

ALLIANCE FINANCIAL GROUP BERHAD

(Company Number : 6627-X)

(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2008

(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	<i>Note</i>	2nd Quarter Ended		Cumulative 6 Months Ended	
		30.9.2008	30.9.2007	30.9.2008	30.9.2007
		RM'000	RM'000	RM'000	RM'000
Operating revenue		404,428	364,626	825,900	766,653
Interest income	<i>C1</i>	318,258	303,836	633,171	603,852
Interest expense	<i>C2</i>	(152,506)	(142,914)	(286,308)	(294,249)
Net interest income		165,752	160,922	346,863	309,603
Net income from Islamic banking business	<i>C19(b)</i>	42,605	7,818	81,760	46,255
		208,357	168,740	428,623	355,858
Other operating income	<i>C3</i>	44,405	53,457	113,807	120,072
Net income		252,762	222,197	542,430	475,930
Other operating expenses	<i>C4</i>	(125,224)	(63,835)	(264,850)	(201,985)
Operating profit		127,538	158,362	277,580	273,945
(Allowance)/write-back for losses on loans, advances and financing	<i>C5</i>	(63,482)	(6,497)	(43,182)	51,347
Impairment loss net of write-back for investments		(994)	(28,064)	(4,372)	(69,924)
Profit before taxation		63,062	123,801	230,026	255,368
Taxation	<i>B5</i>	(8,492)	(21,378)	(51,182)	(57,797)
Profit for the period		54,570	102,423	178,844	197,571
Attributable to:					
Equity holders of the Company		54,644	102,214	178,993	197,375
Minority interests		(74)	209	(149)	196
Profit for the period		54,570	102,423	178,844	197,571
Earnings per share (sen):					
- Basic	<i>B15(a)</i>	3.55	7.06	11.64	13.63
- Diluted	<i>B15(b)</i>	3.54	7.06	11.61	13.63

(The Condensed Consolidated Income Statements should be read in conjunction with the audited Annual Financial Statements of the Group for the year ended 31 March 2008)

ALLIANCE FINANCIAL GROUP BERHAD

(Company Number : 6627-X)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET

		UNAUDITED AS AT 30.9.2008 RM'000	AUDITED AS AT 31.3.2008 RM'000
ASSETS			
Cash and short-term funds		3,988,039	5,774,055
Deposits and placements with financial institutions		211,274	532,835
Securities held-for-trading	C6	12,234	100,129
Securities available-for-sale	C7	4,588,822	3,091,018
Securities held-to-maturity	C8	341,591	821,294
Derivative financial assets		33,860	19,393
Loans, advances and financing	C9	17,793,432	15,618,971
Balances due from clients and brokers	C10	56,821	119,333
Land held for investment		28,922	28,922
Other assets	C11	242,851	258,732
Tax recoverable		74,266	40,618
Statutory deposits		741,596	622,086
Leasehold land		12,205	12,275
Property, plant and equipment		139,822	129,615
Intangible assets		361,406	353,665
Deferred tax assets		175,486	151,985
TOTAL ASSETS		28,802,627	27,674,926
LIABILITIES AND EQUITY			
Deposits from customers	C12	22,763,743	21,351,760
Deposits and placements of banks and other financial institutions	C13	1,045,497	1,454,124
Derivative financial liabilities		35,817	23,276
Recourse obligations on loans sold to Cagamas		74,370	255,391
Bills and acceptances payable		549,476	161,418
Balances due to clients and brokers	C14	69,112	112,626
Other liabilities	C15	935,038	1,120,527
Subordinated bonds	B9(c)	600,000	600,000
Provision for taxation		5,991	-
Deferred tax liabilities		1,182	1,416
TOTAL LIABILITIES		26,080,226	25,080,538
Share capital		1,548,106	1,548,106
Reserves		1,199,646	1,067,586
Shares held for Employees' Share Scheme		(30,088)	(26,254)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		2,717,664	2,589,438
Minority interests		4,737	4,950
TOTAL EQUITY		2,722,401	2,594,388
TOTAL LIABILITIES AND EQUITY		28,802,627	27,674,926
COMMITMENTS AND CONTINGENCIES	B10	14,834,771	13,976,101
Net assets per share attributable to ordinary equity holders of the Company (RM)*		1.76	1.67

* The net assets per share attributable to ordinary equity holders of the Company is computed as total equity (excluding minority interests) divided by total number of ordinary shares in circulation.

(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited Annual Financial Statements of the Group for the year ended 31 March 2008)

ALLIANCE FINANCIAL GROUP BERHAD

(Company Number : 6627-X)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2008

	Attributable to Equity Holders of the Company										
	Non-distributable					Distributable					
	Share Capital	Share Premium	Statutory Reserve	Capital Reserve	Revaluation Reserve	Employees' Share Scheme Reserve	Shares held for Employees' Share Scheme	Retained Profits/ (Accumulated Losses)	Total Shareholders' Equity	Minority Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 SEPTEMBER 2008											
At 1 April 2008	1,548,106	304,289	366,910	7,013	(22,776)	1,438	(26,254)	410,712	2,589,438	4,950	2,594,388
Profit/(loss) for the period	-	-	-	-	-	-	-	178,993	178,993	(149)	178,844
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(10,909)	-	-	-	(10,909)	-	(10,909)
Transfer to statutory reserve	-	-	47,144	-	-	-	-	(47,144)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(38,434)	(38,434)	(64)	(38,498)
Share-based payment under Employees' Share Scheme	-	-	-	-	-	2,410	-	-	2,410	-	2,410
Purchase of shares pursuant to Employees' Share Scheme	-	-	-	-	-	-	(3,834)	-	(3,834)	-	(3,834)
At 30 September 2008	1,548,106	304,289	414,054	7,013	(33,685)	3,848	(30,088)	504,127	2,717,664	4,737	2,722,401
30 SEPTEMBER 2007											
At 1 April 2007	1,217,670	491,238	268,125	7,013	12,905	-	-	(54,229)	1,942,722	4,811	1,947,533
Profit for the period	-	-	-	-	-	-	-	197,375	197,375	196	197,571
Exercise of warrants	330,436	69,392	-	-	-	-	-	-	399,828	-	399,828
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(13,215)	-	-	-	(13,215)	-	(13,215)
Transfer to statutory reserve	-	-	49,741	-	-	-	-	(49,741)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(19,777)	(19,777)	-	(19,777)
At 30 September 2007	1,548,106	560,630	317,866	7,013	(310)	-	-	73,628	2,506,933	5,007	2,511,940

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited Annual Financial Statements of the Group for the year ended 31 March 2008)

ALLIANCE FINANCIAL GROUP BERHAD

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2008

	Unaudited 6 Months Ended 30.9.2008 RM'000	Unaudited 6 Months Ended 30.9.2007 RM'000
Profit before taxation	230,026	255,368
Adjustment for non-operating and non-cash items	(5,767)	48,210
Operating profit before changes in working capital	224,259	303,578
Changes in working capital	(1,230,148)	(805,585)
Taxes paid	(98,213)	(25,095)
Net cash used in operating activities	(1,104,102)	(527,102)
Net cash used in investing activities	(946,657)	(755,644)
Net cash (used in)/generated from financing activities	(56,818)	157,430
Net change in cash and cash equivalents	(2,107,577)	(1,125,316)
Cash and cash equivalents at beginning of the period	6,306,890	6,579,314
Cash and cash equivalents at end of the period	4,199,313	5,453,998
Cash and cash equivalents at end of the period comprise the following:		
Cash and short-term funds	3,988,039	5,068,001
Deposits and placements with financial institutions	211,274	385,997
	4,199,313	5,453,998

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited Annual Financial Statements of the Group for the year ended 31 March 2008)

**[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 quarter and the financial half year ended 30 September 2008 have been prepared in accordance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) 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 year ended 31 March 2008. 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 year ended 31 March 2008.

