

ALLIANCE FINANCIAL GROUP BERHAD

(Company Number : 6627-X)

(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	3rd Quarter Ended		Cumulative 9 Months Ended	
		31.12.2011	31.12.2010	31.12.2011	31.12.2010
		RM'000	RM'000	RM'000	RM'000
Interest income	C1	327,253	313,218	999,739	901,473
Interest expense	C2	(161,698)	(145,193)	(489,464)	(390,172)
Net interest income		165,555	168,025	510,275	511,301
Net income from Islamic banking business	C3	66,436	59,020	193,792	173,359
		231,991	227,045	704,067	684,660
Other operating income	C4	79,437	57,933	231,737	173,521
Net income		311,428	284,978	935,804	858,181
Other operating expenses	C5	(148,113)	(137,368)	(435,213)	(398,585)
Share of result of associate		(422)	-	(1,331)	-
Operating profit		162,893	147,610	499,260	459,596
Allowance for losses on loans, advances and financing and other losses	C6	(9,979)	(657)	(11,058)	(24,005)
Write-back of impairment		10,194	3,883	11,253	3,160
Profit before taxation and zakat		163,108	150,836	499,455	438,751
Taxation and zakat	B5	(41,685)	(39,523)	(127,198)	(114,506)
Net profit after taxation and zakat		121,423	111,313	372,257	324,245
Other comprehensive income:					
Revaluation reserve on financial investments available-for-sale					
- Net (loss)/gain from change in fair value		(7,952)	(26,180)	104,316	1,380
- Transfer from/(to) deferred tax assets		1,988	6,545	(26,079)	(345)
Other comprehensive (loss)/gain, net of tax		(5,964)	(19,635)	78,237	1,035
Total comprehensive income for the period		115,459	91,678	450,494	325,280
Profit attributable to:					
Owners of the parent		121,292	111,259	371,803	324,268
Non-controlling interests		131	54	454	(23)
Net profit after taxation and zakat		121,423	111,313	372,257	324,245
Total comprehensive income attributable to:					
Owners of the parent		115,328	91,624	450,040	325,303
Non-controlling interests		131	54	454	(23)
Total comprehensive income for the year		115,459	91,678	450,494	325,280
Earnings per share attributable to owners of the parent:					
- Basic (sen)	B14(a)	7.9	7.3	24.4	21.2
- Diluted (sen)	B14(b)	7.9	7.2	24.3	21.1

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited Annual Financial Statements of the Group for the financial year ended 31 March 2011)

ALLIANCE FINANCIAL GROUP BERHAD

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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		UNAUDITED AS AT <u>31.12.2011</u>	AUDITED AS AT <u>31.3.2011</u>
	<i>Note</i>	RM'000	RM'000
ASSETS			
Cash and short-term funds		4,494,496	914,038
Deposits and placements with banks and other financial institutions		241,156	100,228
Financial assets held-for-trading	C7	300,890	1,938,250
Financial investments available-for-sale	C8	7,355,547	9,259,940
Financial investments held-to-maturity	C9	793,518	940,726
Derivative financial assets	B10	58,570	32,047
Loans, advances and financing	C10	23,550,950	21,796,319
Balances due from clients and brokers	C11	48,463	80,519
Investment properties		27,748	27,748
Other assets	C12	84,470	87,621
Tax recoverable		1,361	3,244
Statutory deposits		1,110,728	291,108
Investment in associate		27,199	28,530
Property, plant and equipment		97,238	104,837
Intangible assets		355,587	357,682
Deferred tax assets		79,671	109,099
TOTAL ASSETS		<u>38,627,592</u>	<u>36,071,936</u>
LIABILITIES AND EQUITY			
Deposits from customers	B9(a), C13	30,642,419	28,345,647
Deposits and placements of banks and other financial institutions	B9(b), C14	2,114,204	1,952,200
Derivative financial liabilities	B10	36,131	33,347
Amount due to Cagamas Berhad		126,134	125,776
Bills and acceptances payable		3,568	111,159
Balances due to clients and brokers	C15	95,931	86,743
Other liabilities	C16	857,860	811,890
Subordinated obligations	B9(c)	604,248	600,000
Long term borrowings	B9(d)	400,000	601,272
Provision for taxation		30,035	40,507
Deferred tax liabilities		10,588	6,792
TOTAL LIABILITIES		<u>34,921,118</u>	<u>32,715,333</u>
Share capital		1,548,106	1,548,106
Reserves		2,212,864	1,847,175
Shares held for Employees' Share Scheme		(59,372)	(43,167)
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>3,701,598</u>	<u>3,352,114</u>
Non-controlling interests		4,876	4,489
TOTAL EQUITY		<u>3,706,474</u>	<u>3,356,603</u>
TOTAL LIABILITIES AND EQUITY		<u>38,627,592</u>	<u>36,071,936</u>
COMMITMENTS AND CONTINGENCIES	C18	<u>18,758,103</u>	<u>15,909,028</u>
Net assets per share attributable to owners of the parent (RM)*		<u>2.39</u>	<u>2.17</u>

* The net assets per share attributable to owners of the parent is computed as total equity (excluding non-controlling interests) divided by total number of ordinary shares in circulation.

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited Annual Financial Statements of the Group for the financial year ended 31 March 2011)

ALLIANCE FINANCIAL GROUP BERHAD

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011

	← Attributable to Owners of the Parent →											
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Employees' Share Scheme ("ESS") Reserve RM'000	Profit Equalisation Reserve ("PER") RM'000	Shares held for ESS RM'000	Retained Profits RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
31 December 2011												
At 1 April 2011	1,548,106	304,289	544,368	7,013	68,620	13,768	1,033	(43,167)	908,084	3,352,114	4,489	3,356,603
Net profit after taxation and zakat	-	-	-	-	-	-	-	-	371,803	371,803	454	372,257
Other comprehensive income	-	-	-	-	78,237	-	-	-	-	78,237	-	78,237
Total comprehensive income for the period	-	-	-	-	78,237	-	-	-	371,803	450,040	454	450,494
Transfer to statutory reserve	-	-	26,233	-	-	-	-	-	(26,233)	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(85,705)	(85,705)	(67)	(85,772)
Share-based payment under ESS	-	-	-	-	-	4,965	-	-	-	4,965	-	4,965
Purchase of shares pursuant to ESS	-	-	-	-	-	-	-	(19,816)	-	(19,816)	-	(19,816)
Transfer to retained profits on share options lapse	-	-	-	-	-	(2,980)	-	-	2,980	-	-	-
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 December 2011	1,548,106	304,289	570,601	7,013	146,857	12,317	1,033	(59,372)	1,170,754	3,701,598	4,876	3,706,474
31 December 2010												
At 1 April 2010	1,548,106	304,289	493,477	7,013	74,564	12,341	26,388	(46,697)	631,114	3,050,595	4,540	3,055,135
Net profit/(loss) after taxation and zakat	-	-	-	-	-	-	-	-	324,268	324,268	(23)	324,245
Other comprehensive income	-	-	-	-	1,035	-	-	-	-	1,035	-	1,035
Total comprehensive income/(loss) for the period	-	-	-	-	1,035	-	-	-	324,268	325,303	(23)	325,280
Transfer to statutory reserve	-	-	29,266	-	-	-	-	-	(29,266)	-	-	-
Transfer to PER	-	-	-	-	-	-	(19,041)	-	19,041	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(50,458)	(50,458)	-	(50,458)
Share-based payment under ESS	-	-	-	-	-	4,076	-	-	-	4,076	-	4,076
ESS shares vested to:												
- employees of subsidiaries	-	-	-	-	-	(3,485)	-	3,485	-	-	-	-
- own employees	-	-	-	-	-	(45)	-	45	-	-	-	-
Transfer of ESS shares purchase price difference on shares vested	-	-	-	-	-	(390)	-	-	390	-	-	-
At 31 December 2010	1,548,106	304,289	522,743	7,013	75,599	12,497	7,347	(43,167)	895,089	3,329,516	4,517	3,334,033

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited Annual Financial Statements of the Group for the financial year ended 31 March 2011)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011

