



ALLIANCE FINANCIAL GROUP BERHAD (6627-X)

Banking Made Personal



ALLIANCE BANK



2013 ANNUAL REPORT

DELIVERING SUPERIOR CUSTOMER EXPERIENCE

CORPORATE PROFILE

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

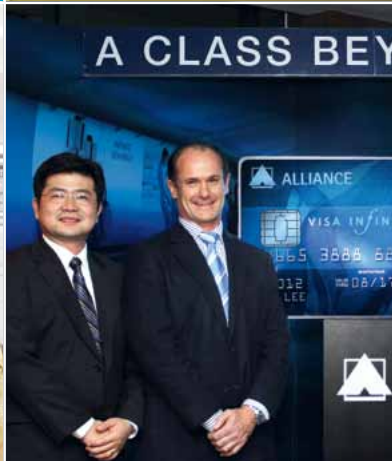
Alliance Bank Malaysia Berhad, together with its subsidiaries, Alliance Investment Bank Berhad and Alliance Islamic Bank Berhad, provide a wide range of financial products and services in commercial banking, financing, investment banking, investment advisory, stockbroking, Islamic banking and other related financial services.



ALLIANCE
Privilege

Alliance Privilege Special Highlights

- Priority & Dedicated Services
- Banking Convenience Locally & Worldwide
- Preferential Pricing & Exclusive Offers
- Customised Wealth Management Solutions



VISION

THE BEST CUSTOMER SERVICE BANK

MISSION

- ▲ **TO BUILD** Consistent & Sustainable Financial Performance
- ▲ **TO DELIVER** Superior Customer Experience
- ▲ **TO DEVELOP** Engaged Employees With The Right Values

VALUES

- ▲ **RESPECT**
- ▲ **INTEGRITY**
- ▲ **TEAMWORK**
- ▲ **EXCELLENCE**



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Form of Proxy

HISTORY OF ALLIANCE FINANCIAL GROUP

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

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.

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

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

1958

1959

1975

1982

1985

1986-1995

1996

1998

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

During this time, 16 branches were established nationwide.

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

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.



**ALLIANCE
FINANCIAL GROUP**

Banking Made Personal

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

In March, Alliance Bank completed the sale of its 30% equity stake in AIA AFG Takaful Berhad. In April, AIMB ceased to be part of the Group, following the disposal of the Bank's 70% equity interest.

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

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.

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

1999 **2001** **2004** **2005** **2006** **2007** **2008** **2011** **2013**

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

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

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 was incorporated as a wholly-owned subsidiary of Alliance Bank.

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

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

Today

The Alliance Financial Group, comprising Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad and Alliance Islamic Bank Berhad, is a dynamic, integrated financial services group offering banking and financial services through its consumer banking, business banking, Islamic banking, investment banking and stockbroking businesses.

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

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

CORPORATE INFORMATION

DIRECTORS

Datuk Oh Chong Peng

Chairman, Independent Non-Executive Director

Dato' Thomas Mun Lung Lee

Senior Independent Non-Executive Director

Stephen Geh Sim Whye

Independent Non-Executive Director

Tan Yuen Fah

Independent Non-Executive Director

Megat Dziauddin

bin Megat Mahmud
Independent Non-Executive Director

Lee Ah Boon

Non-Independent Non-Executive Director

Ou Shian Waei

Independent Non-Executive Director

Kung Beng Hong

Non-Independent Non-Executive Director

Sng Seow Wah

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 : 03-2604 3333
Fax : 03-2694 6200
Website : www.alliancefg.com
Email : enquiry@alliancefg.com

REGISTRAR

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

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

AUDITORS

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

PRINCIPAL BANKER

Alliance Bank Malaysia Berhad

BURSA MALAYSIA STOCK NAME/CODE

AFG/2488

INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

MYL248800004

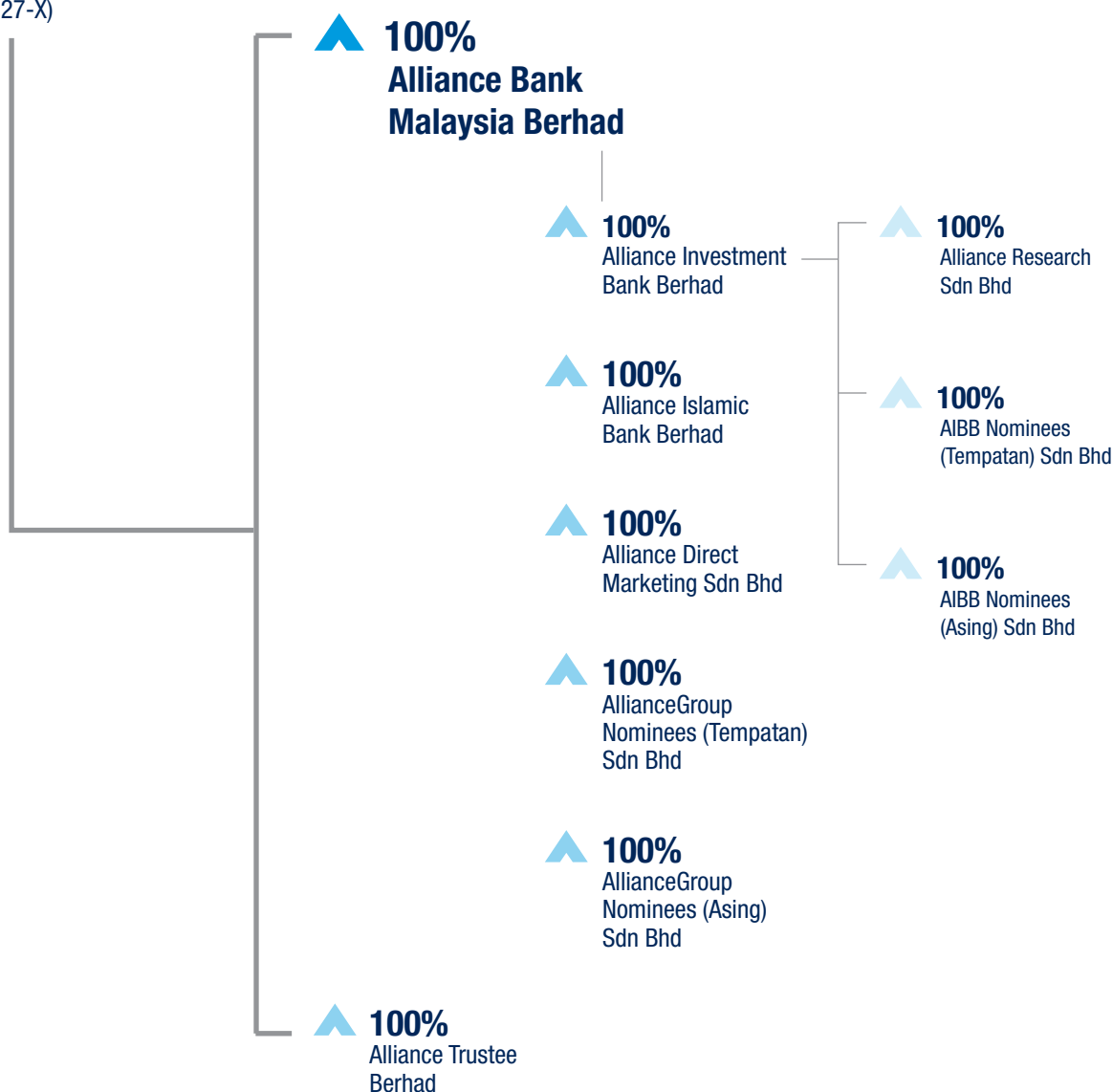
CORPORATE STRUCTURE

as at 31 May 2013



ALLIANCE FINANCIAL GROUP BERHAD

(6627-X)



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

PRODUCTS AND SERVICES

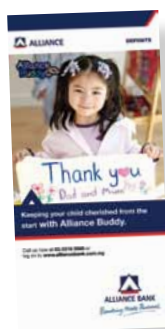
ALLIANCE BANK MALAYSIA BERHAD

Personal Banking

Wealth Management

Deposits

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



Structured Investment

- Alliance Interest-rate Linked Structured Investment
- Alliance Dual Currency Investment (DCI)
- Alliance Gold-AUD Linked Structured Investment (GOALS)
- Alliance Equity Linked Structured Investment (ELI)
- Alliance Equity Linked Convertible Structured Investment (ELCI)

Retail Bond

- MYR Retail Bond

Unit Trust Investment

- Bond Funds
- Balanced Funds
- Equity Funds
- Money Market Funds
- Alternative Funds i.e REITs

Investment Lending and Share Services

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



Bancassurance

- Alliance Motor Insurance
- Alliance Travel Protector
- Alliance Premier Protector
- Alliance Senior Protector
- Alliance Home Protector
- Alliance Safe Assure
- Alliance Passenger Assure
- Mortgage Reducing Term Assurance
- Mortgage Level Term Assurance
- Mortgage Reducing Takaful Term
- Elite Global Bond Plan
- Elite Wealth Saver
- Home Assure

Mortgage/Hire Purchase

- Alliance SaveLink Home Loan
- Alliance Conventional Home Loan
- Alliance SaveLink Interest Payment Option
- Alliance SaveLink Commercial Property Loan
- Alliance Conventional Commercial Property Loan
- Alliance Hire Purchase
- Alliance Home Complete Personal Loan
- Alliance Oil Palm Plantation Financing



Cards

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



Personal Loan

- Alliance CashFirst Personal Loan
- Alliance CashVantage Personal Financing-i



Business Banking

SME

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



Corporate & Commercial

- Credit Facilities
 - Working Capital Financing
 - Term Loan
 - Bridging Loan
 - Syndicated Loan
 - Business Premises Financing
 - Supplier Financing
 - Business Platinum Card
 - Foreign Currency Loan
- Trade Facilities
 - Letter of Credits
 - Trust Receipts
 - Bankers Acceptances
 - Export Bills Purchased/Discounting
 - Export Credit Refinancing
 - Export LC Negotiation
 - Collection Bills
 - Shipping Guarantees
 - Export LC Advising/Confirmation
 - Bank Guarantees (BGs)
 - Promissory Notes
 - Foreign Currency Trade Loan
- Foreign Exchange
- Cash Management
 - Account Management
 - Business Current Account
 - Business Fixed Account
 - Business Foreign Currency Current Account
 - Business Foreign Currency Fixed Deposit
 - Business Internet Banking
 - Collection Management
 - Payee Corporation Service
 - Auto Debit Service
 - Bulk Cheque Collection Service
 - Cash in Transit
 - Cash Concentration Solution
 - Biz-Xpress Card: Deposit cum Withdrawal function via Self-Service Terminals (ATM, CDM and CES)
 - Liquidity Management
 - Auto Sweeping Service
 - Business Rewards Services
 - Payment Management
 - Payroll (Salary/EPF Monthly Contribution/ PCB-LHDN Payment/Socso Payment)
 - Bulk Payment
 - Bulk Payment with Remittance Advice
 - Remittances (CO/DD/FTT/FDD/IBG/RENTAS)
 - Fund Transfer (Own account transfer/ Group account transfer/ Designated 3rd Party Transfer)
 - Bills Payment
- BizSmart Online Banking
- Interest Rate Swap
- Bancassurance



ALLIANCE BANK MALAYSIA BERHAD

Financial Markets

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


ALLIANCE ISLAMIC BANK BERHAD

Deposits

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

Financing

- Alliance CashVantage Personal Financing-i
- Alliance i-Wish Home Financing-i
- Alliance i-Wish Flexi Home Financing-i
- Alliance Hire Purchase-i
- Civil Servant 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
- SME Shariah-compliant Financing Facility
- Business Premises Financing-i
- Government Assistance Scheme

Trade Financing

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

Cards

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

Unit Trust Investment

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

Financial Markets

- Accepted Bills-i (AB-i)
- Negotiable Instruments of Deposit (NID)
- Investment Account-i
- Investment Products



ALLIANCE INVESTMENT BANK BERHAD

Corporate Finance

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

Debt Finance & Advisory

Customised solutions via Conventional and Islamic:

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

Equity Capital Markets

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

Corporate Banking

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

Islamic Banking

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

Stockbroking Products & Services

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

Investment Research



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

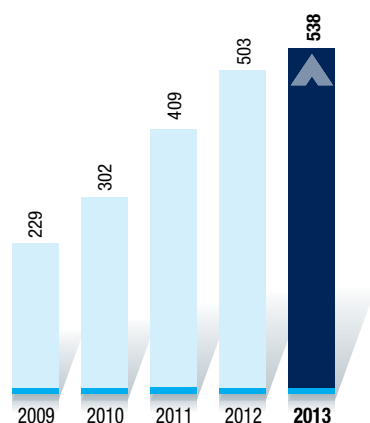
FINANCIAL YEAR ENDED 31 MARCH	2013	2012 ¹	2011 ¹	2010	2009
OPERATING RESULTS (RM million)					
Net income	1,333	1,244	1,129	1,065	1,054
Profit before taxation and zakat	714	675	553	409	303
Net profit after taxation and zakat	538	503	409	302	229
KEY BALANCE SHEET DATA (RM million)					
Total assets	43,692	39,719	36,145	31,664	31,846
Gross loans, advances and financing	28,225	25,012	22,474	21,410	19,590
Total liabilities	39,657	35,947	32,715	28,712	29,080
Deposits from customers	36,004	32,187	28,385	23,628	25,575
Paid-up capital	1,548	1,548	1,548	1,548	1,548
Shareholders' equity	4,030	3,767	3,425	2,947	2,762
Commitments and contingencies	19,079	18,741	15,909	14,293	15,081
SHARE INFORMATION AND VALUATIONS					
Share Information					
Earnings per share (sen)	35.3	33.0	26.7	19.7	14.9
Diluted earnings per share (sen)	35.3	32.9	26.7	19.6	14.8
Dividend per share (sen)	16.6	13.30	7.00	6.40	6.25
Net assets per share (RM)	2.60	2.43	2.21	1.91	1.79
Share price as at 31 March (RM)	4.40	3.89	3.17	2.88	1.69
Market capitalisation (RM million)	6,811	6,022	4,907	4,458	2,616
Share Valuations					
Dividend yield (%)	3.77	3.42	2.21	2.22	3.70
Dividend payout ratio (%)	46.9	42.3	26.2	32.5	41.9
Price to earnings multiple (times)	12.5	11.8	11.9	14.6	11.3
Price to book multiple (times)	1.7	1.6	1.4	1.5	0.9
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest-earning assets	2.4	2.5	2.7	2.7	2.8
Net return on average equity	13.8	14.0	12.8	10.5	8.6
Net return on average assets	1.3	1.3	1.2	0.9	0.8
Net return on average risk-weighted assets	2.0	2.1	1.9	1.4	1.2
Cost to income ratio	47.9	47.6	48.3	52.1	53.0
Asset Quality Ratios					
Loan loss coverage ²	82.5	87.7	78.0	94.4	99.7
Gross impaired loans ratio ²	2.1	2.5	3.5	3.8	4.5
Net impaired loans ratio ²	1.1	1.4	1.9	1.8	1.8
Gross loan to deposit ratio	78.4	77.7	78.8	90.6	76.4
Capital Adequacy Ratios³ (after deducting proposed final dividend)					
Core capital ratio	—	11.88	12.39	11.13	10.30
Risk-weighted capital ratio	—	15.13	16.18	15.40	14.65
Common Equity Tier I ("CET I") capital ratio	10.62	—	—	—	—
Tier I capital ratio	12.06	—	—	—	—
Total capital ratio	14.77	—	—	—	—

¹ Comparative figures were restated due to first-time adoption of Malaysian Financial Reporting Standards ("MFRS") Framework and change in accounting policies. For FYE 2011, only relevant balance sheet items have been restated to position as at 1 April 2011.

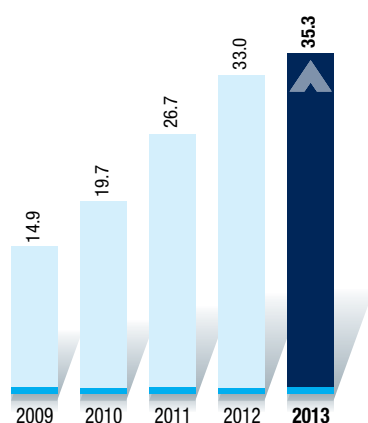
² FYE 2011 to FYE 2013 ratios were computed based on the adoption of MFRS 139: "Financial Instruments: Recognition and Measurement".

³ FYE 2013 ratios were computed in accordance with Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework (Capital Components) Basel III issued on 28 November 2012.

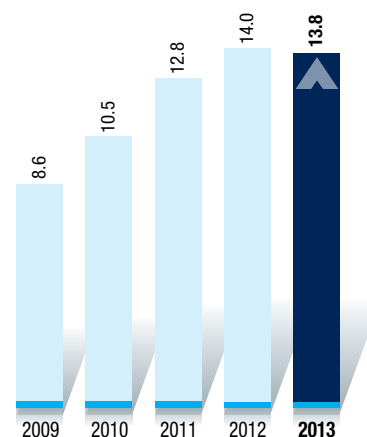
Profit After Taxation and Zakat
(RM million)



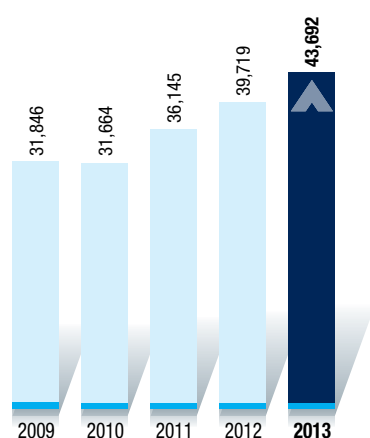
Earnings Per Share
(sen)



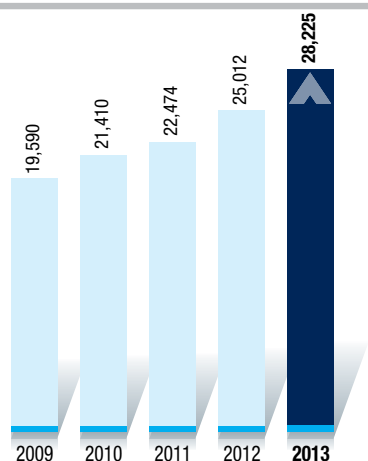
Net Return on Average Equity
(%)



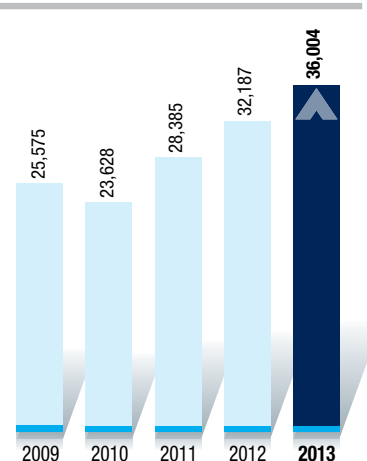
Total Assets
(RM million)



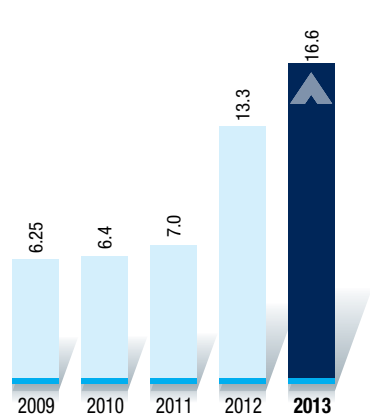
Gross Loans, Advances and Financing
(RM million)



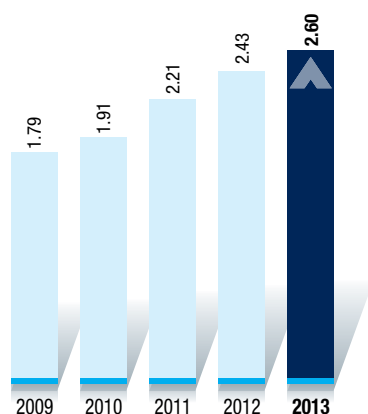
Deposits from Customers
(RM million)



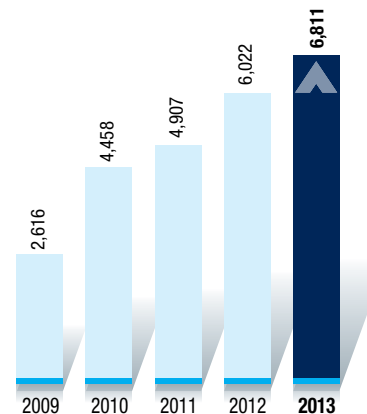
Dividend Per Share
(sen)



Net Assets Per Share
(RM)



Market Capitalisation
(RM Million)



DIRECTORS



From left to right

1. Datuk Oh Chong Peng
2. Dato' Thomas Mun Lung Lee



3. Stephen Geh Sim Whye
4. Tan Yuen Fah
5. Megat Dziauddin
bin Megat Mahmud

- 6. Lee Ah Boon
- 7. Ou Shian Waei
- 8. Kung Beng Hong



- 9. Zakaria bin Abd Hamid
- 10. Kuah Hun Liang
- 11. Sng Seow Wah



- 12. Assoc. Prof. Dr Abdul Rahman bin Awang
- 13. Tuan Haji Md Ali bin Md Sarif



Datuk Oh Chong Peng

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

Aged 68, a Malaysian, was appointed Chairman of the Board on 21 April 2006. He had his accountancy training in London from 1964 and qualified as a Chartered Accountant in 1969. He is a Fellow of the Institute of Chartered Accountants in England and Wales as well as a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA).

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

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

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

Datuk Oh currently sits on the Boards of British American Tobacco (Malaysia) Berhad, 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 75, a Malaysian, was appointed to the Board on 26 September 2005. He has been in legal practice as an advocate and solicitor for over 40 years. He is a Barrister-at-Law (England) and holds a Master of Arts (MA) and Master of Law (LLM) degrees from Cambridge University, United Kingdom. He is a member of the Appeals Committee of Bursa Malaysia Berhad and the Steering Committee of Financial Institutions Directors' Education (FIDE) Programme. He is also an arbitrator with the Court of Arbitration for Sport based in Lausanne, Switzerland.

Dato' 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 is also the Chairman of AIG Malaysia Insurance Berhad, American International Assurance Berhad, AIA AFG Takaful Berhad, ING Insurance Berhad and ING PUBLIC Takaful Ehsan Bhd.

Stephen Geh Sim Whye

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

Aged 57, a Malaysian, was appointed to the Board on 5 May 2004. He is a Chartered Accountant with the MIA since 1987 and was admitted as a member of the MICPA in 1985.

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

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

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

Tan Yuen Fah

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

Aged 68, a Singaporean, was appointed to the Board on 1 July 2005. He holds a Bachelor of Accountancy degree from the former University of Singapore and a Bachelor of Law degree from University of Wolverhampton, United Kingdom. He also holds a Post-Graduate Diploma in Business Administration from Manchester Business School, United Kingdom. He is a Fellow of the Institute of Certified Public Accountants in Singapore, Fellow of the Certified Practising Accountant in Australia, Fellow of The Association of Chartered Certified Accountants in the United Kingdom and an Associate of the Chartered Institute of Management Accountants, United Kingdom.

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

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

Megat Dziauddin bin Megat Mahmud

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

Aged 67, a Malaysian, was appointed to the Board on 26 September 2005. Tuan Haji Megat holds a Bachelor of Science (Econs) (Hons) degree from the Queen's University of Belfast, Northern Ireland, United Kingdom and is a Fellow of the Institute of Chartered Accountants in Ireland as well as a Chartered Accountant with the MIA.

He has more than 30 years of experience in senior management capacities. He had served Golden Hope Plantations Berhad as Group Director (Finance), Arab-Malaysian Merchant Bank Berhad as General Manager (Operations) and 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), MNRB Holdings Berhad, MNRB Retakaful Berhad, Malaysian Reinsurance Berhad, Pernec Corporation Berhad and several private limited companies.

Lee Ah Boon

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

Aged 62, a Singaporean, was appointed to the Board on 18 April 2012. He holds a Bachelor of Accounting (Hons) degree from the former University of Singapore.

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

Mr Lee is currently the Chief Operating Officer of Fullerton Financial Holdings (International) Pte Ltd overseeing operations and technology, human resources, compliance, corporate communication and special projects. He currently sits on the Boards of ABMB, Mekong Development Bank and several other companies.

Ou Shian Waei

(Independent Non-Executive Director)

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

Aged 62, a Malaysian, was appointed to the Board on 1 July 2010. He holds a Bachelor of Science degree in Chemistry from University of Malaya. Mr Ou started his career with a local bank as a management trainee from 1976 to 1980. He joined IBM Malaysia in 1981 as a trainee System Engineer and held various technical and management positions before retiring as Managing Director of IBM Malaysia in January 2010 after almost 30 years of service.

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

He currently sits on the Boards of ABMB, AIG Malaysia Insurance Berhad, Private Pension Administrator Malaysia and HeiTech Padu Berhad.

Kung Beng Hong

(Non-Independent Non-Executive Director)

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

Aged 68, a Malaysian, was appointed to the Board on 21 April 2006. He holds a Bachelor of Arts (Hons) degree in Economics from University of Malaya. He is a Fellow and a Council Member of the Institute of Bankers Malaysia.

Mr Kung has 45 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 is the Chairman of Akademi IBBM Sdn Bhd and also holds directorships in UOA Asset Management Sdn Bhd, Quill Motorcars Sdn Bhd, Asian Institute of Finance Berhad and Financial Institutions Directors' Education (FIDE) Forum.

Sng Seow Wah

(Non-Independent Non-Executive Director)

Aged 54, 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 of Accountancy degree from the National University of Singapore and attended the Advanced Management Programme at Wharton School of University of Pennsylvania, US, as well as the Corporate and Investment Banking Programme at Macquarie University, Australia.

Mr Sng is an experienced banker with many years of leading and developing high-performing organisations in a number of well-established regional and international banks. Prior to joining ABMB, he was the Executive Vice President, Head of Human Resources, Special Projects and 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 held senior commercial and corporate banking positions in Banque Nationale De Paris and Westpac Banking Corporation.

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

Other Information Of Directors

(i) Family Relationship

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

(ii) Conflict of Interest

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

(iii) List of Convictions for Offences

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

(iv) Attendance of Directors at Board Meetings

There were 10 Board Meetings held during the financial year ended 31 March 2013. Details of attendance of Directors at Board Meetings are as follows:

Name of Director	Attendance
Datuk Oh Chong Peng	10/10
Dato' Thomas Mun Lung Lee	10/10
Stephen Geh Sim Whye	10/10
Tan Yuen Fah	10/10
Megat Dziauddin bin Megat Mahmud	9/10
Lee Ah Boon	10/10
Ou Shian Waei	10/10
Kung Beng Hong	10/10
Sng Seow Wah	10/10

DIRECTORS OF MAJOR SUBSIDIARIES

▲ Alliance Bank Malaysia Berhad

Dato' Thomas Mun Lung Lee

*(Chairman/Independent
Non-Executive Director)*

Lee Ah Boon

*(Non-Independent
Non-Executive Director)*

Megat Dziauddin bin

Megat Mahmud

(Independent Non-Executive Director)

Kung Beng Hong

*(Non-Independent
Non-Executive Director)*

Tan Yuen Fah

(Independent Non-Executive Director)

Zakaria bin Abd Hamid

(Independent Non-Executive Director)

Ou Shian Waei

(Independent Non-Executive Director)

Kuah Hun Liang

(Independent Non-Executive Director)

Sng Seow Wah

(Group Chief Executive Officer)

▲ Alliance Investment Bank Berhad

Dato' Thomas Mun Lung Lee

*(Chairman/Independent
Non-Executive Director)*

Megat Dziauddin bin

Megat Mahmud

(Independent Non-Executive Director)

Zakaria bin Abd Hamid

(Independent Non-Executive Director)

Kung Beng Hong

*(Non-Independent
Non-Executive Director)*

Kuah Hun Liang

(Independent Non-Executive Director)

Sng Seow Wah

*(Non-Independent
Non-Executive Director)*

▲ Alliance Islamic Bank Berhad

Megat Dziauddin bin

Megat Mahmud

*(Chairman/Independent
Non-Executive Director)*

Zakaria bin Abd Hamid

(Independent Non-Executive Director)

Foziakhatoon binti

Amanulla Khan

(Chief Executive Officer)

Assoc. Prof. Dr Abdul

Rahman bin Awang

(Independent Non-Executive Director)

Tuan Haji Md Ali bin Md Sarif

(Independent Non-Executive Director)

Zakaria bin Abd Hamid

Aged 60, a Malaysian, was appointed to the Board of ABMB on 24 April 2009. He holds a Bachelor of Economics degree from University of Malaya.

Encik Zakaria has over 33 years of experience in banking, corporate finance and advisory services. He has held senior positions in various organisations including Maybank Berhad, Bumiputra Merchant Bankers Berhad, Technology Resources Industries Berhad, Malaysia Helicopter Services Berhad, Natwide Group of Companies and KYM Holdings Berhad.

He is the Chairman of Agensi Pekerjaan Talentwork Sdn Bhd. He currently sits on the Boards of AIBB and AIS.

Kuah Hun Liang

Aged 51, a Malaysian, was appointed to the Board of ABMB on 15 December 2011.

He holds a Bachelor of Science (Hons) degree in Applied Economics from University of East London, United Kingdom. He was former Treasurer and Director of the Malaysian-German Chamber of Commerce and former Chairman of the Star Publications (Malaysia) Berhad.

Mr Kuah has 30 years of experience in the financial services industry having started his career in Public Bank. He subsequently joined Deutsche Bank AG as Treasurer and was promoted as Head of Global Markets when the bank ventured into investment banking. He was appointed Executive Director of Deutsche Bank (M) Berhad in 2000 and in 2002, he assumed the role of Managing Director and Chief Executive Officer.

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

Assoc. Prof. Dr Abdul Rahman bin Awang

Aged 67, a Malaysian, was appointed to the Board of AIS on 11 February 2011.

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

He has more than 30 years of experience in Islamic law and served in various universities in Malaysia. He is currently an Associate Professor at the Department of Islamic Law, Ahmad Ibrahim Faculty of Laws at International Islamic University Malaysia.

Tuan Haji Md Ali bin Md Sarif

Aged 59, a Malaysian, was appointed to the Board of AIS on 23 March 2011.

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

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 and liability management as well as banking operations.

He is currently a Distinguished Academic Fellow of the Institute of Islamic Banking and Finance (IIBF) at International Islamic University Malaysia, since 2008.

Foziakhatoon binti Amanulla Khan

Aged 45, a Malaysian, was appointed as Chief Executive Officer and Director of AIS on 24 September 2012.

Prior to joining AIS, she was the CEO of a local Islamic bank. Puan Fozia brings with her a wealth of knowledge and experience in the industry from various leadership roles covering both Investment Banking and Commercial Banking activities. She has overseen and concluded many deals with large local and multinational corporations.

Puan Fozia holds a Bachelor of Arts (Hons) in Accounting and Finance from the University of Humber, Hull, United Kingdom.

top from left

- Sng Seow Wah Group Chief Executive Officer
- Ronnie Lim Kheng Swee Head, Group Consumer Banking
- Steve K. Miller Head, Group Business Banking
- Yeo Chin Tiong Head, Group Financial Markets
- Pang Choon Han Group Chief Risk Officer
- Chew Siew Suan Head, Group Human Resource
- Amarjeet Kaur Head, Group Corporate Strategy and Development
- Mary James Group Chief Information Officer



bottom from left

- Victor Khor Eng Swee Head, Group Transaction and Alternate Banking
- Rafidz Rasiddi Chief Executive Officer, Alliance Investment Bank Berhad
- Fozia Amanulla Chief Executive Officer, Alliance Islamic Bank Berhad
- Raymond Leung Chun-Kow Group Chief Operating Officer
- Gary Teo Group Chief Financial Officer
- Yong Kok Mun Head, Group Operations
- Leong Sow Yoke Group Chief Internal Auditor
- Andrew Chow Thim Kwong Group Chief Credit Officer
- Lee Wei Yen Group Company Secretary





NAGEMENT



ENHANCING OUR FRANCHISE AND SHAREHOLDER VALUE





STATEMENT BY CHAIRMAN OF ALLIANCE FINANCIAL GROUP BERHAD



Dear Shareholders

I am pleased to report that the Alliance Financial Group Berhad has delivered its best-ever results for the financial year ended 31 March 2013 despite the intense domestic competition and turbulent global economic conditions.

The Alliance Financial Group Berhad (the Group) continued to manage these challenges well, and remained focused on driving sustainable performance across all our businesses. The key financial metrics achieved during the year indicates that we are moving in the right direction. The credibility of our business franchise is further reinforced by winning recognition in the marketplace. Earlier this year, The Asian Banker acknowledged Alliance Bank as the “Best SME Bank” in the Asia Pacific, Gulf region and Africa. Our brand is also becoming more relevant and trusted, and we’ve moved up the ranks to be rated 23rd amongst Malaysia’s Most Valuable Brands.

Operating Environment

The global economic landscape was challenging in 2012 due to the impact of the Eurozone debt crisis, sovereign credit ratings, and natural disasters.

Although Malaysia was not completely insulated from these economic developments and other structural changes in the global financial services industry, our economy fared much better. The economy grew 5.6%, compared to 5.1% in 2011, underpinned by strong domestic demand and consumption. We remain optimistic that the multiplier effects of the infrastructure and construction-related projects under the Government’s Economic Transformation Programme (ETP) will spill over to benefit other business and consumption activities.

Financial Performance

The Group recorded net profit after tax of RM538.1 million, up 7.0% over the previous year. This translated into a return on equity of 13.8% and earnings per share of 35.3 sen.

The higher net profit after tax was driven by growth in net interest income, non-interest income, and lower impairment losses from the loans portfolio, but were partially offset by higher operating expenses.

The Group’s funding position remained strong, as customer deposits increased by 11.9% to reach RM36.0 billion. The Group’s total assets expanded by RM4.0 billion to RM43.7 billion, driven mainly by the 13.4% growth in net loans, from our Consumer and SME lending activities.

The Group also continued to show improvement in asset quality, with the net impaired loans ratio dropping to 1.1% from 1.4% a year ago.



The Group remained well-capitalised with Common Equity Tier 1 and Tier 1 capital ratio of 10.6% and 12.1% respectively, while the overall total capital ratio stood at 14.8% as at end-March 2013.

Creating Shareholder Value

Growth and profitability with no compromise in governance and risk management remain key to ensuring sustainability of our earnings.