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 year ended 31 March 2008.

The allowance for bad and doubtful debts and financing of the Group are computed based on the requirement of BNM/GP3 which is consistent with the adoption in the previous audited annual financial statements.

A2. Declaration Of Audit Confirmation

The annual audited report on the financial statements for the financial year ended 31 March 2008 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 quarter and the financial half year ended 30 September 2008.

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 quarter and the financial half year ended 30 September 2008 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 quarter and the financial half year ended 30 September 2008.

A6. Changes In Debt And Equity Securities

There were no issuance nor repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the 2nd quarter and the financial half year ended 30 September 2008.

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2008

A7. Dividends Paid

During the 2nd quarter and the financial half year ended 30 September 2008, a First Interim Dividend of 2.5 sen per share, tax exempt under the single tier tax system in respect of the financial year ending 31 March 2009, on 1,548,105,929 ordinary shares amounting to RM38,434,026 was paid on 27 August 2008.

**Dividend 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 shareholders' equity. An amount of RM269,000, 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

Segment information on Revenue, Profit Before Tax and Total Assets:

<u>Group</u>	2nd Quarter Ended <- 30 September 2008 ->		Cumulative 6 Months Ended <----- 30 September 2008 ----->		
	Revenue RM'000	Profit Before Tax RM'000	Revenue RM'000	Profit Before Tax RM'000	Total Assets RM'000
Commercial banking	343,158	77,728	708,182	241,687	23,250,974
Investment banking	23,486	(19,320)	54,301	(12,031)	1,686,500
Islamic banking	37,300	11,695	69,710	21,076	3,205,129
Others ^{N1}	8,132	(923)	71,381	53,860	48,866
	<u>412,076</u>	<u>69,180</u>	<u>903,574</u>	<u>304,592</u>	<u>28,191,469</u>
Inter-segment eliminations/ Consolidation adjustments	(7,648)	(6,118)	(77,674)	(74,566)	-
	<u>404,428</u>	<u>63,062</u>	<u>825,900</u>	<u>230,026</u>	<u>28,191,469</u>
Intangible assets	-	-	-	-	361,406
Unallocated corporate assets	-	-	-	-	249,752
	<u>404,428</u>	<u>63,062</u>	<u>825,900</u>	<u>230,026</u>	<u>28,802,627</u>

<u>Group</u>	2nd Quarter Ended <- 30 September 2007 ->		Cumulative 6 Months Ended <----- 30 September 2007 ----->		
	Revenue RM'000	Profit Before Tax RM'000	Revenue RM'000	Profit Before Tax RM'000	Total Assets RM'000
Commercial banking	328,793	134,268	686,356	256,465	24,407,001
Investment banking	34,691	(5,158)	77,419	9,233	1,854,737
Others ^{N1}	12,590	3,928	52,889	30,362	75,163
	<u>376,074</u>	<u>133,038</u>	<u>816,664</u>	<u>296,060</u>	<u>26,336,901</u>
Inter-segment eliminations/ Consolidation adjustments	(11,448)	(9,237)	(50,011)	(40,692)	-
	<u>364,626</u>	<u>123,801</u>	<u>766,653</u>	<u>255,368</u>	<u>26,336,901</u>
Intangible assets	-	-	-	-	329,564
Unallocated corporate assets	-	-	-	-	171,672
	<u>364,626</u>	<u>123,801</u>	<u>766,653</u>	<u>255,368</u>	<u>26,838,137</u>

^{N1} Others comprises investment holding, unit trust, asset management and non-banking business.

A9. Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

A10. Material Events During the Balance Sheet Date

(a) Commencement of Business of Islamic Banking Subsidiary

Alliance Islamic Bank Berhad ("AIS"), which was incorporated on 13 June 2007 as a wholly-owned subsidiary of Alliance Bank Malaysia Berhad ("ABMB"), commenced its Islamic banking business on 1 April 2008. This follows the vesting of the entire Islamic banking business of ABMB to AIS on 1 April 2008 pursuant to the Vesting Order granted by the High Court of Malaya dated 15 February 2008.

(b) Share Purchased Pursuant to Employees' Share Scheme ("ESS ")

During the financial half year ended 30 September 2008, the Trustee of the ESS acquired 1,370,800 ordinary shares of the Company from the open market for a total consideration of RM3,834,028.

As at 30 September 2008, the Trustee of the ESS held 10,745,500 ordinary shares representing 0.69% of the issued and paid-up capital of the Company. No share options or share grants were vested during the 2nd quarter and the financial half year ended 30 September 2008.

A11. Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the balance sheet date that require disclosure or adjustment to the unaudited condensed interim financial statements.

A12. Changes in the Composition of the Group

There was no change in the composition of the Group during the 2nd quarter and the financial half year ended 30 September 2008.

A13. Changes In Contingent Liabilities Since the Last Annual Balance Sheet Date

Please refer to Note B10.

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

B1. Review of Performance

6 months period ended 30 September 2008

Comparison of operating profit with preceding year 6 months

The Group registered an operating profit of RM277.6 million, an increase of 1.3% compared to the corresponding period last year despite a sharp decline in Investment Bank fee income and the once off write back of overhead provision of RM51.8 million in the corresponding period last year. Excluding this write back, operating profit improved by 25.0% compared to corresponding period last year.

The main contributors to the improved performance at operating profit level were:

- Net income growth at Group level of RM66.5 million or 14.0% despite taking a decline in Investment Bank fee income of RM32.7 million or 72.5% mainly as a result of the adverse equity and capital markets condition. This net income growth was contributed by higher net interest income at the Commercial Bank as well as higher net income from the Islamic Banking business; both contributed a growth of RM72.8 million or 20.4% resulting from strong loans growth. In addition, the RM72.8 million included an over-provision of RM10.8 million in deposit insurance premium which had already been written back in the 1st quarter; but
- Offset by an increase in other operating expenses by RM62.9 million or 31.1% compared to the corresponding period last year. The other operating expenses for the corresponding period last year was lower due to a reversal of provision for expenses in 2nd quarter last year of RM51.8 million, particularly marketing expenses and personnel related expenses with the introduction of the Employees' Share Scheme then. Excluding this reversal, the increase in other operating expenses would have been only 4%.