	Unaudited 9 Months Ended 31.12.2011	Unaudited 9 Months Ended 31.12.2010
	RM'000	RM'000
Profit before taxation and zakat	499,455	438,751
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(70,855)	(52,543)
Depreciation of property, plant and equipment	22,346	31,053
Dividends from financial investments available-for-sale	(9,930)	(3,417)
(Gain)/loss on disposal of property, plant and equipment	(26)	203
Loss/(gain) on disposal of foreclosed properties	-	38
Net gain from redemption of financial investments held-to-maturity	(13,177)	(3)
Net gain from sale of financial assets held-for-trading	(3,346)	(218)
Net gain from sale of financial investments available-for-sale	(38,133)	(3,509)
Unrealised loss/(gain) on revaluation of financial assets held-for-trading	128	(533)
Unrealised gain on revaluation of derivative instruments	(19,033)	(11,038)
Interest expense on subordinated bonds	27,147	27,530
Interest expense on long term borrowings	13,104	16,057
Interest income from financial investments held-to-maturity	(19,760)	(22,695)
Interest income from financial investments available-for-sale	(199,492)	(147,451)
Allowance for loan, advances and financing (net of recoveries)	55,226	77,777
Allowance for other assets	5,016	4,392
Allowances for commitments and contingencies	(1,443)	980
Impairment net of write-back of financial investments available-for-sale	(10,537)	(84)
Impairment net of write-back of financial investments held-to-maturity	(5,034)	(3,077)
Impairment net of write-back of property, plant and equipment	1,460	-
Amortisation of computer software	13,209	10,761
Share options/grants under Employees' Share Scheme	4,965	4,076
Property, plant and equipment written off	-	364
Share of results of associates	1,331	-
Operating profit before working capital changes carried forward	252,621	367,414
Changes in working capital:		
Deposits from customers	2,296,772	4,445,518
Deposits and placements of banks and other financial institutions	21,076	362,057
Bills and acceptances payable	(107,591)	(298,139)
Balance due from clients and brokers	40,650	26,675
Other liabilities	59,927	19,070
Financial assets held-for-trading	1,646,924	(2,750,110)
Loans, advances and financing	(1,809,856)	(350,787)
Other assets	(6,403)	(65,290)
Statutory deposits with Bank Negara Malaysia	(819,620)	(25,832)
Amount due from/(to) Cagamas Berhad	358	(2,199)
Cash generated from operations	1,574,858	1,728,377
Taxes and zakat paid	(128,632)	(26,947)
Net cash generated from operating activities	1,446,226	1,701,430

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011

	Unaudited 9 Months Ended 31.12.2011 RM'000	Unaudited 9 Months Ended 31.12.2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from securities available-for-sale	9,920	3,369
Interest received from financial investments held-to-maturity	19,760	22,695
Interest received from financial investments available-for-sale	199,492	147,451
Purchase of property, plant and equipment	(20,087)	(14,531)
Purchase of computer software	(11,471)	(8,006)
Purchase of shares from market	(19,816)	-
Proceeds from disposal of property, plant and equipment	3,884	8,117
Proceeds from disposal of computer software	362	114
Purchase of financial investments held-to-maturity, net of maturity and redemption proceeds	202,642	(30,024)
Purchase of financial investments available-for-sale, net of sale proceeds	2,084,514	(3,535,901)
Capital injection of investment in an associate	-	(30,000)
Net cash generated from/(used in) investing activities	2,469,200	(3,436,716)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowing	(200,000)	-
Redemptions of subordinated bonds	(600,000)	-
Proceeds from issuance of subordinated bonds	597,366	-
Interest paid on subordinated bonds	(32,778)	(27,530)
Interest paid on long term borrowings	(14,376)	(16,057)
Dividends paid to shareholders of the Company	(85,705)	(50,458)
Dividends paid to minority interests	(67)	-
Net cash used in financing activities	(335,560)	(94,045)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,579,866	(1,829,331)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	826,534	3,470,296
CASH AND CASH EQUIVALENTS AT END OF YEAR	4,406,400	1,640,965
Cash and cash equivalents comprise the following:		
Cash and short-term funds	4,494,496	1,716,113
Less: Monies held in trust	(88,096)	(75,148)
	4,406,400	1,640,965

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited Annual Financial Statements of the Group for the financial year ended 31 March 2011)

**[A] Explanatory Notes Pursuant To Financial Reporting Standard 134 ("FRS 134") :
Interim Financial Reporting**

A1. Basis Of Preparation

The unaudited condensed interim financial statements for the 3rd financial quarter and the nine months ended 31 December 2011 have been prepared in accordance with FRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"), Bank Negara Malaysia's ("BNM") Revised Guidelines on Financial Reporting for Licensed Institutions and Appendix 9B of the Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements.

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 March 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2011.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2011, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2011:

- FRS 3 (revised) "Business Combinations"
- FRS 127 (revised) "Consolidated and Separate Financial Statements"
- Amendments to FRS 2 "Share-based Payment: Group Cash-settled Share-based Payment Transactions"
- Amendments to FRS 7 "Financial Instruments: Disclosures" and FRS 1 "First-time Adoption of Financial Reporting Standards"
- IC Interpretation 4 "Determining whether an Arrangement contains a Leases"
- IC Interpretation 17 "Distributions of Non-cash Assets to Owners"
- Improvements to FRSs (2010)

The revised FRS 3 continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The application of this standard is not expected to have a material impact on the financial statements of the Group.

The revised FRS 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the statement of comprehensive income. The application of this standard is not expected to have a material impact on the financial statements of the Group.

A1. Basis Of Preparation (cont'd.)

The adoption of the Amendments to FRS 7 and FRS 1 require enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendments require disclosure of fair value measurements by level of a fair value measurement hierarchy.

The following revised FRSs, new IC Interpretations and Amendments to FRSs have been issued by the MASB and are effective for annual periods commencing on or after 1 April 2012, and have yet to be adopted by the Group:

- FRS 124 "Related Party Transactions" (effective 1 January 2012)
- IC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective from 1 July 2011)

The preparation of unaudited condensed interim financial statements in conformity with the Financial Reporting Standards 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 unaudited condensed interim financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ.

A2. Declaration Of Audit Confirmation

The annual audited report on the financial statements for the financial year ended 31 March 2011 did not contain any qualification.

A3. Seasonal And Cyclical Factors

The operations of the Group were not materially affected by any seasonal or cyclical fluctuations in the 3rd financial quarter and the nine months ended 31 December 2011.

A4. Nature And Amount Of Items Affecting Assets, Liabilities, Equity, Net Income Or Cash Flows That Are Unusual Because Of Their Nature, Size Or Incidence

The assets, liabilities, equity, net income and cash flows of the Group in the 3rd financial quarter and the nine months ended 31 December 2011 were not substantially affected by any item of a material and unusual nature.

A5. Changes In Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 3rd financial quarter and the nine months ended 31 December 2011.

A6. Changes In Debt And Equity Securities

There were no issuance or repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the 3rd financial quarter and the nine months ended 31 December 2011, other than as disclosed in Note A9(c).

A7. Dividends Paid

A First Interim Dividend of 5.6 sen per share, tax exempt under the single tier tax system in respect of the financial year ending 31 March 2012, on 1,548,105,929 ordinary shares amounting to RM85,705,000 was paid on 26 August 2011.

** Dividends paid on the shares held in Trust pursuant to the Company's ESS which are classified as shares held for ESS are not accounted for in the total equity. An amount of RM988,610 being dividend paid for those shares were added back to the appropriation of retained profits in respect of the first interim dividend.*

A8. Segment Information

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

The Group is organised into the following key operating segments:

(i) Consumer Banking

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

(ii) Business Banking

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

(iii) Financial Markets

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

(iv) Investment Banking

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

(v) Others

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

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011

A8. **Segment Information** (cont'd)

GROUP 3rd Quarter Ended 31 December 2011	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)	34,198	80,036	51,871	1,419	(243)	167,281	(1,726)	165,555
- inter-segment	22,568	(5,823)	(15,722)	(1,023)	-	-	-	-
	56,766	74,213	36,149	396	(243)	167,281	(1,726)	165,555
Net income from Islamic banking business	31,082	16,565	12,154	-	-	59,801	6,635	66,436
Other operating income	18,907	31,644	33,393	5,087	135,883	224,914	(145,477)	79,437
Net income	106,755	122,422	81,696	5,483	135,640	451,996	(140,568)	311,428
Other operating expenses	(62,501)	(49,728)	(9,497)	(8,319)	(7,389)	(137,434)	1,366	(136,068)
Depreciation and amortisation	(5,862)	(4,040)	(1,573)	(562)	(8)	(12,045)	-	(12,045)
Operating profit	38,392	68,654	70,626	(3,398)	128,243	302,517	(139,202)	163,315
(Allowance for)/write-back of losses on loans, advances and financing and other losses	(10,773)	771	340	(317)	-	(9,979)	-	(9,979)
Write-back of impairment	-	222	8,512	-	1,460	10,194	-	10,194
Segment result	27,619	69,647	79,478	(3,715)	129,703	302,732	(139,202)	163,530
Share of results in an associate								(422)
Taxation and zakat								(41,685)
Net profit after taxation and zakat								121,423
Segment assets	12,768,048	10,852,261	16,118,040	243,046	2,433,111	42,414,506	(4,347,970)	38,066,536
Reconciliation of segment assets to consolidated assets:								
Investment in an associate								27,199
Property, plant and equipment								97,238
Unallocated assets								81,032
Intangible assets								355,587
Total assets								38,627,592
Segment liabilities	15,227,696	9,937,934	10,870,400	126,198	490,029	36,652,257	(1,771,762)	34,880,495
Unallocated liabilities								40,623
Total liabilities								34,921,118