I am happy to report that as a reflection of our much stronger and profitable franchise, AFG was able to pay higher dividends of 16.6 sen per share (FY2012: 13.3 sen per share) amounting to RM252.5 million. At the close of the financial year ended 31 March 2013, our share price had risen to RM4.40, and our market capitalisation has increased by 13.1% to RM6.8 billion from a year ago.

Growing in Malaysia

We are committed to further developing our franchise to be strategically compelling for all our stakeholders, as one of the key players in the Malaysian financial services industry. We recognise the need to stay connected and relevant to our customers across the different customer segments. You will, no doubt, have noted the tagline of “Delivering Superior Customer Experience” as the theme of our Annual Report. We strive to understand our customers’ needs, discover appealing winning solutions, and deliver excellent service consistently across all channels. Accordingly, we upgraded the Internet banking platform, the Alliance Bank BizSmart Online Banking, as well as launched a customer loyalty programme, the Alliance OneBank Rewards.

Investing in Our People

The passion and commitment of our people is key to our success. In addition to our programmes to attract, retain and develop talent, we also institutionalised the R.I.T.E core values of Respect, Integrity, Teamwork and Excellence to help ensure that positive behaviours are encouraged.



Corporate Responsibility

In our corporate responsibility activities, we are reaching out through education, financial literacy programmes, charity work and engaging staff volunteers in the areas of building sustainable and meaningful business and community partnerships.

We are very pleased, in particular, with the response and outcome of the inaugural Alliance Bank Money & Math Challenge, which is an exciting and innovative financial literacy programme to teach young children good money habits.

Corporate Development

On 11 March 2013, the Group completed the sale of its 30% equity stake in AIA AFG Takaful Berhad, a company offering a range of Shariah compliant products to AIA Bhd. for RM45 million cash.

Challenges Ahead and Strategic Priorities

Globally, we believe that economic conditions will remain challenging in 2013, in view of the continued lack of clarity in the recovery of some of the world’s largest economies. Despite the global uncertainties, we remain cautiously optimistic that Malaysia will be able to sustain its GDP growth at around 5.5%, supported by domestic demand and private investment expansion from the on-going implementation of projects under the ETP.

We also expect competitive pressure in the domestic banking industry to intensify, with changes brought about by mergers and acquisitions, expansion of alternate distribution channels, changing demographics, technological innovation and the rise of social media.

Against this backdrop, the Group is well-positioned to leverage on its competitive strengths to drive growth strategies, strengthen customer service, increase productivity and efficiency and grow profitably with responsibility. This will further enhance our franchise and shareholder value.

Acknowledgements

I would like to thank the management team and staff for their dedication and hard work in developing the business and delivering excellent service to our customers. I am confident that the Group will achieve greater progress and continue to deliver greater value to our shareholders.

I am grateful for the trust and loyalty of our shareholders and customers. We are more committed than ever to make the Alliance Bank brand stronger and relevant in the marketplace.

I would also like to extend my appreciation to Bank Negara Malaysia, Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other regulatory authorities, as well as my fellow directors for their guidance, contributions and commitment to the Group.

DATUK OH CHONG PENG

Chairman, Alliance Financial Group Berhad

STATEMENT BY CHAIRMAN OF ALLIANCE BANK MALAYSIA BERHAD



I am happy to report that the Alliance Financial Group has delivered higher earnings for the financial year ended 31 March 2013. Profit after taxation rose by 7.0% to RM538.1 million, translating into a return on equity of 13.8%, and return on assets of 1.3%.

The Year in Review

2012 was marked by financial volatilities as the Eurozone continued to grapple with its unresolved sovereign debt crisis, concerns over the mounting fiscal cliff in the United States and slow growth in the Asia-Pacific region, as well as the ongoing geo-political tensions in the Middle East.

Fortunately, Malaysia's economic fundamentals remained resilient. The implementation of the Government's Economic Transformation Programme, stronger than expected domestic demand coupled with an accommodative monetary policy, enabled Malaysia's gross domestic product to grow by 5.6%, compared to 5.1% in 2011.

Our Business Performance

The financial services sector however, was challenging as banks competed with each other for the same businesses. Notwithstanding this, the Bank's financial performance improvement was underpinned by revenue growth of 7.1%, with non-interest income ratio rising to 28.7%. Our investments in the last two years of building treasury sales, transaction banking and wealth management also contributed to higher non-interest income.

We focused on building our franchise and the roll-out of various strategic initiatives during the year, which contributed to a healthy gross loans growth, including Islamic financing, of 12.8% to RM28.2 billion. We outperformed the industry, gaining market share in key segments of housing and SME financing. The Bank's net impaired loans ratio dropped to 1.1% from 1.4% a year ago, reflecting our prudent risk and financial management.

Customer deposits rose by 11.9% to RM36.0 billion, with current-account-savings-account (CASA) now accounting for 33.6% of total deposits. The liquidity position as measured by the loans-to-deposit ratio remained healthy at 78.4%.

Sustained Growth

Serving our customers well is the cornerstone of our strategy and embedded into our operational objectives. During the year, we continued our investments in infrastructure platforms to build long-term capabilities and to improve customer service. These investments enable us to deliver more innovative products to meet the evolving needs of customers across all touch points and enhance the Bank's efficiency and competitiveness.



The initiatives to re-engineer our front and back-office operations, and align the organisation structure, have resulted in improvements in sales productivity, service delivery and turnaround time for credit underwriting, over-the-counter service transactions as well as complaint resolution.

We also embarked on a Branch Strategy Project as part of the plan to redesign a holistic customer experience by transforming our branches into more effective distribution and service channels to better serve the community.

The Bank's relationship with our SMEs and wholesale customers remain strong and we continued to invest in this area and to ensure that they will remain long term relationships.

The success of these initiatives is evident with the Bank being acknowledged as the "Best SME Bank" in the Asia Pacific, Gulf region and Africa by The Asian Banker. This award recognises, amongst others, the Bank's well-defined franchise in the SME customer segment in areas such as business, service excellence, operational processes and technology.



Challenges Ahead and Strategic Priorities

We recognise that as competition in the financial services industry continues to intensify, we have to accelerate our growth plans, whilst remaining nimble and agile to ensure that we continue to meet customer needs. We will ensure that the required organisational values, leadership behaviours and value propositions that will enable us to deliver consistent and sustainable financial performance, are reinforced.

For the new financial year, our three key strategic priorities are:

i. To build a consistent and sustainable financial performance

One of our goals is to generate recurring revenues by growing Transaction Banking, Wealth Management and Financial Markets for non-interest income, and another is to concentrate on our existing Consumer and Business Banking business. We will, at the same time, continue to reinforce our prudent, effective balance sheet management strategies and integrated risk management and governance to sustain profitability.

ii. To be Malaysia's "Best Customer Service Bank"

To achieve our goal of becoming "The Best Customer Service Bank In Malaysia" within the next few years, we will be rolling out a series of programmes to strengthen our brand promise, *Banking Made Personal*, and improve customer experience through re-engineering, centralisation and automation of processes.

iii. To Develop "Engaged Employees with the Right Values"

We will reinforce our core values of Respect, Integrity, Teamwork and Excellence (R.I.T.E.) and behaviours required to achieve the Bank's mission and vision to become a high performance organisation. We will step up both the soft skills and technical skills training to cultivate future leaders. Amongst the major on-going programmes will be the Branch Managers, Managerial Development and Management Trainee Programmes. We will also step up job rotation, talent management and further strengthen our performance management systems to reward staff for their hard work, creativity and team work.



Given the Bank's good financial performance, strong asset quality and capital ratios, as well as committed and supportive employees, we are well-placed to achieve the key strategic priorities in FY2014 and beyond.

Congratulations

I would like to congratulate our Group CEO Mr Sng Seow Wah and all his staff for the major awards won by the Bank during the year:

- "SOA Vision for Enterprise Services" at the Enterprise & IT Architecture Global Excellence Awards 2012 by iCMG International
- 23rd place on the "Malaysia's Most Valuable Brand" by the Association of Accredited Advertising Agents in consultation with Interbrand
- Ranked 76th on Malaysia's 100 Leading Graduate Employers 2012 by the GTI Group
- "Sahabat SME Award" for the third consecutive year by the SMI Association of Malaysia
- "Service Excellence in SME Banking 2012" and "Service Provider Excellence in Virtualisation" by Banking & Payments Asia at the Trailblazer Awards 2013
- "Best SME Bank" in Asia Pacific, Gulf Region & Africa by The Asian Banker at the International Excellence in Retail Financial Services 2013 Award
- Gold winner of the "Excellence in Consumer Insights/Market Research/Data-Driven Marketing" and Silver recipient of the "Excellence in CRM & Loyalty Marketing" at the Marketing Excellence Awards 2013.



Appreciation

On behalf of the Board of Directors, I would like to thank our shareholders and growing number of customers, stakeholders and business partners, for their support and confidence in the Bank. I would also like to thank my fellow directors of Alliance Bank for their strong support and hard work.

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

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

I am confident that we can face the challenges that FY2014 will bring and continue to deliver sustainable financial performance.

DATO' THOMAS MUN LUNG LEE

Chairman, Alliance Bank Malaysia Berhad

AN ENGAGED TEAM BASED ON THE R.I.T.E. VALUES





BUSINESS AND OPERATIONS REVIEW

BY GROUP CHIEF EXECUTIVE OFFICER OF ALLIANCE BANK MALAYSIA BERHAD

The Alliance Financial Group performed well for the financial year ended 31 March 2013. The Group's net profit after tax of RM538.1 million is the result of strategic initiatives to pursue new revenue streams, transform the distribution channels and processes to deliver superior customer service and experience.

The Group kept its focus on balancing business growth and enhancing its strong balance sheet during the year, to create a platform for consistent and sustained financial performance.



Building on the Momentum

Despite the external uncertainties in 2012, the Malaysian economy expanded by 5.6%. The growth, driven by increased investment activities and characterised by strong capital spending in consumer-related services and domestic-oriented manufacturing sectors, boosted loans growth for the banking industry. The implementation of the Economic Transformation Projects and the developments in the Iskandar Development Region also generated opportunities for the Group's business.

Notwithstanding the intense competition from the changing banking landscape and external challenges, the Group was able to deliver improved financial performance and earnings.

Strong Financial Performance

The Group registered a net profit after tax of RM538.1 million for the financial year ended 31 March 2013 (FY2013), surpassing last year's profit of RM503.1 million, an increase of RM35.0 million. Return on equity was 13.8% while return on assets was 1.3%.

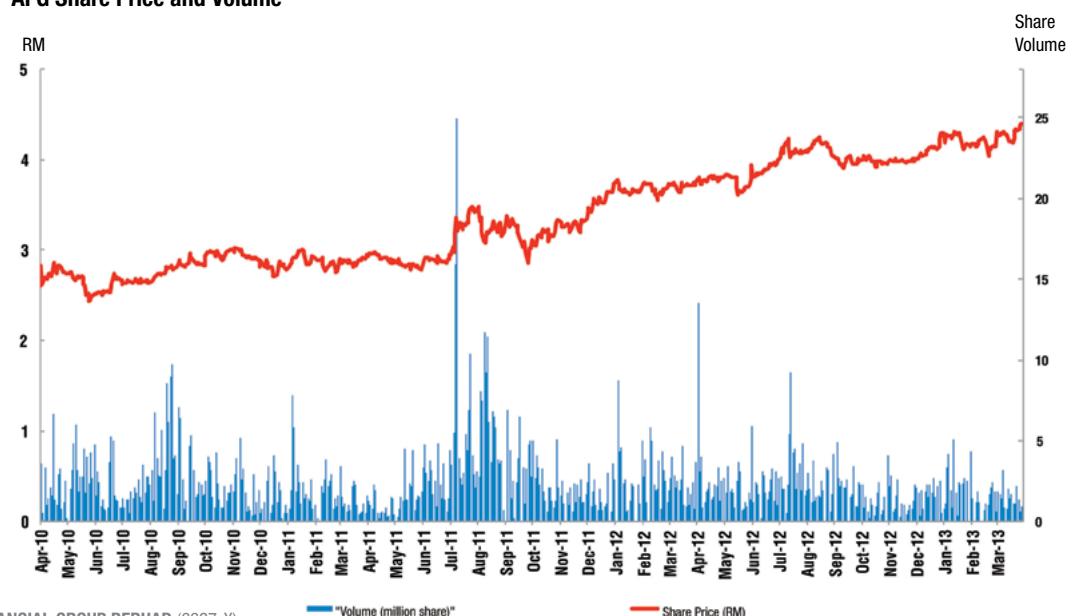
Shareholder Value Continues to Grow

The intrinsic value of the Group continued to strengthen in FY2013 as reflected in the 7.0% increase in earnings per share. Net asset per share rose to RM2.60 as at end-March 2013, from RM2.43 in the previous year.

Reflecting the performance of the Group, the share price of AFG closed at RM4.40 on 29 March 2013, raising the total market capitalisation to RM6.8 billion, up from RM6.0 billion a year ago.

For the year under review, the Group's Total Shareholder Return, which takes into account the capital gains of share price and dividends to measure enhancement of value to shareholders, stood at 17.4%, when compared to FBMKLCI Index of 8.3% and KLFIN Index of 14.0%.

AFG Share Price and Volume



Financial Performance

The following table summarises the financial performance of the Group:

Steady Profit Growth	- Net profit of RM538.1 million, up 7.0% year-on-year, driven by an increase in revenue and lower impairment charges. 12.6% growth in non-interest income. Non-interest income as a proportion of total revenue, rose to 28.7%, from 27.0% a year ago. - Return on equity at 13.8% and return on assets of 1.3%.
Balance Sheet Expansion	- Total assets expanded by 10.0% to RM43.7 billion. - Net loans growth of 13.4% to RM27.8 billion, reflecting strong business momentum. - Deposit growth of 11.9% to RM36.0 billion. - Current-account-savings-account (CASA) ratio maintained at 33.6%.
Productivity	Cost-to-income ratio increased marginally by 0.3% to 47.9%.
Risk Management: Liquidity, Operating Efficiency and Capital	- Liquid balance sheet; with loans-to-deposits ratio maintained at 78.4%. - Net impaired loans ratio continued to improve to 1.1%, from 1.4% in FY2012, due to better underwriting standards and intensified collection efforts. - Total capital ratio stood at 14.8%. - Common Equity Tier 1 and Tier 1 capital ratio of 10.6% and 12.1% respectively, are well-above regulatory and Basel III requirements.

	FY2012	FY2013	Growth	Growth
Summarised Income Statement	RM million	RM million	RM million	%
Net Interest & Islamic Banking Income	924.1	972.6	48.5	+5.2%
Non-Interest Income	320.2	360.4	40.2	+12.6%
Net Income	1,244.3	1,333.0	88.7	+7.1%
Operating Expenses	591.8	639.3	47.5	+8.0%
Write-Back of Losses on Loans and Impairment	24.1	25.0	0.9	+3.7%
Profit Before Taxation and Zakat	674.6	714.0	39.4	+5.8%
Net Profit After Taxation	503.1	538.1	35.0	+7.0%
Summarised Balance Sheet				
Net Loans, Advances and Financing	24,488.8	27,771.7	3,282.9	+13.4%
Investment and Dealing Securities	11,434.2	12,499.1	1,064.9	+9.3%
Total Assets	39,718.8	43,692.0	3,973.2	+10.0%
Deposits from Customers	32,186.9	36,004.3	3,817.4	+11.9%
CASA Deposits	10,841.9	12,099.2	1,257.3	+11.6%
Shareholders' Funds	3,771.9	4,035.2	263.3	+7.0%

Business and Operations Review

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

Business Performance

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

- Ensuring broad revenue growth in interest income and non-interest income across all lines of business, through bundling and cross-selling of innovative products and services;
- Enhancing our customers' overall service experience by building strong and enduring relationships and providing fast, simple and convenient services by leveraging on our Customer Relationship Management System and streamlined business processes; and
- Strengthening our human capital and reinforcing our core values, as the implementation of the Group's plans depends on the combined knowledge, skills and commitment of our people.

Consumer Banking

With our customer segmentation strategy, we continued to outpace industry growth in the mass and mass affluent segments, to account for 55.6% of the Group's loan portfolio and 45% of the deposits portfolio. These results were achieved by giving priority to:

- Rebalancing the consumer banking portfolio by growing revenue from core products of mortgage lending, cards, hire purchase and wealth management;
- Strengthening service and product propositions that cater to customers' lifestyle needs;
- The roll out of Alliance OneBank Rewards loyalty programme and Privilege Banking (PB) Desks at selected branches;
- Enhancing sales and service capabilities across various distribution channels; and
- Improving internal processes and operational efficiency to enhance customer experience.



The Alliance OneBank Rewards Programme is a comprehensive points-based loyalty programme that rewards customers for their total banking relationship with Alliance Bank. The programme enables customers to earn Timeless Bonus Points (TBP) through their credit card usage as well as other services such as deposits, home loans, investments and other financial services, which can be redeemed for Travel, Cash Certificates and other popular gifts.

Mortgage Loans

We saw improvements in mortgage financing despite intense competition and softer market sentiments. The mortgage financing portfolio stands at RM10.9 billion, accounting for 38.9% of the Group's total gross loans. Total new housing loans approved and accepted registered robust growth, boosted by improved processes, quicker turnaround time and more innovative product features.

During the year, we focused on:

- Offering competitive and value-added home loan products via product bundling to meet the diversified property investment needs of our customers. We launched the Home Complete Personal Loan facility, and re-launched the Commercial Property Loan facility; and
- Expanding our in-house direct sales force, strategic tie-ups with top developers for end-financing and improved sales processes.



Credit Cards

The Credit Cards business continued to expand, achieving an 11% year-on-year growth in spending. We captured a 3.8% market share of merchant sales and received the "Highest Payment Volume Growth for Visa Platinum Card" award during Visa Malaysia's Awards 2012 ceremony.

We attribute the growth in market share to the introduction of:

- The Visa Infinite Credit Card, which offers members a host of attractive benefits such as the Priority Pass card and the Timeless Bonus Points under the Alliance OneBank Rewards programme; and
- Rewards for different customer segments and merchant loyalty programmes, such as the BIG loyalty programme tie-up with Air Asia, which allows card members to convert their TBP to BIG Points for Air Asia and Air Asia X flights.

Although tighter credit card lending guidelines remains an industry challenge, we are optimistic of increasing our market share in both the mass affluent and affluent customer segments through more targeted partnerships with key merchants, active cross-selling and product bundling of the cards with other services.



Personal Loans

Personal loans contributed about 15% to Consumer Banking's revenue. The growth was largely driven by Alliance Cash Vantage Personal Financing-i and Alliance CashFirst products. Continuous improvements to our credit risk framework have enabled the personal loans business to keep its impaired loans ratio at just above 1%, compared to the industry average of 2%.

Hire Purchase

We recently placed heavier emphasis on our hire purchase financing business, focussing mainly on the financing of new vehicles, both national and non-national marques. We plan to increase our market share, by expanding the panel of dealers and achieving a quicker turnaround time in credit underwriting.

Wealth Management

The wealth management business comprises three key products: Investment/Treasury, Investment Lending and Share Services, and Bancassurance.

One of our key success factors in expanding the wealth management business lies in understanding our customer's financial needs and presenting the "right solution to the right customer".

During the year, we focused on:

- Expanding the suite of wealth management products and services and cross-selling to the Bank's customer base;
- Increasing the number of relationship managers, and adopting a multi-channel and multi-product strategy to reach out to different customer segments;
- The implementation of a front-line system for treasury product transactions; and
- Providing insights on investment trends at the 15 wealth management events and talks held during the year.

We introduced 10 new unit trust funds, equity-linked structured investments, dual currency investments, retail bonds, investment lending and share services, and foreign denominated financial investments.

The 10 new unit trust funds, amongst others, included the Hwang Fixed Income Maturity series, OSK-UOB Focus Bond Fund series, AmAsia ex-Japan REITs and OSK-UOB Asian Income Fund. Our other new products included Retail Bond and Equity-linked Structured Investment.

In early 2012, Alliance Bank became the first commercial bank to introduce the Portfolio Lending facility, which complements our existing Share Trading & Share Margin Financing facilities. With the Foreign Share Margin Financing facility, our customers can now finance their purchases of shares listed on the stock exchanges of Singapore (SGX), Hong Kong (SEHK), Australia (ASX) and the United States (NYSE, NASDAQ, AMEX).



In Bancassurance, we established the insurance specialist advisory platform to offer a full range of comprehensive products catering to our customers' insurance needs. Among the products launched were the first-of-its-kind innovative single premium investment-linked plan, Global Bond Income Plan that provides quarterly guaranteed fixed payout to the policyholders, in addition to other insurance benefits. Other products launched included Banca Elite Care, Banca Elite Money Back and Banca Elite Auto Life.

Business and Operations Review

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

Business Banking

The SME and Wholesale Banking business lines were combined under a strategic initiative to enable the Group to enhance the efficient use of resources to holistically address the financial needs of the Malaysian business community. The Business Banking division, created as a result of this initiative, remains a core driver of our loans growth, and has made positive impact to both revenue and earnings.



The performance of the Business Banking Division was capped by Alliance Bank being named the “Best SME Bank” in Asia-Pacific, Gulf Region and Africa, an award conferred by The Asian Banker. Being the first Malaysian bank to be accorded this international industry-wide recognition is a testament to our SME business model which is underpinned by personalised relationship management, a superior programme lending model, deep customer insights and our holistic approach in meeting our customers’ banking needs. We aim to be the “Bank of Choice” for businesses and provide them with the support needed throughout their various business stages.

First Mover in Innovative Financial Solutions

We focused on offering innovative financial solutions for businesses as our competitive advantage. In March 2012, we launched ASEAN's first Picture Business Credit Card, the ‘MyBusiness Platinum Card’, with a unique proposition of allowing companies to feature the image of their company on the cardface of their business credit card.

To complement the BizSmart proposition, we developed a comprehensive solution known as the ‘More of You’ bundle, comprising the BizSmart Online Banking, Current Account, ATM Card and Credit Card. This suite of business banking services enables companies to be more efficient in conducting their banking transactions, thus allowing them more time to focus on their business instead.

Deepening Customer Engagement

We are committed to deepening our customer relationships via various ‘personal touch’ engagement events. These events included the Durian Fiesta which was a hit among our business customers, the nationwide Alliance Bank ilovegolf Tournament that received good response from the golfing community, and exclusive screenings of several movie blockbusters.

Our customer loyalty index for the SME segment remains among the highest in the industry, climbing to a score of 78%. In addition, 77% of our customers surveyed would recommend Alliance Bank to other business owners, indicating the strength of our customer relationships.

In our efforts to champion the cause of the wider business community, we conducted various business seminars and engaged in the sharing of thought leadership via business publications and radio interviews. One key initiative was the inaugural SME Business Conference 2012, organised jointly with Maxis and Malaysia SME. The Conference which attracted many business owners was held in the Klang Valley, Penang and Johor. The participants were provided insights on topics relating to business banking, business best practices, market trends, and technological innovation from various subject-matter experts.



Increased Regional & Industry Sector Focus

We adopted strategies tailored specifically for the different geographical regions within Malaysia to enable us to respond more quickly to local market conditions. These included organisational and process changes, as well as increased empowerment at the regional level, which has resulted in growth momentum from regions such as East Malaysia and the Southern region.

We re-aligned our “Go-to-Market” strategies and developed a deeper understanding of the inherent risks of our target industry sectors. At the same time, we continued to strengthen our position in traditional industry sectors, while pursuing opportunities in new high-growth sectors.



Highly Skilled Business Bankers

To retain talent and develop well-rounded bankers, we continue to invest in structured sales and service training programmes for our relationship managers and front-line staff. The consolidation of the SME and Wholesale Banking business lines has widened the career progression options for our relationship managers, enabling them to garner critical skill-sets from serving different business segments. We are also up-skilling our business bankers with deeper industry expertise to serve customers from different sectors more effectively, as well as leveraging on the Bank’s Managerial Development and Management Trainee Programmes to develop our talent pipeline.



Group Transaction & Alternate Banking

Group Transaction & Alternate Banking stayed focused on its goal of providing a competitive range of transactional and advisory services and solutions that are efficient, fast and secured. The products and services include Payments and Remittances, Trade Finance, Cash Management, Contact Centre, Group Deposits and Direct Banking, such as self-service terminals and online banking.

In October 2012, we launched the Alliance Bank BizSmart Online Banking service for businesses, including sole proprietors; our services include advanced Cash Management Tools for ease of conducting payroll and bulk payment, statutory payments and easy account reconciliation. The Alliance Bank BizSmart Online Banking has the best-in-class security features, including the latest 128-bit key encryption and digital signatures.



For consumers, we introduced the upgraded AllianceOnline which comes with improved security and convenience to enhance customers’ experience when transacting online. The children’s flagship account, Alliance Buddy, was re-launched in April 2012. This account comes with complimentary Term Life protection for the parents and Straight A’s Achievement Award of up to RM300 per student.

Our success in growing our deposits can be attributed to our focus on specific deposit initiatives such as tactical promotions, product innovations, and attracting new-to-bank CASA accounts.

We will continue to innovate and make it more attractive for our depositors to bank with us.

Business and Operations Review

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

Financial Markets

The Financial Markets team manages the funding and liquidity requirements of the Bank, and functions as a solutions provider in marketing treasury products to various customer segments.

The treasury team adopts a client-led approach supported by research and product capabilities and a multi-product platform to offer hedging solutions for our SME and corporate clients and new structured investment products for Consumer Banking customers.

The business is beginning to benefit from its focus on growth areas of fixed income trading and foreign exchange sales. Revenue from foreign exchange sales increased year-on-year, despite pressure on margins, and has provided the Group with a viable source of non-interest income.

In view of the increasing volatility in the currency markets, we will continue to refine our market risk policies and monitoring to ensure that Financial Markets remains a major sustainable value generator for our customers.



Islamic Banking

Our Islamic Banking business, conducted through our subsidiary Alliance Islamic Bank Berhad (AIS), continued to expand at a good pace, with the strong support and collaboration from Alliance Bank. Islamic financing accounts for 16.5% of the Group's total loans portfolio, with 63.7% or RM2.1 billion of the Islamic consumer financing extended to house financing.

Differentiated Capabilities

AIS continues to build business sustainability through cross-selling of innovative products and increasing operational efficiencies. During the year, AIS rolled out the *Wakalah* Investment Account, a long-term Islamic investment agency scheme that provides returns competitive to prevailing General Investment Account rates, and a *Shariah*-Compliant SME Financing Scheme which is supported by the Government's SME funding programme.

AIS will seek to capitalise on opportunities derived from the positive outlook for the domestic Islamic banking sector, and will continue to focus on building key differentiated capabilities. New product offerings in the pipeline such as *Murabahah*-based deposit and financing propositions would enhance its suite of propositions for both its consumer and business customers and help to uplift the portfolio yields, generate fee income and garner new-to-bank customers.

As an Islamic financial institution, AIS will ensure that its operations remain governed by its observance of the *Shariah* principles. An internal *Shariah* Committee, which includes an experienced *Shariah* scholar, oversees all *Shariah*-related matters. AIS has also fulfilled its obligation for zakat payment.



Investment Banking

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

In FY2013, AIBB rebuilt its Institutional Business operations. Its efforts to strengthen its research capabilities and institutional dealing team, and the re-organisation of selected stockbroking operations in the previous year, have since made positive impact on AIBB's performance.

AIBB will continue to focus on strengthening its franchise, enhancing capabilities within the stockbroking and research teams, especially in the retail broking business. It would further expand its share trading centres, mobile and Internet broking channels and share margin business, to facilitate better client relationship management and complement its traditional remisier channel.



Equity Market

AIBB's market share in the equity market improved during the year. Our efforts to strengthen relationships with major institutional clients was well-supported by the Equities and Economics research team, whose reports are gaining a following amongst major financial publications.

Our dealers and remisiers are now equipped with a new front-end trading engine, while our Internet/e-broking clients enjoy a complete trading experience with the upgrade of our Electronic Client Ordering System (ECOS) trading connectivity.



Capital Markets

Capital Markets' activities in FY2013 were dominated by large IPOs such as Felda Global, IHH Healthcare, Astro, IGB REIT and Gas Malaysia. The IPO offerings had slowed in the second half of 2012, in part, due to the then impending 13th General Election.

The notable assignments completed by AIBB during the year include:

- The RM200 million rights issue of Malayan Flour Mills Bhd;
- The IPOs of OCK Group Bhd and Datasonic Group Bhd;
- Independent advisory to Kenanga Investment Bank Bhd for its merger with ECM Libra Investment Bank Bhd;
- Independent advisory to Lingui Bhd for its privatisation via a selective capital repayment scheme; and
- The origination of a RM505 million unrated PDS programme for Setia Ecohill Sdn. Bhd, a subsidiary of SP Setia Bhd.

Capital Markets will continue to focus on providing a range of investment banking advisory services to SMEs by leveraging on the Bank's Business Banking customer segment.



Service Quality and Re-Engineering

We conscientiously look for ways to place our customers' needs first, to deliver faster turnaround, and consistent quality service across all customer touch points. We embarked on the branch strategy project, in order to ensure an integrated and effective branch delivery channel.

We implemented several initiatives during the year with the goal of making banking with us easier for our customers and also for our staff to serve our customers better:

- Greater use of the Customer Relationship Management system, which provides us a holistic view of our customers' total relationship. This allows for efficient handling of customer requests, leading to a reduction in turnaround time;
- Streamlining of roles coupled with functional skills training, and increased empowerment for branch managers and other front-line staff has improved efficiency and enhanced customer experience; and
- Re-engineering processes, such as the account opening and credit underwriting, based on customers' feedback and results of mystery shopping and customer satisfaction surveys.

We are conducting a major review of some of our key end-to-end business processes and will redesign these as needed, in order to give our customers' experiences that are simple and convenient, personal and consistent. We will continue to commit significant resources to automate and re-align processes as we build a "customer first" culture in our pursuit to achieve best-in-class service standards.



Business and Operations Review

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

Group Technology

We continue to enhance the technology capabilities to promote operational efficiency and to provide a differentiated customer experience in a cost-effective manner.

During the year, the key milestones in relation to the upgrading of our technology capabilities and infrastructure included:

- Roll out of wealth management tools to enhance Customer Relationship Management;
- Roll out of Phase 1 of the Enterprise Financial solutions, which integrates enterprise General Ledger, Accounts Receivable, Accounts Payable and Online-Procurement;
- Upgrade of Inward Clearing and Signature Verification solutions to provide better services and improved security features;
- Implemented a new e-Treasury solutions to enhance product offerings;
- Implemented Bank Negara Malaysia (BNM)'s new Statistical Reporting solution;
- Adopted a single front-end trading platform for trading of shares listed on Bursa Malaysia and other foreign exchanges; and
- Relocated the Bank's Disaster Recovery sites and upgrading of infrastructure to provide better recovery capabilities.

In our endeavours to reduce overall IT cost, we:

- Continued with the virtualisation exercise, which resulted in cost savings from the consolidation of servers; and
- Reduced the continuing cost of refreshing infrastructure, in particular for the replacement of personal computers.

In FY2014, we will continue to upgrade and deploy the appropriate and relevant technologies and applications to support the delivery of innovative products and services to our customers.



Capital Management and Risk Governance

The Group recognises the importance of a holistic capital and risk governance, and continues to improve on the effectiveness of the overall risk management framework. The Group's Risk Appetite Statement quantifies the maximum amount of risk that can be assumed in relation to the execution of its growth strategies.

The Group's capital plan takes into account business as usual regulatory capital requirements to address the inherent risk in the balance sheet, as well as under various stressed scenarios in line with Basel III and the Internal Capital Adequacy Assessment Process (ICAAP).

Capital and risk management activities are managed centrally at the Group-level, to ensure that we have an optimum mix of different components of capital. As at end-March 2013, after taking into account our dividend policy of paying up to 50% of the Group's net profits as dividends, our capital ratios remain at the higher end of our target ranges, as well as BNM's minimum capital requirements under Basel III, as follows:

• Total Capital Ratio	14.8%
• Tier 1 Capital Ratio	12.1%
• Common Equity Tier 1 Capital Ratio	10.6%

The Group is also well placed to satisfy the proposed Basel III Liquidity Coverage Ratio, based on our current level of retail deposits and liquefiable securities, when the requirements come into force in 2015.

The other key initiatives implemented during the year to strengthen our risk management capabilities included:

- Re-aligning risk monitoring and dashboard reporting in line with the Risk Appetite Statements;
- Performing parallel monitoring and reporting of the Basel III liquidity and capital requirements to facilitate smooth transition upon implementation by BNM;
- Implementing Risk Triggers Framework to monitor and detect potential risk events and/or other indicators which may adversely impact the Bank's financial health or reputation;
- Enhancing our stress testing process to gauge potential vulnerabilities and the impact to the Bank's earnings and capital; and
- Instituting Portfolio Review Committees by the various business segments to promote efficiency along the entire credit process and risk management while maintaining proper governance.

Group Internal Audit

Group Internal Audit (GIA) provides 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 operations are under proper controls.

In FY2013, GIA continued to enhance its capabilities and practices to better support the Group's strategy and growth. These include developing a comprehensive set of internal quality assessment procedures/guidelines covering the mandatory guidance components of the Institute of Internal Auditors' International Professional Practices Framework. It also enhanced its audit methodology and audit approach including improving standards for audit documentation.

GIA stepped up its emphasis on integrated and thematic audits for more effective audit coverage and efficient use of audit resources, better grasp of high level audit issues and lower risk of audit coverage gaps.

GIA continued with the Guest Auditor Programme where selected line managers are invited to join as guest auditors for audit assignments. While guest auditors have the opportunity to gain experience and exposure into areas of the Group, GIA benefits from their functional or business unit knowledge. This pooling of talents and experiences allow the sharing of best practices across the Group.

An internal audit competency framework was established to provide a more structured basis to better evaluate and meet the training needs of the internal auditors.



Investing in Our People

Our Human Capital agenda continued to focus on three key strategic themes of attracting, developing and retaining resources, culture of meritocracy, and employee engagement.

A major initiative during the year was the introduction of the core values of Respect, Integrity, Teamwork and Excellence or simply R.I.T.E. to reinforce the right behaviour to support our goal of building a high performance organisation.



We engaged our employees through the annual Voice of Employee survey, to systematically gauge employees satisfaction gather employee feedback in support of recent years' initiatives as well as providing focus on priority issues.

To improve consistency and transparency of internal communications with employees, Townhalls and Pulse Lunches were held to provide a platform for management to share key strategies and priorities with the staff. It is also an effective channel for feedback from employees.

In addition, the Bank also:

- Implemented an improved performance management system, which helped reduce staff turnover;
- Rolled out new job grading framework and Structured Internship Programme; and
- Introduced the Talent Management and Succession Planning framework.

