jalan Bukit Meldrum 80300 Johor Bahru, Johor	Vacant	1996	Freehold	–	13	13,742	5,613
Lot 1 & 3, Jalan Permas Jaya 10/2 Bandar Baru Permas Jaya, Pelentong, 81750 Masai Johor Bahru, Johor	Alliance Bank's branch/office premises	1996	Freehold	–	18	25,436	1,764
3 & 5, Jalan Bentara 1 Tun Aminah 81308 Johor Bahru, Johor	Alliance Bank's branch/office premises	1996	Freehold	–	19	5,720	1,032
Unit 01-G & 01-1, Seremban City Jalan Tunku Munawir 70000 Seremban, Negeri Sembilan	Alliance Bank's branch/office premises	1997	Freehold	–	12	7,276	1,776

Location	Current Use	Year of Purchase	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years)	Built-Up Area (Sq Ft)	Net Book Value (RM'000)
101 & 103, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Alliance Bank's branch/office premises	1995	Leasehold 99 years	83 years 2094	13	7,520	618
Lot 7 & 9, Block D Nountun Industrial Estate 88450 Inanam Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1996	Leasehold 999 years	912 years 2923	17	7,497	957
Lot 4-6, Block K Sinsuran Complex W.D.T. 132 88999 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1980	Leasehold 99 years	60 years 2071	33	13,979	657
Lot 1086, Jalan Utara W.D.T. 127 91000 Tawau, Sabah	Alliance Bank's branch/office premises	1981	Leasehold 99 years	49 years 2060	38	15,511	655
Lot 8, Block A Beaufort Jaya Commercial Centre 89800 Beaufort, Sabah	Alliance Bank's branch/office premises	1984	Leasehold 999 years	890 years 2901	25	4,500	244
Lot 1, Block C Mile 4 1/2 Jalan Labuk Bandar Kim Fung 90000 Sandakan, Sabah	Alliance Bank's branch/office premises	1992	Leasehold 99 years	69 years 2080	26	4,800	440
1 & 2, Block A, Jalan Jungkat Pangie Light Industrial Complex 89909 Tenom, Sabah	Alliance Bank's branch/office premises	1993	Leasehold 999 years	913 years 2924	17	7,333	328
Lot 365 & 366, Section 11 Jalan Kulas Satu 93400 Kuching, Sarawak	Vacant	1993	Freehold	—	17	9,552	1,042
17, 19 & 21, Jalan USJ 9/5 47620 Subang Jaya, Selangor	Alliance Bank's branch/office premises	1996	Freehold	—	15	13,860	2,733
2 & 3 Block A, Phase III Luyang Commercial Centre Damai Plaza, Jalan Damai 88300 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1994	Pending Issuance of Title Leasehold	—	16.5	12,594	1,028
59-60, Jalan Tiga 90702 Sandakan, Sabah	Alliance Bank's branch/office premises	1963	Leasehold 999 years	878 years 2889	53	9,900	717
Lot B1 & B2, 6th Floor Block 45, Church Road 90702 Sandakan, Sabah	Vacant	1985	Leasehold 999 years	884 years 2895	39	1,500	53

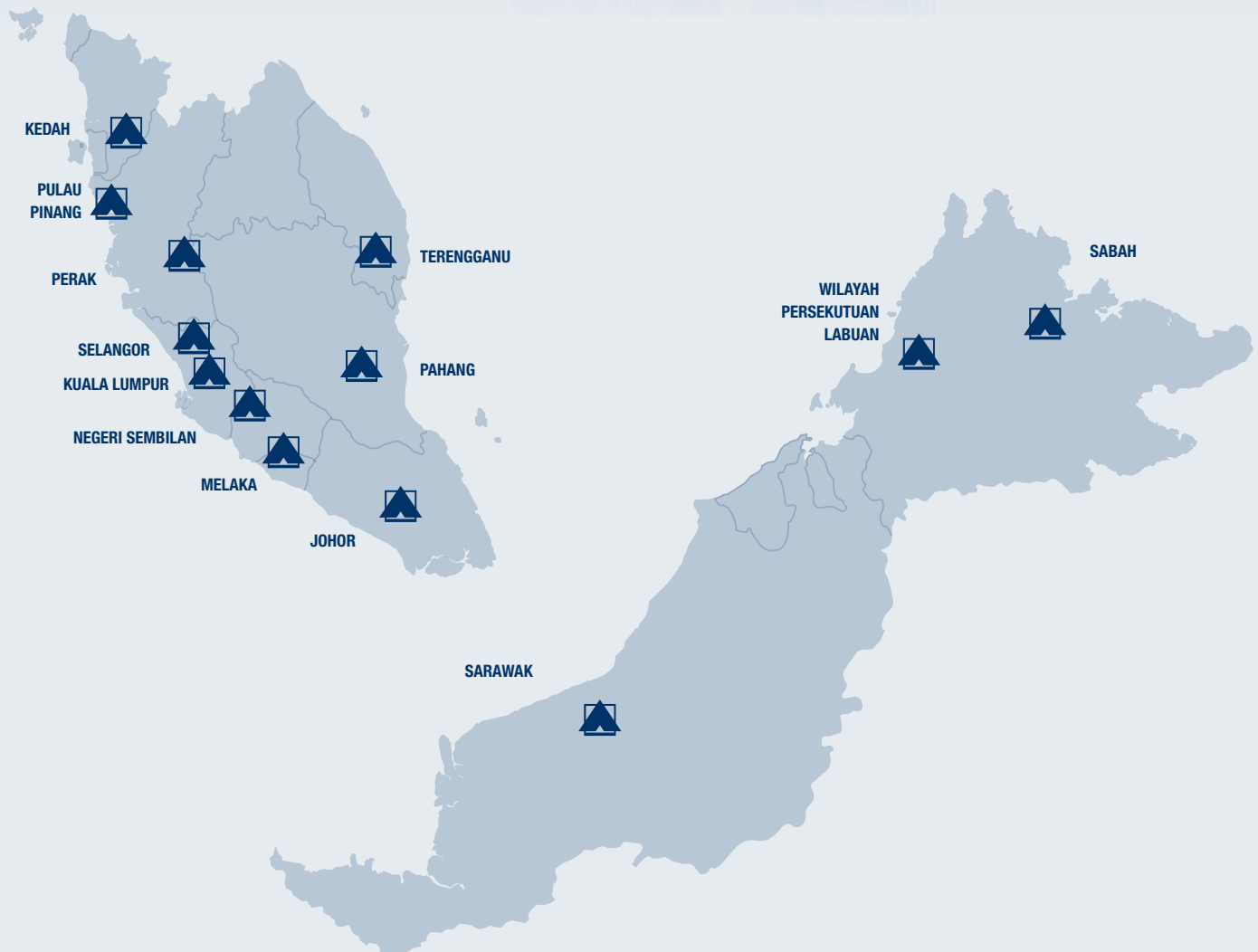
LIST OF PROPERTIES

as at 31 March 2011 (cont'd)

Location	Current Use	Year of Purchase	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years)	Built-Up Area (Sq Ft)	Net Book Value (RM'000)
MPWPL U 0072 & 0073 24-25 Jalan Merdeka 87007 Labuan	Alliance Bank's branch/office premises	1979	Leasehold 99 years	46, 52 years 2057, 2063	45 45	5,800	723
MDLD 0090, Block 39, Jalan Panji 91100 Lahad Datu, Sabah	Vacant	1995	Leasehold 99 years	50 years 2061	31	5,032	507
Lot 84, Jalan Gaya 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1987	Leasehold 999 years	871 years 2882	53	10,040	1,743
21 Lot 2, Block E Nountun Industrial Estate Jalan Tuaran, 89350 Inanam Kota Kinabalu, Sabah	Vacant	1996	Leasehold 999 years	912 years 2923	11	3,739	392
45, Jalan Sungai Besi Indah 1/21 43300 Balakong, Selangor	Alliance Bank's branch/office premises	2001	Leasehold 99 years	80 years 2091	10	9,909	1,421
3, Jalan SS 15/2A, Wisma Projass 47500 Subang Jaya, Selangor	Alliance Bank's branch/office premises	2005	Freehold	—	25	50,800	7,431
Lot PT2736-2737, PT2237-2239 PT2283, 48 & 515 Kuala Pahang, District of Pekan, Pahang	Vacant land	1992	Freehold	—	—	1,167 acres	27,748

DIRECTORY

as at 31 May 2011



DIRECTORY

as at 31 May 2011 (cont'd)

ALLIANCE BANK MALAYSIA BERHAD

BRANCHES

KEDAH

Alor Setar

1960 E & F, Jalan Stadium
05100 Alor Setar, Kedah
Tel : 04-731 0744
Fax : 04-733 8055

Lunas, Kulim

888 & 889, Jalan Aman
Taman Sejahtera
09600 Lunas, Kulim, Kedah
Tel : 04-484 3275/76/78
Fax : 04-484 3277

Sejati Indah, Sungai Petani

Ground Floor, Wisma Uni-Green
18, Jalan Permatang Gedong
Taman Sejati Indah
08000 Sungai Petani, Kedah
Tel : 04-431 1673/81
04-431 2139
Fax : 04-431 1687

Sungai Petani

Alliance Rakan
116A, Ground Floor
Jalan Pengkalan
Taman Pekan Baru
08000 Sungai Petani, Kedah
Tel : 04-420 7700
Fax : 04-420 7701

PULAU PINANG

Bandar Baru Air Itam

No. 37, Jalan Angsana
Bandar Baru Air Itam
11500 Pulau Pinang
Tel : 04-827 3288
Fax : 04-827 3688

Beach Street

Ground Floor, Bangunan Barkath
21, Beach Street
10300 Georgetown, Pulau Pinang
Tel : 04-262 8100
Fax : 04-261 3300

Bukit Mertajam

Ground & 1st Floor
Wisma Ng Ah Yan
42, Lebuhr Nangka 2
Taman Mutiara
14000 Bukit Mertajam, Pulau Pinang
Tel : 04-530 3130
Fax : 04-530 7433

Bukit Mertajam

Alliance Rakan
3195, Ground Floor
Maju Utama Business Centre
Jalan Maju
14000 Bukit Mertajam, Pulau Pinang
Tel : 04-540 1100
Fax : 04-540 1101

Butterworth

4105-4107, Jalan Bagan Luar
12000 Butterworth, Pulau Pinang
Tel : 04-331 4863/64
Fax : 04-331 3904

Bandar Baru Air Itam

Alliance Rakan
1st Floor, No. 37, Jalan Angsana
Bandar Baru Ayer Itam
11500 Pulau Pinang
Tel : 04-828 8898
Fax : 04-826 8898

Sungai Nibong Kecil

Ground & Mezzanine Floor
Wisma Malvest, 20 & 20A
Jalan Tun Dr Awang
Sungai Nibong Kecil
11900 Bayan Lepas, Pulau Pinang
Tel : 04-642 5918
Fax : 04-642 5924

PERAK

Ipoh

40 & 42, Persiaran Greenhill
30450 Ipoh, Perak
Tel : 05-241 2342/3
05-241 2346/8
Fax : 05-241 2355

Sitiawan

23 & 24, Jalan Raja Omar
Taman Selamat
32000 Sitiawan, Perak
Tel : 05-691 1212
Fax : 05-691 7975

SELANGOR

Aman Suria Damansara

J-G-23 & J-G-25, Block J
Jalan PJU 1/43, PJU1
Aman Suria Damansara
47301 Petaling Jaya, Selangor
Tel : 03-7880 8842
Fax : 03-7880 4299

Ampang Point

Ground & Mezzanine Floor
65, Jalan Mamanda 9
Ampang Point
Taman Dato Ahmad Razali
68000 Ampang, Selangor
Tel : 03-4252 3822
Fax : 03-4252 3877

Balakong

45, Jalan Sungai Besi Indah 1/21
Taman Sungai Besi Indah
43300 Seri Kembangan, Selangor
Tel : 03-8948 6972
Fax : 03-8948 9530

Bandar Bukit Tinggi

56, Lorong Batu Nilam 4B
Bandar Bukit Tinggi
41200 Klang, Selangor
Tel : 03-3324 1122
Fax : 03-3324 3311

Bandar Puteri Puchong

11 & 13, Jalan Puteri 2/1
Bandar Puteri Puchong
47100 Puchong, Selangor
Tel : 03-8063 2833
Fax : 03-8063 2711

CP Tower, Petaling Jaya

Unit 1-2, Right Wing
Level 1, CP Tower
11, Jalan 16/11
Off Jalan Damansara
46350 Petaling Jaya, Selangor
Tel : 03-7957 3366
Fax : 03-7957 3360

Damansara Uptown

Unit 102 & 103
Level 1, Uptown 2
2, Jalan SS21/37
Damansara Uptown
47400 Petaling Jaya, Selangor
Tel : 03-7660 9798
Fax : 03-7660 9799

SELANGOR**Kajang**

Lot 4 & 5, Jalan Jeloh 3
Off Jalan Bukit
43000 Kajang, Selangor
Tel : 03-8733 5966
Fax : 03-8736 4004

Klang

Ground Floor
1, Lorong Kasawari 4B
Taman Eng Ann
41150 Klang, Selangor
Tel : 03-3345 3700
Fax : 03-3345 3733

Kota Damansara

7-G & 9-G, Jalan PJJ 5/20
Pusat Perdagangan Kota Damansara
PJJ5 Kota Damansara
47810 Petaling Jaya, Selangor
Tel : 03-6142 8632
Fax : 03-6142 8732

Mutiara Damansara

G19, IKANO Power Centre
2, Jalan PJJ 7/2
Mutiara Damansara
47800 Petaling Jaya, Selangor
Tel : 03-7727 1041
Fax : 03-7727 1478

Puchong Jaya

11, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong Jaya, Selangor
Tel : 03-8075 9185
Fax : 03-8075 9200

Rawang

71, Jalan Bandar Rawang 2
Bandar Baru Rawang
48000 Rawang, Selangor
Tel : 03-6091 7622
Fax : 03-6091 7922

Selayang

71 & 73, Jalan 2/3A
Pusat Bandar Utara Selayang
KM 12, Jalan Ipoh
68100 Batu Caves, Selangor
Tel : 03-6135 1800
Fax : 03-6135 1787

Seri Kembangan

31-1 & 31-2
Jalan Serdang Perdana 2/1
Taman Serdang Perdana
43300 Seri Kembangan
Selangor
Tel : 03-8941 6610
Fax : 03-8941 6620

Seri Kembangan

Alliance Rakan
1st Floor, 31-1 & 31-2
Jalan Serdang Perdana 2/1
Taman Serdang Perdana
43300 Seri Kembangan, Selangor
Tel : 03-8945 5616
Fax : 03-8945 5646

Shah Alam

Ground & 1st Floor
2, Jalan Murni 25/61
Taman Sri Muda, Seksyen 25
40400 Shah Alam, Selangor
Tel : 03-5121 9336
Fax : 03-5121 9373

SS2, Petaling Jaya

53 & 55, Jalan SS2/55
47300 Petaling Jaya, Selangor
Tel : 03-7875 8255
Fax : 03-7874 0973

Subang Jaya

3 Alliance
3, Jalan SS15/2A
47500 Subang Jaya, Selangor
Tel : 03-5634 2870
Fax : 03-5634 1128

Sunway Pyramid

Lot 1.96A, Ground Floor
New Wing, Sunway Pyramid
Bandar Sunway
46150 Petaling Jaya, Selangor
Tel : 03-5636 0870
Fax : 03-5636 0670

Taman Putra

43-45, Jalan Bunga Tanjung 6A
Taman Putra
68000 Ampang, Selangor
Tel : 03-4291 7740
Fax : 03-4296 1250

USJ, Subang Jaya

Ground & 1st Floor
17, 19 & 21, Jalan USJ 9/5N
47620 UEP Subang Jaya, Selangor
Tel : 03-8024 1300
Fax : 03-8023 4379

KUALA LUMPUR**Bangsar**

28, Lorong Ara Kiri 2
Lucky Garden, Bangsar
59100 Kuala Lumpur
Tel : 03-2095 3185
Fax : 03-2095 3184

Capital Square

Ground Floor
Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2694 8800
Fax : 03-2694 6867

GTower, Jalan Tun Razak

Lot No G-06, Ground Floor
GTower, No. 199, Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03-2164 8240
Fax : 03-2168 8390

Jalan Ipoh

41 & 43, Jalan Ipoh
51200 Kuala Lumpur
Tel : 03-4041 2288
Fax : 03-4041 3868

Jalan Ipoh

Alliance Rakan
729, Ground Floor
Batu 4½, Jalan Ipoh
51200 Kuala Lumpur
Tel : 03-6250 2610
Fax : 03-6250 2710

Jalan Mega Mendung

116, Jalan Mega Mendung
Bandar Park
Off Jalan Klang Lama
58200 Kuala Lumpur
Tel : 03-7983 1177
Fax : 03-7987 3511

DIRECTORY

as at 31 May 2011 (cont'd)

KUALA LUMPUR

Jalan Sultan Ismail

Mezzanine Floor
Menara Prudential
10, Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2070 4477
Fax : 03-2070 4900

Jalan Tun Tan Cheng Lock

15, Jalan Tun Tan Cheng Lock
50000 Kuala Lumpur
Tel : 03-2072 0978
Fax : 03-2072 0968

Kepong

Ground Floor, 52, Jalan Prima
Vista Magna, Metro Prima Kepong
52100 Kuala Lumpur
Tel : 03-6257 9997
Fax : 03-6257 9996

Kuchai Entrepreneurs Park

1, Jalan 1/116B
Kuchai Entrepreneurs Park
58200 Kuala Lumpur
Tel : 03-7984 8800
Fax : 03-7981 6486

Mid Valley

15-G & 15-1
The Boulevard Offices
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2283 1849
Fax : 03-2287 8217

Mont'Kiara

Unit A-0G-02, Block A
Plaza Mont'Kiara
2, Jalan Kiara, Mont'Kiara
50480 Kuala Lumpur
Tel : 03-6203 1543
Fax : 03-6201 2607

Pandan Indah

Ground & Mezzanine Floor
11 & 13, Jalan Pandan Indah 4/34
Pandan Indah
55100 Kuala Lumpur
Tel : 03-4295 7300
Fax : 03-4296 4107

Pandan Indah

Alliance Rakan
Mezzanine Floor
11 & 13, Jalan Pandan Indah 4/34
Pandan Indah
55100 Kuala Lumpur
Tel : 03-4280 1196
Fax : 03-4280 3411

Segambut

Ground & 1st Floor
22, Wisma Sin Hoh Huat
Persiaran Segambut Tengah
51200 Kuala Lumpur
Tel : 03-6257 2105
Fax : 03-6257 2680

Setapak

86, Jalan 2/23A, Taman Danau Kota
Off Jalan Genting Kelang, Setapak
53300 Kuala Lumpur
Tel : 03-4143 9643
Fax : 03-4143 9568

Sri Damansara

1, Jalan Tembaga SD 5/2A
Bandar Sri Damansara
52100 Kuala Lumpur
Tel : 03-6275 0144/0529/0684
Fax : 03-6275 0457
03-6272 1732

Taman Connaught

150-152, Jalan Cerdas
Taman Connaught
56000 Kuala Lumpur
Tel : 03-9102 3973
Fax : 03-9102 3740

Taman Maluri

254 & 254A, Jalan Mahkota
Taman Maluri, Cheras
55100 Kuala Lumpur
Tel : 03-9285 4133
Fax : 03-9283 1397

Taman Tun Dr Ismail

24, Jalan Tun Mohd Fuad 1
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7729 8239
Fax : 03-7729 8237

JOHOR

Batu Pahat

Ground, 1st & 2nd Floor
2 & 4, Jalan Kundang 3
Taman Bukit Pasir
83000 Batu Pahat, Johor
Tel : 07-431 4088
Fax : 07-434 0033

Bukit Bakri, Muar

88, Jalan Tepi Pasar
Bukit Bakri
84200 Muar, Johor
Tel : 06-986 7633
Fax : 06-986 6721

Holiday Plaza, Johor Bahru

Unit G128, Holiday Plaza
Jalan Dato Suleiman
Century Garden
80250 Johor Bahru, Johor
Tel : 07-331 1200
Fax : 07-331 1207

Jalan Tebrau

396B & 396B-1, Jalan Tebrau
Taman Majidee
80250 Johor Bahru, Johor
Tel : 07-332 2331
Fax : 07-331 1310

Johor Jaya

50 & 52, Jalan Dedap 13
Taman Johor Jaya
81100 Johor Bahru, Johor
Tel : 07-353 5388
Fax : 07-355 7377

Johor Jaya

Alliance Rakan
33, Jalan Dedap 21
Taman Johor Jaya
81100 Johor Bahru, Johor
Tel : 07-353 7105
Fax : 07-353 7106

Kelapa Sawit, Kulai

16 & 17, Jalan Susur Satu
26th Mile, Jalan Air Hitam
Kelapa Sawit
81030 Kulai, Johor
Tel : 07-652 3704/5/7
Fax : 07-652 3706

JOHOR**Permas Jaya**

1 & 3, Jalan Permas Jaya 10/2
Bandar Baru Permas Jaya
81750 Johor Bahru, Johor
Tel : 07-386 2480
Fax : 07-386 2482

Segamat

No. 115, Jalan Genuang
85000 Segamat, Johor
Tel : 07-931 1170
Fax : 07-931 2727

Sri Gading, Batu Pahat

1 & 2, Jalan Ria 1
Taman Ria Jaya, Sri Gading
83000 Batu Pahat, Johor
Tel : 07-455 9406
Fax : 07-455 9411

Taman Molek

1 & 1-01, Jalan Molek 1/29
Taman Molek
81100 Johor Bahru, Johor
Tel : 07-355 6577
Fax : 07-355 4677

Taman Nusa Bestari

1-G & 1-01, Jalan Bestari 6/2
Taman Nusa Bestari
81300 Skudai, Johor
Tel : 07-237 8626
Fax : 07-237 8621

Taman Pelangi

Ground Floor, Shoplot Nos. 1 & 3
Jalan Perang, Taman Pelangi
80400 Johor Bahru, Johor
Tel : 07-332 7016
Fax : 07-333 7411

Tesco Desa Tebrau

Lot F09, 1st Floor
Tesco Desa Tebrau
Taman Desa Tebrau
81100 Johor Bahru, Johor
Tel : 07-357 1127
Fax : 07-357 0027

Tun Aminah

3 & 5, Jalan Bentara 1
Taman Ungku Tun Aminah
81300 Skudai, Johor
Tel : 07-554 0031
Fax : 07-554 2494

Ulu Tiram

Ground Floor, Lots 34 & 36,
Jalan Johar 3, Desa Cemerlang
81800 Ulu Tiram, Johor
Tel : 07-861 5143
Fax : 07-861 5157

MELAKA**Melaka**

99, 101 & 103
Jalan Melaka Raya 24
Taman Melaka Raya
75000 Melaka
Tel : 06-284 9249
Fax : 06-284 9248

Taman Desa Cheng Perdana

G-1, Ground Floor, Bangunan KK
Jalan Cheng Perdana 1/1A
Taman Desa Cheng Perdana 1
75260 Melaka
Tel : 06-336 5111
Fax : 06-336 5110

NEGERI SEMBILAN**Seremban**

1G & 1-1, Arab Malaysian Business Centre
Jalan Tuanku Munawir
70000 Seremban, Negeri Sembilan
Tel : 06-762 5610/21
Fax : 06-762 5612

PAHANG**Kuantan**

B400, Jalan Beserah
25300 Kuantan, Pahang
Tel : 09-567 2508
Fax : 09-567 3307

TERENGGANU**Kuala Terengganu**

Ground & Mezzanine Floor
Wisma Kam Choon
101, Jalan Kampong Tiong
20100 Kuala Terengganu, Terengganu
Tel : 09-623 5244
Fax : 09-623 6379

Kuala Terengganu

Alliance Rakan
Mezzanine Floor
Wisma Kam Choon
101, Jalan Kampong Tiong
20100 Kuala Terengganu, Terengganu
Tel : 09-630 1290/91
Fax : 09-624 0261

SABAH**Bandar Kim Fung, Sandakan**

Lot 1, Block C, Bandar Kim Fung
Mile 4¹/₂, Jalan Utara P.O. Box 163
Post Office, Mile 1¹/₂, Jalan Utara
90307 Sandakan, Sabah
Tel : 089-275 020/21/22
Fax : 089-275 027

Beaufort

Lot B, Block A, Beaufort Jaya
Commercial Centre, P.O. Box 220
89808 Beaufort, Sabah
Tel : 087-211 721
Fax : 087-212 392

Donggongan

Wisma PPS
Donggongan New Township
W.D.T. No. 56
80509 Penampang, Sabah
Tel : 088-713 411/2
088-718 980
Fax : 088-718 634

**Federal House, Kingfisher's Park, KK
(Service Centre)**

Aras 1, Blok A,
Kompleks Pentadbiran Kerajaan
Persekutuan Sabah, Jalan UMS
88400 Kota Kinabalu, Sabah
Tel : 088-484 718
Fax : 088-484 712

Inanam, Kota Kinabalu

Ground, 1st & 2nd Floor
Lot 7 & 9, Block D
Nountun Industrial Estate
89350 Inanam, Kota Kinabalu, Sabah
Tel : 088-435 761
Fax : 088-435 770

Inanam, Kota Kinabalu

Alliance Rakan
2nd Floor, Lot 7 & 9
Block D, Nountun Industrial Estate
89350 Inanam, Kota Kinabalu
Tel : 088-432 420
Fax : 088-432 421

DIRECTORY

as at 31 May 2011 (cont'd)

SABAH

Jalan Gaya

82 & 84, Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel : 088-251 177
Fax : 088-223 629

Keningau

Lot No. 1, Block B-8
Jalan Arusap
89000 Keningau, Sabah
Tel : 087-330 301
Fax : 087-330 294

Kota Marudu

Shoplot No. 8, Block E
Sedco Shophouses
P.O. Box 260
89108 Kota Marudu, Sabah
Tel : 088-661 104
Fax : 088-661 106

Kundasang

Shoplot No. 6, Block B
Sedco Shophouses
P.O. Box 152
89308 Ranau, Sabah
Tel : 088-889 679
Fax : 088-889 676

Lahad Datu

Lot 1 MDLD 4709
Jalan Kastam Lama
91100 Lahad Datu, Sabah
Tel : 089-883 911/5
Fax : 089-883 916

Luyang Damai

Ground & 1st Floor, Shoplot No. 2 & 3
Block A, Luyang Commercial Centre
Damai Plaza, Phase III, Jalan Damai
88300 Kota Kinabalu, Sabah
Tel : 088-249 073/084/085/109
Fax : 088-249 064

Sandakan

59-61, Jalan Tiga
P.O. Box 224
90702 Sandakan, Sabah
Tel : 089-275 193
089-216 771/089-222 693
Fax : 089-271 641

Sinsuran

Lot 4, 5, & 6, Block K
Sinsuran Complex
88000 Kota Kinabalu, Sabah
Tel : 088-237 762
Fax : 088-212 511

Tambunan

Lot 1, Block B
Sedco Shophouses, W.D.T. 55
89659 Tambunan, Sabah
Tel : 087-771 171
Fax : 087-771 157

Tawau

1086, Jalan Utara, W.D.T. 127
91009 Tawau, Sabah
Tel : 089-776 483
Fax : 089-763 287

Tenom

Ground & Mezzanine Floor
Shoplot Nos 1 & 2, Block A
Pangie Light Industrial Complex
Jalan Jungkat
Tenom New Township
P.O. Box 379
89909 Tenom, Sabah
Tel : 087-737 757
Fax : 087-737 762

SARAWAK

Kuching

178, Jalan Chan Chin Ann
93100 Kuching, Sarawak
Tel : 082-257 129
Fax : 082-257 275

Laksamana

70 & 71, Block 10
Jalan Laksamana Cheng Ho
93200 Kuching, Sarawak
Tel : 082-230 888
Fax : 082-238 889

Miri

Ground & 1st Floor
Lot 353, Block 7
Miri Concession Land District
(Pelita Commercial Centre)
Jalan Miri Pujut
98000 Miri, Sarawak
Tel : 085-427 535
Fax : 085-425 362

Sibu

Ground Floor, 32
Jalan Bako
Brooke Drive 3
96000 Sibu, Sarawak
Tel : 084-317 628
Fax : 084-317 148

LABUAN

Labuan

MPWPL U 0072 & 0073
Jalan Merdeka, P.O. Box 396
87008 Labuan FT
Tel : 087-412 826
Fax : 087-415 446

ALLIANCE INVESTMENT BANK BERHAD

(A participating organisation of
Bursa Malaysia Securities Berhad)

HEAD OFFICE

19th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2692 7788
Fax : 03-2692 8787
www.allianceinvestmentbank.com.my

BRANCHES

PERLIS

Kangar

2nd Floor, Podium Block
Bangunan KWSP
01000 Kangar, Perlis
Tel : 04-976 5200
Fax : 04-977 0868

KEDAH

Alor Setar

Lot T-30, 2nd Floor
Wisma PKNK
Jalan Sultan Badlishah
05000 Alor Setar, Kedah
Tel : 04-731 7088
Fax : 04-731 8428

PULAU PINANG

Pulau Pinang

Suite 2.1 & Suite 2.4
Level 2, Wisma Great Eastern
No. 25, Leboh Light
10200 Pulau Pinang
Tel : 04-261 1688
Fax : 04-261 6363

KUALA LUMPUR**Kuala Lumpur**

17th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2697 6333
Fax : 03-2697 2929

JOHOR**Kluang**

No. 73, Ground Floor & 1st Floor
Jalan Rambutan
86000 Kluang, Johor
Tel : 07-771 7922
Fax : 07-777 1079

PAHANG**Kuantan**

A-397, A-399 & A-401
Taman Sri Kuantan III, Jalan Beserah
25300 Kuantan, Pahang
Tel : 09-566 0800
Fax : 09-566 0801

TERENGGANU**Kuala Terengganu**

No.1D & 1E
Jalan Air Jerneh
20300 Kuala Terengganu, Terengganu
Tel : 09-631 7922
Fax : 09-631 3255

**ALLIANCE ISLAMIC
BANK BERHAD****HEAD OFFICE**

22nd Floor
Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2694 8800
Fax : 03-2698 4691
www.allianceislamicbank.com.my

