

ALLIANCE FINANCIAL GROUP BERHAD

(Company Number : 6627-X)

(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2008

(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	3rd Quarter Ended		Cumulative 9 Months Ended	
		31.12.2008	31.12.2007	31.12.2008	31.12.2007
		RM'000	RM'000	RM'000	RM'000
Operating revenue		412,079	403,930	1,237,979	1,170,583
Interest income	C1	317,203	308,513	950,374	912,365
Interest expense	C2	(155,794)	(141,643)	(442,102)	(435,890)
Net interest income		161,409	166,870	508,272	476,475
Net income from Islamic banking business	C19(b)	42,856	37,358	124,616	83,613
		204,265	204,228	632,888	560,088
Other operating income	C3	56,688	64,681	170,495	184,753
Net income		260,953	268,909	803,383	744,841
Other operating expenses	C4	(141,623)	(133,503)	(406,473)	(335,490)
Operating profit		119,330	135,406	396,910	409,351
(Allowance)/write-back for losses on loans, advances and financing	C5	(34,176)	18,074	(77,358)	69,421
Impairment loss net of write-back for investments		(17,541)	(15,138)	(21,913)	(85,062)
Profit before taxation		67,613	138,342	297,639	393,710
Taxation	B5	(18,412)	(36,322)	(69,594)	(94,119)
Profit for the period		49,201	102,020	228,045	299,591
Attributable to:					
Equity holders of the Company		49,231	102,075	228,224	299,450
Minority interests		(30)	(55)	(179)	141
Profit for the period		49,201	102,020	228,045	299,591
Earnings per share (sen):					
- Basic	B15(a)	3.20	6.59	14.84	20.22
- Diluted	B15(b)	3.19	6.59	14.80	20.22

(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 31.12.2008 RM'000	AUDITED AS AT 31.3.2008 RM'000
ASSETS			
Cash and short-term funds		3,161,889	5,774,055
Deposits and placements with financial institutions		69,618	532,835
Securities held-for-trading	C6	10,548	100,129
Securities available-for-sale	C7	5,574,771	3,091,018
Securities held-to-maturity	C8	319,870	821,294
Derivative financial assets		32,427	19,393
Loans, advances and financing	C9	18,486,151	15,618,971
Balances due from clients and brokers	C10	89,533	119,333
Land held for investment		28,922	28,922
Other assets	C11	233,523	258,732
Tax recoverable		79,813	40,618
Statutory deposits		711,496	622,086
Leasehold land		12,171	12,275
Property, plant and equipment		140,790	129,615
Intangible assets		363,384	353,665
Deferred tax assets		163,818	151,985
TOTAL ASSETS		29,478,724	27,674,926
LIABILITIES AND EQUITY			
Deposits from customers	C12	23,109,275	21,351,760
Deposits and placements of banks and other financial institutions	C13	1,720,341	1,454,124
Derivative financial liabilities		15,816	23,276
Recourse obligations on loans sold to Cagamas		68,176	255,391
Bills and acceptances payable		119,944	161,418
Balances due to clients and brokers	C14	97,234	112,626
Other liabilities	C15	932,695	1,120,527
Subordinated bonds	B9(c)	600,000	600,000
Provision for taxation		8,757	-
Deferred tax liabilities		1,184	1,416
TOTAL LIABILITIES		26,673,422	25,080,538
Share capital		1,548,106	1,548,106
Reserves		1,283,916	1,067,586
Shares held for Employees' Share Scheme		(31,427)	(26,254)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS		2,800,595	2,589,438
Minority interests		4,707	4,950
TOTAL EQUITY		2,805,302	2,594,388
TOTAL LIABILITIES AND EQUITY		29,478,724	27,674,926
COMMITMENTS AND CONTINGENCIES	B10	15,018,536	13,976,101
Net assets per share attributable to ordinary equity holders of the Company (RM)*		1.81	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)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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	RM'000
<u>31 DECEMBER 2008</u>											
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	-	-	-	-	-	-	-	228,224	228,224	(179)	228,045
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	-	22,178	-	-	-	22,178	-	22,178
Transfer to statutory reserve	-	-	47,144	-	-	-	-	(47,144)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(38,434)	(38,434)	(64)	(38,498)
Share-based payment under Employees' Share Scheme	-	-	-	-	-	4,362	-	-	4,362	-	4,362
Purchase of shares pursuant to Employees' Share Scheme	-	-	-	-	-	-	(5,173)	-	(5,173)	-	(5,173)
At 31 December 2008	<u>1,548,106</u>	<u>304,289</u>	<u>414,054</u>	<u>7,013</u>	<u>(598)</u>	<u>5,800</u>	<u>(31,427)</u>	<u>553,358</u>	<u>2,800,595</u>	<u>4,707</u>	<u>2,805,302</u>
<u>31 DECEMBER 2007</u>											
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	-	-	-	-	-	-	-	299,450	299,450	141	299,591
Exercise of warrants	330,436	69,392	-	-	-	-	-	-	399,828	-	399,828
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(21,507)	-	-	-	(21,507)	-	(21,507)
Transfer to statutory reserve	-	-	49,741	-	-	-	-	(49,741)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(19,777)	(19,777)	-	(19,777)
Share-based payment under Employees' Share Scheme	-	-	-	-	-	363	-	-	363	-	363
At 31 December 2007	<u>1,548,106</u>	<u>560,630</u>	<u>317,866</u>	<u>7,013</u>	<u>(8,602)</u>	<u>363</u>	<u>-</u>	<u>175,703</u>	<u>2,601,079</u>	<u>4,952</u>	<u>2,606,031</u>

