

ALLIANCE FINANCIAL GROUP BERHAD

(Company Number : 6627-X)

(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	2nd Quarter Ended		Cumulative 6 Months Ended	
		30.9.2012	30.9.2011 (Restated)	30.9.2012	30.9.2011 (Restated)
		RM'000	RM'000	RM'000	RM'000
Interest income	C1	364,729	341,961	713,355	668,152
Interest expense	C2	(174,037)	(167,552)	(348,785)	(327,766)
Net interest income		190,692	174,409	364,570	340,386
Net income from Islamic banking business	C3	61,321	65,673	124,411	127,550
		252,013	240,082	488,981	467,936
Other operating income	C4	86,961	73,089	169,331	152,300
Net income		338,974	313,171	658,312	620,236
Other operating expenses	C5	(154,265)	(143,024)	(315,384)	(287,100)
Operating profit before allowance		184,709	170,147	342,928	333,136
Write-back of/(allowance for) losses on loans, advances and financing and other losses	C6	7,050	(3,219)	15,836	7,685
Write-back of impairment		-	188	473	1,059
Operating profit after allowance		191,759	167,116	359,237	341,880
Share of results of associate		(1,003)	(211)	(2,113)	(909)
Profit before taxation and zakat		190,756	166,905	357,124	340,971
Taxation and zakat	B5	(48,826)	(42,578)	(90,617)	(86,669)
Net profit after taxation and zakat		141,930	124,327	266,507	254,302
Other comprehensive (expense)/income:					
Revaluation reserve on financial investments available-for-sale					
- Net (loss)/gain from change in fair value		(37,355)	67,033	(22,824)	112,268
- Transfer from/(to) deferred tax		9,339	(16,758)	5,706	(28,067)
Other comprehensive (expense)/income, net of tax		(28,016)	50,275	(17,118)	84,201
Total comprehensive income for the period		113,914	174,602	249,389	338,503
Profit attributable to:					
Owners of the parent		141,946	124,213	266,478	253,979
Non-controlling interests		(16)	114	29	323
Net profit after taxation and zakat		141,930	124,327	266,507	254,302
Total comprehensive income attributable to:					
Owners of the parent		113,930	174,488	249,360	338,180
Non-controlling interests		(16)	114	29	323
Total comprehensive income for the period		113,914	174,602	249,389	338,503
Earnings per share attributable to owners of the parent:					
- Basic (sen)	B14(a)	9.3	8.1	17.5	16.6
- Diluted (sen)	B14(b)	9.3	8.1	17.5	16.6

(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 2012)

ALLIANCE FINANCIAL GROUP BERHAD

(Company Number : 6627-X)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED		
		AS AT 30.9.2012	AS AT 31.3.2012 (Restated)	AS AT 1.4.2011 (Restated)
		RM'000	RM'000	RM'000
ASSETS				
Cash and short-term funds		940,664	1,876,073	914,420
Deposits and placements with banks and other financial institutions		84,672	97,713	100,228
Balances due from clients and brokers	C7	39,650	61,764	80,543
Financial assets held-for-trading	C8	1,345,472	1,491,995	1,938,250
Financial investments available-for-sale	C9	9,493,590	9,123,201	9,259,940
Financial investments held-to-maturity	C10	608,098	795,256	940,726
Derivative financial assets		32,012	23,712	32,047
Loans, advances and financing	C11	26,120,419	24,488,832	21,893,950
Other assets	C12	87,020	78,157	87,621
Tax recoverable		583	465	3,244
Statutory deposits		1,299,966	1,163,083	291,108
Investment in associate		24,439	26,552	28,530
Investment property		27,748	27,748	27,748
Property, plant and equipment		90,115	90,293	104,837
Intangible assets		354,283	354,902	357,682
Deferred tax assets		12,352	15,341	84,083
		40,561,083	39,715,087	36,144,957
Non-current assets and subsidiary held for sale	C13	40,556	3,814	-
TOTAL ASSETS		40,601,639	39,718,901	36,144,957
LIABILITIES AND EQUITY				
Deposits from customers	B9(a), C14	32,127,356	32,192,930	28,391,289
Deposits and placements of banks and other financial institutions	B9(b), C15	2,860,575	2,161,005	1,952,200
Balances due to clients and brokers	C16	19,762	20,626	46,987
Bills and acceptances payable		110	178	111,159
Derivative financial liabilities	B10	20,555	26,241	33,347
Amount due to Cagamas Berhad		18,986	22,044	125,776
Other liabilities	C17	921,567	864,868	806,386
Subordinated obligations	B9(c)	611,942	611,615	600,000
Long term borrowings		-	-	601,272
Provision for taxation		56,254	24,527	40,507
Deferred tax liabilities		30,011	23,012	6,190
		36,667,118	35,947,046	32,715,113
Liabilities directly associated with non-current assets and subsidiary held for sale	C13	24,803	-	-
TOTAL LIABILITIES		36,691,921	35,947,046	32,715,113
Share capital		1,548,106	1,548,106	1,548,106
Reserves		2,435,818	2,287,038	1,920,416
Shares held for Employees' Share Scheme		(78,903)	(68,194)	(43,167)
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT		3,905,021	3,766,950	3,425,355
Non-controlling interests		4,697	4,905	4,489
TOTAL EQUITY		3,909,718	3,771,855	3,429,844
TOTAL LIABILITIES AND EQUITY		40,601,639	39,718,901	36,144,957
COMMITMENTS AND CONTINGENCIES	C19	18,768,671	18,741,373	15,909,028
Net assets per share attributable to owners of the parent (RM)*		2.52	2.43	2.21

* 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 2012)

ALLIANCE FINANCIAL GROUP BERHAD

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

	← 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
30 September 2012												
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	-	-	-	-	-	-	-	266,478	266,478	29	266,507	
Other comprehensive expense	-	-	-	-	(17,118)	-	-	-	(17,118)	-	(17,118)	
Total comprehensive (expense)/income for the period	-	-	-	-	(17,118)	-	-	266,478	249,360	29	249,389	
Transfer to statutory reserve	-	-	23,481	-	-	-	-	(23,481)	-	-	-	
Purchase of shares pursuant to ESS	-	-	-	-	-	-	(18,174)	-	(18,174)	-	(18,174)	
Share-based payment under ESS	-	-	-	-	4,159	-	-	-	4,159	-	4,159	
Transfer to retained profits on share lapsed:												
- employees of subsidiaries	-	-	-	-	(2,545)	-	-	2,545	-	-	-	
- own employees	-	-	-	-	(52)	-	-	52	-	-	-	
Dividends paid to shareholders	-	-	-	-	-	-	-	(100,254)	(100,254)	(237)	(100,491)	
ESS shares grant vested to:												
- employees of subsidiaries	-	-	-	-	(3,680)	-	3,680	-	-	-	-	
- own employees	-	-	-	-	(65)	-	65	-	-	-	-	
ESS shares option exercise by:												
- employees of subsidiaries	-	-	-	-	(736)	-	736	-	-	-	-	
- own employees	-	-	-	-	(4)	-	4	-	-	-	-	
Proceeds from share option exercised	-	-	-	-	-	-	2,980	-	2,980	-	2,980	
Transfer of ESS shares purchase price difference on shares vested	-	-	-	-	209	-	-	(209)	-	-	-	
At 30 September 2012	1,548,106	304,289	623,610	7,013	115,651	11,287	1,033	(78,903)	1,372,935	3,905,021	4,697	3,909,718
30 September 2011												
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	-	-	-	-	-	-	-	253,979	253,979	323	254,302	
Other comprehensive income	-	-	-	-	84,201	-	-	-	84,201	-	84,201	
Total comprehensive income for the period	-	-	-	-	84,201	-	-	253,979	338,180	323	338,503	
Transfer to statutory reserve	-	-	26,233	-	-	-	-	(26,233)	-	-	-	
Purchase of shares pursuant to ESS	-	-	-	-	-	-	(19,816)	-	(19,816)	-	(19,816)	
Share-based payment under ESS	-	-	-	-	2,805	-	-	-	2,805	-	2,805	
Transfer to retained profits on share lapsed:												
- employees of subsidiaries	-	-	-	-	(2,919)	-	-	2,919	-	-	-	
- own employees	-	-	-	-	(61)	-	-	61	-	-	-	
Dividends paid to shareholders	-	-	-	-	-	-	-	(85,705)	(85,705)	(67)	(85,772)	
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 30 September 2011	1,548,106	304,289	570,601	7,013	152,821	10,157	1,033	(59,372)	1,126,171	3,660,819	4,745	3,665,564