ISLAMIC BANKING CENTRES**PULAU PINANG****Beach Street**

Ground Floor, Bangunan Barkath
21, Beach Street
10300 Georgetown, Pulau Pinang
Tel : 04-262 8100
Fax : 04-261 3300

SELANGOR**Kota Damansara**

7-G & 9-G, Jalan PJU 5/20
Pusat Perdagangan Kota Damansara
PJU5 Kota Damansara
47810 Petaling Jaya, Selangor
Tel : 03-6142 8632
Fax : 03-6142 8732

Ampang Point

Ground & Mezzanine Floor
65, Jalan Mamanda 9, Ampang Point
Taman Dato Ahmad Razali
68000 Ampang, Selangor
Tel : 03-4252 3822
Fax : 03-4252 3877

KUALA LUMPUR**Capital Square**

Ground Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2694 8800
Fax : 03-2694 6867

GTower

Lot No. G-06, Ground Floor
GTower, No. 199
Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03-2164 8240
Fax : 03-2168 8390

JOHOR**Taman Pelangi**

Ground Floor, Shoplot Nos. 1 & 3
Jalan Perang, Taman Pelangi
80400 Johor Bahru, Johor
P.O. Box 61
Taman Sri Tebrau
80057 Johor Bahru, Johor
Tel : 07-333 2064/2177
Fax : 07-333 7411

MELAKA**Taman Desa Cheng Perdana**

G-1, Ground Floor, Bangunan KK
Jalan Cheng Perdana 1/1A
Taman Desa Cheng Perdana 1
75260 Melaka
Tel : 06-3365 111
Fax : 06-3365 110

SABAH**Sinsuran**

Lot 4, 5, & 6, Block K
Sinsuran Complex
88000 Kota Kinabalu, Sabah
Tel : 088-237 758
Fax : 088-212 511

**ALLIANCE INVESTMENT
MANAGEMENT BERHAD**

23.01, 23rd Floor
Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tollfree: 1-800-88-3065
Tel : 03-2698 4299
Fax : 03-2693 0792 (General)
03-2691 9403 (Operations)
www.allianceimb.com.my

ALLIANCE TRUSTEE BERHAD

3rd Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2694 4888
Fax : 03-2694 6200

ANALYSIS OF SHAREHOLDINGS

as at 31 May 2011

Class of securities	: Ordinary shares of RM1.00 each
Authorised share capital	: RM2,000,000,000
Issued and paid-up share capital	: RM1,548,105,929
Voting rights	: One vote per ordinary share

Shareholdings Distribution Schedule

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	1,731	8.27	38,157	0.00
100 – 1,000	4,468	21.33	3,642,583	0.24
1,001 – 10,000	11,426	54.56	49,501,362	3.20
10,001 – 100,000	2,799	13.36	82,953,037	5.36
100,001 – less than 5% of issued shares	517	2.47	857,988,875	55.42
5% and above of issued shares	2	0.01	553,981,915	35.78
Total	20,943	100.00	1,548,105,929	100.00

Thirty (30) Largest Shareholders

	Name	No. of Shares Held	% of Issued Shares
1.	Mayban Nominees (Tempatan) Sdn Bhd – DBS Bank for Vertical Theme Sdn Bhd	373,475,175	24.13
2.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	180,506,740	11.66
3.	CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank Bhd for Vertical Theme Sdn Bhd	76,382,600	4.93
4.	Malaysia Focus Investment Fund Limited	71,228,700	4.60
5.	Medimetro (M) Sdn Bhd	56,000,000	3.62
6.	ABB Nominee (Tempatan) Sdn Bhd – Pledged Securities Account for Caizhi Development Sdn Bhd	46,235,776	2.99
7.	UOBM Nominees (Asing) Sdn Bhd – Exempt AN for Societe Generale Bank & Trust	40,994,900	2.65
8.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad	31,795,000	2.05
9.	Eden Engineering Sdn Bhd	22,295,763	1.44
10.	Cartaban Nominees (Asing) Sdn Bhd – Exempt AN for State Street Bank & Trust Company	20,732,500	1.34

Thirty (30) Largest Shareholders (cont'd)

	Name	No. of Shares Held	% of Issued Shares
11.	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for Clariden Leu Ltd	20,400,000	1.32
12.	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt AN for American International Assurance Berhad	18,706,700	1.21
13.	Public Nominees (Tempatan) Sdn Bhd – PB Trustee Services Berhad (AFG ESS)	17,628,750	1.14
14.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (NOMURA)	15,404,300	0.99
15.	Atlasplus Sdn Bhd	13,427,408	0.87
16.	HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	13,136,217	0.85
17.	Citigroup Nominees (Asing) Sdn Bhd – CBNY for Dimensional Emerging Markets Value Fund	12,024,200	0.78
18.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (CIMB PRIN)	10,719,500	0.69
19.	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for RBS Coutts Bank Ltd	9,957,876	0.64
20.	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt AN for Prudential Fund Management Berhad	9,734,200	0.63
21.	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association	9,457,900	0.61
22.	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association	7,738,700	0.50
23.	HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Matthews Asia Small Companies Fund	6,771,700	0.44
24.	Cartaban Nominees (Asing) Sdn Bhd – State Street London Fund 26AD for Asian Equity Fund	6,727,000	0.43
25.	Cartaban Nominees (Asing) Sdn Bhd – BBH (LUX) SCA for Fidelity Funds Asean	5,931,900	0.38
26.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad	5,359,000	0.35
27.	Maybest Enterprise Sdn Bhd	5,315,800	0.34
28.	Cartaban Nominees (Asing) Sdn Bhd – SSBT Fund D26J for Emerging Markets Global Small Capitalization Funds	5,004,900	0.32
29.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad	4,894,900	0.32
30.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad	4,844,400	0.31
	Total	1,122,832,505	72.53

SUBSTANTIAL SHAREHOLDERS

as at 31 May 2011

Name of Substantial Shareholder	Direct Interest	No. of Ordinary Shares		Total	% of Issued Shares
		% of Issued Shares	Indirect Interest		
Vertical Theme Sdn Bhd	449,857,775	29.06	—	449,857,775	29.06
Langkah Bahagia Sdn Bhd	—	—	449,857,775 ¹	449,857,775	29.06
Duxton Investments Pte Ltd	—	—	449,857,775 ¹	449,857,775	29.06
Lutfiah Binti Ismail	—	—	449,857,775 ²	449,857,775	29.06
Fullerton Financial Holdings Pte Ltd	—	—	449,857,775 ³	449,857,775	29.06
Fullerton Management Pte Ltd	—	—	449,857,775 ⁴	449,857,775	29.06
Temasek Holdings (Private) Limited	—	—	449,857,775 ⁵	449,857,775	29.06
Minister for Finance of Singapore	—	—	449,857,775 ⁶	449,857,775	29.06
Employees Provident Fund Board	220,352,740	14.23	—	220,352,740	14.23

Notes:

- ¹ Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Vertical Theme Sdn Bhd.
- ² Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Langkah Bahagia Sdn Bhd.
- ³ Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Duxton Investments Pte Ltd.
- ⁴ Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Fullerton Financial Holdings Pte Ltd.
- ⁵ Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Fullerton Management Pte Ltd.
- ⁶ Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Temasek Holdings (Private) Limited.

DIRECTORS' SHAREHOLDINGS

as at 31 May 2011

Shares held in the Company	Direct Interest		Indirect Interest	
	No. of Shares	% of Issued Shares	No. of Shares	% of Issued Shares
Megat Dziauddin bin Megat Mahmud	3,000	negligible	—	—
Dato' Thomas Mun Lung Lee (held through spouse, Datin Teh Yew Kheng)	—	—	35,000	negligible

Share Options offered in the Company	Exercise Price	No. of Share Options offered
Sng Seow Wah	RM3.15	835,300 [#]

[#] Subject to the achievement of performance conditions

Share Grants awarded in the Company	Date of Grant	No. of Share Grants awarded
Sng Seow Wah	23 September 2010	133,700*

* The first 50% of the share grants are to be vested at the end of the 2nd year and the remaining 50% of the share grants are to be vested at the end of the 3rd year from the date on which an award is made.

Other than as disclosed above, none of the other Directors have any interests in the Company or in any of the Company's related corporation.



ALLIANCE FINANCIAL GROUP BERHAD

(6627-X)

Financial Statements

104	Statement of Board of Directors' Responsibilities
105	Directors' Report
111	Statement by Directors
111	Statutory Declaration
112	Independent Auditors' Report
114	Statements of Financial Position
115	Statements of Comprehensive Income
116	Consolidated Statement of Changes in Equity
117	Statement of Changes in Equity
118	Consolidated Statements of Cash Flow
120	Statements of Cash Flow
121	Notes to the 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 MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Bank Negara Malaysia Guidelines. The Directors are also responsible to ensure their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements.

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

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2011.

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 other than setting up of a joint venture company known as AIA AFG Takaful Berhad, with 30% equity participation by Alliance Bank Malaysia Berhad and 70% by American International Assurance Berhad, to carry out family takaful business.

RESULTS

	Group RM'000	Company RM'000
Profit before taxation and zakat	553,113	140,032
Taxation and zakat	(143,962)	(31,190)
Net profit after taxation and zakat	409,151	108,842
Attributable to:		
Equity holders of the Company	409,202	108,842
Minority interests	(51)	—
Net profit after taxation and zakat	409,151	108,842

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 2010 were as follows:

	RM'000
(i) First interim dividend of 3.3 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 2011, was paid on 27 August 2010	50,458
(ii) Second interim dividend of 3.7 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, in respect of financial year ended 31 March 2011, was paid on 28 February 2011	56,628
	107,086

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 RM629,000 and RM652,000 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.

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 23 September 2010, the Company offered/awarded the following share options and share grants to Directors and employees of the Company and its subsidiaries who have met the criteria of eligibility for the participation in the ESS:

- (i) 7,959,300 share options under the Share Option Plan at an option price of RM3.15 per share which will be vested subject to the achievement of performance conditions.
- (ii) 2,169,200 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 Sng Seow Wah, who is 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 2011, 1,441,550 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 2011, the Trustee of the ESS held 17,628,750 ordinary shares representing 1.14% of the issued and paid-up capital of the Company. Such shares are held at a carrying amount of RM43,167,000 and further relevant details are disclosed in Note 29 to the financial statements.

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2011

Underpinned by strong domestic demand and improved financial markets, the global economy began to improve steadily in 2010; this has had a positive impact on Malaysia's fiscal landscape.

The Group was one of the first local financial institutions to implement a Consumer Centric model across its lines of businesses in April 2009. It transformed its business from one that is product-focused to one that is customer-centric; this model has since yielded good results, especially for Consumer and SME Banking.

The Group continued with its sound risk management measures especially in its loan portfolios and to ensure that its liquidity and capital positions remained strong.

For the 12 months ended 31 March 2011, the Group's profit before taxation was RM553.1 million, an increase of RM144.2 million or 35.3% compared to RM408.9 million in the corresponding period last year. This was due to higher net income, lower overheads and lower impairment charges.

DIRECTORS' REPORT

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2011 (cont'd)

The Group achieved an improved return on equity of 13.0% compared to 10.5% last year on the back of a return of asset of 1.2%. Earnings per share improved from 19.7 sen per share to 26.7 sen per share. For the year under review, the Group paid a total net dividend of 7.00 sen per share.

Net interest income registered an increase of 14.5% due to growth in loans and financing. Gross loans and financing grew by 4.8% year-on-year to RM22.4 billion compared to RM21.4 billion as at 31 March 2010. Similarly, net interest margin improved from 2.48% as of 31 March 2010 to 2.69% as of 31 March 2011. The Group's risk-weighted capital ratio ("RWCR") and core capital ratio ("CCR") remained strong at 16.1% and 12.0% respectively as compared to 15.4% and 11.1% previously.

Costs were contained at RM544.9 million, a savings of 1.8% over the corresponding period last year. Consequently cost-to-income ratio ("CIR") improved from 52.1% to 48.3%.

The Group adopted a more stringent criteria on the classification of impaired loans due to the adoption of FRS 139 with effect from 1 April 2010; based on this, the Group's gross impaired loans ratio has improved to 3.3% as at 31 March 2011 from 3.9% as at the beginning of the financial year.

The Group's loan impairment allowance is computed based on the transitional provision under BNM's guidelines on Classification and Impairment Provision for Loans/Financing whereby collective assessment allowance is based on 1.5% of total outstanding loans/financing and net of individual assessment allowance. For the 12 months ended 31 March 2011, the Group recorded RM668.0 million compared to RM761.5 million when compared to the corresponding year for allowance on impaired loans and financing.

For the year under review, the Group was recognised for its various innovative programmes and initiatives.

You:nique, one of the Group's flagship products, added six more titles and accolades to its name in financial year 2011. The Group was the only financial institution recognised at the Kancil Awards 2010 for its advertising campaign, "Mohd Khairuddin" for You:nique Prepaid Card where it earned four awards in the Digital category: two Merit mentions in the Digital category for Online Advertising (banners, brand applications) and Websites, and two Bronze mentions for Digital Campaign and Social Media.

The Group was also inducted into the MasterCard Hall of Fame as a finalist in coming up with the Most Effective Card Marketing Programme for the second time in a row. We were also named among Top 10 Most Innovative Retail Financial Institutions by The Asian Banker.

Financial year 2011 also brought the Group its share of recognition in its SME Banking segment. The unit won the Sahabat SME Award 2010 in recognition of the contributions made to the development and support of SMEs in the country by Small and Medium Industries (SMI) Association of Malaysia.

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2012

Bank Negara Malaysia ("BNM") has projected a continued recovery in advanced economies and growth in the regional economies, including Malaysia, which will be supported by resilient domestic demand. Stability of the financial sector was preserved throughout 2010. However, rising commodity prices have increased the risk of higher global inflation.

In the Bank Negara Annual Report 2010, BNM anticipates the real gross domestic product ("GDP") to grow between 5% and 6% in 2011; growth momentum is expected to accelerate in the second half of the year with stronger expansion of domestic demand, especially in private consumption and investment. This is supported by favourable labour market conditions, implementation of Government initiatives and continued access to credit. A flexible and accommodative monetary policy remains in place to ensure continued access to competitive financing by all sectors while managing risks to inflation.

In essence, pre-emptive measures taken and strong financial buffers will ensure that Malaysia's financial system is well-placed with capacity and flexibility to respond to emerging risks.

DIRECTORS' REPORT

BUSINESS OUTLOOK FOR FYE 31 MARCH 2012

We anticipate a steady growth in the GDP in 2011 driven by activities in the private sector. Overall, we are confident that the measures taken by the Malaysian government in the Economic Transformation Programme, which is aligned with the Government Transformation Programme and New Economic Model, will enable the country to become a high income nation by 2020.

At the Group level, we approach the financial year with cautious optimism. Across the Group, we intend to rebuild broad revenue whilst concurrently investing in underlying capabilities and systems to ensure a more diverse range of earnings across our franchises. The Group is committed to building internal capabilities to enable all businesses and key operational areas to support its growth in the future. In addition, we will deliver top-line growth to meet and/or surpass market expectations.

The Group will focus on driving revenue growth especially in Consumer Banking, SME Banking and Treasury, whilst significantly enhancing our non-interest income. We will invest and manage our priorities to address operational, infrastructure, service and human capital aspects of our business in realising our long-term ambitions.

The Group expects to continue to record satisfactory performance in the new financial year ending 31 March 2012.

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 March 2011, ABMB's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

P1 – Financial institutions in this category have superior capacities for timely payments of obligations.

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

DIRECTORS

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

Datuk Oh Chong Peng

Dato' Thomas Mun Lung Lee

Tan Yuen Fah

Stephen Geh Sim Whye

Phoon Siew Heng

Megat Dziauddin Bin Megat Mahmud

Kung Beng Hong

Ou Shian Waei

(appointed on 1 July 2010)

Sng Seow Wah

(appointed on 18 November 2010)

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 34(b) and Note 46(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			
	1.4.2010	Acquired	Sold	31.3.2011
The Company				
Megat Dziauddin Bin Megat Mahmud				
– Direct	3,000	–	–	3,000
Dato' Thomas Mun Lung Lee				
– Indirect (held through spouse, Datin Teh Yew Kheng)	35,000	–	–	35,000

	Exercise price RM	Number of Options Over Ordinary Shares of RM1.00 Each			
		1.4.2010/ Date of appointment	Offered	Vested	31.3.2011
Sng Seow Wah	3.15	835,300 [#]	–	–	835,300

[#] Subject to the achievement of performance conditions.

	Date of grant	Number of Grants Over Ordinary Shares of RM1.00 Each			31.3.2011
		1.4.2010/ Date of appointment	Awarded	Vested	
Sng Seow Wah	23 September 2010	133,700*	–	–	133,700

* The first 50% of the share grants are to be vested at the end of the 2nd year and the remaining 50% of the share grants are to be vested at the end of the 3rd 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.

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.

DIRECTORS' REPORT

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.

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 2 June 2011.

Datuk Oh Chong Peng

Kuala Lumpur, Malaysia

Dato' Thomas Mun Lung Lee

STATEMENT BY DIRECTORS

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

We, Datuk Oh Chong Peng and Dato' Thomas Mun Lung Lee, being two of the Directors of Alliance Financial Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 114 to 208 are drawn up in accordance with the provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia Guidelines, so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2011 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 2 June 2011.

Datuk Oh Chong Peng

Kuala Lumpur, Malaysia

Dato' Thomas Mun Lung Lee

STATUTORY DECLARATION

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

I, Lee Eng Leong, being the officer primarily responsible for the financial management of Alliance Financial Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 114 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 the abovenamed Lee Eng Leong
at Kuala Lumpur in the Federal Territory
on 2 June 2011

Lee Eng Leong

Before me,

Sivanason a/I Marimuthu
Commissioner for Oaths

Kuala Lumpur, Malaysia
2 June 2011

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**, which comprise the statements of financial position as at 31 March 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of 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 54 on pages 114 to 208.

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation 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 Company's internal control. An audit also includes evaluating the appropriateness of the 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 Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2011 and of their financial performances and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the 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 (cont'd)
(Incorporated in Malaysia)

Other reporting responsibilities

The supplementary information set out in Note 54 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

AF: 1146

Chartered Accountants

Kuala Lumpur, Malaysia

2 June 2011

Mohammad Faiz Bin Mohammad Azmi

No.2025/03/12 (J)

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
ASSETS					
Cash and short-term funds	3	914,038	3,564,545	46,858	30,847
Deposits and placements with banks and other financial institutions	4	100,228	150,156	605,700	610,800
Financial assets held-for-trading	5	1,938,250	—	—	—
Financial investments available-for-sale	6	9,259,940	5,154,828	—	—
Financial investments held-to-maturity	7	940,726	931,420	—	—
Derivative financial assets	8	32,047	44,698	—	—
Loans, advances and financing	9	21,796,319	20,705,491	—	—
Balances due from clients and brokers	10	80,519	72,568	—	—
Investment properties	11	27,748	27,748	—	—
Other assets	12	87,621	129,661	219	6,057
Tax recoverable		3,244	24,316	799	1,334
Statutory deposits	13	291,108	258,506	—	—
Investments in subsidiaries	14	—	—	1,777,489	1,776,984
Investments in associates	15	28,530	—	—	—
Property, plant and equipment	16	104,837	135,093	285	361
Intangible assets	17	357,682	361,858	—	—
Deferred tax assets	18	109,099	102,727	284	—
TOTAL ASSETS		36,071,936	31,663,615	2,431,634	2,426,383
LIABILITIES AND EQUITY					
Deposits from customers	19	28,345,647	23,628,331	—	—
Deposits and placements of banks and other financial institutions	20	1,952,200	2,289,666	—	—
Derivative financial liabilities	8	33,347	50,175	—	—
Amount due to Cagamas Berhad	21	125,776	28,077	—	—
Bills and acceptances payable	22	111,159	538,350	—	—
Balances due to clients and brokers	23	86,743	80,249	—	—
Other liabilities	24	811,890	892,880	1,529	4,649
Subordinated bonds	25	600,000	600,000	—	—
Long term borrowings	26	601,272	600,000	601,272	600,000
Provision for taxation		40,507	4,201	—	—
Deferred tax liabilities	18	6,792	5	—	4
TOTAL LIABILITIES		32,715,333	28,711,934	602,801	604,653
Share capital	27	1,548,106	1,548,106	1,548,106	1,548,106
Reserves	28	1,847,175	1,445,732	323,894	320,321
Shares held for Employees' Share Scheme	29	(43,167)	(46,697)	(43,167)	(46,697)
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		3,352,114	2,947,141	1,828,833	1,821,730
Minority interests		4,489	4,540	—	—
TOTAL EQUITY		3,356,603	2,951,681	1,828,833	1,821,730
TOTAL LIABILITIES AND EQUITY		36,071,936	31,663,615	2,431,634	2,426,383
COMMITMENTS AND CONTINGENCIES	43(e)	15,909,028	14,293,097	—	—

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

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest income	31	1,203,438	1,063,067	18,214	17,426
Interest expense	32	(533,176)	(477,539)	(21,382)	(20,017)
Net interest income/(expense)		670,262	585,528	(3,168)	(2,591)
Net income from Islamic banking business	53	232,732	245,821	–	–
		902,994	831,349	(3,168)	(2,591)
Other operating income	33	225,722	233,170	147,844	136,818
Net income		1,128,716	1,064,519	144,676	134,227
Other operating expenses	34	(544,900)	(554,631)	(4,002)	(3,446)
Share of results of associates	15	(1,470)	–	–	–
Operating profit		582,346	509,888	140,674	130,781
(Allowance for)/write-back of losses on loans, advances and financing and other losses	35	(33,309)	31,931	–	–
Write-back of/(allowance for) impairment	36	4,076	(132,881)	(642)	(2,055)
Profit before taxation and zakat		553,113	408,938	140,032	128,726
Taxation and zakat	37	(143,962)	(107,438)	(31,190)	(27,993)
Net profit after taxation and zakat		409,151	301,500	108,842	100,733
Other comprehensive income:					
Revaluation reserve on financial investments available-for-sale					
– Net loss from change in fair value		(7,925)	(16,979)	–	–
– Transfer from deferred tax assets		1,981	4,245	–	–
Other comprehensive loss, net of tax		(5,944)	(12,734)	–	–
Total comprehensive income for the year		403,207	288,766	108,842	100,733
Profit attributable to:					
Equity holders of the Company		409,202	301,424	108,842	100,733
Minority interests		(51)	76	–	–
Net profit after taxation and zakat		409,151	301,500	108,842	100,733
Total comprehensive income attributable to:					
Equity holders of the Company		403,258	288,690	108,842	100,733
Minority interests		(51)	76	–	–
Total comprehensive income for the year		403,207	288,766	108,842	100,733
Earnings per share attributable to ordinary equity holders of the Company:					
Basic (sen)	38(a)	26.7	19.7		
Diluted (sen)	38(b)	26.7	19.6		
Net dividends per ordinary share in respect of the financial year (sen):	39	6.92	6.32		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2011

Attributable to Equity Holders of the Company													
Group	Note	Employees'											
		Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	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	Minority Interests RM'000	Total Equity RM'000
At 1 April 2009		1,548,106	304,289	429,915	7,013	20,174	7,742	-	(36,127)	480,773	2,761,885	4,653	2,766,538
Net profit after taxation and zakat		-	-	-	-	(12,734)	-	-	-	301,424	301,424	76	301,500
Other comprehensive loss		-	-	-	-	-	-	-	-	-	(12,734)	-	(12,734)
Total comprehensive income		-	-	-	-	(12,734)	-	-	-	301,424	288,690	76	288,766
Transfer to statutory reserve		-	-	63,562	-	-	-	-	-	(63,562)	-	-	-
Transfer to PER	28	-	-	-	-	-	-	26,388	-	(26,388)	-	-	-
Purchase of shares pursuant to ESS		-	-	-	-	-	-	-	(12,570)	-	(12,570)	-	(12,570)
Share-based payment under ESS		-	-	-	-	-	7,020	-	-	-	7,020	-	7,020
Dividends paid to shareholders	39	-	-	-	-	-	-	-	(97,884)	(97,884)	-	-	(97,884)
Dissolution of subsidiaries		-	-	-	-	-	-	-	-	-	-	(189)	(189)
ESS shares vested to:		-	-	-	-	-	-	-	-	-	-	-	-
- employees of subsidiaries		-	-	-	-	-	(1,978)	-	1,978	-	-	-	-
- own employees		-	-	-	-	-	(22)	-	22	-	-	-	-
Transfer of ESS shares purchase price difference on shares vested		-	-	-	-	-	(421)	-	-	421	-	-	-
At 31 March 2010		1,548,106	304,289	493,477	7,013	7,440	12,341	26,388	(46,697)	594,784	2,947,141	4,540	2,951,681
At 1 April 2010		1,548,106	304,289	493,477	7,013	7,440	12,341	26,388	(46,697)	594,784	2,947,141	4,540	2,951,681
Effects of adopting FRS 139		-	-	-	-	67,124	-	-	-	36,330	103,454	-	103,454
At 1 April 2010, as restated		1,548,106	304,289	493,477	7,013	74,564	12,341	26,388	(46,697)	631,114	3,050,595	4,540	3,055,135
Net profit/(loss) after taxation and zakat		-	-	-	-	(5,944)	-	-	-	409,202	409,202	(51)	409,151
Other comprehensive loss		-	-	-	-	(5,944)	-	-	-	-	(5,944)	-	(5,944)
Total comprehensive income		-	-	-	-	(5,944)	-	-	-	409,202	403,258	(51)	403,207
Transfer to statutory reserve		-	-	50,891	-	-	-	-	-	(50,891)	-	-	-
Transfer from PER	28	-	-	-	-	-	-	(25,355)	-	25,355	-	-	-
Share-based payment under ESS		-	-	-	-	-	5,347	-	-	-	5,347	-	5,347
Dividends paid to shareholders	39	-	-	-	-	-	-	-	-	(107,086)	(107,086)	-	(107,086)
ESS shares vested to:		-	-	-	-	-	-	-	-	-	-	-	-
- employees of subsidiaries		-	-	-	-	-	(3,485)	-	3,485	-	-	-	-
- own employees		-	-	-	-	-	(45)	-	45	-	-	-	-
Transfer of ESS shares purchase price difference on shares vested		-	-	-	-	-	(390)	-	-	390	-	-	-
At 31 March 2011		1,548,106	304,289	544,368	7,013	68,620	13,768	1,033	(43,167)	908,084	3,352,114	4,489	3,356,603

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2011

Company	Note	Attributable to Equity Holders of the Company					Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	Non-Distributable		<Distributable>	
				Employees' Share Scheme ("ESS") RM'000	Shares held for ESS RM'000	Retained Profits RM'000	
At 1 April 2009		1,548,106	304,289	78	(36,127)	421	1,816,767
Net profit after taxation		—	—	—	—	100,733	100,733
Purchase of shares pursuant to ESS		—	—	—	(12,570)	—	(12,570)
Share-based payment under ESS		—	—	14,684	—	—	14,684
Dividends paid to shareholders	39	—	—	—	—	(97,884)	(97,884)
ESS recharge amount received from subsidiaries		—	—	—	1,978	—	1,978
ESS shares vested to:							
– employees of subsidiaries		—	—	(1,978)	—	—	(1,978)
– owned employees		—	—	(22)	22	—	—
Transfer of ESS shares purchase price difference on shares vested		—	—	(421)	—	421	—
At 31 March 2010		1,548,106	304,289	12,341	(46,697)	3,691	1,821,730
At 1 April 2010		1,548,106	304,289	12,341	(46,697)	3,691	1,821,730
Net profit after taxation		—	—	—	—	108,842	108,842
Share-based payment under ESS		—	—	5,347	—	—	5,347
Dividends paid to shareholders	39	—	—	—	—	(107,086)	(107,086)
ESS recharge amount received from subsidiaries		—	—	—	3,485	—	3,485
ESS shares vested to:							
– employees of subsidiaries		—	—	(3,485)	—	—	(3,485)
– owned employees		—	—	(45)	45	—	—
Transfer of ESS shares purchase price difference on shares vested		—	—	(390)	—	390	—
At 31 March 2011		1,548,106	304,289	13,768	(43,167)	5,837	1,828,833

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

CONSOLIDATED STATEMENTS OF CASH FLOW

for the year ended 31 March 2011

	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	553,113	408,938
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(82,179)	(27,127)
Depreciation of property, plant and equipment	39,592	39,851
Dividends from financial investments held-to-maturity	–	(6,321)
Dividends from financial investments available-for-sale	(3,705)	–
Loss/(gain) on disposal of property, plant and equipment	329	(362)
Loss/(gain) on disposal of foreclosed properties	38	(7,029)
Net gain from redemption of financial investments held-to-maturity	(3)	–
Net (gain)/loss from sale of financial assets held-for-trading	(417)	228
Net gain from sale of financial investments available-for-sale	(3,509)	(11,556)
Unrealised (gain)/loss on revaluation of financial assets held-for-trading	(256)	5,152
Unrealised gain on revaluation of derivative instruments	(4,149)	(3,266)
Interest expense on subordinated bonds	36,540	36,540
Interest expense on long term borrowings	21,382	20,017
Interest income from financial investments held-to-maturity	(30,682)	(17,251)
Interest income from financial investments available-for-sale	(206,340)	(177,797)
Allowance for loan, advances and financing (net of recoveries)	103,804	21,397
Allowance for other assets	4,801	4,050
Allowances for commitments and contingencies	59	1,433
Impairment net of write-back of financial investments available-for-sale	(585)	134,712
Impairment net of write-back of financial investments held-to-maturity	(3,491)	(3,900)
Impairment net of write-back of foreclosed properties	–	(15)
Impairment of goodwill	–	2,084
Amortisation of computer software	14,420	16,307
Profit equalisation reserve	–	(50,058)
Share options/grants under Employees' Share Scheme	5,347	7,020
Property, plant and equipment written off	3,399	1,160
Computer software written off	1	1,589
Share of results of associates	1,470	–
Loss on liquidation of subsidiaries	7	50
Operating profit before working capital changes	448,986	395,846
Changes in working capital:		
Deposits from customers	4,636,994	(1,947,110)
Deposits and placements of banks and other financial institutions	(346,208)	1,106,279
Bills and acceptances payable	(427,191)	536,135
Balance due from clients and brokers	6,150	(47,158)
Other liabilities	9,719	(15,006)
Deposits and placements with banks and other financial institutions	71,346	48,367
Financial assets held-for-trading	(1,909,800)	40,722
Loans, advances and financing	(1,146,201)	(1,951,746)
Other assets	(22,260)	51,591
Statutory deposits with Bank Negara Malaysia	(32,602)	(59,482)
Amount due to Cagamas Berhad	97,699	(30,314)
Cash generated from/(used in) operations	1,386,632	(1,871,876)
Taxes and zakat paid	(118,616)	(35,573)
Net cash generated from/(used in) operating activities	1,268,016	(1,907,449)