Programmes that gave emphasis to career development, succession planning and leadership development were held throughout the year, most notably the:

- Alliance Bank Structured Internship Programme for graduating university students;
- Management Trainee Programme for university graduate trainees keen on exploring banking as a career path; and
- Managerial Development Programme for junior and mid-level managers of the Bank.

Business and Operations Review

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

Awards and Recognition

During the year, we were recognised for our expertise and commitment to service excellence.

In terms of brand value, Alliance Bank was ranked 23rd among the top 30 of Malaysia's Most Valuable Brands organised by the Association of Accredited Advertising Agents in collaboration with Interbrand, one of the world's largest brand consultancies.

The Bank improved its rankings to number 76 in 2012, from 81 the previous year, on the Malaysia's 100 Leading Graduate Employers 2012.

The Bank also emerged as the Gold winner of the "Excellence in Consumer Insights/Market Research/Data-Driven Marketing" and received the Silver for "Excellence in CRM & Loyalty Marketing" at the Marketing Excellence Awards 2013 organised by the advertising+marketing magazine.

The Bank's strategy gained traction in the SME market and we received numerous acknowledgements for our initiatives, especially for the Alliance Bank BizSmart programme. The Bank was recognised with a "Sahabat SME Award" for the third consecutive year at the 11th SME Recognition Award Ceremony 2012 organised by the SMI Association of Malaysia. The Alliance Bank BizSmart initiative was also shortlisted as a finalist for the "Excellence in Launch Marketing" at the Marketing Excellence Awards 2013.



We won the "Service Excellence in SME Banking" at the Trailblazer Awards 2013 by Banking & Payments Asia magazine, and was the first Malaysian bank to be awarded the coveted Asian Banker's "Best SME Bank" in Asia Pacific, Gulf region and Africa at the International Excellence Retail Financial Services 2013 Award.

For our continuous improvement of the Group's IT infrastructure, we were awarded the "SOA Vision for Enterprise Services" at the Enterprise & IT Architecture Global Excellence Awards 2012, and the "Service Provider Excellence in Virtualisation" at the Trailblazer Awards 2013 by the Banking & Payments Asia magazine.

Corporate Responsibility

The Group remains committed to the community it serves and embeds corporate responsibility in all aspects of its business in order to build sustainable and meaningful business and community partnerships.

We continue to reach out through the financial literacy programme, charity work and engaging staff volunteers.

In 2012, we launched the inaugural Alliance Bank Money & Math Challenge, which is an exciting and innovative financial literacy programme to teach young children good money habits. Parents and teachers alike gave good feedback on our programme.

We resumed with our financial literacy programme for young children at selected branches' "Open House". Since January 2013, more than 400 children have experienced our financial literacy workshops held across the country during the "Open House" sessions.

The details of the various initiatives are set out in the section on Corporate Responsibility report.



Investor Relations

We engaged the financial community, stakeholders and other key constituencies to provide consistent, accurate, transparent and timely information in accordance with the principles and best practices prescribed as part of our corporate governance policies.

The engagement with investors and other stakeholders serves as a platform for the Group to disclose its financial performance, strategies, business directions, and developments of interest to the investing public. The information presented at the briefings is uploaded on our corporate website at www.alliancefg.com to promote accessibility of information.

A full report on the Group's investor relations' activities can be found in the Statement on Corporate Governance.

Looking Ahead

The uncertainties in the external environment, particularly in the Eurozone, will continue to exert pressure on global growth. However, the strength of Malaysia's economic fundamentals coupled with the on-going implementation of the ETP initiatives would ensure that the Malaysian economy remains steady.

Nonetheless, the banking landscape recently re-shaped by mergers and acquisitions in the industry, the rise of social media, increased regulations and excess liquidity in the system, will continue to see intensified competition and greater pressure on interest margins.

Amidst these challenges, the Group will strive to sustain its growth momentum by continuing to enhance its franchise building and leveraging on improved infrastructure, distribution network and customer service.

By building a high-performance organisation motivated by a positive work culture, we will seize the opportunities available and confront our challenges to deliver better financial performance, enhanced customer experience and product excellence.

Appreciation

The Group's sustained growth and financial performance is due largely to the support, trust and confidence of many of our customers. On behalf of the Group, I would like to take this opportunity to thank our customers and to reiterate our commitment to serve them better.

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

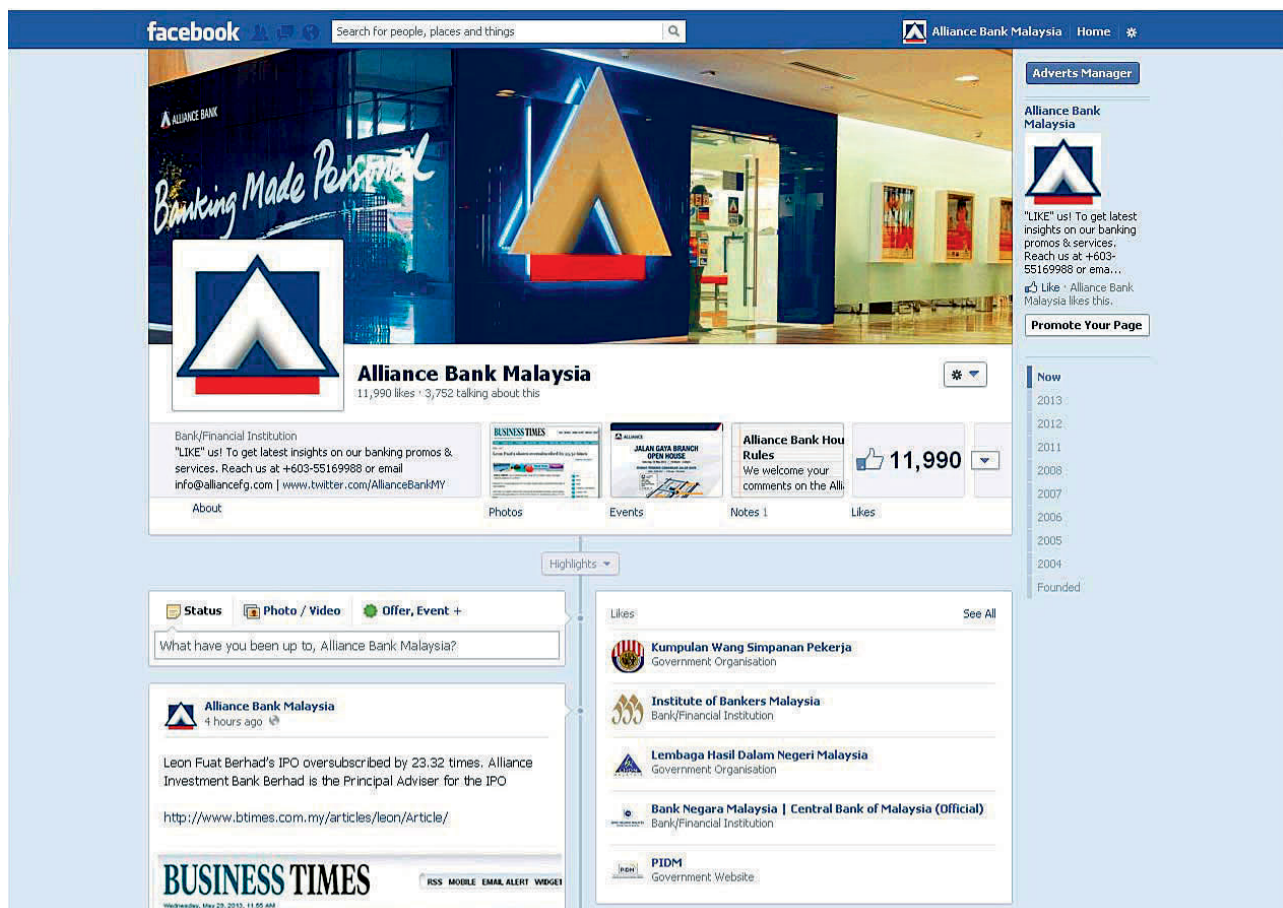
The Group's progress is also due to the hard work, dedication and commitment of our management and staff, who have demonstrated good team work to achieve what we have set out to do.

I wish to express my appreciation to the members of the Board of Directors for their continued and invaluable guidance, and look forward to their support in the coming year as we take the Alliance Bank Group to the next level of growth.

Thank you.

SNG SEOW WAH

Group Chief Executive Officer





Best SME Bank in Asia Pacific, Gulf Region & Africa

International Excellence in Retail Financial Services Awards 2013



SOA Vision for Enterprise Services¹

Enterprise & IT Architecture
Global Excellence Awards 2012



Malaysia's Most Valuable Brand 2012

AWARDS AND



Malaysia's 100 Leading Graduate Employers 2012



Sahabat SME

11th SME Recognition Award Ceremony 2012

¹Note: SOA stands for Service-Oriented Architecture.



**Service Provider
Excellence in Virtualization**
Trailblazer Awards 2013



**Service Excellence in
SME Banking**
Trailblazer Awards 2013



**Highest Payment
Volume Growth for
Visa Platinum Card**
Visa Malaysia Bank Awards 2012

RECOGNITION

The Alliance Financial Group has made great strides towards realising its vision to be “The Best Customer Service Bank in Malaysia”. We believe that our franchise building initiatives of introducing unique products and service innovations will help us build a consistent and sustainable financial performance in the long term.



**Excellence in Consumer
Insights/Market Research/
Data-Driven Marketing**
Marketing Excellence Awards 2013



**Excellence in CRM &
Loyalty Marketing**
Marketing Excellence Awards 2013



**Excellence in
Launch Marketing**
Marketing Excellence Awards 2013

for financial year ended 31 March 2013

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)

CORPORATE CALENDAR

for financial year ended 31 March 2013

10 April 2012

Alliance Bank Launches Money & Math Challenge

Alliance Bank goes on the road to teach young children about savvy financial planning and wealth management. A total of 780 Standard 4 and 5 pupils from 20 selected primary schools across the Klang Valley, Penang and Johor had the chance to demonstrate their acumen in the Alliance Bank Money & Math Challenge (MMC), which is one of Alliance Bank's corporate responsibility programmes to promote financial literacy to the younger generation. The top three scorers from each school at the one-day workshop and the online literacy quiz challenge moved on to the MMC Grand Finale on 30 October 2012 at the National Science Centre in Kuala Lumpur. The team from SJK (C) Puay Chai 2 emerged the winner.

23 April 2012

Alliance Investment Bank Launches eAlliance Share Mobile Trader

Alliance Investment Bank Berhad (AIBB) launched eAlliance Share Mobile Trader to provide clients with an alternative platform to view Bursa Market prices, monitor their trading activities and to place orders online at anytime and from anywhere.

23 May to 24 May 2012

Alliance Bank and Maxis Host SME Business Conference 2012

Alliance Bank partnered Maxis Berhad and Malaysia SME magazine to jointly host the "SME Business Conference 2012" at Sunway Pyramid Convention Centre in Subang Jaya to share professional expertise with entrepreneurs to empower them to compete in the global marketplace. The conference was officiated by YBhg Dato' Hafsah Hashim, CEO of SME Corporation Malaysia.

22 June 2012

SME Trade Seminar "Making Letter of Credit (LC) A Better Settlement Tool" in Trade Finance

The Bank hosted a half-day Trade Finance Seminar themed "Making LC A Better Trade Settlement Tool" for 125 customers from the Business Banking segment. The aim of the seminar was to support and educate customers on LC facilities as well as to enhance business relationships. The guest speaker was a renowned trade finance expert among domestic and foreign banks in Malaysia and Singapore.

12 July 2012

SME Customer Appreciation "Durian Fest 2012"

The Bank's customers were treated to the "King of Fruits" at the "Durian Fest 2012" held at the Kuala Lumpur Golf & Country Club.

14 July 2012

Employee Townhall and R.I.T.E. Launch

Once again, Alliance Bank organised the employee Townhall meeting with 1,475 staff from the Klang Valley. Group Chief Executive Officer Mr Sng Seow Wah shared the Group's financial performance and outlook, and also launched R.I.T.E. (Respect, Integrity, Teamwork, Excellence) core values for all bank employees. 11 staff were presented with the AFG Spirit Award 2012 (henceforth renamed the R.I.T.E. Award) while 205 staff received long service awards. The gathering culminated in the Alliance Idol final show organised by the AFG Recreational and Sports Club.

Similar Townhall sessions were held for Northern and Southern regions as well as in East Malaysia. The first R.I.T.E. Award was presented at the Southern Townhall on 13 October 2012 and the second was awarded at the East Malaysian Townhall on 24 November 2012.

25 July 2012

Alliance Bank Wins "SOA Vision for Enterprise Services"

Alliance Bank was named a joint-winner of the "SOA Vision for Enterprise Services" by the iCMG International at the Enterprise & IT Architecture Global Excellence Awards 2012 held in Bangalore, India. The Bank was commended for making strides in the implementation of its Customer Relationship Management (CRM) and Service-Oriented Architecture (SOA) to serve its customers better.

26 July 2012

Alliance Bank Visa Infinite Launch

The Bank launched the Alliance Bank Visa Infinite Credit Card with the theme "A Class Beyond First" at Tanzini restaurant in GTower, Kuala Lumpur. Cardmembers enjoy a host of benefits with more Timeless Bonus Points (TBP), annual loyalty rewards for free flights, holiday packages and Total Banking Relationship Rewards which allows their TBPs to be earned from using other services provided by the Bank such as deposits, home loans, investments and other financial services.

10 April 2012



12 July 2012



26 July 2012



19 September 2012



19 September 2012

Alliance Bank Launches Alliance OneBank Rewards

The Bank launched Alliance OneBank Rewards, a comprehensive points-based loyalty programme that rewards customers for their total banking relationship with the Bank. It covers all financial categories from conventional to Islamic banking as well as existing and new financial products, credit card expenditure, balance transfers, unit trust funds and more. Customers can earn TBPs from using credit card and other services provided by the Bank such as deposits, home loans, investments and other financial services.

27 September 2012

SME Business Conference 2012 in Penang

Alliance Bank's Group Business Banking together with Maxis Berhad and Malaysia SME magazine hosted the northern SME Business Conference in G Hotel, Penang. The event was officiated by Mr Koay Chiew Guan, President of Small and Medium Enterprises Association (Samenta). Alliance Bank shared their insights and provided advice on loan procedures.

5 October 2012

Bangsar Baru Branch Opening

Alliance Bank relocated its Bangsar branch from Lucky Garden to Jalan Telawi 5, Bangsar Baru, Kuala Lumpur. The new branch offers the full range of Consumer and Business banking financial services, complemented by a 24-hour e-Banking lobby and safe deposit box facility.

6 October 2012

AFG Treasure Hunt 2012

The annual AFG Treasure Hunt 2012 attracted over 500 staff in 125 cars from Klang Valley, northern and southern regions. The hunt was flagged off at the Bank's headquarters in Kuala Lumpur and ended at the Lotus Desaru Beach Resort in Johor. Food essentials which were the "treasures" collected during the event, were donated to Persatuan Penjagaan Kanak-Kanak Terencat Akal Johor Bahru and Pertubuhan Kebajikan Insan Istimewa Johor Bahru.

6 October 2012



9 October 2012

Alliance Bank BizSmart Online Banking Launch

The Bank became the first Malaysian bank to avail big business banking tools to small and medium enterprises (SMEs) business, including sole proprietors, with the introduction of its Alliance Bank BizSmart Online Banking.

The innovative solution enables business owners to do "less banking" and focus on accelerating their business by giving them more control over their company's online banking facilities with ease of mind with its best-in-class security features.

17 October 2012

Alliance Bank Ranked Among Malaysia's Most Valuable Brands

Alliance Bank was ranked 23rd among Malaysia's Most Valuable Brands (MMVB) 2012 organised by the Association of Accredited Advertising Agents in collaboration with Interbrand, one of the world's largest brand consultancies.

27 November 2012

Alliance Bank Moves Up in Malaysia's Top 100 Leading Graduate Employers in 2012

Alliance Bank moved five notches up to 76th spot in the Malaysia's 100 Leading Graduate Employers 2012 in recognition of its internship programmes to nurture fresh graduates and young talents. Over 12,000 Malaysian students and fresh graduates studying locally and abroad voted in the survey.

13 December 2012

Alliance Bank Presented With The Sahabat SME Award Again

Alliance Bank was awarded the Sahabat SME award at the 11th SME Recognition Award 2012 ceremony for the third consecutive year by the SMI Association of Malaysia. The award honours the significant contribution and innovative strategies introduced by the Bank to assist SMEs develop their business in the country.

13 December 2012



8 January 2013

Alliance Investment Series Seminar – 2013 Outlook

Alliance Research Sdn Bhd organised a one-day conference on 2013 Outlook at Doubletree by Hilton in Kuala Lumpur.

12 January – 29 June 2013

Alliance Bank Branch's Open House

Alliance Bank went on the road to visit its branches nationwide almost every other Saturday beginning 12 January 2013 to engage the community in a meaningful exchange. Fabulous one-day deals were offered on specific financial products such as deposits, credit cards, share trading & share margin financing and bancassurance. The highlight of the Branches' Open House was the one-hour Kid's Financial Literacy Workshop for children ages between 6 and 10. Held twice in a day, the interactive workshop educates children on the importance of saving money and budgeting. Parents too, were invited to a workshop on financial management whereby an Investment Counselor explains the fundamentals and importance of investing for the children's future.

15 January 2013

Alliance Investment Bank Berhad Client Dinner

AIBB held an appreciation dinner for its major clients at Doubletree by Hilton, Kuala Lumpur, in recognition of their support.

13 March 2013

Alliance Bank and Credit Guarantee Corporation Malaysia Berhad Sign Portfolio Guarantee Agreement

Alliance Bank signed an agreement with Credit Guarantee Corporation Malaysia Berhad to provide easier access to financing for SMEs on a portfolio guarantee basis. Starting with an initial tranche of RM50 million, the portfolio guarantee aims to assist small businesses by providing loans for working capital as well as asset acquisition.

15 March 2013

Alliance Bank Wins Two Awards from Banking & Payments Asia (BPA) Trailblazer Awards 2013

Alliance Bank clinched two awards for "Service Excellence in SME Banking" and "Service Provider Excellence in Virtualisation" at the Trailblazer Awards 2013 organised by Banking & Payments Asia (BPA). The BPA Trailblazer Awards is a tribute to the best-of-breed players in retail banking and payments in Asia Pacific as it identifies best practice initiatives that set new standards for the retail banking industry in the Asia Pacific region. For the "Service Excellence in SME Banking", the Bank was lauded for its initiative to provide cash management and Internet banking services to smaller SMEs. For the "Service Provider Excellence in Virtualisation" award, the Bank was recognised for reducing capital and operating expenditures while going green.

19 March 2013

Alliance Bank Wins Visa Malaysia Bank Awards 2012

Alliance Bank won an award for registering the "Highest Payment Volume Growth for Visa Platinum Card" at the Visa Malaysia Bank Awards 2012 held at the Grand Hyatt Kuala Lumpur. This annual awards ceremony recognises all Visa Issuing and Acquiring Banks for their yearly achievements. Alliance Bank Visa Credit Card average card spend grew by 17.3 per cent, surpassing the industry average of 11.6 per cent.

22 March 2013

Alliance Bank Wins The Asian Banker's "Best SME Bank" Award in Asia Pacific, Gulf Region and Africa

Alliance Bank was announced the winner of the coveted "Best SME Bank" in Asia Pacific, Gulf Region and Africa presented by the prestigious Asian Banker industry journal at its Excellence in Retail Financial Services International Awards 2013 held in Seoul, South Korea. The Bank beat more than 160 other financial institutions to be the first Malaysian bank to be honoured with the award.

29 March 2013

Alliance Bank Wins Two Awards at Marketing Excellence Awards 2013

Alliance Bank's Alliance OneBank Rewards loyalty programme was judged the Gold Award winner for "Excellence in Consumer Insights/Market Research/Data-Driven Marketing" and Silver Award winner for "Excellence in CRM & Loyalty Marketing" at the inaugural Marketing Excellence Awards 2013. The Alliance OneBank Rewards is viewed as a true loyalty programme as it is the first to cut across all customer segments to reward customers for their banking relationship with the Bank.

12 January – 29 June 2013



13 March 2013



15 March 2013



APPLICABLE SOLUTIONS FOR GREATER EXCELLENCE





STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Alliance Financial Group Berhad is committed to adopting high standards 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 principles and recommendations of the Malaysian Code on Corporate Governance 2012 (MCCG 2012) and Bank Negara Malaysia (BNM) Guidelines on Corporate Governance for Licensed Institutions.

In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, this statement describes the way in which the Company has applied the principles and recommendations set out in the MCCG 2012. Save for the exception to Recommendation 3.2 which is explained under paragraph 1.8 in this statement, the company is in compliance with the principles and recommendations of the MCCG 2012.

1. The Board of Directors

1.1 Composition and Independence of Directors

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

In the annual assessment of the Board for the financial year ended 31 March 2013 (FY2013), the Board was satisfied with its current size and composition as well as its mix of skills which is made up of individuals of high calibre, credibility and with the necessary skills and qualifications to enable the Board to discharge its responsibility effectively. The Board, through the Nomination Committee has also assessed the fitness & propriety of the Directors in accordance with the Group's Policy on Fit and Proper for Key Responsible Persons.

In the annual assessment of the independence of the 6 Independent Directors in respect of FY2013, the Board was satisfied that each of them remained independent and free from any business or other relationship, which could interfere with the exercise of independent judgement.

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

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

1.2 Duties and Responsibilities

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

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

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



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 Conduct and Ethics

The Group has a Code of Conduct that sets out the standards required to be observed by the Directors and the employees in order to promote and maintain the highest ethical standards at all times. 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 ten times during the FY2013. Details of each Director's attendance during the financial year are as follows:

Name of Director	Attendance
Datuk Oh Chong Peng (<i>Chairman</i>)	10/10
Dato' Thomas Mun Lung Lee	10/10
Stephen Geh Sim Whye	10/10
Tan Yuen Fah	10/10
Megat Dziauddin bin Megat Mahmud	9/10
Lee Ah Boon	10/10
Ou Shian Waei	10/10
Kung Beng Hong	10/10
Sng Seow Wah	10/10

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 Time Commitment

The Board is satisfied with the level of time commitment given by the Non-Executive Directors towards fulfilling their roles and responsibilities as Directors of the Company.

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, they must not hold directorships in more than five public listed companies.

Non-executive directors are required to notify the Chairman before accepting any additional external appointments. The notification shall include an indication of time that will be spent on the new appointment. The Chairman shall notify the Board if he has any additional external appointments or significant commitments outside the Company.

1.8 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. In evaluating the appointment of new directors, the Nomination Committee looks for diversity of skills and experience of the candidates. The Nomination Committee will, upon its assessment, submit its recommendation to the Board for approval subject to BNM's consent.

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

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

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

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

In relation to Recommendation 3.2 of the MCGG 2012 that the tenure of an Independent Director should not exceed a cumulative term of 9 years, the Board has decided to maintain its current policy that Independent Directors after having served for 12 years will not be considered for further re-appointment. In view of this policy for Independent Directors to serve for up to 12 years, shareholders approval will not be sought for Independent Directors who have served for 9 years but less than 12 years.

1.9 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.

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

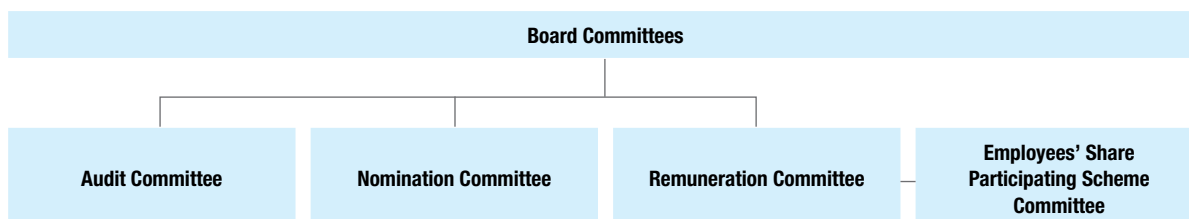
As at 31 March 2013, all the Directors have completed the Mandatory Accreditation Programme and pursuant to the requirement of Bursa Securities, they have attended various training programmes during the financial year. All Directors have also attended the eight-day FIDE Programme.

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

- FIDE Programme: Board IT Governance and Risk Management Programme
- ICAAP Implementation Challenges for the Bank Management in Malaysia
- Competition Act 2010, Personal Data Protection Act 2010 and Whistleblower Protection Act 2010
- The key components of establishing and maintaining world-class audit committee reporting capabilities
- What keeps an audit committee up at night
- 2013 Budget Seminar
- Powering for Effectiveness
- The Role of the Audit Committee
- FIDE Elective Programme: Risk Management Committees – Insurance Programme
- Financial Sector Blueprint 2011-2020
- Syariah Governance/Takaful Operators Framework
- FIDE Elective Programme: 'Corporate Governance... Should I take it Seriously'
- FIDE Forum – Global Islamic Finance Forum 2012
- An Overview of the Swiss Solvency Test & Outlook for Europe after the current crisis
- Trends in Risk and Reinsurance Evaluation in Europe
- The Global Reinsurance Market, where it stands today
- Risk Modelling and Reinsurance Optimisation
- Financial Services Bill Briefing
- Angel Funding
- Insurance Risks
- Islamic Product Talk
- Internal Auditors Conference
- FIDE Programme – Insurance Insights
- FIDE Forum – Roundtable Discussion on Compliance Program
- FIDE Forum – 2012 Edelman Trust Barometer
- Understanding Financial Statements – Use of Healthy Scepticism
- Managing Corporate Risk and Achieving Internal Control Through Statutory Compliance
- World's No. 1 Leadership Thinker
- Talk on Human Capital Management in the Boardroom
- ASEAN Bankers Association – 19th ASEAN Banking Conference: Laying the Foundation for One ASEAN Market – Identifying and Prioritizing Initiatives

The Nomination Committee has undertaken an assessment of the training attended by the Directors during the financial year and was satisfied that each of the Directors have attended continuous training to keep abreast with the latest developments in the industry to better fulfill their responsibilities as Directors of the company.

1.10 Board Committees



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

a. Audit Committee

The Terms of Reference and the composition of the Audit Committee are presented in the Audit Committee Report on pages 65 to 68 of this Annual Report.

b. Nomination Committee

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 comprises entirely of Non-Executive Directors with the majority being independent. In FY2013, a total of two meetings were held by the Nomination Committee. The members of the Nomination Committee and the details of attendance during the financial year are as follows:

Committee Members	Attendance
Datuk Oh Chong Peng (<i>Chairman</i>)	2/2
Dato' Thomas Mun Lung Lee	2/2
Stephen Geh Sim Whye	2/2
Megat Dziauddin bin Megat Mahmud	2/2
Lee Ah Boon	2/2
Kung Beng Hong	2/2

c. Remuneration Committee

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;
- 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 Group 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 entirely of Non-Executive Directors with the majority being independent. In FY2013, one meeting was held by the Remuneration Committee. The members of the Remuneration Committee and the details of attendance during the financial year are as follows:

Committee Members	Attendance
Datuk Oh Chong Peng (<i>Chairman</i>)	1/1
Dato' Thomas Mun Lung Lee	1/1
Megat Dziauddin bin Megat Mahmud	1/1
Lee Ah Boon	1/1
Ou Shian Waei	1/1
Kung Beng Hong	1/1

d. Employees' Share Participating Scheme Committee

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

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

Committee Members	Attendance
Datuk Oh Chong Peng (<i>Chairman</i>)	2/2
Dato' Thomas Mun Lung Lee	2/2
Megat Dziauddin bin Megat Mahmud	2/2
Lee Ah Boon	2/2
Ou Shian Waei	2/2
Kung Beng Hong	2/2

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

1.11 Directors' Remuneration

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

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

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

Details of the Company's Directors' Remuneration (including benefits-in-kind) for each Director in the Company and the Group for FY2013 are set out below:

	Company			Subsidiaries		
	Fees RM'000	Salary, Allowances, Benefits-in-kind and others RM'000	Company Total RM'000	Fees RM'000	Salary, Allowances, Benefits-in-kind and others RM'000	Group Total RM'000
Executive Directors	–	–	–	–	–	–
Non-Executive Directors						
Datuk Oh Chong Peng (<i>Chairman</i>)	120	79	199	–	–	199
Dato' Thomas Mun Lung Lee	60	39	99	264	90	453
Stephen Geh Sim Whye	60	56	116	–	–	116
Tan Yuen Fah	60	28	88	72	51	211
Megat Dziauddin bin Megat Mahmud	60	51	111	282	130	523
Lee Ah Boon	57	31	88	69	66	223
Ou Shian Waei	60	39	99	72	68	239
Kung Beng Hong	60	51	111	132	186	429
Sng Seow Wah	–	–	–	–	*6,795	*6,795
Total	537	374	911	891	7,386	9,188

* This includes the fair value of share options and share grants offered/awarded to Sng Seow Wah under the Employees' Share Scheme amounting to RM1,331,000.

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 76 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 70 to 73 of this Annual Report.

2.3 Internal Control

A Statement on Risk Management and Internal Control, which provides an overview of the state of internal control within the Group, is disclosed on page 69 of this Annual Report.

2.4 Policy against Fraud

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

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

2.5 Anti-Money Laundering and Counter-Financing of Terrorism

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

The key features of the policy are:

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

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

2.6 Relationship with the Auditors

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

The Company has established a policy to assess and monitor the suitability and independence of External Auditors and governs the circumstances under which engagement for the provision of non audit-related services can be entered into.

3. Corporate Responsibility

In terms of Corporate Responsibility, the Board has adopted the best practices in accordance with 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. At the forthcoming 47th AGM to be held on 16 July 2013, no substantive resolutions or resolutions on related party transactions will be put forth for shareholders' approval.

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

Shareholders, potential investors and members of the public can access the Company's website at www.alliancefg.com for information of the Group. There is a dedicated section for corporate governance in the Company's website where information such as Code of Conduct, Board Charter and Annual Reports are made available to the public. Under the Investor Relations section, all announcements made by the Company to Bursa Securities including quarterly results, dividend information, presentation slides for analyst briefings are also available in the website for the benefits of the investing public. They can also convey their concerns and queries to the Senior Independent Non-Executive Director of the Company, Dato' Thomas Mun Lung Lee. The Senior Independent Non-Executive Director serves as the point of contact between the Independent Directors and the Chairman on sensitive issues and act as a designated contact to shareholders' concerns or queries that may be raised, as an alternative to the formal channel of communication with shareholders.

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

5. Corporate Disclosure

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

The objectives of the CDPP are:

- raising awareness of Directors, management and employees on disclosure requirements and practices;
- providing guidance in disseminating corporate information to, and in dealing with investors, analysts, media representatives and the public; and
- 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.

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 Directors of Alliance Investment Bank Berhad and relevant employees reminding them to refrain from dealing with relevant securities. Directors and principal officers of the Group are also reminded on a quarterly basis in relation to restriction in dealings in securities of the Company during Closed Periods.

This Statement on Corporate Governance is made in accordance with a resolution of the Board of Directors dated 28 May 2013.

CORPORATE RESPONSIBILITY

We remain committed to the community we serve. In driving the Group's financial performance, we ensure that corporate responsibility is embedded in all aspects of our business in order to build sustainable and meaningful business and community partnerships.

In aligning our initiatives to stakeholder expectations and corporate objectives, we are strengthening shareholder value and investing in the long-term success of the Group. We proactively support stakeholders, workplace, community and the environment towards our vision to become "The Best Customer Service Bank in Malaysia".

The Group continued to reach out through education, corporate programmes, charity work and engaging staff volunteers. The thrust of our corporate responsibility programme is guided by the principles of accountability, honesty, transparency and sustainability as well as Bursa Malaysia's Corporate Social Responsibility (CSR) Framework.

Responsibility to the Marketplace

To continue delivering excellent customer experience, the Group has conscientiously ensured that its products and solutions are priced competitively and fairly, and that it offers the best value to its stakeholders.

Our commitment and innovative solutions to build sustainable business and the Alliance brand is bearing results as we gain growing market recognition at home and internationally during the year.

We are fully committed to ensuring that our financial products, solutions and channels are protected from misuse and abuse by internal and external parties. All measures are taken to ensure that our organisation's policies support the Anti-Money Laundering and Anti-Terrorism Financing Act 2001.

We have established close engagement with shareholders, investment analysts and financial advisers with regular and detailed presentations of our business strategies and performance assessment. We achieved this by hosting regular meetings with investor analysts, investor presentations, trade finance seminars, business conferences and client appreciation events.

Information and reports from Investor Relations, Financial Markets and Alliance Research teams are uploaded on the corporate website for the interest of all stakeholders, investors and the public. The Minority Shareholder Watchdog Group are invited to our conferences and annual general meeting which provide them direct access to the Board of Directors and senior management executives.

The Alliance Wealth Guide launched in the second quarter of FY2012 continues to provide Quarterly Investment Updates and the market quarterly views by subject matter experts. The recording of the interviews are also featured prominently on the home page of our refreshed and easy-to-navigate corporate website.



As part of its continuous support to empower small and medium enterprises (SMEs), Group Business Banking teamed up with Maxis Berhad and Malaysia SME publication to host a series of three seminars to upskill entrepreneurs. A two-day conference themed "Empowering Businesses" was held in Subang Jaya on 23 and 24 May 2012, for over 1,000 participants with exclusive insights on commercial business, local and international competition, advanced technologies, government support, branding and business best practices. This was followed by a half-day Northern Region conference on 27 September 2012 in Penang for 300 participants. The Southern Region conference on 23 October 2012 in Johor Bahru was also attended by 300 participants.



To help small businesses gain better understanding of trade financing, Group Transaction and Alternate Banking as well as SME Banking hosted a half-day trade seminar themed "Making Letter of Credit A Better Trade Settlement Tool" for 125 SME and Wholesale Banking customers on 22 June 2012 in Shah Alam with a renowned trade finance expert as guest speaker.

Building the R.I.T.E. Workplace

At Alliance Bank, we take great pride and effort to build the best place to work for our employees because they are the most important asset of the Group and fundamental to our vision to be “The Best Customer Service Bank in Malaysia”. Our goal is to provide a healthy, safe and conducive working environment and have engaged employees with our core values of Respect, Integrity, Teamwork and Excellence (or simply R.I.T.E) that was launched during our first Townhall with employees for the fiscal year on 16 July 2012.

We place great emphasis to reinforce human capital to meet the Bank's objectives and motivate our employees by helping them to develop new skills and increase career opportunities. We continue to participate in salary and benefits surveys annually to ensure that our compensation package remains competitive in the industry.