(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

(Company Number : 6627-X)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2008

	Unaudited 9 Months Ended 31.12.2008	Unaudited 9 Months Ended 31.12.2007
	RM'000	RM'000
Profit before taxation	297,639	393,710
Adjustment for non-operating and non-cash items	(1,565)	51,241
Operating profit before changes in working capital	296,074	444,951
Changes in working capital	(1,347,870)	(1,876,518)
Taxes and zakat paid	(118,761)	(50,579)
Net cash used in operating activities	(1,170,557)	(1,482,146)
Net cash (used in)/generated from investing activities	(1,838,798)	923,094
Net cash (used in)/generated from financing activities	(66,028)	148,254
Net change in cash and cash equivalents	(3,075,383)	(410,798)
Cash and cash equivalents at beginning of the period	6,306,890	6,579,314
Cash and cash equivalents at end of the period	3,231,507	6,168,516
Cash and cash equivalents at end of the period comprise the following:		
Cash and short-term funds	3,161,889	5,951,960
Deposits and placements with financial institutions	69,618	216,556
	3,231,507	6,168,516

(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 3rd quarter and the nine months ended 31 December 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 3rd quarter and the nine months ended 31 December 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 3rd quarter and the nine months ended 31 December 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 3rd quarter and the nine months ended 31 December 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 3rd quarter and the nine months ended 31 December 2008.

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 nine months ended 31 December 2008, the Trustee of the ESS acquired 2,180,800 ordinary shares of the Company from the open market for a total consideration of RM5,173,033.

As at 31 December 2008, the Trustee of the ESS held 11,555,500 ordinary shares representing 0.75% of the issued and paid-up capital of the Company. No share options or share grants were vested during the 3rd quarter and the nine months ended 31 December 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 3rd quarter and the nine months ended 31 December 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

9 months period ended 31 December 2008

Comparison of net income & operating profit with preceding year 9 months

The Group's net income registered growth of RM58.6 million, an increase of 7.9% compared to the corresponding period last year despite a sharp decline in Investment Bank fee income of RM39.2 million or 65.6% 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 13.0% resulting from strong loans growth. Included in the RM72.8 million was also an over-provision of RM10.8 million in deposit insurance premium which had already been written back in the 1st quarter.

At operating profit level, the Group registered an operating profit of RM396.9 million, a decrease of 3.0% compared to the corresponding period last year. The decline was mainly due to the once off write-back of overhead provision of RM51.8 million in the corresponding period last year. Excluding this write back, the operating profit is higher by 11.0% compared to corresponding period last year.

Comparison of profit before taxation with the preceding year 9 months

The Group's profit before taxation was RM297.6 million for the 9 months ended 31 December 2008, a decrease of RM96.1 million or 24.4% compared to the corresponding period last year mainly due to the higher allowance for losses on loans, advances and financing by RM146.8 million attributed to the following:

- The Group made an additional specific allowance of RM56.5 million during the 9 months period because we anticipate that present and future economic conditions may impact the businesses of some customers;
- Higher general allowance of RM13.6 million due to loan growth of 17.4% during the 9 months period; and
- Lower recovery of written off loans and financing by RM52.9 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 2.3% as at 30 September 2008 to 2.2% as at 31 December 2008 (31 March 2008: 3.3%). Gross loans provisioning coverage improved from 91.2% as at 30 September 2008 to 92.6% as at 31 December 2008 (31 March 2008: 79.9%).

The Group's gross loans and advances increased for the 9 months by 17.4% to RM19.4 billion compared to 31 March 2008.

The Group's risk-weighted capital ratio remained strong at 14.7%.

3rd Quarter ended 31 December 2008

Comparison with preceding year same quarter

For the current quarter under review, the Group registered an operating profit of RM119.3 million, a decrease of RM16.1 million or 11.9% compared to the corresponding quarter last year. This is mainly due to a RM6.5 million or 44.5% decline in Investment Bank fee income and RM8.1 million due to higher other operating expenses largely contributed by the provision for litigation cases and also higher establishment costs.

The Group's current quarter profit before taxation was RM67.6 million, a decrease of RM70.7 million or 51.1% compared to the corresponding quarter last year mainly due to the higher allowance for losses on loans, advances and financing as explained above.

B2. Comparison With Immediate Preceding Quarter

The Group recorded a profit before taxation of RM67.6 million for the 3rd quarter ended 31 December 2008, an increase of RM4.5 million compared to RM63.1 million recorded for the preceding quarter ended 30 September 2008.