Comparison of profit before taxation with the preceding year 6 months

However, the Group's profit before taxation was RM230.0 million for the 6 months ended 30 September 2008, a decrease of RM25.3 million or 9.9% compared to the corresponding period last year mainly due to the higher allowance for losses on loans, advances and financing by RM94.5 million largely due to the following:

- Prudently, the Group made an additional specific allowance of RM32.1 million in the second quarter this year because we anticipate that present and future economic conditions may impact the businesses of some customers;
- Lower recovery of written off loans and financing by RM49.1 million largely due to a once off recovery of a lumpy written off loan reported in the 1st quarter results last year.

Asset quality and capital adequacy

Loan asset quality continued to improve with net non-performing loans ratio declining from 2.7% as at 30 June 2008 to 2.3% as at 30 September 2008 (31 March 2008: 3.3%). Gross loans provisioning coverage further improved to 91.2% compared to 85.5% as at 30 June 2008 (31 March 2008: 79.9%).

The Group's gross loans and advances increased by 13.1% to RM18.7 billion compared to 31 March 2008.

The Group's risk-weighted capital ratio remained strong at 14.9%.

B1. Review of Performance (cont'd)

2nd Quarter ended 30 September 2008

Comparison with preceding year same quarter

For the current quarter under review, the Group registered an operating profit of RM127.5 million, a decrease of 19.5% compared to the corresponding quarter last year. This is mainly due to a RM14.9 million or 74.8% decline in Investment Bank fee income, and the once off write back of overhead provision of RM51.8 million in the corresponding quarter last year. Excluding the write back, operating profit improved by 19.7% compared to corresponding quarter last year.

However, the Group's current quarter profit before taxation was RM63.1 million, a decrease of RM60.7 million or 49.1% compared to the corresponding quarter last year mainly due to the higher allowance for losses on loans, advances and financing mainly because as already explained above, the Group has prudently made an additional specific allowance of RM32.1 million in the second quarter this year.

B2. Comparison with Immediate Preceding Quarter

The Group recorded a profit before taxation of RM63.1 million for the 2nd quarter ended 30 September 2008, a reduction of RM103.8 million compared to RM166.9 million recorded for the preceding quarter ended 30 June 2008 mainly because of the following reasons:

- The preceding quarter results included a write back of over-provision of RM10.8 million on deposit insurance premium and a gain on sale of a debt converted security of RM13.3 million;
- As already explained above, the Group has prudently made an additional specific allowance of RM32.1 million in the second quarter this year;
- Lower specific allowance written back by RM42.8 million and also lower recovery of written off loans and financing by RM13.2 million;
- Higher general allowance by RM9.3 million in the 2nd quarter due to loan growth of 8.2% during the 2nd quarter.

B3. Current Year Prospects

Despite the uncertain global economic conditions, Malaysia expects to remain resilient due to our tight fiscal policy and strong liquidity position. The recent announcement by the Bank Negara Malaysia to provide 100% blanket guarantee on deposits and willingness to provide capital injection to banks in need provides comfort to the market.

Whilst the equity and capital markets have been impacted by global events, we remain optimistic that barring any unforeseen circumstances, the Group will record a satisfactory performance for the financial year ending 31 March 2009.

B4. Profit Forecast

There was no profit forecast issued by the Group.

B5. Taxation

<u>GROUP</u>	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
- Income tax	29,651	49,995	80,108	99,881
- Deferred tax	(12,327)	(12,554)	(20,099)	(26,021)
	17,324	37,441	60,009	73,860
- Over provision of income tax expense in prior years	(8,832)	(16,063)	(8,827)	(16,063)
	8,492	21,378	51,182	57,797

The Group's effective tax rate for the 2nd quarter ended 30 September 2008 was lower than the current statutory tax rate mainly due to reversal of provision for potential tax liability from merger tax credit provided in 1st quarter ended 30 June 2008. For the financial half year ended 30 September 2008, the effective tax rate was lower than current statutory tax rate mainly due to tax refund from Inland Revenue Board.

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

There was no material profit/(loss) on sale of unquoted investment or properties for the 2nd quarter and the financial half year ended 30 September 2008 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 2nd quarter and the financial half year ended 30 September 2008 other than investments held by the Group whose activities are regulated by law relating to banking companies and are subject to supervision by Bank Negara Malaysia.

B8. Status of Corporate Proposals

Employees' Share Scheme ("ESS")

During the financial half year ended 30 September 2008, the Company offered/awarded the following share options and share grants under the ESS in respect of the financial year ended 31 March 2008 to employees of the Company and its subsidiaries who have met the criteria of eligibility for the participation in the ESS:

- (i) 2,452,100 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.
- (ii) 10,328,400 share options under the Share Option Plan at an option of RM2.70 per share which will be vested subject to the achievement of performance conditions.

Save for Datuk Bridget Anne Chin Hung Yee, who is the Group Chief Executive Officer of Alliance Bank Malaysia Berhad, none of the 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, 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.

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

	GROUP	
	30.9.2008	31.3.2008
	RM'000	RM'000
(a) Deposits From Customers		
Fixed/investment deposits, negotiable instruments of deposits and money market deposits		
- One year or less (short term)	14,390,980	13,421,993
- More than one year (medium/long term)	369,233	490,596
	14,760,213	13,912,589
Others	8,003,530	7,439,171
	22,763,743	21,351,760
(b) Deposits And Placements Of Banks And Other Financial Institutions		
- One year or less (short term)	568,608	1,083,573
- More than one year (medium/long term)	476,889	370,551
	1,045,497	1,454,124
(c) Subordinated Bonds		
Unsecured and more than one year (medium/long term) (6.09% Tier II Subordinated bonds 2006/2016)	600,000	600,000

B10. Commitments And Contingencies

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

Risk-weighted exposure of the Group as at:

	<----- 30.9.2008 ----->			<----- 31.3.2008 ----->		
	Principal Amount	Credit Equivalent Amount*	Risk- Weighted Amount	Principal Amount	Credit Equivalent Amount*	Risk- Weighted Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	456,001	456,001	456,001	417,859	417,859	416,969
Transaction-related contingent items	562,937	281,469	281,469	593,608	296,804	296,804
Short-term self-liquidating trade-related contingencies	134,338	26,868	26,868	121,493	24,299	24,298
Irrevocable commitments to extend credit:						
- maturity exceeding one year	2,340,099	1,170,050	935,651	1,964,122	982,061	789,060
- maturity not exceeding one year	7,774,430	1,554,885	1,318,640	7,318,045	1,463,608	1,250,607
Foreign exchange related contracts less than one year	2,996,966	42,962	20,885	3,560,974	107,963	51,475
Interest rate related contracts over one year to five years	570,000	14,924	2,985	-	-	-
Total	14,834,771	3,547,159	3,042,499	13,976,101	3,292,594	2,829,213

* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia's guidelines.

The foreign exchange related contracts are all forward contracts. Foreign exchange contracts are subject to market risk and credit risk.