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THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011

A8. **Segment Information** (cont'd)

GROUP As at 31 December 2011	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)	106,708	229,619	169,472	3,712	(1,666)	507,845	2,430	510,275
- inter-segment	73,571	(4,970)	(65,796)	(2,805)	-	-	-	-
	180,279	224,649	103,676	907	(1,666)	507,845	2,430	510,275
Net income from Islamic banking business	91,741	50,503	31,729	-	-	173,973	19,819	193,792
Other operating income	62,177	97,354	83,547	17,740	290,276	551,094	(319,357)	231,737
Net income	334,197	372,506	218,952	18,647	288,610	1,232,912	(297,108)	935,804
Other operating expenses	(183,587)	(147,627)	(28,843)	(22,869)	(19,498)	(402,424)	2,766	(399,658)
Depreciation and amortisation	(17,209)	(11,818)	(4,555)	(1,901)	(72)	(35,555)	-	(35,555)
Operating profit	133,401	213,061	185,554	(6,123)	269,040	794,933	(294,342)	500,591
(Allowance for)/write-back of losses on loans, advances and financing and other losses	(10,045)	944	(1,280)	(379)	(298)	(11,058)	-	(11,058)
Write-back of impairment	-	2,741	8,512	-	-	11,253	-	11,253
Segment result	123,356	216,746	192,786	(6,502)	268,742	795,128	(294,342)	500,786
Share of results in an associate								(1,331)
Taxation and zakat								(127,198)
Net profit after taxation and zakat								<u>372,257</u>
Segment assets	12,768,048	10,852,261	16,118,040	243,046	2,433,111	42,414,506	(4,347,970)	38,066,536
Reconciliation of segment assets to consolidated assets:								
Investment in an associate								27,199
Property, plant and equipment								97,238
Unallocated assets								81,032
Intangible assets								355,587
Total assets								<u>38,627,592</u>
Segment liabilities	15,227,696	9,937,934	10,870,400	126,198	490,029	36,652,257	(1,771,762)	34,880,495
Unallocated liabilities								40,623
Total liabilities								<u>34,921,118</u>

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011

A8. **Segment Information** (cont'd)

GROUP 3rd Quarter Ended 31 December 2010	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)	50,293	61,897	52,942	1,074	(707)	165,499	2,526	168,025
- inter-segment	12,175	15,519	(27,066)	(628)	-	-	-	-
	62,468	77,416	25,876	446	(707)	165,499	2,526	168,025
Net income from Islamic banking business	35,338	14,274	3,064	-	-	52,676	6,344	59,020
Other operating income	18,696	25,497	19,706	7,637	80,652	152,188	(94,255)	57,933
Net income	116,502	117,187	48,646	8,083	79,945	370,363	(85,385)	284,978
Other operating expenses	(56,665)	(41,763)	(11,950)	(4,922)	(5,876)	(121,176)	1,650	(119,526)
Depreciation and amortisation	(6,879)	(5,583)	(4,395)	(928)	(57)	(17,842)	-	(17,842)
Operating profit	52,958	69,841	32,301	2,233	74,012	231,345	(83,735)	147,610
(Allowance for)/write-back of losses on loans, advances and financing and other losses	(11,405)	10,251	42	453	2	(657)	-	(657)
Write-back of impairment	-	146	3,737	-	-	3,883	-	3,883
Segment result	41,553	80,238	36,080	2,686	74,014	234,571	(83,735)	150,836
Taxation and zakat								(39,523)
Net profit after taxation and zakat								111,313
Segment assets	12,785,816	8,333,959	17,205,928	242,156	2,547,981	41,115,840	(4,828,454)	36,287,386
Reconciliation of segment assets to consolidated assets:								
Investment in an associate								30,000
Property, plant and equipment								109,914
Unallocated assets								84,650
Intangible assets								358,992
Total assets								36,870,942
Segment liabilities	15,164,080	9,505,301	10,236,423	144,209	649,502	35,699,515	(2,246,748)	33,452,767
Unallocated liabilities								84,150
Total liabilities								33,536,917

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011

A8. **Segment Information** (cont'd)

GROUP As at 31 December 2010	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)	179,493	187,391	139,848	3,254	(2,125)	507,861	3,440	511,301
- inter-segment	26,360	35,005	(59,523)	(1,842)	-	-	-	-
	205,853	222,396	80,325	1,412	(2,125)	507,861	3,440	511,301
Net income from Islamic banking business	103,474	41,430	10,360	-	-	155,264	18,095	173,359
Other operating income	59,837	80,249	33,606	19,014	162,129	354,835	(181,314)	173,521
Net income	369,164	344,075	124,291	20,426	160,004	1,017,960	(159,779)	858,181
Other operating expenses	(172,779)	(123,314)	(33,620)	(12,853)	(17,095)	(359,661)	2,890	(356,771)
Depreciation and amortisation	(18,532)	(12,337)	(7,933)	(2,813)	(199)	(41,814)	-	(41,814)
Operating profit	177,853	208,424	82,738	4,760	142,710	616,485	(156,889)	459,596
(Allowance for)/write-back of losses on loans, advances and financing and other losses	(25,189)	431	135	796	(178)	(24,005)	-	(24,005)
Write-back of impairment	-	725	2,435	-	-	3,160	-	3,160
Segment result	152,664	209,580	85,308	5,556	142,532	595,640	(156,889)	438,751
Taxation and zakat								(114,506)
Net profit after taxation and zakat								324,245
Segment assets	12,785,816	8,333,959	17,205,928	242,156	2,547,981	41,115,840	(4,828,454)	36,287,386
Reconciliation of segment assets to consolidated assets:								
Investment in an associate								30,000
Property, plant and equipment								109,914
Unallocated assets								84,650
Intangible assets								358,992
Total assets								36,870,942
Segment liabilities	15,164,080	9,505,301	10,236,423	144,209	649,502	35,699,515	(2,246,748)	33,452,767
Unallocated liabilities								84,150
Total liabilities								33,536,917

A9. Material Event During The Financial Reporting Period

(a) Employees' Share Scheme ("ESS")

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

- (i) 9,764,000 share options under the Share Option Plan at an option price of RM3.58 per share which will be vested subject to the achievement of performance conditions.
- (ii) 2,127,600 share grants under the Share Grant Plan. The first 50% of the share grants are to be vested at the end of the 2nd year and the remaining 50% of the share grants are to be vested at the end of the 3rd year from the date on which an award is made.

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

The Company operates an equity-settled, share-based compensation plan pursuant to the ESS. Under the FRS 2 Share-based payment, the compensation expense relating to the share scheme is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity.

(b) Shares Purchased pursuant to ESS

During the nine months ended 31 December 2011, the Trustee of the ESS had purchased 5,991,200 ordinary shares of RM1.00 each fully paid in the Company from the open market at an average price of RM3.30 per share. The total consideration paid for the purchase including transaction costs was RM19,816,000. The shares purchased are being held in trust by the Trustee of the ESS in accordance with the Trust Deed dated 3 December 2007.

In the nine months ended 31 December 2011, 1,428,150 shares have been vested and transferred from the Trustee to the eligible employees of the Company and its subsidiaries in accordance with the terms under the Share Grant Plan of the ESS. As at 31 December 2011, the Trustee of the ESS held 22,191,800 ordinary shares representing 1.43% of the issued and paid-up capital of the Company.

(c) Tier-2 Subordinated Medium Term Notes Programme of Up to RM1.5 billion in nominal value ("Subordinated MTN Programme")

On 8 April 2011, Alliance Bank Malaysia Berhad ("ABMB"), a wholly-owned subsidiary of the Company had completed the issuance of RM600 million Subordinated Medium Term Notes ("Subordinated Notes") under the RM1.5 billion Subordinated MTN Programme.

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

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

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

A10. Material Events Subsequent To The End Of The Financial Reporting Period

There was no material event subsequent to the end of the financial reporting period that require disclosure or adjustment to the unaudited condensed interim financial statements.

A11. Changes In The Composition Of The Group

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

- (a) Subsidiary of Alliance Bank Malaysia Berhad
 - (i) AllianceGroup Properties Sdn. Bhd. - dissolved with effect from 11 November 2011

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

A12. Changes In Contingent Liabilities Since The Last Annual Financial Reporting Date

Please refer to Note C18.

[B] Explanatory Notes Pursuant To Appendix 9B Of Bursa Securities' Listing Requirements

B1. Review Of Performance

For the current quarter under review, the Group recorded profit before taxation of RM163.1 million, an increase of 8.1% compared to the corresponding quarter last year. For the nine months ended 31 December 2011, the Group recorded profit before taxation of RM499.5 million, an increase of 13.8% compared to the corresponding period last year.

