

ALLIANCE FINANCIAL GROUP BERHAD

(Company Number : 6627-X)

(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	1st Quarter Ended		Cumulative 3 Months Ended	
		30.6.2012	30.6.2011 (Restated)	30.6.2012	30.6.2011 (Restated)
		RM'000	RM'000	RM'000	RM'000
Interest income	C1	348,626	326,191	348,626	326,191
Interest expense	C2	(174,748)	(160,214)	(174,748)	(160,214)
Net interest income		173,878	165,977	173,878	165,977
Net income from Islamic banking business	C3	63,090	61,877	63,090	61,877
		236,968	227,854	236,968	227,854
Other operating income	C4	82,370	79,211	82,370	79,211
Net income		319,338	307,065	319,338	307,065
Other operating expenses	C5	(161,119)	(144,076)	(161,119)	(144,076)
Operating profit before allowance		158,219	162,989	158,219	162,989
Write-back of losses on loans, advances and financing and other losses	C6	8,786	10,904	8,786	10,904
Write-back of impairment		473	871	473	871
Operating profit after allowance		167,478	174,764	167,478	174,764
Share of results of associate		(1,110)	(698)	(1,110)	(698)
Profit before taxation and zakat		166,368	174,066	166,368	174,066
Taxation and zakat	B5	(41,791)	(44,091)	(41,791)	(44,091)
Net profit after taxation and zakat		124,577	129,975	124,577	129,975
Other comprehensive income:					
Revaluation reserve on financial investments available-for-sale					
- Net gain from change in fair value		14,531	45,235	14,531	45,235
- Transfer to deferred tax		(3,633)	(11,309)	(3,633)	(11,309)
Other comprehensive income, net of tax		10,898	33,926	10,898	33,926
Total comprehensive income for the period		135,475	163,901	135,475	163,901
Profit attributable to:					
Owners of the parent		124,532	129,766	124,532	129,766
Non-controlling interests		45	209	45	209
Net profit after taxation and zakat		124,577	129,975	124,577	129,975
Total comprehensive income attributable to:					
Owners of the parent		135,430	163,692	135,430	163,692
Non-controlling interests		45	209	45	209
Total comprehensive income for the period		135,475	163,901	135,475	163,901
Earnings per share attributable to owners of the parent:					
- Basic (sen)	B14(a)	8.2	8.5	8.2	8.5
- Diluted (sen)	B14(b)	8.2	8.5	8.2	8.5

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited Annual Financial Statements of the Group for the financial year ended 31 March 2012)

ALLIANCE FINANCIAL GROUP BERHAD

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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED		
		AS AT 30.6.2012	AS AT 31.3.2012 (Restated)	AS AT 1.4.2011 (Restated)
		RM'000	RM'000	RM'000
ASSETS				
Cash and short-term funds		991,874	1,874,333	914,038
Deposits and placements with banks and other financial institutions		36,982	97,713	100,228
Balances due from clients and brokers	C7	53,100	61,764	80,543
Financial assets held-for-trading	C8	1,562,623	1,491,995	1,938,250
Financial investments available-for-sale	C9	9,402,602	9,123,201	9,259,940
Financial investments held-to-maturity	C10	743,096	795,256	940,726
Derivative financial assets		44,979	23,712	32,047
Loans, advances and financing	C11	25,347,477	24,488,832	21,893,950
Other assets	C12	72,297	78,157	87,621
Tax recoverable		464	465	3,244
Statutory deposits		1,290,383	1,163,083	291,108
Investment in associate		25,441	26,552	28,530
Investment property		27,748	27,748	27,748
Property, plant and equipment		88,946	90,293	104,837
Intangible assets		356,032	354,902	357,682
Deferred tax assets		13,818	15,341	84,083
		40,057,862	39,713,347	36,144,575
Non-current assets held for sale		2,804	3,814	-
TOTAL ASSETS		40,060,666	39,717,161	36,144,575
LIABILITIES AND EQUITY				
Deposits from customers	B9(a), C13	31,597,229	32,130,962	28,345,647
Deposits and placements of banks and other financial institutions	B9(b), C14	2,977,104	2,161,005	1,952,200
Balances due to clients and brokers	C15	82,093	74,915	86,743
Bills and acceptances payable		196	178	111,159
Derivative financial liabilities	B10	31,246	26,241	33,347
Amount due to Cagamas Berhad		21,255	22,044	125,776
Other liabilities	C16	777,568	870,807	811,890
Subordinated obligations	B9(c)	604,491	611,615	600,000
Long term borrowings		-	-	601,272
Provision for taxation		44,212	24,527	40,507
Deferred tax liabilities		34,088	23,012	6,190
TOTAL LIABILITIES		36,169,482	35,945,306	32,714,731
Share capital		1,548,106	1,548,106	1,548,106
Reserves		2,424,496	2,287,038	1,920,416
Shares held for Employees' Share Scheme		(86,368)	(68,194)	(43,167)
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT		3,886,234	3,766,950	3,425,355
Non-controlling interests		4,950	4,905	4,489
TOTAL EQUITY		3,891,184	3,771,855	3,429,844
TOTAL LIABILITIES AND EQUITY		40,060,666	39,717,161	36,144,575
COMMITMENTS AND CONTINGENCIES	C18	19,969,628	18,741,373	15,909,028
Net assets per share attributable to owners of the parent (RM)*		2.51	2.43	2.17