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2008

B11 Financial Instruments With Off-Balance Sheet Risk

Details of financial instruments with off-balance sheet risk as at 30 September 2008:

Value of contracts classified by remaining period to maturity or next repricing date (whichever is earlier).

Alliance Bank

Items	Principal amount RM'000	1 month or less RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	>5 years RM'000	Margin requirements RM'000
Foreign exchange related contracts								
- forward	420,325	178,836	129,424	105,002	7,063	-	-	-
- swaps	2,576,641	1,160,640	447,764	594,697	373,540	-	-	-
Interest rate related contracts								
- forward	-	-	-	-	-	-	-	-
- futures	-	-	-	-	-	-	-	-
- swaps	570,000	-	-	-	-	570,000	-	-
Total	3,566,966	1,339,476	577,188	699,699	380,603	570,000	-	-

Foreign exchange, interest rate and equity and commodity related contracts are subject to market risk and credit risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 30 September 2008, the amount of contracts which were not hedged and hence, exposed to market risk was RM3,644,000 (31 March 2008: RM3,963,000).

Credit risk

Credit risk arises from the possibility that a counterparty may fail to meet their financial commitments when due, in particular where Alliance Bank stands to gain from the transaction. The potential loss amount may increase or decrease over the life of the contracts, mainly as a function of market rates or prices to replace these positions. As at 30 September 2008, the amounts of credit risk, measured in terms of cost to replace the profitable contracts was RM58,489,000 (31 March 2008: RM34,889,000).

Related accounting policies

Alliance Bank acts as an intermediary with counterparties who wish to swap their interest obligations. Alliance Bank also uses interest rate swaps, futures, forward and option contracts in its trading account activities and its overall interest rate risk management.

Interest income and interest expenses associated with interest rate swaps that qualify as hedges are recognised over the life of the swap agreement as a component of interest income or interest expenses. Gains and losses on interest rate futures, forward and option contracts that qualify as hedged assets or liabilities are generally deferred and amortised over the life of the hedged assets or liabilities as adjustments to interest income or interest expenses.

Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current period using the mark-to-market method, and are included in the net result from dealing securities.

Unmatured forward exchange contracts are valued at forward rates as at balance sheet date, applicable to their respective dates of maturity, and unrealised losses and gains are recognised in the income statement in the period in which they arises.

B12. Material Litigation

As at the date of this report, there was no pending material litigation in the ordinary course of business which would materially and adversely affect the financial position of the Group, other than the following:

- (a) On 31 July 2008, the Company announced that Alliance Investment Bank Berhad (“AIBB”), a wholly-owned subsidiary of Alliance Bank Malaysia Berhad, which in turn is a wholly-owned subsidiary of the Company, had been served with a Writ of Summons and Statement of Claim dated 10 July 2008 (“the Suit”) by Celcom (Malaysia) Berhad (“Celcom”).

The Suit was filed by one Mohd Shuaib Ishak as a derivative action on behalf of Celcom pursuant to S181A(1) of the Companies Act, 1965.

The Suit arises from the Amended and Restated Supplemental Agreement dated 4 April 2002 entered into between among others Celcom and DeTe Asia Holding GmbH (“DeTeAsia”), the Acquisition of Celcom shares by Telekom Enterprise Sdn Bhd (“TESB”), the consequent Mandatory General Offer exercise implemented by Telekom Malaysia Berhad (“TM”) and the de-merger exercise of the mobile and fixed-line businesses of the TM Group.

AIBB has been named as one of the 21 defendants in the Suit for its role as advisor to Celcom. Celcom is claiming against the defendants jointly and/or severally for the sum of US\$232,999,745.80 plus damages and interest.

The proceedings in the Suit has since been stayed by the High Court on the application of Celcom pending its appeal to the Court of Appeal against the leave granted for the derivative action by the plaintiff.

Solicitors for AIBB have studied the matter and are of the opinion that there is no merit to this case and that AIBB would be able to defend this case successfully.

- (b) A corporate borrower of Alliance Bank Malaysia Berhad, a wholly-owned subsidiary of the Company had issued a Writ of Summons against a bank in 2005 in its capacity as agent bank for a syndicate of lenders comprising three other banks claiming for general, special and exemplary damages arising from alleged breach of duty and obligations owed by the agent bank. The damages have not been quantified in the Statement of Claim.

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 agent bank together with three other syndicated lenders of which Alliance Bank’s participation was RM18.5 million. In 2002, the credit facilities were restructured to a syndication loan of RM30.0 million, of which Alliance Bank’s participation was RM8.31 million, payable over seven years. The agent bank on behalf of 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 ordered by the court to be heard together.

Based on the advice from the syndicated lenders’ solicitors, the chances of defending the corporate borrower’s claim are good.

B13. Proposed Dividend

No dividend has been proposed or declared for the 2nd quarter ended 30 September 2008.

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B14. Related Party Transactions

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

B15. Earnings Per Share (EPS)

(a) Basic

The calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Company for the 2nd quarter and the financial half year ended 30 September 2008 divided by the weighted average number of ordinary shares of RM1.00 each in issue during the 2nd quarter and the financial half year ended 30 September 2008 excluding the weighted average shares held for ESS.

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
Net profit attributable to equity holders of the Company (RM'000)	54,644	102,214	178,993	197,375
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,447,753	1,548,106	1,447,753
Effect of shares bought back for ESS ('000)	(10,696)	-	(10,696)	-
	1,537,410	1,447,753	1,537,410	1,447,753
Basic earnings per share (sen)	3.55	7.06	11.64	13.63

(b) Diluted

The calculation of the diluted earnings per share is based on the net profit attributable to equity holders of the Company for the 2nd quarter and the financial half year ended 30 September 2008 divided by the weighted average number of ordinary shares of RM1.00 each in issue during the 2nd quarter and the financial half year ended 30 September 2008, excluding the weighted average shares held for ESS and taken into account the assumed Share Grants to employees under ESS was vested with the employees as at 30 September 2008.

	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
Net profit attributable to equity holders of the Company (RM'000)	54,644	102,214	178,993	197,375
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,447,753	1,548,106	1,447,753
Effect of shares bought back for ESS ('000)	(10,696)	-	(10,696)	-
Effect of Share Grants under ESS ('000)	4,361	-	4,361	-
	1,541,771	1,447,753	1,541,771	1,447,753
Diluted earnings per share (sen)	3.54	7.06	11.61	13.63

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

C1. Interest Income

Group	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest/income other than recoveries from NPLs	217,873	192,157	430,347	377,473
- Recoveries from NPLs	15,077	22,810	32,003	46,485
	232,950	214,967	462,350	423,958
Money at call and deposit placements with financial institutions	37,534	49,956	80,112	102,280
Securities held-for-trading	-	46	61	128
Securities available-for-sale	22,910	21,909	39,611	46,087
Securities held-to-maturity	2,847	7,395	8,742	16,010
Others	-	415	1	881
	296,241	294,688	590,877	589,344
Accretion of discount less amortisation of premium	27,084	14,228	51,541	25,826
Net interest/income suspended	(5,067)	(5,080)	(9,247)	(11,318)
	318,258	303,836	633,171	603,852