(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 2012)

ALLIANCE FINANCIAL GROUP BERHAD

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

	Unaudited 6 Months Ended 30.9.2012	Audited 6 Months Ended 30.9.2011 (Restated)
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	357,124	340,971
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(71,052)	(47,823)
Depreciation of property, plant and equipment	13,825	14,936
Dividends from financial investments available-for-sale	(2,642)	(3,650)
Gain on disposal of property, plant and equipment	(7,420)	(71)
Net gain from redemption of financial investments held-to-maturity	(2,399)	(11,994)
Net loss/(gain) from sale of financial assets held-for-trading	134	(4,260)
Net gain from sale of financial investments available-for-sale	(31,547)	(23,148)
Unrealised loss on revaluation of financial assets held-for-trading	70	1,082
Unrealised (gain)/loss on revaluation of derivative instruments	(12,453)	3,054
Interest expense on subordinated obligations	14,747	19,772
Interest expense on long term borrowings	-	9,575
Interest income from financial investments held-to-maturity	(9,055)	(16,710)
Interest income from financial investments available-for-sale	(117,517)	(143,016)
Interest income from financial investments held-for-trading	(2,168)	(2,311)
Allowance for loans, advances and financing (net of recoveries)	9,656	16,343
Allowance for other assets	2,907	3,443
Write-back of commitments and contingencies	(105)	(962)
Net write-back of financial investments available-for-sale	(473)	(565)
Net write-back of financial investments held-to-maturity	-	(1,955)
Impairment of property, plant and equipment	-	1,460
Amortisation of computer software	9,736	8,574
Share options/grants under ESS	4,159	2,805
Property, plant and equipment written off	-	1,012
Share of results of associate	2,113	909
Operating profit before working capital changes	157,640	167,471
Changes in working capital:		
Deposits from customers	(65,574)	2,008,454
Deposits and placements of banks and other financial institutions	712,611	(466,212)
Bills and acceptances payable	(68)	(97,017)
Balance due from clients and brokers	21,251	15,748
Other liabilities	56,805	(26,180)
Financial assets held-for-trading	164,905	964,559
Loans, advances and financing	(1,641,243)	(1,120,602)
Asset held for resale	(9,729)	-
Other assets	(13,290)	(3,105)
Statutory deposits with Bank Negara Malaysia	(136,883)	(907,345)
Amount due to Cagamas Berhad	(3,058)	260
Cash (used in)/generated from operations	(756,633)	536,031
Taxes and zakat paid	(43,311)	(88,199)
Net cash (used in)/generated from operating activities	(799,944)	447,832

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

	Unaudited 6 Months Ended 30.9.2012 <u>RM'000</u>	Audited 6 Months Ended 30.9.2011 (Restated) <u>RM'000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from financial investments available-for-sale	2,638	3,640
Interest received from financial investments held-to-maturity	9,055	16,710
Interest received from financial investments available-for-sale	117,517	143,016
Interest received from financial investments held-for-trading	2,168	2,311
Purchase of property, plant and equipment	(14,398)	(12,008)
Purchase of computer software	(11,307)	(8,477)
Purchase of shares held for ESS	(18,174)	(19,816)
Proceeds from disposal of property, plant and equipment	8,135	151
Proceeds from redemption and maturity of financial investments held-to-maturity (net of purchase)	218,268	185,501
Purchase of financial investments available-for-sale (net of proceeds from disposal)	(337,436)	(48,545)
Proceeds from share option exercised	2,980	-
Net cash (used in)/generated from investing activities	<u>(20,554)</u>	<u>262,483</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of subordinated bonds	-	(600,000)
Proceeds from issuance of subordinated notes	-	597,366
Interest paid on subordinated obligations	(14,420)	(5,606)
Interest paid on long term borrowings	-	(210,847)
Dividends paid to shareholders of the Company	(100,254)	(85,705)
Dividends paid to non-controlling interest	(237)	(68)
Net cash used in financing activities	<u>(114,911)</u>	<u>(304,860)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(935,409)	405,455
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,876,073</u>	<u>914,420</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>940,664</u>	<u>1,319,875</u>
Cash and cash equivalents comprise the following:		
Cash and short-term funds	<u>940,664</u>	<u>1,319,875</u>

(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 2012)

**[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 2nd financial quarter and the financial half year ended 30 September 2012 have been prepared in accordance with MFRS 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 2012. 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 2012.

These unaudited condensed interim financial statements are the Group's first MFRS condensed interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 March 2013. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

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 2012, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2012:

- MFRS 124 (revised) "Related party disclosure"
- MFRS 139 "Financial instruments: Recognition and measurement"
- Amendments to MFRS 1 "First time adoption on fixed dates and hyperinflation"
- Amendments to MFRS 7 "Financial instruments: Disclosures on transfer of financial assets"
- Amendments to MFRS 112 "Income taxes"
- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments"

The adoption of the above accounting standards, amendments to published accounting standards and interpretations to existing accounting standards does not give rise to any material financial effects to the Group, except for the adoption of MFRS 139 and FRSIC 18.

Previously, the Group applied the Amendment to FRS 139, which included an additional transitional arrangement for financial sectors, whereby BNM may prescribed the use of an alternative basis for collective assessment of impairments on loans, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective assessment allowance of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance under the transitional provisions in the guidelines.

With effect from 1 January 2012, BNM has removed the transitional provision for banking institution on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

A1. Basis Of Preparation (contd.)

The change in accounting policies mentioned above have been accounted for retrospectively by re-measuring the relevant financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to the Group's opening retained profits. As such, comparatives have been restated to conform with current year's presentation. The effects of the changes in accounting policies arising from the adoption of MFRS 139 are disclosed in Note C21.

The following revised FRSs, new IC Interpretations and Amendments to MFRSs have been issued by the MASB and are effective for annual periods commencing on or after 1 April 2013, and have yet to be adopted by the Group:

- MFRS 9 "Financial instruments - Classifications and measurement of financial assets and financial liabilities" (effective 1 January 2015)
- MFRS 10 "Consolidated financial statements" (effective 1 January 2013)
- MFRS 11 "Joint arrangements" (effective 1 January 2013)
- MFRS 12 "Disclosures of interests in other entities" (effective 1 January 2013)
- MFRS 13 "Fair value measurement" (effective 1 January 2013)
- MFRS 127 (revised) "Separate financial statements" (effective 1 January 2013)
- MFRS 128 (revised) "Investments in associates and joint ventures" (effective 1 January 2013)
- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective 1 January 2013)
- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective 1 July 2012)
- Amendment to MFRS 119 "Employee benefits" (effective 1 January 2013)
- Amendment to MFRS 132 "Financial instruments: Presentations" (effective 1 January 2014)

The preparation of unaudited condensed interim financial statements in conformity with the Malaysian 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 2012 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 2nd financial quarter and the financial half year ended 30 September 2012.

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 2nd financial quarter and the financial half year ended 30 September 2012 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 2nd financial quarter and the financial half year ended 30 September 2012.

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 2nd financial quarter and the financial half year ended 30 September 2012.

A7. Dividends Paid

A First Interim Dividend of 6.6 sen per share, tax exempt under the single tier tax system in respect of the financial year ending 31 March 2013, on 1,548,105,929 ordinary shares amounting to RM100,254,000 was paid on 28 August 2012.

** 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 RM1,921,154 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 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, 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 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)
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

A8. Segment Information (contd.)