The Group registered a 11.0% growth in interest income due to the 11.5% expansion in loans. Gross loan/financing registered year-on-year growth of 11.5%, driven mainly by the expansion in housing loans and SME lending. Meanwhile, customers deposits grew 9.1% year-on-year with loan-to-deposit ratio at 78.9% as at December 2011, as compared with 77.2% a year ago. As at 31 December 2011, Current and Savings Account (CASA) accounts for 35.6% of the Group's customer deposits.

Other operating income registered a 33.5% growth mainly due to higher fee income and gains from treasury trading and investment activities. The overall fee-to-total income ratio improved from 21.0% a year ago to 26.1%. Despite the moderate rise of 9.2% in overhead expenses due to the expansion in business operations, the Group's cost-to-income ratio remained at 46.5% compared to 46.4% a year ago.

Reflecting on the on-going efforts to improve asset quality, the Group's net impaired loans ratio has declined further to 1.4%, as compared with 2.2% as of 31 December 2010. Risk-weighted capital ratio continued to remain strong at 15.2%, with core capital ratio at 11.4% compared to 15.9% and 11.8% respectively a year ago.

Performance by business segment

The Group's businesses are presented in the following business segments: Consumer Banking, Business Banking, Financial Markets, Investment Banking and Others. All segments, with the exception of Consumer Banking and Investment Banking, registered higher contributions; both exceptions reported lower profit before taxation compared to corresponding quarter/period last year.

Consumer Banking

Consumer Banking provides a wide range of personal banking solutions which include mortgages, term loans, personal loans, hire purchase facilities, credit cards and wealth management.

For the current quarter and nine months ended 31 December 2011, Consumer Banking registered profit before taxation of RM27.6 million and RM123.4 million, a decline of 33.5% and 19.2% respectively, as compared to last year. This was mainly due to lower net income contributed by margin compression. The decrease in net income was offset by lower allowance on impaired loans. The total assets of Consumer Banking was RM12.8 billion as at 31 December 2011.

Business Banking

Business Banking encompasses Small-and-Medium Enterprise ("SME") and Wholesale Banking. Business Banking reported an increase in profit before taxation of 3.4% to RM216.7 million for the nine months ended 31 December 2011 when compared to last year. The increase stemmed from higher net interest income and fee-base income arising from the Group's efforts to grow SME and Wholesale Banking loans. For the current quarter three months ended 31 December 2011, Business Banking registered lower profit before taxation by 13.2% due to higher allowance on impaired loans. The total assets of Business Banking grew by RM2.5 billion or 30.2% to RM10.9 billion as at 31 December 2011.

B1. Review Of Performance (cont'd)

Financial Markets

Financial Markets provides foreign exchange, money market, hedging, wealth management and investment (capital market instruments) solutions for banking customers. For the current quarter ended 31 December 2011, Financial Markets reported a profit before taxation of RM79.5 million, or an increase of 120.3% over the corresponding quarter. For the nine months period, Financial Markets reported a profit before taxation of RM192.8 million, representing a year-on-year increase of 126.0%. The increase was mainly due to higher net income and capital gains from active portfolio management.

Investment Banking

Investment Banking encompasses stockbroking activities and corporate advisory. In line with business expansion, Investment Banking's other operating expenses increased substantially compared to last year. As a result of this, it reported loss before taxation of RM3.7 million and RM6.5 million for the current quarter and nine months ended 31 December 2011 respectively. Net income has also declined compared to last year, a result of lower brokerage income due to the drop in trading volumes on Bursa Malaysia.

Others

The "Others" segment comprises business operations such as unit trust, asset management, alternative distribution channels, trustee services and head office. Profit before taxation for this segment was RM268.7 million for nine months ended 31 December 2011, an increase of RM126.2 million compared to corresponding period last year. The increase was contributed by higher dividend income received from the banking subsidiary and higher profit from Alliance Direct Marketing, one of the distribution channels of the Group.

B2. Comparison With Immediate Preceding Quarter

For the third quarter ended 31 December 2011, the Group recorded profit before taxation of RM163.1 million, compared to RM162.6 million for the second quarter ended 30 September 2011. Compared to preceding quarter, operating profit decreased by 4.9% due to lower net income and higher overheads; this was off-set by recovery from a defaulted Collateralised Loan Obligation.

B3. Current Year Prospect

The global economic outlook remains challenging, with market pressures stemming from the eurozone crisis and the sustainability of US growth. Arising from the global external environment, the Group expects economic growth to moderate, and interest margins to compress further. Notwithstanding this, the Group is confident that the business strategies that have been implemented will enable the Group to further diversify its revenue, strengthen its operational and risk management infrastructure, service and human capital aspects of our business in realising our long-term aspirations.

Consumer Banking

Consumer Banking expects growth in mortgage financing to sustain its loan books in the coming fourth quarter and has in place strategies to grow personal loans, hire purchase and credit cards financing. This will be supported by initiatives such as wealth management, share margin financing and investment lending offerings which will diversify its revenues further.

Business Banking

Business Banking aims to sustain its strong segment assets expansion momentum with incoming loan disbursements from negotiations held during the year and will continue its efforts to work with existing customers and to bring in new customers. To a lesser extent, the competitive pricing in the industry, which will impact margins, is expected to mitigate improvements made in growing the segment's interest income.

B3. Current Year Prospect (cont'd)

Financial Markets

Interest rates are expected to stay low in the coming fourth quarter; hence, Financial Markets expects stable earnings of net interest income and will maintain the current strategy of actively managing its fixed income portfolio to enhance returns.

Investment Banking

The global external environment has negatively impacted liquidity in the capital markets in terms of fund raising as well as trading volatility and trading volumes on Bursa Malaysia. Investment Banking is putting in place strategies to further expand its broking and corporate advisory services and expects the benefits therefrom to accrue in the future.

Barring any unforeseen circumstances, the Group expects to report a satisfactory performance for the financial year ending 31 March 2012.

B4. Profit Forecast

There was no profit forecast issued by the Group.

B5. Taxation And Zakat

<u>GROUP</u>	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Taxation				
- Income tax	44,469	36,263	131,361	110,236
- Deferred tax	(3,458)	3,228	(4,792)	4,036
	41,011	39,491	126,569	114,272
- Over/(under) provision of income tax expense in prior years	(11,196)	32	(11,257)	32
- Under provision of deferred tax in prior years	11,870	-	11,932	-
Zakat	-	-	(46)	202
	41,685	39,523	127,198	114,506

The Group's effective tax rate for the financial period ended 31 December 2011 was higher than the current statutory tax rate mainly due to non-deductibility of certain expenses.

B6. Profit/(Loss) On Sale Of Unquoted Investments Or Properties

There was no material profit/(loss) on sale of unquoted investments or properties for 3rd financial quarter and the nine months ended 31 December 2011 other than in the ordinary course of business.

B7. Purchase And Disposal Of Quoted Securities

There was no purchase or disposal of quoted securities for the 3rd financial quarter and the nine months ended 31 December 2011 other than investments held by the Group whose activities are regulated by law relating to banking companies and are subject to supervision by BNM.

B8. Status Of Corporate Proposals

There were no corporate proposals announced but not completed as at the financial reporting date.

B9. Group Borrowings, Deposits From Customers, Deposits And Placements Of Banks And Other Financial Institutions And Debts Securities

	GROUP	
	31.12.2011	31.3.2011
	RM'000	RM'000
(a) Deposits from customers		
Fixed deposits, negotiable instruments of deposits and money market deposits:		
- One year or less (short term)	19,490,862	18,547,810
- More than one year (medium/long term)	72,890	67,786
	19,563,752	18,615,596
Others	11,078,667	9,730,051
	30,642,419	28,345,647
(b) Deposits and placements of banks and other financial institutions		
- One year or less (short term)	1,473,025	1,069,289
- More than one year (medium/long term)	641,179	882,911
	2,114,204	1,952,200
(c) Subordinated obligations		
Unsecured and more than one year (medium/long term)		
- Tier II Subordinated bonds	-	600,000
- Tier II Subordinated Medium Term Notes	604,248	-
(d) Long term borrowings		
<u>Unsecured</u>		
Fixed rate term loan (Tenor of 3 years plus extension option of one year with all in interest rate of 3.5% p.a.)	400,000	401,189
Floating rate term loan (Tenor of 4 years with all in interest rate of Cost of Fund plus 0.5% p.a.)	-	200,083
	400,000	601,272

B10. Derivative Financial Instruments

Derivative financial instruments measured at fair values together with their corresponding contract/notional amounts:

	As at 31 December 2011			As at 31 March 2011		
	Principal RM'000	Fair value		Principal RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives						
<u>Foreign exchange and commodity contracts:</u>						
Currency forwards						
- one year or less	793,170	17,119	(1,216)	442,706	1,217	(7,713)
Currency swaps						
- one year or less	2,157,963	22,233	(21,575)	1,819,102	18,692	(18,042)
Currency spots						
- one year or less	174,861	133	(35)	76,047	70	(37)
Currency options						
- one year or less	62,384	275	(154)	24,473	90	(57)
Gold options						
- one year or less	497,624	10,416	(5,677)	482,299	2,499	(2,499)
	3,686,002	50,176	(28,657)	2,844,627	22,568	(28,348)
<u>Interest rate contracts:</u>						
Interest rate swap	2,060,230	8,394	(7,474)	2,112,000	9,479	(4,999)
- one year or less	587,000	463	(240)	380,000	257	(252)
- over one year to three years	1,110,000	3,671	(4,228)	1,447,000	6,465	(3,766)
- over three years	363,230	4,260	(3,006)	285,000	2,757	(981)
Total derivatives assets/(liabilities)	5,746,232	58,570	(36,131)	4,956,627	32,047	(33,347)

The credit risk, market risk and liquidity risk associated with the derivatives and the policies in place for mitigating or controlling the risk with these derivatives are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2011.