CONSOLIDATED STATEMENTS OF CASH FLOW

for the year ended 31 March 2011 (cont'd)

	2011 RM'000	2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Net dividends received from financial investments held-to-maturity	3,657	5,558
Interest received from financial investments held-to-maturity	30,682	17,251
Interest received from financial investments available-for-sale	206,340	177,797
Purchase of property, plant and equipment	(14,882)	(28,458)
Purchase of computer software	(10,400)	(13,326)
Purchase of shares from market	–	(12,570)
Proceeds from disposal of property, plant and equipment	1,818	2,419
Proceeds from disposal of computer software	155	–
Return on capital from liquidation of subsidiaries	–	(38)
Purchase of financial investments held-to-maturity, net of maturity and redemption proceeds	6,640	(586,943)
Purchase of financial investments available-for-sale, net of sale proceeds	(3,940,354)	1,026,285
Capital injection of investment in an associate	(30,000)	–
Net cash (used in)/generated from investing activities	(3,746,344)	587,975
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid on subordinated bonds	(36,540)	(36,540)
Interest paid on long term borrowings	(21,808)	(20,017)
Dividends paid to shareholders of the Company	(107,086)	(97,884)
Net cash used in financing activities	(165,434)	(154,441)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,643,762)	(1,473,915)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,470,296	4,944,211
CASH AND CASH EQUIVALENTS AT END OF YEAR	826,534	3,470,296
Cash and cash equivalents comprise the following:		
Cash and short-term funds	914,038	3,564,545
Less: Monies held in trust (Note 3)	(87,504)	(94,249)
	826,534	3,470,296

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

STATEMENTS OF CASH FLOW

for the year ended 31 March 2011

	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	140,032	128,726
Adjustments for:		
Depreciation of property, plant and equipment	76	81
Property, plant and equipment written off	–	31
Interest income from deposits and placements with banks and other financial institutions	(18,214)	(16,946)
Interest income from financial investments available-for-sale	–	(695)
Accretion of discount less amortisation of premium of financial investments	–	215
Interest expense on long term borrowings	21,382	20,017
Impairment on other assets	–	15,199
Reversal of provision for diminution in value	(5,962)	–
Allowance for doubtful debts/(write-back of) due from subsidiaries	642	(13,144)
Net gain from sale of financial investments available-for-sale	–	388
Share options/grants under Employees' Share Scheme	5,347	14,684
Gross dividend income from subsidiary	(146,462)	(136,321)
Operating (loss)/profit before working capital changes	(3,159)	12,235
Changes in working capital:		
Receivables	26	(3,730)
Payables	(394)	(1,264)
Deposits	10,906	(410,800)
Subsidiaries	3,365	(15,458)
Cash used in operations	10,744	(419,017)
Taxes refund	675	200
Net cash generated from/(used in) operating activities	11,419	(418,817)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from deposits and placements with banks and other financial institutions	18,214	16,946
Interest received from financial investments available-for-sale	–	695
Purchase of shares from market	–	(12,570)
Purchase of financial investments available-for-sale, net of sale proceeds	–	(603)
Net dividend received	114,846	107,241
ESS recharge amount received from subsidiaries	–	1,978
Net cash generated from investing activities	133,060	113,687
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(107,086)	(97,884)
Interest paid on long term borrowings	(21,382)	(20,017)
Net cash used in financing activities	(128,468)	(117,901)
NET CHANGE IN CASH AND CASH EQUIVALENTS	16,011	(423,031)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	30,847	453,878
CASH AND CASH EQUIVALENTS AT END OF YEAR	46,858	30,847
Cash and cash equivalents comprise the following:		
Cash and short-term funds	46,858	30,847

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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 other than setting up of a joint venture company known as AIA AFG Takaful Berhad, with 30% equity participation by Alliance Bank Malaysia Berhad and 70% by American International Assurance Berhad, to carry out family takaful business.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 2 June 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Standards, amendments to published standards and interpretations that are applicable to the Group and are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group's financial year beginning on or after 1 April 2010 are as follows:

- FRS 7 "Financial Instruments: Disclosures"
- FRS 8 "Operating Segments"
- FRS 101 "Presentation of Financial Statements"
- FRS 123 "Borrowing Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement"
- Amendments to FRS 139 "Financial Instruments: Recognition and Measurement", FRS 7 "Financial Instruments: Disclosures"
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 2 "Share-based Payment Vesting Conditions and Cancellations"
- Amendment to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" – Puttable financial instruments and obligations arising on liquidation
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 13 "Customers Loyalty Programmes"
- Amendment to FRS 132 "Financial Instruments: Presentation" – Classification of rights issues
- TR i-3 "Presentation of Financial Statements of Islamic Financial Institutions"
- Improvements to FRSs (2009)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

- (i) The revised FRS 3 "Business Combinations" (effective prospectively from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The application of this standard is not expected to have a material impact on the financial statements of the Group.
- (ii) The revised FRS 124 "Related Party Disclosure" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
 - The name of the government and the nature of their relationship;
 - The nature and amount of each individually significant transactions; and
 - The extent of any collectively significant transactions, qualitatively or quantitatively.

The application of this standard is not expected to have a material impact to the financial statements of the Group.

- (iii) The revised FRS 127 "Consolidated and Separate Financial Statements" (applies prospectively to transactions with non-controlling interests from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the statement of comprehensive income. The application of this standard is not expected to have a material impact on the financial statements of the Group.
- (iv) Amendment to FRS 2 "Share-based Payment: Group Cash-settled Share-based Payment Transactions" (effective from 1 January 2011) clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments also incorporate guidance previously included in IC Interpretation 8 "Scope of FRS 2" and IC Interpretation 11 "FRS 2 – Group and Treasury Share Transactions", which shall be withdrawn upon application of this amendment. The application of this standard is not expected to have a material impact on the financial statements of the Group.
- (v) Amendment to FRS 7 "Financial Instruments: Disclosures" and FRS 1 "First-time Adoption of Financial Reporting Standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

The Group has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Group.

- (vi) IC Interpretation 4 "Determining whether an Arrangement contains a Lease" (effective from 1 January 2011) requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 "Leases" should be applied to the lease element of the arrangement. The application of this standard is not expected to have a material impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

- (vii) IC Interpretation 17 "Distribution of Non-cash Assets to Owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The application of this standard is not expected to have a material impact on the financial statements of the Group.
- (viii) IC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective from 1 July 2011) provides classification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in the statement of comprehensive income. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in the statement of comprehensive income. The application of this standard is not expected to have a material impact on the financial statements of the Group.

Improvements to FRSs:

- (ix) FRS 2 (effective from 1 July 2010) clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2. The application of this standard is not expected to have a material impact on the financial statements of the Group.
- (x) FRS 3 (effective from 1 January 2011)
 - Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.
 - Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

The application of this standard is not expected to have a material impact on the financial statements of the Group.

- (xi) FRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective from 1 July 2010) clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The application of this standard is not expected to have a material impact on the financial statements of the Group.
- (xii) FRS 101 "Presentation of Financial Statements" (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this standard is not expected to have a material impact on the financial statements of the Group, other than the presentation format of the statement of financial position and the statement of comprehensive income.
- (xiii) FRS 138 "Intangible Assets" (effective from 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives. The application of this standard is not expected to have a material impact on the financial statements of the Group.
- (xiv) IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture. The application of this standard is not expected to have a material impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

IC Interpretation 12	Service Concession Arrangements
IC Interpretation 14	FRS 119 – The Limit of a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
IC Interpretation 15	Agreements for Construction of Real Estates
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 18	Transfer of Assets from Customers

(a) Basis of Preparation

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

The financial statements of the Group and the Company have also been prepared under the historical cost convention, except the following assets which are stated at fair value: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

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.

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

- (i) Annual testing for impairment of goodwill and intangible assets (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 extrapolated in perpetuity and discount rates applied to the cash flow projections.
- (ii) Fair value estimation for financial assets held-for-trading (Note 5), financial investments available-for-sale (Note 6) and derivative financial assets and liabilities (Note 8) – the fair value of financial instruments that are not traded in active market are determined using valuation techniques based on assumptions of market conditions existing at the end of the reporting period, including reference to quoted market prices and independent dealer quotes for similar financial instruments and discounted cash flows method.
- (iii) Income taxes (Note 37) – significant management judgement is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advice of experts, where appropriate. Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.
- (iv) Deferred tax assets (Note 18) – deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of Preparation (cont'd)

- (v) Allowance for losses on loans, advances and financing and other losses (Note 35) – the Group make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgement on the future and other key factors in respect of the estimation of the amount and timing of the cash flows in assessing allowance for impairment of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

(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, plus costs directly attributable to the acquisition.

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 minority 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.

Minority interest 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(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.

(iii) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceases becomes its cost on initial measurement as a financial asset in accordance with FRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(c) Investments in Subsidiaries and Associates

In the Company's separate financial statements, investments in subsidiaries and associates 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 associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Financial Assets

The Group has changed its accounting policies for recognition and measurement of financial assets upon adoption of FRS 139 "Financial Instruments: Recognition and Measurement" on 1 April 2010. The Group has applied the new policies according to the transitional provision of FRS 139 by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained profits or, if appropriate, another category of equity, of the current financial year. The effects of these changes in accounting policy are disclosed in Note 49.

In accordance with FRS 139, all financial assets which include derivatives financial instruments have to be recognised in the statement of financial position and measured in accordance with their assigned category. Interest receivables previously classified under other assets are now reclassified into the respective category of financial assets.

The Group allocates financial assets to the following FRS 139 category: loans, advances and financing; financial assets held-for-trading; financial investments available-for-sale; and financial investments held-to-maturity. Management determines the classification of its financial instruments at initial recognition. The policy of the recognition and measurement of impairment is in accordance with Note 2(j).

(i) Loans, advances and financing

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

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

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

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

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

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

(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 accreted/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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Financial Assets (cont'd)

(iii) Financial investments held-to-maturity (cont'd)

BNM's Guideline on Financial Reporting for Licensed Institutions (BNM/GP8) issued on 5 October 2004, allowed the unquoted shares held for purposes of specific socio-economic reasons, to be classified as held-to-maturity and measured at amortised cost. Upon the adoption of FRS 139, all the unquoted shares held for purposes of specific socio-economic reasons previously classified as held-to-maturity had been reclassified to available-for-sales portfolio and accordingly, they are to be measured at fair value.

In accordance with the transitional arrangement under paragraph 103AA of FRS 139, the changes arising from the implementation of FRS 139 have been adjusted to opening revaluation reserves.

(iv) Financial investments available-for-sale

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

(v) Reclassification of financial assets

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

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

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

(f) Financial Liabilities

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

Upon adoption of FRS 139, interest payables previously classified under other liabilities are now classified into the respective class of financial liabilities.

(g) Repurchase Agreements

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Investment Properties

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

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

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

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

(i) Property, Plant and Equipment and Depreciation

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

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

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

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

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

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

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. During the financial year, the Group revised the estimated useful life of office equipment by changing its depreciation rate from 10% to 20%. The effects of the changes are disclosed in Note 49.

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment of Assets

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

(i) Loans, advances and financing

The adoption of FRS 139 has resulted in a change in accounting policy relating to the assessment for impairment of loans, advances and financing. Prior to the adoption of FRS 139, allowances for impaired loans, advances and financing (previously referred to as non-performing loans) were computed in conformity with the BNM/GP3 – Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. The effect of the changes in accounting policies are disclosed in Note 49.

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

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

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

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

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

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

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

In the amendment to FRS 139, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. The transitional arrangement is prescribed in the guidelines on 'Classification and Impairment Provisions for Loans/Financing' issued in January 2010. For loans which are collectively assessed, the Group has applied the transitional arrangement as prescribed in the guideline issued by BNM, whereby collective assessment impairment allowance is maintained at 1.5% of total outstanding loans, net of individual assessment impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment of Assets (cont'd)

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

In accordance with the transitional arrangement under paragraph 103AA of FRS 139, the changes arising from the implementation of FRS 139 have been adjusted to opening retained profits.

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

(ii) Financial investments held-to-maturity

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

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

(iii) Financial investments available-for-sale

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

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

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

(iv) Goodwill/Intangible assets

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

The recoverable amount is determined for each CGU based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment is recognised in statements 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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 for Liabilities

Provisions for liabilities are recognised when the Group have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(r) Balances Due From Clients and Brokers

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

Criteria for classification as impaired

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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

FRS 139 prescribes that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. Whilst the Group's financial investments held-to-maturity are already measured on this basis under the requirements of BNM's revised BNM/GP8 effective from 1 April 2005, interest income on its loans and receivables continued to be recognised based on contractual interest rates. Upon the full adoption of FRS 139, 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.

In accordance with the transitional arrangement under paragraph 103AA of FRS 139, the changes arising from the implementation of FRS 139 have been adjusted to opening retained profits.

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.

Prior to adoption of FRS 139, where an account is classified as impaired, interest/income accrued and recognised as income prior to the date the loan is classified as impaired is reversed out of interest/income and set-off against the accrued interest/income receivable account in the statement of financial position. Thereafter, interest/income on the impaired loan shall be recognised as income on a cash basis. Upon adoption of FRS 139, once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The effects of the changes are disclosed in Note 49.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value, which is normally zero or negligible at inception except for options and subsequently re-measured at their fair value. The fair value of options at inception is normally equivalent to the premium received (for options written) or paid (for options purchased). All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value are recognised in the statement of comprehensive income.

Interest income and expenses associated with interest rate swaps are recognised over the life of the swap agreement as a component of interest income or interest expense.

(v) Foreign Currency Translations

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

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

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

(w) Income Tax

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

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

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

(x) Foreclosed Properties

Foreclosed properties are stated at cost less impairment, if any, of such properties. The policy for the recognition and measurement of impairment is in accordance with Note 2(j)(v).

(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 business zakat. It is an obligatory amount payable by the Group to comply with the Shariah principles.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(aa) Employee Benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

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

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

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

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

(ab) Contingent Liabilities and Contingent Assets

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

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

(ac) 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.

The Group has adopted FRS 8 "Operating Segments" from 1 April 2010. FRS 8 replaces FRS 114 "Segment Reporting" and is applied retrospectively. The adoption of FRS 8 has resulted in an increase in the number of reportable segments presented. Comparatives have been restated accordingly. This has not resulted in any adjustment to the allocation of goodwill and impairment of goodwill. There has been no other impact on the measurement of the Group's assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

3. CASH AND SHORT-TERM FUNDS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and balances with banks and other financial institutions	501,618	558,376	32	1,027
Money at call and deposit placements maturing within one month	412,420	3,006,169	46,826	29,820
	914,038	3,564,545	46,858	30,847

Note:

- (i) Included in the cash and short-term funds are monies held in trust by a subsidiary amounting to RM87,504,000 (2010: RM94,249,000).
- (ii) There is an amount of RM44,465,000 (2010: RM29,850,000) being the deposits placement by the Company with its subsidiaries.
- (iii) An amount of RM2,298,000 (2010: RM991,000) being a bank account maintained by PB Trustee Services Berhad pursuant to the Company's ESS.

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Licensed banks	50,193	150,156	605,700	600,000
Licensed investment banks	50,035	—	—	10,800
	100,228	150,156	605,700	610,800

The deposits of the Company with maturity more than one month amounting to RM600,000,000 (2010: RM610,800,000) are placed with its subsidiaries.

5. FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2011 RM'000	2010 RM'000
At fair value		
<u>Money market instruments:</u>		
Bank Negara Malaysia bills	1,848,299	—
Malaysian Government investment certificates	59,951	—
Malaysian Government treasury bills	30,000	—
	1,938,250	—

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

6. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	2011 RM'000	2010 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	3,244,713	1,748,115
Malaysian Government investment certificates	764,371	566,495
Cagamas bonds	35,396	205,629
Negotiable instruments of deposits	1,741,201	459,444
Bankers' acceptances	1,388,637	799,951
<u>Quoted securities in Malaysia:</u>		
Shares	3,875	3,919
Debt securities	7,818	7,591
<u>Unquoted securities:</u>		
Shares	117,587	11,377
Debt securities	1,956,342	1,352,307
	9,259,940	5,154,828

7. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group	
	2011 RM'000	2010 RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	804,820	811,208
Malaysian Government investment certificates	105,624	39,368
At cost		
<u>Quoted securities in Malaysia:</u>		
Debt securities	4,902	4,902
<u>Unquoted securities:</u>		
Shares	—	22,021
Debt securities	116,711	152,248
	1,032,057	1,029,747
	(91,331)	(98,327)
Accumulated impairment	940,726	931,420

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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

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

	Group 2011 RM'000
At beginning of year	
– As previously stated	98,327
– Effects of adopting FRS 139	(3,505)
As restated	94,822
Write-back during the year	(3,491)
At end of year	91,331

The Group have applied FRS 7 prospectively in accordance with the transitional provision and hence, the comparative are not shown.

8. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are off-balance sheet 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 42.

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

Group	Contract/ Notional Amount RM'000	2011 Fair Value		Contract/ Notional Amount RM'000	2010 Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Foreign exchange contracts and commodity contracts:						
– Currency forwards	442,706	1,217	(7,713)	432,551	5,037	(10,194)
– Currency swaps	1,819,102	18,692	(18,042)	1,810,451	33,075	(32,981)
– Currency spots	76,047	70	(37)	142,983	224	(179)
– Currency options	24,473	90	(57)	66,418	252	(158)
– Gold options	482,299	2,499	(2,499)	–	–	–
Interest rate related contracts:						
– Interest rate swaps	2,112,000	9,479	(4,999)	1,050,000	6,110	(6,663)
Total derivative assets/ (liabilities)	4,956,627	32,047	(33,347)	3,502,403	44,698	(50,175)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

9. LOANS, ADVANCES AND FINANCING

	Group	
	2011 RM'000	2010 RM'000
Overdrafts	1,753,908	1,632,204
Term loans/financing		
– Housing loans/financing	8,325,550	8,054,424
– Syndicated term loans/financing	287,171	278,248
– Hire purchase receivables	784,046	950,585
– Lease receivables	–	104
– Other term loans/financing	6,310,426	6,043,582
Bills receivables	179,607	56,017
Trust receipts	176,527	161,042
Claims on customers under acceptance credits	2,202,863	2,025,751
Staff loans [include RM121,000 loans to Directors of banking subsidiary (2010: RM182,000)]	60,938	69,271
Credit/charge card receivables	663,059	685,003
Revolving credits	1,347,748	1,114,634
Other loans	347,518	339,071
Gross loans, advances and financing	22,439,361	21,409,936
Add: Sales commissions and handling fees	24,969	57,046
Less: Allowance for impaired loans, advances and financing		
– Individual assessment allowance	(328,375)	–
– Collective assessment allowance	(339,636)	–
– Specific allowance	–	(438,582)
– General allowance	–	(322,909)
Total net loans, advances and financing	21,796,319	20,705,491
(i) <u>By maturity structure:</u>		
Within one year	6,854,057	6,307,079
One year to three years	786,069	906,149
Three years to five years	1,389,240	1,408,276
Over five years	13,409,995	12,788,432
Gross loans, advances and financing	22,439,361	21,409,936
(ii) <u>By type of customer:</u>		
Domestic non-bank financial institutions		
– Stockbroking companies	20,002	20,001
– Others	187,410	168,766
Domestic business enterprises		
– Small and medium enterprises	4,784,162	4,430,883
– Others	4,531,690	4,133,379
Government and statutory bodies	18,224	16,590
Individuals	12,349,218	12,157,289
Other domestic entities	14,671	5,088
Foreign entities	533,984	477,940
Gross loans, advances and financing	22,439,361	21,409,936

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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

	Group	
	2011 RM'000	2010 RM'000
(iii) <u>By interest/profit rate sensitivity:</u>		
Fixed rate		
– Housing loans/financing	107,669	316,948
– Hire purchase receivables	784,046	950,134
– Other fixed rate loans/financing	2,208,270	2,188,491
Variable rate		
– Base lending rate plus	14,983,540	14,097,157
– Cost plus	4,125,070	3,753,267
– Other variable rates	230,766	103,939
Gross loans, advances and financing	22,439,361	21,409,936
(iv) <u>By economic purposes:</u>		
Purchase of securities	354,975	351,976
Purchase of transport vehicles	703,969	907,561
Purchase of landed property	11,514,820	11,092,067
<i>of which: – Residential</i>	8,671,706	8,408,597
<i>– Non-residential</i>	2,843,114	2,683,470
Purchase of fixed assets excluding land and buildings	99,836	66,540
Personal use	2,093,967	2,007,919
Credit card	663,059	685,003
Construction	253,621	293,211
Working capital	6,116,583	5,514,660
Others	638,531	490,999
Gross loans, advances and financing	22,439,361	21,409,936
(v) <u>By geographical distribution:</u>		
Northern region	1,882,761	1,775,991
Central region	16,442,221	15,626,298
Southern region	2,014,167	1,942,685
East Malaysia region	2,100,212	2,064,962
Gross loans, advances and financing	22,439,361	21,409,936
(vi) <u>Movements in impaired loans, advances and financing (“impaired loans”) are as follows:</u>		
At beginning of year		
– As previously stated	806,279	875,070
– Effects of adopting FRS 139	37,587	–
As restated	843,866	875,070
Impaired during the year	564,613	670,112
Reclassified as performing during the year	(328,118)	(412,025)
Recoveries	(190,022)	(194,930)
Amount written off	(149,015)	(131,948)
At end of year	741,324	806,279
Gross impaired loans as % of gross loans, advances and financing	3.3%	3.8%

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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

	Group	
	2011 RM'000	2010 RM'000
(vii) <u>Movements in the allowance for impaired loans, are as follows:</u>		
Individual assessment allowance		
At beginning of year	–	–
– As previously stated	–	–
– Effects of adopting FRS 139	389,578	–
As restated	389,578	–
Allowance made during the year (net)	87,812	–
Amount written off	(149,015)	–
At end of year	328,375	–
Collective assessment allowance		
At beginning of year	–	–
– As previously stated	–	–
– Effects of adopting FRS 139	323,644	–
As restated	323,644	–
Allowance made during the year (net)	15,992	–
At end of year	339,636	–
As % of gross loans, advances and financing less individual assessment allowance	1.5%	–
Specific allowance		
At beginning of year		
– As previously stated	438,582	531,824
– Effects of adopting FRS 139	(438,582)	–
As restated	–	531,824
Allowance made during the year	–	331,471
Amount written back in respect of recoveries	–	(292,765)
Amount written off	–	(131,948)
At end of year	–	438,582
Included in specific allowance of the Group are allowances made for high risk accounts which are still performing amounting to RMNil (2010: RM23,414,000).		
General allowance		
At beginning of year		
– As previously stated	322,909	340,218
– Effects of adopting FRS 139	(322,909)	–
As restated	–	340,218
Allowance made during the year	–	59,732
Amount written back	–	(77,041)
At end of year	–	322,909
As % of gross loans, advances and financing less specific allowance	–	1.5%

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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

	Group	
	2011 RM'000	2010 RM'000
(viii) <u>Impaired loans analysed by economic purposes are as follows:</u>		
Purchase of securities	10,268	16,399
Purchase of transport vehicles	8,959	13,992
Purchase of landed property	283,410	336,433
of which: – Residential	209,057	240,152
– Non-residential	74,353	96,281
Purchase of fixed assets excluding land and buildings	182	198
Personal use	37,151	40,451
Credit card	12,694	14,188
Construction	12,777	14,905
Working capital	315,987	321,637
Others	59,896	48,076
Gross impaired loans	741,324	806,279
(ix) <u>Impaired loans by geographical distribution:</u>		
Northern region	104,487	76,455
Central region	500,546	543,900
Southern region	68,965	95,821
East Malaysia region	67,326	90,103
Gross impaired loans	741,324	806,279

10. BALANCES DUE FROM CLIENTS AND BROKERS

	Group	
	2011 RM'000	2010 RM'000
Due from clients	96,318	89,050
Due from brokers	–	–
	96,318	89,050
Less: Allowance for other losses	(15,799)	(16,482)
	80,519	72,568

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	
	2011 RM'000	2010 RM'000
Classified as doubtful	976	691
Classified as bad	15,856	16,150
	16,832	16,841

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

10. BALANCES DUE FROM CLIENTS AND BROKERS (cont'd)

The movements in allowance for other losses are as follows:

	Group	
	2011 RM'000	2010 RM'000
At beginning of year	16,482	17,530
Allowance made during the year	2,214	848
Reversal of allowance	(2,897)	(959)
Amount written off	–	(937)
At end of year	15,799	16,482

11. INVESTMENT PROPERTIES

	Group	
	2011 RM'000	2010 RM'000
Freehold land, at cost	23,114	23,114
Development costs	8,943	8,943
	32,057	32,057
Accumulated impairment:		
At beginning/end of year	(4,309)	(4,309)
Carrying amount at end of year	27,748	27,748

12. OTHER ASSETS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other receivables, deposits and prepayments [Note (a)]	103,113	85,942	208	234
Interest/income receivable	–	61,191	–	5,805
Trade receivables	2,190	32	–	–
Foreclosed properties	4,200	4,349	–	–
Amount due from subsidiaries [Note (b)]	–	–	1,349	714
	109,503	151,514	1,557	6,753
Less: Allowance for other losses [Note (c)]	(21,882)	(21,853)	(1,338)	(696)
	87,621	129,661	219	6,057

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

12. OTHER ASSETS

Note:

(a) Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Group is an amount of RM25,134,000 (2010: RM28,077,000) 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) Amount due from subsidiaries

	Company	
	2011 RM'000	2010 RM'000
Non-interest bearing	1,349	714
Less: Allowance for impairment losses	(1,338)	(696)
	<u>11</u>	<u>18</u>

The amounts due from subsidiaries of RM1,349,000 (2010: RM714,000) are unsecured, interest-free and have no fixed terms of repayment.

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

	Group 2011 RM'000	Company 2011 RM'000
At beginning of year	21,853	696
Allowance net of write-back	29	642
At end of year	<u>21,882</u>	<u>1,338</u>

The Group has applied FRS 7 prospectively in accordance with the transitional provision and hence, the comparative are not shown.

13. STATUTORY DEPOSITS

Statutory deposits comprise the following:

- Non-interest bearing statutory deposits of RM291,008,000 (2010: RM258,406,000) relating to the banking subsidiaries, maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.
- Interest bearing statutory deposits of RM100,000 (2010: 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

14. INVESTMENTS IN SUBSIDIARIES

	Company 2011 RM'000	2010 RM'000
Unquoted shares, at cost		
At beginning of year	1,817,638	1,767,198
Liquidation of a subsidiary	(7,200)	–
Subscription of additional shares in subsidiaries [Note (a)]	–	50,440
	1,810,438	1,817,638
Employees' Share Scheme [Note (b)]	14,344	12,601
	1,824,782	1,830,239
Less: Accumulated impairment	(47,293)	(53,255)
At end of year	1,777,489	1,776,984

Note:

- (a) On 22 July 2009, the Company increased its cost of investment in its wholly-owned subsidiaries by way of capitalisation of amount owing from subsidiaries as follows:

	Company 2010 RM'000
(i) Kota Indrapura Development Corporation Berhad	42,391
(ii) Pridunia Sdn. Bhd.	7,534
(iii) Setiu Integrated Resort Sdn. Bhd.	257
(iv) Hijauan Setiu Sdn. Bhd.	258
	50,440

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

14. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

		Effective equity interest	
		2011	2010
Name	Principal activities	%	%
Subsidiaries of the Company			
Alliance Bank Malaysia Berhad	Banking and finance business and the provision of related financial services	100	100
Hijauan Setiu Sdn. Bhd.	Dormant	100	100
Setiu Integrated Resort Sdn. Bhd.	Dormant	100	100
Pridunia Sdn. Bhd.	Dormant	100	100
Alliance Trustee Berhad	Trustee services	100	100
Kota Indrapura Development Corporation Berhad	Dormant	100	100
Matrix Core Options & Futures Sdn. Bhd.	Liquidated	—	100
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
Alliance Islamic Bank Berhad	Islamic banking and the provision of related financial services	100	100
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
Alliance Investment Management Berhad	Management of unit trusts funds, provision of fund management and investment advisory services	70	70
AllianceGroup Properties Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
Subsidiaries of Alliance Investment Bank Berhad			
Alliance Research Sdn. Bhd.	Investment advisory	100	100
AIBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
AIBB Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
KLCS Sdn. Bhd.	Dormant	100	100
Alliance Investment Futures Sdn. Bhd.	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
KLCity Ventures Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
KLCS Asset Management Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
KLCity Unit Trust Bhd. (under members' voluntary winding up)	Dormant	94.94	94.94
Unincorporated trust for ESS *	Special purpose vehicle for ESS	—	—

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

15. INVESTMENTS IN ASSOCIATES

	2011 RM'000	Group 2010 RM'000
Unquoted shares at cost		
At beginning of year	–	–
Acquisition during the year [Note]	30,000	–
Share of post acquisition profits and reserves	(1,470)	–
	28,530	–
Represented by:		
Share of net tangible assets	28,530	–

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

Name	Principal activities	Effective equity interest	
		2011 %	2010 %
AIA AFG Takaful Berhad	Offering and providing of takaful products and services	30	0

Note:

On 18 November 2010, Alliance Bank Malaysia Berhad ("ABMB"), a wholly-owned subsidiary of the Company had entered into a Shareholders Agreement with American International Assurance Berhad ("AIA") for the setting up of a joint-venture company known as "AIA AFG Takaful Berhad", with 30% equity participation by ABMB and 70% by AIA, to carry out family takaful business.

AIA AFG Takaful Berhad was incorporated on 6 December 2010 with an authorised share capital of RM200,000,000 divided into 200,000,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each fully paid. AIA AFG Takaful Berhad commenced its operation on 28 January 2011.