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

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited Annual Financial Statements of the Group for the financial year ended 31 March 2012)

ALLIANCE FINANCIAL GROUP BERHAD

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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

	← Attributable to Owners of the Parent →											
	Share Capital	Share Premium	Statutory Reserve	Capital Reserve	Revaluation Reserve	Employees' Share Scheme ("ESS") Reserve	Profit Equalisation Reserve ("PER")	Shares held for ESS	Retained Profits	Total	Non- controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2012												
At 1 April 2012												
- As previously stated	1,548,106	304,289	600,129	7,013	132,769	14,001	1,033	(68,194)	1,131,283	3,670,429	4,905	3,675,334
- Effect of full adoption of MFRS 139	-	-	-	-	-	-	-	-	96,521	96,521	-	96,521
As restated	1,548,106	304,289	600,129	7,013	132,769	14,001	1,033	(68,194)	1,227,804	3,766,950	4,905	3,771,855
Net profit after taxation and zakat	-	-	-	-	-	-	-	-	124,532	124,532	45	124,577
Other comprehensive income	-	-	-	-	10,898	-	-	-	-	10,898	-	10,898
Total comprehensive income	-	-	-	-	10,898	-	-	-	124,532	135,430	45	135,475
for the period	-	-	-	-	10,898	-	-	-	124,532	135,430	45	135,475
Purchase of shares pursuant to ESS	-	-	-	-	-	-	-	(18,174)	-	(18,174)	-	(18,174)
Share-based payment under ESS	-	-	-	-	-	2,028	-	-	-	2,028	-	2,028
At 30 June 2012	1,548,106	304,289	600,129	7,013	143,667	16,029	1,033	(86,368)	1,352,336	3,886,234	4,950	3,891,184
30 June 2011												
At 1 April 2011												
- As previously stated	1,548,106	304,289	544,368	7,013	68,620	13,768	1,033	(43,167)	908,084	3,352,114	4,489	3,356,603
- Effect of full adoption of MFRS 139	-	-	-	-	-	-	-	-	73,241	73,241	-	73,241
As restated	1,548,106	304,289	544,368	7,013	68,620	13,768	1,033	(43,167)	981,325	3,425,355	4,489	3,429,844
Net profit after taxation and zakat	-	-	-	-	-	-	-	-	129,766	129,766	209	129,975
Other comprehensive income	-	-	-	-	33,926	-	-	-	-	33,926	-	33,926
Total comprehensive income	-	-	-	-	33,926	-	-	-	129,766	163,692	209	163,901
for the period	-	-	-	-	33,926	-	-	-	129,766	163,692	209	163,901
Share-based payment under ESS	-	-	-	-	-	1,293	-	-	-	1,293	-	1,293
At 30 June 2011	1,548,106	304,289	544,368	7,013	102,546	15,061	1,033	(43,167)	1,111,091	3,590,340	4,698	3,595,038

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited Annual Financial Statements of the Group for the financial year ended 31 March 2012)