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest rates.

Spots

Spots refer to the buying and selling of the currency where the settlement date is two business days.

Options

Options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date during a set period, a specific amount of an underlying asset at a predetermined price. The seller receives a premium from the purchaser in consideration of risk. Options may be either exchange-traded or negotiated between the purchaser and the seller in the over-the-counter market.

B10. Derivative Financial Instruments (cont'd)

Related accounting policies

Derivative financial instruments are initially recognised at fair value, which is normally zero or negligible at inception except for options and subsequently re-measured at their fair value. The fair value of options at inception is normally equivalent to the premium received (for options written) or paid (for options purchased). All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value are recognised in the statement of comprehensive income.

Interest income and expenses associated with interest rate swaps are recognised over the life of the swap agreement as a component of interest income or interest expense.

B11. Material Litigation

- (a) A corporate borrower had issued a Writ of Summons in 2005 against an agent bank for a syndicate of lenders comprising three banks of which ABMB is one of them, claiming for general, special and exemplary damages alleging a breach of duty and contract.

The credit facilities consist of a bridging loan of RM58.5 million and a revolving credit facility of RM4.0 million which were granted by the syndicate lenders of which the ABMB's participation was RM18.5 million. In 2002, the credit facilities were restructured to a loan of RM30.0 million, of which the ABMB's participation was RM8.31 million, payable over seven years. The syndicated lenders had also filed a suit against the corporate borrower for the recovery of the above-mentioned loan.

The two suits were then consolidated and heard together. On 6 May 2009, judgment was delivered against the agent bank for special damages amounting to RM115.0 million together with interest at the rate of 6% per annum from date of disbursement to date of realisation with general damages to be assessed by the Court.

The agent bank's solicitors had filed an appeal against the said decision. The Court had on 24 June 2009 granted a stay of execution of the judgment pending appeal to the Court of Appeal. The Court of Appeal has fixed the hearing of the appeal on 10 February 2012. The advice from the agent bank's solicitors is that they have a better than even chance of succeeding in the said appeal.

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

On 4 May 2009, the High Court in Kota Kinabalu granted judgment against ABMB by dismissing its claim and granted judgement in favour of the Defendants with damages to be assessed by the Deputy Registrar. At a clarification hearing held on 25 May 2009, the Court clarified that ABMB's liability to pay damages under the counter-claim is only in respect of general damages to be assessed by the Court and not special damages.

ABMB filed an appeal to the Court of Appeal against the High Court judgement and applied to the High Court for a stay of execution against the said judgment. On 3 August 2009, the High Court dismissed ABMB's application for stay of execution of the judgment granted in favour of the Defendants. ABMB then filed an appeal to the Court of Appeal against the said decision.

On 16 November 2009, the Court of Appeal dismissed ABMB's appeal for stay of execution with no order as to costs and directed that an early hearing date would be scheduled for ABMB's appeal proper.

The Court of Appeal has on 18 January 2011 allowed ABMB's appeal by dismissing the counter-claim against ABMB and allowing ABMB's claim against the Defendants. The Defendants have since filed an application for leave to appeal at the Federal Court against the said decision. The Defendant's Notice of Motion for leave to appeal to the Federal Court came up for hearing on 21 March 2011 and the judges adjourned the leave application to another date yet to be fixed pending receipt of Grounds of Judgment from the Court of Appeal.

Hearing for the assessment of damages which was initially fixed for decision on 14 March 2011 has been rescheduled for mention on 16 December 2011 pending outcome of the Defendants application for leave to appeal at the Federal Court. On 16 December 2011, the High Court had adjourned the mention to another date which is to be notified by Court.

B11. Material Litigation (cont'd)

(b) Cont'd

On 23 November 2011, the Federal Court dismissed the Defendants application for leave to appeal at the Federal Court with costs of RM10,000.00. This essentially brings to a conclusion the substantial dispute between ABMB and the Defendants.

Pursuant to the decision by the Federal Court, as a matter of formality ABMB's solicitors will apply to the High Court to dismiss the Defendants application for assessment for damages to conclude the matter, thus bringing the counter-claim against ABMB to an end.

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

ABMB filed its reply and defence to counter-claim on 7 July 2007.

The Court had fixed the matter for trial from 23 February 2011 to 25 February 2011.

However, the individual borrower had also filed an application to consolidate the present suit with the suit stated under Note B11(c)(ii) below. On 27 January 2011, the judge allowed the said application. In view of this decision, the trial dates above have been vacated to another date and suit will be consolidated for hearing together with the suit under Note B11(c)(ii) below.

The matter has been scheduled for trial from 20 to 24 February 2012 and for case management on 10 January 2012.

ABMB's solicitors are of the firm view that ABMB has good defence to the counter-claim.

- (ii) Arising from the above-mentioned suit (Note B11(c)(i)), the third party in September 2008 filed a separate suit against ABMB for force selling the shares pledged by the third party. The third party alleges amongst others that ABMB sold the pledged shares off-market without notice to them in breach of the collateral contract between the third party and ABMB. The third party is claiming for damages for loss of the benefit of the shares pledged to ABMB, damages for conversion, damages for misrepresentation and for breach of contract.

ABMB had filed its defence to the suit on 13 November 2008.

The Court has set the matter down for trial from 13 June 2011 to 15 June 2011.

Court has fixed next case management on 15 April 2011 for clarification on the validity of the order to consolidate the present suit with Note B11(c)(i) above.

Meanwhile, the third party had filed an application for further interrogatories. On 9 December 2010, the Court allowed the third party's application for further interrogatories in part with costs in the cause. On 15 December 2010, ABMB filed its Notice of Appeal against the said decision. The Court has fixed hearing of the appeal on 9 February 2011. On 9 February 2011, the judge allowed ABMB's appeal with costs in the cause. The third party has since filed an appeal against the said decision at the Court of Appeal.

On 16 June 2011, the Court of Appeal directed third party and ABMB to enter into a Consent Order which ABMB shall endeavour to produce supportive documents and deliver it to the Plaintiff.

B11. Material Litigation (cont'd)

(c) (ii) Cont'd

The matter has been scheduled for trial from 20 to 24 February 2012 and for case management on 10 January 2012.

ABMB's solicitors are of the firm view that there is no such collateral contract and that ABMB has good defence to the claim brought by the third party.

B12. Dividend Declared

The Board of Directors has declared a second interim dividend of 7.7 sen per share, tax exempt under the single tier tax system, in respect of the financial year ending 31 March 2012 (2011: 3.7 sen), to be paid on 28 February 2012. The entitlement date for the second interim dividend payment is on 15 February 2012.

The total dividend paid/declared for the financial year ending 31 March 2012 is 13.30 sen per share, tax exempt under the single tier tax system (2011: 7.0 sen per share, tax exempt under the single tier tax system).

B13. Related Party Transactions

All related party transactions within the Group have been entered into in the normal course of business and were carried out on normal commercial terms.

B14. Earnings Per Share (EPS)

(a) **Basic**

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

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Net profit attributable to owners of the parent (RM'000)	121,292	111,259	371,803	324,268
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(22,192)	(17,630)	(22,192)	(17,630)
	1,525,914	1,530,476	1,525,914	1,530,476
Basic earnings per share (sen)	7.9	7.3	24.4	21.2

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(b) **Diluted**

The calculation of the diluted earnings per share is based on the net profit attributable to owners of the parent divided by the weighted average number of ordinary shares of RM1.00 each in issue during the period, 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 December 2011.