GROUP	Consumer Banking	Business Banking	Financial Markets	Investment Banking	Others	Total Operations	Inter-segment Elimination	Total
2nd Financial Quarter Ended 30 September 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income/(expense)								
- external income/(expense)	49,662	90,819	51,016	1,691	(2,412)	190,776	(84)	190,692
- inter-segment	20,943	(3,924)	(15,705)	(1,314)	-	-	-	-
	70,605	86,895	35,311	377	(2,412)	190,776	(84)	190,692
Net income from Islamic banking business	26,416	16,173	11,027	-	-	53,616	7,705	61,321
Other operating income	33,419	34,249	74,776	5,425	182,439	330,308	(243,347)	86,961
Net income	130,440	137,317	121,114	5,802	180,027	574,700	(235,726)	338,974
Other operating expenses	(65,763)	(52,017)	(10,551)	(9,401)	(7,533)	(145,265)	2,264	(143,001)
Depreciation and amortisation	(5,438)	(4,070)	(1,423)	(309)	(24)	(11,264)	-	(11,264)
Operating profit/(loss)	59,239	81,230	109,140	(3,908)	172,470	418,171	(233,462)	184,709
(Allowance for)/write-back of losses on loans, advances and financing and other losses	(17,305)	24,233	324	39	(241)	7,050	-	7,050
Segment result	41,934	105,463	109,464	(3,869)	172,229	425,221	(233,462)	191,759
Share of results in an associate								(1,003)
Taxation and zakat								(48,826)
Net profit after taxation and zakat								141,930
Segment assets	15,033,210	11,119,405	15,465,600	221,146	1,920,218	43,759,579	(3,639,712)	40,119,867
Reconciliation of segment assets to consolidated assets:								
Investment in an associate								24,439
Property, plant and equipment								90,115
Unallocated assets								12,935
Intangible assets								354,283
Total assets								40,601,639
Segment liabilities	16,234,606	10,871,580	10,420,796	41,681	92,377	37,661,040	(1,055,384)	36,605,656
Unallocated liabilities								86,265
Total liabilities								36,691,921

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

A8. Segment Information (contd.)

GROUP As at 30 September 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)	91,773	163,483	110,393	3,196	(3,757)	365,088	(518)	364,570
- inter-segment	44,222	(2,749)	(39,085)	(2,388)	-	-	-	-
	135,995	160,734	71,308	808	(3,757)	365,088	(518)	364,570
Net income from Islamic banking business	54,666	31,858	22,722	-	-	109,246	15,165	124,411
Other operating income	57,695	67,485	92,842	10,228	192,155	420,405	(251,074)	169,331
Net income	248,356	260,077	186,872	11,036	188,398	894,739	(236,427)	658,312
Other operating expenses	(134,988)	(108,001)	(22,576)	(16,045)	(14,946)	(296,556)	4,733	(291,823)
Depreciation and amortisation	(11,218)	(8,598)	(3,305)	(389)	(51)	(23,561)	-	(23,561)
Operating profit/(loss)	102,150	143,478	160,991	(5,398)	173,401	574,622	(231,694)	342,928
(Allowance for)/write-back of losses on loans, advances and financing and other losses	(21,331)	37,259	160	(11)	(241)	15,836	-	15,836
Write-back of impairment	-	-	473	-	-	473	-	473
Segment result	80,819	180,737	161,624	(5,409)	173,160	590,931	(231,694)	359,237
Share of results in an associate								(2,113)
Taxation and zakat								(90,617)
Net profit after taxation and zakat								<u>266,507</u>
Segment assets	15,033,210	11,119,405	15,465,600	221,146	1,920,218	43,759,579	(3,639,712)	40,119,867
Reconciliation of segment assets to consolidated assets:								
Investment in an associate								24,439
Property, plant and equipment								90,115
Unallocated assets								12,935
Intangible assets								354,283
Total assets								<u>40,601,639</u>
Segment liabilities	16,234,606	10,871,580	10,420,796	41,681	92,377	37,661,040	(1,055,384)	36,605,656
Unallocated liabilities								86,265
Total liabilities								<u>36,691,921</u>

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

A8. **Segment Information** (contd.)

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
2nd Financial Quarter Ended 30 September 2011 (Restated)								
Net interest income/(expense)								
- external income/(expense)	38,396	77,317	59,319	1,125	(438)	175,719	(1,310)	174,409
- inter-segment	25,753	2,290	(27,115)	(928)	-	-	-	-
	64,149	79,607	32,204	197	(438)	175,719	(1,310)	174,409
Net income from Islamic banking business	29,618	17,300	12,190	-	-	59,108	6,565	65,673
Other operating income	23,593	26,890	37,649	6,256	148,030	242,418	(169,329)	73,089
Net income	117,360	123,797	82,043	6,453	147,592	477,245	(164,074)	313,171
Other operating expenses	(58,601)	(49,712)	(9,437)	(7,612)	(6,304)	(131,666)	644	(131,022)
Depreciation and amortisation	(5,842)	(3,985)	(1,500)	(644)	(31)	(12,002)	-	(12,002)
Operating profit/(loss)	52,917	70,100	71,106	(1,803)	141,257	333,577	(163,430)	170,147
Allowance for losses on loans, advances and financing and other losses	(1,687)	(384)	(903)	(2)	(243)	(3,219)	-	(3,219)
Write-back of impairment	-	188	-	-	-	188	-	188
Segment result	51,230	69,904	70,203	(1,805)	141,014	330,546	(163,430)	167,116
Share of results in an associate								(211)
Taxation and zakat								(42,578)
Net profit after taxation and zakat								<u>124,327</u>
Segment assets	12,486,003	10,586,882	16,184,432	231,855	2,290,912	41,780,084	(4,551,251)	37,228,833
Reconciliation of segment assets to consolidated assets:								
Investment in an associate								27,621
Property, plant and equipment								99,358
Unallocated assets								74,830
Intangible assets								357,745
Total assets								<u>37,788,387</u>
Segment liabilities	15,627,524	9,864,099	9,962,405	133,303	456,294	36,043,625	(1,977,536)	34,066,089
Unallocated liabilities								31,164
Total liabilities								<u>34,097,253</u>

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012

A8. Segment Information (contd.)

GROUP As at 30 September 2011 (Restated)	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)	69,198	148,511	117,651	2,293	(1,423)	336,230	4,156	340,386
- inter-segment	51,003	853	(50,074)	(1,782)	-	-	-	-
	120,201	149,364	67,577	511	(1,423)	336,230	4,156	340,386
Net income from Islamic banking business	60,676	34,115	19,575	-	-	114,366	13,184	127,550
Other operating income	43,270	65,710	50,154	12,653	154,393	326,180	(173,880)	152,300
Net income	224,147	249,189	137,306	13,164	152,970	776,776	(156,540)	620,236
Other operating expenses	(121,086)	(97,899)	(19,346)	(14,550)	(12,109)	(264,990)	1,400	(263,590)
Depreciation and amortisation	(11,347)	(7,778)	(2,982)	(1,339)	(64)	(23,510)	-	(23,510)
Operating profit/(loss)	91,714	143,512	114,978	(2,725)	140,797	488,276	(155,140)	333,136
Write-back of/(allowance for) losses on loans, advances and financing and other losses	2,247	7,307	(1,598)	27	(298)	7,685	-	7,685
Write-back of/(allowance for) impairment	-	2,519	-	-	(1,460)	1,059	-	1,059
Segment result	93,961	153,338	113,380	(2,698)	139,039	497,020	(155,140)	341,880
Share of results in an associate								(909)
Taxation and zakat								(86,669)
Net profit after taxation and zakat								<u>254,302</u>
Segment assets	12,486,003	10,586,882	16,184,432	231,855	2,290,912	41,780,084	(4,551,251)	37,228,833
Reconciliation of segment assets to consolidated assets:								
Investment in an associate								27,621
Property, plant and equipment								99,358
Unallocated assets								74,830
Intangible assets								357,745
Total assets								<u>37,788,387</u>
Segment liabilities	15,627,524	9,864,099	9,962,405	133,303	456,294	36,043,625	(1,977,536)	34,066,089
Unallocated liabilities								31,164
Total liabilities								<u>34,097,253</u>

A9. Material Event During The Financial Reporting Period

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

On 6 July 2012, 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) 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 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 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 MFRS 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 six months ended 30 September 2012, the Trustee of the ESS had purchased 4,641,600 ordinary shares of RM1.00 each fully paid in the Company from the open market at an average price of RM3.91 per share. The total consideration paid 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.