Getting our employees to share ideas and staying motivated is important to retain talent and to achieve the long-term success of the Group. In addition to face-to-face meetings with senior management executives, a dedicated Group Human Resource team continues to engage our employees to get feedback through surveys, training and career development programmes as well as staff activities.

Our initiatives have not gone unnoticed. Alliance Bank moved up five rungs to 76th place in the 2012 rankings of Malaysia's Top 100 Leading Graduate Employers in a survey of over 12,000 students and fresh graduates.

The Group Chief Executive Officer (GCEO) and senior management executives continue to spend time to meet staff from different departments to share key strategies and provide latest updates. Pulse Lunch with the GCEO is held regularly while Pulse Lunch with the senior management is held monthly on a rotation basis.

To prepare employees and a new generation of banking specialists to take on career growth opportunities and leadership roles, a series of Leadership Development Programme, Branch Manager Development Programme, Customer Service Programme, Sales and Service Programme and Customer Service Executive Transition Programme.



The Alliance Bank Structured Internship Programme, launched in July 2012 with the endorsement of TalentCorp Malaysia, drew graduating top talents to make the Bank their employer of choice. Of the 1,251 local and overseas university applicants, 15 were shortlisted to undergo the intense 10-week programme that involved branch visits, business talks, hands on assignments and placements with the different divisions of the Bank.

For university graduates who are keen to explore a banking career, the 12-month Alliance Bank Management Trainee Programme includes attachments in different departments. Each trainee is assigned a mentor. The first batch of 26 trainees completed their stint in mid-April 2013 and the next intake of 29 trainees has commenced.

Selected talented junior and mid-level employees chosen from the Bank's offices and branches nationwide were given the opportunity to undergo a six-month intensive in-house training programme, the Managerial Development Programme (MDP). The first intake of 25 candidates with individual mentors graduated in August 2012. The second intake of MDP participants began their session in September 2012, and graduated from the programme in April 2013.



A series of workshops were also conducted to upgrade our employees in writing, editing, presentation skill, interpersonal communication and corporate etiquette. To enhance this process, the Learning Centre at the Group's headquarters has been upgraded with more training rooms and improved facilities.

In April 2012, a fully-furnished Nursing Room was established at the Group's headquarters to support nursing employees.

Enhancing the Community

We continue to dedicate ourselves to the building of a learned, caring and sustainable community. In doing so, our efforts are boosted by the participation of senior management and the selfless service of our employees to volunteer their time to the community and causes endorsed by the Group.

Financial Literacy

In April 2012, Alliance Bank launched the Money & Math Challenge (MMC), a financial literacy initiative aimed at teaching good money habits to the young. The MMC complements the Alliance Buddy, an account with unique features that encourages children to inculcate the savings habit. The programme brought together 780 Standard 4 and 5 pupils from 20 selected schools across the Klang Valley, Penang and Johor to test their financial savviness. The top three scorers from each school at the one-day workshop and the online literacy quiz challenge qualified for the MMC Grand Finale held on 30 October 2012 at the National Science Centre in Kuala Lumpur. The team from SJK (C) Puay Chai 2 emerged the winner.



In January 2013, we resumed our financial literacy programme with interactive, hour-long workshops for young, school-going children at selected Alliance Bank branches' "Open House". Over 400 children have since participated in these workshops.



AFG Treasure Hunt 2012

Over 500 employees in 125 cars took part in the annual AFG Treasure Hunt 2012 from Kuala Lumpur to Desaru on 6 October 2012. The "treasures" collected during the event, in the form of food essentials, were donated to Persatuan Penjagaan Kanak-Kanak Terencat Akal Johor Bahru and Pertubuhan Kebajikan Insan Istimewa Johor Bahru.



Zakat

The Group, through Alliance Islamic Bank (AIS), supports the giving of *zakat* during the Ramadan month. A total of RM178,834.38 was allocated for the distribution to 23 recipients including Muslim organisations, poor individuals, Program Amal Ramadhan and Pusat Pungutan Zakat. This included RM15,000 donated to Islah Dialisis Sdn Bhd of Selangor as aid for renal patients.

AIS also hosted orphans from Pertubuhan Kebajikan Anak-Anak Yatim Al-Nasuha of Kuala Lumpur to purchase Hari Raya clothes and a breaking of fast on 4 August 2012.

Ensuring Environment Sustainability

We constantly look for more effective ways to build a sustainable environment. Our focus on reducing the environmental footprint within our operations include initiatives on energy efficiency, information technology (IT) infrastructure, paper use, employee travel and waste disposal.

We have made significant investments in our IT systems and operations. This has resulted in greater energy efficiency, less paper use and reduced employee travel while maintaining privacy security and service excellence to our customers.

We have discontinued the printing of reports at the data centre and head office in our efforts to go paperless. Desktop virtualisation and thin client computer have also been introduced. This translates into significant energy savings and longer device lifespan. IT waste is also reduced at the same time due to technology refresh cycle, enhanced data security, business continuity readiness and mobile access to the application systems.

We are also committed to careful management and disposal of IT waste by appointing a disposal specialist that is certified by the Department of Environment under the purview of the Ministry of Natural Resources and Environment.

Payments to our suppliers are now conducted electronically via the new Enterprise Financial Performance Management system, which was introduced in late 2012. The online system allows us to facilitate quotations, purchase orders, invoices and many other purchasing transactions electronically, ensuring greater efficiency in payment solution and, at the same time, lessening energy and paper consumption.

AUDIT COMMITTEE REPORT

Audit Committee

The Audit Committee comprises the following Directors:

Stephen Geh Sim Whye

Chairman, Independent Non-Executive Director

Tan Yuen Fah

Independent Non-Executive Director

Megat Dziauddin bin Megat Mahmud

Independent Non-Executive Director

Kung Beng Hong

Non-Independent Non-Executive Director

Ou Shian Waei

Independent Non-Executive Director

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 Group Chief Internal Auditor is invited to attend all meetings of the Audit Committee.
- The Group Chief Financial Officer 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 the presence of Management 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:

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

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

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

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

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

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

9. Authority of the Audit Committee

The Audit Committee is authorised by the Board to:

- investigate any matter within the scope of the Audit Committee's duties;
- have full and unrestricted access to any information in the Company;
- obtain independent professional advice or other advice, whenever deemed necessary;
- make recommendations for improvements of operating performance and management control arising from internal and external audit recommendations;
- have the resources which are required to perform its duties;
- have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity, if any; and
- 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 Group Chief Executive Officer, the Group Chief Financial Officer, the Group Chief Internal Auditor 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 in the Financial Year Ended 31 March 2013 (FY2013)

During the FY2013, a total of six Audit Committee meetings were held. The details of attendance of the Committee members are as follows:

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

Summary of Activities

The Audit Committee has during the FY2013 carried out the following duties:

- a. Reviewed the quarterly results and made recommendations to the Board for approval;
- b. Reviewed with the External Auditors, the draft Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2012 (FY2012);
- c. Reviewed with the External Auditors, their report on the Limited Review of Half Year Financial Statements for the six months period ended 30 September 2012;
- d. Reviewed with the External Auditors, their management letter together with Management's responses to the audit findings for the FY2012;
- e. Reviewed with the External Auditors, their audit plan for the FY2013;
- f. Reviewed the non-audit services rendered by the External Auditors;
- g. Considered the re-appointment of the External Auditors and their audit fees for the FY2013;
- h. Reviewed the Statement on Internal Control, Audit Committee Report and Risk Management Report for inclusion in the 2012 Annual Report;
- i. Reviewed the allocation of share options and share grants pursuant to the Employees' Share Scheme of the Company during the FY2012;
- j. Reviewed the internal audit reports with Internal Auditors;
- k. Reviewed with the Internal Auditors, the internal audit plan for the FY2013;
- l. Reviewed recurrent related party transactions entered into by the Company and its subsidiaries;
- m. Reviewed the Terms of Reference of Audit Committee;
- n. Reviewed the Group Internal Audit Charter;
- o. Reviewed the Audit Risk Rating Methodology;
- p. Reviewed the Fraud Overview Report;
- q. Reviewed the Questionnaires for Annual Assessment of Performance of the Audit Committee;
- r. Met with the External Auditors without the presence of Management twice during the year; and
- s. Met with the Internal Auditors without the presence of Management twice during the year.

Subsequent to FY2013, 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 FY2013;
- b. Reviewed with the External Auditors, their management letter together with Management's responses to the audit findings for the FY2013;
- c. Reviewed the non-audit services rendered by the External Auditors;
- d. Considered the re-appointment of the External Auditors and their audit fees for the financial year ending 31 March 2014 (FY2014);

- e. Reviewed recurrent related party transactions entered into by the Company and its subsidiaries;
- f. Reviewed with the Internal Auditors, the internal audit plan for the FY2014;
- g. Reviewed the Fraud Overview Report;
- h. Reviewed the External Auditors Suitability & Independence Assessment Policy;
- i. Reviewed the Audit Committee Report, Statement on Risk Management and Internal Control and Risk Management Report for inclusion in the 2013 Annual Report;
- j. Reviewed the allocation of share options and share grants pursuant to the Employees' Share Scheme of the Company during the FY2013;
- k. Met with the External Auditors without the presence of Management; and
- l. Met with the Internal Auditors without the presence of Management.

Group Internal Audit Function

The Group has a well established group internal audit functions. Its primary role is to assist the Audit Committee to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the system of internal controls that mitigate critical risks.

The authority of the Group Internal Audit is provided in the Internal Audit Charter, which formally documents the roles, duties and responsibilities of the Internal Auditors. The Group Chief Internal Auditor reports directly to the Audit Committee of the Banking Group and administratively to its Group Chief Executive Officer and also directly to the Audit Committee of the holding company.

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

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

The cost incurred for the Group's internal audit function during the financial year amounted to RM5.6 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 RISK MANAGEMENT AND INTERNAL CONTROL

Responsibility

The Board acknowledges its overall responsibility for the Group's system of risk management and internal control, and for reviewing its adequacy and integrity. The system 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 preparation of this statement has been guided by the 'Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers' issued by the Task Force on Internal Control.

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 when there are changes to the business environment or regulatory guidelines. The process has been in place during the year under review and up to the date of approval of this statement, and is regularly reviewed by the Board. The role of Management is to implement the Board's policies, procedures and guidelines on risk and control to identify and evaluate the risks faced and design, operate and monitor a suitable system of internal control to manage these risks.

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

Risk Management Framework

The Board, through its Group Risk Management Committee ("GRMC") provides oversight on risk management strategies, methodologies, policies and guidelines, risk tolerance and other risk related matters of the Group. Approval of risk policies by the Board is obtained where necessitated by regulatory requirements. In addition, the GRMC also oversees the functions of management committees such as the Group Assets and Liabilities Management Committee and Group Operational Risk Management Committee, which assume the responsibility of monitoring specific areas of risks pertaining to the Group's business activities and implement various risk management policies and procedures. The Risk Management report is enumerated on pages 70 to 73 of this Annual Report.

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

System of Internal Control

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

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

Assessment of Risk Management and Internal Control System

The Board, through the GRMC and AC has assessed the adequacy and effectiveness of the risk management and internal control system. Based on the results of these reviews as well as the assurance it has received from the Group Chief Executive Officer and Group Chief Financial Officer, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively.

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 Risk Management and Internal Control for the financial year ended 31 March 2013 and have reported the results of the review thereof to the Board.

RISK MANAGEMENT

Risk Management Philosophy

To continuously uphold strong risk management culture and practices within the Group, to generate returns that commensurate with our financing and risk taking activities.

To proactively manage risk exposures within our risk appetite, by constantly fine-tuning our risk management approaches in line with the changing financial landscape.

Integrated Risk Management Framework

In line with this philosophy, the Group has adopted an Integrated Risk Management Framework (IRMF) to govern our businesses and operations. This enables the Bank to carry out systematic and proactive management of the various risks faced on an ongoing basis. These include credit risk, market risk, operational risk, Shariah non-compliance risk, strategic risk and reputational risk.

During the year, the Group also continued to build on the IRMF and risk governance structure. The ongoing risk management efforts included initiatives covering liquidity and capital management under the Basel II and Basel III guidelines, fine-tuning of lending guidelines and credit scorecards, operations and internal control reviews, stress testing and sensitivity analysis, and risk awareness training.

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

Risk Strategy – encompasses risk objectives, risk appetite and risk tolerance limits, and covers alternative approaches to manage the risks.

Risk Organisation – relates to risk governance, organisational infrastructure and system architectures required for risk management.

Risk Processes – associated with risk identification, risk assessment, risk mitigation, risk monitoring and risk reporting.

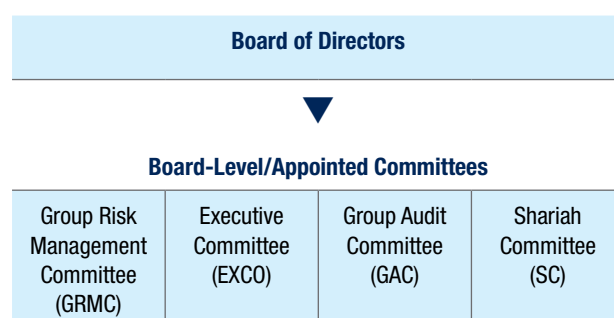
Risk Methodology/Tools – articulates the methods and tools to support continuous risk management.



The IRMF represents an integration of risk strategies, risk organisation, risk processes, risk methodologies and tools to enable sound risk management. Emphasis is given to the implementation of a strong risk awareness culture, coupled with comprehensive risk frameworks, policies and guidelines; and risk mitigation measures.

Risk Governance Structure

The following diagrams summarise the risk governance structure of the Banking Group.



The Board of Directors (Board), through the GRMC, is responsible for the overall risk oversight within the Group. This includes reviewing and approving risk management frameworks, risk appetite, risk exposures and limits, whilst ensuring the necessary infrastructure and resources are in place. In support of its risk oversight function, the Board is also assisted by the following committees:

- EXCO – covers business matters
- GAC – covers audit issues
- SC – governs Shariah compliance issues



The PRCs, GALCO and GORMC represent Management Committees that were established to support GRMC in managing credit, market, liquidity, operational and non-compliance risks. In addition, the PRG assists the GRMC in reviewing new products prior to the introduction of such products.

Business and risk management units are represented at the respective committees and work groups, to reflect the joint ownership of business and risk management responsibilities. To strengthen the effectiveness of the risk management function, the Group is functionally segregated into three Lines of Defence, with oversight from the Board and Board-Level Committees.

Three Lines of Defence Concept

Functional Segregation	Key Responsibilities
1st Line of Defence - Business and Support Units - Business Risk Officers/Support Risk Officers	Business and Support units execute and manage the risk-reward trade-off. Business/Support Risk Officers are embedded within the business and support units, and have the primary responsibility of monitoring and ensuring that the conduct of their activities are carried out within the approved policies and procedures.
2nd Line of Defence - Group Risk Management function - Group Compliance function - Shariah Compliance and Secretariat Department	Responsible for: - Formulating and enhancing risk management and compliance frameworks; - Recommending risk management policies, parameters, methodologies and tools; - Reviewing the adequacy of controls measures; and - Performing independent risk monitoring and compliance reporting.
3rd Line of Defence Internal Audit	Internal Audit provides independent assessment of the adequacy and effectiveness of risk policies and internal controls.

Credit Risk Management

Credit risk is the risk of financial loss resulting from the failure of the Bank's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle financial commitments. The Group's credit risk exposures arise primarily from its lending, investment and trading activities.

The Credit Risk Management Framework defines core policies to be adopted by the Bank's lending activities, financing products and credit models. The core policies, together with business segment policies, require the Group to underwrite risks within the scope of our risk appetite. Regular credit reviews and business-specific early warning frameworks facilitate early detection of imminent problems to improve effectiveness of remedial/recovery actions.

Internal credit rating scorecards/models and external credit ratings are used as credit evaluation tools to underwrite loans and invest in debt securities. The scorecards and models are back-tested/validated for robustness and relevancy.

Business Risk Units monitor and report credit portfolio quality to the respective Portfolio Review Committees and GRMC regularly. Such monitoring enables the identification of adverse credit trends, allowing corrective measures and re-alignment of risk strategies to be implemented, when necessary. Close engagement is also practised between business units, business risk managers and credit underwriters to foster better alignment of credit policy and execution.

Market and Liquidity 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 refers to inability to:

- cover financial commitments when due; and*
- liquidate assets in an orderly manner, due to market disruptions, inadequate market depth and/or wider bid-ask spreads.*

Market and Liquidity risks are governed by the Market Risk Management Framework, which outlines the core policies, principles 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 complemented by supplementary policies such as the Liquidity Risk Management Policy and Interest Rate Risk Management Policy. In addition, we also have product-specific and portfolio-specific policies that define the risk limits, parameters, monitoring and reporting processes. Trading activities are governed by prescribed risk limits such as cash limits, sensitivity limits, loss limits and Value-at-Risk limits.

Independent monitoring of treasury activities is performed on a daily basis, including reporting and escalation of exceptions, and scheduled reporting of market and liquidity exposures to Senior Management and the GRMC/Board. Furthermore, independent mark-to-market valuation of treasury positions and risk exposures are carried out using rates obtained from various sources.

Market and liquidity risks are managed via the Treasury system and the Asset Liability Management (ALM) system respectively. Various types of limits and tools employed to manage trading and banking book exposures include:

Trading Book	- Notional limits - Sensitivity limits - Value-at-Risk limits - Stress testing - Back testing
Banking Book	- Repricing gap analysis - Income Impact simulations - Economic value analyses - Maturity gap analyses - Liquidity gap analyses - Liquidity ratios & benchmarks - Liquidity stress tests - 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.

The Group's strategy for operational risk management is governed by the Operational Risk Management framework as well as:

- Operational policies and procedures
- Risk and control self assessments
- Key risk indicators
- Loss data tracking

We conduct Operational Risk Awareness programmes periodically to inculcate and reinforce risk awareness amongst the staff.

In line with the best practices, the Group employs the following tools for the management of operational risks:

No.	Tool	Purpose
1.	Risk and Control Self Assessment (RCSA)	To identify and assess operational risks as well as to identify the controls and assess their effectiveness.
2.	Control Self Assessment (CSA)	To test/validate the effectiveness of the controls as stated in the RCSA.
3.	Key Risk Indicator (KRI)	To monitor and manage operational risk exposures over time.
4.	Loss Event Data Collection (LED)	To collect and report loss incidents involving actual losses and 'near misses'.

Shariah Non-Compliance Risk Management

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

Shariah compliance considerations are taken into account in the daily operations of our Islamic financing activities. Our Shariah Governance Framework and Islamic Operational Risk Management Framework have been established to manage Shariah non-compliance risks.

The Group has engaged qualified persons within our Shariah Committee to deliberate on Shariah issues and provide sound Shariah decisions. At least one member of the Shariah Committee sits on the Board of Alliance Islamic Bank to serve as a bridge between the Shariah Committee and Board. Independent Shariah reviews are carried out by the Shariah Review team and are reported to the Shariah Committee. The Shariah Review team also conducts training and research on Shariah compliance covering the activities and operations of the Group.

Strategic Risk Management

Strategic risk is the risk of current or prospective impact on the Bank's earnings, capital, reputation or standing, arising from changes in the environment the Bank operates in and from adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to industry, economy or technological changes.

The Strategic Risk Management Framework serves as a blueprint that outlines the principles and policies employed by the Group to identify, assess, measure, manage and report on strategic risk issues. Emphasis is given to the implementation of strategic plans, which is aligned with the Group's corporate mission, vision, core values, Risk Appetite Statement and Shariah principles (for Islamic Banking).

Reputational Risk Management

Reputational risk is the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant key stakeholders or regulators that can adversely affect the Bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding (e.g. through the interbank markets and/or capital markets).

The Reputational Risk Management Framework was formalised to manage reputational risk, policies and procedures to ensure that all disclosures to stakeholders are clear, accurate, complete, relevant, consistent and timely. The staff are also guided by our corporate vision, mission and core values.

Capital Management

Basel II, Pillar 1 – Capital Computation

The Group has adopted the following respective approaches for capital requirements under Pillar 1 of Bank Negara Malaysia (BNM)'s Guidelines:

- Capital Adequacy Framework (Basel II – Risk-Weighted Assets) for conventional banks; and
- Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets).

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

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

In accordance with our ICAAP implementation, the Group had reviewed the capital management process set out in our Capital Management Framework, covering three dimensions i.e. strategy, process and infrastructure.

The Group performs periodic assessments of all of its exposures in the areas prescribed by ICAAP. We have also carried out estimates of our Internal Minimum Required Capital at entity level, to determine if additional capital is required to support business growth. This includes an annual capital planning exercise covering the projected business plan for the financial year and the next three years' horizon, to ensure that the Group is adequately capitalised.

The Group has also formalised its Risk Appetite statement for each banking entity, which strives for consistent and sustainable growth whilst balancing the risk-reward trade-off. The Group's Risk Appetite statements set out the nature and level of risks that the Group is willing to take to pursue its articulated business strategy.

Capital stress testing is performed regularly, whereby its results form an integral component of the ICAAP, to assess our capital adequacy under stress conditions. The impact of these stress test will be taken into account when assessing the Group's capital requirements during the budgeting and business planning cycle.

The overall responsibility for oversight and governance on ICAAP resides with the Board, while GRMC and GALCO assist the Board in supervising and implementing the process respectively. The ICAAP is reviewed on an annual basis to ensure that the Group maintains adequate capital levels to meet its risk exposures.

Basel II, Pillar 3 – Disclosure Requirements

Pillar 3 of Basel II requires banks to provide consistent and comprehensive disclosures for risk management practices, to improve transparency in the financial markets and enhance market discipline. This has been in place since March 2011. Please refer to the Basel II Pillar 3 Disclosure in the Notes to the Financial Statements for further details.

Basel III

BNM has issued the Capital Adequacy Framework which includes the components and the requirement outlined under Basel III. Generally, the implementation of the Basel III guidelines aims to strengthen the capital components of banking institutions in order to be more resilient to financial stress. The main requirements under Basel III include:

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

BNM has announced that these additional requirements (in addition to Basel II) shall be implemented in phases, starting from 2013, with full adoption scheduled in 2019. The Group has included regulatory capital de-recognition of our existing Subordinated Debt under the Basel III requirements; and this is reflected in our RWCR computations. From January 2013 onwards, the Group has been reporting the Bank's regulatory capital position based on Basel III requirements. The Group has also put in place processes to monitor the Basel III liquidity ratios to ensure smooth transition when these ratios are subsequently enforced by BNM.

Stress Testing

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

A stress testing framework is applied to identify:

- Vulnerability of the Group's balance sheet to stress events. It examines situations that could pose problems to the Group's balance sheet, thus enabling the Group to assess the potential worst case scenarios and be prepared to face such challenges; and
- Possible events or future changes in financial and economic conditions that could have unfavourable effects on the Group's ability to withstand such changes (particularly in relation to the Group's capital and earnings capacity to absorb significant losses), thus enabling the Group to take steps to conserve capital and manage the risks.

The Stress Test Working Group comprises representatives from relevant functions. The stress test parameters are formulated internally, taking into account the economic scenario, plus current and forecasted key indicators over a rolling one-year period. The scenario, parameters and eventual stress test results are presented to the Stress Test Working Group and GALCO for concurrence and GRMC for approval.

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

The Group has taken relevant measures to ensure that identified key risks are addressed and mitigated, and that its initiatives are in line with regulatory requirements and business growth strategies.

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 2013.

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 2013 amounted to RM146,000.

3. Variations in Results

There were no variances of 10% or more between the audited results for the financial year ended 31 March 2013 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 2013.

6. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued by the Company which were exercised during the financial year ended 31 March 2013.

7. Share Buy-Back

The Company did not buy back any of its shares during the financial year ended 31 March 2013.

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

The Company did not sponsor any ADR or GDR programmes during the financial year ended 31 March 2013.

9. Sanctions and/or Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 March 2013.



ALLIANCE FINANCIAL GROUP BERHAD (6627-X)

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STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

for preparing the Annual Audited Financial Statements

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

In preparing the financial statements, the Directors are responsible for the adoption of suitable accounting policies that comply with the provisions of the Companies Act, 1965, the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible to ensure their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements.

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

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2013.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	Group RM'000	Company RM'000
Profit before taxation and zakat	714,020	347,246
Taxation and zakat	(175,897)	(82,152)
Net profit after taxation and zakat	538,123	265,094
Attributable to:		
Owners of the parent	538,044	265,094
Non-controlling interests	79	—
Net profit after taxation and zakat	538,123	265,094

RESERVES AND PROVISIONS

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

DIVIDENDS

The amount of dividends declared and paid by the Company since 31 March 2012 were as follows:

	RM'000
(i) First interim dividend of 6.6 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, in respect of financial year ended 31 March 2013, was paid on 28 August 2012	100,254
(ii) Second interim dividend of 10.0 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, in respect of financial year ended 31 March 2013, was paid on 28 February 2013	152,228
	252,482

Dividends paid on the shares held in Trust pursuant to the Company's ESS which are classified as shares held for ESS are not accounted for in the total equity. An amount of RM1,921,000 and RM2,583,000 being dividends paid for those shares were added back to the appropriation of retained profits in respect of the first and second interim dividends respectively.

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

DIRECTORS' REPORT

EMPLOYEES' SHARE SCHEME

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

On 6 July 2012 and 31 January 2013, the Company offered/awarded the following share options and share grants to Directors and employees of the Company and its subsidiaries who have met the criteria of eligibility for the participation in the ESS:

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

- (i) 13,021,400 share options under the Share Option Plan at an option price of RM4.22 per share which will be vested subject to the achievement of performance conditions.
- (ii) 1,705,300 share grants under the Share Grant Plan. The first 50% of the share grants are to be vested at the end of the second year and the remaining 50% of the share grants are to be vested at the end of the third year from the date on which an award is made.

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

- (i) 1,050,000 share options under the Share Option Plan at an option price of RM4.25 per share which will be vested subject to the achievement of performance conditions.
- (ii) 73,700 share grants under the Share Grant Plan. The first 50% of the share grants are to be vested at the end of the second year and the remaining 50% of the share grants are to be vested at the end of the third year from the date on which an award is made.

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

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

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

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

SHARES HELD FOR EMPLOYEES' SHARE SCHEME

During the financial year ended 31 March 2013, the Trustee of the ESS had purchased 4,641,600 ordinary shares of RM1.00 each from the open market at an average price of RM3.91 per share. The total consideration for the purchase including transaction costs was RM18,173,900. The shares purchased are being held in trust by the Trustee of the ESS in accordance with the Trust Deed dated 3 December 2007.

During the financial year ended 31 March 2013, 3,412,800 shares have been vested and transferred from the Trustee to the eligible employees of the Company and its subsidiaries in accordance with the terms under the Share Grant Plan and Share Option Plan of the ESS. As at 31 March 2013, the Trustee of the ESS held 25,695,600 ordinary shares representing 1.66% of the issued and paid-up capital of the Company. Such shares are held at a carrying amount of RM76,232,000 and further relevant details are disclosed in Note 29 to the financial statements.

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

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

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

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

DIRECTORS' REPORT

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

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

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

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

Performance by business segment

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

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

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

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

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

ECONOMIC OUTLOOK AND PROSPECTS

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

BUSINESS OUTLOOK

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

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

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

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

DIRECTORS' REPORT

BUSINESS OUTLOOK (cont'd)

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

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

RATING BY EXTERNAL RATING AGENCY

The banking subsidiary, Alliance Bank Malaysia Berhad ("ABMB") is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in December 2012, ABMB's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

P1 – Financial institutions in this category have superior capacities for timely payments of obligations.

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

DIRECTORS

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

Datuk Oh Chong Peng

Dato' Thomas Mun Lung Lee

Stephen Geh Sim Whye

Tan Yuen Fah

Megat Dziauddin Bin Megat Mahmud

Kung Beng Hong

Ou Shian Waei

Sng Seow Wah

Lee Ah Boon

DIRECTORS' BENEFITS

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

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1.00 Each			
	1.4.2012	Acquired	Sold	31.3.2013
The Company				
Megat Dziauddin Bin Megat Mahmud				
– Direct	3,000	–	–	3,000
Sng Seow Wah				
– Direct	105,800	66,850	–	172,650
Dato' Thomas Mun Lung Lee				
– Indirect (held through spouse, Datin Teh Yew Kheng)	35,000	–	–	35,000

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

[#] Vesting is subject to the achievement of performance conditions.

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

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

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

SHARE CAPITAL

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

BAD AND DOUBTFUL DEBTS

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

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

DIRECTORS' REPORT

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

DIRECTORS' REPORT

SUBSEQUENT EVENTS

The significant events subsequent to the reporting date are disclosed in Note 52 to the financial statements.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 May 2013.

Datuk Oh Chong Peng

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 87 to 208 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provision of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2013 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

The information set out in Note 56 to the financial statements have been compiled in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 May 2013.

Datuk Oh Chong Peng

Kuala Lumpur, Malaysia

Dato' Thomas Mun Lung Lee

STATUTORY DECLARATION

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

I, Ng Lip Choon, being the officer primarily responsible for the financial management of Alliance Financial Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 87 to 208 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by abovenamed Ng Lip Choon
at Kuala Lumpur in the
Federal Territory on 28 May 2013.

Ng Lip Choon

Before me,

Sivanason a/l Marimuthu
Commissioner for Oaths

Kuala Lumpur, Malaysia
28 May 2013

INDEPENDENT AUDITORS' REPORT

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

Report on the financial statements

We have audited the financial statements of **Alliance Financial Group Berhad** on pages 87 to 207 which comprise the statements of financial position as at 31 March 2013 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to Note 55.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2013 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

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

INDEPENDENT AUDITORS' REPORT

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

Other reporting responsibilities

The supplementary information set out in Note 56 on page 208 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Kuala Lumpur, Malaysia
28 May 2013

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

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2013

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

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2013

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

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

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2013

Attributable to Owners of the Parent													
Group	Note	Share Capital	Share Premium	Statutory Reserve	Capital Reserve	Revaluation Reserve	Share Scheme Reserve ("ESS")	Profit Equalisation Reserve ("PER")	Shares held for ESS	Retained Profits	Total	Non-Controlling Interests	Total Equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2011													
	– As previously stated	1,548,106	304,289	544,368	7,013	68,620	13,768	1,033	(43,167)	908,084	3,352,114	4,489	3,356,603
	– Effect of change in accounting policy	–	–	–	–	–	–	–	–	73,241	73,241	–	73,241
As restated													
		1,548,106	304,289	544,368	7,013	68,620	13,768	1,033	(43,167)	981,325	3,425,355	4,489	3,429,844
Net profit after taxation and zakat													
		–	–	–	–	–	–	–	–	502,635	502,635	484	503,119
Other comprehensive income													
		–	–	–	–	64,149	–	–	–	–	64,149	–	64,149
Total comprehensive income													
		–	–	–	–	64,149	–	–	–	502,635	566,784	484	567,268
Transfer to statutory reserve													
		–	–	55,761	–	–	–	–	–	(55,761)	–	–	–
Purchase of shares pursuant to ESS													
29		–	–	–	–	–	–	–	(28,638)	–	(28,638)	–	(28,638)
Share-based payment under ESS													
		–	–	–	–	–	6,649	–	–	–	6,649	–	6,649
Transfer to retained profits on shares lapsed:													
	– employees of subsidiaries	–	–	–	–	–	(2,919)	–	–	2,919	–	–	–
	– own employees	–	–	–	–	–	(61)	–	–	61	–	–	–
Dividends paid to shareholders													
40		–	–	–	–	–	–	–	–	(203,200)	(203,200)	(68)	(203,268)
ESS shares vested to:													
	– employees of subsidiaries	–	–	–	–	–	(3,558)	–	3,558	–	–	–	–
	– own employees	–	–	–	–	–	(53)	–	53	–	–	–	–
Transfer of ESS shares purchase price difference on shares vested													
		–	–	–	–	–	175	–	–	(175)	–	–	–
At 31 March 2012													
		1,548,106	304,289	600,129	7,013	132,769	14,001	1,033	(68,194)	1,227,804	3,766,950	4,905	3,771,855

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2013

Attributable to Owners of the Parent													
Group	Note	Employees' Share Scheme					Profit Equalisation Reserve ("PER")		Shares held for ESS	Retained Profits	Total	Non-Controlling Interests	Total Equity
		Share Capital	Share Premium	Statutory Reserve	Capital Reserve	Revaluation Reserve	Reserve ("ESS")	Reserve ("PER")					
At 1 April 2012													
	— As previously stated	1,548,106	304,289	600,129	7,013	132,769	14,001	1,033	(68,194)	1,131,283	3,670,429	4,905	3,675,334
	— Effect of change in accounting policy	—	—	—	—	—	—	—	—	96,521	96,521	—	96,521
	As restated	1,548,106	304,289	600,129	7,013	132,769	14,001	1,033	(68,194)	1,227,804	3,766,950	4,905	3,771,855
	Net profit after taxation and zakat	—	—	—	—	(17,372)	—	—	—	538,044	538,044	79	538,123
	Other comprehensive expense	—	—	—	—	—	—	—	—	—	(17,372)	—	(17,372)
	Total comprehensive (expense)/income	—	—	—	—	(17,372)	—	—	—	538,044	520,672	79	520,751
	Transfer to statutory reserve	—	—	43,577	—	—	—	—	—	(43,577)	—	—	—
29	Purchase of shares pursuant to ESS	—	—	—	—	—	—	—	(18,174)	—	(18,174)	—	(18,174)
	Share-based payment under ESS	—	—	—	—	—	8,449	—	—	—	8,449	—	8,449
	Transfer to retained profits on shares lapsed:	—	—	—	—	—	(2,579)	—	—	2,579	—	—	—
	— employees of subsidiaries	—	—	—	—	—	(52)	—	—	52	—	—	—
40	Dividends paid to shareholders	—	—	—	—	—	—	—	—	(252,482)	(252,482)	(237)	(252,719)
	ESS shares grant vested to:	—	—	—	—	—	—	—	—	—	—	—	—
	— employees of subsidiaries	—	—	—	—	—	(3,822)	—	3,822	—	—	—	—
	— own employees	—	—	—	—	—	(65)	—	65	—	—	—	—
	ESS shares option exercised by:	—	—	—	—	—	—	—	—	—	—	—	—
	— employees of subsidiaries	—	—	—	—	—	(1,226)	—	1,226	—	—	—	—
	— own employees	—	—	—	—	—	(16)	—	16	—	—	—	—
	Proceeds from share option exercised	—	—	—	—	—	—	—	5,007	—	5,007	—	5,007
	Transfer of ESS shares purchase price difference on shares vested	—	—	—	—	—	49	—	—	(49)	—	—	—
	At 31 March 2013	1,548,106	304,289	643,706	7,013	115,397	14,739	1,033	(76,232)	1,472,371	4,030,422	4,747	4,035,169

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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2013

Company	Note	Non-Distributable			<Distributable>		Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	Employees' Share Scheme ("ESS") Reserve RM'000	Shares held for ESS RM'000	Retained Profits RM'000	
At 1 April 2011		1,548,106	304,289	13,768	(43,167)	5,837	1,828,833
Net profit after taxation		—	—	—	—	199,789	199,789
Purchase of shares pursuant to ESS		—	—	—	(28,638)	—	(28,638)
Share-based payment under ESS		—	—	6,649	—	—	6,649
Transfer to retained profits on shares lapsed:							
— employees of subsidiaries		—	—	(2,919)	—	—	(2,919)
— own employees		—	—	(61)	—	61	—
Dividends paid to shareholders	40	—	—	—	—	(203,200)	(203,200)
ESS recharge amount received from subsidiaries		—	—	—	3,558	—	3,558
ESS shares vested to:							
— employees of subsidiaries		—	—	(3,558)	—	—	(3,558)
— own employees		—	—	(53)	53	—	—
Transfer of ESS shares purchase price difference on shares vested		—	—	175	—	(175)	—
At 31 March 2012		1,548,106	304,289	14,001	(68,194)	2,312	1,800,514
At 1 April 2012		1,548,106	304,289	14,001	(68,194)	2,312	1,800,514
Net profit after taxation		—	—	—	—	265,094	265,094
Purchase of shares pursuant to ESS		—	—	—	(18,174)	—	(18,174)
Share-based payment under ESS		—	—	8,449	—	—	8,449
Transfer to retained profits on shares lapsed:							
— employees of subsidiaries		—	—	(2,579)	—	—	(2,579)
— own employees		—	—	(52)	—	52	—
Dividends paid to shareholders	40	—	—	—	—	(252,482)	(252,482)
ESS recharge amount received from subsidiaries		—	—	—	3,822	—	3,822
ESS shares grant vested to:							
— employees of subsidiaries		—	—	(3,822)	—	—	(3,822)
— own employees		—	—	(65)	65	—	—
ESS shares option exercised by:							
— employees of subsidiaries		—	—	(1,226)	1,226	—	—
— own employees		—	—	(16)	16	—	—
Proceeds from share option exercised		—	—	—	5,007	—	5,007
Transfer of ESS shares purchase price difference on shares vested		—	—	49	—	(49)	—
At 31 March 2013		1,548,106	304,289	14,739	(76,232)	14,927	1,805,829

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

CONSOLIDATED STATEMENTS OF CASH FLOW

for the year ended 31 March 2013

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

CONSOLIDATED STATEMENTS OF CASH FLOW

for the year ended 31 March 2013

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

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

STATEMENTS OF CASH FLOW

for the year ended 31 March 2013

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

1. CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 May 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of Preparation (cont'd)

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

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

Financial year beginning on/after 1 April 2013

- (i) MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".
- (ii) MFRS 11 "Joint arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- (iii) MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.
- (iv) MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.
- (v) The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.
- (vi) The revised MFRS 128 "Investments in associates and joint ventures" (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.
- (vii) Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.
- (viii) Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.
- (ix) Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of Preparation (cont'd)

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

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

Financial year beginning on/after 1 April 2014

- (i) Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Financial year beginning on/after 1 April 2015

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

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

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

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

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

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

(b) Economic Entities in the Group

(i) Subsidiaries

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

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

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred.