The summarised financial information of the associate is as follows:

	2011 RM'000	2010 RM'000
Assets and Liabilities		
Current assets	207	–
Non-current assets	99,647	–
Total assets	99,854	–
Current liabilities	4,665	–
Total liabilities	4,665	–
Results		
Revenue	1,206	–
Loss for the year	(4,810)	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

16. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land			Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000	→						
2011										
Cost										
At beginning of year										
– As previously stated	2,962	–	–		50,343	115,910	72,653	131,195	3,115	376,178
– Effects of adopting FRS 117 improvement [Note 49]	–	11,767	2,650		–	–	–	–	–	14,417
As restated	2,962	11,767	2,650		50,343	115,910	72,653	131,195	3,115	390,595
Additions	–	–	–		–	4,287	2,676	7,265	654	14,882
Disposals	–	–	–		–	(1,477)	(3,963)	(193)	(955)	(6,608)
Written off	–	–	–		–	(5,508)	(5,622)	(380)	(5)	(11,515)
Transfer	–	800	(800)		–	–	–	–	–	–
At end of year	2,962	12,567	1,850		50,343	113,212	65,724	137,887	2,809	387,354
Accumulated depreciation										
At beginning of year	–	–	–		14,805	67,311	45,013	119,955	1,164	248,248
– As previously stated	–	–	–		–	–	–	–	–	–
– Effects of adopting FRS 117 improvement [Note 49]	–	2,781	517		–	–	–	–	–	3,298
As restated	–	2,781	517		14,805	67,311	45,013	119,955	1,164	251,546
Charge for the year	–	117	20		987	16,887	11,726	9,540	315	39,592
Disposals	–	–	–		–	(116)	(3,665)	(133)	(547)	(4,461)
Written off	–	–	–		–	(4,028)	(3,703)	(380)	(5)	(8,116)
Transfer	–	(277)	277		–	–	–	–	–	–
At end of year	–	2,621	814		15,792	80,054	49,371	128,982	927	278,561
Accumulated impairment										
At beginning/end of year	–	–	–		3,956	–	–	–	–	3,956
Net carrying amount	2,962	9,946	1,036		30,595	33,158	16,353	8,905	1,882	104,837

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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

Group	← Leasehold land →							Total RM'000
	Freehold land RM'000	50 years or more RM'000	Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	
2010								
Cost								
At beginning of year								
– As previously stated	2,962	–	–	50,442	127,453	80,741	140,188	5,131
– Effects of adopting FRS 117 improvement [Note 49]	–	12,622	2,850	–	–	–	–	–
As restated	2,962	12,622	2,850	50,442	127,453	80,741	140,188	5,131
Additions	–	–	–	–	20,074	5,111	3,273	–
Disposals	–	(855)	(200)	(99)	(1,022)	(3,443)	(1,781)	(2,016)
Written off	–	–	–	–	(30,595)	(9,756)	(10,485)	–
At end of year	2,962	11,767	2,650	50,343	115,910	72,653	131,195	3,115
Accumulated depreciation								
At beginning of year								
– As previously stated	–	–	–	13,875	80,589	53,182	114,895	2,853
– Effects of adopting FRS 117 improvement [Note 49]	–	2,781	555	–	–	–	–	–
As restated	–	2,781	555	13,875	80,589	53,182	114,895	2,853
Charge for the year	–	83	55	981	16,357	4,949	17,202	224
Disposals	–	(83)	(93)	(51)	(116)	(3,435)	(1,668)	(1,913)
Written off	–	–	–	–	(29,519)	(9,683)	(10,474)	–
At end of year	–	2,781	517	14,805	67,311	45,013	119,955	1,164
Accumulated impairment								
At beginning/end of year	–	–	–	3,956	–	–	–	–
Net carrying amount	2,962	8,986	2,133	31,582	48,599	27,640	11,240	1,951

← Leasehold land →
Less than 50 years

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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					
2011					
Cost					
At beginning/end of year	276	554	396	599	1,825
Accumulated depreciation					
At beginning of year	269	496	133	566	1,464
Charge for the year	7	19	32	18	76
At end of year	276	515	165	584	1,540
Net carrying amount	–	39	231	15	285
2010					
Cost					
At beginning of year	276	567	396	629	1,868
Written off	–	(13)	–	(30)	(43)
At end of year	276	554	396	599	1,825
Accumulated depreciation					
At beginning of year	258	496	101	540	1,395
Charge for the year	11	12	32	26	81
Written off	–	(12)	–	–	(12)
At end of year	269	496	133	566	1,464
Net carrying amount	7	58	263	33	361

17. INTANGIBLE ASSETS

	Group	
	2011 RM'000	2010 RM'000
Goodwill		
Cost		
At beginning/end of year	304,149	304,149
Accumulated impairment:		
At beginning of year	(2,084)	–
Allowance for impairment (Note 36)	–	(2,084)
At end of year	(2,084)	(2,084)
Net carrying amount	302,065	302,065

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

17. INTANGIBLE ASSETS (cont'd)

	Group	
	2011 RM'000	2010 RM'000
Computer software		
Cost		
At beginning of year	172,922	166,590
Additions	10,400	13,326
Disposal	(286)	—
Written off	(56)	(6,994)
At end of year	182,980	172,922
Accumulated amortisation		
At beginning of year	(113,129)	(102,227)
Charge for the year	(14,420)	(16,307)
Disposal	131	—
Written off	55	5,405
At end of year	(127,363)	(113,129)
Net carrying amount	55,617	59,793
Total carrying amount of goodwill and computer software	357,682	361,858

(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	
	2011 RM'000	2010 RM'000
Corporate banking	44,758	44,758
Commercial banking	13,459	13,459
Small and medium enterprise banking	42,621	42,621
Consumer banking	101,565	101,565
Financial markets	83,284	83,284
Corporate finance and equity capital market	1,838	1,838
Stockbroking business	12,433	12,433
Asset management	2,107	2,107
	302,065	302,065

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

(i) Discount rate

The discount rate of 11.25% (2010: 10.2%) are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, that reflect specific risks relating to the Group. The pre-tax weighted average cost of capital is generally derived from an appropriate capital asset pricing model, which itself depends on inputs reflecting a number of financial and economic variables including the risk-free rate in the country.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

17. INTANGIBLE ASSETS (cont'd)

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

(ii) Cash flow projections and growth rate

Cash flow projections are based on five-year financial budget and projections approved by management. Cash flows beyond the fifth year are extrapolated in perpetuity using a nominal long term growth rate of 6.5% (2010: 6.5%) based on average annual Gross Domestic Product growth rate forecasted for the 10 years from year 2011 to 2020 reported in the Third Industrial Master Plan. Cash flows are extrapolated in perpetuity due to the long term perspective of these businesses within the Group.

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

(b) Sensitivity to changes in assumptions

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

18. DEFERRED TAX

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deferred tax assets, net	109,099	102,727	284	–
Deferred tax liabilities, net	(6,792)	(5)	–	(4)
	102,307	102,722	284	(4)
At beginning of year	102,722	120,486	(4)	(32)
Effects of adopting FRS 139	(34,482)	–	–	–
As restated	68,240	120,486	(4)	(32)
Recognised in statement of comprehensive income (Note 37)	32,083	(22,009)	288	28
Recognised in equity	1,984	4,245	–	–
At end of year	102,307	102,722	284	(4)
Deferred tax assets				
– to be recovered more than 12 months	68,233	66,106	32	–
– to be recovered within 12 months	40,866	36,621	252	–
	109,099	102,727	284	–
Deferred tax liabilities				
– to be recovered more than 12 months	212	(15)	–	(14)
– to be recovered within 12 months	(7,004)	10	–	10
	(6,792)	(5)	–	(4)
Deferred tax assets and liabilities prior to offsetting are summarised as follows:				
Deferred tax assets	118,828	122,724	284	–
Deferred tax liabilities	(16,521)	(20,002)	–	(4)
	102,307	102,722	284	(4)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

18. DEFERRED TAX (cont'd)

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

Group	Allowance for losses on loans, advances and financing RM'000	Unabsorbed tax losses and capital allowances RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets:				
At 1 April 2009	96,242	6,334	38,562	141,138
Recognised in statement of comprehensive income	(12,357)	(1,836)	(8,466)	(22,659)
Recognised in equity	—	—	4,245	4,245
At 31 March 2010	83,885	4,498	34,341	122,724
Effects of adopting FRS 139	(9,869)	—	(24,613)	(34,482)
As restated	74,016	4,498	9,728	88,242
Recognised in statement of comprehensive income	8,483	(260)	20,379	28,602
Recognised in equity	—	—	1,984	1,984
At 31 March 2011	82,499	4,238	32,091	118,828

Group	Property, plant and equipment RM'000	Total RM'000
Deferred tax liabilities:		
At 1 April 2009	20,652	20,652
Recognised in statement of comprehensive income	(650)	(650)
At 31 March 2010	20,002	20,002
Recognised in statement of comprehensive income	(3,481)	(3,481)
At 31 March 2011	16,521	16,521

Company	Other temporary differences RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax assets:			
At 1 April 2009	—	—	—
Recognised in statement of comprehensive income	—	—	—
At 31 March 2010	—	—	—
Recognised in statement of comprehensive income	(293)	9	(284)
At 31 March 2011	(293)	9	(284)
Deferred tax liabilities:			
At 1 April 2009	(30)	62	32
Recognised in statement of comprehensive income	(19)	(9)	(28)
At 31 March 2010	(49)	53	4
Recognised in statement of comprehensive income	49	(53)	(4)
At 31 March 2011	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

18. DEFERRED TAX (cont'd)

	Group	
	2011 RM'000	2010 RM'000
Deferred tax assets of the Group have not been recognised in respect of:		
Unabsorbed tax losses	5,775	11,148

19. DEPOSITS FROM CUSTOMERS

	Group	
	2011 RM'000	2010 RM'000
Demand deposits	8,010,395	8,122,263
Savings deposits	1,633,845	1,679,449
Fixed/investment deposits	14,580,270	12,215,318
Money market deposits	3,042,274	1,160,946
Negotiable instruments of deposits	993,052	409,092
Structured deposits [Note (a)]	85,811	41,263
	<u>28,345,647</u>	<u>23,628,331</u>

Note:

- (a) Structured deposits represent foreign currency time deposits with embedded foreign exchange and gold commodity linked options.

	Group	
	2011 RM'000	2010 RM'000
(i) <u>The maturity structure of fixed/investment deposits, money market deposits and negotiable instruments of deposits are as follows:</u>		
Due within six months	14,449,496	9,608,666
Six months to one year	4,098,314	4,041,324
One year to three years	54,539	105,240
Three years to five years	13,247	30,126
	18,615,596	13,785,356

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

Domestic financial institutions	998,676	415,986
Government and statutory bodies	1,069,088	837,472
Business enterprises	10,111,082	8,152,109
Individuals	15,227,162	13,531,116
Others	939,639	691,648
	28,345,647	23,628,331

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2011 RM'000	2010 RM'000
Licensed banks	744,993	1,385,564
Licensed investment banks	280,380	80,000
Licensed Islamic banks	6,000	75,000
Bank Negara Malaysia	920,827	749,102
	1,952,200	2,289,666

21. 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.

22. BILLS AND ACCEPTANCES PAYABLE

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

23. BALANCES DUE TO CLIENTS AND BROKERS

	Group	
	2011 RM'000	2010 RM'000
Due to clients	80,460	75,984
Due to brokers	6,283	4,265
	86,743	80,249

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.

24. OTHER LIABILITIES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other payable and accruals	787,517	768,853	1,524	1,489
Interest/income payable	—	100,573	—	1,699
Remisier's accounts	24,373	23,454	—	—
Amount due to subsidiaries [Note]	—	—	5	1,461
	811,890	892,880	1,529	4,649

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

25. SUBORDINATED BONDS

	Group	
	2011 RM'000	2010 RM'000
At face value	600,000	600,000

The following are the salient features of the said bonds:

- Issue date : 26 May 2006
- Tenor of the facility/issue : 10-year from the Issue Date on a non-callable 5 year basis
- Anniversary date : 26 May
- Maturity date : 26 May 2016
- Interest coupon : 6.09% per annum, subject to revision of rate in year six
- 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
- 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
- Final redemption : At par on maturity date

26. LONG TERM BORROWINGS

	Group/Company	
	2011 RM'000	2010 RM'000
<u>Unsecured</u>		
Fixed rate term loan [Note (a)]	401,189	400,000
Floating rate term loan [Note (b)]	200,083	200,000
	601,272	600,000

Note:

- (a) 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) 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.

27. SHARE CAPITAL

	Group/Company			
	Number of Ordinary Shares of RM1 each		Amount	
	2011 '000	2010 '000	2011 RM'000	2010 RM'000
Authorised				
At beginning/end of year	2,000,000	2,000,000	2,000,000	2,000,000
Issued and fully paid				
At beginning/end of year	1,548,106	1,548,106	1,548,106	1,548,106

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

28. RESERVES

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-distributable:					
Statutory reserve	(a)	544,368	493,477	–	–
Capital reserve	(b)	7,013	7,013	–	–
Revaluation reserve	(c)	68,620	7,440	–	–
Employees' share scheme reserve	(d)	13,768	12,341	13,768	12,341
Share premium		304,289	304,289	304,289	304,289
Profit equalisation reserve	(e)	1,033	26,388	–	–
		939,091	850,948	318,057	316,630
Distributable:					
Retained profits	(f)	908,084	594,784	5,837	3,691
		1,847,175	1,445,732	323,894	320,321

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 FRS 132 Financial Statements – 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 ended 31 March 2011, 1,441,500 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 2011, the Trustee of the ESS held 17,628,750 ordinary shares representing 1.14% of the issued and paid-up capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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 Sng Seow Wah, who is 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 2011

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 2011	Share Options Number of Share Options				Share Grants Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2008 Share Scheme	5,801	-	(1,577)	4,224	713	-	(604)	(109)	-
2009 Share Scheme	7,282	-	(2,053)	5,229	1,846	-	(838)	(297)	711
2010 Share Scheme	8,103	-	(2,069)	6,034	2,278	-	-	(526)	1,752
2011 Share Scheme	-	7,959	(1,334)	6,625	-	2,169	-	(394)	1,775
	21,186	7,959	(7,033)	22,112	4,837	2,169	(1,442)	(1,326)	4,238
WAEP (RM)	2.68	3.15	2.77	2.82					
2010	Share Options Number of Share Options				Share Grants Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2008 Share Scheme	7,940	-	(2,139)	5,801	1,791	-	(817)	(261)	713
2009 Share Scheme	9,876	-	(2,594)	7,282	2,325	-	-	(479)	1,846
2010 Share Scheme	-	10,190	(2,087)	8,103	-	2,621	-	(343)	2,278
	17,816	10,190	(6,820)	21,186	4,116	2,621	(817)	(1,083)	4,837
WAEP (RM)	2.86	2.38	2.72	2.68					

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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

Company 2011	Share Options Number of Share Options				Share Grants Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2008 Share Scheme	94	-	-	94	9	-	(9)	-	-
2009 Share Scheme	92	-	-	92	19	-	(9)	-	10
2010 Share Scheme	111	-	-	111	24	-	-	-	24
2011 Share Scheme	-	92	-	92	-	22	-	-	22
	297	92	-	389	52	22	(18)	-	56
WAEP (RM)	2.70	3.15	-	2.80					
2010	Share Options Number of Share Options				Share Grants Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2008 Share Scheme	94	-	-	94	18	-	(9)	-	9
2009 Share Scheme	92	-	-	92	19	-	-	-	19
2010 Share Scheme	-	111	-	111	-	24	-	-	24
	186	111	-	297	37	24	(9)	-	52
WAEP (RM)	2.89	2.38	-	2.70					

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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

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

	WAEP RM	Exercise Period
2008 Share Options	3.07	12.12.2010 – 11.12.2014
2009 Share Options	2.70	02.09.2011 – 01.09.2015
2010 Share Options	2.38	25.08.2012 – 24.08.2016
2011 Share Options	2.99	23.09.2013 – 22.09.2017

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

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

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

	Share Options			
	2008	2009	2010	2011
Fair value of the shares as at grant date,				
– 12 December 2007 (RM)	0.8072	–	–	–
– 2 September 2008 (RM)	–	0.7040	–	–
– 25 August 2009 (RM)	–	–	0.7489	–
– 23 September 2010 (RM)	–	–	–	0.8980
Weighted average share price (RM)	3.1000	2.6600	2.4000	3.1300
Weighted average exercise price (RM)	3.0696	2.6989	2.3784	3.1480
Expected volatility (%)	0.2617	0.2709	0.3403	0.3115
Expected life (years)	7	7	7	7
Risk free rate (%)	3.57 to 4.57	3.79 to 5.22	2.04 to 4.61	2.92 to 4.04
Expected dividend yield (%)	1.78	1.78	1.78	1.78

	Share Grants			
	2008	2009	2010	2011
Fair value of the shares as at grant date,				
– 12 December 2007 (RM)	2.9639	–	–	–
– 2 September 2008 (RM)	–	2.5432	–	–
– 25 August 2009 (RM)	–	–	2.2941	–
– 23 September 2010 (RM)	–	–	–	2.9930
Weighted average share price (RM)	3.1000	2.6600	2.4000	3.1300
Expected volatility (%)	0.2617	0.2709	0.3403	0.3115
Risk free rate (%)	3.57 to 4.57	3.79 to 5.22	2.04 to 4.61	2.92 to 4.04
Expected dividend yield (%)	1.78	1.78	1.78	1.78

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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

(b) Fair value of share options/share grants offered/awarded (cont'd):

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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Loans, advances and financing	841,945	778,248	—	—
Money at call and deposit placements with financial institutions	36,855	55,936	18,214	16,946
Financial assets held-for-trading	1,044	684	—	—
Financial investments available-for-sale	206,340	177,797	—	695
Financial investments held-to-maturity	30,682	17,251	—	—
Others	4,393	6,024	—	—
	1,121,259	1,035,940	18,214	17,641
Accretion of discount less amortisation of premium	82,179	27,127	—	(215)
	1,203,438	1,063,067	18,214	17,426

Included in interest income on loan, advances and financing for the current year is interest accrued on impaired loans of the Group of RM8,093,000. Interest income accrued on impaired loans for the comparative financial year, prior to the adoption of FRS 139, was suspended.

32. INTEREST EXPENSE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits and placements of banks and other financial institutions	55,345	39,176	—	—
Deposits from customers	411,329	370,620	—	—
Loans sold to Cagamas	642	254	—	—
Subordinated bonds	36,540	36,540	—	—
Long term borrowings	21,382	20,017	21,382	20,017
Others	7,938	10,932	—	—
	533,176	477,539	21,382	20,017

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

33. OTHER OPERATING INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(a) Fee income:				
Commissions	35,031	30,105	—	—
Service charges and fees	34,529	36,204	—	—
Portfolio management fees	6,628	6,290	—	—
Corporate advisory fees	3,064	1,130	—	—
Underwriting commissions	949	—	—	—
Brokerage fees	17,837	26,613	—	—
Guarantee fees	8,603	7,256	—	—
Processing fees	11,779	6,000	—	—
Commitment fees	14,042	13,768	—	—
Other fee income	14,645	20,976	—	—
	147,107	148,342	—	—
(b) Investment income:				
(Loss)/gain arising from sale/redemption of:				
– Financial assets held-for-trading	417	(228)	—	—
– Financial investments available-for-sale	3,509	11,556	—	(388)
– Financial investments held-to-maturity	3	—	—	—
Unrealised gain/(loss) from revaluation of:				
– Financial assets held-for-trading	256	(5,152)	—	—
– Derivative instruments	4,149	3,266	—	—
Realised gain on derivative instruments	43,925	35,533	—	—
Gross dividend income from:				
– Financial investments available-for-sale	3,705	6,321	—	—
– Subsidiaries	—	—	146,462	136,321
	55,964	51,296	146,462	135,933
(c) Other income/(expense):				
Foreign exchange gain	7,415	11,673	—	—
Rental income	—	88	—	—
(Loss)/gain on disposal of property, plant and equipment	(329)	362	—	—
(Loss)/gain on liquidation of subsidiaries	(7)	(50)	203	—
(Loss)/gain on disposal of foreclosed properties	(38)	7,029	—	—
Others	15,610	14,430	1,179	885
	22,651	33,532	1,382	885
Total other operating income	225,722	233,170	147,844	136,818

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

34. OTHER OPERATING EXPENSES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Personnel costs				
– Salaries, allowances and bonuses	254,506	255,630	1,329	1,121
– Contribution to EPF	42,523	40,246	276	247
– Share options/grants under ESS	5,347	7,020	119	105
– Others	30,962	28,936	98	123
	333,338	331,832	1,822	1,596
Establishment costs				
– Depreciation of property, plant and equipment	39,592	39,851	76	81
– Amortisation of computer software	14,420	16,307	–	–
– Rental of premises	26,290	30,402	133	179
– Water and electricity	5,470	7,280	11	10
– Repairs and maintenance	10,470	8,672	12	16
– Information technology expenses	29,339	29,048	1	2
– Others	13,406	24,888	–	–
	138,987	156,448	233	288
Marketing expenses				
– Promotion and advertisement	8,912	9,420	–	–
– Branding and publicity	4,861	2,790	–	–
– Others	4,805	4,297	–	–
	18,578	16,507	–	–
Administration and general expenses				
– Communication expenses	11,681	11,849	4	11
– Printing and stationery	4,619	4,493	3	13
– Insurance	10,501	4,530	1	3
– Professional fees	13,668	11,538	174	169
– Others	13,528	17,434	1,765	1,366
	53,997	49,844	1,947	1,562
Total other operating expenses	544,900	554,631	4,002	3,446
Included in the other operating expenses are the following:				
Auditors' remuneration [Note (a)]	3,172	1,887	88	82
Hire of equipment	3,626	3,865	10	10
Property, plant and equipment written off	3,399	1,160	–	31
Computer software written off	1	1,589	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

34. OTHER OPERATING EXPENSES (cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(a) Auditors' remuneration				
Statutory audit fee	778	765	44	38
Audit related services	753	483	29	26
Tax compliance work	591	145	10	13
Tax related services	355	—	—	—
Other services	695	494	5	5
Total	3,172	1,887	88	82
(b) Directors' remuneration				
<u>Directors of the Company:</u>				
Non-Executive Directors				
– Allowances	1,022	812	359	292
– Fees	1,430	1,356	525	480
– Benefits-in-kind	38	62	38	38
	2,490	2,230	922	810
Past Director				
– Allowances	—	146	—	22
– Fees	—	111	—	20
	—	257	—	42
<u>CEOs and Directors of Subsidiaries:</u>				
Chief Executive Officers				
– Salaries and allowances	1,765	3,253	—	—
– Bonuses	831	158	—	—
– Contribution to EPF	378	413	—	—
– Share options/grants under ESS	417	536	—	—
– Benefits-in-kind	55	67	—	—
	3,446	4,427	—	—
Non-Executive Directors				
– Allowances	578	337	—	—
– Fees	447	361	—	—
	1,025	698	—	—
	6,961	7,612	922	852
Past Directors				
– Salaries and allowances including meeting allowance	151	1	—	—
– Fees	30	4	—	—
– Contribution to EPF	20	—	—	—
– Benefits-in-kind	2	—	—	—
	203	5	—	—
Total	7,164	7,617	922	852
Total Directors' remuneration excluding benefits-in-kind	7,069	7,488	884	814

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

34. OTHER OPERATING EXPENSES (cont'd)

	2011		2010	
	Executive Directors/ CEOs	Non-Executive Directors	Executive Directors/CEOs	Non-Executive Directors
<u>Directors of the Company:</u>				
Below RM50,000	–	–	–	1
RM50,001 – RM100,000	–	2	–	2
RM100,001 – RM150,000	–	5	–	4
RM150,001 – RM200,000	–	–	–	–
RM200,001 – RM250,000	–	1	–	1
RM250,001 – RM300,000	–	–	–	–
RM300,001 – RM350,000	–	–	–	–
RM350,001 – RM400,000	–	–	–	–
RM400,001 – RM450,000	–	–	–	–
Above RM450,000	–	–	–	–
<u>Directors of the Group:</u>				
Below RM50,000	–	2	–	2
RM50,001 – RM100,000	–	–	–	1
RM100,001 – RM150,000	–	4	–	3
RM150,001 – RM200,000	–	–	–	–
RM200,001 – RM250,000	–	2	–	2
RM250,001 – RM300,000	–	–	–	1
RM300,001 – RM350,000	–	2	–	2
RM350,001 – RM400,000	–	–	–	1
RM400,001 – RM450,000	–	1	–	–
Above RM450,000	3	3	4	2

35. ALLOWANCE FOR/(WRITE-BACK OF) LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER LOSSES

	Group	
	2011 RM'000	2010 RM'000
Allowance for/(write-back of) losses on loans and financing:		
(a) Individual assessment allowance		
– Made during the year (net)	87,812	–
(b) Collective assessment allowance		
– Made during the year (net)	15,992	–
(c) Specific allowance		
– Made during the year	–	331,471
– Written back during the year	–	(292,765)
(d) General allowance		
– Made during the year	–	59,732
– Written back during the year	–	(77,041)
(e) Bad debts on loans and financing		
– Recovered	(80,844)	(59,246)
– Written off	3,988	435
	26,948	(37,414)
Allowance for commitments and contingencies	59	1,433
Allowance for other assets	6,302	4,050
	33,309	(31,931)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Allowance for/(write-back of) impairment on securities:				
– Financial investments available-for-sale [Note(a)]	(585)	134,712	–	–
– Financial investments held-to-maturity	(3,491)	(3,900)	–	–
Allowance for impairment on goodwill (Note 17)	–	2,084	–	–
Write-back of impairment on foreclosed properties	–	(15)	–	–
Allowance for/(write-back of) impairment on debt due from subsidiaries	–	–	642	(13,144)
Impairment on other assets	–	–	–	15,199
	(4,076)	132,881	642	2,055

Note:

- (a) In the previous financial year, the Group made impairment allowances of RM141,450,000 relating to a Collateralised Loan Obligations.

37. TAXATION AND ZAKAT

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Income tax:				
Provision for current year	153,755	91,204	31,484	28,717
Over/(under) provision in prior years	21,928	(5,868)	(6)	(696)
Deferred tax (Note 18)	(32,083)	22,009	(288)	(28)
Taxation	143,600	107,345	31,190	27,993
Zakat	362	93	–	–
	143,962	107,438	31,190	27,993

Income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before taxation	553,113	408,938	140,032	128,726
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	138,283	102,234	35,008	32,182
Effect of expenses not deductible for tax purposes	9,393	10,145	1,278	1,503
Effect of income not subject to tax	(2,418)	(2,001)	(5,050)	(5,000)
Reversal of deferred tax provided in prior years	–	6,387	–	4
Over/(under) provision of tax expense in prior years	21,928	(5,868)	(6)	(696)
Under provision of deferred tax in prior years	(21,950)	–	(40)	–
Unabsorbed tax losses which deferred tax recognised during the year	(1,636)	(3,552)	–	–
Tax expense for the year	143,600	107,345	31,190	27,993
Tax savings during the year arising from:				
– utilisation of current year tax losses	–	85	–	–
– utilisation of tax losses brought forward from previous year	3,481	7,185	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

38. EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Company 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	
	2011	2010
Net profit attributable to equity holders of the Company (RM'000)	409,202	301,424
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(17,629)	(17,424)
	1,530,477	1,530,682
Basic earnings per share (sen)	26.7	19.7

(b) Diluted

The calculation of the diluted earnings per share is based on the net profit attributable to equity holders of the Company 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 2011.

	Group	
	2011	2010
Net profit attributable to equity holders of the Company (RM'000)	409,202	301,424
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(17,629)	(17,424)
Effect of Share Grants under ESS ('000)	4,238	4,837
	1,534,715	1,535,519
Diluted earnings per share (sen)	26.7	19.6

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

39. DIVIDENDS

	Dividend in respect of financial year		Net Dividends per Ordinary Share	
	2011	2010	2011	2010
	RM'000	RM'000	Sen	Sen
<u>Recognised during the financial year:</u>				
<u>First interim dividend</u>				
3.3 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2011, was paid on 27 August 2010	50,458	—	3.26	—
1.3 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2010, paid on 26 August 2009	—	19,904	—	1.28
<u>Second interim dividend</u>				
3.7 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2011, was paid on 28 February 2011	56,628	—	3.66	—
5.1 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 2010, paid on 26 March 2010	—	77,980	—	5.04
	107,086	97,884	6.92	6.32

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 RM1,281,000 (2010: RM1,195,000) being dividends paid for those shares were added back to the appropriation of retained profits in respect of the dividends.

40. CAPITAL COMMITMENTS

	Group	
	2011	2010
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	23,338	22,942
Authorised but not contracted for	6,020	21,376
	29,358	44,318

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

41. MATERIAL LITIGATIONS

- (a) A corporate borrower had issued a Writ of Summons in 2005 against an agent bank for a syndicate of lenders comprising three banks of which ABMB is one of them, claiming for general, special and exemplary damages alleging a breach of duty and contract.

The credit facilities consist of a bridging loan of RM58.5 million and a revolving credit facility of RM4.0 million which were granted by the syndicate lenders of which the ABMB's participation was RM18.5 million. In 2002, the credit facilities were restructured to a loan of RM30.0 million, of which the ABMB's participation was RM8.31 million, payable over seven years. The syndicated lenders had also filed a suit against the corporate borrower for the recovery of the above-mentioned loan.

The two suits were then consolidated and heard together. On 6 May 2009, judgment was delivered against the agent bank for special damages amounting to RM115.0 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 had filed an appeal against the said decision. The Court had on 24 June 2009 granted a stay of execution of the judgment pending appeal to the Court of Appeal. The advice from the agent bank's solicitors is that they have a better than even chance of succeeding in the said appeal.

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

On 4 May 2009, the High Court in Kota Kinabalu granted judgment against ABMB by dismissing its claim and granted judgment in favour of the Defendants with damages to be assessed by the Deputy Registrar. At a clarification hearing held on 25 May 2009, the Court clarified that ABMB's liability to pay damages under the counter-claim is only in respect of general damages to be assessed by the Court and not special damages.

ABMB filed an appeal to the Court of Appeal against the High Court judgment and applied to the High Court for a stay of execution against the said judgment. On 3 August 2009, the High Court dismissed ABMB's application for stay of execution of the judgment granted in favour of the Defendants. ABMB then filed an appeal to the Court of Appeal against the said decision.