In the financial half-year ended 30 September 2012, 2,514,750 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 30 September 2012, the Trustee of the ESS held 26,593,650 ordinary shares representing 1.72% of the issued and paid-up capital of the Company.

(c) Proposed Disposal by Alliance Bank Malaysia Berhad ("ABMB") of its 70% equity 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, which is subject to the approval of the Securities Commission will not have any material effect on the net assets per share, earnings per share and gearing of Company for the financial year ending 31 March 2013.

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

There was no change in the composition of the Group during the 2nd financial quarter and the financial half year ended 30 September 2012.

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

Please refer to Note C19.

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

B1. Review Of Performance

With effect from 1 April 2012, the Group had converged to the Malaysian Financial Reporting Standards ("MFRS") accounting framework, which is equivalent to the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board ("IASB"). The major impact of this transition to the MFRS framework on the results reported was from the adoption of MFRS 139, whereby the change in the accounting policy for loan loss provisioning was effected retrospectively.

As a result of the above change in accounting policy, the comparative profit before taxation for the 6 months ended 30 September 2011 have been restated from RM336.3 million to RM341.0 million.

The following analyses are based on the restated comparative results:

For the current quarter under review, the Group recorded profit before taxation of RM190.7 million, an increase of 14.3% compared to the corresponding quarter last year. For the 6 months ended 30 September 2012, the Group's profit before taxation was RM357.1 million, an increase of 4.7% compared to the corresponding period last year; the increase was due to higher net income and net bad debt write-back due to better asset quality and prudent credit risk management.

The Group net interest income, including Islamic financing income, grew by 4.5% on the back of 13.2% year-on-year loans growth. The total loans outstanding has risen from RM23.5 billion a year ago to RM26.6 billion as at end-September 2012; while customer deposits growth was 5.7% to RM32.1 billion. The loans-to-deposits ratio increased to 82.8% as at 30 September 2012, from 77.4% last year in line with the Bank's objective to ensure more effective utilisation of the balance sheet.

Other operating income registered an 11.2% growth mainly due to higher fee income and gains from treasury trading and investment activities. Accordingly, the non-interest income ratio has improved from 25.6% a year ago to 27.2%. Overhead expenses rose by 9.9% as the Group continues its investment in human capital and upgrading of technology and infrastructure to support the on-going business expansion. The Group's overheads to total income ratio has increased to 47.9%, from 46.3% a year ago.

Reflecting on the Group's on-going efforts to improve asset quality, the gross impaired ratio has improved further to 2.3%, as compared with 2.7% as of 30 September 2011. The risk-weighted capital ratio remained strong at 15.2%, with core capital ratio at 12.1%.

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 covering mortgages, term loans, personal loans, hire purchase facilities, credit cards and wealth management. For the 6 months ended 30 September 2012, Consumer Banking registered profit before taxation of RM80.8 million, which is 14.0% lower compared to same period last year. This is due to the contraction in the net interest margins as well as higher collective provisions since loans growth has accelerated to 13.5%, from 2.3% in the corresponding period. Segment assets increased by 20.4% to RM15.0 billion as at 30 September 2012.

Business Banking covers Small-and-Medium Enterprise and Wholesale Banking. For the 6 months ended 30 September 2012, Business Banking registered a profit before taxation of RM180.7 million, 17.9% higher compared to RM153.3 million same period last year. The increase was mainly due to growth in net income as well as higher write-back of net bad debts. Segment assets grew by 5.0% to RM11.1 billion as at 30 September 2012.

B1. Review Of Performance (contd.)

Financial Markets provide foreign exchange, money market, hedging, and investment (capital market instruments) solutions for banking customers. For the 6 months ended 30 September 2012, Financial Markets recorded profit before taxation of RM161.6 million, an improvement of 42.6% 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 stock broking activities and corporate advisory. It reported a loss before taxation of RM5.4 million, due to lower net income.

B2. Comparison With Immediate Preceding Quarter

For the second quarter ended 30 September 2012, the Group reported a higher profit before taxation of RM190.8 million, compared with RM166.4 million for the quarter ended 30 June 2012 mainly due to higher net interest income.

B3. Current Year Prospect

Against the background of GDP growth of 4.0% to 5.0% in 2012, the Group expects demand for financing and non-interest income business activities to be sustained. The Group will continue to focus on existing business opportunities in Consumer and Business Banking, while enhancing Treasury and Transaction Banking and developing the Wealth Management and Investment Banking business.

In FY2013, we expect sustainable loans growth in Consumer Banking, driven mainly by mortgage lending, hire purchase, personal loans, credit cards and share margin financing. It will also focus on growing non-interest income through further expansion of its wealth management, bancassurance and treasury business activities, and enhancing customer experience.

In FY2013, the lending activities of Business Banking are expected to grow moderately, in tandem with GDP growth and the continuing demand for credit by businesses, arising from the implementation of projects under the Economic Transformation Programme.

Business Banking will also continue to focus on cross-selling efforts to grow non-interest income in transaction banking, foreign exchange, investment banking and business platinum card by capitalising on technology advancements, such as the recent launch of the Alliance BizSmart solutions.

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.

Capital markets are expected to remain competitive and volatile. The Group's investment banking will expand its business operations by leveraging on the Group's Business Banking customers. The segment will also continue to improve its brokerage business, both retail and institutional broking, by further strengthening its service delivery channels and research capabilities.

Conclusion

The Group expects to deliver a satisfactory performance for the financial year ending 31 March 2013.

B4. Profit Forecast

There was no profit forecast issued by the Group.

B5. Taxation And Zakat

GROUP	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2012	30.9.2011 (Restated)	30.9.2012	30.9.2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
Taxation				
- Income tax	52,592	53,406	86,385	88,048
- Deferred tax	(4,248)	(10,804)	3,853	(1,334)
	48,344	42,602	90,238	86,714
- Under provision in prior year	463	22	360	1
Zakat	19	(46)	19	(46)
	48,826	42,578	90,617	86,669

The Group's effective tax rate for the financial period ended 30 September 2012 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 2nd financial quarter and the financial half year ended 30 September 2012 other than in the ordinary course of business.

B7. Purchase And Disposal Of Quoted Securities

There was no material profit/(loss) on sale of unquoted investments or properties for 2nd financial quarter and the financial half year ended 30 September 2012 other than in the ordinary course of business.

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	
	30.9.2012	31.3.2012
	RM'000	RM'000
(a) Deposits from customers		
Fixed deposits, negotiable instruments of deposits and money market deposits:		
- One year or less (short term)	20,678,128	21,061,751
- More than one year (medium/long term)	188,329	94,312
	20,866,457	21,156,063
Others	11,260,899	11,036,867
	32,127,356	32,192,930
(b) Deposits and placements of banks and other financial institutions		
- One year or less (short term)	2,333,562	1,532,543
- More than one year (medium/long term)	527,013	628,462
	2,860,575	2,161,005
(c) Subordinated obligations		
Unsecured and more than one year (medium/long term)		
- Tier II Subordinated Medium Term Notes	611,942	611,615

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B10. Derivative Financial Assets/(Liabilities)

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

	As at 30 September 2012			As at 31 March 2012		
	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	1,045,569	4,048	(9,970)	859,253	4,792	(6,243)
Currency swaps						
- one year or less	1,113,425	19,157	(1,871)	1,690,284	9,774	(8,784)
Currency spots						
- one year or less	500,826	607	(622)	258,209	185	(150)
Currency options						
- one year or less	109,495	368	(230)	122,204	467	(324)
Gold options						
- one year or less	113,183	2,328	(2,089)	217,538	2,512	(1,102)
	2,882,498	26,508	(14,782)	3,147,488	17,730	(16,603)
<u>Interest rate derivatives:</u>						
Interest rate swap	2,010,909	5,504	(4,270)	2,106,781	5,982	(9,215)
- one year or less	740,000	1,225	(599)	587,000	130	(105)
- over one year to three years	925,000	507	(2,208)	1,110,000	2,592	(2,030)
- over three years	345,909	3,772	(1,463)	409,781	3,260	(7,080)
Hedging derivatives						
Interest rate swap						
- over three years	85,909	-	(1,503)	14,115	-	(423)
Total derivatives assets/(liabilities)	4,979,316	32,012	(20,555)	5,268,384	23,712	(26,241)

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 2012.