Net income for the 3rd quarter ended 31 December 2008 improved by 3.2% recorded at RM260.9 million. The improvement mainly due to higher other operating income in the current quarter contributed by higher profit from forex transactions.

Operating profit level for the current quarter recorded a reduction of RM8.2 million or 6.4% compared to the preceding quarter. The reduction was mainly due to an increase in other operating expenses by RM16.4 million or 13.1% compared to preceding quarter. The other operating expense for the preceding quarter was lower due to reversal of provision in personnel related expenses in the preceding quarter of RM12.5 million. Excluding this reversal, the operating profit for the current quarter is higher by 3.7% compared to the preceding quarter.

Allowance for losses on loans and financing and impairment loss for the current quarter was lower than preceding quarter by RM12.7 million, largely due to the following:

- The Group made an additional specific allowance of RM32.1 million in the preceding quarter because we anticipate that present and future economic conditions may impact the businesses of some customers;

Off-set by:

- Higher impairment loss of RM16.5 million made for investment securities;
- Higher recoveries of written-down loans in the current quarter by RM8.6 million as compared to preceding quarter.

B3. Current Year Prospects

As a highly open economy with strong financial and economic linkages with the rest of the world, the Malaysian economy had already been impacted by external developments. The significant slowdown in global growth is expected to affect the export sector while the continued volatility across financial markets has dampened the business outlook.

The Group expects to record a reasonable performance for the financial year ending 31 March 2009 under the present circumstances.

B4. Profit Forecast

There was no profit forecast issued by the Group.

B5. Taxation

<u>GROUP</u>	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
- Income tax	17,816	44,739	97,924	144,620
- Deferred tax	641	(5,747)	(19,458)	(31,768)
	18,457	38,992	78,466	112,852
- Over provision of income tax expense in prior years	(45)	-	(8,872)	(16,063)
- Over provision of deferred tax in prior years	-	(2,700)	-	(2,700)
Taxation	18,412	36,292	69,594	94,089
Zakat	-	30	-	30
	18,412	36,322	69,594	94,119

The Group's effective tax rate for the 3rd quarter ended 31 December 2008 was higher than the current statutory tax rate mainly due to non-deductibility of certain expenses. For the nine months ended 31 December 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 3rd quarter and the nine months ended 31 December 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 3rd quarter and the nine months ended 31 December 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 nine months ended 31 December 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	
	31.12.2008	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)	14,602,834	13,421,993
- More than one year (medium/long term)	303,216	490,596
	14,906,050	13,912,589
Others	8,203,225	7,439,171
	23,109,275	21,351,760
(b) Deposits And Placements Of Banks And Other Financial Institutions		
- One year or less (short term)	1,185,064	1,083,573
- More than one year (medium/long term)	535,277	370,551
	1,720,341	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:

	<----- 31.12.2008 ----->			<----- 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	466,893	466,893	466,893	417,859	417,859	416,969
Transaction-related contingent items	539,133	269,567	269,567	593,608	296,804	296,804
Short-term self-liquidating trade-related contingencies	117,485	23,497	23,497	121,493	24,299	24,298
Irrevocable commitments to extend credit:						
- maturity exceeding one year	2,501,862	1,250,931	1,005,050	1,964,122	982,061	789,060
- maturity not exceeding one year	8,144,594	1,628,919	1,378,082	7,318,045	1,463,608	1,250,607
Foreign exchange related contracts less than one year	2,358,569	83,347	42,446	3,560,974	107,963	51,475
Interest rate related contracts:						
- over one year to five years	860,000	26,892	5,378	-	-	-
- over five years	30,000	5,422	1,084	-	-	-
Total	15,018,536	3,755,468	3,191,997	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)
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2008

B11. Financial Instruments With Off-Balance Sheet Risk

Details of financial instruments with off-balance sheet risk as at 31 December 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	460,426	155,678	211,768	86,369	6,611	-	-	-
- swaps	1,898,143	851,050	633,938	270,770	142,385	-	-	-
Interest rate related contracts								
- forward	-	-	-	-	-	-	-	-
- futures	-	-	-	-	-	-	-	-
- swaps	890,000	-	-	-	-	860,000	30,000	-
Total	3,248,569	1,006,728	845,706	357,139	148,996	860,000	30,000	-

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 31 December 2008, the amount of contracts which were not hedged and hence, exposed to market risk was RM119,895,000 (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 31 December 2008, the amounts of credit risk, measured in terms of cost to replace the profitable contracts was RM52,230,000 (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 (“ABMB”), 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. The hearing had been completed and is now pending written submissions by the parties after which a decision date is to be fixed.

Based on the initial advice from the syndicated lenders’ solicitors, ABMB would be able to defend this case successfully.

B13. Proposed Dividend

- a) A Second Interim Dividend of 3.75 sen per share, tax exempt under the single tier tax system, has been declared by the directors;
- b) Amount per share: 3.75 sen, tax exempt under the single tier tax system;
- c) Previous corresponding period: A second interim dividend of 4.5 sen per share comprising of 4.15 sen dividend less 26% tax and 0.35 sen, tax exempt under the single tier tax system;
- d) Payment date: 3 March 2009;
- e) In respect of deposited securities, entitlement to the interim dividend will be determined on the basis of the record of depositors as at 17 February 2009; and
- f) The total dividend paid/declared for the financial year ending 31 March 2009 is 6.25 sen per share, tax exempt under the single tier tax system (2008: 6.25 sen per share comprising 5.9 sen less tax and 0.35 sen, tax exempt under the single tier tax system).