C2. Interest Expense

Group	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	7,607	1,227	15,356	2,423
Deposits from customers	133,803	124,566	259,017	242,321
Loans sold to Cagamas	991	2,189	2,821	4,465
Subordinated bonds	9,210	9,210	18,320	18,320
Short term borrowing	-	1,984	-	4,268
Others	895	3,738	(9,206)	22,452
	152,506	142,914	286,308	294,249

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C3. Other Operating Income

Group	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
(a) Fee income:				
Commissions	5,789	6,767	12,678	13,724
Service charges and fees	7,551	5,354	14,553	12,084
Portfolio management	1,533	1,715	3,195	3,559
Corporate advisory fees	975	1,056	1,935	2,903
Underwriting commissions	-	1,146	-	2,107
Brokerage fees	3,024	14,539	7,245	28,860
Guarantee fees	2,817	2,496	4,748	4,440
Processing fees	1,987	2,420	4,689	6,388
Commitment fees	3,443	3,474	6,747	6,683
Other fee income	8,433	5,654	12,978	11,121
	35,552	44,621	68,768	91,869
(b) Investment income:				
Net gain/(loss) from sale of securities:				
- held-for-trading	464	633	321	998
- available-for-sale	(1,364)	(1,179)	(1,101)	5,256
Net gain from redemption of securities:				
- held-to-maturity	387	195	14,791	837
Net unrealised (loss)/gain on revaluation of:				
- securities held-for-trading	-	(1,719)	269	23
- derivative instruments	(4,369)	(11,300)	1,925	(21,317)
Net realised gain on revaluation of:				
- derivative instruments	6,773	23,182	18,350	34,711
Gross dividend income from:				
- securities held-to-maturity	3,240	2,385	4,654	3,187
	5,131	12,197	39,209	23,695
(c) Other income:				
Foreign exchange profit/(loss)	3,237	(3,150)	4,215	2,279
Rental income	(137)	101	180	196
Gain on disposal of property, plant and equipment	4	140	118	542
Gain/(loss) on disposal of foreclosed properties	3	1,357	(145)	1,370
Others income/(expenses)	615	(1,809)	1,462	121
	3,722	(3,361)	5,830	4,508
Total other operating income	44,405	53,457	113,807	120,072

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C4. Other Operating Expenses

<u>Group</u>	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs:</u>				
Salaries, allowances and bonuses	59,739	21,997	125,111	89,465
Pension costs	10,740	6,109	21,533	16,235
Share options/grants under ESS	1,368	-	2,410	-
Others	2,929	4,431	13,549	13,910
	74,776	32,537	162,603	119,610
<u>Establishment costs:</u>				
Depreciation of property, plant and equipment	10,074	13,612	18,499	19,513
Amortisation of computer software	4,330	4,056	8,424	7,438
Amortisation of leasehold land	35	31	70	59
Rental of premises	6,598	6,297	13,728	12,920
Water and electricity	2,042	1,300	3,871	3,205
Repairs and maintenance	2,328	782	4,571	2,820
EDP expenses	8,032	582	17,811	8,467
Others	2,361	3,260	5,174	6,651
	35,800	29,920	72,148	61,073
<u>Marketing expenses:</u>				
Promotion and advertisement	(792)	(9,532)	(992)	(4,644)
Branding and publicity	1,415	(3,209)	2,932	(1,298)
Others	1,718	1,301	3,305	3,209
	2,341	(11,440)	5,245	(2,733)
<u>Administration and general expenses:</u>				
Communication expenses	4,024	3,175	7,672	6,381
Printing and stationery	1,424	1,531	3,023	2,892
Insurance	299	396	1,301	1,157
Professional fees	2,481	2,882	5,195	5,386
Others	4,079	4,834	7,663	8,219
	12,307	12,818	24,854	24,035
Total other operating expenses	125,224	63,835	264,850	201,985

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C5. Allowance/(write-back) for Losses on Loans, Advances and Financing

Group	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Allowance/(write-back) for bad and doubtful debts and financing:				
(a) Specific allowance				
- Made during the period	114,827	81,538	208,192	192,351
- Written back during the period	(58,578)	(81,014)	(159,974)	(186,006)
(b) General allowance				
- Made during the period	25,958	23,754	46,315	34,983
- Written back during the period	(3,531)	(6,167)	(10,747)	(12,697)
Bad debts on loans and financing				
- Recovered	(12,273)	(14,913)	(37,795)	(86,939)
- Written off	142	2,842	1,220	2,962
	66,545	6,040	47,211	(55,346)
(Write-back)/allowance on other assets	(3,063)	457	(4,029)	3,999
	63,482	6,497	43,182	(51,347)

C6. Securities Held-for-trading

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Bank Negara Malaysia bills	-	14,756
Commercial papers	-	27,917
 <u>Quoted securities in Malaysia:</u>		
Shares	2,038	3,088
Debt securities	10,196	13,141
 <u>Unquoted securities:</u>		
Debt securities	-	41,227
 Total securities held-for-trading	12,234	100,129

C7. Securities Available-for-sale

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	501,354	10,088
Malaysian Government investment certificates	127,895	200,428
Bank Negara Malaysia bills	349,631	-
Cagamas bonds	-	5,012
Negotiable instruments of deposits	1,169,926	1,109,897
Commercial papers	99,086	35,972
Bankers acceptances	1,679,364	1,190,807
 <u>Quoted securities in Malaysia:</u>		
Debt securities	8,909	10,383
 <u>Unquoted securities:</u>		
Shares	6,711	6,711
Debt securities	645,946	521,720
 Total securities available-for-sale	4,588,822	3,091,018

C8. Securities Held-to-maturity

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	3,012	108,606
Malaysian Government investment certificates	53,405	53,046
Cagamas bonds	20,000	94,983
Khazanah bonds	62,849	278,756
Bankers acceptances	-	124
<u>Quoted securities in Malaysia:</u>		
Debt securities	4,900	4,932
<u>Unquoted securities:</u>		
Shares	22,021	22,021
Debt securities	285,333	396,274
	451,520	958,742
Accumulated impairment losses	(109,929)	(137,448)
	341,591	821,294
Total securities held-to-maturity	341,591	821,294

C9. Loans, Advances and Financing

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
Overdrafts	1,662,641	1,787,614
Term loans/financing		
- Housing loans/financing	6,846,906	5,775,875
- Syndicated term loans/financing	257,418	297,179
- Hire purchase receivables	1,439,117	1,427,178
- Lease receivables	978	4,053
- Other term loans/financing	5,474,453	4,749,197
Bills receivables	189,866	152,046
Trust receipts	166,107	138,705
Claims on customers under acceptance credit	1,859,428	1,553,982
Staff loans [includes RM1,462,000 loan to Executive Director from a banking subsidiary (2008: RM389,000)]	113,567	112,779
Credit/charge card receivables	605,315	546,659
Revolving credits	935,102	600,847
Other loans	328,255	360,325
	19,879,153	17,506,439
Unearned interest and income	(1,165,623)	(961,743)
Gross loans, advances and financing	18,713,530	16,544,696
Allowance for bad and doubtful debts and financing:		
- Specific	(595,234)	(636,429)
- General	(324,864)	(289,296)
Net loans, advances and financing	17,793,432	15,618,971