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.

B10. Derivative Financial Assets/(Liabilities) (contd.)

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.

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 RM115.5 million together with interest at the rate of 6% per annum from date of disbursement to date of realisation with general damages to be assessed by the Court.

The agent bank's solicitors had filed an appeal against the said decision. The High Court had on 24 June 2009 granted the agent bank a stay of execution of the judgment pending disposal of its appeal at the Court of Appeal. The Court of Appeal has fixed the hearing of the appeal on 19 June 2012.

On 3 August 2012, the Court of Appeal had scheduled the appeal for continued hearing on 9 November 2012.

The advice from the agent bank's solicitors is that there is a better than even chance of succeeding in the said appeal.

B12. Dividend Declared

No dividend has been proposed or declared for the 2nd financial quarter ended 30 September 2012.

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.

	2nd Quarter Ended		Cumulative 6 Months Ended	
		(Restated)		(Restated)
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Net profit attributable to owners of the parent (RM'000)	141,946	124,213	266,478	253,979
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)	(26,594)	(22,192)	(26,594)	(22,192)
	1,521,512	1,525,914	1,521,512	1,525,914
Basic earnings per share (sen)	9.3	8.1	17.5	16.6

(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 30 September 2012.

	2nd Quarter Ended		Cumulative 6 Months Ended	
		(Restated)		(Restated)
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Net profit attributable to owners of the parent (RM'000)	141,946	124,213	266,478	253,979
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)	(26,594)	(22,192)	(26,594)	(22,192)
Effect of Share Grants under ESS ('000)	4,131	4,348	4,131	4,348
	1,525,643	1,530,262	1,525,643	1,530,262
Diluted earnings per share (sen)	9.3	8.1	17.5	16.6

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	
	30.9.2012	31.03.2012
	RM'000	RM'000
		(Restated)
Total retained profits of the Company and its subsidiaries		
- Realised	1,607,563	1,457,304
- Unrealised	45,991	51,858
	1,653,554	1,509,162
Less: Consolidation adjustments	(280,619)	(281,358)
Total group retained profits as per consolidated accounts	1,372,935	1,227,804

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.

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

C1. Interest Income

Group	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2012	30.9.2011 (Restated)	30.9.2012	30.9.2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	262,286	233,958	506,009	452,132
Money at call and deposit placements with financial institutions	2,390	743	6,777	4,226
Financial assets held-for-trading	888	1,481	2,168	2,311
Financial investments available-for-sale	58,029	72,565	117,517	143,016
Financial investments held-to-maturity	6,122	8,539	9,055	16,710
Others	402	852	777	1,934
	330,117	318,138	642,303	620,329
Accretion of discount less amortisation of premium	34,612	23,823	71,052	47,823
	364,729	341,961	713,355	668,152

C2. Interest Expense

Group	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2012	30.9.2011 (Restated)	30.9.2012	30.9.2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	14,321	10,377	27,393	22,544
Deposits from customers	151,309	143,885	304,706	271,878
Loans sold to Cagamas	-	895	-	1,780
Subordinated obligations	7,451	7,446	14,747	19,772
Long term borrowings	-	4,115	-	9,575
Others	956	834	1,939	2,217
	174,037	167,552	348,785	327,766

C3. Net Income From Islamic Banking Business

Group	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2012	30.9.2011 (Restated)	30.9.2012	30.9.2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	83,217	85,862	166,509	168,261
Income derived from investment of Islamic Banking funds	8,262	8,024	17,056	15,603
Income attributable to depositors and financial institutions	(37,864)	(34,778)	(74,320)	(69,498)
	53,615	59,108	109,245	114,366
Add: Income due to head office eliminated at Group level	7,706	6,565	15,166	13,184
	61,321	65,673	124,411	127,550

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C4. Other Operating Income

Group	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	17,514	13,464	35,342	26,448
Service charges and fees	5,922	6,769	15,206	14,777
Portfolio management fees	1,626	1,777	3,404	3,578
Corporate advisory fees	1,364	2,431	3,257	4,538
Brokerage fees	2,726	3,460	5,409	6,942
Guarantee fees	2,130	2,176	4,208	4,430
Processing fees	1,115	1,440	1,961	4,733
Commitment fees	3,747	3,566	7,380	6,984
Underwriting commissions	674	191	692	191
Other fee income	4,781	2,772	7,045	7,148
	41,599	38,046	83,904	79,769
(b) <u>Investment income:</u>				
Gain arising from sale/redemption of:				
- Financial assets held-for-trading	(832)	3,394	(134)	4,260
- Financial investments available-for-sale	16,360	20,757	31,547	23,148
- Financial investments held-to-maturity	2,379	-	2,399	11,994
Unrealised gain/(loss) from revaluation of:				
- Financial assets held-for-trading	(215)	(717)	(70)	(1,082)
- Derivative financial instruments	(1,442)	(1,889)	12,453	(3,054)
Realised gain on revaluation financial instruments	6,589	3,190	14,022	14,582
Gross dividend income from:				
- Financial investments available-for-sale	20	31	2,642	3,650
	22,859	24,766	62,859	53,498
(c) <u>Other income:</u>				
Unrealised foreign exchange translation gain	12,371	5,701	5,575	8,539
Gain/(loss) on disposal of property, plant and equipment	5,842	(11)	7,420	71
Others	4,290	4,587	9,573	10,423
	22,503	10,277	22,568	19,033
Total other operating income	86,961	73,089	169,331	152,300

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C5. Other Operating Expenses

Group	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
Salaries, allowances and bonuses	78,499	68,661	162,869	142,419
Contribution to EPF	12,686	11,568	26,130	23,429
Share options/grants under ESS	2,131	1,512	4,159	2,805
Others	7,313	7,323	13,989	13,325
	100,629	89,064	207,147	181,978
Establishment costs:				
Depreciation of property, plant and equipment	6,495	7,493	13,825	14,936
Amortisation of computer software	4,769	4,509	9,736	8,574
Rental of premises	7,324	7,347	14,430	13,604
Water and electricity	1,493	1,486	2,945	3,266
Repairs and maintenance	2,891	2,714	5,241	4,784
Information technology expenses	11,571	8,454	21,912	15,631
Others	2,565	4,469	5,090	11,214
	37,108	36,472	73,179	72,009
Marketing expenses:				
Promotion and advertisement	1,869	2,209	4,860	4,769
Branding and publicity	1,436	1,030	2,262	1,916
Others	1,307	1,188	2,635	2,288
	4,612	4,427	9,757	8,973
Administration and general expenses:				
Communication expenses	2,894	3,057	6,307	6,572
Printing and stationery	959	1,130	1,919	1,589
Insurance	2,046	1,893	4,043	2,153
Professional fees	3,002	3,209	6,140	6,113
Others	3,015	3,772	6,892	7,713
	11,916	13,061	25,301	24,140
Total other operating expenses	154,265	143,024	315,384	287,100

C6. Allowance For Losses On Loans, Advances And Financing And Other Losses

Group	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	RM'000	RM'000	RM'000	RM'000
(Write-back of)/allowance for impaired loans and financing:				
(a) Individual assessment allowance - made/(write-back) during the period (net)	13,121	2,049	9,497	(1,990)
(b) Collective assessment allowance - made during the period (net)	398	16,076	159	18,333
(c) Bad debts on loans and financing - Recovered	(28,983)	(20,811)	(39,897)	(37,156)
- Written off	7,099	5,062	11,603	10,647
	(8,365)	2,376	(18,638)	(10,166)
Write-back of commitments and contingencies	(105)	(912)	(105)	(962)
Allowance for other assets	1,420	1,755	2,907	3,443
	(7,050)	3,219	(15,836)	(7,685)

C7. Balances Due From Clients And Brokers

	Group	
	30.9.2012	31.3.2012
	RM'000	RM'000
Due from clients	38,003	58,060
Due from brokers	2,910	4,900
	40,913	62,960
Less: Allowance for other losses	(1,263)	(1,196)
	39,650	61,764