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Subsidiaries (cont'd)

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

All profits and losses of subsidiaries are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interests results in a debit balance in the shareholders' equity. All profit or loss attribution to non-controlling interest for prior years is not restated. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

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

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

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

(ii) Associates

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(iii) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Investments in Subsidiaries and Associate

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

(d) Intangible Assets

(i) Goodwill

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

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

(ii) Computer Software

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

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

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

(iii) Other non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Financial Assets

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

(i) Loans, advances and financing

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

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

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

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

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

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

(iii) Financial investments held-to-maturity

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

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

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

(iv) Financial investments available-for-sale

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

(v) Reclassification of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Financial Liabilities

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

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

(g) Repurchase Agreements

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

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

(h) Investment Properties

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

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

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

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

(i) Property, Plant and Equipment and Depreciation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

(j) Impairment of Assets

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

(i) Loans, advances and financing

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

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

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

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

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

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

The calculation of the present value of the estimated future cash flows of a collateralised loans reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the loans is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If the individually assessment does not results in impairment provisions, the Group includes them in group of similar credit risk characteristics and collectively assesses them for impairment.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment of Assets (cont'd)

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

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

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

(ii) Financial investments held-to-maturity

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

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

(iii) Financial investments available-for-sale

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

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

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

(iv) Goodwill/Intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Equity Instruments

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

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

(n) Subordinated Bonds

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

(o) Interest-bearing Borrowings

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

(p) Other Assets

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

(q) Provisions

Provisions are recognised when:

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

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

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

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

(r) Balances Due From Clients and Brokers

In accordance with the Rules of Bursa Securities, clients' accounts are classified as impaired accounts (previously referred to as non-performing) under the following circumstances:

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

Bad debts are written off when identified. Impairment allowances are made for balances due from clients and brokers which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Revenue Recognition

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

(i) Recognition of Dividend Income

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

(ii) Recognition of Interest and Financing Income

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

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

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

(iii) Recognition of Fees and Other Income

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

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

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

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

(t) Recognition of Interest and Financing Expenses

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

(u) Derivative Financial Instruments and Hedging Activities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

(c) Net investment hedge

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

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

(d) Derivatives that do not qualify for hedge accounting

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

(v) Foreign Currency Translations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Income Tax

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

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

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

(x) Foreclosed Properties

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

(y) Cash and Cash Equivalents

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

(z) Zakat

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

(aa) Employee Benefits

(i) Short-Term Benefits

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

(ii) Defined Contribution Plans

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(aa) Employee Benefits (cont'd)

(iii) Equity Compensation Benefits

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

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

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

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

(ab) Contingent Liabilities and Contingent Assets

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

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

(ac) Financial Guarantee Contracts

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

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

(ad) Segment Reporting

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

(ae) Non-current Assets Held for Sale

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

3. CASH AND SHORT-TERM FUNDS

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

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

Note:

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

- (i) its banking subsidiaries amounting to RM8,716,000 (31 March 2012: RM6,492,000; 1 April 2011: RM44,465,000).
- (ii) other licensed bank amounting to RM8,944,000 (31 March 2012: RM Nil; 1 April 2011: RM Nil), pursuant to the Company's ESS.

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

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

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

Note:

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

- (i) its banking subsidiaries amounting to RM10,101,000 (31 March 2012: RM15,040,000; 1 April 2011: RM600,000,000).
- (ii) other licensed bank amounting to RM Nil (31 March 2012: RM4,264,000; 1 April 2011: RM2,298,000), pursuant to the Company's ESS.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

5. BALANCES DUE FROM CLIENTS AND BROKERS

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

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

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

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

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

The movements in allowance for other losses are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

6. FINANCIAL ASSETS HELD-FOR-TRADING

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

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

10. LOANS, ADVANCES AND FINANCING

	Group		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Overdrafts	1,902,717	1,854,599	1,755,656
Term loans/financing			
– Housing loans/financing	10,980,836	9,269,933	8,340,142
– Syndicated term loans/financing	454,866	475,520	289,733
– Hire purchase receivables	820,934	654,393	784,158
– Other term loans/financing	8,511,897	7,729,424	6,323,214
Bills receivables	263,450	308,763	179,607
Trust receipts	176,776	207,515	176,815
Claims on customers under acceptance credits	2,262,586	2,337,993	2,203,865
Staff loans [include RM NIL loans to Directors of banking subsidiary (31 March 2012: RM92,000; 1 April 2011: RM121,000)]	50,120	54,567	60,938
Credit/charge card receivables	581,335	623,563	663,059
Revolving credits	1,197,953	1,044,595	1,348,813
Other loans	1,022,010	451,282	347,518
Gross loans, advances and financing	28,225,480	25,012,147	22,473,518
Add: Sales commissions and handling fees	23,935	28,523	24,969
Less: Allowance for impaired loans, advances and financing			
– Individual assessment allowance	(128,471)	(157,966)	(179,423)
– Collective assessment allowance	(349,203)	(393,872)	(425,114)
Total net loans, advances and financing	27,771,741	24,488,832	21,893,950
(i) By maturity structure:			
Within one year	7,839,679	7,038,788	6,884,232
One year to three years	776,896	823,437	771,689
Three years to five years	1,318,636	1,184,497	1,390,315
Over five years	18,290,269	15,965,425	13,427,282
Gross loans, advances and financing	28,225,480	25,012,147	22,473,518
(ii) By type of customer:			
Domestic non-bank financial institutions			
– Stockbroking companies	16,909	–	20,002
– Others	456,836	207,164	187,412
Domestic business enterprises			
– Small and medium enterprises	6,038,657	5,474,004	4,786,939
– Others	4,979,563	4,975,449	4,544,584
Government and statutory bodies	10,905	12,618	18,224
Individuals	15,714,244	13,469,972	12,367,461
Other domestic entities	248,380	247,679	14,671
Foreign entities	759,986	625,261	534,225
Gross loans, advances and financing	28,225,480	25,012,147	22,473,518

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

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

11. OTHER ASSETS

	Group		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Other receivables, deposits and prepayments (Note (a))	103,601	100,059	103,113
Trade receivables	46	2,514	2,190
Foreclosed properties	–	–	4,200
	103,647	102,573	109,503
Less: Allowance for other losses (Note (c))	(27,640)	(24,416)	(21,882)
	76,007	78,157	87,621
	Company		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Other receivables, deposits and prepayments	241	250	208
Amount due from subsidiaries (Note (b))	3,194	2,327	1,349
	3,435	2,577	1,557
Less: Allowance for other losses (Note (c))	(2,740)	(2,308)	(1,338)
	695	269	219

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

11. OTHER ASSETS (cont'd)

Note:

- (a) Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Group is an amount of RM16,290,000 (31 March 2012: RM22,044,000, 1 April 2011: RM25,134,000) being the principal balance of housing loans and hire purchase loans acquired by the banking subsidiary from a state owned entity and which have been sold to Cagamas Berhad, with recourse obligations.

- (b) Amounts due from subsidiaries

	Company		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Non-interest bearing	3,194	2,327	1,349
Less: Allowance for impairment losses	(2,740)	(2,308)	(1,338)
	454	19	11

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

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

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

12. STATUTORY DEPOSITS

Statutory deposits comprise the following:

- (a) Non-interest bearing statutory deposits of RM1,330,872,000 (31 March 2012: RM1,162,983,000; 1 April 2011: RM291,008,000) relating to the banking subsidiaries, maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.
- (b) Interest bearing statutory deposits of RM100,000 (31 March 2012: RM100,000; 1 April 2011: RM100,000) relating to a subsidiary, Alliance Trustee Berhad which is maintained with the Accountant-General in compliance with Section 3(f) of the Trust Companies Act, 1949.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

13. INVESTMENTS IN SUBSIDIARIES

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

Note:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

13. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name	Principal activities	Effective equity interest		
		31 March 2013	31 March 2012	1 April 2011
		%	%	%
<i>Subsidiaries of Alliance Bank Malaysia Berhad</i>				
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100	100
Alliance Islamic Bank Berhad	Islamic banking and the provision of related financial services	100	100	100
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100	100
Alliance Investment Management Berhad	Management of unit trusts funds, provision of fund management and investment advisory services	70	70	70
AllianceGroup Properties Sdn. Bhd.	Liquidated	—	—	100
<i>Subsidiaries of Alliance Investment Bank Berhad</i>				
Alliance Research Sdn. Bhd.	Investment advisory	100	100	100
AIBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100	100
AIBB Nominees (Asing) Sdn. Bhd.	Nominee services	100	100	100
KLCS Sdn. Bhd.	Dormant	100	100	100
Alliance Investment Futures Sdn. Bhd.	Dormant	100	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100	100
KLCity Ventures Sdn. Bhd.	Liquidated	—	—	100
KLCS Asset Management Sdn. Bhd.	Liquidated	—	—	100
KLCity Unit Trust Bhd.	Liquidated	—	—	94.94
Unincorporated trust for ESS *	Special purpose vehicle for ESS	—	—	—

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

14. INVESTMENT IN ASSOCIATE

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

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

Name	Principal activities	Effective equity interest		
		31 March 2013 %	31 March 2012 %	1 April 2011 %
AIA AFG Takaful Berhad	Offering and providing of Takaful products and services.	–	30	30

The summarised financial information of the associate is as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

15. INVESTMENT PROPERTY

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

The fair value of the freehold land was RM34,758,000 (31 March 2012: RM34,758,000; 1 April 2011: RM34,758,000) is derived based on an independent professional valuation using the open market value on a direct comparison basis.

The investment property incurred direct expenses amounting to RM278,870 (31 March 2012: RM286,412; 1 April 2011: RM334,947) for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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					
<u>2013</u>					
Cost					
At beginning of year	276	554	500	635	1,965
Additions	–	3	–	–	3
Written-off	–	(2)	–	–	(2)
At end of year	276	555	500	635	1,966
Accumulated Depreciation					
At beginning of year	276	524	17	632	1,449
Charge for the year	–	8	42	1	51
Written-off	–	(2)	–	–	(2)
At end of year	276	530	59	633	1,498
Net Carrying Amount	–	25	441	2	468
<u>2012</u>					
Cost					
At beginning of year	276	554	396	599	1,825
Additions	–	–	500	36	536
Disposal	–	–	(396)	–	(396)
At end of year	276	554	500	635	1,965
Accumulated Depreciation					
At beginning of year	276	515	165	584	1,540
Charge for the year	–	9	46	48	103
Disposal	–	–	(194)	–	(194)
At end of year	276	524	17	632	1,449
Net Carrying Amount	–	30	483	3	516

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

17. INTANGIBLE ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

17. INTANGIBLE ASSETS (cont'd)

(a) Impairment test on goodwill

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

	Group		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Corporate banking	44,758	44,758	44,758
Commercial banking	13,459	13,459	13,459
Small and medium enterprise banking	42,621	42,621	42,621
Consumer banking	101,565	101,565	101,565
Financial markets	83,284	83,284	83,284
Corporate finance and equity capital market	1,838	1,838	1,838
Stock-broking business	12,433	12,433	12,433
Asset management	–	2,107	2,107
	299,958	302,065	302,065

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

(i) Discount rate

The discount rate of 10.11% - 19.46% (31 March 2012: 10.15% - 23.30%; 1 April 2011: 11.25% - 32.00%) are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, that reflect specific risks relating to the Group. The pre-tax weighted average cost of capital is generally derived from an appropriate capital asset pricing model, which itself depends on inputs reflecting a number of financial and economic variables including the risk-free rate in the country.

(ii) Cash flow projections and growth rate

Cash flow projections are based on five-year financial budget and projections approved by management. Cash flows beyond the fifth year are extrapolated in perpetuity using a nominal growth rate of 5.1% (31 March 2012: 4.7%; 1 April 2011: 6.5%) based on respective industry's average growth rate forecasted. Cash flows are extrapolated in perpetuity due to the long term perspective of these businesses within the Group.

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

(b) Sensitivity to changes in assumptions

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

18. DEFERRED TAX

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

	Group		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Deferred tax assets, net	11,361	15,341	84,083
Deferred tax liabilities, net	(24,430)	(23,012)	(6,190)
	(13,069)	(7,671)	77,893

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

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

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

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18. DEFERRED TAX (cont'd)

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

18. DEFERRED TAX (cont'd)

Group	Financial investments available-for-sale RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax liabilities:			
At 1 April 2011	22,874	16,521	39,395
Recognised in statement of comprehensive income	—	(2,030)	(2,030)
Recognised in equity	21,382	—	21,382
At 31 March 2012	44,256	14,491	58,747
Recognised in statement of comprehensive income	—	2,164	2,164
Recognised in equity	(5,791)	—	(5,791)
Reclassified to non-current assets held for sale (Note 53)	—	(18)	(18)
At 31 March 2013	38,465	16,637	55,102
		Other temporary differences RM'000	Total RM'000
Company			
Deferred tax assets:			
At 31 March 2011		293	293
Recognised in statement of comprehensive income		9	9
At 31 March 2012		302	302
Recognised in statement of comprehensive income		5	5
At 31 March 2013		307	307
		Property, plant and equipment RM'000	Total RM'000
Deferred tax liabilities:			
At 31 March 2011		9	9
Recognised in statement of comprehensive income		(7)	(7)
At 31 March 2012		2	2
Recognised in statement of comprehensive income		3	3
At 31 March 2013		5	5
	Group		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Deferred tax assets of the Group have not been recognised in respect of:			
Unabsorbed tax losses	—	—	5,775

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19. DEPOSITS FROM CUSTOMERS

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

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

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

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

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

Note:

- (a) Structured deposits represent foreign currency time deposits with embedded foreign exchange, gold commodity and equity linked options and interest rate index linked placements.
- (b) The Group has undertaken a fair value hedge on the interest rate risk of the structured deposits amounting to RM105,804,000 (31 March 2012: RM14,115,000; 1 April 2011: RM Nil) using interest rate swaps.

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

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

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31 March 2013

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

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

21. BALANCES DUE TO CLIENTS AND BROKERS

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

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

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

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

22. BILLS AND ACCEPTANCES PAYABLE

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

23. AMOUNT DUE TO CAGAMAS BERHAD

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

NOTES TO THE FINANCIAL STATEMENTS

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24. OTHER LIABILITIES

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

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

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

25. SUBORDINATED OBLIGATIONS

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

(a) Tier – 2 Subordinated bonds

The main features of the subordinated bonds are as follows:

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

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

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25. SUBORDINATED OBLIGATIONS (cont'd)

(b) Tier – 2 Subordinated Medium Term Notes

	Group		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At cost	600,000	600,000	—
Accumulated unamortised discount	(1,672)	(2,171)	—
Interest accrued	13,865	13,786	—
	612,193	611,615	—

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

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

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

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

The main features of the Subordinated Notes are as follows:

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

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26. LONG TERM BORROWINGS

	Group/Company		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
<u>Unsecured</u>			
Fixed rate term loan (Note (a))	–	–	401,189
Floating rate term loan (Note (b))	–	–	200,083
	–	–	601,272

Note:

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

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

27. SHARE CAPITAL

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

28. RESERVES

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

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31 March 2013

28. RESERVES (cont'd)

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

Note:

- 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.
- The capital reserve is in respect of retained profit capitalised for a bonus issue by a subsidiary company.
- The revaluation reserve is in respect of unrealised fair value gains and losses on financial investments available-for-sale.
- 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.
- Profit equalisation reserve which is derived in accordance with the "Framework of Rate of Return" (BNM/GP2-i).
- Prior to 1 January 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders using their Section 108 balance under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 of the Income Tax Act, 1967 and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

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

29. SHARES HELD FOR EMPLOYEES' SHARE SCHEME

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

During the financial year, the Trustee of the ESS had purchased 4,641,600 ordinary shares of RM1.00 each from the open market at an average price of RM3.91 per share. The total consideration for the purchase including transaction costs was RM18,173,900. The shares purchased are being held in trust by the Trustee of the ESS in accordance with the Trust Deed dated 3 December 2007.

During the financial year ended 31 March 2013, 3,412,800 shares have been vested and transferred from the Trustee to the eligible employees of the Company and its subsidiaries in accordance with the terms under the Share Grant Plan of the ESS. As at 31 March 2013, the Trustee of the ESS held 25,695,600 ordinary shares representing 1.66% of the issued and paid-up capital of the Company.

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30. EMPLOYEES' SHARE SCHEME ("ESS")

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

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

The salient features of the ESS are as follows:

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

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

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

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

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

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

Group 2013	Share Options Number of Share Options					Share Grants Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested '000	Lapsed '000	At end of year '000
2009 Share Scheme	4,011	-	-	(4,011)	-	-	-	-	-	-
2010 Share Scheme	4,480	-	(3,519)	(961)	-	680	-	(628)	(52)	-
2011 Share Scheme	5,166	-	(37)	(1,112)	4,017	1,390	-	(644)	(202)	544
2012 Share Scheme	8,990	-	(29)	(1,447)	7,514	1,933	-	(24)	(320)	1,589
2013 Share Scheme (1st grant)	-	13,021	(8)	(751)	12,262	-	1,705	(14)	(111)	1,580
2013 Share Scheme (2nd grant)	-	1,050	-	-	1,050	-	74	-	-	74
	22,647	14,071	(3,593)	(8,282)	24,843	4,003	1,779	(1,310)	(685)	3,787
WAEF (RM)	3.09	4.22	2.40	3.01	3.85					
Group 2012	Share Options Number of Share Options					Share Grants Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested '000	Lapsed '000	At end of year '000
2008 Share Scheme	4,224	-	-	(4,224)	-	-	-	-	-	-
2009 Share Scheme	5,229	-	-	(1,218)	4,011	711	-	(643)	(68)	-
2010 Share Scheme	6,034	-	-	(1,554)	4,480	1,752	-	(785)	(287)	680
2011 Share Scheme	6,625	-	-	(1,459)	5,166	1,775	-	-	(385)	1,390
2012 Share Scheme	-	9,764	-	(774)	8,990	-	2,127	-	(194)	1,933
	22,112	9,764	-	(9,229)	22,647	4,238	2,127	(1,428)	(934)	4,003
WAEF (RM)	2.82	3.58	-	2.96	3.09					

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31 March 2013

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

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

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

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

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

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

	WAEP RM	Exercise Period
2009 Share Options	2.70	02.09.2011 – 01.09.2015
2010 Share Options	2.38	25.08.2012 – 24.08.2016
2011 Share Options	3.15	23.09.2013 – 22.09.2017
2012 Share Options	3.58	22.07.2014 – 21.07.2017
2013 Share Options (1st grant)	4.22	06.07.2015 – 05.07.2017
2013 Share Options (2nd grant)	4.25	31.01.2016 – 30.01.2017

		Vesting Dates
2009 Share Grants	– First 50% of the share grants	02.09.2010
	– Second 50% of the share grants	02.09.2011
2010 Share Grants	– First 50% of the share grants	25.08.2011
	– Second 50% of the share grants	25.08.2012
2011 Share Grants	– First 50% of the share grants	23.09.2012
	– Second 50% of the share grants	23.09.2013
2012 Share Grants	– First 50% of the share grants	22.07.2013
	– Second 50% of the share grants	22.07.2014
2013 Share Grants (1st grant)	– First 50% of the share grants	06.07.2014
	– Second 50% of the share grants	06.07.2015
2013 Share Grants (2nd grant)	– First 50% of the share grants	31.01.2015
	– Second 50% of the share grants	31.01.2016

Note:

- (i) 2009 Share Options had since lapsed and all shares were forfeited due to performance measures were not meet during the extended grace period.
- (ii) 2010 Share Option was vested as the Group has met the performance targets.
- (iii) 2009 and 2010 Share Grants were fully vested in accordance with the stipulated terms.

(b) Allocation of shares options/grants to Executive Directors and senior management of the Group:

- (i) The aggregate maximum allocation of shares options/grants to Executive Directors and senior management of the Group during the financial year and since commencement of the ESS is 50% of shares available under the ESS.
- (ii) The actual percentage granted to Executive Directors and senior management of the total number of shares options/grants offered are as follows:

	Percentage
<i>Since commencement of the ESS</i>	
2009 Share Scheme	48.7%
2010 Share Scheme	48.5%
2011 Share Scheme	43.5%
2012 Share Scheme	48.8%
<i>During the financial year</i>	
2013 Share Scheme	39.8%

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

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

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

	Share Options					
	2009	2010	2011	2012	2013 (1st grant)	2013 (2nd grant)
Fair value of the shares as at grant date,						
– 2 September 2008 (RM)	0.7040	–	–	–	–	–
– 25 August 2009 (RM)	–	0.7489	–	–	–	–
– 23 September 2010 (RM)	–	–	0.8980	–	–	–
– 22 July 2011 (RM)	–	–	–	0.8790	–	–
– 5 July 2012 (RM)	–	–	–	–	0.6900	–
– 30 January 2013 (RM)	–	–	–	–	–	0.6000
Weighted average share price (RM)	2.6600	2.4000	3.1300	3.7200	4.2200	4.2500
Weighted average exercise price (RM)	2.6989	2.3784	3.1480	3.5800	4.2200	4.2500
Expected volatility (%)	0.2709	0.3403	0.3115	0.2977	0.2345	0.2019
Expected life (years)	7	7	7	6	5	4
Risk free rate (%)	3.79 to 5.22	2.04 to 4.61	2.92 to 4.04	2.93 to 4.18	2.96 to 3.97	2.99 to 3.90
Expected dividend yield (%)	1.78	1.78	1.78	3.08	3.46	3.51
	Share Grants					
	2009	2010	2011	2012	2013 (1st grant)	2013 (2nd grant)
Fair value of the shares as at grant date,						
– 2 September 2008 (RM)	2.5432	–	–	–	–	–
– 25 August 2009 (RM)	–	2.2941	–	–	–	–
– 23 September 2010 (RM)	–	–	2.9930	–	–	–
– 22 July 2011 (RM)	–	–	–	3.4405	–	–
– 5 July 2012 (RM)	–	–	–	–	3.8000	–
– 30 January 2013 (RM)	–	–	–	–	–	3.8200
Weighted average share price (RM)	2.6600	2.4000	3.1300	3.7200	4.2200	4.2500
Expected volatility (%)	0.2709	0.3403	0.3115	0.2977	0.2345	0.2019
Risk free rate (%)	3.79 to 5.22	2.04 to 4.61	2.92 to 4.04	2.93 to 4.18	2.96 to 3.97	2.99 to 3.90
Expected dividend yield (%)	1.78	1.78	1.78	3.08	3.46	3.51

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

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

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31. INTEREST INCOME

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

32. INTEREST EXPENSES

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

33. NET INCOME FROM ISLAMIC BANKING BUSINESS

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

Note:

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

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34. OTHER OPERATING INCOME

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

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35. OTHER OPERATING EXPENSES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<u>Personnel costs</u>				
– Salaries, allowances and bonuses	318,657	290,164	1,756	1,470
– Contribution to EPF	51,713	47,849	342	307
– Share options/grants under ESS	8,449	6,649	227	156
– Others	38,772	31,495	177	138
	417,591	376,157	2,502	2,071
<u>Establishment costs</u>				
– Depreciation of property, plant and equipment	26,432	29,374	51	103
– Amortisation of computer software	20,334	18,239	–	–
– Rental of premises	28,654	27,414	70	62
– Water and electricity	7,279	6,137	5	10
– Repairs and maintenance	10,990	9,965	75	78
– Information technology expenses	41,296	33,255	3	3
– Others	11,898	20,007	3	–
	146,883	144,391	207	256
<u>Marketing expenses</u>				
– Promotion and advertisement	12,039	11,178	–	–
– Branding and publicity	5,382	4,756	–	–
– Others	5,112	4,688	–	–
	22,533	20,622	–	–
<u>Administration and general expenses</u>				
– Communication expenses	12,858	13,126	5	3
– Printing and stationery	3,661	3,756	6	5
– Insurance	8,219	5,926	–	–
– Professional fees	16,046	13,750	133	238
– Others	11,479	14,068	1,530	1,540
	52,263	50,626	1,674	1,786
Total other operating expenses	639,270	591,796	4,383	4,113
Included in the other operating expenses are the following:				
Auditors' remuneration [Note (a)]	1,968	1,516	111	98
Hire of equipment	3,954	3,964	–	10
Property, plant and equipment written off	511	2,046	–	–
Computer software written off	1	841	–	–

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35. OTHER OPERATING EXPENSES (cont'd)

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

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35. OTHER OPERATING EXPENSES (cont'd)

(b) Directors' remuneration (cont'd)

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

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

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

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

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

38. TAXATION AND ZAKAT

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

Income tax is calculated at the Malaysian statutory tax rate of 25% (31 March 2012: 25%; 1 April 2011: 25%) of the estimated assessable profit for the year.

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

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

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39. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

The calculation of the diluted earnings per share is based on the net profit attributable to owners of the parent for the financial year divided by the weighted average number of ordinary shares of RM1.00 each in issue during the financial year, excluding the weighted average shares held for ESS and taken into account the assumed Share Grants to employees under ESS were vested to the employees as at 31 March 2013.

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

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40. DIVIDENDS

	Dividend in respect of financial year		Net Dividends per Ordinary Share	
	2013 RM'000	2012 RM'000	2013 Sen	2012 Sen
<u>Recognised during the financial year:</u>				
<u>First interim dividend</u>				
6.6 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2013, was paid on 28 August 2012	100,254	—	6.48	—
5.6 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2012, was paid on 26 August 2011	—	85,705	—	5.54
<u>Second interim dividend</u>				
10.0 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2012, was paid on 28 February 2013	152,228	—	9.83	—
7.7 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2012, was paid on 28 February 2012	—	117,495	—	7.59
	252,482	203,200	16.31	13.13

Dividends paid on the shares held in Trust pursuant to the Company's ESS which are classified as shares held for ESS are not accounted for in the equity. An amount of RM4,504,000 (2012: RM2,697,000) being dividends paid for those shares were added back to the appropriation of retained profits in respect of the dividends.

41. CAPITAL COMMITMENTS

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

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42. MATERIAL LITIGATIONS

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

The two suits were then consolidated and heard together. On 6 May 2009, judgment was delivered against the agent bank for special damages amounting to RM115.5 million (of which ABMB's exposure will be approximately RM32.0 million) together with interest at the rate of 6% per annum from date of disbursement to date of realisation with general damages to be assessed by the Court. The agent bank's solicitors has filed an appeal against the said decision. The High Court on 24 June 2009 granted the agent bank a stay of execution of the judgment pending disposal of its appeal at the Court of Appeal.

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

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

43. FINANCIAL RISK MANAGEMENT POLICIES

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

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

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the Group's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle financial commitments. Exposure to credit risk may be categorised as primary or secondary.

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

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

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

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

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43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(i) Maximum exposure to credit risk

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

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

	Group		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Credit risk exposure of on-balance sheet:			
Cash and short-term funds (exclude cash in hand)	1,053,165	1,684,754	704,200
Deposits and placements with banks and other financial institutions	153,236	97,713	100,228
Balances due from clients and brokers	50,122	61,764	80,543
Financial assets held-for-trading	1,519,930	1,491,995	1,938,250
Financial investments available-for-sale (exclude equity securities)	10,225,058	8,983,101	9,138,478
Financial investments held-to-maturity	596,949	795,256	940,726
Derivative financial assets	19,792	23,712	32,047
Loans, advances and financing	27,747,806	24,460,309	21,868,981
Total on-balance sheet	41,366,058	37,598,604	34,803,453
Credit risk exposure of off-balance sheet:			
Financial guarantees	500,258	463,962	453,370
Credit related commitments and contingencies	12,330,197	13,009,027	10,499,031
Total off-balance sheet	12,830,455	13,472,989	10,952,401
Total maximum exposure	54,196,513	51,071,593	45,755,854
	Company		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Credit risk exposure of on-balance sheet:			
Cash and short-term funds (exclude cash in hand)	17,669	6,500	46,857
Deposits and placements with banks and other financial institutions	10,101	19,315	605,700
Total on-balance sheet/maximum exposure	27,770	25,815	652,557

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43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations

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

Group	Government and Central Bank	Financial, Insurance and Business Services	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Residential Mortgage	Motor Vehicle Financing	Other Consumer Loans	Total
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	738,087	315,078	-	-	-	-	-	-	1,053,165
Deposits and placements with banks and other financial institutions	-	153,236	-	-	-	-	-	-	153,236
Balances due from clients and brokers	-	-	-	-	-	-	-	50,122	50,122
Financial assets held-for-trading	1,519,930	-	-	-	-	-	-	-	1,519,930
Financial investments	3,653,718	5,828,940	158,284	418,331	78,449	-	-	87,336	10,225,058
Financial investments available-for-sale	591,264	513	5,172	-	-	-	-	-	596,949
Financial investments held-to-maturity	-	19,629	-	-	-	-	-	163	19,792
Derivative financial assets	-	2,895,855	111,178	7,626,069	438,726	11,362,649	575,222	4,738,107	27,747,806
Loans, advances and financing	-	1,124,248	76,016	3,357,986	885,401	600,903	218	6,785,683	12,830,455
Total on-balance sheet	6,502,999	9,213,251	274,634	8,044,400	517,175	11,362,649	575,222	4,875,728	41,366,058
Financial guarantees	-	32,582	20,468	369,636	38,080	-	-	39,492	500,258
Credit related commitments and contingencies	-	1,091,666	55,548	2,988,350	847,321	600,903	218	6,746,191	12,330,197
Total off-balance sheet	-	1,124,248	76,016	3,357,986	885,401	600,903	218	6,785,683	12,830,455
Total credit risk	6,502,999	10,337,499	350,650	11,402,386	1,402,576	11,963,552	575,440	11,661,411	54,196,513

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

Group	Government and Central Bank	Financial, Insurance and Business Services	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Residential Mortgage	Motor Vehicle Financing	Other Consumer Loans	Total
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,067,241	617,513	—	—	—	—	—	—	1,684,754
Deposits and placements with banks and other financial institutions	—	97,713	—	—	—	—	—	—	97,713
Balances due from clients and brokers	—	—	—	—	—	—	—	61,764	61,764
Financial assets held-for-trading	1,491,995	—	—	—	—	—	—	—	1,491,995
Financial investments	4,202,309	4,237,686	137,155	374,422	31,529	—	—	—	8,983,101
Financial investments available-for-sale	768,101	21,949	5,206	—	—	—	—	—	795,256
Derivative financial assets	—	23,712	—	—	—	—	—	—	23,712
Loans, advances and financing	—	2,575,043	125,179	7,075,576	283,811	9,558,392	436,954	4,405,354	24,460,309
Total on-balance sheet	7,529,646	7,573,616	267,540	7,449,998	315,340	9,558,392	436,954	4,467,118	37,598,604
Financial guarantees	—	37,712	19,908	338,361	30,596	300	—	37,085	463,962
Credit related commitments and contingencies	—	1,339,215	66,964	3,126,409	1,225,981	3,404,765	230	3,845,463	13,009,027
Total off-balance sheet	—	1,376,927	86,872	3,464,770	1,256,577	3,405,065	230	3,882,548	13,472,989
Total credit risk	7,529,646	8,950,543	354,412	10,914,768	1,571,917	12,963,457	437,184	8,349,666	51,071,593

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

Group	Government and Central Bank	Financial, Insurance and Business Services	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Residential Mortgage	Motor Vehicle Financing	Other Consumer Loans	Total
1 April 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	179,530	—	—	—	—	—	—	704,200
Deposits and placements with banks and other financial institutions	—	100,228	—	—	—	—	—	—	100,228
Balances due from clients and brokers	—	—	—	—	—	—	—	80,543	80,543
Financial assets held-for-trading	1,938,250	—	—	—	—	—	—	—	1,938,250
Financial investments	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	—	2,006,826	147,517	6,401,964	408,590	8,478,477	557,576	3,868,031	21,868,981
Total on-balance sheet	7,433,272	6,926,818	314,871	6,702,179	440,296	8,478,477	557,576	3,949,964	34,803,453
Financial guarantees	—	28,423	22,630	341,328	23,932	—	—	37,057	453,370
Credit related commitments and contingencies	—	804,322	75,937	2,442,788	1,304,866	1,276,176	1,101	4,593,841	10,499,031
Total off-balance sheet	—	832,745	98,567	2,784,116	1,328,798	1,276,176	1,101	4,630,898	10,952,401
Total credit risk	7,433,272	7,759,563	413,438	9,486,295	1,769,094	9,754,653	558,677	8,580,862	45,755,854

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

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

(iii) Collaterals

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

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

(iv) Credit quality – Loans, advances and financing

All loans, advances and financing are categorised as either:

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

Past due loans, advances and financing refer to loans that are overdue by one day or more. Impaired loans/financing are loans/financing with arrears more than 90 days or are judgmentally triggered as impaired.