ALLIANCE FINANCIAL GROUP BERHAD

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

	Unaudited 3 Months Ended 30.6.2012	Audited 3 Months Ended 30.6.2011 (Restated)
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	166,368	174,066
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(36,440)	(24,000)
Depreciation of property, plant and equipment	7,330	7,443
Dividends from financial investments available-for-sale	(2,622)	(3,619)
Gain on disposal of property, plant and equipment	(1,578)	(82)
Net gain from redemption of financial investments held-to-maturity	(20)	(11,994)
Net gain from sale of financial assets held-for-trading	(698)	(866)
Net gain from sale of financial investments available-for-sale	(15,187)	(2,391)
Unrealised (gain)/loss on revaluation of financial assets held-for-trading	(145)	365
Unrealised (gain)/loss on revaluation of derivative instruments	(13,895)	1,165
Interest expense on subordinated obligations	7,296	12,326
Interest expense on long term borrowings	-	5,460
Interest income from financial investments held-to-maturity	(2,933)	(8,171)
Interest income from financial investments available-for-sale	(59,488)	(70,451)
Interest income from financial investments held-for-trading	(1,280)	(830)
(Write-back of)/allowance for loans, advances and financing (net of recoveries)	(3,863)	3,630
Allowance for other assets	1,487	1,688
Write-back of commitments and contingencies	-	(50)
Net write-back of financial investments available-for-sale	(473)	(565)
Net write-back of financial investments held-to-maturity	-	(1,766)
Impairment of property, plant and equipment	-	1,460
Amortisation of computer software	4,967	4,065
Share options/grants under ESS	2,028	1,293
Property, plant and equipment written off	617	1,100
Share of results of associate	1,110	698
Operating profit before working capital changes	52,581	89,974
Changes in working capital:		
Deposits from customers	(533,733)	(53,343)
Deposits and placements of banks and other financial institutions	876,830	1,783,730
Bills and acceptances payable	18	(111,126)
Balance due from clients and brokers	27,624	30,638
Other liabilities	(93,239)	167,791
Financial assets held-for-trading	(60,159)	1,765,771
Loans, advances and financing	(854,781)	(234,263)
Asset held for resale	1,010	-
Other assets	2,088	(76)
Statutory deposits with Bank Negara Malaysia	(127,300)	(577,589)
Amount due to Cagamas Berhad	(789)	129
Cash (used in)/generated from operations	(709,850)	2,861,636
Taxes and zakat paid	(13,133)	(55,663)
Net cash (used in)/generated from operating activities	(722,983)	2,805,973

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

	Unaudited	Audited
	3 Months	3 Months
	Ended	Ended
	30.6.2012	30.6.2011
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from financial investments available-for-sale	2,612	3,613
Interest received from financial investments held-to-maturity	2,933	8,171
Interest received from financial investments available-for-sale	59,488	70,451
Interest received from financial investments held-for-trading	1,280	830
Purchase of property, plant and equipment	(6,623)	(5,839)
Purchase of computer software	(6,090)	(4,173)
Purchase of shares held for ESS	(18,174)	-
Proceeds from disposal of property, plant and equipment	1,591	95
Proceeds from redemption and maturity of financial investments held-to-maturity (net of purchase)	66,236	(466,798)
Proceeds from disposal of financial investments available-for-sale (net of purchase)	(236,529)	(2,319,765)
Net cash used in investing activities	<u>(133,276)</u>	<u>(2,713,415)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of subordinated bonds	-	(600,000)
Proceeds from issuance of subordinated notes	-	597,366
Interest paid on subordinated obligations	(14,420)	(12,262)
Interest paid on long term borrowings	-	(5,492)
Net cash used in financing activities	<u>(14,420)</u>	<u>(20,388)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(870,679)	72,170
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,786,829	826,534
CASH AND CASH EQUIVALENTS AT END OF PERIOD	916,150	898,704
Cash and cash equivalents comprise the following:		
Cash and short-term funds	991,874	956,968
Less: Monies held in trust	(75,724)	(58,264)
	<u>916,150</u>	<u>898,704</u>

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited Annual Financial Statements of the Group for the financial year ended 31 March 2012)

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

A1. Basis Of Preparation

The unaudited condensed interim financial statements for the 1st financial quarter ended 30 June 2012 have been prepared in accordance with FRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"), Bank Negara Malaysia's ("BNM") Revised Guidelines on Financial Reporting for Licensed Institutions and Appendix 9B of the Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements.