On 16 November 2009, the Court of Appeal dismissed ABMB's appeal for stay of execution with no order as to costs and directed that an early hearing date would be scheduled for ABMB's appeal proper.

The Court of Appeal has on 18 January 2011 allowed ABMB's appeal by dismissing the counter-claim against ABMB and allowing ABMB's claim against the Defendants. The Defendants have since filed an application for leave to appeal at the Federal Court against the said decision. The Defendant's Notice of Motion for leave to appeal to the Federal Court came up for hearing on 21 March 2011 and the judges adjourned the leave application to another date yet to be fixed pending receipt of Grounds of Judgment from the Court of Appeal.

Hearing for the assessment of damages which was initially fixed for decision on 14 March 2011 has been rescheduled for mention on 15 June 2011 pending outcome of the Defendants application for leave to appeal at the Federal Court.

Based on the advice from ABMB's solicitors, ABMB has a fair chance of success in its appeal.

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

ABMB filed its reply and defence to counter-claim on 7 July 2009.

The Court had fixed matter for the trial from 23 February 2011 to 25 February 2011.

However, the individual borrower had also filed an application to consolidate the present suit with the suit stated under 41(c)(ii) below. On 27 January 2011, the judge allowed the said application. In view of this decision, the trial dates above will be vacated to another date and suit will be consolidated for hearing together with the suit under Note 41(c)(ii) below.

The Court has fixed the matter for further case management on 15 April 2011.

ABMB's solicitors are of the firm view that ABMB has good defence to the counter-claim.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

41. MATERIAL LITIGATIONS (cont'd)

- (c) (ii) Arising from the above-mentioned suit (Note 41 c(i)), the third party in September 2008 filed a separate suit against ABMB for force selling the shares pledged by the third party. The third party alleges amongst others that ABMB sold the pledged shares off-market without notice to them in breach of the collateral contract between the third party and ABMB. The third party is claiming for damages for loss of the benefit of the shares pledged to ABMB, damages for conversion, damages for misrepresentation and for breach of contract.

ABMB had filed its defence to the suit on 13 November 2008.

The Court has set the matter down for trial from 13 June 2011 to 15 June 2011.

Court has fixed next case management on 15 April 2011 for clarification on the validity of the order to consolidate the present suit with Note 41(c)(i) above.

Meanwhile, the third party had filed an application for further interrogatories. On 9 December 2010, the Court allowed the third party's application for further interrogatories in part with costs in the cause. On 15 December 2010, ABMB filed its Notice of Appeal against the said decision. The Court has fixed hearing of the appeal on 9 February 2011. On 9 February 2011, the judge allowed the Bank's appeal with costs in the cause. The third party has since filed an appeal against the said decision at the Court of Appeal.

ABMB's solicitors are of the firm view that there is no such collateral contract and that ABMB has good defence to the claim brought by the third party.

42. FINANCIAL RISK MANAGEMENT POLICIES

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

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

(a) Credit Risk

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

Primary exposure to credit risk arises from loans, advances and financing. The amount of credit exposure is represented by the carrying amount of loans, advances and financing in the statements 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 loan and financing accounts according to their respective risk profiles.

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

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 43(e) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. 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 exposure to credit risk equals their carrying amount. For contingent liabilities such as financial guarantees and letter of credit granted, the maximum exposure to credit risk is the maximum amount that would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Group 2011 RM'000	Company 2011 RM'000
Credit risk exposure of on-balance sheet:		
Cash and short-term funds (exclude cash in hand)	704,169	46,857
Deposits and placements with banks and other financial institutions	100,228	605,700
Financial assets held-for-trading	1,938,250	—
Financial investments available-for-sale (exclude equity securities)	9,138,478	—
Financial investments held-to-maturity	940,726	—
Derivative financial assets	32,047	—
Loans, advances and financing	22,110,986	—
Gross balances due from clients and brokers	96,318	—
Total on-balance sheet	35,061,202	652,557
Credit risk exposure of off-balance sheet:		
Contingent liabilities	1,082,131	—
Commitments	9,870,270	—
Total off-balance sheet	10,952,401	—
Total maximum exposure	46,013,603	652,557

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. 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 customer is engaged.

Group	Government and Central Bank	Financial, Insurance and Business Services	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Mining and Construction	Residential Mortgage	Motor Vehicle Financing	Other Consumer Loans	Total
2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	524,670	179,499	-	-	-	-	-	-	704,169
Deposits and placements with banks and other financial institutions	-	100,228	-	-	-	-	-	-	100,228
Financial assets held-for-trading	1,938,250	-	-	-	-	-	-	-	1,938,250
Financial investments	4,059,908	4,584,626	162,118	300,215	31,611	-	-	-	9,138,478
Financial investments available-for-sale	910,444	24,951	5,236	-	95	-	-	-	940,726
Financial investments held-to-maturity	-	30,657	-	-	-	-	-	1,390	32,047
Derivative financial assets	-	2,029,108	156,460	6,559,284	421,713	8,498,859	557,262	3,888,300	22,110,986
Loans, advances and financing	-	-	-	-	-	-	-	-	-
Balances due from clients and brokers	-	-	-	-	-	-	-	96,318	96,318
Total on-balance sheet	7,433,272	6,949,069	323,814	6,859,499	453,419	8,498,859	557,262	3,986,008	35,061,202
Contingent liabilities	10,500	122,073	32,237	401,769	476,120	-	-	39,432	1,082,131
Commitments	-	710,672	66,330	2,382,347	852,678	948,916	327,265	4,582,062	9,870,270
Total credit risk	7,443,772	7,781,814	422,381	9,643,615	1,782,217	9,447,775	884,527	8,607,502	46,013,603

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

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

(iii) Collaterals

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

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

(iv) Credit quality – Loans, advances and financing

All loans, advances and financing are categorised as either:

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

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

Distribution of loans, advances and financing by credit quality

	2011 Group RM'000
Neither past due nor impaired	20,710,623
Past due but not impaired	987,414
Impaired	741,324
Gross loans, advances and financing	22,439,361
Sales commissions and handling fees	24,969
Less: Allowance for impairment	
Individual assessment	(328,375)
Collective assessment	(339,636)
Net loans, advances and financing	21,796,319

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

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

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

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

	2011 Group RM'000
Grading classification	
– Good	19,168,648
– Fair	1,541,975
	<u>20,710,623</u>

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

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

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

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

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

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

	2011 Group RM'000
Past due up to 1 month	773,027
Past due 1 – 2 months	186,858
Past due 2 – 3 months	27,529
	<u>987,414</u>

The Group do not disclose the fair value of collateral held as security on past due but not impaired loans as it is not practicable to do so.

Loans, advances and financing assessed as impaired

An analysis of loans assessed as impaired is as follows:

	2011 Group RM'000
Gross impaired loans/financing	741,324
Less: Allowance for impairment	
– Individual assessment	(328,375)
Net impaired loans/financing	<u>412,949</u>
Fair value of collateral	<u>667,124</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(v) Repossessed collateral

During the year, the Group obtained assets by taking possession of collateral held as security as follows:

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

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

(vi) Renegotiated financial assets

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indication or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans – in particular, customer finance loans.

	2011 Group RM'000
Renegotiated loans, advances and financing	
– Continuing to be impaired after restructuring	36,406
– Non-impaired after restructuring – would otherwise have been impaired	116,413
	152,819

(vii) Debt securities

Debt securities included financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity. Financial assets held-for-trading and financial investments available-for-sale are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(vii) Debt securities (cont'd)

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

	Financial assets held-for- trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
Group 2011				
<i>By rating agencies</i>				
<u>RAM</u>				
AAA	–	831,253	–	831,253
AA1	–	337,646	–	337,646
AA2	–	51,098	–	51,098
AA3	–	32,193	–	32,193
C3	–	7,003	–	7,003
<u>MARC</u>				
AAA	–	240,381	–	240,381
AA–	–	31,610	–	31,610
Government back	1,938,250	4,464,571	910,444	7,313,265
Unrated	–	3,142,723	30,282	3,173,005
	1,938,250	9,138,478	940,726	12,017,454

(b) Market Risk

Market risk refers to the potential loss arising from the movement in the market rates or prices; the main components being interest rate risk and foreign exchange risk.

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

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

(i) Interest/profit rate risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Group 2011		Non-trading book						Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit rate %
		Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000				
Assets											
Cash and short-term funds	411,998	-	-	-	-	-	-	502,040	-	914,038	2.90
Deposits and placements with banks and other financial institutions	-	-	100,000	160	-	-	-	68	-	100,228	3.05
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
Loans, advances and financing	16,882,804	1,413,040	336,274	222,518	1,458,636	1,409,734	-	73,313*	-	21,796,319	5.67
Balances due from clients and brokers	1,070	-	-	-	-	-	-	79,449	-	80,519	12.00
Other non-interest/ profit sensitive balances	-	-	-	-	-	-	-	1,009,869	32,047	1,041,916	-
Total assets	18,552,056	3,660,202	1,563,417	363,355	4,512,029	3,596,782	3,596,782	1,853,798	1,970,297	36,071,936	
Liabilities											
Deposits from customers	13,893,485	3,176,893	2,484,735	4,129,928	91,335	-	-	4,569,271	-	28,345,647	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
Amount due to Cagamas Berhad	-	-	-	100,000	25,134	-	-	642	-	125,776	3.77
Bills and acceptances payable	86,161	24,948	50	-	-	-	-	-	-	111,159	3.04
Balances due to clients and brokers	34,516	600,000	-	-	-	-	-	52,227	-	86,743	2.55
Subordinated bonds	-	-	-	-	-	-	-	-	-	600,000	6.09
Long term borrowings	-	-	-	-	-	-	-	-	-	601,272	3.60
Other non-interest/profit sensitive balances	-	-	-	-	-	-	-	1,272	-	892,536	-
Total liabilities	14,982,620	3,863,037	2,493,737	4,253,375	1,599,380	-	-	5,489,837	33,347	32,715,333	
Equity	-	-	-	-	-	-	-	3,352,114	-	3,352,114	-
Minority interests	-	-	-	-	-	-	-	4,489	-	4,489	-
Total liabilities and equity	14,982,620	3,863,037	2,493,737	4,253,375	1,599,380	-	-	8,846,440	33,347	36,071,936	

* 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 2011

42. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Company 2011	Non-trading book						Non- interest sensitive RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000			
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	

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Group 2010	Non-trading book						Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000				
Assets										
Cash and short-term funds	3,006,169	–	–	–	–	–	558,376	–	3,564,545	2.21
Deposits and placements with banks and other financial institutions	–	150,000	156	–	–	–	–	–	150,156	2.38
Financial investments available-for-sale	96,539	1,303,340	230,086	176,628	3,292,957	39,982	15,296	–	5,154,828	3.22
Financial investments held-to-maturity	–	2,700	–	57,319	847,349	5,199	18,853	–	931,420	2.81
Loans, advances and financing	15,475,122	1,264,499	551,325	359,248	1,644,367	1,366,142	44,788*	–	20,705,491	5.40
Balances due from clients and brokers	441	–	–	–	–	–	72,127	–	72,568	12.00
Other non-interest/ profit sensitive balances	–	–	–	–	–	–	1,039,909	44,698	1,084,607	–
Total assets	18,578,271	2,720,539	781,567	593,195	5,784,673	1,411,323	1,749,349	44,698	31,663,615	
Liabilities										
Deposits from customers	11,636,012	1,768,370	1,889,989	3,680,162	135,986	–	4,517,812	–	23,628,331	1.53
Deposits and placements of banks and other financial institutions	875,212	531,017	135,775	1,700	743,460	–	2,502	–	2,289,666	1.96
Amount due to Cagamas Berhad	–	–	–	–	28,077	–	–	–	28,077	4.54
Bills and acceptances payable	241,035	285,476	11,839	–	–	–	–	–	538,350	2.45
Balances due to clients and brokers	36,489	–	–	–	–	–	43,760	–	80,249	1.50
Subordinated bonds	–	–	–	–	600,000	–	–	–	600,000	6.09
Long term borrowings	–	–	–	–	600,000	–	–	–	600,000	3.33
Other non-interest/profit sensitive balances	–	–	–	–	–	–	897,086	50,175	947,261	–
Total liabilities	12,788,748	2,584,863	2,037,603	3,681,862	2,107,523	–	5,461,160	50,175	28,711,934	–
Equity	–	–	–	–	–	–	2,947,141	–	2,947,141	–
Minority interests	–	–	–	–	–	–	4,540	–	4,540	–
Total liabilities and equity	12,788,748	2,584,863	2,037,603	3,681,862	2,107,523	–	8,412,841	50,175	31,663,615	

* Non-performing loans, specific allowance and general allowance of the Group are classified as non-interest/profit sensitive.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Company 2010	Non-trading book						Non- interest sensitive RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000			
Assets									
Cash and short-term funds	29,820	–	–	–	–	–	1,027	30,847	2.03
Deposits and placements with banks and other financial institutions	–	10,800	–	–	600,000	–	–	610,800	2.75
Other non-interest sensitive balances	–	–	–	–	–	–	1,784,736	1,784,736	–
Total assets	29,820	10,800	–	–	600,000	–	1,785,763	2,426,383	
Liabilities									
Long term borrowings	–	–	–	–	600,000	–	–	600,000	3.33
Other non-interest sensitive balances	–	–	–	–	–	–	4,653	4,653	–
Total liabilities	–	–	–	–	600,000	–	4,653	604,653	
Equity	–	–	–	–	–	–	1,821,730	1,821,730	–
Total liabilities and equity	–	–	–	–	600,000	–	1,826,383	2,426,383	

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(ii) Foreign currency exchange risk

Foreign currency exchange risk refers to the potential adverse movements in the exchange rates for foreign currency exchange positions taken by the Group from time to time. For the Group, foreign exchange risk is concentrated in its commercial banking. Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to Management.

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

Group 2011	US Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
Assets				
Cash and short-term funds	12,389	2,339	58,245	72,973
Loans, advances and financing	163,961	–	5,008	168,969
Other financial assets	7,384	–	42	7,426
Total financial assets	183,734	2,339	63,295	249,368
Liabilities				
Deposits from customers	163,167	1,680	66,669	231,516
Deposits and placements of banks and other financial institutions	30,258	–	159	30,417
Other financial liabilities	578	12	125	715
Total financial liabilities	194,003	1,692	66,953	262,648
On-balance sheet open position	(10,269)	647	(3,658)	(13,280)
Off-balance sheet open position	8,285	5,882	9,977	24,144
Net open position	(1,984)	6,529	6,319	10,864

(iii) Value at risk ('VaR')

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

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

Group 2011	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
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)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. 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.

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

Note:

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

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.

The profit equalisation reserve ("PER") is used as a mechanism by the Islamic Bank to maintain an acceptable level of return for the investment account holders. This mitigates the level of displaced commercial risk whereby the desired return to Investment Account Holders can be provided as stipulated by BNM's circular on Framework of Rate of Return.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

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

Company 2011	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	46,858	–	–	–	–	46,858
Deposits and placements with banks	–	–	5,700	400,000	200,000	605,700
Other asset balances	2	–	–	80	1,778,994	1,779,076
Total assets	46,860	–	5,700	400,080	1,978,994	2,431,634
Liabilities						
Long term borrowings	1,272	–	–	–	600,000	601,272
Other financial liabilities	5	–	–	–	1,524	1,529
Total financial liabilities	1,277	–	–	–	601,524	602,801
Equity	–	–	–	–	1,828,833	1,828,833
Total liabilities and equity	1,277	–	–	–	2,430,357	2,431,634
Net maturity mismatch	45,583	–	5,700	400,080	(451,363)	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. 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 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
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
Amount due to Cagamas Berhad	665	379	1,045	105,643	23,716	-	131,448
Bills and acceptances payable	98,025	32,884	43	-	-	-	130,952
Balances due to clients and brokers	85,200	-	-	-	1,543	-	86,743
Subordinated bonds	-	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
Total financial liabilities	20,194,125	4,053,661	2,592,072	4,415,460	1,891,047	-	33,146,365
Derivatives liabilities							
Derivatives settled on a net basis							
Interest rate derivatives	-	(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 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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

42. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(d) Operational and Shariah Compliance Risk

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

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

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

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

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

43. CAPITAL ADEQUACY

The capital adequacy ratios of the banking group are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II). The banking group have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (2010: 8.0%) for the risk-weighted capital ratio.

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

	2011	2010
Before deducting proposed dividends		
Core capital ratio	12.40%	11.39%
Risk-weighted capital ratio	16.54%	15.65%
After deducting proposed dividends		
Core capital ratio	11.95%	11.13%
Risk-weighted capital ratio	16.09%	15.40%

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

43. CAPITAL ADEQUACY (cont'd)

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

	2011 RM'000	2010 RM'000
Components of Tier-I and Tier-II capital are as follows:		
Tier-I capital (Core Capital)		
Paid-up share capital	596,517	596,517
Irredeemable convertible preference shares	4,000	4,000
Share premium	597,517	597,517
Retained profits	1,194,222	882,471
Statutory reserves	786,406	735,515
Other reserves	10,018	10,018
Minority interests	4,488	4,539
	3,193,168	2,830,577
Less: Purchased goodwill/goodwill on consolidation	(302,065)	(302,065)
Deferred tax assets	(108,808)	(99,347)
Total Tier-I capital	2,782,295	2,429,165
Tier-II capital		
Subordinated bonds	600,000	600,000
Collective assessment allowance	333,466	—
General allowance	—	322,933
Total Tier-II capital	933,466	922,933
Total Capital	3,715,761	3,352,098
Less: Investment in subsidiaries	(3,620)	(12,760)
Total Capital Base	3,712,141	3,339,338

(b) 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 2011			
Before deducting proposed dividends			
Core capital ratio	14.63%	11.65%	57.17%
Risk-weighted capital ratio	14.98%	13.37%	57.33%
After deducting proposed dividends			
Core capital ratio	14.09%	11.65%	55.51%
Risk-weighted capital ratio	14.44%	13.37%	55.67%
31 March 2010			
Before deducting proposed dividends			
Core capital ratio	13.57%	11.41%	55.58%
Risk-weighted capital ratio	13.91%	13.21%	55.88%
After deducting proposed dividends			
Core capital ratio	13.28%	11.41%	55.58%
Risk-weighted capital ratio	13.61%	13.21%	55.88%

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

43. CAPITAL ADEQUACY (cont'd)

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

Note:

- (i) The capital adequacy ratios of Alliance Islamic Bank Berhad are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (2010: 8.0%) for the risk-weighted capital ratio.
- (ii) The capital adequacy ratios of Alliance Investment Bank Berhad are computed in accordance with BNM's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Bank and the Group have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (2010: 8.0%) for the risk-weighted capital ratio.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

43. CAPITAL ADEQUACY (cont'd)

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

Group 2011 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	5,693,101	5,693,101	—	—
Public sector entities	50,115	50,115	10,023	802
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	3,544,007	3,544,007	707,997	56,640
Insurance companies, Securities Firms and Fund Managers	20,508	20,508	20,508	1,641
Corporates	8,307,011	7,964,488	6,802,410	544,192
Regulatory retail	7,947,769	7,335,513	6,629,408	530,352
Residential mortgages	7,065,748	7,054,380	1,925,014	154,001
Higher risk assets	15,699	15,698	23,548	1,884
Other assets	693,557	693,557	510,783	40,863
Equity exposures	152,540	152,540	224,096	17,928
Defaulted exposures	366,240	360,740	427,503	34,200
Total on-balance sheet exposures	33,856,295	32,884,647	17,281,290	1,382,503
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,171,389	3,166,633	2,777,424	222,194
Derivative financial instruments	123,208	123,208	50,068	4,005
Defaulted exposures	27,047	27,015	40,523	3,242
Total off-balance sheet exposures	3,321,644	3,316,856	2,868,015	229,441
Total on and off-balance sheet exposures	37,177,939	36,201,503	20,149,305	1,611,944
(ii) Market Risk [Note 43(f)]				
Interest rate risk	Long Position 1,947,728	Short Position (5,004)	48,460	3,877
Equity risk	3,419	—	9,412	753
Foreign currency risk	14,012	(3,158)	14,012	1,121
Total	1,965,159	(8,162)	71,884	5,751
(iii) Operational Risk	—	—	2,222,953	177,836
Total RWA and capital requirements	37,177,939	36,201,503	22,444,142	1,795,531

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

43. CAPITAL ADEQUACY (cont'd)

(c) The breakdown of RWA by exposures in each major risk category are as follows (cont'd):

Group 2010 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000		
(i) Credit Risk						
On-balance sheet exposures:						
Sovereigns/Central banks	5,182,234	5,182,234	—	—		
Public sector entities	50,809	50,809	10,162	813		
Banks, DFIs and MDBs	2,821,041	2,821,042	582,524	46,602		
Insurance companies, Securities Firms and Fund Managers	20,204	20,204	20,204	1,616		
Corporates	7,432,449	7,149,098	6,197,422	495,794		
Regulatory retail	7,946,216	7,446,260	5,580,751	446,460		
Residential mortgages	6,669,658	6,657,174	2,949,854	235,988		
Higher risk assets	7,522	7,530	11,296	904		
Other assets	747,641	747,640	548,695	43,895		
Equity exposures	34,317	34,317	46,761	3,741		
Defaulted exposures	359,469	357,170	441,834	35,347		
Total on-balance sheet exposures	31,271,560	30,473,478	16,389,503	1,311,160		
Off-balance sheet exposures:						
Credit-related off-balance sheet exposures	3,154,545	3,147,948	2,766,939	221,355		
Derivative financial instruments	86,119	86,119	33,275	2,662		
Total off-balance sheet exposures	3,240,664	3,234,067	2,800,214	224,017		
Total on and off-balance sheet exposures	34,512,224	33,707,545	19,189,717	1,535,177		
(ii) Market Risk [Note 43(f)]						
Foreign Currency Risk	<table><tr><td>Long Position 9,074</td><td>Short Position (19,663)</td></tr></table>	Long Position 9,074	Short Position (19,663)		19,663	1,573
Long Position 9,074	Short Position (19,663)					
(iii) Operational Risk	—	—	2,126,663	170,133		
Total RWA and capital requirements	34,512,224	33,707,545	21,336,043	1,706,883		

31 March 2011

(d) The breakdown of credit risk exposures by risk-weights are as follows:

Exposures after netting and Credit risk mitigation

[illegible]

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

43. CAPITAL ADEQUACY (cont'd)

(e) 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				
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	8,155,139		1,631,028	1,380,827
	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
2010				
Credit-related exposures				
Direct credit substitutes	501,940		501,940	501,940
Transaction-related contingent items	456,421		228,211	228,211
Short-term self-liquidating trade-related contingencies	167,968		33,594	33,594
Irrevocable commitments to extent credit:				
– maturity exceeding one year	1,526,427		763,214	626,319
– maturity not exceeding one year	8,137,938		1,627,586	1,376,875
	10,790,694		3,154,545	2,766,939
Derivative financial instruments				
Foreign exchange related contracts:				
– less than one year	2,452,403	38,588	64,501	28,951
Interest rate related contracts:				
– one year or less	560,000	491	2,745	549
– over one year to three years	270,000	1,370	5,423	1,085
– over three years	220,000	4,249	13,450	2,690
	3,502,403	44,698	86,119	33,275
	14,293,097	44,698	3,240,664	2,800,214

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

43. CAPITAL ADEQUACY (cont'd)

(f) The RWA and capital requirements for the various categories of risk under market risk are as follows:

	Risk-Weighted Assets RM'000	Group Capital Requirements RM'000
2011		
Interest rate risk		
– General interest rate risk	47,610	3,809
– Specific interest rate risk	850	68
	48,460	3,877
Equity risk		
– General interest rate risk	3,425	274
– Specific interest rate risk	5,987	479
	9,412	753
Foreign exchange risk	14,012	1,121
	71,884	5,751
2010		
Interest rate risk		
– General interest rate risk	–	–
– Specific interest rate risk	–	–
	–	–
Equity risk		
– General interest rate risk	–	–
– Specific interest rate risk	–	–
	–	–
Foreign exchange risk	19,663	1,573
	19,663	1,573

44. CAPITAL

The Group's capital management objectives are:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

45. LEASE COMMITMENTS

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Within one year	21,295	30,077	316	297
Between one and five years	14,183	21,194	810	159
	35,478	51,271	1,126	456

The operating leases for the Group and the Company's other premises typically cover for an initial period of three years with options for renewal. These leases are cancellable but are usually renewed upon expiry or replaced by leases on other properties. Future minimum lease commitments are anticipated to be not less than the rental expense for 2011.

46. 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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(a) Transactions				
Interest income				
– subsidiaries	–	–	(18,176)	(16,946)
– key management personnel	(6)	(42)	–	–
Dividend income				
– subsidiary	–	–	(146,462)	(136,321)
Overhead expenses recharged				
– subsidiaries	–	–	(1,635)	(1,341)
Interest expenses				
– key management personnel	1,034	1,875	–	–
Management fees paid				
– related companies	348	173	–	–
(b) Balances				
Amount due (to)/from deposits from customers				
– key management personnel	–	(66,111)	–	–
Overdraft				
– key management personnel	89	–	–	–
Money at call and deposit placements with financial institution				
– subsidiaries	–	–	650,249	640,650
Loans, advances and financing				
– key management personnel	322	1,468	–	–
Other assets				
– subsidiaries	–	–	11	5,824
Other liabilities				
– subsidiaries	–	–	(5)	(1,452)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

- (i) The above transactions have been entered into the normal course of business based on negotiated and mutually agreed terms, and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.
- (ii) Related companies refer to member companies of Alliance Financial Group Berhad.
- (iii) Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly, including Executive Directors and Non-Executive Directors of the Group and the Company (including close members of their families). Other members of key management personnel of the Group are the Group Chief Executive Officer, Group Chief Operating Officer, Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Credit Officer and Group Company Secretary.

(c) Compensation of key management personnel

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short-term employee benefits				
Fees	1,876	1,717	525	480
Salary and other remuneration, including meeting allowances	6,818	6,709	659	577
Contribution to EPF	758	702	44	42
Share options/grants under ESS	781	779	76	68
Benefits-in-kind	93	131	38	38
	10,326	10,038	1,342	1,205

Included in the total key management personnel are:

Directors' remuneration (Note 34)	6,961	7,355	922	810
-----------------------------------	--------------	-------	------------	-----

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	2011 '000	2010 '000	2011 '000	2010 '000
At beginning of year	2,289	4,693	309	683
Directors/key management personnel appointed during the year	183	—	24	—
Offered/awarded	1,484	2,609	238	363
Vested	—	—	(67)	(132)
Lapsed	(906)	(5,013)	(125)	(605)
At end of year	3,050	2,289	379	309
Company				
At beginning of year	221	134	29	19
Offered/awarded	55	87	9	15
Vested	—	—	(10)	(5)
At end of year	276	221	28	29

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and the fair value of the financial assets and liabilities of the Group and of the Company are as follows:

Group	2011		2010	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Cash and short-term funds	914,038	914,038	3,564,545	3,564,545
Deposits and placements with banks and other financial institutions	100,228	100,228	150,156	150,156
Financial assets held-for-trading	1,938,250	1,938,250	—	—
Financial investments available-for-sale	9,259,940	9,259,940	5,154,828	5,154,828
Financial investments held-to-maturity	940,726	955,844	931,420	961,176
Derivative financial assets	32,047	32,047	44,698	44,698
Loans, advances and financing	21,796,319	22,137,588	20,705,491	20,993,406
Balances due from clients and brokers	80,519	80,519	72,568	72,568
Financial liabilities				
Deposits from customers	28,345,647	28,345,646	23,628,331	23,627,035
Deposits and placements of banks and other financial institutions	1,952,200	1,912,490	2,289,666	2,257,623
Derivative financial liabilities	33,347	33,347	50,175	50,175
Amount due to Cagamas Berhad	125,776	125,882	28,077	24,478
Bills and acceptances payable	111,159	111,159	538,350	538,350
Balances due to clients and brokers	86,743	86,743	80,249	80,249
Subordinated bonds	600,000	615,025	600,000	611,400
Long term borrowings	601,272	598,000	600,000	602,000
Company				
Financial assets				
Cash and short-term funds	46,858	46,858	30,847	30,847
Deposits and placements with banks and other financial institutions	605,700	605,700	610,800	610,800
Financial liability				
Long term borrowings	601,272	598,000	600,000	602,000

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

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

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

(i) Cash and short-term funds

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

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

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

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

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

(iv) Derivative financial instruments

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

(v) Loans, advances and financing

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

(vi) Deposits from customers

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

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

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

(viii) Amount due to Cagamas Berhad

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

(ix) Long term borrowings

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

(x) Subordinated bonds

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

48. SEGMENT INFORMATION

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

The Group is organised into the following key operating segments:

(i) Consumer banking

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

(ii) Business banking

Business Banking segment covers Small and Medium Enterprise ("SME"), Commercial and Corporate Banking. SME Banking customers comprise self-employed, small and medium scale enterprises. Commercial and Corporate Banking serve larger business customers, with Commercial Banking targeting family-owned businesses while Corporate Banking focus more on public-listed and large corporate. Business Banking provides a wide range of services and products covering 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 include initial public offering, equity and debt fund raising, loan syndication, mergers and acquisition, as well as corporate restructuring.

(v) Others

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

31 March 2011

48. Segment Information (cont'd)

[illegible]

31 March 2011

48. Segment Information (cont'd)

[illegible]

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

49. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Adjustments due to changes in accounting policies

During the current reporting period, the Group adopted the following significant standards and amendments to FRS :

- (i) FRS 139 Financial Instruments: Recognition and Measurement
- (ii) IC Interpretation 9 Reassessment of Embedded Derivatives
- (iii) FRS 7 Financial Instruments: Disclosures
- (iv) Amendments to FRS 139 "Financial Instruments: Recognition and Measurement", FRS 7 "Financial Instruments: Disclosures" and IC Interpretation 9 "Reassessment of Embedded Derivatives"

The objectives of FRS 139 is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Since the adoption of BNM's revised BNM/GP8 - Guidelines on Financial Reporting for Licensed Institutions on 1 January 2005, certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivatives instruments which are similar to those prescribed by FRS 139 have been adopted by the Group. With the full adoption of FRS 139 with effect from 1 April 2010 for the Group, this has resulted in the following material changes in accounting policies as follows:

- (a) Impairment of loans, advances and financing – the change in the accounting policies is as prescribed in Note 2(j)(i),
- (b) Interest and financing income recognition – the change in the accounting policies is as prescribed in Note 2(s)(ii), and
- (c) Fair value on unquoted shares previously recorded at amortised cost – the change in the accounting policies is as prescribed in Note 2(e)(ii).