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

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

Distribution of loans, advances and financing by credit quality

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

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

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

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

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

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

Loans, advances and financing assessed as impaired

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

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

(v) Repossessed collateral

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

	Group		
	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
<i>Nature of assets</i>			
Industrial factory	–	–	5,300
Residential property	–	–	105
	–	–	5,405

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(vi) Credit quality – Financial instruments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

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

	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
Group							
31 March 2012							
<i>By rating agencies</i>							
RAM							
AAA	169,439	–	–	680,975	–	11,321	861,735
AA1	230,178	–	–	128,976	–	2,020	361,174
AA2	175	4,275	–	35,578	–	2,620	42,648
AA3	1	–	–	16,342	–	25	16,368
AA-	–	–	–	–	–	855	855
A1	261,323	–	–	–	–	30	261,353
MARC							
AAA	–	–	–	324,242	–	–	324,242
AA-	–	–	–	31,529	–	–	31,529
Fitch							
AA+	–	–	–	–	–	111	111
A1	5,303	–	–	–	–	–	5,303
Moody's							
AA1	5,146	–	–	–	–	–	5,146
AA3	12,726	–	–	–	–	–	12,726
AA-	–	–	–	–	–	9	9
A1	551	–	–	–	–	–	551
A2	2,032	31,914	–	–	–	–	33,946
A3	230	–	–	–	–	–	230
BAA1	314	–	–	–	–	–	314
C	1,463	–	–	–	–	–	1,463
S&P							
AA	53	–	–	–	–	–	53
AA-	2,469	–	–	–	–	–	2,469
A+	61,336	–	–	–	–	–	61,336
A	2,026	61,355	–	–	–	–	63,381
A-	31,863	–	–	–	–	–	31,863
Government backed	854,144	–	1,491,995	4,932,081	768,102	1,467	8,047,789
Unrated [Note]	43,982	169	–	2,833,378	27,154	5,254	2,909,937
	1,684,754	97,713	1,491,995	8,983,101	795,256	23,712	13,076,531

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

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

Group	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
1 April 2011							
<i>By rating agencies</i>							
RAM							
AAA	86,461	–	–	831,253	–	23,265	940,979
AA1	10	–	–	337,646	–	60	337,716
AA2	211	–	–	51,098	–	3,556	54,865
AA3	–	–	–	32,193	–	6	32,199
A1	33,530	50,029	–	–	–	1,032	84,591
C3	–	–	–	7,003	–	–	7,003
MARC							
AAA	–	–	–	240,381	–	–	240,381
AA-	–	–	–	31,610	–	2,338	33,948
Fitch							
AA-	597	–	–	–	–	–	597
A1	6,294	–	–	–	–	–	6,294
A+	–	–	–	–	–	5	5
Moody's							
AA1	3,357	–	–	–	–	–	3,357
AA3	5,747	–	–	–	–	–	5,747
A1	563	–	–	–	–	–	563
A2	2,068	–	–	–	–	–	2,068
A3	402	–	–	–	–	–	402
BAA1	795	–	–	–	–	–	795
C	699	–	–	–	–	–	699
S&P							
AA	170	–	–	–	–	–	170
AA-	978	–	–	–	–	–	978
A	1,516	–	–	–	–	–	1,516
Government backed	524,797	–	1,938,250	4,464,571	910,444	–	7,838,062
Unrated [Note]	36,005	50,199	–	3,142,723	30,282	1,785	3,260,994
	704,200	100,228	1,938,250	9,138,478	940,726	32,047	12,853,929

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk

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

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

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

(i) Interest/profit rate risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Group	31 March 2013	Non-trading book							Effective interest/profit rate %
		Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	
Liabilities									
Deposits from customers	18,696,013	4,797,267	2,747,137	4,452,208	165,393	74,297	5,072,000	36,004,315	2.30
Deposits and placements of banks and other financial institutions	1,320,268	87,761	54,700	95,383	442,970	-	8,914	2,009,996	2.06
Balances due to clients and brokers	-	-	-	-	-	-	30,852	30,852	-
Bills and acceptances payable	4,927	68,729	57	-	-	-	-	73,713	3.23
Derivative financial liabilities									
- Trading derivatives	-	-	-	-	-	-	-	14,122	-
- Hedging derivatives	-	-	-	-	174	1,574	-	1,748	n/a
Amount due to Cagamas Berhad	-	-	-	-	16,290	-	-	16,290	4.61
Subordinated obligations	-	-	-	-	598,328	-	13,865	612,193	4.92
Other non-interest/profit sensitive balances	-	-	-	-	-	-	893,631	893,631	-
Total liabilities	20,021,208	4,953,757	2,801,894	4,547,591	1,223,155	75,871	6,019,262	39,656,860	
Equity	-	-	-	-	-	-	4,030,422	4,030,422	-
Non-controlling interests	-	-	-	-	-	-	4,747	4,747	-
Total liabilities and equity	20,021,208	4,953,757	2,801,894	4,547,591	1,223,155	75,871	10,054,431	43,692,029	
On-balance sheet interest sensitivity gap	3,786,183	(1,251,977)	(2,046,626)	(3,593,622)	3,850,055	4,949,119	(7,218,732)	1,525,600	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Group	31 March 2012	Non-trading book						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	1,385,735	-	-	-	-	-	-	490,259	-	1,875,994	3.04
Deposits and placements with banks and other financial institutions	-	93,138	4,429	-	-	-	-	146	-	97,713	2.32
Balances due from clients and brokers	1,631	-	-	-	-	-	-	60,133	-	61,764	12.00
Financial assets held-for-trading	-	-	-	-	-	-	-	-	1,491,995	1,491,995	3.00
Financial investments available-for-sale	953,177	1,910,031	150,485	88,717	2,493,255	3,314,235	213,301	8,556	-	9,123,201	3.79
Financial investments held-to-maturity	-	50,081	134,359	11,992	357,154	233,114	-	-	-	795,256	3.55
Derivative financial assets											
- Trading derivatives	-	-	-	-	-	-	-	-	23,712	23,712	-
Loans, advances and financing	18,988,098	1,013,570	338,603	608,585	1,485,718	1,976,860	77,398*	-	-	24,488,832	5.46
Other non-interest/profit sensitive balances	-	-	-	-	-	-	-	1,760,355	-	1,760,355	-
Total assets	21,328,641	3,066,820	627,876	709,294	4,336,127	5,524,209	2,610,148	1,515,707	39,718,822		

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Group	31 March 2012	Non-trading book							Effective interest/profit rate %
		Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	
Liabilities									
Deposits from customers	15,998,443	3,716,695	2,353,813	5,203,955	87,647	40,278	4,786,082	32,186,913	2.31
Deposits and placements of banks and other financial institutions	771,753	462,662	226,140	61,329	628,462	-	10,659	2,161,005	2.02
Balances due to clients and brokers	-	-	-	-	-	-	20,626	20,626	2.90
Bills and acceptances payable	14	40	124	-	-	-	-	178	3.36
Derivative financial liabilities									
- Trading derivatives	-	-	-	-	-	-	-	25,818	-
- Hedging derivatives	-	-	-	-	-	423	-	423	-
Amount due to Cagamas Berhad	-	-	1,634	9,566	10,844	-	-	22,044	4.54
Subordinated obligations	-	-	-	-	597,829	-	13,786	611,615	4.92
Other non-interest/profit sensitive balances	-	-	-	-	-	-	918,345	918,345	-
Total liabilities	16,770,210	4,179,397	2,581,711	5,274,850	1,324,782	40,701	5,749,498	35,946,967	
Equity	-	-	-	-	-	-	3,766,950	3,766,950	-
Non-controlling interests	-	-	-	-	-	-	4,905	4,905	-
Total liabilities and equity	16,770,210	4,179,397	2,581,711	5,274,850	1,324,782	40,701	9,521,353	39,718,822	
On-balance sheet interest sensitivity gap	4,558,431	(1,112,577)	(1,953,835)	(4,565,556)	3,011,345	5,483,508	(6,911,205)	1,489,889	-

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Group 1 April 2011	Non-trading book							Effective interest/ profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	
Assets								
Cash and short-term funds	412,029	-	-	-	-	-	502,040	2.90
Deposits and placements with banks and other financial institutions	-	100,000	160	-	-	-	68	3.05
Balances due from clients and brokers	1,070	-	-	-	-	-	79,473	12.00
Financial assets held-for-trading	-	-	-	-	-	-	-	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	3.50
Financial investments held-to-maturity	10,009	-	633,480	-	292,381	-	4,856	2.75
Derivative financial assets	-	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	-	-	-
Loans, advances and financing	16,882,804	1,413,040	336,274	222,518	1,458,636	1,409,734	170,944*	5.67
Other non-interest/profit sensitive balances	-	-	-	-	-	-	984,853	-
Total assets	18,552,087	3,660,202	1,563,417	363,355	4,512,029	3,596,782	1,926,437	36,144,606

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Group 1 April 2011	Non-trading book							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					
Liabilities											
Deposits from customers	13,933,272	3,176,893	2,484,735	4,129,928	91,335	-	4,569,271	-	28,385,434		2.19
Deposits and placements of banks and other financial institutions	968,458	61,196	8,952	23,447	882,911	-	7,236	-	1,952,200		2.13
Balances due to clients and brokers	34,516	-	-	-	-	-	12,471	-	46,987		2.55
Bills and acceptances payable	86,161	24,948	50	-	-	-	-	-	111,159		3.04
Derivative financial liabilities	-	-	-	-	-	-	-	-	-		-
- Trading derivatives	-	-	-	-	-	-	-	33,347	33,347		-
Amount due to Cagamas Berhad	-	-	-	100,000	25,134	-	642	-	125,776		3.77
Subordinated obligations	-	600,000	-	-	-	-	-	-	600,000		6.09
Long term borrowings	-	-	-	-	600,000	-	1,272	-	601,272		3.60
Other non-interest/profit sensitive balances	-	-	-	-	-	-	858,587	-	858,587		-
Total liabilities	15,022,407	3,863,037	2,493,737	4,253,375	1,599,380	-	5,449,479	33,347	32,714,762		-
Equity	-	-	-	-	-	-	3,425,355	-	3,425,355		-
Non-controlling interests	-	-	-	-	-	-	4,489	-	4,489		-
Total liabilities and equity	15,022,407	3,863,037	2,493,737	4,253,375	1,599,380	-	8,879,323	33,347	36,144,606		-
On-balance sheet interest sensitivity gap	3,529,680	(202,835)	(930,320)	(3,890,020)	2,912,649	3,596,782	(6,952,886)	1,936,950	-		-

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Company 31 March 2013	Non-trading book						Effective interest rate %	
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000		Non- interest sensitive RM'000
Assets								
Cash and short-term funds	17,643	-	-	-	-	-	27	17,670
Deposits and placements with banks and other financial institutions	10,092	-	-	-	-	-	9	10,101
Other non-interest sensitive balances	-	-	-	-	-	-	1,780,035	1,780,035
Total assets	27,735	-	-	-	-	-	1,780,071	1,807,806
Liabilities								
Other non-interest sensitive balances	-	-	-	-	-	-	1,977	1,977
Total liabilities	-	-	-	-	-	-	1,977	1,977
Equity	-	-	-	-	-	-	1,805,829	1,805,829
Total liabilities and equity	-	-	-	-	-	-	1,807,806	1,807,806

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(ii) Foreign currency exchange risk

Foreign currency exchange risk refers to the risk that fair value of future cash flows of a financial instrument will fluctuate because of the movements in the exchange rates for foreign currency exchange positions taken by the Group from time to time. For the Group, foreign exchange risk is concentrated in its commercial banking. Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to Management. The Company is not exposed to any foreign currency exchange risk.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(iii) Value at risk ('VaR')

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

Group	Balance	Average	Minimum	Maximum
31 March 2013	RM'000	for the year RM'000	RM'000	RM'000
Instruments:				
FX swap	(259)	(6,722)	(134)	(116,210)
Government securities	(14,380)	(15,644)	(8,717)	(25,567)
Private debt securities	(2,785)	(1,534)	(452)	(2,965)
31 March 2012				
Instruments:				
FX swap	(549)	(885)	(18)	(44,087)
Government securities	(12,291)	(14,765)	(6,452)	(41,399)
Private debt securities	(1,707)	(4,477)	(1,045)	(7,999)
1 April 2011				
Instruments:				
FX swap	(770)	(525)	(272)	(989)
Government securities	(11,487)	(7,650)	(4,256)	(12,201)
Private debt securities	(5,144)	(3,641)	(1,870)	(6,456)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

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

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

Note:

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

Other risk measures

(v) Stress test

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

(vi) Sensitivity analysis

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

(vii) Displaced Commercial Risk

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

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

Group 31 March 2012	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	1,875,994	–	–	–	–	1,875,994
Deposits and placements with banks and other financial institutions	–	93,270	4,443	–	–	97,713
Balances due from clients and brokers	42,207	–	–	–	19,557	61,764
Financial investments	1,031,877	2,922,378	697,092	97,906	6,661,199	11,410,452
Loans, advances and financing	4,970,968	1,549,576	987,155	598,935	16,382,198	24,488,832
Other asset balances	36,224	14,328	7,186	7,989	1,718,340	1,784,067
Total assets	7,957,270	4,579,552	1,695,876	704,830	24,781,294	39,718,822
Liabilities						
Deposits from customers	20,710,785	3,736,550	2,376,978	5,228,010	134,590	32,186,913
Deposits and placements of banks and other financial institutions	770,600	471,339	226,276	64,329	628,461	2,161,005
Balances due to clients and brokers	19,513	–	–	–	1,113	20,626
Bills and acceptances payable	14	40	124	–	–	178
Amount due to Cagamas Berhad	–	–	1,634	9,566	10,844	22,044
Subordinated obligations	13,786	–	–	–	597,829	611,615
Other financial liabilities	577,720	37,538	23,573	44,941	260,814	944,586
Total financial liabilities	22,092,418	4,245,467	2,628,585	5,346,846	1,633,651	35,946,967
Equity	–	–	–	–	3,766,950	3,766,950
Non-controlling interests	–	–	–	–	4,905	4,905
Total liabilities and equity	22,092,418	4,245,467	2,628,585	5,346,846	5,405,506	39,718,822
Net maturity mismatch	(14,135,148)	334,085	(932,709)	(4,642,016)	19,375,788	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

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

Group 1 April 2011	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	914,069	–	–	–	–	914,069
Deposits and placements with banks and other financial institutions	–	100,065	163	–	–	100,228
Balances due from clients and brokers	61,441	–	–	–	19,102	80,543
Financial investments	2,122,429	3,187,345	809,576	932,379	5,087,187	12,138,916
Loans, advances and financing	4,792,753	1,471,389	946,576	557,078	14,126,154	21,893,950
Other asset balances	26,137	7,797	9,203	2,878	970,885	1,016,900
Total assets	7,916,829	4,766,596	1,765,518	1,492,335	20,203,328	36,144,606
Liabilities						
Deposits from customers	18,436,430	3,205,854	2,505,723	4,146,075	91,352	28,385,434
Deposits and placements of banks and other financial institutions	971,566	61,203	13,074	23,447	882,910	1,952,200
Balances due to clients and brokers	45,444	–	–	–	1,543	46,987
Bills and acceptances payable	86,161	24,948	50	–	–	111,159
Amount due to Cagamas Berhad	514	294	766	101,562	22,640	125,776
Subordinated obligations	–	600,000	–	–	–	600,000
Long term borrowings	1,272	–	–	–	600,000	601,272
Other financial liabilities	539,469	39,671	24,365	48,729	239,700	891,934
Total financial liabilities	20,080,856	3,931,970	2,543,978	4,319,813	1,838,145	32,714,762
Equity	–	–	–	–	3,425,355	3,425,355
Non-controlling interests	–	–	–	–	4,489	4,489
Total liabilities and equity	20,080,856	3,931,970	2,543,978	4,319,813	5,267,989	36,144,606
Net maturity mismatch	(12,164,027)	834,626	(778,460)	(2,827,478)	14,935,339	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

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

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

Group 31 March 2013	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	24,323,712	4,562,305	3,073,556	4,578,618	105,672	75,980	36,719,843
Deposits and placements of banks and other financial institutions	1,176,945	91,599	207,125	99,403	450,791	–	2,025,863
Balances due to clients and brokers	30,852	–	–	–	1,113	–	31,965
Bills and acceptances payable	4,927	68,729	57	–	–	–	73,713
Amount due to Cagamas Berhad	436	310	747	1,496	14,551	–	17,540
Subordinated obligations	14,460	–	–	14,460	701,220	–	730,140
Other financial liabilities	500,824	31,875	30,526	55,642	290,634	–	909,501
	26,052,156	4,754,818	3,312,011	4,749,619	1,563,981	75,980	40,508,565

Items not recognised in the statement of financial position

Financial guarantees	68,162	89,551	115,148	179,987	42,998	4,412	500,258
Credit related commitments and contingencies	6,733,398	66,251	31,293	157,473	302,404	5,039,378	12,330,197
	6,801,560	155,802	146,441	337,460	345,402	5,043,790	12,830,455

Derivatives financial liabilities

Derivatives settled on a net basis

Interest rate derivatives	(53)	(593)	(522)	(675)	(1,843)	(306)	(3,992)
Hedging derivatives	110	194	399	793	5,478	58	7,032
Net inflow/(outflow)	57	(399)	(123)	118	3,635	(248)	3,040

Derivatives settled on a gross basis

Outflow	(1,088,067)	(250,850)	(230,221)	(148,133)	–	–	(1,717,271)
Inflow	1,083,369	249,198	226,951	147,006	–	–	1,706,524
	(4,698)	(1,652)	(3,270)	(1,127)	–	–	(10,747)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

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

Group 31 March 2012	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	20,986,096	3,793,932	2,415,161	5,326,817	105,595	45,994	32,673,595
Deposits and placements of banks and other financial institutions	771,036	475,051	226,942	69,525	644,646	–	2,187,200
Balances due to clients and brokers	42,207	–	–	–	19,557	–	61,764
Bills and acceptances payable	14	40	124	–	–	–	178
Amount due to Cagamas Berhad	666	379	2,511	9,697	10,466	–	23,719
Subordinated obligations	14,460	–	–	14,460	701,220	–	730,140
Other financial liabilities	575,661	26,149	21,751	43,502	251,282	–	918,345
	22,390,140	4,295,551	2,666,489	5,464,001	1,732,766	45,994	36,594,941
Items not recognised in the statement of financial position							
Financial guarantees	76,173	96,467	91,971	113,733	85,551	67	463,962
Credit related commitments and contingencies	8,071,144	124,021	56,918	96,849	337,410	4,322,685	13,009,027
	8,147,317	220,488	148,889	210,582	422,961	4,322,752	13,472,989
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives	(57)	(752)	(624)	(1,214)	(2,801)	(424)	(5,872)
Hedging derivatives	–	34	35	69	548	102	788
Net (outflow)/inflow	(57)	(718)	(589)	(1,145)	(2,253)	(322)	(5,084)
Derivatives settled on a gross basis							
Outflow	(544,827)	(597,400)	(251,471)	(58,264)	–	–	(1,451,962)
Inflow	542,768	586,117	249,632	56,806	–	–	1,435,323
	(2,059)	(11,283)	(1,839)	(1,458)	–	–	(16,639)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity Risk (cont'd)

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

Group 1 April 2011	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 6 months RM'000	>6 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	18,496,981	3,297,271	2,551,908	4,220,324	94,517	–	28,661,001
Deposits and placements of banks and other financial institutions	972,010	61,576	9,267	29,934	911,890	–	1,984,677
Balances due to clients and brokers	85,200	–	–	–	1,543	–	86,743
Bills and acceptances payable	98,025	32,884	43	–	–	–	130,952
Amount due to Cagamas Berhad	665	379	1,045	105,643	23,716	–	131,448
Subordinated obligations	–	618,270	–	–	–	–	618,270
Long term borrowings	1,775	3,610	5,444	10,830	619,079	–	640,738
Other financial liabilities	539,469	39,671	24,365	48,729	240,302	–	892,536
	20,194,125	4,053,661	2,592,072	4,415,460	1,891,047	–	33,146,365
Items not recognised in the statement of financial position							
Financial guarantees	83,560	79,896	92,500	124,509	72,905	–	453,370
Credit related commitments and contingencies	8,283,090	55,910	42,868	89,113	249,215	1,778,835	10,499,031
	8,366,650	135,806	135,368	213,622	322,120	1,778,835	10,952,401
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives							
Inflow/(outflow)	–	(292)	(91)	82	1,802	1,381	2,882
Derivatives settled on a gross basis							
Outflow	(87,071)	(380,016)	(308,146)	(441,839)	–	–	(1,217,072)
Inflow	86,428	367,712	299,925	434,659	–	–	1,188,724
	(643)	(12,304)	(8,221)	(7,180)	–	–	(28,348)
Company							
31 March 2013							
Other financial liabilities	–	–	–	–	1,977	–	1,977
Total financial liabilities	–	–	–	–	1,977	–	1,977
31 March 2012							
Other financial liabilities	2,790	–	–	–	1,564	–	4,354
Total financial liabilities	2,790	–	–	–	1,564	–	4,354
1 April 2011							
Long term borrowings	1,775	3,610	5,444	10,830	619,079	–	640,738
Other financial liabilities	5	–	–	–	1,524	–	1,529
Total financial liabilities	1,780	3,610	5,444	10,830	620,603	–	642,267

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31 March 2013

43. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(d) Operational and Shariah Compliance Risk

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

Operational and Shariah Compliance risk management is a continual cyclic process which includes risk identification, assessment, control, mitigation and monitoring. This includes analysing the risk profile of the Group, determining control gaps, assessing potential loss and enhancing controls to mitigate the risks.

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

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

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

44. CAPITAL ADEQUACY

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

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

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

The minimum regulatory capital adequacy ratios are as follow:

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

* transitional arrangements according to BNM Guidelines

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

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44. CAPITAL ADEQUACY (cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

44. CAPITAL ADEQUACY (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

44. CAPITAL ADEQUACY (cont'd)

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

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

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

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Credit risk	25,175,746	23,601,495	20,149,305
Market risk	76,045	265,432	71,884
Operational risk	2,603,941	2,445,524	2,222,953
Total RWA and capital requirements	27,855,732	26,312,451	22,444,142

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

44. CAPITAL ADEQUACY (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

45. COMMITMENTS AND CONTINGENCIES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

45. COMMITMENTS AND CONTINGENCIES (cont'd)

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Group				
31 March 2012				
<u>Credit-related exposures</u>				
Direct credit substitutes	397,029	—	397,029	397,029
Transaction-related contingent items	549,766	—	274,883	274,883
Short-term self-liquidating trade-related contingencies	153,561	—	30,712	30,712
Obligation under an on-going underwriting agreement	70,122	—	35,061	35,061
Irrevocable commitments to extent credit:				
– maturity exceeding one year	4,320,657	—	2,160,328	1,786,192
– maturity not exceeding one year	5,793,193	—	1,158,639	1,004,648
Unutilised credit card lines	2,188,661	—	437,732	340,525
	13,472,989	—	4,494,384	3,869,050
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	3,147,488	17,730	64,522	38,478
Interest rate related contracts:				
– one year or less	587,000	130	912	182
– over one year to three years	1,110,000	2,592	14,192	2,838
– over three years	423,896	3,260	20,055	6,467
	5,268,384	23,712	99,681	47,965
	18,741,373	23,712	4,594,065	3,917,015
1 April 2011				
<u>Credit-related exposures</u>				
Direct credit substitutes	423,539	—	423,539	423,539
Transaction-related contingent items	515,311	—	257,655	257,655
Short-term self-liquidating trade-related contingencies	143,281	—	28,656	28,656
Irrevocable commitments to extent credit:				
– maturity exceeding one year	1,715,131	—	857,565	727,272
– maturity not exceeding one year	4,729,308	—	945,862	852,441
Unutilised credit card lines	3,425,831	—	685,166	528,386
	10,952,401	—	3,198,443	2,817,949
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	2,844,627	22,568	77,079	40,842
Interest rate related contracts:				
– one year or less	380,000	257	637	127
– over one year to three years	1,447,000	6,465	29,535	5,907
– over three years	285,000	2,757	15,957	3,192
	4,956,627	32,047	123,208	50,068
	15,909,028	32,047	3,321,651	2,868,017

NOTES TO THE FINANCIAL STATEMENTS

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46. CAPITAL

The Group's capital management objectives are:

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

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

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

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

47. LEASE COMMITMENTS

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

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

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

The operating leases for the Group's and the Company's other premises typically cover for an initial period of three years with options for renewal. These leases are cancellable but are usually renewed upon expiry or replaced by leases on other properties. Future minimum lease commitments are anticipated to be not less than the rental expense for 2013.

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48. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

(i) Related companies refer to member companies of Alliance Financial Group Berhad.

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

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48. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(c) Compensation of key management personnel

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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49. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Comparison of carrying amount and fair value

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Note:

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

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

(i) Cash and short-term funds

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

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

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

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

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

(iv) Derivative financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

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

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

(v) Loans, advances and financing

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

(vi) Deposits from customers

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

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

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

(viii) Amount due to Cagamas Berhad

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

(ix) Long term borrowings

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

(x) Subordinated obligations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

(b) Financial instruments measured at fair value

Determination of fair value and fair value hierarchy

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

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

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

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

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

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

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

Reconciliation of movements in level 3 financial instruments:

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

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50. SEGMENT INFORMATION

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

The Group is organised into the following key operating segments:

(i) Consumer Banking

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

(ii) Business Banking

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

(iii) Financial Markets

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

(iv) Investment Banking

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

(v) Others

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

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31 March 2013

50. Segment Information (cont'd)

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

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50. Segment Information (cont'd)

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

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31 March 2013

51. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

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

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

52. SUBSEQUENT EVENTS

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

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

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

53. NON-CURRENT ASSETS HELD FOR SALE

(a) Property, plant and equipment

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

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

(b) Subsidiary held for sale

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

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

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

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

(a) MFRS 1 mandatory exceptions

(i) MFRS Estimates

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

(ii) Hedge accounting

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

(iii) Non-controlling interests

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

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

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

(b) MFRS 1 exemption options

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

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

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

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

(i) Reconciliation of equity

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

(ii) Reconciliation of total comprehensive income

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

NOTES TO THE FINANCIAL STATEMENTS

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55. CHANGE IN ACCOUNTING POLICIES

(i) **MFRS 139 Financial instruments: Recognition and measurement (“MFRS 139”)**

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

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

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

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

(ii) **FRSIC Consensus 18 “Monies Held in Trust by Participating Organisation of Bursa Malaysia Securities Berhad”**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

55. CHANGE IN ACCOUNTING POLICIES (cont'd)

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

(a) Impact on the statements of financial position

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

55. CHANGE IN ACCOUNTING POLICIES (cont'd)

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

(b) Impact on the statements of comprehensive income

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

(c) Impact on capital adequacy

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

56. REALISED AND UNREALISED PROFITS

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

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

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

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

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

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

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



ALLIANCE BANK MALAYSIA BERHAD (88103-W)

BASEL II PILLAR 3 DISCLOSURE

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BASEL II PILLAR 3 DISCLOSURE

31 March 2013

OVERVIEW

Bank Negara Malaysia's ("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 cover 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 (e.g. interest rate risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques.
- (c) Pillar 3 – covers disclosure and external communication of risk and capital information by banks.

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

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

In summary, the capital management process involves the following:

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

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

The Group's Pillar 3 Disclosure is governed by the Bank 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

31 March 2013

1.0 SCOPE OF APPLICATION

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

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) of the audited financial statements of the Bank, except for investments in subsidiaries engaged in nominees activities and sales distribution which are excluded from the regulatory consolidation and are deducted from regulatory capital.

There were 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 were not included in the consolidation for regulatory purposes as at the financial year end.

The capital adequacy information was computed in accordance with BNM’s Capital Adequacy Framework. 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 BNM,
- (ii) to maintain sufficient capital resources to support the Group’s risk appetite and to enable future business growth, and
- (iii) to meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

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

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

The Group’s and the Bank’s regulatory capital are determined under BNM’s Capital Adequacy Framework and their capital ratios comply with the prescribed capital adequacy ratios.

BASEL II PILLAR 3 DISCLOSURE

31 March 2013

2.0 CAPITAL (cont'd)

2.1 Capital Adequacy Ratios

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

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

The minimum regulatory capital adequacy ratios are as follows:

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

* transitional arrangements according to BNM Guidelines

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

BASEL II PILLAR 3 DISCLOSURE

31 March 2013

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
31 March 2013		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.24%	11.22%
Tier I capital ratio	13.62%	12.66%
Total capital ratio	13.62%	15.37%
<u>After deducting proposed dividends</u>		
CET I capital ratio	11.51%	10.62%
Tier I capital ratio	12.90%	12.06%
Total capital ratio	12.90%	14.77%
31 March 2012		
<u>Before deducting proposed dividends</u>		
Core capital ratio	14.23%	12.37%
Risk-weighted capital ratio	14.28%	15.62%
<u>After deducting proposed dividends</u>		
Core capital ratio	13.63%	11.88%
Risk-weighted capital ratio	13.68%	15.13%

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
31 March 2013		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.93%	96.24%
Tier I capital ratio	12.93%	96.24%
Total capital ratio	13.72%	96.40%
<u>After deducting proposed dividends</u>		
CET I capital ratio	12.93%	94.96%
Tier I capital ratio	12.93%	94.96%
Total capital ratio	13.72%	95.12%
31 March 2012		
<u>Before deducting proposed dividends</u>		
Core capital ratio	13.00%	58.39%
Risk-weighted capital ratio	14.04%	58.51%
<u>After deducting proposed dividends</u>		
Core capital ratio	12.17%	57.13%
Risk-weighted capital ratio	13.21%	57.25%

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

31 March 2013

2.0 CAPITAL (cont'd)

2.2 Capital Structure

The following tables represent the Bank's and the Group's capital positions. Details on capital resources, including share capital, irredeemable (non-cumulative) convertible preference shares ("ICPS"), share premium and reserves are found in Note 26 and 27 of the audited financial statements of the Bank. Details on the terms and conditions of subordinated obligations are contained in Note 25 of the audited financial statements of the Bank.

The following tables present the components of CET I, Tier I and Tier II capital.

	Bank RM'000	Group RM'000
31 March 2013		
<u>CET I Capital</u>		
Paid-up share capital	596,517	596,517
Share premium	201,517	201,517
Retained profits	1,641,549	1,749,256
Statutory reserves	601,561	885,744
Revaluation reserves	85,257	115,397
Other reserves	–	10,018
	3,126,401	3,558,449
Less: Regulatory adjustment		
– Goodwill and other intangibles	(241,961)	(358,275)
– Deferred tax assets	–	(11,040)
– 55% of revaluation reserve	(46,891)	(63,468)
Total CET I Capital	2,837,549	3,125,666
<u>Tier I Capital</u>		
ICPS	4,000	4,000
Share premium	396,000	396,000
Less: Regulatory adjustment		
– Investment in subsidiaries and associates	(79,467)	–
Total additional Tier I Capital	320,533	400,000
Total Tier I Capital	3,158,082	3,525,666
<u>Tier II Capital</u>		
Subordinated obligations	538,495	538,495
Collective assessment allowance	183,932	221,153
Less: Regulatory adjustment		
– Investment in subsidiaries and associates	(722,427)	(4,117)
Total Tier II Capital	–	755,531
Total Capital	3,158,082	4,281,197

BASEL II PILLAR 3 DISCLOSURE

31 March 2013

2.0 CAPITAL (cont'd)

2.2 Capital Structure (cont'd)

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

	Bank RM'000	Group RM'000
31 March 2012		
<u>Tier I Capital (Core Capital)</u>		
Paid-up share capital	596,517	596,517
ICPS	4,000	4,000
Share premium	597,517	597,517
Retained profits	1,397,888	1,517,252
Statutory reserves	601,561	842,167
Other reserves	—	10,018
Non-controlling interests	—	4,905
	3,197,483	3,572,376
Less: Purchased goodwill/goodwill on consolidation	(186,272)	(302,065)
Deferred tax assets	—	(15,038)
Total Tier I Capital	3,011,211	3,255,273
 <u>Tier II Capital</u>		
Subordinated obligations	597,829	597,829
Collective assessment allowance	214,419	260,666
Total Tier II Capital	812,248	858,495
Total Capital	3,823,459	4,113,768
Less: Investment in subsidiaries	(801,664)	(3,620)
Total Capital Base	3,021,795	4,110,148

The comparative capital adequacy ratios and components of capital base have been restated for the effects of the change in accounting policy on collective assessment allowance. Details of the restatements are as set out on Note 53 of the financial statements of the Bank.