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	
	30.9.2012	31.3.2012
	RM'000	RM'000
Classified as doubtful	209	165
Classified as bad	1,408	1,420
	1,617	1,585

The movements in allowance for other losses are as follows:

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 during the period/year	126	1,405
Reversal of allowance	(59)	(1,534)
Amounts written off	-	(14,450)
At end of period/year	1,263	1,196

C8. Financial Assets Held-for-trading

	Group	
	30.9.2012	31.3.2012
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Bank Negara Malaysia bills	1,294,788	1,371,696
Malaysian Government securities	-	20,053
Malaysian Government investment certificates	50,684	100,246
	1,345,472	1,491,995
Total financial assets held-for-trading		

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C9. Financial Investments Available-for-sale

	Group	
	30.9.2012	31.3.2012
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	2,148,491	2,316,772
Malaysian Government investment certificates	2,238,801	1,833,967
Negotiable instruments of deposits	1,027,932	884,535
Bankers' acceptances	1,761,320	1,944,074
Cagamas bonds		35,254
<u>Quoted securities in Malaysia:</u>		
Shares	10	4,212
Debt securities	3,574	4,768
<u>Unquoted securities:</u>		
Shares	133,233	135,888
Debt securities and medium term notes	2,180,229	1,963,731
Total financial investments available-for-sale	9,493,590	9,123,201

C10. Financial Investments Held-to-maturity

	Group	
	30.9.2012	31.3.2012
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	152,705	328,639
Malaysian Government investment certificates	439,120	439,463
<u>Unquoted securities:</u>		
Debt securities	62,031	74,283
Accumulated impairment	(45,758)	(47,129)
Total financial investments held-to-maturity	608,098	795,256

C11. Loans, Advances And Financing

	Group	
	30.9.2012	31.3.2012 (Restated)
	RM'000	RM'000
Overdrafts	1,924,564	1,854,599
Term loans/financing		
- Housing loans/financing	10,061,870	9,269,933
- Syndicated term loans/financing	467,629	475,520
- Hire purchase receivables	671,761	654,393
- Other term loans/financing	8,225,860	7,729,424
Bills receivables	275,739	308,770
Trust receipts	210,409	207,515
Claims on customers under acceptance credits	2,338,427	2,337,986
Staff loans [including loans to Directors of a banking subsidiary of RMNil (2012: RM92,000)]	53,511	54,567
Credit/charge card receivables	611,864	623,563
Revolving credits	1,112,739	1,044,595
Other loans	661,128	451,282
Gross loans, advances and financing	26,615,501	25,012,147
Add: Sales commissions and handling fees	23,741	28,523
Less: Allowance for impairment on loans, advances and financing		
- Individual assessment allowance	(151,574)	(157,966)
- Collective assessment allowance	(367,249)	(393,872)
Total net loans, advances and financing	26,120,419	24,488,832

(a) By type of customer:

	Group	
	30.9.2012	31.3.2012 (Restated)
	RM'000	RM'000
Domestic non-bank financial institutions		
- Stockbroking companies	10,003	-
- Others	261,965	207,164
Domestic business enterprises		
- Small and medium enterprises	5,946,951	5,474,004
- Others	5,094,090	4,975,449
Government and statutory bodies	11,521	12,618
Individuals	14,360,066	13,469,972
Other domestic entities	255,479	247,679
Foreign entities	675,426	625,261
Gross loans, advances and financing	26,615,501	25,012,147

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C11. Loans, Advances And Financing (contd.)

(b) By interest/profit rate sensitivity:

	Group	
	30.9.2012	31.3.2012 (Restated)
	RM'000	RM'000
Fixed rate		
- Housing loans/financing	86,840	90,842
- Hire purchase receivables	671,761	654,394
- Other fixed rate loans/financing	1,821,864	1,997,715
Variable rate		
- Base lending rate plus	18,136,799	16,761,836
- Cost plus	5,649,680	5,203,667
- Other variable rates	248,557	303,693
Gross loans, advances and financing	26,615,501	25,012,147

(c) By economic purposes:

	Group	
	30.9.2012	31.3.2012 (Restated)
	RM'000	RM'000
Purchase of securities	705,193	456,014
Purchase of transport vehicles	588,806	561,821
Purchase of landed property	14,171,779	13,116,463
of which: - Residential	10,611,794	9,761,038
- Non-residential	3,559,985	3,355,425
Purchase of fixed assets excluding land and buildings	109,536	117,110
Personal use	2,008,504	2,147,220
Credit card	611,864	623,563
Construction	306,479	249,710
Merger and acquisition	192,835	207,265
Working capital	6,394,121	6,338,755
Others	1,526,384	1,194,226
Gross loans, advances and financing	26,615,501	25,012,147

(d) By geographical distribution:

	Group	
	30.9.2012	31.3.2012 (Restated)
	RM'000	RM'000
Northern region	1,920,214	1,915,373
Central region	20,141,804	18,846,423
Southern region	2,275,979	2,102,419
East Malaysia region	2,277,504	2,147,932
Gross loans, advances and financing	26,615,501	25,012,147

C11. Loans, Advances And Financing (contd.)

(e) By residual contractual maturity:

	Group	
	30.9.2012	31.3.2012 (Restated)
	RM'000	RM'000
Within one year	7,352,439	7,038,788
One year to three years	957,049	823,437
Three years to five years	1,334,317	1,253,739
Over five years	16,971,696	15,896,183
Gross loans, advances and financing	26,615,501	25,012,147

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

	Group	
	30.9.2012	31.3.2012 (Restated)
	RM'000	RM'000
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 period/year	261,347	435,383
Reclassified as non-impaired during the period/year	(153,540)	(361,159)
Recoveries	(94,114)	(106,986)
Amount written off	(42,670)	(113,483)
At end of period/year	600,259	629,236
Gross impaired loans as a % of gross loans, advances and financing	2.3%	2.5%

(g) Impaired loans by economic purposes:

	Group	
	30.9.2012	31.3.2012 (Restated)
	RM'000	RM'000
Purchase of securities	6,273	5,436
Purchase of transport vehicles	5,420	5,710
Purchase of landed property	266,524	266,682
of which: - Residential	197,616	191,394
- Non-residential	68,908	75,288
Purchase of fixed assets excluding land & buildings	204	190
Personal use	34,585	31,130
Credit card	9,433	9,908
Construction	12,208	11,870
Working capital	227,095	256,919
Others	38,517	41,391
Gross impaired loans	600,259	629,236

C11. Loans, Advances And Financing (contd.)

(h) Impaired loans by geographical distribution:

	Group	
	30.9.2012	31.3.2012 (Restated)
	RM'000	RM'000
Northern region	125,898	139,407
Central region	372,937	378,774
Southern region	49,875	53,056
East Malaysia region	51,549	57,999
Gross impaired loans	<u>600,259</u>	<u>629,236</u>

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

	Group	
	30.9.2012	31.3.2012 (Restated)
	RM'000	RM'000
Individual assessment allowance		
At beginning of year		
- As previously stated	266,349	328,375
- Transfers to collective assessment allowance	<u>(108,383)</u>	<u>(148,952)</u>
As restated	157,966	179,423
Allowance made during the period/year (net)	9,497	3,108
Amount written off	<u>(16,092)</u>	<u>(24,565)</u>
Transfers from collective assessment allowance	203	-
At end of period/year	<u>151,574</u>	<u>157,966</u>

	Group	
	30.9.2012	31.3.2012 (Restated)
	RM'000	RM'000
Collective assessment allowance		
At beginning of year		
- As previously stated	386,017	339,636
- Effect of change in accounting policy	<u>(100,528)</u>	<u>(63,474)</u>
- Transfers from individual assessment allowance	108,383	148,952
As restated	<u>393,872</u>	<u>425,114</u>
Allowance made during the period/year (net)	159	49,582
Amount written-off	<u>(26,579)</u>	<u>(80,824)</u>
Transfers to individual assessment allowance	<u>(203)</u>	<u>-</u>
At end of period/year	<u>367,249</u>	<u>393,872</u>

C12. Other Assets

	Group	
	30.9.2012	31.3.2012
	RM'000	RM'000
Other receivables, deposits and prepayments	113,687	100,059
Trade receivables	40	2,514
	<u>113,727</u>	<u>102,573</u>
Less: Allowance for other losses	<u>(26,707)</u>	<u>(24,416)</u>
	<u>87,020</u>	<u>78,157</u>

C13. Non-current Assets/Liabilities Directly Associated with Non-current Assets and Subsidiary Held for Sale

(a) Property, plant and equipment

	Group	
	30.9.2012	31.3.2012
	RM'000	RM'000
Freehold land	-	1,009
Leasehold land	-	352
Buildings	-	2,453
	-	3,814

The disposal exercise on the above property, plant and equipment which have been identified as non-current assets held for sales has been completed.