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 3rd quarter and the nine months ended 31 December 2008 divided by the weighted average number of ordinary shares of RM1.00 each in issue during the 3rd quarter and the nine months ended 31 December 2008 excluding the weighted average shares held for ESS.

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Net profit attributable to equity holders of the Company (RM'000)	49,231	102,075	228,224	299,450
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106	1,548,106	1,481,325
Effect of shares bought back for ESS ('000)	(10,713)	-	(10,713)	-
	1,537,393	1,548,106	1,537,393	1,481,325
Basic earnings per share (sen)	3.20	6.59	14.84	20.22

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2008

B15. Earnings Per Share (EPS) (cont'd)

(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 3rd quarter and the nine months ended 31 December 2008 divided by the weighted average number of ordinary shares of RM1.00 each in issue during the 3rd quarter and the nine months ended 31 December 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 31 December 2008.

	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Net profit attributable to equity holders of the Company (RM'000)	49,231	102,075	228,224	299,450
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106	1,548,106	1,481,325
Effect of shares bought back for ESS ('000)	(10,713)	-	(10,713)	-
Effect of Share Grants under ESS ('000)	4,190	-	4,190	-
	1,541,583	1,548,106	1,541,583	1,481,325
Diluted earnings per share (sen)	3.19	6.59	14.80	20.22

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

C1. Interest Income

Group	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest/income other than recoveries from NPLs	222,252	195,693	652,599	573,166
- Recoveries from NPLs	13,269	26,313	45,272	72,798
	235,521	222,006	697,871	645,964
Money at call and deposit placements with financial institutions	22,418	41,642	102,530	143,922
Securities held-for-trading	-	38	61	166
Securities available-for-sale	37,384	22,850	76,995	68,937
Securities held-to-maturity	2,262	7,066	11,004	23,076
Others	35	410	36	1,291
	297,620	294,012	888,497	883,356
Accretion of discount less amortisation of premium	24,789	19,236	76,330	45,062
Net interest/income suspended	(5,206)	(4,735)	(14,453)	(16,053)
	317,203	308,513	950,374	912,365

C2. Interest Expense

Group	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	9,056	2,063	24,412	4,486
Deposits from customers	136,341	125,145	395,358	367,466
Loans sold to Cagamas	329	2,064	3,150	6,529
Subordinated bonds	9,210	9,210	27,530	27,530
Short term borrowing	-	-	-	4,268
Others	858	3,161	(8,348)	25,611
	155,794	141,643	442,102	435,890

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2008

C3. Other Operating Income

<u>Group</u>	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	3,796	6,087	16,474	19,811
Service charges and fees	8,551	6,067	23,104	18,151
Portfolio management	1,475	1,903	4,670	5,462
Corporate advisory fees	1,404	1,129	3,339	4,032
Underwriting commissions	81	971	81	3,078
Brokerage fees	3,981	8,713	11,226	37,573
Guarantee fees	2,727	2,167	7,475	6,607
Processing fees	3,203	4,992	7,892	11,380
Commitment fees	3,301	3,443	10,048	10,126
Other fee income	6,174	5,960	19,152	17,081
	34,693	41,432	103,461	133,301
(b) <u>Investment income:</u>				
Net gain/(loss) from sale of securities:				
- held-for-trading	370	616	691	1,614
- available-for-sale	88	(1,660)	(1,013)	3,596
Net gain from redemption of securities:				
- held-to-maturity	328	7,064	15,119	7,901
Net unrealised (loss)/gain on revaluation of:				
- securities held-for-trading	-	(15)	269	8
- derivative instruments	18,569	10,501	20,494	(10,816)
Net realised (loss)/gain on revaluation of:				
- derivative instruments	(4,131)	5,543	14,219	40,254
Gross dividend income from:				
- securities held-to-maturity	539	504	5,193	3,691
	15,763	22,553	54,972	46,248
(c) <u>Other income:</u>				
Foreign exchange profit/(loss)	1,502	(5,147)	5,717	(2,868)
Rental income	51	34	231	230
Gain on disposal of property, plant and equipment	10	110	128	652
Gain on disposal of foreclosed properties	4,332	-	4,187	1,370
Others income	337	5,699	1,799	5,820
	6,232	696	12,062	5,204
Total other operating income	56,688	64,681	170,495	184,753