BASEL II PILLAR 3 DISCLOSURE

31 March 2013

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 2013 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	4,428,064	4,428,064	–	–
Public sector entities	50,615	50,615	10,123	810
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	4,235,331	4,229,449	1,070,873	85,670
Insurance companies, securities firms and fund managers	7,691	770	770	62
Corporates	9,494,895	8,839,664	7,452,448	596,196
Regulatory retail	8,350,281	7,401,539	5,551,155	444,092
Residential mortgages	6,754,731	6,745,505	2,920,155	233,612
Higher risk assets	6,765	6,756	10,133	811
Other assets	470,311	470,311	226,797	18,144
Equity exposures	99,472	99,472	109,432	8,755
Defaulted exposures	239,338	237,881	276,250	22,100
Total on-balance sheet exposures	34,137,494	32,510,026	17,628,136	1,410,252
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,940,937	3,934,084	3,365,606	269,248
Derivative financial instruments	102,250	102,250	44,484	3,559
Defaulted exposures	12,433	12,422	18,633	1,491
Total off-balance sheet exposures	4,055,620	4,048,756	3,428,723	274,298
Total on and off-balance sheet exposures	38,193,114	36,558,782	21,056,859	1,684,550
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	1,270,537	(3,229)	10,236	819
Foreign currency risk	63,818	(2,733)	63,818	5,105
Total	1,334,355	(5,962)	74,054	5,924
(iii) <u>Operational Risk</u>	–	–	2,060,540	164,843
Total RWA and capital requirements	38,193,114	36,558,782	23,191,453	1,855,317

BASEL II PILLAR 3 DISCLOSURE

31 March 2013

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 2013 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,293,224	6,293,224	—	—
Public sector entities	50,615	50,615	10,123	810
Banks, DFIs and MDBs	4,366,278	4,360,396	936,747	74,940
Insurance companies, securities firms and fund managers	7,712	790	790	63
Corporates	11,438,538	10,530,451	8,772,591	701,807
Regulatory retail	10,534,294	9,542,026	7,169,014	573,521
Residential mortgages	8,108,149	8,098,296	3,567,034	285,363
Higher risk assets	6,833	6,823	10,235	819
Other assets	584,149	584,149	332,896	26,632
Equity exposures	137,392	137,392	147,352	11,788
Defaulted exposures	295,977	293,908	339,208	27,137
Total on-balance sheet exposures	41,823,161	39,898,070	21,285,990	1,702,880
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	4,546,740	4,538,237	3,825,953	306,076
Derivative financial instruments	102,250	102,250	44,484	3,559
Defaulted exposures	12,891	12,880	19,319	1,546
Total off-balance sheet exposures	4,661,881	4,653,367	3,889,756	311,181
Total on and off-balance sheet exposures	46,485,042	44,551,437	25,175,746	2,014,061
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	1,525,169	(3,229)	12,227	978
Foreign currency risk	63,818	(2,733)	63,818	5,105
Total	1,588,987	(5,962)	76,045	6,083
(iii) <u>Operational Risk</u>	—	—	2,603,941	208,315
Total RWA and capital requirements	46,485,042	44,551,437	27,855,732	2,228,459

BASEL II PILLAR 3 DISCLOSURE

31 March 2013

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

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

Note:

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

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

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3.0 CREDIT RISK

Credit risk is the risk of financial loss resulting from the failure of the Bank's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle financial commitments. Credit risk arises mainly from lending/financing activities and trading/holding of debt securities.

Credit Risk Management

The Board, via the Group Risk Management Committee ("GRMC"), established a Credit Risk Management Framework ("CRMF") which outlines the principles for managing credit risk in the Group. The CRMF covers the credit approving structure, risk policies framework, the credit process, collateral management, review, portfolio risk management, collection, problem credit management, rating, infrastructure, fraud and stress test.

Credit approval authority is delegated to underwriters based on their experience and seniority. Credit granting decisions are based on judgmental decisions supplemented with credit rating; risk reward is a major consideration in loan pricing. Larger loans are approved by the Management Credit Committee while some are subject to concurrence by the Executive Committee.

Retail loans are subject to portfolio reviews and corporate loans are subject to periodic individual borrower or group reviews. Loans with signs of problem will be managed under the Early Warning Framework. Recovery of impaired loans are carried out by specialists independent of the lines of business.

Portfolio Review Committee for the respective lines of business, assisted by embedded business risk units, manage the portfolio quality to ensure alignment of business strategy with the Bank's risk appetite.

Group Risk Management and business risk units are responsible to assess adequacy and effectiveness of the risk management framework, policies and guidelines.

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

The Credit Review Unit under Group Internal Audit review the credit process regularly and recommend corrective measures or enhancements. These reviews provide senior management with assurance that the policies, guidelines and limits are adhered to and that the credit process in the Bank is acceptable.

Impaired Loans and Provisions

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 of RM1 million and above. The discounted cashflow method will be used to determine the recoverable amounts. The remaining loans' portfolios are then collectively assessed for impairment allowance provision.

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

This change in accounting policy has been accounted for retrospectively, and has resulted in a restatement of the comparatives.

Please refer to Note 2(i)(i) of the audited financial statements of the Bank for accounting policies on impaired loans, advances and financing.

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3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures

(a) Geographical Distribution

The following tables represent the Bank's 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 2013	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	East Malaysia RM'000
Cash and short-term funds	—	1,123,142	—	—
Deposits and placements with banks and other financial institutions	—	124,946	—	—
Financial assets held-for-trading	—	1,265,298	—	—
Financial investments available-for-sale	—	8,328,534	—	—
Financial investments held-to-maturity	—	101,717	—	—
Derivative financial assets	—	19,792	—	—
Loans, advances and financing	1,558,192	17,355,446	1,947,550	2,003,212
Total on-balance sheet	1,558,192	28,318,875	1,947,550	2,003,212
Financial guarantees	55,768	312,230	26,042	31,481
Credit related commitments and contingencies	638,075	8,407,125	811,711	810,562
Total credit exposure	2,252,035	37,038,230	2,785,303	2,845,255
Group 2013				
Cash and short-term funds	—	1,044,219	—	—
Deposits and placements with banks and other financial institutions	—	153,236	—	—
Balances due from clients and brokers	—	50,122	—	—
Financial assets held-for-trading	—	1,519,930	—	—
Financial investments available-for-sale	—	10,225,058	—	—
Financial investments held-to-maturity	—	596,949	—	—
Derivative financial assets	—	19,792	—	—
Loans, advances and financing	1,797,137	21,147,476	2,450,937	2,352,256
Total on-balance sheet	1,797,137	34,756,782	2,450,937	2,352,256
Financial guarantees	74,505	356,286	34,764	34,703
Credit related commitments and contingencies	738,443	9,397,039	974,144	1,220,571
Total credit exposure	2,610,085	44,510,107	3,459,845	3,607,530

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3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(a) Geographical Distribution (cont'd)

Bank 2012	Geographical region			
	Northern RM'000	Central RM'000	Southern RM'000	East Malaysia RM'000
Cash and short-term funds	—	1,539,052	—	—
Deposits and placements with banks and other financial institutions	—	143,461	—	—
Financial assets held-for-trading	—	1,342,302	—	—
Financial investments available-for-sale	—	7,325,003	—	—
Financial investments held-to-maturity	—	228,622	—	—
Derivative financial assets	—	23,712	—	—
Loans, advances and financing	1,551,654	14,773,727	1,644,965	1,804,252
Total on-balance sheet	1,551,654	25,375,879	1,644,965	1,804,252
Financial guarantees	48,823	291,800	21,381	32,904
Credit related commitments and contingencies	594,161	9,126,214	524,327	867,311
Total credit exposure	2,194,638	34,793,893	2,190,673	2,704,467
Group 2012				
Cash and short-term funds	—	1,683,092	—	—
Deposits and placements with banks and other financial institutions	—	93,438	—	—
Balances due from clients and brokers	13,825	44,051	3,888	—
Financial assets held-for-trading	—	1,491,995	—	—
Financial investments available-for-sale	—	8,983,101	—	—
Financial investments held-to-maturity	—	795,256	—	—
Derivative financial assets	—	23,712	—	—
Loans, advances and financing	1,804,917	18,493,351	2,047,619	2,114,422
Total on-balance sheet	1,818,742	31,607,996	2,051,507	2,114,422
Financial guarantees	67,643	332,255	27,880	36,184
Credit related commitments and contingencies	659,453	10,363,305	652,725	1,333,544
Total credit exposure	2,545,838	42,303,556	2,732,112	3,484,150

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3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution

The following tables represent the Bank's and the Group's major type of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged.

Bank 2013	Government and Central bank RM'000	Financial, insurance & business services RM'000	Transport, storage & communication RM'000	Agriculture, manufacturing, wholesale & retail trade RM'000	Construction RM'000	Residential mortgage RM'000	Motor vehicle financing RM'000	Other consumer loans RM'000	Total RM'000
Cash and short-term funds	618,890	504,252	-	-	-	-	-	-	1,123,142
Deposits and placements with banks and other financial institutions	-	124,946	-	-	-	-	-	-	124,946
Financial assets held-for-trading	1,265,298	-	-	-	-	-	-	-	1,265,298
Financial investments available-for-sale	2,712,779	5,052,209	97,688	336,345	57,589	-	-	71,924	8,328,534
Financial investments held-to-maturity	101,256	461	-	-	-	-	-	-	101,717
Derivative financial assets	-	19,629	-	-	-	-	-	163	19,792
Loans, advances and financing	-	2,564,541	88,553	6,509,323	380,132	9,383,562	365,548	3,572,741	22,864,400
Total on-balance sheet	4,698,223	8,266,038	186,241	6,845,668	437,721	9,383,562	365,548	3,644,828	33,827,829
Financial guarantees	-	28,767	20,375	299,282	37,971	-	-	39,126	425,521
Credit related commitments and contingencies	-	950,781	53,517	2,533,398	814,259	-	-	6,315,518	10,667,473
Total off-balance sheet	-	979,548	73,892	2,832,680	852,230	-	-	6,354,644	11,092,994
Total credit risk	4,698,223	9,245,586	260,133	9,678,348	1,289,951	9,383,562	365,548	9,999,472	44,920,823

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3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Bank's and the Group's major type of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged (cont'd).

Group	Government and Central bank	Financial, insurance & business services	Transport, storage & communication	Agriculture, manufacturing, wholesale & retail trade	Construction	Residential mortgage	Motor vehicle financing	Other consumer loans	Total
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	738,087	306,132	-	-	-	-	-	-	1,044,219
Deposits and placements with banks and other financial institutions	-	153,236	-	-	-	-	-	-	153,236
Balances due from clients and brokers	-	-	-	-	-	-	-	50,122	50,122
Financial assets held-for-trading	1,519,930	-	-	-	-	-	-	-	1,519,930
Financial investments available-for-sale	3,653,718	5,828,940	158,284	418,331	78,449	-	-	87,336	10,225,058
Financial investments held-to-maturity	591,264	513	5,172	-	-	-	-	-	596,949
Derivative financial assets	-	19,629	-	-	-	-	-	163	19,792
Loans, advances and financing	-	2,895,855	111,178	7,626,069	438,726	11,362,649	575,222	4,738,107	27,747,806
Total on-balance sheet	6,502,999	9,204,305	274,634	8,044,400	517,175	11,362,649	575,222	4,875,728	41,357,112
Financial guarantees	-	32,582	20,468	369,636	38,080	-	-	39,492	500,258
Credit related commitments and contingencies	-	1,091,666	55,548	2,988,350	847,321	600,903	218	6,746,191	12,330,197
Total off-balance sheet	-	1,124,248	76,016	3,357,986	885,401	600,903	218	6,785,683	12,830,455
Total credit risk	6,502,999	10,328,553	350,650	11,402,386	1,402,576	11,963,552	575,440	11,661,411	54,187,567

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3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Bank's and the Group's major type of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged (cont'd).

Bank 2012	Government and Central bank RM'000	Financial, insurance & business services RM'000	Transport, storage & communication RM'000	Agriculture, manufacturing, wholesale & retail trade RM'000	Construction RM'000	Residential mortgage RM'000	Motor vehicle financing RM'000	Other consumer loans RM'000	Total RM'000
Cash and short-term funds	903,812	635,240	—	—	—	—	—	—	1,539,052
Deposits and placements with banks and other financial institutions	—	143,461	—	—	—	—	—	—	143,461
Financial assets held-for-trading	1,342,302	—	—	—	—	—	—	—	1,342,302
Financial investments available-for-sale	3,077,911	3,874,479	84,766	266,737	21,110	—	—	—	7,325,003
Financial investments held-to-maturity	227,177	1,445	—	—	—	—	—	—	228,622
Derivative financial assets	—	23,712	—	—	—	—	—	—	23,712
Loans, advances and financing	—	2,223,074	95,974	6,004,163	208,517	8,138,883	141,714	2,962,273	19,774,598
Total on-balance sheet	5,551,202	6,901,411	180,740	6,270,900	229,627	8,138,883	141,714	2,962,273	30,376,750
Financial guarantees	—	34,503	19,817	274,277	29,205	300	—	36,806	394,908
Credit related commitments and contingencies	—	1,156,018	66,185	2,545,111	1,197,481	2,787,615	5	3,359,598	11,112,013
Total off-balance sheet	—	1,190,521	86,002	2,819,388	1,226,686	2,787,915	5	3,396,404	11,506,921
Total credit risk	5,551,202	8,091,932	266,742	9,090,288	1,456,313	10,926,798	141,719	6,358,677	41,883,671

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3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Bank's and the Group's major type of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged (cont'd).

Group 2012	Government and Central bank RM'000	Financial, insurance & business services RM'000	Transport, storage & communication RM'000	Agriculture, manufacturing, wholesale & retail trade RM'000	Construction RM'000	Residential mortgage RM'000	Motor vehicle financing RM'000	Other consumer loans RM'000	Total RM'000
Cash and short-term funds	1,067,241	615,851	-	-	-	-	-	-	1,683,092
Deposits and placements with banks and other financial institutions	-	93,438	-	-	-	-	-	-	93,438
Balances due from clients and brokers	-	-	-	-	-	-	-	61,764	61,764
Financial assets held-for-trading	1,491,995	-	-	-	-	-	-	-	1,491,995
Financial investments available-for-sale	4,202,309	4,237,686	137,155	374,422	31,529	-	-	-	8,983,101
Financial investments held-to-maturity	768,101	21,949	5,206	-	-	-	-	-	795,256
Derivative financial assets	-	23,712	-	-	-	-	-	-	23,712
Loans, advances and financing	-	2,575,043	125,179	7,075,576	283,811	9,558,392	436,954	4,405,354	24,460,309
Total on-balance sheet	7,529,646	7,567,679	267,540	7,449,998	315,340	9,558,392	436,954	4,467,118	37,592,667
Financial guarantees	-	37,712	19,908	338,361	30,596	300	-	37,085	463,962
Credit related commitments and contingencies	-	1,339,215	66,964	3,126,409	1,225,981	3,404,765	230	3,845,463	13,009,027
Total off-balance sheet	-	1,376,927	86,872	3,464,770	1,256,577	3,405,065	230	3,882,548	13,472,989
Total credit risk	7,529,646	8,944,606	354,412	10,914,768	1,571,917	12,963,457	437,184	8,349,666	51,065,656

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3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets of the Bank and the Group:

	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
Bank 2013						
Cash and short-term funds	1,366,644	11	–	–	–	1,366,655
Deposits and placements with banks and other financial institutions	–	124,946	–	–	–	124,946
Financial investments	1,905,852	2,390,975	72,412	24,448	5,401,334	9,795,021
Loans, advances and financing	4,901,622	1,363,982	812,040	492,046	15,337,583	22,907,273
Other asset balances	43,806	13,383	10,353	5,954	2,207,323	2,280,819
Total on-balance sheet exposure	8,217,924	3,893,297	894,805	522,448	22,946,240	36,474,714
Group 2013						
Cash and short-term funds	1,287,723	11	–	–	–	1,287,734
Deposits and placements with banks and other financial institutions	–	153,062	174	–	–	153,236
Balances due from clients and brokers	35,060	–	–	–	15,062	50,122
Financial investments	2,438,861	2,966,195	442,597	112,258	6,519,418	12,479,329
Loans, advances and financing	5,653,977	1,647,590	1,012,443	652,699	18,805,032	27,771,741
Other asset balances	69,998	13,406	10,388	6,023	1,811,983	1,911,798
Total on-balance sheet exposure	9,485,619	4,780,264	1,465,602	770,980	27,151,495	43,653,960

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3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets of the Bank and the Group (cont'd):

	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
Bank 2012						
Cash and short-term funds	1,730,290	–	–	–	–	1,730,290
Deposits and placements with banks and other financial institutions	–	143,461	–	–	–	143,461
Financial investments	649,224	2,430,032	572,018	37,165	5,302,396	8,990,835
Loans, advances and financing	4,330,582	1,273,642	804,281	394,744	13,009,356	19,812,605
Other asset balances	34,096	14,212	7,184	7,763	2,103,600	2,166,855
Total on-balance sheet exposure	6,744,192	3,861,347	1,383,483	439,672	20,415,352	32,844,046
Group 2012						
Cash and short-term funds	1,875,994	–	–	–	–	1,875,994
Deposits and placements with banks and other financial institutions	–	93,270	168	–	–	93,438
Balances due from clients and brokers	42,207	–	–	–	19,557	61,764
Financial investments	1,031,877	2,922,378	697,092	97,906	6,661,199	11,410,452
Loans, advances and financing	4,970,968	1,549,576	987,155	598,935	16,382,198	24,488,832
Other asset balances	36,590	14,213	7,186	7,767	1,689,305	1,755,061
Total on-balance sheet exposure	7,957,636	4,579,437	1,691,601	704,608	24,752,259	39,685,541

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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 customers have failed to make a principal or interest payment when contractually due, and includes loans which are due one or more days after the contractual due date but less than 3 months.

Past due loans, advances and financing are analysed as follows:

	Bank		Group	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Past due up to 1 month	714,766	602,109	925,366	909,157
Past due > 1 – 2 months	126,995	127,224	188,773	187,351
Past due > 2 – 3 months	5,097	15,430	17,599	30,448
	846,858	744,763	1,131,738	1,126,956

Past due loans, advances and financing analysed by sector are as follows:

	Bank		Group	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial, insurance & business services	13,948	42,494	14,840	43,478
Transport, storage & communication	2,741	1,332	3,279	2,835
Agriculture, manufacturing, wholesale & retail trade	79,249	48,189	91,412	55,198
Construction	10,028	9,495	10,634	14,924
Residential mortgage	534,919	459,166	627,621	516,795
Motor vehicle financing	66,442	53,242	126,990	139,333
Other consumer loans	139,531	130,845	256,962	354,393
	846,858	744,763	1,131,738	1,126,956

Past due loans, advances and financing analysed by significant geographical areas:

	Bank		Group	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Northern region	77,948	53,820	90,397	73,720
Central region	583,123	535,488	807,049	835,122
Southern region	109,411	84,411	144,953	130,463
East Malaysia region	76,376	71,044	89,339	87,651
	846,858	744,763	1,131,738	1,126,956

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31 March 2013

3.0 CREDIT RISK (cont'd)

3.3 Impaired Loans, Advances and Financing Analysis

Impaired loans, advances and financing analysed by sectors:

	Bank		Group	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial, insurance & business services	60,724	64,767	60,803	64,838
Transport, storage & communication	9,673	11,937	10,334	12,016
Agriculture, manufacturing, wholesale & retail trade	153,076	205,144	209,557	253,319
Construction	16,302	29,735	22,416	41,551
Residential mortgage	184,625	171,478	210,480	188,416
Motor vehicle financing	1,567	1,845	4,487	4,458
Other consumer loans	46,566	51,006	61,156	64,638
	472,533	535,912	579,233	629,236

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 2013				
Financial, insurance & business services	3,148	21,387	(321)	(1,311)
Transport, storage & communication	9,536	1,271	117	(1,489)
Agriculture, manufacturing, wholesale & retail trade	55,977	132,884	5,847	(32,067)
Construction	11,867	5,420	49	(12,581)
Residential mortgage	10,930	94,519	6,890	(191)
Motor vehicle financing	—	1,685	—	—
Other consumer loans	3,824	38,668	(345)	—
	95,282	295,834	12,237	(47,639)
Group 2013				
Financial, insurance & business services	3,190	24,151	(321)	(1,311)
Transport, storage & communication	9,536	1,804	117	(1,489)
Agriculture, manufacturing, wholesale & retail trade	80,589	155,365	14,642	(32,077)
Construction	15,379	6,804	(3,615)	(12,581)
Residential mortgage	13,295	105,338	9,196	(191)
Motor vehicle financing	—	4,278	—	—
Other consumer loans	6,482	51,463	(345)	—
	128,471	349,203	19,674	(47,649)

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3.0 CREDIT RISK (cont'd)

3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Impairment allowances on impaired loans, advances and financing analysed by sectors (cont'd):

	Individual impairment allowance RM'000	Collective impairment allowance RM'000	Individual impairment net (write-back)/ charge for the year RM'000	Individual impairment write-off for the year RM'000
Bank 2012				
Financial, insurance & business services	6,034	26,973	(1,066)	(4,141)
Transport, storage & communication	10,909	4,371	415	—
Agriculture, manufacturing, wholesale & retail trade	82,195	160,898	9,419	(15,914)
Construction	24,399	7,698	(518)	—
Residential mortgage	4,201	91,817	3,489	—
Motor vehicle financing	—	1,624	—	—
Other consumer loans	4,525	38,964	(5)	—
	132,263	332,345	11,734	(20,055)
Group 2012				
Financial, insurance & business services	6,076	31,333	(2,609)	(8,457)
Transport, storage & communication	10,909	4,621	415	—
Agriculture, manufacturing, wholesale & retail trade	98,022	189,124	6,681	(16,108)
Construction	31,575	9,059	(4,875)	—
Residential mortgage	4,201	100,141	3,489	—
Motor vehicle financing	—	4,105	—	—
Other consumer loans	7,183	55,489	7	—
	157,966	393,872	3,108	(24,565)

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3.0 CREDIT RISK (cont'd)

3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Impaired loans, advances and financing and 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 2013			
Northern region	86,889	28,616	39,948
Central region	307,875	61,404	196,573
Southern region	33,245	1,822	32,524
East Malaysia region	44,524	3,440	26,789
	472,533	95,282	295,834
GROUP 2013			
Northern region	112,029	42,819	44,441
Central region	379,755	79,860	235,943
Southern region	40,911	2,352	39,148
East Malaysia region	46,538	3,440	29,671
	579,233	128,471	349,203
BANK 2012			
Northern region	113,654	49,082	46,248
Central region	316,587	74,458	214,294
Southern region	48,921	4,443	44,936
East Malaysia region	56,750	4,280	26,867
	535,912	132,263	332,345
GROUP 2012			
Northern region	139,407	57,612	52,844
Central region	378,774	91,101	261,971
Southern region	53,056	4,973	49,827
East Malaysia region	57,999	4,280	29,230
	629,236	157,966	393,872

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31 March 2013

3.0 CREDIT RISK (cont'd)

3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Movements in loans impairment allowances are analysed as follows:

	Bank		Group	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Individual assessment allowance:				
At beginning of year				
– As previously stated	225,092	273,141	266,349	328,375
– Transfers to collective assessment allowance	(92,829)	(132,557)	(108,383)	(148,952)
As restated	132,263	140,584	157,966	179,423
Allowance made during the year (net)	12,237	11,734	19,674	3,108
Amount written-off	(47,639)	(20,055)	(47,649)	(24,565)
Transfers to collective assessment allowance	(1,579)	–	(1,520)	–
At end of year	95,282	132,263	128,471	157,966
Collective assessment allowance:				
At beginning of year				
– As previously stated	300,801	270,378	386,017	339,636
– Effect of change in accounting policy	(61,285)	(45,304)	(100,528)	(63,474)
– Transfers from individual assessment allowance	92,829	132,557	108,383	148,952
As restated	332,345	357,631	393,872	425,114
(Write-back)/allowance made during the year (net)	(8,301)	16,672	8,034	27,627
Amount written-off	(29,789)	(41,958)	(54,223)	(58,869)
Transfers from individual assessment allowance	1,579	–	1,520	–
At end of year	295,834	332,345	349,203	393,872

BASEL II PILLAR 3 DISCLOSURE

31 March 2013

3.0 CREDIT RISK (cont'd)

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:

Bank 2013 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%	4,430,381	-	-	-	-	-	-	-	243,514	-	4,673,895	-
20%	-	50,615	3,530,657	-	1,734,020	-	-	-	-	-	5,315,292	1,063,058
35%	-	-	-	-	-	-	4,131,069	-	-	-	4,131,069	1,445,874
50%	-	-	780,663	-	4,124	15,925	1,969,737	-	-	-	2,770,449	1,385,225
75%	-	-	-	-	-	9,665,749	666,129	-	-	-	10,331,878	7,748,909
100%	-	-	-	4,788	8,794,821	33,126	41,928	-	226,797	79,551	9,181,011	9,181,011
150%	-	-	-	-	87,991	35,520	-	11,756	-	19,921	155,188	232,782
Total exposures	4,430,381	50,615	4,311,320	4,788	10,620,956	9,750,320	6,808,863	11,756	470,311	99,472	36,558,782	21,056,859
Risk-weighted assets by exposures	-	10,123	1,086,463	4,788	9,275,673	7,343,681	2,972,268	17,634	226,797	109,432	21,056,859	
Average risk-weight	-	20%	25%	100%	87%	75%	44%	150%	48%	110%	58%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	-

BASEL II PILLAR 3 DISCLOSURE

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3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables present the credit exposures by risk-weights and after credit risk mitigation (cont'd):

Group 2013 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%	6,355,541	-	-	-	-	-	-	-	251,253	-	6,606,794	-
20%	-	50,615	4,195,990	-	2,197,323	-	-	-	-	-	6,443,928	1,288,786
35%	-	-	-	-	-	-	4,726,878	-	-	-	4,726,878	1,654,407
50%	-	-	246,277	-	6,232	18,725	2,491,321	-	-	-	2,762,555	1,381,277
75%	-	-	-	-	-	12,089,352	905,419	-	-	-	12,994,771	9,746,078
100%	-	-	-	4,808	10,241,260	90,217	52,485	-	332,896	117,471	10,839,137	10,839,137
150%	-	-	-	-	97,557	48,030	-	11,866	-	19,921	177,374	266,061
Total exposures	6,355,541	50,615	4,442,267	4,808	12,542,372	12,246,324	8,176,103	11,866	584,149	137,392	44,551,437	25,175,746
Risk-weighted assets by exposures	-	10,123	962,337	4,808	10,830,176	9,238,638	3,631,617	17,799	332,896	147,352	25,175,746	
Average risk-weight	-	20%	22%	100%	86%	75%	44%	150%	57%	107%	57%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	-

BASEL II PILLAR 3 DISCLOSURE

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3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables present the credit exposures by risk-weights and after credit risk mitigation (cont'd):

Bank 2012 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%	5,028,387	-	-	-	-	-	-	-	191,239	-	5,219,626	-
20%	-	50,855	3,047,932	-	756,418	-	-	-	-	-	3,855,205	771,041
35%	-	-	-	-	-	-	3,978,425	-	-	-	3,978,425	1,392,449
50%	-	-	778,808	-	166	2,473	2,080,124	-	-	-	2,861,571	1,430,785
75%	-	-	-	-	-	7,624,349	512,408	-	-	-	8,136,757	6,102,567
100%	-	-	-	4,459	8,735,100	5,301	49,925	-	288,025	9,429	9,092,239	9,092,239
150%	-	-	-	-	21,627	40,930	-	12,124	-	115,709	190,390	285,586
Total exposures	5,028,387	50,855	3,826,740	4,459	9,513,311	7,673,053	6,620,882	12,124	479,264	125,138	33,334,213	19,074,667
Risk-weighted assets by exposures	-	10,171	998,990	4,459	8,918,908	5,786,194	2,866,741	18,186	288,026	182,992	19,074,667	
Average risk-weight	-	20%	26%	100%	94%	75%	43%	150%	60%	146%	57%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	-

BASEL II PILLAR 3 DISCLOSURE

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3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables present the credit exposures by risk-weights and after credit risk mitigation (cont'd):

Group 2012 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%	7,210,053	-	-	-	-	-	-	-	191,169	-	7,401,222	-
20%	-	50,855	3,673,336	-	1,006,453	-	-	-	-	-	4,730,644	946,129
35%	-	-	-	-	-	-	4,439,248	-	-	-	4,439,248	1,553,737
50%	-	-	791,881	-	166	2,812	2,480,263	-	-	-	3,275,122	1,637,561
75%	-	-	-	-	-	10,217,245	697,896	-	-	-	10,915,141	8,186,356
100%	-	-	-	4,488	10,260,158	44,813	57,266	-	435,436	9,429	10,811,590	10,811,590
150%	-	-	-	-	86,808	51,166	-	12,261	-	160,513	310,748	466,122
Total exposures	7,210,053	50,855	4,465,217	4,488	11,353,585	10,316,036	7,674,673	12,261	626,605	169,942	41,883,715	23,601,495
Risk-weighted assets by exposures	-	10,171	1,130,607	4,488	10,591,744	7,785,902	3,374,557	18,392	435,436	250,198	23,601,495	
Average risk-weight	-	20%	25%	100%	93%	75%	44%	150%	69%	147%	56%	
Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-	-

BASEL II PILLAR 3 DISCLOSURE

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3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), Standard and Poor ("S&P"), and 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"):

(a) Ratings of corporate by approved ECAIs

**Bank
2013**

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
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)		50,615	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	11,709
Corporates		1,850,747	226,297	—	—	9,202,297
Total		1,901,262	226,297	—	—	9,214,006

**Group
2013**

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
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)		50,615	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	11,730
Corporates		2,314,050	326,884	—	—	10,813,585
Total		2,364,665	326,884	—	—	10,825,315

BASEL II PILLAR 3 DISCLOSURE

31 March 2013

3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAs (cont'd):

(a) Ratings of corporate by approved ECAs (cont'd)

**Bank
2012**

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
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)		50,885	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	4,459
Corporates		879,418	363,039	—	—	8,676,650
Total		930,273	363,039	—	—	8,681,109

**Group
2012**

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A+ to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
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)		50,855	—	—	—	—
Insurance Cos, Securities Firms & Fund Managers		—	—	—	—	4,488
Corporates		1,180,590	567,198	—	—	10,266,362
Total		1,231,445	567,198	—	—	10,270,850

BASEL II PILLAR 3 DISCLOSURE

31 March 2013

3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAIs (cont'd):

- (b) Short-term ratings of banking institutions and corporate by approved ECAIs

**Bank
2013**

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
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures					
Banks, MDBs and FDIs	2,952,937	—	—	—	594,124
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	2,952,937	—	—	—	594,124

**Group
2013**

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
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures					
Banks, MDBs and FDIs	4,040,485	—	—	—	386,926
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	4,040,485	—	—	—	386,926

BASEL II PILLAR 3 DISCLOSURE

31 March 2013

3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAs (cont'd):

(b) Short-term ratings of banking institutions and corporate by approved ECAs (cont'd)

**Bank
2012**

Exposure Class	Short-term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, MDBs and FDIs		2,566,211	—	—	—	483,814
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		20,137	—	—	—	—
Total		2,586,348	—	—	—	483,814

**Group
2012**

Exposure Class	Short-term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, MDBs and FDIs		3,068,732	—	—	—	614,675
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		20,137	—	—	—	—
Total		3,088,869	—	—	—	614,675

BASEL II PILLAR 3 DISCLOSURE

31 March 2013

3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAs (cont'd):

(c) Ratings of Sovereigns and Central banks by approved ECAs

**Bank
2013**

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks		–	4,430,381	–	–	–	–
Total		–	4,430,381	–	–	–	–

**Group
2013**

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks		–	6,355,541	–	–	–	–
Total		–	6,355,541	–	–	–	–

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3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAs (cont'd):

(c) Ratings of Sovereigns and Central banks by approved ECAs (cont'd)

**Bank
2012**

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks		—	5,028,387	—	—	—	—
Total		—	5,028,387	—	—	—	—

**Group
2012**

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks		—	7,210,053	—	—	—	—
Total		—	7,210,053	—	—	—	—

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3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAs (cont'd):

(d) Ratings of banking institutions by approved ECAs

**Bank
2013**

Exposure Class	Ratings of Banking Institutions by Approved ECAs					
	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
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, MDBs and FDIs		20,738	—	—	—	—
Total		20,738	—	—	—	749,403

**Group
2013**

Exposure Class	Ratings of Banking Institutions by Approved ECAs					
	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
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, MDBs and FDIs		20,738	—	—	—	—
Total		20,738	—	—	—	—

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3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated exposures according to rating by ECAs (cont'd):

(d) Ratings of banking institutions by approved ECAs (cont'd)

Bank 2012

Exposure Class	Ratings of Banking Institutions by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, MDBs and FDIs		30,848	2,336	—	—	—	743,531
Total		30,848	2,336	—	—	—	743,531

Group 2012

Exposure Class	Ratings of Banking Institutions by Approved ECAs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, MDBs and FDIs		35,943	2,336	—	—	—	—
Total		35,943	2,336	—	—	—	—

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 ECAs.

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3.0 CREDIT RISK (cont'd)

3.5 Credit Risk Mitigation ("CRM")

The Group uses a wide range of collaterals to mitigate credit risks. For the purpose of computing Basel II capital charge for credit risk, the process of using guarantees and eligible collaterals as credit risk mitigants are as prescribed in the Capital Adequacy Framework.

In the course of lending, the Group does accept collaterals that are not eligible under the Capital Adequacy Framework. The process of taking collaterals whether or not eligible under Capital Adequacy Framework, 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, e.g. motor vehicles or shares. Guarantees on loans are accepted after the financial viability of the guarantors have been ascertained.

The following tables represent the Bank's 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 Capital Adequacy Framework.