(a) By type of customer:

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
Domestic non-bank financial institutions		
- Stockbroking companies	21	21
- Others	153,144	168,373
Domestic business enterprises		
- Small and medium enterprises	4,220,738	4,106,594
- Others	4,006,167	3,170,758
Government and statutory bodies	17,644	17,955
Individuals	10,042,007	8,894,371
Other domestic entities	6,067	6,356
Foreign entities	267,742	180,268
Gross loans, advances and financing	18,713,530	16,544,696

C9. Loans, Advances and Financing (cont'd)

(b) By interest/profit rate sensitivity:

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
Fixed rate		
- Housing loans/financing	170,568	164,468
- Hire purchase receivables	1,264,931	1,256,672
- Other fixed rate loans/financing	1,520,847	1,416,703
Variable rate		
- Base lending rate plus	12,006,933	10,803,036
- Cost plus	3,513,900	2,658,754
- Other variable rates	236,351	245,063
Gross loans, advances and financing	18,713,530	16,544,696

(c) By economic purposes:

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
Purchase of securities	362,387	396,072
Purchase of transport vehicles	1,269,259	1,340,553
Purchase of landed property	9,463,540	7,468,780
of which: - Residential	6,831,374	5,670,474
- Non-residential	2,632,166	1,798,306
Purchase of fixed assets excluding land & buildings	55,654	24,471
Personal use	1,081,876	1,075,299
Credit card	605,314	546,636
Purchase of durable goods	30	116
Construction	313,208	263,678
Working capital	4,851,377	4,971,564
Others	710,885	457,527
Gross loans, advances and financing	18,713,530	16,544,696

C9. Loans, Advances and Financing (cont'd)

(d) Non-performing loans/financing ("NPL/NPF"):

Movements in non-performing loans, advances and financing are as follows:

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
At beginning of year	1,158,506	1,568,510
Non-performing during the period/year	402,885	762,791
Reclassified as performing during the period/year	(288,910)	(626,319)
Loans/financing converted to securities	-	(11,726)
Recoveries	(174,340)	(352,592)
Amount written off	(89,413)	(182,158)
At end of period/year	<u>1,008,728</u>	<u>1,158,506</u>
Specific allowance	<u>(595,234)</u>	<u>(636,429)</u>
Net non-performing loans, advances and financing	<u>413,494</u>	<u>522,077</u>
Net NPL as % of gross loans, advances and financing less specific allowance	<u>2.3%</u>	<u>3.3%</u>

(e) Movements in the allowance for bad and doubtful debts and financing are as follows:

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
General Allowance		
At beginning of year	289,296	245,582
Allowance made during the period/year	46,315	69,252
Amount written back	(10,747)	(25,538)
At end of period/year	<u>324,864</u>	<u>289,296</u>
As % of gross loans, advances and financing less specific allowance	<u>1.8%</u>	<u>1.8%</u>

C9. Loans, Advances and Financing (cont'd)

(e) Movements in the allowance for bad and doubtful debts and financing are as follows: (cont'd)

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
Specific Allowance		
At beginning of year	636,429	813,485
Allowance made during the period/year	208,192	342,536
Amount written back in respect of recoveries	(159,974)	(325,708)
Loan/financing converted to securities	-	(11,726)
Amount written off	(89,413)	(182,158)
	595,234	636,429
At end of period/year	595,234	636,429

Included in specific allowance of the Group are allowances made for high risk accounts which are still performing amounting to RM95,116,000 (31.03.2008: 86,528,000).

(f) NPL/NPF by economic purposes:

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
Purchase of securities	40,989	62,099
Purchase of transport vehicles	30,368	32,069
Purchase of landed property	419,355	552,440
<i>of which: - Residential</i>	266,968	367,546
<i>- Non-residential</i>	152,387	184,894
Purchase of fixed assets excluding land & buildings	390	766
Personal use	53,553	50,051
Credit card	12,097	11,855
Construction	27,864	37,034
Working capital	388,767	383,060
Others	35,345	29,132
	1,008,728	1,158,506
Gross NPL	1,008,728	1,158,506

C10. Balances Due From Clients And Brokers

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
Due from clients	61,987	95,717
Due from brokers	16,146	48,281
	<u>78,133</u>	<u>143,998</u>
Allowance for bad and doubtful debts	(21,312)	(24,665)
	<u>56,821</u>	<u>119,333</u>

These represent amount receivable by Alliance Investment Bank Berhad ("AIBB") from non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Central Depository System has yet to be made.

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

Included in the balances due from clients and brokers are non-performing accounts, as follows:

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
Classified as doubtful	627	825
Classified as bad	22,473	25,290
	<u>23,100</u>	<u>26,115</u>

The movements in allowance for bad and doubtful debts are as follows:

At beginning of year	24,665	21,367
Allowance made during the period/year	705	4,219
Reversal of allowance	(4,058)	(921)
	<u>21,312</u>	<u>24,665</u>

C11. Other Assets

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
Other receivables, deposits and prepayments	188,398	225,146
Interest/income receivable	53,459	38,147
Trade receivables	25	15
Manager's stocks	8,811	3,257
Foreclosed properties	5,970	6,756
	256,663	273,321
Allowance for bad and doubtful debts	(13,812)	(14,589)
	242,851	258,732

C12. Deposits From Customers

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
<u>By type of deposits:</u>		
Demand deposits	6,294,933	5,790,214
Savings deposits	1,708,597	1,648,957
Fixed/investment deposits	12,991,072	12,868,850
Money market deposits	950,148	979,283
Negotiable instruments of deposits	818,993	64,456
	22,763,743	21,351,760

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
<u>By type of customers:</u>		
Government and statutory bodies	921,500	932,413
Business enterprises	8,252,337	7,631,613
Individuals	12,542,710	12,018,644
Others	1,047,196	769,090
	22,763,743	21,351,760

C13. Deposits and Placements of Banks and Other Financial Institutions

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
Licensed commercial banks	351,334	783,829
Licensed investment banks	173,200	255,000
Bank Negara Malaysia	520,963	415,295
	1,045,497	1,454,124

C14. Balances Due To Clients and Brokers

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
Due to clients	47,413	52,249
Due to brokers	21,699	60,377
	69,112	112,626

These mainly relates to amounts payable to non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Central Depository System has yet to be made.