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Net profit attributable to owners of the parent (RM'000)	121,292	111,259	371,803	324,268
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(22,192)	(17,630)	(22,192)	(17,630)
Effect of Share Grants under ESS ('000)	4,218	4,563	4,218	4,563
	1,530,132	1,535,039	1,530,132	1,535,039
Diluted earnings per share (sen)	7.9	7.2	24.3	21.1

B15. Realised And Unrealised Unappropriated Profits Disclosure

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 as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	Period Ended	
	31.12.2011	31.03.2011
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	1,294,160	1,045,846
- Unrealised	158,469	144,761
	1,452,629	1,190,607
Less: Consolidation adjustments	(281,875)	(282,523)
Total group retained profits as per consolidated accounts	1,170,754	908,084

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 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 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.

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C. Explanatory Notes Pursuant To Appendix C Of Revised BNM/GP8

C1. Interest Income

Group	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	229,146	211,056	685,612	635,915
Money at call and deposit placements with financial institutions	14,123	6,772	18,349	39,069
Financial assets held-for-trading	675	320	2,986	592
Financial investments available-for-sale	56,476	52,951	199,492	147,451
Financial investments held-to-maturity	3,050	7,692	19,760	22,695
Others	751	1,032	2,685	3,208
	304,221	279,823	928,884	848,930
Accretion of discount less amortisation of premium	23,032	33,395	70,855	52,543
	327,253	313,218	999,739	901,473

C2. Interest Expense

Group	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	5,139	16,885	27,683	50,080
Deposits from customers	144,017	111,475	415,895	290,515
Loans sold to Cagamas Berhad	894	-	2,674	-
Subordinated obligations	7,375	9,210	27,147	27,530
Long term borrowings	3,529	5,457	13,104	16,057
Others	744	2,166	2,961	5,990
	161,698	145,193	489,464	390,172

C3. Net Income From Islamic Banking Business

Group	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	85,185	78,367	253,363	215,205
Income derived from investment of Islamic Banking funds	8,565	7,224	24,057	21,016
Income attributable to depositors and financial institutions	(33,949)	(32,915)	(103,447)	(80,957)
	59,801	52,676	173,973	155,264
Add: Income due to head office eliminated at Group level	6,635	6,344	19,819	18,095
	66,436	59,020	193,792	173,359

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C4. Other Operating Income

Group	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	13,821	8,102	40,269	26,388
Service charges and fees	8,235	8,687	23,012	25,702
Portfolio management fees	1,701	1,692	5,279	4,917
Corporate advisory fees	845	490	5,383	1,451
Underwriting commissions	99	777	290	949
Brokerage fees	3,481	4,943	10,423	12,393
Guarantee fees	2,391	2,610	6,821	6,825
Processing fees	2,913	1,065	7,646	10,289
Commitment fees	3,668	3,483	10,652	10,640
Other fee income	3,325	5,640	10,473	14,219
	40,479	37,489	120,248	113,773
(b) <u>Investment income:</u>				
Gain/(loss) arising from sale/redemption of:				
- Financial assets held-for-trading	(914)	233	3,346	218
- Financial investments available-for-sale	14,985	1,683	38,133	3,509
- Financial investments held-to-maturity	1,183	3	13,177	3
Unrealised gain/(loss) from revaluation of:				
- Financial assets held-for-trading	954	214	(128)	533
- Derivative instruments	22,087	5,709	19,033	11,038
Realised gain on revaluation of derivative instruments	752	12,260	15,334	25,463
Gross dividend income from:				
- Financial investments available-for-sale	6,280	224	9,930	3,417
	45,327	20,326	98,825	44,181
(c) <u>Other income:</u>				
Unrealised foreign exchange translation (loss)/gain	(10,649)	(2,748)	(2,110)	5,496
(Loss)/gain on disposal of property, plant and equipment	(45)	(81)	26	(203)
Loss on liquidation of subsidiaries	-	(7)	-	(7)
Loss on disposal of foreclosed properties	-	-	-	(38)
Others	4,325	2,954	14,748	10,319
	(6,369)	118	12,664	15,567
Total other operating income	79,437	57,933	231,737	173,521

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C5. Other Operating Expenses

Group	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
Salaries, allowances and bonuses	69,639	60,848	212,058	189,458
Contribution to EPF	11,765	10,404	35,194	31,150
Share options/grants under ESS	2,160	1,298	4,965	4,076
Others	11,997	8,695	25,322	23,017
	95,561	81,245	277,539	247,701
Establishment costs:				
Depreciation of property, plant and equipment	7,410	14,291	22,346	31,053
Amortisation of computer software	4,635	3,551	13,209	10,761
Rental of premises	7,014	6,228	20,618	19,643
Water and electricity	1,481	1,603	4,747	4,522
Repairs and maintenance	2,464	2,389	7,248	7,104
Information technology expenses	8,302	8,401	23,933	22,286
Others	3,978	4,234	15,192	13,589
	35,284	40,697	107,293	108,958
Marketing expenses:				
Promotion and advertisement	2,587	2,137	7,356	4,677
Branding and publicity	718	1,329	2,634	3,086
Others	1,225	1,178	3,513	3,484
	4,530	4,644	13,503	11,247
Administration and general expenses:				
Communication expenses	2,980	3,253	9,552	8,141
Printing and stationery	985	1,044	2,574	3,157
Insurance	1,886	2,400	4,039	7,169
Professional fees	3,558	2,670	9,671	6,733
Others	3,329	1,415	11,042	5,479
	12,738	10,782	36,878	30,679
Total other operating expenses	148,113	137,368	435,213	398,585

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C6. Allowance/(Write-back Of) For Losses On Loans, Advances And Financing And Other Losses

Group	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Allowance/(write-back of) for losses on loans and financing:				
(a) Individual assessment allowance - made during the period (net)	9,481	23,384	21,071	73,545
(b) Collective assessment allowance - made during the period (net)	10,244	(2,262)	34,155	4,232
(c) Bad debts on loans and financing				
- recovered	(14,913)	(24,572)	(52,069)	(62,241)
- written off	4,067	2,629	4,328	3,097
	8,879	(821)	7,485	18,633
(Write-back of)/allowance for commitments and contingencies	(481)	-	(1,443)	980
Allowance for other assets	1,581	1,478	5,016	4,392
	9,979	657	11,058	24,005

C7. Financial Assets Held-for-trading

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Bank Negara Malaysia bills	199,656	1,848,299
Malaysian Government securities	101,234	-
Malaysian Government investment certificates		59,951
Malaysian Government treasury bills	-	30,000
Total financial assets held-for-trading	300,890	1,938,250

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C8. Financial Investments Available-for-sale

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	1,780,121	3,244,713
Malaysian Government investment certificates	1,440,376	764,371
Negotiable instruments of deposits	766,672	1,741,201
Bankers' acceptances	1,320,692	1,388,637
Cagamas bonds	35,314	35,396
<u>Quoted securities in Malaysia:</u>		
Shares	4,028	3,875
Debt securities	8,389	7,818
<u>Unquoted securities:</u>		
Shares	138,535	117,587
Debt securities	1,861,420	1,956,342
Total financial investments available-for-sale	7,355,547	9,259,940

C9. Financial Investments Held-to-maturity

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	330,585	804,820
Malaysian Government investment certificates	435,673	105,624
At cost		
<u>Quoted securities in Malaysia:</u>		
Debt securities	4,902	4,902
<u>Unquoted securities:</u>		
Debt securities	76,212	116,711
	847,372	1,032,057
Accumulated impairment	(53,854)	(91,331)
Total financial investments held-to-maturity	793,518	940,726

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C10. Loans, Advances And Financing

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
Overdrafts	1,785,877	1,753,908
Term loans/financing		
- Housing loans/financing	8,910,251	8,325,550
- Syndicated term loans/financing	447,787	287,171
- Hire purchase receivables	683,411	784,046
- Other term loans/financing	7,582,131	6,310,426
Bills receivables	269,172	179,607
Trust receipts	196,438	176,527
Claims on customers under acceptance credits	2,219,502	2,202,863
Staff loans [include RM107,000 loans to Directors of banking subsidiary (31.3.2011: RM121,000)]	56,385	60,938
Credit/charge card receivables	635,825	663,059
Revolving credits	985,249	1,347,748
Other loans	389,575	347,518
Gross loans, advances and financing	24,161,603	22,439,361
Add: Sales commissions and handling fees	27,768	24,969
Less: Allowance for impairment on loans, advances and financing		
- Individual assessment allowance	(264,630)	(328,375)
- Collective assessment allowance	(373,791)	(339,636)
Total net loans, advances and financing	23,550,950	21,796,319

(a) By types of customer:

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
Domestic non-bank financial institutions		
- Stockbroking companies	5,001	20,002
- Others	150,390	187,410
Domestic business enterprises		
- Small and medium enterprises	5,225,648	4,784,192
- Others	4,862,044	4,531,660
Government and statutory bodies	12,411	18,224
Individuals	13,084,741	12,349,218
Other domestic entities	235,837	14,671
Foreign entities	585,531	533,984
Gross loans, advances and financing	24,161,603	22,439,361

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C10. Loans, Advances And Financing (cont'd)