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2008

C4. Other Operating Expenses

<u>Group</u>	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs:</u>				
Salaries, allowances and bonuses	63,509	64,763	188,620	154,228
Pension costs	10,474	11,015	32,007	27,250
Share options/grants under ESS	1,952	363	4,362	363
Others	7,059	6,146	20,608	20,056
	82,994	82,287	245,597	201,897
<u>Establishment costs:</u>				
Depreciation of property, plant and equipment	8,712	7,817	27,211	27,330
Amortisation of computer software	3,493	3,717	11,917	11,155
Amortisation of leasehold land	34	36	104	95
Rental of premises	6,712	6,322	20,440	19,242
Water and electricity	2,056	1,553	5,927	4,758
Repairs and maintenance	2,627	1,965	7,198	4,785
EDP expenses	8,134	7,346	25,945	15,813
Others	2,641	3,360	7,815	10,011
	34,409	32,116	106,557	93,189
<u>Marketing expenses:</u>				
Promotion and advertisement	2,450	3,439	1,458	(1,205)
Branding and publicity	1,290	1,649	4,222	351
Others	1,478	1,395	4,783	4,604
	5,218	6,483	10,463	3,750
<u>Administration and general expenses:</u>				
Communication expenses	3,732	3,673	11,404	10,054
Printing and stationery	1,479	1,229	4,502	4,121
Insurance	998	802	2,299	1,959
Professional fees	3,969	3,182	9,164	8,568
Others	8,824	3,731	16,487	11,952
	19,002	12,617	43,856	36,654
Total other operating expenses	141,623	133,503	406,473	335,490

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2008

C5. Allowance/(Write-back) For Losses On Loans, Advances And Financing

Group	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	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	99,206	59,712	307,398	252,063
- Written back during the period	(54,722)	(64,128)	(214,696)	(250,134)
(b) General allowance				
- Made during the period	18,457	17,144	64,772	52,127
- Written back during the period	(7,939)	(6,947)	(18,686)	(19,644)
Bad debts on loans and financing				
- Recovered	(20,859)	(24,622)	(58,654)	(111,561)
- Written off	171	1,108	1,391	4,070
	34,314	(17,733)	81,525	(73,079)
(Write-back)/allowance on other assets	(138)	(341)	(4,167)	3,658
	34,176	(18,074)	77,358	(69,421)

C6. Securities Held-for-trading

	Group	
	31.12.2008	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	1,606	3,088
Debt securities	8,942	13,141
 <u>Unquoted securities:</u>		
Debt securities	-	41,227
 Total securities held-for-trading	10,548	100,129

C7. Securities Available-for-sale

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	1,408,984	10,088
Malaysian Government investment certificates	185,872	200,428
Cagamas bonds	25,600	5,012
Negotiable instruments of deposits	1,691,039	1,109,897
Commercial papers	44,674	35,972
Bankers acceptances	1,452,937	1,190,807
 <u>Quoted securities in Malaysia:</u>		
Debt securities	6,572	10,383
 <u>Unquoted securities:</u>		
Shares	5,598	6,711
Debt securities	753,495	521,720
 Total securities available-for-sale	5,574,771	3,091,018

C8. Securities Held-to-maturity

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	-	108,606
Malaysian Government investment certificates	53,591	53,046
Cagamas bonds	20,000	94,983
Khazanah bonds	53,413	278,756
Bankers acceptances	-	124
<u>Quoted securities in Malaysia:</u>		
Debt securities	4,902	4,932
<u>Unquoted securities:</u>		
Shares	22,021	22,021
Debt securities	273,994	396,274
	427,921	958,742
Accumulated impairment losses	(108,051)	(137,448)
	319,870	821,294

C9. Loans, Advances And Financing

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
Overdrafts	1,653,724	1,787,614
Term loans/financing		
- Housing loans/financing	7,444,650	5,775,875
- Syndicated term loans/financing	257,497	297,179
- Hire purchase receivables	1,411,474	1,427,178
- Lease receivables	104	4,053
- Other term loans/financing	5,694,968	4,749,197
Bills receivables	160,375	152,046
Trust receipts	173,243	138,705
Claims on customers under acceptance credit	1,898,076	1,553,982
Staff loans [includes RM1,420,000 loan to Executive Director from a banking subsidiary (2008: RM389,000)]	115,784	112,779
Credit/charge card receivables	647,328	546,659
Revolving credits	943,066	600,847
Other loans	283,440	360,325
	20,683,729	17,506,439
Unearned interest and income	(1,256,492)	(961,743)
Gross loans, advances and financing	19,427,237	16,544,696
Allowance for bad and doubtful debts and financing:		
- Specific	(605,704)	(636,429)
- General	(335,382)	(289,296)
Net loans, advances and financing	18,486,151	15,618,971

(a) By type of customer:

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
Domestic non-bank financial institutions		
- Stockbroking companies	-	21
- Others	292,865	168,373
Domestic business enterprises		
- Small and medium enterprises	4,233,777	4,106,594
- Others	3,982,771	3,170,758
Government and statutory bodies	17,550	17,955
Individuals	10,566,119	8,894,371
Other domestic entities	4,168	6,356
Foreign entities	329,987	180,268
Gross loans, advances and financing	19,427,237	16,544,696

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2008

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

(b) By interest/profit rate sensitivity:

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
Fixed rate		
- Housing loans/financing	170,444	164,468
- Hire purchase receivables	1,239,651	1,256,672
- Other fixed rate loans/financing	1,507,554	1,416,703
Variable rate		
- Base lending rate plus	12,824,920	10,803,036
- Cost plus	3,493,033	2,658,754
- Other variable rates	191,635	245,063
Gross loans, advances and financing	19,427,237	16,544,696

(c) By economic purposes:

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
Purchase of securities	316,375	395,644
Purchase of transport vehicles	1,239,028	1,260,738
Purchase of landed property	10,035,495	8,262,346
of which: - Residential	7,374,753	5,814,952
- Non-residential	2,660,742	2,447,394
Purchase of fixed assets excluding land & buildings	49,365	73,329
Personal use	1,113,154	915,170
Credit card	647,313	546,769
Purchase of durable goods	15	-
Construction	331,325	350,927
Working capital	4,984,805	4,082,329
Others	710,362	657,444
Gross loans, advances and financing	19,427,237	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	
	31.12.2008	31.3.2008
	RM'000	RM'000
At beginning of year	1,158,506	1,568,510
Non-performing during the period/year	586,692	762,791
Reclassified as performing during the period/year	(373,387)	(626,319)
Loans/financing converted to securities	-	(11,726)
Recoveries	(231,974)	(352,592)
Amount written off	(123,427)	(182,158)
At end of period/year	1,016,410	1,158,506
Specific allowance	(605,704)	(636,429)
Net non-performing loans, advances and financing	410,706	522,077
Net NPL as % of gross loans, advances and financing less specific allowance	2.2%	3.3%

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

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
General Allowance		
At beginning of year	289,296	245,582
Allowance made during the period/year	64,772	69,252
Amount written back	(18,686)	(25,538)
At end of period/year	335,382	289,296
As % of gross loans, advances and financing less specific allowance	1.8%	1.8%

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	
	31.12.2008	31.3.2008
	RM'000	RM'000
Specific Allowance		
At beginning of year	636,429	813,485
Allowance made during the period/year	307,398	342,536
Amount written back in respect of recoveries	(214,696)	(325,708)
Loan/financing converted to securities	-	(11,726)
Amount written off	(123,427)	(182,158)
	605,704	636,429
At end of period/year	605,704	636,429

Included in specific allowance of the Group are allowances made for high risk accounts which are still performing amounting to RM82,990,000 (31.03.2008: 86,528,000).

(f) NPL/NPF by economic purposes:

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
Purchase of securities	41,354	62,099
Purchase of transport vehicles	33,306	32,069
Purchase of landed property	421,212	552,440
<i>of which: - Residential</i>	271,624	367,546
<i>- Non-residential</i>	149,588	184,894
Purchase of fixed assets excluding land & buildings	384	766
Personal use	53,406	50,051
Credit card	14,733	11,855
Construction	27,147	37,034
Working capital	388,835	383,060
Others	36,033	29,132
Gross NPL	1,016,410	1,158,506

C10. Balances Due From Clients And Brokers

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
Due from clients	94,378	95,717
Due from brokers	16,332	48,281
	110,710	143,998
Allowance for bad and doubtful debts	(21,177)	(24,665)
	89,533	119,333

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	
	31.12.2008	31.3.2008
	RM'000	RM'000
Classified as doubtful	973	825
Classified as bad	22,755	25,290
	23,728	26,115

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	1,574	4,219
Reversal of allowance	(5,062)	(921)
At end of period/year	21,177	24,665

C11. Other Assets

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
Other receivables, deposits and prepayments	179,315	225,146
Interest/income receivable	56,471	38,147
Trade receivables	25	15
Manager's stocks	6,318	3,257
Foreclosed properties	5,120	6,756
	247,249	273,321
Allowance for bad and doubtful debts	(13,726)	(14,589)
	233,523	258,732

C12. Deposits From Customers

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
<u>By type of deposits:</u>		
Demand deposits	6,543,880	5,790,214
Savings deposits	1,659,345	1,648,957
Fixed/investment deposits	12,709,304	12,868,850
Money market deposits	1,087,480	979,283
Negotiable instruments of deposits	1,109,266	64,456
	23,109,275	21,351,760

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
<u>By type of customers:</u>		
Government and statutory bodies	806,725	932,413
Business enterprises	8,437,365	7,631,613
Individuals	12,981,594	12,018,644
Others	883,591	769,090
	23,109,275	21,351,760

C13. Deposits And Placements Of Banks And Other Financial Institutions

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
Licensed commercial banks	859,456	783,829
Licensed investment banks	284,100	255,000
Bank Negara Malaysia	576,785	415,295
	1,720,341	1,454,124

C14. Balances Due To Clients And Brokers

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
Due to clients	44,385	52,249
Due to brokers	52,849	60,377
	97,234	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	
	31.12.2008	31.3.2008
	RM'000	RM'000
Other payable and accruals	734,891	935,870
Interest/income payable	124,433	105,301
Remisier's accounts	24,281	27,431
Profit Equalisation Reserve	49,090	51,925
	932,695	1,120,527