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

C15. Other Liabilities

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
Other payable and accruals	734,056	935,870
Interest/income payable	125,272	105,301
Remisier's accounts	24,977	27,431
Profit Equalisation Reserve	50,733	51,925
	935,038	1,120,527

C16. Capital Adequacy

The capital adequacy ratios of the Alliance Bank Malaysia Berhad group are as follows:

	30.9.2008	31.3.2008
	%	%
<u>Before deducting proposed dividend</u>		
Core capital ratio	10.64	11.46
Risk-weighted capital ratio	15.15	16.39
<u>After deducting proposed dividend</u>		
Core capital ratio	10.37	11.23
Risk-weighted capital ratio	14.88	16.16

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

	30.9.2008	31.3.2008
	RM'000	RM'000
Tier I Capital		
Paid-up share capital	596,517	596,517
Preference shares	4,000	4,000
Share premium	597,517	597,517
Retained profits	792,528	702,407
Statutory reserves	656,092	608,948
Other reserves	10,035	10,035
Minority interests	4,736	4,949
	2,661,425	2,524,373
Less: Purchased goodwill/goodwill on consolidation	(304,149)	(304,149)
Deferred tax assets	(175,486)	(151,985)
Total Tier I capital	2,181,790	2,068,239
Tier II Capital		
Subordinated bonds	600,000	600,000
General allowance for bad and doubtful debts and financing	324,864	289,296
Total Tier II capital	924,864	889,296
Total Capital/Capital Base	3,106,654	2,957,535

Analysis of the risk-weighted assets in the various categories of risk-weighted are as follows:

<u>Group</u>	30.9.2008		31.3.2008	
	Notional	Risk-Weighted	Notional	Risk-Weighted
	RM'000	RM'000	RM'000	RM'000
Credit risk	31,314,690	18,478,707	29,212,069	16,016,103
Market risk	-	39,463	-	83,714
Operational risk	-	1,992,655	-	1,944,266
Total Risk-Weighted Assets	31,314,690	20,510,825	29,212,069	18,044,083

C17. Comparative Figures

The following comparative figures have been reclassified to conform with the current period's presentation:

	Group	
	As restated	As previously reported
	RM'000	RM'000
<u>Income statement for the cumulative six months ended 30 September 2007</u>		
Interest expense	(294,249)	(294,343)
Other operating expenses	(201,985)	(201,891)
<hr/>		
<u>Balance sheet as at 31 March 2008</u>		
Derivative financial assets	19,393	-
Other assets	258,732	254,849
Tax recoverable	40,618	71,359
Derivative financial liabilities	(23,276)	-
Provision for taxation	-	(30,741)
<hr/>		

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2008

C18. Interest Rate Risk

GROUP	----- Non-trading book ----->							Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-interest sensitive			
As at 30 September 2008	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	3,425,244	-	-	-	-	-	562,795	-	3,988,039	3.60
Deposits and placements with financial institutions	-	208,343	-	2,931	-	-	-	-	211,274	3.12
Securities held-for-trading	-	-	-	-	-	-	-	12,234	12,234	3.99
Securities available-for-sale	1,823,586	846,669	378,642	485,465	927,519	115,071	1,113	10,757	4,588,822	4.02
Securities held-to-maturity	4,689	17,948	-	176,651	116,481	5,241	20,581	-	341,591	4.63
Loans, advances and financing	12,338,766	1,321,009	378,653	408,622	2,488,812	768,940	88,630*	-	17,793,432	6.64
Balances due from clients and brokers	37,745	-	-	-	-	-	19,076	-	56,821	12.00
Other non-interest sensitive balances	-	-	-	-	-	-	1,776,554	33,860	1,810,414	-
TOTAL ASSETS	17,630,030	2,393,969	757,295	1,073,669	3,532,812	889,252	2,468,749	56,851	28,802,627	
LIABILITIES										
Deposits from customers	14,067,658	1,774,226	2,350,142	4,202,484	369,233	-	-	-	22,763,743	2.55
Deposits and placements of banks and other financial institutions	343,076	194,592	11,178	19,762	476,889	-	-	-	1,045,497	2.92
Bills and acceptances payable	78,208	394,853	76,415	-	-	-	-	-	549,476	3.78
Subordinated bonds	-	-	-	-	600,000	-	-	-	600,000	6.09
Recourse obligations on loans sold to Cagamas	-	-	4,929	36,028	33,413	-	-	-	74,370	3.63
Balances due to clients and brokers	68,538	-	-	-	-	-	574	-	69,112	2.50
Other non-interest sensitive balances	-	-	-	-	-	-	942,211	35,817	978,028	-
TOTAL LIABILITIES	14,557,480	2,363,671	2,442,664	4,258,274	1,479,535	-	942,785	35,817	26,080,226	
Equity	-	-	-	-	-	-	2,717,664	-	2,717,664	-
Minority interests	-	-	-	-	-	-	4,737	-	4,737	-
TOTAL LIABILITIES AND EQUITY	14,557,480	2,363,671	2,442,664	4,258,274	1,479,535	-	3,665,186	35,817	28,802,627	
On-balance sheet interest sensitivity gap	3,072,550	30,298	(1,685,369)	(3,184,605)	2,053,277	889,252	(1,196,437)	21,034	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-	
Total interest sensitivity gap	3,072,550	30,298	(1,685,369)	(3,184,605)	2,053,277	889,252	(1,196,437)	21,034	-	

* Non-performing loans, specific allowance and general allowance of the Group are classified as non-interest sensitive.

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2008

C18. Interest Rate Risk (cont'd)

GROUP	----- Non-trading book ----->							Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-interest sensitive			
As at 31 March 2008	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	5,276,877	-	-	-	-	-	497,178	-	5,774,055	3.54
Deposits and placements with financial institutions	-	532,835	-	-	-	-	-	-	532,835	3.19
Securities held-for-trading	-	-	-	-	-	-	-	100,129	100,129	4.17
Securities available-for-sale	928,435	1,028,391	428,524	5,049	423,090	264,185	1,113	12,231	3,091,018	4.08
Securities held-to-maturity	25,183	149,437	282,944	27,840	311,521	5,253	19,116	-	821,294	4.67
Loans, advances and financing	11,219,410	1,029,481	259,665	331,198	1,862,176	684,260	232,781*	-	15,618,971	7.10
Balances due from clients and brokers	98,481	-	-	-	-	-	20,852	-	119,333	12.00
Other non-interest sensitive balances	-	-	-	-	-	-	1,597,898	19,393	1,617,291	-
TOTAL ASSETS	17,548,386	2,740,144	971,133	364,087	2,596,787	953,698	2,368,938	131,753	27,674,926	
LIABILITIES										
Deposits from customers	13,498,073	1,893,926	2,083,198	3,385,967	490,596	-	-	-	21,351,760	2.53
Deposits and placements of banks and other financial institutions	1,022,923	24,537	15,469	20,644	370,551	-	-	-	1,454,124	2.73
Bills and acceptances payable	57,841	96,275	7,302	-	-	-	-	-	161,418	3.83
Subordinated bonds	-	-	-	-	600,000	-	-	-	600,000	6.09
Recourse obligations on loans sold to Cagamas	-	-	168,535	6,224	80,632	-	-	-	255,391	3.44
Balances due to clients and brokers	112,123	-	-	-	-	-	503	-	112,626	2.50
Other non-interest sensitive balances	-	-	-	-	-	-	1,121,943	23,276	1,145,219	-
TOTAL LIABILITIES	14,690,960	2,014,738	2,274,504	3,412,835	1,541,779	-	1,122,446	23,276	25,080,538	
Equity	-	-	-	-	-	-	2,589,438	-	2,589,438	-
Minority interests	-	-	-	-	-	-	4,950	-	4,950	-
TOTAL LIABILITIES AND EQUITY	14,690,960	2,014,738	2,274,504	3,412,835	1,541,779	-	3,716,834	23,276	27,674,926	
On-balance sheet interest sensitivity gap	2,857,426	725,406	(1,303,371)	(3,048,748)	1,055,008	953,698	(1,347,896)	108,477	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-	
Total interest sensitivity gap	2,857,426	725,406	(1,303,371)	(3,048,748)	1,055,008	953,698	(1,347,896)	108,477	-	

* Non-performing loans, specific allowance and general allowance of the Group are classified as non-interest sensitive.