(b) By interest/profit rate sensitivity:

	Group	
	31.12.2011 RM'000	31.3.2011 RM'000
Fixed rate		
- Housing loans/financing	92,786	107,669
- Hire purchase receivables	683,429	784,046
- Other fixed rate loans/financing	2,076,535	2,207,047
Variable rate		
- Base lending rate plus	16,013,129	14,989,061
- Cost plus	5,023,475	4,120,772
- Other variable rates	272,249	230,766
Gross loans, advances and financing	24,161,603	22,439,361

(c) By economic purposes:

	Group	
	31.12.2011 RM'000	31.3.2011 RM'000
Purchase of securities	394,396	354,975
Purchase of transport vehicles	590,454	703,969
Purchase of landed property	12,626,309	11,514,820
of which: - Residential	9,397,069	8,671,706
- Non-residential	3,229,240	2,843,114
Purchase of fixed assets excluding land and buildings	112,053	99,836
Personal use	2,155,798	2,093,967
Credit card	635,825	663,059
Construction	193,860	253,621
Mergers and acquisition	318,176	-
Working capital	5,934,888	6,116,583
Others	1,199,844	638,531
Gross loans, advances and financing	24,161,603	22,439,361

(d) By geographical distribution:

	Group	
	31.12.2011 RM'000	31.3.2011 RM'000
Northern region	1,903,351	1,882,761
Central region	18,085,890	16,442,221
Southern region	2,073,505	2,014,167
East Malaysia region	2,098,857	2,100,212
Gross loans, advances and financing	24,161,603	22,439,361

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C10. Loans, Advances And Financing (cont'd)

(e) By residual contractual maturity:

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
Within one year	6,678,671	6,868,094
One year to three years	739,542	771,372
Three years to five years	1,291,512	1,389,244
Over five years	15,451,878	13,410,651
Gross loans, advances and financing	<u>24,161,603</u>	<u>22,439,361</u>

(f) Movements in impaired loans, advances and financing ("impaired loans"):

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
At beginning of year	741,324	843,866
Impaired during the period/year	308,992	564,613
Reclassified as non-impaired during the period/year	(278,685)	(328,118)
Recoveries	(89,623)	(190,022)
Amount written off	(88,863)	(149,015)
At end of period/year	<u>593,145</u>	<u>741,324</u>
Gross impaired loans as a percentage of gross loans, advances and financing	2.5%	3.3%

(g) Impaired loans analysed by economic purposes:

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
Purchase of securities	9,750	10,268
Purchase of transport vehicles	5,536	8,959
Purchase of landed property	240,617	283,410
of which: - Residential	176,246	209,057
- Non-residential	64,371	74,353
Purchase of fixed assets excluding land & buildings	97	182
Personal use	31,355	37,151
Credit card	10,240	12,694
Construction	11,943	12,777
Working capital	239,853	315,987
Others	43,754	59,896
Gross impaired loans	<u>593,145</u>	<u>741,324</u>

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C10. Loans, Advances And Financing (cont'd)

(h) Impaired loans by geographical distribution:

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
Northern region	122,699	104,487
Central region	360,571	500,546
Southern region	54,979	68,965
East Malaysia region	54,896	67,326
Gross impaired loans	593,145	741,324

(i) Movements in the allowance for impairment on loans, advances and financing are as follows:

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
Individual assessment allowance		
At beginning of year	328,375	389,578
Allowance made during the period/year (net)	21,071	87,812
Amount written off	(84,816)	(149,015)
At end of period/year	264,630	328,375
Collective assessment allowance		
At beginning of year	339,636	323,644
Allowance made during the period/year (net)	34,155	15,992
At end of period/year	373,791	339,636

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C11. Balances Due From Clients And Brokers

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
Due from clients	48,666	96,318
Due from brokers	1,103	-
	<u>49,769</u>	<u>96,318</u>
Less: Allowance for other losses	(1,306)	(15,799)
	<u>48,463</u>	<u>80,519</u>

These represent amounts receivable by 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	
	31.12.2011	31.3.2011
	RM'000	RM'000
Classified as doubtful	98	976
Classified as bad	1,393	15,856
	<u>1,491</u>	<u>16,832</u>

The movements in allowance for other losses are as follows:

At beginning of year	15,799	16,482
Allowance made during the period/year	1,468	2,214
Reversal of allowance	(1,467)	(2,897)
Amount written off	(14,494)	-
	<u>1,306</u>	<u>15,799</u>

C12. Other Assets

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
Other receivables, deposits and prepayments	108,671	103,113
Trade receivables	41	2,190
Foreclosed properties	-	4,200
	<u>108,712</u>	<u>109,503</u>
Less: Allowance for other losses	(24,242)	(21,882)
	<u>84,470</u>	<u>87,621</u>

C13. Deposits From Customers

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
<u>By type of deposits:</u>		
Demand deposits	9,233,137	8,010,395
Savings deposits	1,661,095	1,633,845
Fixed/investment deposits	13,527,577	14,580,270
Money market deposits	4,200,024	3,042,274
Negotiable instruments of deposits	1,836,151	993,052
Structured deposits [Note (a)]	184,435	85,811
	30,642,419	28,345,647

Note:

(a) Structured deposits represent foreign currency time deposits with embedded foreign exchange and gold commodity linked options.

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
<u>(b) By type of customers:</u>		
Domestic financial institutions	2,240,512	998,676
Government and statutory bodies	1,042,312	1,069,088
Business enterprises	11,949,374	10,111,082
Individuals	14,808,049	15,227,162
Others	602,172	939,639
	30,642,419	28,345,647

(c) The maturity structure of fixed deposits, money market deposits and negotiable instruments of deposit are as follow:

Due within six months	15,451,957	14,449,496
Six months to one year	4,038,905	4,098,314
One year to three years	57,405	54,539
Three years to five years	15,485	13,247
	19,563,752	18,615,596

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C14. Deposits And Placements Of Banks And Other Financial Institutions

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
Licensed banks	1,365,433	744,993
Licensed investment banks	-	280,380
Licensed Islamic banks	-	6,000
Bank Negara Malaysia	748,771	920,827
	2,114,204	1,952,200

C15. Balances Due To Clients And Brokers

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
Due to clients	95,931	80,460
Due to brokers	-	6,283
	95,931	86,743

These mainly relates 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.

AIBB's normal trade credit terms for non-margin client is three (3) market days according to Bursa Malaysia Securities Berhad's FDSS trading rules.

C16. Other Liabilities

	Group	
	31.12.2011	31.3.2011
	RM'000	RM'000
Other payables and accruals	836,907	787,517
Remisiers' accounts	20,953	24,373
	857,860	811,890

C17. Capital Adequacy

The capital adequacy ratios of the banking group are computed in accordance with BNM's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The banking group has adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (31.3.2011: 8.0%) for the risk-weighted capital ratio.

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

	31.12.2011	31.3.2011
<u>Before deducting proposed dividends</u>		
Core capital ratio	-	12.40%
Risk-weighted capital ratio	-	16.54%
<u>After deducting proposed dividends</u>		
Core capital ratio	11.36%	11.95%
Risk-weighted capital ratio	15.18%	16.09%

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

	31.12.2011	31.3.2011
	RM'000	RM'000
Tier I Capital (Core Capital)		
Paid-up share capital	596,517	596,517
Irredeemable convertible preference shares	4,000	4,000
Share premium	597,517	597,517
Retained profits	1,220,042	1,194,222
Statutory reserves	812,639	786,406
Other reserves	10,018	10,018
Non-controlling interests	4,875	4,488
	3,245,608	3,193,168
Less: Purchased goodwill/goodwill on consolidation	(302,065)	(302,065)
Deferred tax assets	(79,444)	(108,808)
Total Tier I capital	2,864,099	2,782,295
Tier II Capital		
Subordinated obligations	597,672	600,000
Collective assessment allowance	368,898	333,466
Total Tier II capital	966,570	933,466
Total Capital	3,830,669	3,715,761
Less: Investments in subsidiaries	(3,620)	(3,620)
Total Capital Base	3,827,049	3,712,141

The capital adequacy ratios of the banking group consist of capital base and risk-weighted assets derived from consolidated balances of ABMB and its subsidiaries.

C17. Capital Adequacy (cont'd)

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

	Alliance Bank Malaysia Berhad	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
31 December 2011			
<u>Before deducting proposed dividends</u>			
Core capital ratio	-	-	-
Risk-weighted capital ratio	-	-	-
<u>After deducting proposed dividends</u>			
Core capital ratio	13.29%	11.28%	70.57%
Risk-weighted capital ratio	13.68%	13.13%	71.20%
31 March 2011			
<u>Before deducting proposed dividends</u>			
Core capital ratio	14.63%	11.65%	57.17%
Risk-weighted capital ratio	14.98%	13.37%	57.33%
<u>After deducting proposed dividends</u>			
Core capital ratio	14.09%	11.65%	55.51%
Risk-weighted capital ratio	14.44%	13.37%	55.67%

Note:

- (i) The capital adequacy ratios of Alliance Islamic Bank Berhad ("AIS") are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB). AIS has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (31.3.2011: 8.0%) for the risk-weighted capital ratio.
- (ii) The capital adequacy ratios of Alliance Investment Bank Berhad ("AIBB") are computed in accordance with BNM's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). AIBB has adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (31.3.2011: 8.0%) for the risk-weighted capital ratio.