C16. Capital Adequacy

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

	31.12.2008	31.3.2008
	%	%
<u>Before deducting proposed dividend</u>		
Core capital ratio	-	11.46
Risk-weighted capital ratio	-	16.39
	<hr/>	<hr/>
<u>After deducting proposed dividend</u>		
Core capital ratio	10.25	11.23
Risk-weighted capital ratio	14.73	16.16
	<hr/>	<hr/>

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

	31.12.2008	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	737,632	702,407
Statutory reserves	656,092	608,948
Other reserves	10,035	10,035
Minority interests	4,736	4,949
	<hr/>	<hr/>
	2,606,529	2,524,373
Less: Purchased goodwill/goodwill on consolidation	(304,149)	(304,149)
Deferred tax assets	(163,818)	(151,985)
	<hr/>	<hr/>
Total Tier I capital	2,138,562	2,068,239
	<hr/>	<hr/>
Tier II Capital		
Subordinated bonds	600,000	600,000
General allowance for bad and doubtful debts and financing	335,429	289,296
	<hr/>	<hr/>
Total Tier II capital	935,429	889,296
	<hr/>	<hr/>
Total Capital/Capital Base	3,073,991	2,957,535
	<hr/>	<hr/>

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

<u>Group</u>	31.12.2008		31.3.2008	
	<u>Notional</u> RM'000	<u>Risk-Weighted</u> RM'000	<u>Notional</u> RM'000	<u>Risk-Weighted</u> RM'000
Credit risk	32,212,706	18,801,896	29,212,069	16,016,103
Market risk	-	46,868	-	83,714
Operational risk	-	2,024,389	-	1,944,266
	<hr/>	<hr/>	<hr/>	<hr/>
Total Risk-Weighted Assets	32,212,706	20,873,153	29,212,069	18,044,083
	<hr/>	<hr/>	<hr/>	<hr/>

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>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/>	<hr/>

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2008

C18. Interest Rate Risk

GROUP	----- Non-trading book -----						Non-interest sensitive	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					RM'000
As at 31 December 2008	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS											
Cash and short-term funds	2,623,887	-	-	-	-	-	538,002	-	3,161,889	3.25	
Deposits and placements with financial institutions	-	67,068	150	2,400	-	-	-	-	69,618	2.64	
Securities held-for-trading	-	-	-	-	-	-	-	10,548	10,548	4.62	
Securities available-for-sale	1,386,528	1,193,725	506,175	423,436	1,848,769	203,889	-	12,249	5,574,771	3.97	
Securities held-to-maturity	1,263	-	136,215	76,500	81,542	5,234	19,116	-	319,870	5.04	
Loans, advances and financing	13,139,432	1,229,682	405,829	377,665	2,494,335	763,884	75,324 *	-	18,486,151	6.19	
Balances due from clients and brokers	70,485	-	-	-	-	-	19,048	-	89,533	12.00	
Other non-interest sensitive balances	-	-	-	-	-	-	1,733,917	32,427	1,766,344	-	
TOTAL ASSETS	17,221,595	2,490,475	1,048,369	880,001	4,424,646	973,007	2,385,407	55,224	29,478,724		
LIABILITIES											
Deposits from customers	13,869,421	2,333,989	2,848,817	3,753,833	303,215	-	-	-	23,109,275	2.54	
Deposits and placements of banks and other financial institutions	705,668	455,060	13,521	10,815	535,277	-	-	-	1,720,341	2.33	
Bills and acceptances payable	58,636	56,810	4,498	-	-	-	-	-	119,944	3.69	
Subordinated bonds	-	-	-	-	600,000	-	-	-	600,000	6.09	
Recourse obligations on loans sold to Cagamas	-	-	18,288	34,520	15,368	-	-	-	68,176	3.64	
Balances due to clients and brokers	96,589	-	-	-	-	-	645	-	97,234	2.50	
Other non-interest sensitive balances	-	-	-	-	-	-	942,636	15,816	958,452	-	
TOTAL LIABILITIES	14,730,314	2,845,859	2,885,124	3,799,168	1,453,860	-	943,281	15,816	26,673,422		
Equity	-	-	-	-	-	-	2,800,595	-	2,800,595	-	
Minority interests	-	-	-	-	-	-	4,707	-	4,707	-	
TOTAL LIABILITIES AND EQUITY	14,730,314	2,845,859	2,885,124	3,799,168	1,453,860	-	3,748,583	15,816	29,478,724		
On-balance sheet interest sensitivity gap	2,491,281	(355,384)	(1,836,755)	(2,919,167)	2,970,786	973,007	(1,363,176)	39,408	-		
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	-		
Total interest sensitivity gap	2,491,281	(355,384)	(1,836,755)	(2,919,167)	2,970,786	973,007	(1,363,176)	39,408	-		