C19. Operations of Islamic Banking

(a) Balance Sheet (Unaudited)

	<i>Note</i>	Group	
		30.9.2008	31.3.2008
		RM'000	RM'000
ASSETS			
Cash and short-term funds		623,369	724,084
Deposits and placements with financial institutions		150	20,000
Securities available-for-sale		288,076	58,843
Securities held-to-maturity		122,374	274,524
Financing and advances	<i>C19(c)</i>	2,237,626	2,020,503
Other assets		33,222	19,718
Statutory deposits with Bank Negara Malaysia		107,583	63,383
Property, plant and equipment		143	176
Intangible assets		752	630
Deferred tax assets		25,741	25,405
TOTAL ASSETS		3,439,036	3,207,266
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	<i>C19(d)</i>	2,696,194	1,911,739
Deposits and placements of banks and other financial institutions		198,164	43,128
Bills and acceptances payable		6	-
Other liabilities		135,737	133,655
Provision for taxation		10,571	96,722
TOTAL LIABILITIES		3,040,672	2,185,244
Islamic Banking Funds		356,000	792,100
Reserves		42,364	229,922
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		3,439,036	3,207,266
COMMITMENTS AND CONTINGENCIES		468,543	498,504

C19. Operations of Islamic Banking (cont'd)

(b) Income Statements (Unaudited)

	GROUP			
	2nd Quarter Ended		Cumulative 6 Months Ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	48,774	34,811	94,934	73,175
Income derived from investment of Islamic banking funds	5,798	13,774	11,547	28,267
(Allowance)/write-back for losses on financing and advances	(12,152)	2,724	(20,292)	9,960
Impairment loss net of write-back	2,500	(7,500)	2,500	(11,451)
Transfer from/(to) profit equalisation reserve	1,769	(26,242)	1,192	(24,458)
Other expenses directly attributable to the investment of the depositors and shareholders' funds	(1,027)	(148)	(1,464)	(374)
Total distributable income	45,662	17,419	88,417	75,119
Income attributable to the depositors and financial institutions	(19,202)	(14,377)	(36,660)	(30,355)
Total net income	26,460	3,042	51,757	44,764
Other operating expenses	(13,455)	(842)	(28,352)	(1,796)
Profit before taxation	13,005	2,200	23,405	42,968
Taxation	(3,234)	196	(5,847)	(12,034)
Profit for the period	9,771	2,396	17,558	30,934
Net income from Islamic banking business:				
Income derived from investment of depositors' funds and others	48,774	34,811	94,934	73,175
Income derived from investment of Islamic banking funds	5,798	13,774	11,547	28,267
Transfer from/(to) profit equalisation reserve	1,769	(26,242)	1,192	(24,458)
Income attributable to depositors and financial institutions	(19,202)	(14,377)	(36,660)	(30,355)
Other expenses directly attributable to the investment of the depositors and shareholders' funds	(1,027)	(148)	(1,464)	(374)
	36,112	7,818	69,549	46,255
Add: Income due to head office eliminated at Group level	6,493	-	12,211	-
	42,605	7,818	81,760	46,255

Note:

Net income from Islamic banking business comprises income generated from both Alliance Islamic Bank Berhad ("AIS"), a newly incorporated Islamic banking subsidiary and Islamic banking business currently residing in Alliance Investment Bank Berhad ("AIBB"). Both AIS and AIBB are wholly-owned subsidiaries of Alliance Bank Malaysia Berhad, which in turn is a wholly owned subsidiary of the Company.

C19. Operations of Islamic Banking (cont'd)

(c) Financing and Advances

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
(i) By type		
Cash line financing	56,489	39,273
Term financing		
- Housing financing	583,602	479,859
- Hire purchase receivables	602,869	620,112
- Lease receivables	874	3,950
- Other term financing	1,752,325	1,486,660
Trust receipts	17,783	9,127
Claims on customers under acceptance credits	263,162	209,773
Staff financing	57,676	50,791
Revolving credits	48,504	57,564
	3,383,284	2,957,109
Unearned income	(1,062,095)	(862,111)
Gross financing and advances	2,321,189	2,094,998
Allowance for bad and doubtful debts and financing:		
- Specific	(42,815)	(38,985)
- General	(40,748)	(35,510)
Total net financing and advances	2,237,626	2,020,503

(ii) Movements in non-performing financing and advances are as follows:

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
At beginning of year	76,876	85,110
Non-performing during the period/year	42,204	79,726
Reclassified as performing during the period/year	(22,442)	(50,287)
Recoveries	(7,921)	(21,437)
Amount written off	(11,972)	(16,236)
At end of period/year	76,745	76,876
Specific allowance	(42,815)	(38,985)
Net non-performing financing and advances	33,930	37,891
Net NPL as % of gross financing and advances less specific allowance	1.5%	1.8%

C19. Operations of Islamic Banking (cont'd)

(c) Financing and Advances (cont'd)

(iii) Movements in the allowance for bad and doubtful debts and financing are as follows:

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
General Allowance		
At beginning of year	35,510	33,898
Allowance made during the period/year	6,844	8,526
Amount written back	(1,606)	(6,914)
	<hr/>	<hr/>
At end of period/year	40,748	35,510
	<hr/>	<hr/>
As % of total gross financing and advances less specific allowance	1.8%	1.7%
	<hr/>	<hr/>
Specific Allowance		
At beginning of year	38,985	55,045
Allowance made during the period/year	37,273	61,194
Amount written back in respect of recoveries	(21,471)	(61,018)
Amount written off	(11,972)	(16,236)
	<hr/>	<hr/>
At end of period/year	42,815	38,985
	<hr/>	<hr/>

(d) Deposits From Customers

	Group	
	30.9.2008	31.3.2008
	RM'000	RM'000
<u>Non-Mudharabah Fund</u>		
Demand deposits	907,933	763,591
Savings deposits	264,839	241,962
Negotiable instruments of deposits	118,993	64,456
<u>Mudharabah Fund</u>		
General investment deposits	1,404,429	841,730
	<hr/>	<hr/>
	2,696,194	1,911,739
	<hr/>	<hr/>

By Order of the Board

LEE WEI YEN (MAICSA 7001798)

Group Company Secretary

Kuala Lumpur

27 November 2008