(b) Subsidiary held for sale

	Group	
	30.9.2012	31.3.2012
	RM'000	RM'000
ASSETS		
Cash and short-term funds	5,816	-
Deposits and placements with banks and other financial institutions	8,624	-
Other assets	23,565	-
Tax recoverable	114	-
Property, plant and equipment	13	-
Deferred tax assets	234	-
Computer software	83	-
	38,449	-
Goodwill	2,107	-
Total Assets of subsidiary held for sale	40,556	-
LIABILITIES		
Other liabilities	24,803	-
Total liabilities of subsidiary held for sale	24,803	-

The assets and liabilities of the above subsidiary held for sale is related to Alliance Investment Management Berhad ("AIMB"), a 70% owned subsidiary by Alliance Bank Malaysia Berhad ("ABMB"). On 25 September 2012, an announcement was made to Bursa Malaysia on the proposed disposal by ABMB, its 70% equity interest in AIMB for a total consideration of RM12,250,000. The disposal is expected to be completed in this financial year.

C14. Deposits From Customers

	Group	
	30.9.2012 RM'000	31.3.2012 RM'000 (Restated)
<u>By type of deposits:</u>		
Demand deposits	9,428,240	9,141,209
Savings deposits	1,650,281	1,700,686
Fixed/investment deposits	15,503,404	15,595,344
Money market deposits	4,581,908	4,153,395
Negotiable instruments of deposits	781,145	1,407,325
Structured deposits [Note]	182,378	194,971
	32,127,356	32,192,930

Note:

- (a) Structured deposits represent foreign currency time deposits with embedded foreign exchange, gold commodity linked options and interest rate index linked placements.
- (b) The Group has undertaken a fair value hedge on the interest rate risk of the structured deposits amounting to RM85,909,000 (31.03.12: RM14,115,000) using interest rate swaps.

	Group	
	30.9.2012 RM'000	31.3.2012 RM'000
Structured deposits	85,909	14,115
Fair value changes arising from fair value hedges	(1,503)	(423)
	84,406	13,692

The fair value loss of the interest rate swap in this hedge transaction as at financial period ended 30 September 2012 is RM1,503,000 (31.03.12: RM423,000).

	Group	
	30.9.2012 RM'000	31.3.2012 RM'000 (Restated)
(i) <u>By type of customers:</u>		
Domestic financial institutions	784,787	1,411,638
Government and statutory bodies	1,343,680	1,396,323
Business enterprises	12,039,062	11,845,743
Individuals	15,945,283	15,707,697
Others	2,014,544	1,831,529
	32,127,356	32,192,930

	Group	
	30.9.2012 RM'000	31.3.2012 RM'000 (Restated)
(ii) <u>The maturity structure of fixed deposits, money market deposits and negotiable instruments of deposit are as follows:</u>		
Due within six months	16,721,077	16,529,237
Six months to one year	3,957,051	4,532,514
One year to three years	168,492	72,776
Three years to five years	19,837	21,536
	20,866,457	21,156,063

C15. Deposits And Placements Of Banks And Other Financial Institutions

	Group	
	30.9.2012	31.3.2012
	RM'000	RM'000
Licensed banks	1,649,916	976,450
Licensed investment banks	340,902	180,036
Licensed Islamic banks	130,626	245,468
Bank Negara Malaysia	689,119	759,051
Other financial institutions	50,012	-
	2,860,575	2,161,005

C16. Balances Due To Clients And Brokers

	Group	
	30.9.2012	31.3.2012
	RM'000	RM'000
		(Restated)
Due to clients	19,762	20,626
	19,762	20,626

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.

C17. Other Liabilities

	Group	
	30.9.2012	31.3.2012
	RM'000	RM'000
		(Restated)
Other payable and accruals	906,479	849,346
Remisiers' accounts	15,088	15,522
	921,567	864,868

C18. 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% (31.3.2012: 8.0%) for the risk-weighted capital ratio.

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

	30.9.2012	31.3.2012 (Restated)
<u>Before deducting proposed dividends</u>		
Core capital ratio	12.59%	12.37%
Risk-weighted capital ratio	15.69%	15.62%
<u>After deducting proposed dividends</u>		
Core capital ratio	12.08%	11.88%
Risk-weighted capital ratio	15.18%	15.13%

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

	30.9.2012	31.3.2012 (Restated)
	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	1,635,017	1,517,252
Statutory reserves	865,648	842,167
Other reserves	10,018	10,018
Non-controlling interests	4,697	4,905
	3,713,414	3,572,376
Less: Purchased goodwill/goodwill on consolidation	(302,065)	(302,065)
Deferred tax assets	(12,144)	(15,038)
Total Tier I capital	3,399,205	3,255,273
Tier II Capital		
Subordinated obligations	598,075	597,829
Collective assessment allowance	243,226	260,666
Total Tier II capital	841,301	858,495
Total Capital	4,240,506	4,113,768
Less: Investments in subsidiaries	(3,620)	(3,620)
Total Capital Base	4,236,886	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 for loans, advances and financing during the financial period. Please refer to Note C21 Changes in Accounting Policies for a summary of the changes.

C18. **Capital Adequacy** (contd.)

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

	Alliance Bank Malaysia Berhad	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
30 September 2012			
<u>Before deducting proposed dividends</u>			
Core capital ratio	14.15%	-	83.14%
Risk-weighted capital ratio	14.18%	-	83.49%
<u>After deducting proposed dividends</u>			
Core capital ratio	13.53%	12.57%	81.66%
Risk-weighted capital ratio	13.57%	13.43%	82.00%
31 March 2012 (Restated)			
<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%

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% (31.3.2012: 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% (31.3.2012: 8.0%) for the risk-weighted capital ratio.
- (c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

	30.9.2012 RM'000	31.3.2012 RM'000
Credit risk	24,389,613	23,601,495
Market risk	86,703	265,432
Operational risk	2,528,756	2,445,524
Total RWA and capital requirements	27,005,072	26,312,451

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C19. 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 30 September 2012				
<u>Credit-related exposures</u>				
Direct credit substitutes	378,145	-	378,145	378,145
Transaction-related contingent items	546,436	-	273,218	273,218
Short-term self-liquidating trade-related contingencies	142,133	-	28,427	28,427
Irrevocable commitments to extent credit:				
- maturity exceeding one year	5,154,862	-	2,577,431	2,110,970
- maturity not exceeding one year	5,489,292	-	1,097,858	955,256
Unutilised credit card lines	2,078,487	-	415,697	326,164
	<u>13,789,355</u>	<u>-</u>	<u>4,770,776</u>	<u>4,072,180</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	2,882,498	26,508	59,726	35,028
Interest rate related contracts:				
- one year or less	740,000	1,225	2,880	576
- over one year to three years	925,000	507	12,506	2,501
- over three years	431,818	3,772	22,573	9,327
	<u>4,979,316</u>	<u>32,012</u>	<u>97,685</u>	<u>47,432</u>
	<u>18,768,671</u>	<u>32,012</u>	<u>4,868,461</u>	<u>4,119,612</u>
As at 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
Obligations 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
	<u>13,472,989</u>	<u>-</u>	<u>4,494,384</u>	<u>3,869,050</u>
<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
	<u>5,268,384</u>	<u>23,712</u>	<u>99,681</u>	<u>47,965</u>
	<u>18,741,373</u>	<u>23,712</u>	<u>4,594,065</u>	<u>3,917,015</u>