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

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

		Group	
	<i>Note</i>	31.12.2008 RM'000	31.3.2008 RM'000
ASSETS			
Cash and short-term funds		437,619	724,084
Deposits and placements with financial institutions		150	20,000
Securities available-for-sale		243,104	58,843
Securities held-to-maturity		112,903	274,524
Financing and advances	<i>C19(c)</i>	2,299,703	2,020,503
Other assets		17,993	19,718
Statutory deposits with Bank Negara Malaysia		89,793	63,383
Property, plant and equipment		151	176
Intangible assets		733	630
Deferred tax assets		24,494	25,405
TOTAL ASSETS		3,226,643	3,207,266
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	<i>C19(d)</i>	2,581,881	1,911,739
Deposits and placements of banks and other financial institutions		74,359	43,128
Bills and acceptances payable		81	-
Other liabilities		146,710	133,655
Provision for taxation		13,322	96,722
TOTAL LIABILITIES		2,816,353	2,185,244
Islamic Banking Funds		356,000	792,100
Reserves		54,290	229,922
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		3,226,643	3,207,266
COMMITMENTS AND CONTINGENCIES		518,549	498,504

C19. Operations Of Islamic Banking (cont'd)

(b) Income Statements (Unaudited)

	GROUP			
	3rd Quarter Ended		Cumulative 9 Months Ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	47,108	35,206	142,042	108,381
Income derived from investment of Islamic banking funds	6,136	15,995	17,683	44,262
(Allowance)/write-back for losses on financing and advances	(10,415)	(5,603)	(30,707)	4,357
Impairment loss net of write-back	-	-	2,500	(11,451)
Transfer from/(to) profit equalisation reserve	1,643	(299)	2,835	(24,757)
Other expenses directly attributable to the investment of the depositors and shareholders' funds	(1,163)	(137)	(2,627)	(511)
Total distributable income	43,309	45,162	131,726	120,281
Income attributable to the depositors and financial institutions	(17,731)	(13,407)	(54,391)	(43,762)
Total net income	25,578	31,755	77,335	76,519
Other operating expenses	(13,568)	(701)	(41,920)	(2,497)
Profit before taxation	12,010	31,054	35,415	74,022
Taxation	(3,025)	(7,880)	(8,872)	(19,914)
Profit for the period	8,985	23,174	26,543	54,108
Net income from Islamic banking business:				
Income derived from investment of depositors' funds and others	47,108	35,206	142,042	108,381
Income derived from investment of Islamic banking funds	6,136	15,995	17,683	44,262
Transfer from/(to) profit equalisation reserve	1,643	(299)	2,835	(24,757)
Income attributable to depositors and financial institutions	(17,731)	(13,407)	(54,391)	(43,762)
Other expenses directly attributable to the investment of the depositors and shareholders' funds	(1,163)	(137)	(2,627)	(511)
	35,993	37,358	105,542	83,613
Add: Income due to head office eliminated at Group level	6,863	-	19,074	-
	42,856	37,358	124,616	83,613

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	
	31.12.2008	31.3.2008
	RM'000	RM'000
(i) By type		
Cash line financing	67,258	39,273
Term financing		
- Housing financing	674,975	479,859
- Hire purchase receivables	629,743	620,112
- Lease receivables	-	3,950
- Other term financing	1,759,585	1,486,660
Trust receipts	23,923	9,127
Claims on customers under acceptance credits	284,090	209,773
Staff financing	61,132	50,791
Revolving credits	47,891	57,564
	<u>3,548,597</u>	<u>2,957,109</u>
Unearned income	(1,162,031)	(862,111)
Gross financing and advances	<u>2,386,566</u>	<u>2,094,998</u>
Allowance for bad and doubtful debts and financing:		
- Specific	(44,690)	(38,985)
- General	(42,173)	(35,510)
	<u>2,299,703</u>	<u>2,020,503</u>

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

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
At beginning of year	76,876	85,110
Non-performing during the period/year	65,665	79,726
Reclassified as performing during the period/year	(33,143)	(50,287)
Recoveries	483	(21,437)
Amount written off	(19,821)	(16,236)
At end of period/year	<u>90,060</u>	<u>76,876</u>
Specific allowance	(44,690)	(38,985)
Net non-performing financing and advances	<u>45,370</u>	<u>37,891</u>
Net NPL as % of gross financing and advances less specific allowance	<u>1.9%</u>	<u>1.8%</u>

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	
	31.12.2008	31.3.2008
	RM'000	RM'000
General Allowance		
At beginning of year	35,510	33,898
Allowance made during the period/year	9,511	8,526
Amount written back	(2,848)	(6,914)
	<hr/>	<hr/>
At end of period/year	42,173	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	57,562	61,194
Amount written back in respect of recoveries	(32,036)	(61,018)
Amount written off	(19,821)	(16,236)
	<hr/>	<hr/>
At end of period/year	44,690	38,985
	<hr/>	<hr/>

(d) Deposits From Customers

	Group	
	31.12.2008	31.3.2008
	RM'000	RM'000
<u>Non-Mudharabah Fund</u>		
Demand deposits	801,195	763,591
Savings deposits	254,421	241,962
Negotiable instruments of deposits	209,266	64,456
<u>Mudharabah Fund</u>		
General investment deposits	1,266,703	841,730
Money market deposits	50,296	-
	<hr/>	<hr/>
	2,581,881	1,911,739
	<hr/>	<hr/>

By Order of the Board

LEE WEI YEN (MAICSA 7001798)

Group Company Secretary
 Kuala Lumpur
 24 February 2009