The changes in accounting policies as described above which resulted in adjustments to opening reserves of the Group is as follows:

	Audited as at 1 April 2010 RM'000	FRS 139 Fair value/ impairment RM'000	Reclassification RM'000	Adjusted As at 1 April 2010 RM'000
Statements of Financial Position				
ASSETS				
Cash and short-term funds	3,564,545	–	–	3,564,545
Deposits and placements with banks and other financial institutions	150,156	–	–	150,156
Financial investments available-for-sale	5,154,828	89,499	18,516	5,262,843
Financial investments held-to-maturity	931,420	–	(18,516)	912,904
Derivative financial assets	44,698	–	–	44,698
Loans, advances and financing	20,648,445	57,471	–	20,705,916
Balances due from clients and brokers	72,568	–	–	72,568
Land held for investment	27,748	–	–	27,748
Other assets	186,707	(9,034)	–	177,673
Tax recoverable	24,316	–	–	24,316
Statutory deposits	258,506	–	–	258,506
Leasehold land	11,119	–	–	11,119
Property, plant and equipment	123,974	–	–	123,974
Intangible assets	361,858	–	–	361,858
Deferred tax assets	102,727	(34,482)	–	68,245
TOTAL ASSETS	31,663,615	103,454	–	31,767,069

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

49. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (cont'd)

The changes in accounting policies as described above which resulted in adjustments to opening reserves of the Group is as follows (cont'd):

	Audited as at 1 April 2010 RM'000	FRS 139 Fair value/ impairment RM'000	Reclassification RM'000	Adjusted As at 1 April 2010 RM'000
Statements of Financial Position (cont'd)				
LIABILITIES AND EQUITY				
Deposits from customers	23,628,331	—	—	23,628,331
Deposits and placements of banks and other financial institutions	2,289,666	—	—	2,289,666
Derivative financial liabilities	50,175	—	—	50,175
Amount due to Cagamas Berhad	28,077	—	—	28,077
Bills and acceptances payable	538,350	—	—	538,350
Balances due to clients and brokers	80,249	—	—	80,249
Other liabilities	892,880	—	—	892,880
Subordinated bonds	600,000	—	—	600,000
Long term borrowings	600,000	—	—	600,000
Provision for taxation	4,201	—	—	4,201
Deferred tax liabilities	5	—	—	5
TOTAL LIABILITIES	28,711,934	—	—	28,711,934
Share capital	1,548,106	—	—	1,548,106
Reserves	1,445,732	103,454	—	1,549,186
Shares held for Employees' Share Scheme	(46,697)	—	—	(46,697)
CAPITAL AND RESERVES				
ATTRIBUTABLE TO EQUITY HOLDERS	2,947,141	103,454	—	3,050,595
Minority interests	4,540	—	—	4,540
TOTAL EQUITY	2,951,681	103,454	—	3,055,135
TOTAL LIABILITIES AND EQUITY	31,663,615	103,454	—	31,767,069

The quantification of the financial effect of the changes in accounting policies above on the current year's statement of comprehensive income and its consequential effect on earnings per share is impracticable, as the previous basis of quantifying loan impairment allowances and loan interest recognition has been discontinued upon the adoption of FRS 139.

Adjustments due to changes in accounting estimates

FRS 116 "Property, Plant and Equipment" requires the review of the residual value and the useful life of an asset at least at each financial year end. The Group revised the estimated useful life of office equipment with effect from 1 April 2010. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year end have been increased by RM7,806,000.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

50. COMPARATIVE FIGURES

(i) FRS 101 : Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statements of the Group for the comparative financial year ended 31 March 2010 have been re-presented as a combined statements of total comprehensive income comprising components of profit or loss and other comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of other comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact to the results, performance and earnings per ordinary share of the Group.

(ii) FRS 7 : Financial Instruments: Disclosures

The adoption of FRS 7 during the financial year will result in additional disclosures to be made in the annual accounts of the Group. The standard also require disclosure of the statement of financial position and statement of comprehensive income to be made by categories of financial assets and liabilities, which has minimal impact on the comparative disclosures of the Group, as the presentation is already made by categories of financial assets and liabilities.

In addition to the adoption of FRS 101 and FRS 7 that resulted representation of the comparative, the following comparatives have been reclassified to conform with the current period's presentation.

		As previously reported RM'000	Group Reclassification RM'000	As restated RM'000
	Note			
(i) Statements of Financial Position as at 31 March 2009				
Loans, advances and financing	(i)	18,718,097	57,872	18,775,969
Other assets	(i)	235,626	(57,872)	177,754
Property, plant and equipment	(ii)	137,567	12,136	149,703
Leasehold land	(ii)	12,136	(12,136)	–
(ii) Statements of Comprehensive Income for the financial year ended 31 March 2009				
Interest income	(i)	1,250,599	(22,933)	1,227,666
Other operating income	(i)	235,038	22,933	257,971
(iii) Statements of Financial Position as at 31 March 2010				
Loans, advances and financing	(i)	20,648,445	57,046	20,705,491
Other assets	(i)	186,707	(57,046)	129,661
Property, plant and equipment	(ii)	123,974	11,119	135,093
Leasehold land	(ii)	11,119	(11,119)	–
(iv) Statements of Comprehensive Income for the financial year ended 31 March 2010				
Interest income	(i)	1,094,407	(31,340)	1,063,067
Other operating income	(i)	201,830	31,340	233,170

Note:

- (i) The reclassification is in relation to unamortised sales commission which was previously classified as other assets, now reclassified as part of the loans, advances and financing balances. Similarly, the sales commission amortised over the expected life of the loan/financing and hire purchase handling fees, which were previously netted off in other operating income is now netted off against the interest income generated from loan/financing.
- (ii) The reclassification is in relation to reclassification of leasehold land to property, plant and equipment due to adoption of FRS 117 improvement.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

51. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(i) Dissolution of subsidiary

Matrix Core Options & Futures Sdn. Bhd., a subsidiary of the Company, was dissolved on 14 March 2011 pursuant to Section 272(5) of the Companies Act, 1965.

52. SUBSEQUENT EVENTS

(i) Tier-2 Subordinated Medium Term Notes Programme of Up to RM1.5 billion in nominal value ("Subordinated MTN Programme")

On 8 April 2011, ABMB, a wholly-owned subsidiary of AFGB had completed the issuance of RM600 million Subordinated Medium Term Notes ("Subordinated Notes") under the RM1.5 billion Subordinated MTN Programme.

The Subordinated MTN Programme was earlier approved by Bank Negara Malaysia ("BNM") and the Securities Commission ("SC") 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 the 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 discount. The proceeds have been used to redeem the existing RM600 million Subordinated Bonds of ABMB on 26 May 2011.

(ii) Dissolution of subsidiary

KLCS Asset Management Sdn. Bhd., a subsidiary of Alliance Investment Bank Berhad was dissolved on 28 April 2011 pursuant to Section 272(5) of the Companies Act, 1965.

53. NET INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2011 RM'000	2010 RM'000
Income derived from investment of depositors' funds and others	292,564	210,509
Income derived from investment of Islamic Banking funds	27,988	25,043
Transfer from profit equalisation reserve	—	50,058
Income attributable to depositors and financial institutions	(112,805)	(59,130)
	207,747	226,480
Add: Income due to head office eliminated at Group level	24,985	19,341
	232,732	245,821

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

54. REALISED AND UNREALISED PROFITS

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

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

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

	2011 Group RM'000	2011 Company RM'000
Total retained profits		
– Realised	1,045,846	5,553
– Unrealised	144,761	284
	1,190,607	5,837
Less: Consolidation adjustments	(282,523)	–
Total retained profits as per accounts	908,084	5,837

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

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

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



ALLIANCE BANK MALAYSIA BERHAD (88103-W)

Abridged Financial Statements

210	Statements of Financial Position
211	Statements of Comprehensive Income
212	Statements of Changes in Equity
214	Statements of Cash Flows
216	Notes to the Financial Statements
227	Independent Auditors' Report

STATEMENTS OF FINANCIAL POSITION OF ALLIANCE BANK MALAYSIA BERHAD

as at 31 March 2011

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
ASSETS				
Cash and short-term funds	958,111	3,182,455	911,730	3,563,549
Deposits and placements with banks and other financial institutions	954,610	983,000	100,228	150,156
Financial assets held-for-trading	1,176,190	–	1,938,250	–
Financial investments available-for-sale	6,329,994	3,266,979	9,259,940	5,154,828
Financial investments held-to-maturity	633,521	655,250	940,726	931,420
Derivative financial assets	32,047	44,698	32,047	44,698
Loans, advances and financing	17,718,442	17,218,069	21,796,319	20,705,491
Balances due from clients and brokers	–	–	80,519	72,568
Other assets	103,509	121,631	87,008	129,154
Tax recoverable	–	18,143	2,442	22,974
Statutory deposits with Bank Negara Malaysia	225,300	208,200	291,008	258,406
Investments in subsidiaries	801,664	801,664	–	–
Investments in associates	30,230	230	29,038	506
Property, plant and equipment	100,847	126,708	104,553	134,733
Deferred tax assets	75,272	65,900	108,808	102,722
Intangible assets	241,141	245,068	357,682	361,858
TOTAL ASSETS	29,380,878	26,937,995	36,040,298	31,633,063
LIABILITIES AND EQUITY				
Deposits from customers	23,418,868	20,450,911	28,997,092	24,270,378
Deposits and placements of banks and other financial institutions	1,390,331	1,796,043	1,952,200	2,289,666
Derivative financial liabilities	33,347	50,175	33,347	50,175
Amount due to Cagamas Berhad	125,776	28,077	125,776	28,077
Bills and acceptances payable	111,140	531,369	111,159	538,350
Balances due to clients and brokers	–	–	86,743	80,249
Other liabilities	663,533	753,946	810,317	895,375
Provision for taxation	35,206	–	40,507	4,202
Deferred tax liabilities	–	–	6,792	1
Subordinated bonds	600,000	600,000	600,000	600,000
TOTAL LIABILITIES	26,378,201	24,210,521	32,763,933	28,756,473
Share capital	600,517	600,517	600,517	600,517
Reserves	2,402,160	2,126,957	2,671,360	2,271,534
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK	3,002,677	2,727,474	3,271,877	2,872,051
Minority interests	–	–	4,488	4,539
TOTAL EQUITY	3,002,677	2,727,474	3,276,365	2,876,590
TOTAL LIABILITIES AND EQUITY	29,380,878	26,937,995	36,040,298	31,633,063
COMMITMENTS AND CONTINGENCIES	14,758,344	13,400,173	15,909,028	14,293,097

STATEMENTS OF COMPREHENSIVE INCOME OF ALLIANCE BANK MALAYSIA BERHAD

for the year ended 31 March 2011

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest income	1,126,444	996,339	1,203,400	1,062,587
Interest expense	(490,539)	(448,437)	(530,003)	(474,499)
Net interest income	635,905	547,902	673,397	588,088
Net income from Islamic banking business	–	–	232,732	245,821
Other operating income	213,041	228,753	225,701	233,313
Net income	848,946	776,655	1,131,830	1,067,222
Other operating expenses	(399,763)	(425,340)	(541,682)	(551,643)
Share of results of associates	–	–	(1,467)	3
Operating profit	449,183	351,315	588,681	515,582
(Allowance for)/write-back of losses on loans, advances and financing and other losses	(19,405)	5,263	(33,008)	32,258
Write-back of/(allowance for) impairment	4,070	(103,358)	4,076	(132,881)
Profit before taxation and zakat	433,848	253,220	559,749	414,959
Taxation and zakat	(112,438)	(70,042)	(144,381)	(108,521)
Net profit after taxation and zakat	321,410	183,178	415,368	306,438
Other comprehensive income:				
Revaluation reserve on financial investments available-for-sale				
– Net loss from change in fair value	(7,054)	(11,007)	(7,925)	(16,979)
– Transfer from deferred tax assets	1,763	2,752	1,981	4,245
Other comprehensive loss, net of tax	(5,291)	(8,255)	(5,944)	(12,734)
Total comprehensive income for the year	316,119	174,923	409,424	293,704
Profit attributable to:				
Equity holder of the Bank	321,410	183,178	415,419	306,362
Minority interests	–	–	(51)	76
Net profit after taxation and zakat	321,410	183,178	415,368	306,438
Total comprehensive income attributable to:				
Equity holder of the Bank	316,119	174,923	409,475	293,628
Minority interests	–	–	(51)	76
Total comprehensive income for the year	316,119	174,923	409,424	293,704
Earnings per share attributable to ordinary equity holder of the Bank				
– Basic (sen)			70	51
– Diluted (sen)			52	38
Net dividends per ordinary share in respect of the year (sen)			23.62	19.65

STATEMENTS OF CHANGES IN EQUITY OF ALLIANCE BANK MALAYSIA BERHAD

for the year ended 31 March 2011

	Non-distributable reserves				Distributable reserves				
	Ordinary shares RM'000	ICPS ¹ RM'000	Share premium RM'000	Statutory reserve RM'000	Other reserves RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Retained profits RM'000	Total equity RM'000
Bank									
At 1 April 2009	596,517	4,000	597,517	601,561	17	14,207	6,627	835,269	2,655,715
Net profit after taxation and zakat	-	-	-	-	-	-	-	183,178	183,178
Other comprehensive loss	-	-	-	-	-	(8,255)	-	-	(8,255)
Total comprehensive (loss)/income	-	-	-	-	-	(8,255)	-	183,178	174,923
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	-	5,772	-	5,772
Payment for ESS recharged from parent	-	-	-	-	-	-	(1,695)	-	(1,695)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(370)	370	-
Dividends paid	-	-	-	-	-	-	-	(107,241)	(107,241)
Reclassification of other reserves to retained profits	-	-	-	-	(17)	-	-	17	-
At 31 March 2010	596,517	4,000	597,517	601,561	-	5,952	10,334	911,593	2,727,474
At 1 April 2010, as previously stated	596,517	4,000	597,517	601,561	-	5,952	10,334	911,593	2,727,474
Effects of adopting FRS 139	-	-	-	-	-	42,390	-	29,739	72,129
At 1 April 2010, as restated	596,517	4,000	597,517	601,561	-	48,342	10,334	941,332	2,799,603
Net profit after taxation and zakat	-	-	-	-	-	-	-	321,410	321,410
Other comprehensive loss	-	-	-	-	-	(5,291)	-	-	(5,291)
Total comprehensive (loss)/income	-	-	-	-	-	(5,291)	-	321,410	316,119
Share-based payment under ESS	-	-	-	-	-	-	4,852	-	4,852
Payment for ESS recharged from parent	-	-	-	-	-	-	(3,051)	-	(3,051)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(332)	332	-
Dividends paid	-	-	-	-	-	-	-	(114,846)	(114,846)
At 31 March 2011	596,517	4,000	597,517	601,561	-	43,051	11,803	1,148,228	3,002,677

¹ ICPS = Irredeemable (non-cumulative) Convertible Preference Shares.

STATEMENTS OF CHANGES IN EQUITY OF ALLIANCE BANK MALAYSIA BERHAD

for the year ended 31 March 2011

Attributable to Equity Holder of the Bank												
	Ordinary shares RM'000	ICPS RM'000	Share premium RM'000	Statutory reserve RM'000	Other reserves RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Profit equalisation reserve ("PER") RM'000	Retained profits RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group	596,517	4,000	597,517	671,953	10,035	20,174	7,664	-	772,867	2,680,727	4,652	2,685,379
At 1 April 2009	-	-	-	-	-	-	-	-	306,362	306,362	76	306,438
Net profit after taxation and zakat	-	-	-	-	-	(12,734)	-	-	-	(12,734)	-	(12,734)
Other comprehensive loss	-	-	-	-	-	(12,734)	-	-	306,362	293,628	76	293,704
Total comprehensive (loss)/income	-	-	-	-	-	-	6,915	-	-	6,915	-	6,915
Share-based payment under ESS	-	-	-	-	-	-	(1,978)	-	-	(1,978)	-	(1,978)
Payment for ESS recharged from parent	-	-	-	-	-	-	-	-	416	-	-	-
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(416)	-	(63,562)	-	-	-
Transfer to statutory reserve	-	-	-	63,562	-	-	-	-	(26,388)	-	-	-
Transfer to PER	-	-	-	-	-	-	-	26,388	(107,241)	(107,241)	-	(107,241)
Dividends paid	-	-	-	-	-	-	-	-	17	-	-	-
Reclassification of other reserves to retained profits	-	-	-	-	(17)	-	-	-	-	-	-	-
Dissolution of subsidiaries	-	-	-	-	-	-	-	-	-	-	(189)	(189)
At 31 March 2010	596,517	4,000	597,517	735,515	10,018	7,440	12,185	26,388	882,471	2,872,051	4,539	2,876,590
At 1 April 2010, as previously stated	596,517	4,000	597,517	735,515	10,018	7,440	12,185	26,388	882,471	2,872,051	4,539	2,876,590
Effects of adopting FRS 139	-	-	-	-	-	67,124	-	-	36,330	103,454	-	103,454
At 1 April 2010, as restated	596,517	4,000	597,517	735,515	10,018	74,564	12,185	26,388	918,801	2,975,505	4,539	2,980,044
Net profit/(loss) after taxation and zakat	-	-	-	-	-	-	-	-	415,419	415,419	(51)	415,368
Other comprehensive loss	-	-	-	-	-	(5,944)	-	-	-	(5,944)	-	(5,944)
Total comprehensive (loss)/income	-	-	-	-	-	(5,944)	-	-	415,419	409,475	(51)	409,424
Share-based payment under ESS	-	-	-	-	-	-	5,228	-	-	5,228	-	5,228
Payment for ESS recharged from parent	-	-	-	-	-	-	(3,485)	-	-	(3,485)	-	(3,485)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(384)	-	384	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	(50,891)	-	-	-
Transfer to PER	-	-	-	50,891	-	-	-	-	25,355	-	-	-
Dividends paid	-	-	-	-	-	-	-	(25,355)	(114,846)	(114,846)	-	(114,846)
At 31 March 2011	596,517	4,000	597,517	786,406	10,018	68,620	13,544	1,033	1,194,222	3,271,877	4,488	3,276,365

STATEMENTS OF CASH FLOWS OF ALLIANCE BANK MALAYSIA BERHAD

for the year ended 31 March 2011

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and zakat:	433,848	253,220	559,749	414,959
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	(75,141)	(33,912)	(82,179)	(27,342)
Depreciation of property, plant and equipment	34,908	35,342	39,516	39,769
Amortisation of computer software	14,014	15,784	14,420	16,307
Dividends from financial investments available-for-sale	(2,886)	(5,806)	(3,705)	(6,321)
Dividends from subsidiaries	(17,263)	(18,935)	–	–
Loss/(gain) on disposal of property, plant and equipment	321	(14)	329	(362)
Property, plant and equipment written-off	3,261	702	3,399	1,129
Computer software written-off	1	1,589	1	1,589
Loss/(gain) on disposal of foreclosed properties	38	(7,029)	38	(7,029)
Net gain from redemption of financial investments held-to-maturity	(3)	–	(3)	–
Net (gain)/loss from sale of financial assets held-for-trading	(417)	(363)	(417)	228
Net gain from sale of financial investments available-for-sale	(1,872)	(9,688)	(3,509)	(11,944)
Unrealised (gain)/loss on revaluation of financial assets held-for-trading	(220)	(27)	(256)	5,152
Interest expense on subordinated bonds	36,540	36,540	36,540	36,540
Unrealised gain on revaluation of derivative instruments	(4,149)	(3,266)	(4,149)	(3,266)
Interest income from financial investments held-to-maturity	(24,187)	(13,089)	(30,682)	(17,251)
Interest income from financial investments available-for-sale	(146,531)	(119,504)	(206,340)	(177,102)
Allowance for loans, advances and financing (net of recoveries)	77,524	39,009	103,804	21,397
Allowance for other assets (net of recoveries)	6,353	4,077	4,974	3,723
Impairment net of write-back of financial investments available-for-sale	(579)	102,863	(585)	134,712
Impairment net of write-back of financial investments held-to-maturity	(3,491)	450	(3,491)	(3,900)
Impairment net of write-back of foreclosed properties	–	–	–	(15)
Allowance for impairment of goodwill	–	45	–	2,084
(Write-back of)/allowance for commitment and contingencies	(2,866)	1,433	59	1,433
Share options/grants under Employees' Share Scheme	4,852	5,772	5,228	6,915
Profit equalisation reserve	–	–	–	(50,058)
Share of results of associates	–	–	1,467	(3)
Loss on liquidation of subsidiaries	–	–	–	50
Operating profit before working capital changes	332,055	285,193	434,208	381,394
Changes in working capital:				
Deposits from customers	2,913,422	(2,773,654)	4,646,392	(1,959,939)
Deposits and placements of banks and other financial institutions	(412,521)	712,682	(346,208)	1,106,279
Bills and acceptances payable	(420,229)	529,169	(427,191)	536,135
Other liabilities	(26,201)	(78,472)	3,953	(9,892)
Deposits and placements with banks and other financial institutions	48,844	18,373	71,354	48,367
Financial assets held-for-trading	(1,153,072)	35,077	(1,909,800)	40,722
Loans, advances and financing	(538,246)	(893,098)	(1,146,201)	(1,951,745)
Other assets	(21,685)	55,697	(22,383)	51,786
Balances due from clients and brokers	–	–	5,971	(47,158)
Amount due from subsidiaries	(9,003)	(6,635)	–	–
Amount due from holding company	218	193	218	193
Statutory deposits with Bank Negara Malaysia	(17,100)	(39,000)	(32,602)	(59,482)
Amount due to Cagamas Berhad	97,699	(30,314)	97,699	(30,314)
Payment for ESS recharged from parent	(3,051)	(1,695)	(3,485)	(1,978)
Cash generated from/(used in) operations	791,130	(2,186,484)	1,371,925	(1,895,632)
Taxes and zakat paid	(86,382)	(36,579)	(119,269)	(35,763)
Net cash generated from/(used in) operating activities	704,748	(2,223,063)	1,252,656	(1,931,395)

STATEMENTS OF CASH FLOWS OF ALLIANCE BANK MALAYSIA BERHAD

for the year ended 31 March 2011

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends from financial investments available-for-sale	2,842	4,993	3,657	5,558
Net dividends from subsidiaries	12,947	14,201	–	–
Interest income from financial investments held-to-maturity	24,187	13,089	30,682	17,251
Interest income from financial investments available-for-sale	146,531	119,504	206,340	177,102
Purchase of property, plant and equipment	(14,347)	(28,287)	(14,882)	(28,458)
Purchase of computer software	(10,222)	(13,294)	(10,400)	(13,326)
Purchase of financial investments held-to-maturity, net of maturity and redemption proceeds	37,735	(458,314)	6,640	(586,943)
Purchase of financial investments available-for-sale, net of sale proceeds	(2,949,231)	1,014,876	(3,940,354)	1,026,888
Proceeds from disposal of property, plant and equipment	1,718	2,013	1,818	2,419
Proceeds from disposal of computer software	134	–	155	–
Return on capital from liquidation of subsidiaries	–	–	–	(38)
Capital injection of investment in an associate	(30,000)	–	(30,000)	–
Net cash (used in)/generated from investing activities	(2,777,706)	668,781	(3,746,344)	600,453
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest expense on subordinated bonds	(36,540)	(36,540)	(36,540)	(36,540)
Dividends paid to holding company	(114,846)	(107,241)	(114,846)	(107,241)
Net cash used in financing activities	(151,386)	(143,781)	(151,386)	(143,781)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,224,344)	(1,698,063)	(2,645,074)	(1,474,723)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,182,455	4,880,518	3,469,300	4,944,023
CASH AND CASH EQUIVALENTS AT END OF YEAR	958,111	3,182,455	824,226	3,469,300
Cash and cash equivalents comprise the following:				
Cash and short-term funds	958,111	3,182,455	911,730	3,563,549
Less: Monies held in trust	–	–	(87,504)	(94,249)
	958,111	3,182,455	824,226	3,469,300

NOTES TO THE FINANCIAL STATEMENTS OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

1. FINANCIAL ASSETS HELD-FOR-TRADING

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At fair value				
<u>Money market instruments:</u>				
Bank Negara Malaysia bills	1,096,239	—	1,848,299	—
Malaysian Government investment certificates	59,951	—	59,951	—
Malaysian Government treasury bills	20,000	—	30,000	—
	1,176,190	—	1,938,250	—

2. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government securities	2,659,093	965,960	3,244,713	1,748,115
Malaysian Government investment certificates	162,420	127,827	764,371	566,495
Negotiable instruments of deposits	1,042,371	349,973	1,741,201	459,444
Bankers' acceptances	956,814	799,951	1,388,637	799,951
Cagamas bonds	20,213	170,327	35,396	205,629
<u>Quoted securities in Malaysia:</u>				
Shares	11	17	3,875	3,919
Debt securities	7,818	7,591	7,818	7,591
<u>Unquoted securities:</u>				
Shares	82,607	11,377	117,587	11,377
Debt securities	1,398,647	833,956	1,956,342	1,352,307
	6,329,994	3,266,979	9,259,940	5,154,828

3. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At amortised cost				
<u>Money market instruments:</u>				
Malaysian Government securities	629,057	634,434	804,820	811,208
Malaysian Government investment certificates	—	—	105,624	39,368
At cost				
<u>Quoted securities in Malaysia:</u>				
Debt securities	—	—	4,902	4,902
<u>Unquoted securities:</u>				
Shares	—	17,981	—	22,021
Debt securities	61,177	64,504	116,711	152,248
	690,234	716,919	1,032,057	1,029,747
Accumulated impairment	(56,713)	(61,669)	(91,331)	(98,327)
	633,521	655,250	940,726	931,420

NOTES TO THE FINANCIAL STATEMENTS OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

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

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

	2011	
	Bank RM'000	Group RM'000
At beginning of year		
– As previously stated	61,669	98,327
– Effects of adopting FRS 139	(1,465)	(3,505)
As restated	60,204	94,822
Write-back during the year	(3,491)	(3,491)
At end of year	56,713	91,331

The Bank and the Group have applied FRS 7 prospectively in accordance with the transitional provision and hence, the comparative are not shown.

4. LOANS, ADVANCES AND FINANCING

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Overdrafts	1,603,198	1,539,697	1,753,908	1,632,204
Term loans/financing				
– Housing loans/financing	7,351,039	7,489,866	8,325,550	8,054,424
– Syndicated term loans/financing	267,440	253,927	287,171	278,248
– Hire purchase receivables	385,945	490,308	784,046	950,585
– Lease receivables	–	104	–	104
– Other term loans/financing	4,311,669	4,153,896	6,310,426	6,043,582
Bills receivables	178,851	55,579	179,607	56,017
Trust receipts	157,722	141,964	176,527	161,042
Claims on customers under acceptance credits	1,846,053	1,708,882	2,202,863	2,025,751
Staff loans [included loans to Directors of a subsidiary of RM121,000 (2010: RM182,000)]	32,821	40,084	60,938	69,271
Credit/charge card receivables	663,059	685,003	663,059	685,003
Revolving credits	1,156,101	936,466	1,347,748	1,114,634
Other loans	270,341	264,126	347,518	339,071
Gross loans, advances and financing	18,224,239	17,759,902	22,439,361	21,409,936
Add : Sales commissions and handling fees	37,722	86,069	24,969	57,046
Less : Allowance for impaired loans, advances and financing				
– Individual assessment allowance	(273,141)	–	(328,375)	–
– Collective assessment allowance	(270,378)	–	(339,636)	–
– Specific allowance	–	(366,203)	–	(438,582)
– General allowance	–	(261,699)	–	(322,909)
Total net loans, advances and financing	17,718,442	17,218,069	21,796,319	20,705,491

NOTES TO THE FINANCIAL STATEMENTS OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

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

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(i) <u>By maturity structure:</u>				
Within one year	5,994,251	5,560,190	6,854,057	6,307,079
One year to three years	433,016	533,503	786,069	906,149
Three years to five years	1,032,189	1,008,175	1,389,240	1,408,276
Over five years	10,764,783	10,658,034	13,409,995	12,788,432
Gross loans, advances and financing	18,224,239	17,759,902	22,439,361	21,409,936
(ii) <u>By type of customer:</u>				
Domestic non-bank financial institutions				
– Stockbroking companies	20,002	20,001	20,002	20,001
– Others	156,186	168,664	187,410	168,766
Domestic business enterprises				
– Small and medium enterprises	4,096,619	3,790,183	4,784,162	4,430,883
– Others	3,789,961	3,445,975	4,531,690	4,133,379
Government and statutory bodies	15,973	14,341	18,224	16,590
Individuals	9,633,266	9,859,573	12,349,218	12,157,289
Other domestic entities	14,311	4,650	14,671	5,088
Foreign entities	497,921	456,515	533,984	477,940
Gross loans, advances and financing	18,224,239	17,759,902	22,439,361	21,409,936
(iii) <u>By interest/profit rate sensitivity:</u>				
Fixed rate				
– Housing loans/financing	24,800	30,172	107,669	316,948
– Hire purchase receivables	385,945	489,857	784,046	950,134
– Other fixed rate loans/financing	732,674	766,555	2,208,270	2,188,491
Variable rate				
– Base lending rate plus	13,374,171	13,215,052	14,983,540	14,097,157
– Cost plus	3,553,060	3,229,272	4,125,070	3,753,267
– Other variable rates	153,589	28,994	230,766	103,939
Gross loans, advances and financing	18,224,239	17,759,902	22,439,361	21,409,936
(iv) <u>By economic purposes:</u>				
Purchase of securities	276,517	274,661	354,975	351,976
Purchase of transport vehicles	296,030	437,530	703,969	907,561
Purchase of landed property	10,133,099	10,108,682	11,514,820	11,092,067
of which: – Residential	7,730,398	7,838,529	8,671,706	8,408,597
– Non-residential	2,402,701	2,270,153	2,843,114	2,683,470
Purchase of fixed assets excluding land and buildings	96,745	60,768	99,836	66,540
Personal use	728,463	757,539	2,093,967	2,007,919
Credit card	663,059	685,003	663,059	685,003
Construction	238,415	249,439	253,621	293,211
Working capital	5,331,170	4,863,390	6,116,583	5,514,660
Others	460,741	322,890	638,531	490,999
Gross loans, advances and financing	18,224,239	17,759,902	22,439,361	21,409,936

NOTES TO THE FINANCIAL STATEMENTS OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

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

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(v) <u>By geographical distribution:</u>				
Northern region	1,573,741	1,443,506	1,882,761	1,775,991
Central region	13,149,993	12,842,947	16,442,221	15,626,298
Southern region	1,670,614	1,656,810	2,014,167	1,942,685
East Malaysia region	1,829,891	1,816,639	2,100,212	2,064,962
Gross loans, advances and financing	18,224,239	17,759,902	22,439,361	21,409,936
(vi) <u>Movements in impaired loans, advances and financing ("impaired loans") are as follows:</u>				
At beginning of year				
– As previously stated	650,478	699,539	806,279	875,070
– Effects of adopting FRS 139	25,837	–	37,587	–
As restated	676,315	699,539	843,866	875,070
Impaired during the year	467,756	572,424	564,613	670,112
Reclassified as performing during the year	(290,824)	(363,767)	(328,118)	(412,025)
Recoveries	(143,048)	(156,621)	(190,022)	(194,930)
Amount written off	(117,741)	(101,097)	(149,015)	(131,948)
At end of year	592,458	650,478	741,324	806,279
Gross impaired loans as % of gross loans, advances and financing	3.3%	3.7%	3.3%	3.8%
(vii) <u>Movements in the allowance for impaired loans are as follows:</u>				
Individual assessment allowance				
At beginning of year				
– As previously stated	–	–	–	–
– Effects of adopting FRS 139	321,364	–	389,578	–
As restated	321,364	–	389,578	–
Allowance made during the year (net)	69,518	–	87,812	–
Amount written off	(117,741)	–	(149,015)	–
At end of year	273,141	–	328,375	–
Collective assessment allowance				
At beginning of year				
– As previously stated	–	–	–	–
– Effects of adopting FRS 139	262,372	–	323,644	–
As restated	262,372	–	323,644	–
Allowance made during the year (net)	8,006	–	15,992	–
At end of year	270,378	–	339,636	–
As % of gross loans, advances and financing less individual assessment allowance	1.5%	–	1.5%	–

NOTES TO THE FINANCIAL STATEMENTS OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

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

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(vii) <u>Movements in the allowance for impaired loans are as follows (cont'd):</u>				
Specific allowance				
At beginning of year				
– As previously stated	366,203	394,418	438,582	531,824
– Effects of adopting FRS 139	(366,203)	–	(438,582)	–
As restated	–	394,418	–	531,824
Allowance made during the year	–	255,307	–	331,471
Amount written back in respect of recoveries	–	(182,425)	–	(292,765)
Amount written off	–	(101,097)	–	(131,948)
At end of year	–	366,203	–	438,582

Included in specific allowance of the Bank and the Group are allowances made for high risk accounts which are still performing amounting to RMNil (2010: RM11,426,000) and RMNil (2010: RM23,414,000) respectively.