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C20. Interest Rate Risk

GROUP	----- 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	Non-interest/ profit sensitive RM'000			
As at 30 September 2012										
ASSETS										
Cash and short-term funds	368,738	-	-	-	-	-	571,926	-	940,664	2.72
Deposits and placements with banks and other financial institutions	-	52,465	31,997	-	-	-	210	-	84,672	4.05
Balances due from clients and brokers	194	-	-	-	-	-	39,456	-	39,650	12.00
Financial assets held-for-trading	-	-	-	-	-	-	-	1,345,472	1,345,472	3.06
Financial investments available-for-sale	1,086,575	1,402,430	387,433	431,445	2,560,563	3,414,256	210,888	-	9,493,590	3.74
Financial investments held-to-maturity	-	10,664	-	-	538,739	51,014	7,681	-	608,098	3.80
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	32,012	32,012	-
Loans, advances and financing	20,373,823	1,077,046	335,681	631,512	1,480,197	2,140,724	81,436*	-	26,120,419	5.28
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,937,062	-	1,937,062	-
TOTAL ASSETS	21,829,330	2,542,605	755,111	1,062,957	4,579,499	5,605,994	2,848,659	1,377,484	40,601,639	
LIABILITIES										
Deposits from customers	15,551,274	4,082,520	3,334,802	3,985,620	168,786	84,406	4,919,948	-	32,127,356	2.26
Deposits and placements of banks and other financial institutions	1,757,421	306,419	156,006	103,784	527,013	-	9,932	-	2,860,575	2.21
Balances due to clients and brokers	-	-	-	-	-	-	19,762	-	19,762	-
Bills and acceptances payable	1	47	62	-	-	-	-	-	110	3.39
Derivative financial liabilities										
- Trading derivatives	-	-	-	-	-	-	-	19,052	19,052	-
- Hedging derivatives	-	-	-	-	-	1,503	-	-	1,503	n/a
Amount due to Cagamas Berhad	2,331	6,408	-	-	10,247	-	-	-	18,986	4.54
Subordinated obligations	-	-	-	-	598,076	-	13,866	-	611,942	4.92
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,032,635	-	1,032,635	-
TOTAL LIABILITIES	17,311,027	4,395,394	3,490,870	4,089,404	1,304,122	85,909	5,996,143	19,052	36,691,921	
Equity	-	-	-	-	-	-	3,905,021	-	3,905,021	-
Non-controlling interests	-	-	-	-	-	-	4,697	-	4,697	-
TOTAL LIABILITIES AND EQUITY	17,311,027	4,395,394	3,490,870	4,089,404	1,304,122	85,909	9,905,861	19,052	40,601,639	
On-balance sheet interest sensitivity gap	4,518,303	(1,852,789)	(2,735,759)	(3,026,447)	3,275,377	5,520,085	(7,057,202)	1,358,432	-	

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

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C20. Interest Rate Risk (contd.)

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 2012 (Restated)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	1,385,813	-	-	-	-	-	490,260	-	1,876,073	3.04
Deposits and placements with banks and other financial institutions	-	93,138	4,429	-	-	-	146	-	97,713	2.32
Balances due from clients and brokers	1,631	-	-	-	-	-	60,133	-	61,764	12.00
Financial assets held-for-trading	-	-	-	-	-	-	-	1,491,995	1,491,995	3.00
Financial investments available-for-sale	953,177	1,910,031	150,485	88,717	2,493,255	3,314,235	213,301	-	9,123,201	3.79
Financial investments held-to-maturity	-	50,081	134,359	11,992	357,154	233,114	8,556	-	795,256	3.55
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	23,712	23,712	-
Loans, advances and financing	18,988,098	1,013,570	338,603	608,585	1,485,718	1,976,860	77,398 *	-	24,488,832	5.46
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,760,355	-	1,760,355	-
TOTAL ASSETS	21,328,719	3,066,820	627,876	709,294	4,336,127	5,524,209	2,610,149	1,515,707	39,718,901	
LIABILITIES										
Deposits from customers	16,004,460	3,716,695	2,353,813	5,203,955	87,647	40,278	4,786,082	-	32,192,930	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 assets										
- Trading derivatives	-	-	-	-	-	-	-	25,818	25,818	-
- Hedging derivatives	-	-	-	-	-	423	-	-	423	n/a
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	-	-	-	-	-	-	912,407	-	912,407	-
TOTAL LIABILITIES	16,776,227	4,179,397	2,581,711	5,274,850	1,324,782	40,701	5,743,560	25,818	35,947,046	
Equity	-	-	-	-	-	-	3,766,950	-	3,766,950	-
Non-controlling interests	-	-	-	-	-	-	4,905	-	4,905	-
TOTAL LIABILITIES AND EQUITY	16,776,227	4,179,397	2,581,711	5,274,850	1,324,782	40,701	9,515,415	25,818	39,718,901	
On-balance sheet interest sensitivity gap	4,552,492	(1,112,577)	(1,953,835)	(4,565,556)	3,011,345	5,483,508	(6,905,266)	1,489,889	-	

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

C21. Change in Accounting Policies

(i) MFRS 139

During the current reporting period, 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").

Prior to the transition of MFRS 139, the Group had maintained collective assessment allowance at 1.5% of total outstanding loans/financing, net of individual assessment allowance, in line with Bank Negara Malaysia's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loans/Financing. Upon the adoption of MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed. The Group have 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 18 Consensus

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 18 Consensus "Monies Held in Trust by Participating Organisation of Bursa Malaysia Securities Berhad", 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 18 Consensus 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.

C21. Change in Accounting Policies (contd.)

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

(a) Impact on the statements of financial position

As at 31 March 2012	As previously reported RM'000	Effect of change in accounting policy RM'000	As restated RM'000
ASSETS			
Cash and short-term funds	1,874,333	1,740	1,876,073
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)	(61,968)	(32,192,930)
Balances due to clients and brokers	(74,915)	54,289	(20,626)
Other liabilities	(870,807)	5,939	(864,868)
Provision for taxation	(7,372)	(17,155)	(24,527)
Retained profits	(1,131,283)	(96,521)	(1,227,804)
As at 1 April 2011	As previously reported RM'000	Effect of change in accounting policy RM'000	As restated RM'000
ASSETS			
Cash and short-term funds	914,038	382	914,420
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)	(45,642)	(28,391,289)
Balances due to clients and brokers	(86,743)	39,756	(46,987)
Other liabilities	(811,890)	5,504	(806,386)
Deferred tax liabilities	(6,792)	602	(6,190)
Retained profits	(908,084)	(73,241)	(981,325)

C21. Change in Accounting Policies (contd.)

A summary of the financial impact of the change in accounting policy on the financial statements of the Group are as follows (contd.):

(b) Impact on the statements of comprehensive income

	As previously reported RM'000	Effect of change in accounting policy RM'000	As restated RM'000
Six months ended 30 September 2011			
Interest income	672,486	(4,334)	668,152
Net income from Islamic banking business	127,356	194	127,550
Allowance for/(write-back of) losses on loans, advances and financing and other losses	(1,079)	8,764	7,685
Profit before taxation	336,347	4,624	340,971
Taxation	(85,513)	(1,156)	(86,669)
Net profit after taxation	250,834	3,468	254,302
Earnings per share attributable to owner of the parent			
- Basic (sen)	16.4	0.2	16.6
- Diluted (sen)	16.4	0.2	16.6
2nd Quarter ended 30 September 2011			
Interest income	343,535	(1,574)	341,961
Net income from Islamic banking business	65,529	144	65,673
Allowance for losses on loans, advances and financing and other losses	(8,996)	5,777	(3,219)
Profit before taxation	162,558	4,347	166,905
Taxation	(41,490)	(1,088)	(42,578)
Net profit after taxation	121,068	3,259	124,327
Earnings per share attributable to owner of the parent			
- Basic (sen)	7.9	0.2	8.1
- Diluted (sen)	7.9	0.2	8.1

(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

By Order of the Board

LEE WEI YEN (MAICSA 7001798)

Group Company Secretary

Kuala Lumpur

20 November 2012