Bank 2013 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
<i>Credit Risk</i>				
On-balance sheet exposures:				
Sovereigns/Central banks	4,428,064	—	—	—
Public sector entities	50,615	—	—	—
Banks, DFIs and MDBs	4,235,331	—	5,882	—
Insurance companies, securities firms and fund managers	7,691	—	6,921	—
Corporates	9,494,895	—	655,230	—
Regulatory retail	8,350,281	—	948,742	—
Residential mortgages	6,754,731	—	9,226	—
Higher risk assets	6,765	—	10	—
Other assets	470,311	—	—	—
Equity exposure	99,472	—	—	—
Defaulted exposures	239,338	—	1,456	—
Total on-balance sheet exposures	34,137,494	—	1,627,467	—
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,043,187	—	6,853	—
Defaulted exposures	12,433	—	11	—
Total off-balance sheet exposures	4,055,620	—	6,864	—
Total on and off-balance sheet exposures	38,193,114	—	1,634,331	—

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3.0 CREDIT RISK (cont'd)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

The following tables represent the Bank's 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 Capital Adequacy Framework. (cont'd)

Group 2013 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
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,293,224	—	—	—
Public sector entities	50,615	—	—	—
Banks, DFIs and MDBs	4,366,278	—	5,882	—
Insurance companies, securities firms and fund managers	7,712	—	6,921	—
Corporates	11,438,538	—	908,087	—
Regulatory retail	10,534,294	—	992,269	—
Residential mortgages	8,108,149	—	9,853	—
Higher risk assets	6,833	—	10	—
Other assets	584,149	—	—	—
Equity exposure	137,392	—	—	—
Defaulted exposures	295,977	—	2,069	—
Total on-balance sheet exposures	41,823,161	—	1,925,091	—
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,648,990	—	8,503	—
Defaulted exposures	12,891	—	12	—
Total off-balance sheet exposures	4,661,881	—	8,515	—
Total on and off-balance sheet exposures	46,485,042	—	1,933,606	—

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3.0 CREDIT RISK (cont'd)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

The following tables represent the Bank's 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 Capital Adequacy Framework. (cont'd)

Bank 2012 Exposure Class	Exposure before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,022,323	—	—	—
Public sector entities	50,855	—	—	—
Banks, DFIs and MDBs	3,754,235	—	—	—
Insurance companies, securities firms and fund managers	447	—	—	—
Corporates	7,954,029	—	416,457	—
Regulatory retail	6,386,726	—	656,183	—
Residential mortgages	6,574,048	—	10,385	—
Higher risk assets	7,065	—	—	—
Other assets	479,264	—	—	—
Equity exposure	125,138	—	—	—
Defaulted exposures	142,744	—	7,637	—
Total on-balance sheet exposures	30,496,874	—	1,090,662	—
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,927,358	—	5,211	—
Defaulted exposures	5,856	—	2	—
Total off-balance sheet exposures	3,933,214	—	5,213	—
Total on and off-balance sheet exposures	34,430,088	—	1,095,875	—

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3.0 CREDIT RISK (cont'd)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

The following tables represent the Bank's 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 Capital Adequacy Framework. (cont'd)

Group 2012 Exposure Class	Exposure before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,143,989	—	—	—
Public sector entities	50,855	—	—	—
Banks, DFIs and MDBs	4,392,711	—	—	—
Insurance companies, securities firms and fund managers	476	—	—	—
Corporates	9,689,833	—	657,948	—
Regulatory retail	8,759,219	—	700,271	—
Residential mortgages	7,620,144	—	11,033	—
Higher risk assets	7,159	—	—	—
Other assets	626,605	—	—	—
Equity exposure	169,942	—	—	—
Defaulted exposures	225,479	—	8,193	—
Total on-balance sheet exposures	38,686,412	—	1,377,445	—
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,581,288	—	19,316	—
Defaulted exposures	12,777	—	2	—
Total off-balance sheet exposures	4,594,065	—	19,318	—
Total on and off-balance sheet exposures	43,280,477	—	1,396,763	—

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3.0 CREDIT RISK (cont'd)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk ("CCR") is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, could default before the final settlement of the transaction's cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR is managed via counterparty limits which is set based on the counterparty's size and credit rating. These limits are monitored daily by Group Risk Management.

CCR is further mitigated via netting agreements, e.g. under the International Swaps and Derivatives Association ("ISDA") master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

CCR is measured via the current exposure method whereby the credit equivalent exposure for derivatives is the sum of the mark-to-market exposure plus the potential future exposure (add-on factor multiplied by the notional amount). The add-on factors are as stipulated by BNM.

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3.0 CREDIT RISK (cont'd)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

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

Bank 2013	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	338,044	–	338,044	338,044
Transaction-related contingent items	546,968	–	273,484	273,484
Short-term self-liquidating trade-related contingencies	114,653	–	22,931	22,931
Irrevocable commitments to extent credit:				
– maturity exceeding one year	4,334,151	–	2,167,075	1,739,319
– maturity not exceeding one year	4,370,367	–	874,073	792,789
Unutilised credit card lines	1,388,811	–	277,762	217,673
	11,092,994	–	3,953,369	3,384,240
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	3,938,112	14,407	58,978	28,489
Interest rate related contracts:				
– one year or less	1,060,000	640	2,374	475
– over one year to three years	775,000	2,521	15,521	3,104
– over three years	421,608	1,933	20,560	9,719
Equity related contracts:				
– over one year to three years	54,032	291	4,817	2,697
	6,248,752	19,792	102,250	44,484
	17,341,746	19,792	4,055,619	3,428,724
GROUP 2013				
<u>Credit-related exposures</u>				
Direct credit substitutes	387,122	–	387,122	387,122
Transaction-related contingent items	585,435	–	292,717	292,717
Short-term self-liquidating trade-related contingencies	140,311	–	28,062	28,062
Irrevocable commitments to extent credit:				
– maturity exceeding one year	5,027,371	–	2,513,685	2,010,313
– maturity not exceeding one year	5,301,405	–	1,060,281	909,385
Unutilised credit card lines	1,388,811	–	277,762	217,673
	12,830,455	–	4,559,629	3,845,272
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	3,938,112	14,407	58,978	28,489
Interest rate related contracts:				
– one year or less	1,060,000	640	2,374	475
– over one year to three years	775,000	2,521	15,521	3,104
– over three years	421,608	1,933	20,560	9,719
Equity related contracts:				
– over one year to three years	54,032	291	4,817	2,697
	6,248,752	19,792	102,250	44,484
	19,079,207	19,792	4,661,879	3,889,756

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3.0 CREDIT RISK (cont'd)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

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

Bank 2012	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	354,758	—	354,758	354,758
Transaction-related contingent items	515,510	—	257,755	257,755
Short-term self-liquidating trade-related contingencies	126,778	—	25,356	25,356
Irrevocable commitments to extent credit:				
– maturity exceeding one year	3,645,632	—	1,822,816	1,518,664
– maturity not exceeding one year	4,675,582	—	935,116	858,102
Unutilised credit card lines	2,188,661	—	437,732	340,525
	11,506,921	—	3,833,533	3,355,160
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	3,147,488	17,730	64,522	38,478
Interest rate related contracts:				
– one year or less	587,000	130	912	182
– over one year to three years	1,110,000	2,592	14,192	2,838
– over three years	423,896	3,260	20,055	6,467
	5,268,384	23,712	99,681	47,965
	16,775,305	23,712	3,933,214	3,403,125
Group 2012				
<u>Credit-related exposures</u>				
Direct credit substitutes	397,029	—	397,029	397,029
Transaction-related contingent items	549,766	—	274,883	274,883
Short-term self-liquidating trade-related contingencies	153,561	—	30,712	30,712
Obligation under on-going underwriting agreement	70,122	—	35,061	35,061
Irrevocable commitments to extent credit:				
– maturity exceeding one year	4,320,657	—	2,160,328	1,786,192
– maturity not exceeding one year	5,793,193	—	1,158,639	1,004,648
Unutilised credit card lines	2,188,661	—	437,732	340,525
	13,472,989	—	4,494,384	3,869,050
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
– less than one year	3,147,488	17,730	64,522	38,478
Interest rate related contracts:				
– one year or less	587,000	130	912	182
– over one year to three years	1,110,000	2,592	14,192	2,838
– over three years	423,896	3,260	20,055	6,467
	5,268,384	23,712	99,681	47,965
	18,741,373	23,712	4,594,065	3,917,015

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4.0 MARKET RISK

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

Market Risk Management

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 Three 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.

For the Group, market risk is managed on an integrated approach which involves the following processes:

- (i) identification of market risk in new products and changes in risk profiles of existing exposures.
- (ii) assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken.
- (iii) adoption of various market risk measurement tools and techniques to quantify market risk exposures.
- (iv) adoption of the Three Lines of Defence concept for monitoring of market risk; Business Units forming the 1st Line, Group Market Risk Management as the 2nd Line and Internal Audit functioning as the 3rd Line.
- (v) scheduled and exception reporting on market risk exposures.

Market risk exists in the Group's activities in bonds, foreign exchange and interest rate swaps, which are transacted primarily by Financial Markets (treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

These exposures are governed by approved policies, risk limits and parameters which are set vis-a-vis the Group's risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Any limit breaches or exceptions are reported to GALCO and GRMC.

Hedging Policies and Strategies

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into hedges to manage or reduce risk exposures. All hedging strategies are approved by the GALCO and monitored independently by Group Market Risk. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness are monitored and reported monthly to management.

Market risk capital charge

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the bonds, foreign exchange and equities portfolios.

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4.0 MARKET RISK (cont'd)

Regulatory capital requirements

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	Bank		Group	
	Risk-Weighted Assets RM'000	Capital Requirements RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
2013				
Interest rate risk				
– General interest rate risk	9,874	790	11,865	949
– Specific interest rate risk	362	29	362	29
	10,236	819	12,227	978
Foreign exchange risk	63,818	5,105	63,818	5,105
	74,054	5,924	76,045	6,083
2012				
Interest rate risk				
– General interest rate risk	135,911	10,873	138,404	11,072
– Specific interest rate risk	477	38	477	38
	136,388	10,911	138,881	11,110
Equity risk				
– General interest rate risk	–	–	3,419	273
– Specific interest rate risk	–	–	5,983	479
	–	–	9,402	752
Foreign exchange risk	20,731	1,658	20,731	1,658
Options risk	–	–	96,418	7,713
	157,119	12,569	265,432	21,233

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5.0 OPERATIONAL RISK

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

Operational Risk Management

Management, escalation and reporting of operational risks are instituted through the Group Operational Risk Management Committee, Group Risk Management Committee as well as the Board. The responsibilities of the Committees and Board include the following:

- (i) Oversight and implementation of the Operational Risk Management (“ORM”) Framework;
- (ii) Establishment of risk appetite and the provision of strategic and specific directions;
- (iii) Regular review of operational risks initiatives, reports and profiles;
- (iv) Addressing operational risk issues; and
- (v) Ensuring compliance with regulatory and internal requirements including disclosures.

The Group practices operational risk management as outlined in the ORM Framework, in accordance with Basel and regulatory guidelines. The Group applies operational risk tools and methodologies in the identification, assessment, measurement, control and monitoring of operational risks. Other efforts by the Group include the ORM awareness training which is given to all staff, and regular business continuity and disaster recovery plans.

The Group adopts the Basic Indicator Approach for computation of operational RWA.

6.0 EQUITY EXPOSURES IN BANKING BOOK

The Bank and the Group hold equity positions in banking books as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equity, fair value is estimated based on quoted or observable market price at the end of the reporting period; and for those unquoted equity, the fair value is estimated using certain valuation technique.

The return of the equity are credited to the statement of comprehensive income and any gain or loss arising from a change in fair value are recognised directly in other comprehensive income or in equity through the statement of changes in equity.

BASEL II PILLAR 3 DISCLOSURE

31 March 2013

6.0 EQUITY EXPOSURES IN BANKING BOOK (cont'd)

The following table shows the equity exposures in banking book:

	Bank		Group	
	Gross credit exposures RM'000	Risk-weighted assets RM'000	Gross credit exposures RM'000	Risk-weighted assets RM'000
2013				
Publicly traded				
Holding of equity investments	9	13	9	13
Privately held				
For socio-economic purposes	79,551	79,551	117,471	117,471
Not for socio-economic purposes	19,912	29,868	19,912	29,868
	99,472	109,432	137,392	147,352
2012				
Publicly traded				
Holding of equity investments	13	13	4,212	4,212
Privately held				
For socio-economic purposes	86,189	86,189	127,183	127,183
Not for socio-economic purposes	8,705	13,058	8,705	13,058
	94,907	99,260	140,100	144,453

Gains and losses on equity exposures in the banking book

The table below present the gains and losses on equity exposures in banking book:

	Bank		Group	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Realised gains/(losses) recognised in the statement of comprehensive income				
– Publicly traded equity investments	–	–	1,350	1,484
– Privately held equity investments	–	300	–	(360)
	–	300	1,350	1,124
Unrealised gains/(losses) recognised in revaluation reserve				
– Publicly traded equity investments	(4)	2	(784)	337
– Privately held equity investments	4,568	11,911	1,495	18,926
	4,564	11,913	711	19,263

BASEL II PILLAR 3 DISCLOSURE

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7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book ("IRR/RORBB") arises from exposure of banking book positions to interest rate/profit rate movements. Changes in interest rate/profit rate affects the Group's earnings by changing its net interest/profit income and the level of other interest/profit rate sensitive income and expenses. It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows change when interest rate/profit rate change.

Risk Governance

IRR/RORBB is managed collectively by GALCO, Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the Board of Directors/GRMC. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. On the ground, Financial Markets is tasked to execute the approved strategy by managing the asset liabilities as well as the funding and liquidity needs of the Bank/Group. Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

IRR/RORBB Management

The guiding principles in managing IRR/RORBB include:

- (i) prudent approach in management of IRR/RORBB that commensurate with the Group's size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which is complemented by regular monitoring and reporting.
- (ii) IRR/RORBB are accurately measured and any mismatches identified, reviewed and reported monthly to GALCO.
- (iii) setting of proper gapping limits and the limits monitored closely.
- (iv) comprehensive IRR/RORBB reporting and review process which provide aggregate information and sufficient supporting details to enable assessment of the Group's sensitivity to changes in market conditions.

The Group uses a range of tools, including the following primary measures to quantify and monitor IRR/RORBB:

- (i) Repricing gap analysis to measure interest rate/profit rate from the earnings perspective i.e. impact of interest rate/profit rate changes to earnings in the short-term.
- (ii) Net interest income/profit income simulation to assess the impact of interest rate/profit rate changes on short term earnings volatility.
- (iii) Economic value of equity ("EVE") simulation which measures long term interest rate/profit rate exposure through deterioration in capital base based on adverse interest rate/profit rate movements.

Group Risk Management performs independent monitoring of the interest rate/profit rate benchmarks to ensure compliance. Any exceptions are reported and appropriate remedial actions are taken, where necessary. Schedule reporting via risk dashboards are provided to senior management and Board committees periodically. The risk dashboards provide a visual gauge ("dashboard view") on the IRR/RORBB of the Group.

The Group is guided by BNM's guidelines and Basel standards on management of IRR/RORBB.

BASEL II PILLAR 3 DISCLOSURE

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7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (cont'd)

IRR/RORBB Management (cont'd)

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

	Bank		Group	
	-100 bps	+ 100 bps	-100 bps	+ 100 bps
	Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)	Increase/(Decrease)
	RM'000	RM'000	RM'000	RM'000
2013				
Impact on net interest income ("NII")				
Ringgit Malaysia	(55,661)	55,661	(56,563)	56,563
Impact on Economic Value ("EV")				
Ringgit Malaysia	(260,623)	260,623	(267,717)	267,717
2012				
Impact on net interest income ("NII")				
Ringgit Malaysia	(57,392)	57,392	(53,366)	53,366
Impact on Economic Value ("EV")				
Ringgit Malaysia	(245,450)	245,450	(278,116)	278,116

Note:

The foreign currency impact on NII/EV are consider 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 disclosures under this section can be referred to Note 7.0 of Alliance Islamic Bank Berhad's Pillar 3 report.

LIST OF PROPERTIES

as at 31 March 2013

Location	Current Use	Year of Purchase ¹	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) ²	Built-Up Area (Sq Ft) ³	Net Book Value (RM'000) ⁴
1, Jalan Tembaga SD5/2A Bandar Sri Damansara 52100 Kepong, Kuala Lumpur	Alliance Bank's branch/office premises	1991	Freehold	–	20	9,305	707
150 – 152, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Alliance Bank's branch/office premises	1997	Leasehold 99 years	65 years 2078	34	11,704	2,415
43 & 45, Jalan Bunga Tanjung 6A Taman Putra 68000 Ampang, Selangor	Alliance Bank's branch/office premises	1998	Leasehold 99 years	68 years 2081	31	8,120	1,202
1960 E & F, Jalan Stadium 05100 Alor Setar, Kedah	Alliance Bank's branch/office premises	1979	Leasehold 60 years	26 years 2039	34	5,814	449
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	1994	Freehold	–	19	6,103	1,513
70 & 71, Block 10 Jalan Laksamana Cheng Ho 93200 Kuching, Sarawak	Alliance Bank's branch/office premises	2007	Leasehold 60 years	56 years 2069	7	9,405	2,177
B-400, Jalan Beserah 25300 Kuantan, Pahang	Alliance Bank's branch/office premises	1996	Freehold	–	22	6,688	431
LG134/LG135/G128/F89 Holiday Plaza Jalan Dato Sulaiman 80250 Johor Bahru, Johor	Alliance Bank's branch/office premises	1984	Freehold	–	29	5,414	873
1-01 & 1A-01 Menara MSC Enterprise Jalan Bukit Meldrum 80300 Johor Bahru, Johor	Vacant	1996	Freehold	–	15	13,742	4,047
Lot 1 & 3, Jalan Permas Jaya 10/2 Bandar Baru Permas Jaya, Pelentong 81750 Masai, Johor Bahru, Johor	Alliance Bank's branch/office premises	1994	Freehold	–	20	24,334	1,664
3 & 5, Jalan Bentara 1 Tun Aminah 81300 Johor Bahru, Johor	Alliance Bank's branch/office premises	1996	Freehold	–	30	5,412	978
Unit 01-G & 01-1, Seremban City Jalan Tunku Munawir 70000 Seremban, Negeri Sembilan	Alliance Bank's branch/office premises	1997	Freehold	–	14	7,277	1,684

LIST OF PROPERTIES

as at 31 March 2013 (cont'd)

Location	Current Use	Year of Purchase ¹	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) ²	Built-Up Area (Sq Ft) ³	Net Book Value (RM'000) ⁴
101 & 103, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Alliance Bank's branch/office premises	1995	Leasehold 99 years	81 years 2094	16	8,640	595
Lot 7 & 9, Block D Nountun Industrial Estate 89350 Inanam Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1995	Leasehold 999 years	910 years 2923	13	7,495	939
Lot 4-6, Block K Sinsuran Complex 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1980	Leasehold 99 years	58 years 2071	35	12,892	590
Lot 1086, Jalan Utara W.D.T. 127 91009 Tawau, Sabah	Alliance Bank's branch/office premises	1981	Leasehold 99 years	47 years 2060	50	14,948	607
Lot 8, Block A Beaufort Jaya Commercial Centre 89808 Beaufort, Sabah	Alliance Bank's branch/office premises	1984	Leasehold 999 years	888 years 2901	27	4,500	237
Lot 1, Block C Mile 4 1/2 Jalan Utara Bandar Kim Fung 90307 Sandakan, Sabah	Alliance Bank's branch/office premises	1992	Leasehold 99 years	67 years 2080	28	4,800	421
1 & 2, Block A, Jalan Jungkat Pangie Light Industrial Complex 89909 Tenom, Sabah	Alliance Bank's branch/office premises	1993	Leasehold 999 years	911 years 2924	19	7,085	316
17, 19 & 21, Jalan USJ 9/5 47620 Subang Jaya, Selangor	Alliance Bank's branch/office premises	1996	Freehold	–	17	13,860	2,579
2 & 3 Block A, Phase III Luyang Commercial Centre Damai Plaza, Jalan Damai 88300 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1992	Leasehold 99 years	68 years 2081	17	9,667	967
59-61, Jalan Tiga 90702 Sandakan, Sabah	Alliance Bank's branch/office premises	1963	Leasehold 999 years	876 years 2889	55	9,900	710
Lot B1 & B2, 6th Floor Block 45, Church Road 90702 Sandakan, Sabah	Vacant	1985	Leasehold 999 years	882 years 2895	41	1,500	49
MPWPL U 0072 & 0073 Jalan Merdeka 87008 Labuan	Alliance Bank's branch/office premises	1979	Leasehold 99 years	44, 50 years 2057, 2063	47 47	5,800	693

Location	Current Use	Year of Purchase ¹	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) ²	Built-Up Area (Sq Ft) ³	Net Book Value (RM'000) ⁴
Lot 84, Jalan Gaya 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1985	Leasehold 999 years	869 years 2882	55	10,040	1,737
45, Jalan Sungai Besi Indah 1/21 43300 Balakong, Selangor	Alliance Bank's branch/office premises	2001	Leasehold 99 years	78 years 2091	12	9,706	1,374
3, Jalan SS 15/2A, Wisma Projass 47500 Subang Jaya, Selangor	Alliance Bank's branch/office premises	2005	Freehold	—	28	35,926	7,101
Lot PT2736-2737, PT2283 48 & 515 and Lot 3121-3123 Kuala Pahang, District of Pekan Pahang	Vacant lands	1992	Freehold	—	—	1,167 acres	27,748

Note:

1. The Year of Purchase is based on Sale & Purchase Agreement. In the event that Sale & Purchase Agreement is not available, it is based on the date of registration of ownership specified in the title document.
2. The Age of Property is based on Certificate of Fitness for Occupation. In the event that the Certificate of Fitness for Occupation is not available, it is based on the issuance date of the title document.
3. The Built-Up Area is based on the latest valuation report conducted in March 2012.
4. Net Book Value as at 31 March 2013.

DIRECTORY

as at 31 May 2013



ALLIANCE BANK MALAYSIA BERHAD

www.alliancebank.com.my

BRANCHES

KEDAH

Alor Setar

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

Lunas, Kulim

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

Sejati Indah, Sungai Petani

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

PULAU PINANG

Bandar Baru Air Itam

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

Beach Street

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

Bukit Mertajam

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

Butterworth

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

Sungai Nibong Kecil

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

▲ PERAK

Ipoh

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

Sitiawan

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

▲ SELANGOR

Aman Suria Damansara

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

Ampang Point

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

Balakong

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

Bandar Bukit Tinggi

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

Bandar Puteri Puchong

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

CP Tower, Petaling Jaya

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

Damansara Uptown

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

Kajang

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

Klang

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

Kota Damansara

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

Mutiara Damansara

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

Puchong Jaya

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

Rawang

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

Selayang

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

Seri Kembangan

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

Shah Alam

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

SS2, Petaling Jaya

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

Subang Jaya

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

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

DIRECTORY

as at 31 May 2013 (cont'd)



KUALA LUMPUR

Bangsar

No. 1, Jalan Telawi 5
Bangsar Baru
59100 Kuala Lumpur
Tel : 03-2284 8633
Fax : 03-2284 9616

Capital Square

Ground Floor
Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2604 3333
Fax : 03-2694 6867

GTower, Jalan Tun Razak

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

Jalan Ipoh

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

Jalan Mega Mendung

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

Jalan Sultan Ismail

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

Jalan Tun Tan Cheng Lock

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

Kepong

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

Kuchai Entrepreneurs Park

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

Mid Valley

15-G & 15-1
The Boulevard Offices
Mid Valley City
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

Segambut

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

Setapak

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

Sri Damansara

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

Taman Connaught

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

Taman Maluri

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

Taman Tun Dr Ismail

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



JOHOR

Batu Pahat

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

Bukit Bakri, Muar

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

Holiday Plaza, Johor Bahru

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

Jalan Tebrau

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

Johor Jaya

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

Kelapa Sawit, Kulai

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

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. 109A & 109B
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

Tun Aminah

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

Ulu Tiram

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

MELAKA

Melaka

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

Taman Desa Cheng Perdana

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

NEGERI SEMBILAN

Seremban

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

PAHANG

Kuantan

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

TERENGGANU

Kuala Terengganu

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

SABAH

Bandar Kim Fung, Sandakan

Lot 1, Block C, Bandar Kim Fung
Mile 4½, Jalan Utara P.O. Box 163
Post Office, Mile 1½, Jalan Utara
90307 Sandakan, Sabah
Tel : 089-275 020/21/22
Fax : 089-275 027

Beaufort

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

Donggongan

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

Federal House, Kingfisher's Park, KK

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

Inanam, Kota Kinabalu

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

Jalan Gaya

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

Keningau

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

Kota Marudu

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

DIRECTORY

as at 31 May 2013 (cont'd)



SABAH

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

Bintulu

No. 24, Bintulu Parkcity Commerce Square
Phase 1, Jalan Tun Ahmad Zaidi
97000 Bintulu, Sarawak
Tel : 086-318 626
Fax : 086-318 621

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 : 03-2604 3333
Fax : 03-2692 8787
www.allianceinvestmentbank.com.my

BRANCHES



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 : 03-2604 3333
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 : 03-2604 3333
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
Tel : 07-332 7016
Fax : 07-333 7411

MELAKA

Taman Desa Cheng Perdana

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

SABAH

Sinsuran

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

ALLIANCE TRUSTEE BERHAD

4th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2604 3333
Fax : 03-2604 1712

ANALYSIS OF SHAREHOLDINGS

as at 28 May 2013

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	1,809	11.56	38,509	0.00
100 – 1,000	3,750	23.97	2,955,335	0.19
1,001 – 10,000	7,751	49.54	32,520,433	2.10
10,001 – 100,000	1,842	11.77	53,780,873	3.48
100,001 – less than 5% of issued shares	493	3.15	878,450,364	56.74
5% and above of issued shares	2	0.01	580,360,415	37.49
Total	15,647	100.00	1,548,105,929	100.00

Thirty (30) Largest Shareholders

Name	No. of Shares Held	% of Issued Shares
1. Maybank Nominees (Tempatan) Sdn Bhd – DBS Bank for Vertical Theme Sdn Bhd	417,831,175	26.99
2. Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	162,529,240	10.50
3. Malaysia Focus Investment Fund Limited	71,228,700	4.60
4. Medimetro (M) Sdn Bhd	56,000,000	3.62
5. HSBC Nominees (Asing) Sdn Bhd – BNP Paribas Secs SVS LUX for Aberdeen Global	47,995,000	3.10
6. UOBM Nominees (Asing) Sdn Bhd – Exempt AN for Societe Generale Bank & Trust	40,970,900	2.65
7. Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad	34,311,000	2.22
8. CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank Bhd for Vertical Theme Sdn Bhd	32,026,600	2.07
9. Cartaban Nominees (Asing) Sdn Bhd – Exempt AN for State Street Bank & Trust Company	30,164,000	1.95
10. Public Nominees (Tempatan) Sdn Bhd – PB Trustee Services Berhad (AFG ESS)	25,580,400	1.65

Name	No. of Shares Held	% of Issued Shares
11. HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	23,168,017	1.50
12. Eden Engineering Sdn Bhd	22,295,763	1.44
13. Cartaban Nominees (Asing) Sdn Bhd – BBH (LUX) SCA for Fidelity Funds Asean	17,007,200	1.10
14. Cartaban Nominees (Asing) Sdn Bhd – BBH (LUX) SCA for Fidelity Funds South East Asia	16,983,300	1.10
15. Citigroup Nominees (Asing) Sdn Bhd – CBNY for Dimensional Emerging Markets Value Fund	16,295,200	1.05
16. HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association	13,806,198	0.89
17. HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association	13,769,800	0.89
18. Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (NOMURA)	12,996,400	0.84
19. HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association	10,728,200	0.69
20. Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (ABERDEEN)	9,708,000	0.63
21. HSBC Nominees (Asing) Sdn Bhd – HSBC BK PLC for Saudi Arabian Monetary Agency	9,147,000	0.59
22. Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (ABERDEEN)	9,060,000	0.58
23. Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for Public Regular Savings Fund	8,750,000	0.56
24. HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association	8,651,400	0.56
25. Cartaban Nominees (Asing) Sdn Bhd – State Street London Fund 26AD for Asian Equity Fund	8,523,427	0.55
26. Cartaban Nominees (Tempatan) Sdn Bhd – Exempt AN for Eastspring Investments Berhad	7,628,400	0.49
27. HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association	7,024,000	0.45
28. HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association	6,657,400	0.43
29. HSBC Nominees (Asing) Sdn Bhd – BNY Brussels for City of New York Group Trust	6,560,900	0.42
30. HSBC Nominees (Asing) Sdn Bhd – BNY Brussels for Wisdomtree Emerging Markets Smallcap Dividend Fund	6,469,047	0.42
Total	1,153,866,667	74.53

SUBSTANTIAL SHAREHOLDERS

as at 28 May 2013

Name of Substantial Shareholder	Direct Interest	% of Issued Shares	No. of Ordinary Shares		Total	% of Issued Shares
			Indirect Interest	% of Issued Shares		
Vertical Theme Sdn Bhd	449,857,775	29.06	—	—	449,857,775	29.06
Langkah Bahagia Sdn Bhd	—	—	449,857,775 ¹	29.06	449,857,775	29.06
Duxton Investments Pte Ltd	—	—	449,857,775 ¹	29.06	449,857,775	29.06
Lutfiah Binti Ismail	—	—	449,857,775 ²	29.06	449,857,775	29.06
Fullerton Financial Holdings Pte Ltd	—	—	449,857,775 ³	29.06	449,857,775	29.06
Fullerton Management Pte Ltd	—	—	449,857,775 ⁴	29.06	449,857,775	29.06
Temasek Holdings (Private) Limited	—	—	449,857,775 ⁵	29.06	449,857,775	29.06
Minister for Finance of Singapore	—	—	449,857,775 ⁶	29.06	449,857,775	29.06
Employees Provident Fund Board	192,077,440	12.41	—	—	192,077,440	12.41
Mitsubishi UFJ Financial Group, Inc	—	—	80,335,555 ⁷	5.19	80,335,555	5.19

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.

⁷ Deemed interested by virtue of shares held through:

- Aberdeen Asset Management PLC and its subsidiaries;
- Mitsubishi UFJ Asset Management Co., Ltd;
- Mitsubishi UFJ Trust and Banking Corporation;
- Morgan Stanley & Co. International plc;
- Fundlogic SAS; and
- AMP Capital Holdings Limited and its subsidiaries.

DIRECTORS' SHAREHOLDINGS

as at 28 May 2013

	Direct Interest		Indirect Interest	
	No. of Shares	% of Issued Shares	No. of Shares	% of Issued Shares
Shares held in the Company				
Megat Dziauddin bin Megat Mahmud	3,000	negligible	—	—
Dato' Thomas Mun Lung Lee (held through spouse, Datin Teh Yew Kheng)	—	—	35,000	negligible
Sng Seow Wah	172,650	0.01	—	—

	Exercise Price	No. of Share Options offered
Share Options offered in the Company		
Sng Seow Wah	RM3.15	835,300 [#]
Sng Seow Wah	RM3.58	1,279,900 [#]
Sng Seow Wah	RM4.22	2,065,300 [#]

[#] Vesting is subject to the achievement of performance conditions

	Date of Grant	No. of Share Grants awarded
Share Grants awarded in the Company		
Sng Seow Wah	23 September 2010	66,850*
Sng Seow Wah	28 July 2011	174,400*
Sng Seow Wah	20 July 2012	200,000*

* The first 50% of the share grants are to be vested at the end of the second year and the remaining 50% of the share grants are to be vested at the end of the third year from the date on which an award is made.

Other than as disclosed above, none of the other Directors have any interests in the Company or in any of the Company's related corporation.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 47th Annual General Meeting of Alliance Financial Group Berhad will be held at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 16 July 2013 at 2.30 p.m. for the following purposes:

Agenda

1. To receive the Audited Financial Statements for the financial year ended 31 March 2013 together with the Reports of the Directors and Auditors thereon. Please refer to Explanatory Note (i)
2. To approve the payment of Directors' fees in respect of the financial year ended 31 March 2013. Resolution 1
3. To re-elect the following Directors who retire by rotation pursuant to Article 82 of the Company's Articles of Association:
 - a. Stephen Geh Sim Whye Resolution 2
 - b. Megat Dziauddin bin Megat Mahmud Resolution 3
 - c. Ou Shian Waei Resolution 4
4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration. Resolution 5
As Special Business to consider and, if thought fit, to pass the following resolution:
5. **Ordinary Resolution** Resolution 6
Re-appointment of Director pursuant to Section 129 of the Companies Act, 1965
"THAT Dato' Thomas Mun Lung Lee, a Director who retires pursuant to Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."
6. 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
21 June 2013

Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead.
2. A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. To be valid, the Form of Proxy, duly completed must be deposited at the registered office of the Company at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time set for holding the meeting.
4. A Member who is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. A Member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
6. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
7. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
8. A Member whose name appears in the General Meeting Record of Depositors as at 8 July 2013 shall be regarded as a Member entitled to attend, speak and vote at the meeting or appoint a proxy or proxies to attend and/or vote in his stead.

Explanatory Notes

- (i) This item on the Agenda is meant for discussion only. The provisions of Section 169(1) of the Companies Act, 1965 require that the Audited Financial Statements be laid before the Company at its Annual General Meeting and do not require a formal approval of the shareholders. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.
- (ii) **Resolutions No. 2, 3, 4 and 6 – Assessment of Independence of Independent Directors**
The independence of Stephen Geh Sim Whye, Megat Dziauddin bin Megat Mahmud, Ou Shian Waei and Dato' Thomas Mun Lung Lee who have served as Independent Non-Executive Directors of the Company has been assessed by the Nomination Committee and affirmed by the Board.
- (iii) **Resolution No. 6 – 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 47th 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.



FORM OF PROXY

Shareholding represented by Proxy

I/We (full name in block capitals) _____

identity card no./company registration no. _____

of _____

being a Member/Members of ALLIANCE FINANCIAL GROUP BERHAD hereby appoint _____

(NRIC No.) _____

of _____

or failing him _____ (NRIC No.) _____

of _____

as my/our proxy/proxies to vote for me/us on my/our behalf at the 47th 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 Tuesday, 16 July 2013 at 2.30 p.m. and at any adjournment thereof.

Resolutions			*For	*Against
1.	To approve the payment of Directors' fees in respect of the financial year ended 31 March 2013	Resolution 1		
2.	To re-elect the following Directors who retire by rotation pursuant to Article 82 of the Company's Articles of Association: a. Stephen Geh Sim Whye b. Megat Dziauddin bin Megat Mahmud c. Ou Shian Waei	Resolution 2 Resolution 3 Resolution 4		
3.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration	Resolution 5		
4.	To re-appoint Dato' Thomas Mun Lung Lee, a Director who retires pursuant to Section 129 of the Companies Act, 1965	Resolution 6		

* 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 _____ 2013.

Seal of Corporation

Signature(s) of Member

Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead.
2. A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
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4. A Member who is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. A Member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
6. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
7. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
8. A Member whose name appears in the General Meeting Record of Depositors as at 8 July 2013 shall be regarded as a Member entitled to attend, speak and vote at the meeting or appoint a proxy or proxies to attend and/or vote in his stead.

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Group Company Secretary
Alliance Financial Group Berhad
3rd Floor, Menara Multi-Purpose
Capital Square, No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia.

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Alliance Financial Group Berhad (6627-X)

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

Tel : 03-2604 3333
Fax : 03-2694 6200

www.alliancefg.com



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twitter.com/AllianceBankMY