General allowance

At beginning of year				
– As previously stated	261,699	295,572	322,909	340,218
– Effects of adopting FRS 139	(261,699)	–	(322,909)	–
As restated	–	295,572	–	340,218
Allowance made during the year	–	38,162	–	59,732
Amount written back	–	(72,035)	–	(77,041)
At end of year	–	261,699	–	322,909

As % of gross loans, advances and financing less specific allowance

– 1.5% – 1.5%

(viii) Impaired loans analysed by economic purposes are as follows:

Purchase of securities	4,586	6,674	10,268	16,399
Purchase of transport vehicles	2,536	5,263	8,959	13,992
Purchase of landed property	265,205	320,664	283,410	336,433
<i>of which: – Residential</i>	198,490	233,041	209,057	240,152
<i>– Non-residential</i>	66,715	87,623	74,353	96,281
Purchase of fixed assets excluding land and buildings	182	198	182	198
Personal use	27,032	33,289	37,151	40,451
Credit card	12,694	14,188	12,694	14,188
Construction	12,777	13,437	12,777	14,905
Working capital	229,497	233,911	315,987	321,637
Others	37,949	22,854	59,896	48,076
Gross impaired loans	592,458	650,478	741,324	806,279

(ix) Impaired loans by geographical distribution:

Northern region	84,733	68,538	104,487	76,455
Central region	375,912	402,968	500,546	543,900
Southern region	65,280	90,275	68,965	95,821
East Malaysia region	66,533	88,697	67,326	90,103
Gross impaired loans	592,458	650,478	741,324	806,279

NOTES TO THE FINANCIAL STATEMENTS OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

5. COMMITMENTS AND CONTINGENCIES

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

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Bank				
2011				
<u>Credit-related exposures</u>				
<u>Contingent liabilities</u>				
Direct credit substitutes	388,733		388,733	388,733
Transaction-related contingent items	484,479		242,239	242,239
Short-term self-liquidating trade-related contingencies	118,582		23,716	23,716
<u>Commitments</u>				
Irrevocable commitments to extent credit:				
– maturity exceeding one year	1,356,908		678,454	582,106
– maturity not exceeding one year	7,453,015		1,490,603	1,265,716
	9,801,717		2,823,745	2,502,510
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	2,844,627	22,568	77,079	40,842
Interest rate related contracts:				
– one year or less	380,000	257	637	127
– over one year to three years	1,447,000	6,465	29,535	5,907
– over three years	285,000	2,757	15,957	3,192
	4,956,627	32,047	123,208	50,068
	14,758,344	32,047	2,946,953	2,552,578

NOTES TO THE FINANCIAL STATEMENTS OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

5. COMMITMENTS AND CONTINGENCIES (cont'd)

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Group				
2011				
<u>Credit-related exposures</u>				
<u>Contingent liabilities</u>				
Direct credit substitutes	423,539		423,539	423,539
Transaction-related contingent items	515,311		257,655	257,655
Short-term self-liquidating trade-related contingencies	143,281		28,656	28,656
<u>Commitments</u>				
Irrevocable commitments to extent credit:				
– maturity exceeding one year	1,715,131		857,565	727,272
– maturity not exceeding one year	8,155,139		1,631,028	1,380,827
	10,952,401		3,198,443	2,817,949
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	2,844,627	22,568	77,079	40,842
Interest rate related contracts:				
– one year or less	380,000	257	637	127
– over one year to three years	1,447,000	6,465	29,535	5,907
– over three years	285,000	2,757	15,957	3,192
	4,956,627	32,047	123,208	50,068
	15,909,028	32,047	3,321,651	2,868,017

NOTES TO THE FINANCIAL STATEMENTS OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

5. COMMITMENTS AND CONTINGENCIES (cont'd)

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Bank				
2010				
<u>Credit-related exposures</u>				
<u>Contingent liabilities</u>				
Direct credit substitutes	464,702		464,702	464,702
Transaction-related contingent items	428,083		214,041	214,041
Short-term self-liquidating trade-related contingencies	138,234		27,647	27,647
<u>Commitments</u>				
Irrevocable commitments to extent credit:				
– maturity exceeding one year	1,198,725		599,363	495,403
– maturity not exceeding one year	7,668,026		1,533,605	1,298,420
	9,897,770		2,839,358	2,500,213
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	2,452,403	38,588	64,501	28,951
Interest rate related contracts:				
– one year or less	560,000	491	2,745	549
– over one year to three years	270,000	1,370	5,423	1,085
– over three years	220,000	4,249	13,450	2,690
	3,502,403	44,698	86,119	33,275
	13,400,173	44,698	2,925,477	2,533,488

NOTES TO THE FINANCIAL STATEMENTS OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

5. COMMITMENTS AND CONTINGENCIES (cont'd)

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Group				
2010				
<u>Credit-related exposures</u>				
<u>Contingent liabilities</u>				
Direct credit substitutes	501,940		501,940	501,940
Transaction-related contingent items	456,421		228,211	228,211
Short-term self-liquidating trade-related contingencies	167,968		33,594	33,594
<u>Commitments</u>				
Irrevocable commitments to extent credit:				
– maturity exceeding one year	1,526,427		763,214	626,319
– maturity not exceeding one year	8,137,938		1,627,586	1,376,875
	10,790,694		3,154,545	2,766,939
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	2,452,403	38,588	64,501	28,951
Interest rate related contracts:				
– one year or less	560,000	491	2,745	549
– over one year to three years	270,000	1,370	5,423	1,085
– over three years	220,000	4,249	13,450	2,690
	3,502,403	44,698	86,119	33,275
	14,293,097	44,698	3,240,664	2,800,214

NOTES TO THE FINANCIAL STATEMENTS OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

6. CAPITAL ADEQUACY

The capital adequacy ratios of the Bank and the Group are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II). The Bank and the Group have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (2010: 8.0%) for the risk-weighted capital ratio.

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

	Bank		Group	
	2011	2010	2011	2010
<u>Before deducting proposed dividends</u>				
Core capital ratio	14.63%	13.57%	12.40%	11.39%
Risk-weighted capital ratio	14.98%	13.91%	16.54%	15.65%
<u>After deducting proposed dividends</u>				
Core capital ratio	14.09%	13.28%	11.95%	11.13%
Risk-weighted capital ratio	14.44%	13.61%	16.09%	15.40%

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

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<u>Tier I Capital (Core Capital)</u>				
Paid-up share capital	596,517	596,517	596,517	596,517
ICPS	4,000	4,000	4,000	4,000
Share premium	597,517	597,517	597,517	597,517
Retained profits	1,148,228	911,593	1,194,222	882,471
Statutory reserves	601,561	601,561	786,406	735,515
Other reserves	–	–	10,018	10,018
Minority interests	–	–	4,488	4,539
	2,947,823	2,711,188	3,193,168	2,830,577
Less: Purchased goodwill/goodwill on consolidation	(186,272)	(186,272)	(302,065)	(302,065)
Deferred tax assets	(75,272)	(65,900)	(108,808)	(99,347)
Total Tier I Capital	2,686,279	2,459,016	2,782,295	2,429,165
<u>Tier II Capital</u>				
Subordinated bonds	600,000	600,000	600,000	600,000
Collective assessment allowance	265,588	–	333,466	–
General allowance	–	261,699	–	322,933
Total Tier II Capital	865,588	861,699	933,466	922,933
Total Capital	3,551,867	3,320,715	3,715,761	3,352,098
Less: Investment in subsidiaries	(801,664)	(801,664)	(3,620)	(12,760)
Total Capital Base	2,750,203	2,519,051	3,712,141	3,339,338

NOTES TO THE FINANCIAL STATEMENTS OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

6. CAPITAL ADEQUACY (cont'd)

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

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Credit risk	16,437,247	16,184,071	20,149,305	19,189,717
Market risk	54,919	19,663	71,884	19,663
Operational risk	1,863,398	1,912,210	2,222,953	2,126,663
Total RWA and capital requirements	18,355,564	18,115,944	22,444,142	21,336,043

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

INDEPENDENT AUDITORS' REPORT

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

On 2 June 2011, we reported on the statutory financial statements of Alliance Bank Malaysia Berhad for the financial year ended 31 March 2011. In that report we stated:

“Report on the financial statements

We have audited the financial statements of Alliance Bank Malaysia Berhad, which comprise the statements of financial position as at 31 March 2011 of the Bank and of the Group, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Bank and of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 126.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the 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 Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Bank and of the Group as at 31 March 2011 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 Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) 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 member of Alliance Bank Malaysia Berhad (88103-W) (Incorporated in Malaysia)

Other matters

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

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

Accordingly, for a fuller appreciation of the state of affairs of the Bank and the Group as at 31 March 2011 and of the results and cash flows of the Bank and the Group for the financial year ended on that date, reference should be made to the statutory financial statements of the Bank for the financial year ended 31 March 2011 in which context of our report of 2 June 2011 was made.

PricewaterhouseCoopers

AF: 1146

Chartered Accountants

Kuala Lumpur, Malaysia

2 June 2011

Mohammad Faiz Bin Mohammad Azmi

No.2025/03/12 (J)

Chartered Accountant

The full version of the financial statements is available at Alliance Bank's website at www.alliancebank.com.my



ALLIANCE BANK MALAYSIA BERHAD (88103-W)

Basel II Pillar 3 Disclosure

230	Overview
231	1.0 Scope of Application
231	2.0 Capital
	2.1 Capital Adequacy Ratios
	2.2 Capital Structure
	2.3 Risk-Weighted Assets and Capital Requirements
238	3.0 Credit Risk
	3.1 Distribution of Credit Exposures
	3.2 Past Due Loans, Advances and Financing Analysis
	3.3 Impaired Loans, Advances and Financing Analysis
	3.4 Assignment of Risk Weights for Portfolio Under the Standardised Approach
	3.5 Credit Risk Mitigation
	3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk
260	4.0 Market Risk
262	5.0 Operational Risk
263	6.0 Equity Exposures in Banking Book
263	7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book
264	8.0 Shariah Governance Disclosures and Profit Sharing Investment Account ("PSIA")

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

Overview

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

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

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

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

In summary, the capital management process involves the following:

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

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

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

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

1.0 Scope of Application

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

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

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

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

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

2.0 Capital

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

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

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

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

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

2.1 Capital Adequacy Ratios

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

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

2.0 Capital (cont'd)

2.1 Capital Adequacy Ratios (cont'd)

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

	Bank		Group	
	2011	2010	2011	2010
<u>Before deducting proposed dividends</u>				
Core capital ratio	14.63%	13.57%	12.40%	11.39%
Risk-weighted capital ratio	14.98%	13.91%	16.54%	15.65%
<u>After deducting proposed dividends</u>				
Core capital ratio	14.09%	13.28%	11.95%	11.13%
Risk-weighted capital ratio	14.44%	13.61%	16.09%	15.40%

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
31 March 2011		
<u>Before deducting proposed dividends</u>		
Core capital ratio	11.65%	57.17%
Risk-Weighted capital ratio	13.37%	57.33%
<u>After deducting proposed dividends</u>		
Core capital ratio	11.65%	55.51%
Risk-Weighted capital ratio	13.37%	55.67%
31 March 2010		
Core capital ratio	11.41%	55.58%
Risk-Weighted capital ratio	13.21%	55.88%

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

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

2.0 Capital (cont'd)

2.2 Capital Structure

The following table represents the Bank and the Group's capital position as at 31 March 2011. Details on capital resources, including share capital, irredeemable (non-cumulative) convertible preference shares ("ICPS"), share premium and reserves are found in Notes 25 and 26 of the audited financial statements. Details on the terms and conditions of subordinated bonds are contained in Note 24 of the audited financial statements.

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

	Bank		Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<u>Tier I Capital (Core Capital)</u>				
Paid-up share capital	596,517	596,517	596,517	596,517
ICPS	4,000	4,000	4,000	4,000
Share premium	597,517	597,517	597,517	597,517
Retained profits	1,148,228	911,593	1,194,222	882,471
Statutory reserves	601,561	601,561	786,406	735,515
Other reserves	—	—	10,018	10,018
Minority interests	—	—	4,488	4,539
	2,947,823	2,711,188	3,193,168	2,830,577
Less: Purchased goodwill/goodwill on consolidation	(186,272)	(186,272)	(302,065)	(302,065)
Deferred tax assets	(75,272)	(65,900)	(108,808)	(99,347)
Total Tier I capital	2,686,279	2,459,016	2,782,295	2,429,165
<u>Tier II Capital</u>				
Subordinated bonds	600,000	600,000	600,000	600,000
Collective assessment allowance	265,588	—	333,466	—
General allowance	—	261,699	—	322,933
Total Tier II capital	865,588	861,699	933,466	922,933
Total Capital	3,551,867	3,320,715	3,715,761	3,352,098
Less: Investment in subsidiaries	(801,664)	(801,664)	(3,620)	(12,760)
Total Capital Base	2,750,203	2,519,051	3,712,141	3,339,338

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

2.0 Capital (cont'd)

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

Regulatory Capital Requirements

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

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

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

2.0 Capital (cont'd)

2.3 RWA and Capital Requirements (cont'd)

Regulatory Capital Requirements (cont'd)

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

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

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

2.0 Capital (cont'd)

2.3 RWA and Capital Requirements (cont'd)

Regulatory Capital Requirements (cont'd)

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

Bank 2010 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	2,992,422	2,992,422	—	—
Public sector entities	50,809	50,809	10,162	813
Banks, DFIs and MDBs	3,904,595	3,904,595	1,007,229	80,578
Insurance companies, Securities Firms and Fund Managers	20,172	20,172	20,172	1,614
Corporates	5,918,593	5,702,493	5,123,554	409,883
Regulatory retail	5,828,361	5,344,217	4,005,582	320,447
Residential mortgages	6,229,128	6,217,180	2,751,667	220,133
Higher risk assets	7,389	7,397	11,095	888
Other assets	579,720	579,720	380,620	30,450
Equity exposures	28,140	28,140	37,496	3,000
Defaulted exposures	261,528	260,366	303,006	24,240
Total on-balance sheet exposures	25,820,857	25,107,511	13,650,583	1,092,046
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	2,839,358	2,835,345	2,500,213	200,017
Derivative financial instruments	86,119	86,119	33,275	2,662
Total off-balance sheet exposures	2,925,477	2,921,464	2,533,488	202,679
Total on and off-balance sheet exposures	28,746,334	28,028,975	16,184,071	1,294,725
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Foreign exchange risk	9,074	(19,663)	19,663	1,573
(iii) Operational Risk	—	—	1,912,210	152,977
Total RWA and capital requirements	28,746,334	28,028,975	18,115,944	1,449,275

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

2.0 Capital (cont'd)

2.3 RWA and Capital Requirements (cont'd)

Regulatory Capital Requirements (cont'd)

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

Group 2010 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	5,182,234	5,182,234	—	—
Public sector entities	50,809	50,809	10,162	813
Banks, DFIs and MDBs	2,821,041	2,821,042	582,524	46,602
Insurance companies, Securities Firms and Fund Managers	20,204	20,204	20,204	1,616
Corporates	7,432,449	7,149,098	6,197,422	495,794
Regulatory retail	7,946,216	7,446,260	5,580,751	446,460
Residential mortgages	6,669,658	6,657,174	2,949,854	235,988
Higher risk assets	7,522	7,530	11,296	904
Other assets	747,641	747,640	548,695	43,895
Equity exposures	34,317	34,317	46,761	3,741
Defaulted exposures	359,469	357,170	441,834	35,347
Total on-balance sheet exposures	31,271,560	30,473,478	16,389,503	1,311,160
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,154,545	3,147,948	2,766,939	221,355
Derivative financial instruments	86,119	86,119	33,275	2,662
Total off-balance sheet exposures	3,240,664	3,234,067	2,800,214	224,017
Total on and off-balance sheet exposures	34,512,224	33,707,545	19,189,717	1,535,177
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Foreign exchange risk	9,074	(19,663)	19,663	1,573
(iii) Operational Risk	—	—	2,126,663	170,133
Total RWA and capital requirements	34,512,224	33,707,545	21,336,043	1,706,883

Note:

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

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

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk

Credit risk is the risk of financial loss arising from the inability of a borrower or counterparty to meet its obligations. Credit risk arises mainly from loans, advances and financing activities as well as financial transactions with counterparties, including interbank activities, derivatives instrument and debt securities.

Risk Governance

The Board has overall responsibility for credit risk oversight of the Group through the Group Risk Management Committee ("GRMC"). The GRMC is responsible for reviewing and approving credit risk policies. In addition, the GRMC reviews and assesses portfolio quality through regular reports which include the quality of newly acquired accounts, quality of the existing loan portfolio, delinquency trends and loss trends.

Credit Risk Management

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

Credit facilities are reviewed regularly; the larger ones on group exposure basis and the small ones on portfolio basis. Problem loans and loans with early warning signs are subject to early warning reporting framework.

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

An independent credit review team conducts regular review of credit processes. These reviews provide senior management with objective and timely assessments of the effectiveness of credit risk management practices and ensure policies, guidelines and procedures are being adopted consistently.

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

Impaired Loans and Provisions

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

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

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

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.1 Distribution of Credit Exposures

(a) Geographical Distribution

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

Bank 2011	Geographical region			East Malaysia RM'000
	Northern RM'000	Central RM'000	Southern RM'000	
Cash and short-term funds	—	779,323	—	—
Deposits and placements with banks and other financial institutions	—	954,610	—	—
Financial assets held-for-trading	—	1,176,190	—	—
Financial investments available-for-sale	—	6,247,376	—	—
Financial investments held-to-maturity	—	633,521	—	—
Derivative financial assets	—	32,047	—	—
Loans, advances and financing	1,524,762	12,969,040	1,643,642	1,813,654
Total on-balance sheet	1,524,762	22,792,107	1,643,642	1,813,654
Contingent liabilities	78,708	757,224	25,992	129,870
Commitments	631,063	7,274,034	340,284	564,542
Total credit exposure	2,234,533	30,823,365	2,009,918	2,508,066

Group 2011	Geographical region			East Malaysia RM'000
	Northern RM'000	Central RM'000	Southern RM'000	
Cash and short-term funds	—	701,862	—	—
Deposits and placements with banks and other financial institutions	—	100,228	—	—
Financial assets held-for-trading	—	1,938,250	—	—
Financial investments available-for-sale	—	9,138,478	—	—
Financial investments held-to-maturity	—	940,726	—	—
Derivative financial assets	—	32,047	—	—
Loans, advances and financing	1,825,015	16,217,604	1,984,668	2,083,699
Balances due from clients and brokers	22,061	67,867	6,390	—
Total on-balance sheet	1,847,076	29,137,062	1,991,058	2,083,699
Contingent liabilities	89,926	821,966	33,085	137,154
Commitments	685,326	8,036,883	397,926	750,135
Total credit exposure	2,622,328	37,995,911	2,422,069	2,970,988

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution

The following tables represent the Bank and the Group's major type of gross credit exposure by sector. The analysis are based on the sector in which the customer is engaged.

	Government and Central bank RM'000	Financial, insurance & business services RM'000	Transport, storage & communication RM'000	Agriculture, manufacturing, wholesale & retail trade RM'000	Construction RM'000	Residential mortgage RM'000	Motor vehicle financing RM'000	Other consumer loans RM'000	Total RM'000
Bank 2011									
Cash and short-term funds	475,797	303,526	-	-	-	-	-	-	779,323
Deposits and placements with banks and other financial institutions	-	954,610	-	-	-	-	-	-	954,610
Financial assets held-for-trading	1,176,190	-	-	-	-	-	-	-	1,176,190
Financial investments	2,872,338	3,060,617	94,805	198,478	21,138	-	-	-	6,247,376
Financial investments available-for-sale	629,057	4,464	-	-	-	-	-	-	633,521
Derivative financial assets	-	30,657	-	-	-	-	-	1,390	32,047
Loans, advances and financing	-	1,735,053	118,112	5,606,218	338,973	7,565,729	210,351	2,376,662	17,951,098
Total on-balance sheet	5,153,382	6,088,927	212,917	5,804,696	360,111	7,565,729	210,351	2,378,052	27,774,165
Contingent liabilities	-	113,759	29,906	346,871	462,251	-	-	39,007	991,794
Commitments	-	576,803	60,580	2,054,387	802,173	947,023	5	4,368,952	8,809,923
Total credit exposure	5,153,382	6,779,489	303,403	8,205,954	1,624,535	8,512,752	210,356	6,786,011	37,575,882

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Bank and the Group's major type of gross credit exposure by sector. The analysis are based on the sector in which the customer is engaged.
(cont'd)

Group	Government and Central bank RM'000	Financial, insurance & business services RM'000	Transport, storage & communication RM'000	Agriculture, manufacturing, wholesale & retail trade RM'000	Construction RM'000	Residential mortgage RM'000	Motor vehicle financing RM'000	Other consumer loans RM'000	Total RM'000
2011									
Cash and short-term funds	524,670	177,192	-	-	-	-	-	-	701,862
Deposits and placements with banks and other financial institutions	-	100,228	-	-	-	-	-	-	100,228
Financial assets held-for-trading	1,938,250	-	-	-	-	-	-	-	1,938,250
Financial investments	4,059,908	4,584,626	162,118	300,215	31,611	-	-	-	9,138,478
Financial investments available-for-sale	910,444	24,951	5,236	-	95	-	-	-	940,726
Derivative financial assets	-	30,657	-	-	-	-	-	1,390	32,047
Loans, advances and financing	-	2,029,108	156,460	6,559,284	421,713	8,498,859	557,262	3,888,300	22,110,986
Balances due from clients and brokers	-	-	-	-	-	-	-	96,318	96,318
Total on-balance sheet	7,433,272	6,946,762	323,814	6,859,499	453,419	8,498,859	557,262	3,986,008	35,058,895
Contingent liabilities	10,500	122,073	32,237	401,769	476,120	-	-	39,432	1,082,131
Commitments	-	710,672	66,330	2,382,347	852,678	948,916	327,265	4,582,062	9,870,270
Total credit exposure	7,443,772	7,779,507	422,381	9,643,615	1,782,217	9,447,775	884,527	8,607,502	46,011,296

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets of the Bank and the Group:

Bank 2011	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 year RM'000	Total RM'000
Cash and short-term funds	958,111	–	–	–	–	958,111
Deposits and placements with banks and other financial institutions	21,456	100,065	100,089	–	733,000	954,610
Financial investments	1,446,532	1,794,212	395,558	803,688	3,699,715	8,139,705
Loans, advances and financing	4,328,948	1,158,824	758,896	363,815	11,107,959	17,718,442
Other asset balances	40,544	7,741	9,201	2,699	1,549,825	1,610,010
Total on-balance sheet exposure	6,795,591	3,060,842	1,263,744	1,170,202	17,090,499	29,380,878
Group 2011						
Cash and short-term funds	911,730	–	–	–	–	911,730
Deposits and placements with banks and other financial institutions	–	100,065	163	–	–	100,228
Financial investments	2,122,429	3,187,345	809,576	932,379	5,087,187	12,138,916
Loans, advances and financing	4,790,087	1,471,389	945,286	557,078	14,032,479	21,796,319
Balances due from clients and brokers	61,441	–	–	–	19,078	80,519
Other asset balances	26,142	7,741	9,201	2,699	966,803	1,012,586
Total on-balance sheet exposure	7,911,829	4,766,540	1,764,226	1,492,156	20,105,547	36,040,298

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.2 Past Due Loans, Advances and Financing Analysis

Past due but not impaired loans, advances and financing are loans where the customer has failed to make a principal or interest payment when contractually due, and includes loans which are due one or more days after the contractual due date but less than 3 months.