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C17. Capital Adequacy (cont'd)

(c) Breakdown of risk-weighted assets ("RWA") in the various categories of risk-weighted are as follows:

<u>Group</u>	31.12.2011		31.3.2011	
	Net Exposure RM'000	Risk- Weighted RM'000	Net Exposure RM'000	Risk- Weighted RM'000
0%	7,889,842	-	5,893,876	-
20%	5,167,168	1,033,434	5,115,709	1,023,142
35%	4,360,149	1,526,052	3,991,155	1,396,904
50%	2,967,223	1,483,612	2,640,539	1,320,269
75%	10,383,352	7,787,514	9,319,469	6,989,602
100%	10,378,073	10,378,073	8,883,490	8,883,490
150%	352,401	528,602	357,265	535,898
Total RWA equivalent for Credit risk	41,498,208	22,737,287	36,201,503	20,149,305
Total RWA equivalent for Market risk	-	82,674	-	71,884
Total RWA equivalent for Operational risk	-	2,384,230	-	2,222,953
Total Risk-Weighted Assets	41,498,208	25,204,191	36,201,503	22,444,142

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C18. Commitments And Contingencies

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

Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
As at 31 December 2011				
<u>Credit-related exposures</u>				
<u>Contingent Liabilities</u>				
Direct credit substitutes	397,105		397,105	397,105
Transaction-related contingent items	558,393		279,196	279,196
Short-term self-liquidating trade-related contingencies	169,822		33,964	33,964
<u>Commitments</u>				
Irrevocable commitments to extent credit:				
- maturity exceeding one year	3,764,475		1,882,238	1,584,789
- maturity not exceeding one year	5,374,398		1,074,880	958,385
unutilised credit card lines	2,747,678		549,536	423,430
	<u>13,011,871</u>		<u>4,216,919</u>	<u>3,676,869</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	3,686,002	50,176	99,603	64,073
Interest rate related contracts:				
- one year or less	587,000	463	1,885	377
- over one year to three years	1,110,000	3,671	16,271	3,254
- over three years	363,230	4,260	18,322	4,442
	<u>5,746,232</u>	<u>58,570</u>	<u>136,081</u>	<u>72,146</u>
	<u>18,758,103</u>	<u>58,570</u>	<u>4,353,000</u>	<u>3,749,015</u>
As at 31 March 2011				
<u>Credit-related exposures</u>				
<u>Contingent Liabilities</u>				
Direct credit substitutes	423,539		423,539	423,539
Transaction-related contingent items	515,311		257,655	257,655
Short-term self-liquidating trade-related contingencies	143,281		28,656	28,656
<u>Commitments</u>				
Irrevocable commitments to extent credit:				
- maturity exceeding one year	1,715,131		857,565	727,272
- maturity not exceeding one year	4,729,308		945,862	852,441
unutilised credit card lines	3,425,831		685,166	528,386
	<u>10,952,401</u>		<u>3,198,443</u>	<u>2,817,949</u>
<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
	<u>4,956,627</u>	<u>32,047</u>	<u>123,208</u>	<u>50,068</u>
	<u>15,909,028</u>	<u>32,047</u>	<u>3,321,651</u>	<u>2,868,017</u>

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C19. Interest Rate Risk

GROUP	Non-trading book							Non-interest/ profit sensitive	Trading book	Total	Effective interest/ profit rate %
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	RM'000				
As at 31 December 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
ASSETS											
Cash and short-term funds	3,888,775	-	-	-	-	-	605,721	-	4,494,496	3.01	
Deposits and placements with banks and other financial institutions	-	-	240,592	165	-	-	399	-	241,156	2.55	
Financial assets held-for-trading	-	-	-	-	-	-	-	300,890	300,890	3.18	
Financial investments available-for-sale	744,162	1,202,946	134,650	341,935	2,391,989	2,350,762	189,103	-	7,355,547	3.74	
Financial investments held-to-maturity	-	-	50,181	145,517	358,014	233,240	6,566	-	793,518	3.55	
Loans, advances and financing	18,628,586	941,551	317,476	106,040	1,472,989	2,129,584	(45,276)*	-	23,550,950	5.66	
Balances due from clients and brokers	765	-	-	-	-	-	47,698	-	48,463	12.00	
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,784,002	58,570	1,842,572	-	
TOTAL ASSETS	23,262,288	2,144,497	742,899	593,657	4,222,992	4,713,586	2,588,213	359,460	38,627,592		
LIABILITIES											
Deposits from customers	15,668,753	4,311,128	2,210,680	4,289,854	79,762	14,115	4,068,127	-	30,642,419	2.28	
Deposits and placements of banks and other financial institutions	1,049,599	172,607	174,274	69,906	641,179	-	6,639	-	2,114,204	2.46	
Amount due to Cagamas Berhad	100,000	-	-	11,684	11,134	-	3,316	-	126,134	3.77	
Bills and acceptances payable	3,515	15	38	-	-	-	-	-	3,568	3.32	
Balances due to clients and brokers	68,946	-	-	-	-	-	26,985	-	95,931	2.90	
Subordinated obligations	-	-	-	-	604,248	-	-	-	604,248	4.92	
Long term borrowings	400,000	-	-	-	-	-	-	-	400,000	3.50	
Other non-interest/profit sensitive balances	-	-	-	-	-	-	898,483	36,131	934,614	-	
TOTAL LIABILITIES	17,290,813	4,483,750	2,384,992	4,371,444	1,336,323	14,115	5,003,550	36,131	34,921,118		
Equity	-	-	-	-	-	-	3,701,598	-	3,701,598	-	
Non-controlling interests	-	-	-	-	-	-	4,876	-	4,876	-	
TOTAL LIABILITIES AND EQUITY	17,290,813	4,483,750	2,384,992	4,371,444	1,336,323	14,115	8,710,024	36,131	38,627,592		

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

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C19. Interest Rate Risk (cont'd)

GROUP	Non-trading book						Non-interest/ profit sensitive	Trading book	Total	Effective interest/ profit rate %
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years				
As at 31 March 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS										
Cash and short-term funds	411,998	-	-	-	-	-	502,040	-	914,038	2.90
Deposits and placements with banks and other financial institutions	-	100,000	160	-	-	-	68	-	100,228	3.05
Financial assets held-for-trading	-	-	-	-	-	-	-	1,938,250	1,938,250	2.82
Financial investments available-for-sale	1,246,175	2,147,162	593,503	140,837	2,761,012	2,187,048	184,203	-	9,259,940	3.50
Financial investments held-to-maturity	10,009	-	633,480	-	292,381	-	4,856	-	940,726	2.75
Loans, advances and financing	16,882,804	1,413,040	336,274	222,518	1,458,636	1,409,734	73,313 *	-	21,796,319	5.63
Balances due from clients and brokers	1,070	-	-	-	-	-	79,449	-	80,519	12.00
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,009,869	32,047	1,041,916	-
TOTAL ASSETS	18,552,056	3,660,202	1,563,417	363,355	4,512,029	3,596,782	1,853,798	1,970,297	36,071,936	
LIABILITIES										
Deposits from customers	13,893,485	3,176,893	2,484,735	4,129,928	91,335	-	4,569,271	-	28,345,647	2.19
Deposits and placements of banks and other financial institutions	968,458	61,196	8,952	23,447	882,911	-	7,236	-	1,952,200	2.13
Amount due to Cagamas Berhad	-	-	-	100,000	25,134	-	642	-	125,776	3.77
Bills and acceptances payable	86,161	24,948	50	-	-	-	-	-	111,159	3.04
Balances due to clients and brokers	34,516	-	-	-	-	-	52,227	-	86,743	2.55
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	-	-	-	-	-	-	859,189	33,347	892,536	-
TOTAL LIABILITIES	14,982,620	3,863,037	2,493,737	4,253,375	1,599,380	-	5,489,837	33,347	32,715,333	
Equity	-	-	-	-	-	-	3,352,114	-	3,352,114	-
Non-controlling interests	-	-	-	-	-	-	4,489	-	4,489	-
TOTAL LIABILITIES AND EQUITY	14,982,620	3,863,037	2,493,737	4,253,375	1,599,380	-	8,846,440	33,347	36,071,936	

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

By Order of the Board

LEE WEI YEN (MAICSA 7001798)

Group Company Secretary

Kuala Lumpur

21 February 2012