Past due loans, advances and financing are analysed as follows:

	2011	
	Bank RM'000	Group RM'000
Past due up to 1 month	506,042	773,027
Past due 1 – 2 months	125,603	186,858
Past due 2 – 3 months	13,894	27,529
	645,539	987,414

Past due loans, advances and financing analysed by sector are as follows:

	2011	
	Bank RM'000	Group RM'000
Financial, insurance & business services	21,146	22,501
Transport, storage & communication	2,895	5,128
Agriculture, manufacturing, wholesale & retail trade	52,558	62,001
Construction	3,873	5,467
Residential mortgage	355,794	395,189
Motor vehicle financing	72,636	170,745
Other consumer loans	136,637	326,383
	645,539	987,414

Past due loans, advances and financing analysed by significant geographical areas:

	2011	
	Bank RM'000	Group RM'000
Northern region	62,787	89,855
Central region	417,416	662,773
Southern region	97,640	143,087
East Malaysia region	67,696	91,699
	645,539	987,414

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.3 Impaired Loans, Advances and Financing Analysis

Impaired loans, advances and financing analysed by sectors:

	2011	
	Bank RM'000	Group RM'000
Financial, insurance & business services	80,103	90,110
Transport, storage & communication	10,680	16,932
Agriculture, manufacturing, wholesale & retail trade	204,970	246,266
Construction	30,975	95,343
Residential mortgage	198,918	209,552
Motor vehicle financing	2,322	5,677
Other consumer loans	64,490	77,444
	592,458	741,324

Impairment allowances on impaired loans, advances and financing analysed by sectors:

	Individual impairment allowance RM'000	Collective impairment allowance RM'000	Individual impairment net (write back)/ charge for the year RM'000	Individual impairment write-off for the year RM'000
Bank 2011				
Financial, insurance & business services	12,675	25,958	2,610	(6,848)
Transport, storage & communication	10,600	1,786	(752)	(105)
Agriculture, manufacturing, wholesale & retail trade	107,481	84,754	23,826	(35,962)
Construction	26,817	4,932	903	(800)
Residential mortgage	74,107	113,371	5,064	(21,642)
Motor vehicle financing	2,318	3,174	1,378	(6,555)
Other consumer loans	39,143	36,403	36,489	(45,829)
	273,141	270,378	69,518	(117,741)
Group 2011				
Financial, insurance & business services	18,611	30,363	1,262	(6,848)
Transport, storage & communication	10,677	2,357	(758)	(284)
Agriculture, manufacturing, wholesale & retail trade	126,527	99,075	19,511	(36,164)
Construction	38,435	6,165	(1,093)	(1,464)
Residential mortgage	76,222	127,392	6,006	(22,576)
Motor vehicle financing	5,674	8,385	4,085	(11,326)
Other consumer loans	52,229	65,899	58,799	(70,353)
	328,375	339,636	87,812	(149,015)

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Impaired loans, advances and financing and the related impairment allowances by geographical areas:

	Impaired loans, advances and financing RM'000	Individual impairment allowance RM'000	Collective impairment allowance RM'000
BANK 2011			
Northern region	84,733	48,979	23,082
Central region	375,912	180,953	195,268
Southern region	65,280	26,972	24,756
East Malaysia region	66,533	16,237	27,272
	592,458	273,141	270,378
GROUP 2011			
Northern region	104,487	57,746	27,761
Central region	500,546	224,617	250,673
Southern region	68,965	29,499	29,879
East Malaysia region	67,326	16,513	31,323
	741,324	328,375	339,636

Movements in loans impairment allowances are analysed as follows:

	2011	
	Bank RM'000	Group RM'000
Individual impairment allowance:		
At beginning of year		
– As previously stated	–	–
– Effects of adopting FRS 139	321,364	389,578
As restated	321,364	389,578
Allowance made during the year (net)	69,518	87,812
Amount written off	(117,741)	(149,015)
At end of year	273,141	328,375
Collective impairment allowance:		
At beginning of year		
– As previously stated	–	–
– Effects of adopting FRS 139	262,372	323,644
As restated	262,372	323,644
Allowance made during the year (net)	8,006	15,992
At end of year	270,378	339,636

31 March 2011

3.3.4 Assignment of Risk Weights for Portfolio Under the Standardised Approach

The following tables present the credit exposures by risk weights and after credit risk mitigation:

[illegible]

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.4 Assignment of Risk Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables present the credit exposures by risk weights and after credit risk mitigation (cont'd):

Group 2011 Risk-Weights	Exposures after netting and credit risk mitigation										Total exposures after netting and credit risk mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns/ Central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Equity exposures RM'000		
0%	5,711,101	-	-	-	-	-	-	-	182,775	-	5,893,876	-
20%	-	50,115	3,608,621	-	1,456,973	-	-	-	-	-	5,115,709	1,023,142
35%	-	-	-	-	-	-	3,991,155	-	-	-	3,991,155	1,396,904
50%	-	-	47,610	-	2,475	15,058	2,575,396	-	-	-	2,640,539	1,320,269
75%	-	-	-	-	-	8,823,274	496,195	-	-	-	9,319,469	6,989,602
100%	-	-	-	20,510	8,233,748	41,220	67,800	-	510,783	9,429	8,883,490	8,883,490
150%	-	-	-	-	113,949	75,895	-	24,310	-	143,111	357,265	535,898
Total exposures	5,711,101	50,115	3,656,231	20,510	9,807,145	8,955,447	7,130,546	24,310	693,558	152,540	36,201,503	20,149,305
Risk-weighted assets by exposures	-	10,023	745,529	20,510	8,697,304	6,780,046	3,124,549	36,465	510,783	224,096	20,149,305	
Average risk weight	-	20%	20%	100%	89%	76%	44%	150%	74%	147%	56%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	

31 March 2011

3.3.4 Assignment of Risk Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables present the credit exposures by risk weights and after credit risk mitigation (cont'd):

[illegible]

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.4 Assignment of Risk Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables present the credit exposures by risk weights and after credit risk mitigation (cont'd):

Group 2010 Risk-Weights	Exposures after netting and credit risk mitigation										Total exposures after netting and credit risk mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns/ Central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Equity exposures RM'000		
0%	5,192,234	-	-	-	-	-	-	-	198,945	-	5,391,179	-
20%	-	50,809	2,811,286	-	1,182,762	-	-	-	-	-	4,044,857	808,972
35%	-	-	-	-	-	-	3,505,236	-	-	-	3,505,236	1,226,833
50%	-	-	93,545	-	6,618	15,326	2,571,166	-	-	-	2,686,655	1,343,327
75%	-	-	-	-	-	8,964,756	586,082	-	-	-	9,550,838	7,163,128
100%	-	-	-	20,468	7,585,506	44,448	82,879	-	548,685	9,429	8,291,425	8,291,425
150%	-	-	-	-	103,685	93,973	-	14,809	-	24,888	237,355	356,032
Total exposures	5,192,234	50,809	2,904,831	20,468	8,878,571	9,118,503	6,745,363	14,809	747,640	34,317	33,707,545	19,189,717
Risk-weighted assets by exposures	-	10,162	609,030	20,468	7,980,895	6,916,637	3,034,856	22,213	548,685	46,761	19,189,717	
Average risk weight	-	20%	21%	100%	90%	76%	45%	150%	73%	136%	57%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.4 Assignment of Risk Weights for Portfolio Under the Standardised Approach (cont'd)

For the purpose of determining counterparty risk weights, the Group uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), Standard and Poor's ("S&P"), Moody's and Fitch. In the context of the Group's portfolio, external credit assessments are mainly applicable to banks / financial institutions and rated corporations. The Group follows the process prescribed under BNM RWCAF-Basel II to map the ratings to the relevant risk weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk weights are applied in the capital computation.

The following tables show the rated exposures according to rating by Eligible Credit Assessment Institutions ("ECAIs"):

**Bank
2011**

(a) Ratings of corporate by approved ECAIs

	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1+ to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		50,115	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	20,510
Corporates		1,189,323	—	—	4,599	7,152,992
Total		1,239,438	—	—	4,599	7,173,502

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.4 Assignment of Risk Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by Eligible Credit Assessment Institutions ("ECAIs") (cont'd):

**Bank
2011**

(b) Short-term ratings of banking institutions and corporate by approved ECAIs

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b, c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
Banks, MDBs and FDIs		2,084,358	—	—	—	561,312
Rated Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		—	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	—
Corporates		—	—	—	—	—
Total		2,084,358	—	—	—	561,312

(c) Ratings of Sovereigns and Central banks by approved ECAIs

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		4,080,874	—	—	—	—	—
Total		4,080,874	—	—	—	—	—

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.4 Assignment of Risk Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by Eligible Credit Assessment Institutions ("ECAIs") (cont'd):

**Bank
2011**

(d) Ratings of banking institutions by approved ECAIs

Exposure Class	Ratings of Banking Institutions by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
Banks, MDBs and FDIs		829,314	—	—	—	—
Total		829,314	—	—	—	—

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.4 Assignment of Risk Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by Eligible Credit Assessment Institutions ("ECAIs") (cont'd):

Group
2011

(a) Ratings of corporate by approved ECAIs

Ratings of Corporate by Approved ECAIs					
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
RAM	AAA to AA3	A+ to A3	BBB1+ to BB3	B to D	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures					
Credit Exposures (using Corporate Risk Weights)					
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	50,115	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers	—	—	—	—	20,510
Corporates	1,682,772	—	—	7,002	8,463,228
Total	1,732,887	—	—	7,002	8,483,738

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.4 Assignment of Risk Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by Eligible Credit Assessment Institutions ("ECAIs") (cont'd):

**Group
2011**

(b) Short-term ratings of banking institutions and corporate by approved ECAIs

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b,c	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
Banks, MDBs and FDIs		3,089,183	—	—	—	485,391
Rated Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		—	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	—
Corporates		—	—	—	—	—
Total		3,089,183	—	—	—	485,391

(c) Ratings of Sovereigns and Central banks by approved ECAIs

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
Sovereigns and Central Banks		5,711,101	—	—	—	—
Total		5,711,101	—	—	—	—

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.4 Assignment of Risk Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by Eligible Credit Assessment Institutions ("ECAIs") (cont'd):

Group
2011

(d) Ratings of banking institutions by approved ECAIs

Exposure Class	Ratings of Banking Institutions by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D
	MARC Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D
		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C
On and Off Balance-Sheet Exposures		RM'000	RM'000	RM'000	RM'000	RM'000
Banks, MDBs and FDIs		81,657	—	—	—	—
Total		81,657	—	—	—	—

Note:

There is no outstanding securitisation contract at the Bank and the Group that required disclosure of ratings and short term rating of securitisation by approved ECAIs.

3.5 Credit Risk Mitigation ("CRM")

The Group uses a wide range of collaterals to mitigate credit risks. For the purpose of computing Basel II capital charge for credit risk, the process of using guarantees and eligible collaterals as credit risk mitigants are as prescribed in the RWCAF.

In the course of lending, the Group does accept collaterals that are not eligible under the RWCAF. The process of taking collaterals whether or not eligible under RWCAF, including valuation method and loan to value are defined in the Credit and Product Programme; and the Credit Risk Management Framework. Main collaterals acceptable to the Group include cash, guarantees, commercial and residential real estates, and physical collateral/financial collateral for example motor vehicles or shares. Guarantees on loans are accepted after the financial viability of the guarantors have been ascertained.

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.5 Credit Risk Mitigation ("CRM")

The following tables represent the Bank and the Group's credit exposure including off balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the RWCAF.

Bank 2011 Exposure Class	Exposure before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	4,080,874	—	—	—
Public sector entities	50,115	—	—	—
Banks, DFIs and MDBs	3,362,759	—	—	—
Insurance companies, securities firms and fund managers	20,508	—	—	—
Corporates	6,763,126	—	253,372	—
Regulatory retail	5,638,108	—	578,209	—
Residential mortgages	6,341,015	—	10,624	—
Higher risk assets	15,586	—	—	—
Other assets	471,964	—	—	—
Equity exposure	112,848	—	—	—
Defaulted exposures	286,359	—	2,722	—
Total on-balance sheet exposures	27,143,262	—	844,927	—
Off-balance sheet exposures:				
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,920,749	—	2,642	—
Defaulted exposures	26,198	—	15	—
Total off-balance sheet exposures	2,946,947	—	2,657	—
Total on and off-balance sheet exposures	30,090,209	—	847,584	—

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

The following tables represent the Bank and the Group's credit exposure including off balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the RWCAF. (cont'd)

Group 2011 Exposure Class	Exposure before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	5,693,101	—	—	—
Public sector entities	50,115	—	—	—
Banks, DFIs and MDBs	3,544,007	—	—	—
Insurance companies, securities firms and fund managers	20,508	—	—	—
Corporates	8,307,011	—	342,524	—
Regulatory retail	7,947,769	—	612,257	—
Residential mortgages	7,065,748	—	11,367	—
Higher risk assets	15,699	—	—	—
Other assets	693,557	—	—	—
Equity exposure	152,540	—	—	—
Defaulted exposures	366,240	—	5,500	—
Total on-balance sheet exposures	33,856,295	—	971,648	—
Off-balance sheet exposures:				
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,294,597	—	4,755	—
Defaulted exposures	27,047	—	32	—
Total off-balance sheet exposures	3,321,644	—	4,787	—
Total on and off-balance sheet exposures	37,177,939	—	976,435	—

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk ("CCR") for derivatives transactions is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised by the Bank and the Investment Bank for hedging purposes with minimal trading exposures. CCR is mitigated via enforcement of margin collateral requirements, supplemented by margin calls in response to revaluation triggers. The Group's derivatives transactions are governed by the International Swaps and Derivatives Association ("ISDA") master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

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

Bank 2011	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
<u>Contingent liabilities</u>				
Direct credit substitutes	388,733		388,733	388,733
Transaction-related contingent items	484,479		242,239	242,239
Short-term self-liquidating trade-related contingencies	118,582		23,716	23,716
<u>Commitments</u>				
Irrevocable commitments to extent credit:				
– maturity exceeding one year	1,356,908		678,454	582,106
– maturity not exceeding one year	7,453,015		1,490,603	1,265,716
	9,801,717		2,823,745	2,502,510
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	2,844,627	22,568	77,079	40,842
Interest rate related contracts:				
– one year or less	380,000	257	637	127
– over one year to three years	1,447,000	6,465	29,535	5,907
– over three years	285,000	2,757	15,957	3,192
	4,956,627	32,047	123,208	50,068
	14,758,344	32,047	2,946,953	2,552,578

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

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

Group 2011	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
<u>Contingent liabilities</u>				
Direct credit substitutes	423,539		423,539	423,539
Transaction-related contingent items	515,311		257,655	257,655
Short-term self-liquidating trade-related contingencies	143,281		28,656	28,656
<u>Commitments</u>				
Irrevocable commitments to extent credit:				
– maturity exceeding one year	1,715,131		857,565	727,272
– maturity not exceeding one year	8,155,139		1,631,028	1,380,827
	10,952,401		3,198,443	2,817,949
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	2,844,627	22,568	77,079	40,842
Interest rate related contracts:				
– one year or less	380,000	257	637	127
– over one year to three years	1,447,000	6,465	29,535	5,907
– over three years	285,000	2,757	15,957	3,192
	4,956,627	32,047	123,208	50,068
	15,909,028	32,047	3,321,651	2,868,017
<u>Bank 2010</u>				
<u>Credit-related exposures</u>				
<u>Contingent liabilities</u>				
Direct credit substitutes	464,702		464,702	464,702
Transaction-related contingent items	428,083		214,041	214,041
Short-term self-liquidating trade-related contingencies	138,234		27,647	27,647
<u>Commitments</u>				
Irrevocable commitments to extent credit:				
– maturity exceeding one year	1,198,725		599,363	495,403
– maturity not exceeding one year	7,668,026		1,533,605	1,298,420
	9,897,770		2,839,358	2,500,213
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	2,452,403	38,588	64,501	28,951
Interest rate related contracts:				
– one year or less	560,000	491	2,745	549
– over one year to three years	270,000	1,370	5,423	1,085
– over three years	220,000	4,249	13,450	2,690
	3,502,403	44,698	86,119	33,275
	13,400,173	44,698	2,925,477	2,533,488

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

3.0 Credit Risk (cont'd)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

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

Group 2010	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
<u>Contingent liabilities</u>				
Direct credit substitutes	501,940		501,940	501,940
Transaction-related contingent items	456,421		228,211	228,211
Short-term self-liquidating trade-related contingencies	167,968		33,594	33,594
<u>Commitments</u>				
Irrevocable commitments to extent credit:				
– maturity exceeding one year	1,526,427		763,214	626,319
– maturity not exceeding one year	8,137,938		1,627,586	1,376,875
	10,790,694		3,154,545	2,766,939
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	2,452,403	38,588	64,501	28,951
Interest rate related contracts:				
– one year or less	560,000	491	2,745	549
– over one year to three years	270,000	1,370	5,423	1,085
– over three years	220,000	4,249	13,450	2,690
	3,502,403	44,698	86,119	33,275
	14,293,097	44,698	3,240,664	2,800,214

4.0 Market Risk

Market risk is the risk of losses arising from on and off-balance sheet positions arising from movements in market prices. This includes movements in interest rates, foreign exchange rates, equity prices, commodity prices and their implied volatilities. For the Islamic bank, market risk include rate of return risk and displaced commercial risk.

Risk Governance

The governance structure for market risk management starts with the Board of Directors which has the overall oversight on market risk management and defines the risk philosophy, principles and core policies. The Board is in turn assisted by the Group Risk Management Committee ("GRMC") which is principally responsible to oversee management activities in managing risks. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place. At Senior Management level, the Group Assets and Liabilities Management Committee ("GALCO") manages the Group's market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the 3 lines of defence concept. Financial Markets as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic audit checking/sampling by Internal Audit.

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

4.0 Market Risk

Market Risk Management

For the Group, market risk is managed on an integrated approach which involves the following processes:

- (i) identification of market risk in new products and changes in risk profiles of existing exposures.
- (ii) assessment of the type and magnitude of market risks.
- (iii) adoption of various market risk measurement tools and techniques to quantify market risk exposures. For example, Value-at-Risk ("VaR"), price value of a basis point ("PV01") and repricing gap analysis.
- (iv) adoption of 3 Lines of Defense concept for monitoring of market risk; Business Units forming the 1st Line, Group Market Risk Management as the 2nd Line and Internal Audit functioning as the 3rd Line.
- (v) scheduled and exception reporting on market risk exposures.

Hedging Policies and Strategies

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group to manage or reduce risk exposures. All hedging strategies are approved by the GALCO and monitored independently by Group Risk Management. Furthermore, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness are reported monthly to management.

Market Risk Capital Charge

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the bonds, foreign exchange and equities portfolios.

Regulatory capital requirements

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	BANK		GROUP	
	Risk-Weighted Assets RM'000	Capital Requirements RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
2011				
Interest rate risk				
– General interest rate risk	40,057	3,204	47,610	3,809
– Specific interest rate risk	850	68	850	68
	40,907	3,272	48,460	3,877
Equity risk				
– General interest rate risk	–	–	3,425	274
– Specific interest rate risk	–	–	5,987	479
	–	–	9,412	753
Foreign exchange risk	14,012	1,121	14,012	1,121
	54,919	4,393	71,884	5,751
2010				
Interest rate risk				
– General interest rate risk	–	–	–	–
– Specific interest rate risk	–	–	–	–
	–	–	–	–
Equity risk				
– General interest rate risk	–	–	–	–
– Specific interest rate risk	–	–	–	–
	–	–	–	–
Foreign exchange risk	19,663	1,573	19,663	1,573
	19,663	1,573	19,663	1,573

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

5.0 Operational Risk

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

Risk Governance

Management, escalation and reporting of operational risks are instituted through various committees such as Group Operational Risk Management Committee and GRMC as well as the Board.

The responsibilities of the Committees and Board include the following:

- (i) Oversight and implementation of the Operational Risk Management (“ORM”) Framework;
- (ii) Establishment of risk appetite and the provision of strategic and specific directions;
- (iii) Regular review of operational risks reports and profiles;
- (iv) Addressing operational risk issues; and
- (v) Ensuring compliance with regulatory and internal requirements including disclosures.

Operational Risk Management

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

- (i) Sound risk management practices as outlined in the ORM Framework. This is in accordance with Basel II and regulatory guidelines. (For Islamic Banking, a separate ORM Framework has been adopted to be in compliance with the Islamic Financial Services Board (“IFSB”) and our regulatory bodies.)
- (ii) Board and Senior Management oversight.
- (iii) Defined responsibilities for all staff.
- (iv) Established operational risk methodologies and processes applied in the identification, assessment, measurement, control and monitor of risks.
- (v) Regular dashboard reports are submitted to Senior Management and Risk Management Committee.
- (vi) Continuous cultivation of an organisational culture that places great emphasis on effective operational risk management and adherence to sound operating controls.

The ORM framework is supported by a comprehensive group-wide Integrated Operational Risk Management system which comprises Loss Event Data Collection, Risk Control Self Assessment as well as Key Risk Indicator modules that are in place to facilitate the management of operational risk. In addition, our Operational Risk team has inculcated a strong risk culture throughout the entire Group through its continuous training programme. Business continuity and disaster recovery exercises are being conducted at scheduled periodic intervals.

Introduction of new product or services are subject to risk review and sign-off process by the various departments which are independent from the business risk taking unit. Approval of the introduction of new products and services are by Senior Management and/or designated Committee.

For Bank’s outsourcing activities, there are guidelines established consistent with regulatory requirements that stipulates the requirements and procedures in carrying out a proper due diligence on the service provider from the start, laying down agreed duties and responsibilities of Service Providers indicators in Service Level Agreements (“SLA”), executing regular follow-up checks and reviews as well as back up business continuity plans which are part of the Bank’s important elements.

The Group also insure against operational losses which are termed as high-impact loss events as an effective form of risk mitigation. Internal audit plays its part in ensuring an independent assurance of the implementation of the Framework through their regular audit reviews and reports to the Group Audit Committee.

The Basic Indicator Approach has been adopted to calculate the operational RWA as at 31 March 2011.

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

6.0 Equity Exposures in Banking Book

The Bank and the Group hold equity positions in banking books as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equity, fair value is estimated based on quoted or observable market price at the end of the reporting period; and for those unquoted equity, the fair value is estimated using certain valuation technique.

The following table shows the equity exposures in banking book:

	2011 BANK		2011 GROUP	
	Gross credit exposures RM'000	Risk- weighted assets RM'000	Gross credit exposures RM'000	Risk- weighted assets RM'000
Publicly traded				
Holdings of equity investments	11	11	3,875	3,875
Privately held				
For socio-economic purposes	74,200	74,200	109,180	109,180
Not for socio economic purposes	8,407	12,611	8,407	12,611
	82,618	86,822	121,462	125,666

Gains and losses on equity exposures in the banking book

The table below present the gains and losses on equity exposures in banking book:

	2011	
	BANK RM'000	GROUP RM'000
Realised gains/(losses) recognised in the statement of comprehensive income		
– Publicly traded equity investments	–	–
– Privately held equity investments	–	–
	–	–
Unrealised gains/(losses) recognised in revaluation reserve		
– Publicly traded equity investments	(6)	(43)
– Privately held equity investments	59,949	92,928
	59,943	92,885

7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book

Interest rate risk/rate of return risk in the banking book (“IRR/RORBB”) arises from exposure of banking book positions to interest rate/profit rate movements. IRR/RORBB arise mainly from mismatches in the repricing characteristics of banking assets and liabilities such as loans/financing, mortgages, treasury assets designated as available-for-sale or held-to-maturity and deposits. IRR in the banking book is inherent in the Bank and Investment bank operations while RORBB is inherent in the Islamic bank operations.

Risk Governance

IRR/RORBB is managed collectively by GALCO, Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the Board of Directors/GRMC. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. On the ground, Financial Markets is tasked to execute the approved strategy by managing the asset liabilities as well as the funding and liquidity needs of the Bank/Group. Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

BASEL II PILLAR 3 DISCLOSURE OF ALLIANCE BANK MALAYSIA BERHAD

31 March 2011

7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book (cont'd)

IRR/RORBB Management

The guiding principles in managing IRR/RORBB include:

- (i) prudent approach in management of IRR/RORBB that commensurate with the Group's size and business activities.
- (ii) IRR/RORBB are accurately measured and any mismatches identified, reviewed and reported monthly to GALCO.
- (iii) Establishment, close monitoring and reporting of limits and triggers.

The Group uses a range of tools, including the following primary measures to quantify and monitor IRR/RORBB:

- (i) Interest rate/profit rate sensitivity ("PV01"): expresses the impact of one basis point shift in yield curves on a portfolio's fair value. This measures outright directional interest rate/profit rate risks.
- (ii) Static repricing gap analysis: essentially involves offsetting interest-sensitive assets against liabilities in specific time bands to derive the net repricing gap for that time interval. Risk is measured by the gap amount and the length of time the gap is open.
- (iii) Net interest income/profit income simulation: assesses the impact of interest rate/profit rate changes on earnings specifically net interest income/profit rate. This simulation is normally used to assess short-term interest rate exposure/profit rate movement.

Results of the above analysis are monitored and reported monthly to GALCO and GRMC.

The Group generally adopts the assumptions as per BNM's New Liquidity Framework for measurement of IRR/RORBB.

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

	2011 BANK		2011 GROUP	
	-100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000	-100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000
Impact on net interest income ("NII")				
Ringgit Malaysia	(58,054)	58,054	(44,616)	44,616
Impact on Economic Value ("EV")				
Ringgit Malaysia	(175,675)	175,675	(47,518)	47,518

Note:

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

8.0 Shariah Governance Disclosures and Profit Sharing Investment Account ("PSIA")

The detailed disclosures under this section can be referred to Note 7.0 of Alliance Islamic Bank Berhad's Pillar 3 report.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 45th Annual General Meeting of Alliance Financial Group Berhad will be held at the Ballroom 1, Level 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 28 July 2011 at 2.30 p.m. for the following purposes:

AGENDA

- | | |
|---|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 March 2011 together with the Reports of the Directors and Auditors thereon. | Resolution 1 |
| 2. To approve the payment of Directors' fees in respect of the financial year ended 31 March 2011. | Resolution 2 |
| 3. To re-elect the following Directors who retire by rotation pursuant to Article 82 of the Company's Articles of Association:
(a) Datuk Oh Chong Peng
(b) Megat Dziauddin bin Megat Mahmud | Resolution 3
Resolution 4 |
| 4. To re-elect Sng Seow Wah, a Director who retires pursuant to Article 89 of the Company's Articles of Association. | Resolution 5 |
| 5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration. | Resolution 6 |

As Special Business to consider and, if thought fit, to pass the following resolutions:

- | | |
|-------------------------------|---------------------|
| 6. Ordinary Resolution | Resolution 7 |
|-------------------------------|---------------------|

Re-appointment of Director pursuant to Section 129 of the Companies Act, 1965

"THAT Dato' Thomas Mun Lung Lee, a Director who retires pursuant to Section 129 of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

- | | |
|-------------------------------|---------------------|
| 7. Ordinary Resolution | Resolution 8 |
|-------------------------------|---------------------|

Proposed allocation of options and/or award of ordinary shares of RM1.00 each (Shares) to Sng Seow Wah

"THAT the Directors of the Company be and are hereby authorised at any time, and from time to time, to offer and to grant option or options to subscribe for or purchase, and/or to award Shares in the Company for up to a maximum of 1,500,000 Shares in the Company per annum over the period of the Employees' Share Scheme (ESS) of the Company, to Sng Seow Wah, being the Group Chief Executive Officer of Alliance Bank Malaysia Berhad and a Director of the Company, subject always to such terms and conditions of the Bye-Laws of the ESS.

AND THAT the Directors of the Company be and are hereby authorised to allot and issue and/or award from time to time new Shares to him pursuant to the exercise of such options and/or award of Shares."

- | | |
|---|--|
| 8. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and/or the Companies Act, 1965. | |
|---|--|

BY ORDER OF THE BOARD

LEE WEI YEN (MAICSA 7001798)
Group Company Secretary

Kuala Lumpur
1 July 2011

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead.
2. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. To be valid, the Form of Proxy, duly completed must be deposited at the registered office of the Company at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time set for holding the meeting.
4. A member who is an authorised nominee may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. A member other than an authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
6. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
7. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.

EXPLANATORY NOTES

(i) Re-appointment of Director pursuant to Section 129 of the Companies Act, 1965

Dato' Thomas Mun Lung Lee, a Director over the age of seventy (70) years, shall retire pursuant to Section 129 of the Companies Act, 1965 at the conclusion of the forthcoming 45th Annual General Meeting. The proposed re-appointment of Dato' Thomas Mun Lung Lee will require a resolution passed by a majority of not less than three-fourth (3/4) of the members of the Company who are entitled to vote at the forthcoming Annual General Meeting. The proposed resolution will enable Dato' Thomas Mun Lung Lee to hold office until the conclusion of the next Annual General Meeting of the Company.

(ii) Proposed allocation of options and/or award of ordinary shares of RM1.00 each to Sng Seow Wah (Proposed Allocation)

The proposed resolution will allow the Board of Directors of the Company, to offer and to grant option or options and/or to award Sng Seow Wah, the Group Chief Executive Officer of Alliance Bank Malaysia Berhad, who was appointed as a Director of the Company on 18 November 2010, up to a maximum of 1,500,000 ordinary shares of RM1.00 each in the Company per annum over the period of the ESS.

The ESS is governed by the Bye-Laws approved by the shareholders of the Company at an Extraordinary General Meeting held on 28 August 2007. It took effect on 3 December 2007 and is in force for a period of 10 years up to 2 December 2017.

In accordance with the Bye-Laws of the ESS, Sng Seow Wah who is the Group Chief Executive Officer and Director of Alliance Bank Malaysia Berhad, a wholly-owned subsidiary of the Company, is eligible to participate in the ESS.

Rationale of the Proposed Allocation

The rationale of the Proposed Allocation is to:

- (a) retain and motivate Sng Seow Wah towards better productivity through greater sense of belonging, dedication and loyalty;
- (b) reward him for having contributed to the growth of the Group and whose service is vital to the continued growth of the Group; and
- (c) allow him who will, upon becoming shareholder of the Company, participate in the profits and future growth of the Group.

Maximum Number and Basis of Allocation of options/shares

In accordance with the Bye-Laws of the ESS, the total number of options/shares which may be available under the ESS shall not exceed in aggregate ten per cent (10%) of the total issued and paid-up share capital of the Company at any one time during the existence of the ESS provided that:

- (a) Not more than fifty per cent (50%) of the options/shares available under the ESS should be allocated, in aggregate, to Directors and senior management; and
- (b) Not more than ten per cent (10%) of the options/shares available under the ESS should be allocated to any individual Eligible Person who, either singly or collectively through persons connected (as defined in the Listing Requirements) to the Eligible Person, holds 20% or more of the issued and paid-up share capital of the Company.

Option Price/Share Grant Price

The price for each share under the Share Option Plan, Share Grant Plan and Share Save Plan may be at a discount (as determined by the ESPS Committee or such other pricing mechanism as may from time to time be permitted by Bursa Malaysia Securities Berhad or such other relevant regulatory authorities), provided that the discount shall not be more than 10% from the 5-day weighted average market price of the shares of the Company transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made or at par value of the shares, whichever is higher.

Directors' and Major Shareholders' Interests

Sng Seow Wah is deemed interested in the Proposed Allocation as he would be eligible to participate in the ESS. Accordingly, he has abstained and will continue to abstain from deliberations and voting on the Proposed Allocation at the relevant Board meetings.

Sng Seow Wah will also undertake to ensure that he and persons connected to him will abstain from voting in respect of their direct and/or indirect shareholdings in the Company (if any) on the resolution in relation to the Proposed Allocation at the forthcoming Annual General Meeting to be convened.

Save as disclosed above, none of the Directors, major shareholders and persons connected to them has any interest, directly or indirectly, in the Proposed Allocation.



FORM OF PROXY

I/We (full name in block capitals) _____

identity card no./company registration no. _____

of _____

being a member/members of ALLIANCE FINANCIAL GROUP BERHAD hereby appoint _____

_____ (NRIC No.) _____

of _____

or failing him _____ (NRIC No.) _____

of _____

as my/our proxy/proxies to vote for me/us on my/our behalf at the 45th Annual General Meeting of the Company to be held at the Ballroom 1, Level 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 28 July 2011 at 2.30 p.m. and at any adjournment thereof.

RESOLUTIONS			*FOR	*AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 March 2011 together with the Reports of the Directors and Auditors thereon	Resolution 1		
2.	To approve the payment of Directors' fees in respect of the financial year ended 31 March 2011	Resolution 2		
3.	To re-elect the following Directors, who retire by rotation pursuant to Article 82 of the Company's Articles of Association: (a) Datuk Oh Chong Peng (b) Megat Dziauddin bin Megat Mahmud	Resolution 3 Resolution 4		
4.	To re-elect Sng Seow Wah, a Director who retires pursuant to Article 89 of the Company's Articles of Association	Resolution 5		
5.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration	Resolution 6		
6.	To re-appoint Dato' Thomas Mun Lung Lee, a Director who retires pursuant to Section 129 of the Companies Act, 1965	Resolution 7		
7.	Proposed allocation of options and/or award of ordinary shares of RM1.00 each to Sng Seow Wah	Resolution 8		

* Please indicate with an "X" on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand(s) this _____ day of _____ 2011.

Shareholding represented by Proxy



Signature(s) of Member

Notes:

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead.
- A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- To be valid, the Form of Proxy, duly completed must be deposited at the registered office of the Company at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time set for holding the meeting.
- A member who is an authorised nominee may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- A member other than an authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.

fold this flap for sealing

then fold here



Group Company Secretary
Alliance Financial Group Berhad
3rd Floor, Menara Multi-Purpose
Capital Square, No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia.

1st fold here

www.alliancegroup.com.my

Alliance Financial Group Berhad (6627-X)

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

Tel : 03-2694 4888
Fax : 03-2694 6200