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 March 2012. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2012.

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

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2012, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2012:

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

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

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

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

A1. Basis Of Preparation (contd.)

The change in accounting policies mentioned above have been accounted for retrospectively by re-measuring the relevant financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to the Group's opening retained profits. As such, comparatives have been restated to conform with current year's presentation. The principal effects of the changes in accounting policies arising from the adoption of MFRS 139 are disclosed in Note C20.

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

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

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

A2. Declaration Of Audit Confirmation

The annual audited report on the financial statements for the financial year ended 31 March 2012 did not contain any qualification.

A3. Seasonal And Cyclical Factors

The operations of the Group were not materially affected by any seasonal or cyclical fluctuations in the 1st financial quarter ended 30 June 2012.

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

The assets, liabilities, equity, net income and cash flows of the Group in the 1st financial quarter ended 30 June 2012 were not substantially affected by any item of a material and unusual nature.

A5. Changes In Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 1st financial quarter ended 30 June 2012.

A6. Changes In Debt And Equity Securities

There were no issuance or repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the 1st financial quarter ended 30 June 2012.

A7. Dividends Paid

There was no dividend paid during the 1st financial quarter ended 30 June 2012.

A8. Segment Information

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

The Group is organised into the following key operating segments:

(i) Consumer Banking

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

(ii) Business Banking

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

(iii) Financial Markets

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

(iv) Investment Banking

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

(v) Others

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

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

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

GROUP 1st Financial Quarter Ended 30 June 2012	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Investment Banking RM'000	Others RM'000	Total Operations RM'000	Inter- segment Elimination RM'000	Total RM'000
Net interest income/(expense)								
- external income/(expense)	42,111	72,664	59,377	1,505	(1,345)	174,312	(434)	173,878
- inter-segment	23,279	1,175	(23,380)	(1,074)	-	-	-	-
	65,390	73,839	35,997	431	(1,345)	174,312	(434)	173,878
Net income from Islamic banking business	28,250	15,685	11,695	-	-	55,630	7,460	63,090
Other operating income	24,276	33,236	18,066	4,803	9,716	90,097	(7,727)	82,370
Net income	117,916	122,760	65,758	5,234	8,371	320,039	(701)	319,338
Other operating expenses	(69,225)	(55,984)	(12,025)	(6,644)	(7,413)	(151,291)	2,469	(148,822)
Depreciation and amortisation	(5,780)	(4,528)	(1,882)	(80)	(27)	(12,297)	-	(12,297)
Operating profit	42,911	62,248	51,851	(1,490)	931	156,451	1,768	158,219
(Allowance for)/write-back of losses on loans, advances and financing and other losses	(4,026)	13,026	(164)	(50)	-	8,786	-	8,786
Write-back of impairment	-	-	473	-	-	473	-	473
Segment result	38,885	75,274	52,160	(1,540)	931	165,710	1,768	167,478
Share of results in an associate								(1,110)
Taxation and zakat								(41,791)
Net profit after taxation and zakat								<u>124,577</u>
Segment assets	14,497,373	10,752,323	16,116,062	253,988	1,864,743	43,484,489	(3,908,524)	39,575,965
Reconciliation of segment assets to consolidated assets:								
Investment in an associate								25,441
Property, plant and equipment								88,946
Unallocated assets								14,282
Intangible assets								356,032
Total assets								<u>40,060,666</u>
Segment liabilities	16,457,492	10,658,798	10,119,075	109,919	58,815	37,404,099	(1,312,917)	36,091,182
Unallocated liabilities								78,300
Total liabilities								<u>36,169,482</u>

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

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

GROUP As at 30 June 2012	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Investment Banking RM'000	Others RM'000	Total Operations RM'000	Inter- segment Elimination RM'000	Total RM'000
Net interest income/(expense)								
- external income/(expense)	42,111	72,664	59,377	1,505	(1,345)	174,312	(434)	173,878
- inter-segment	23,279	1,175	(23,380)	(1,074)	-	-	-	-
	65,390	73,839	35,997	431	(1,345)	174,312	(434)	173,878
Net income from Islamic banking business	28,250	15,685	11,695	-	-	55,630	7,460	63,090
Other operating income	24,276	33,236	18,066	4,803	9,716	90,097	(7,727)	82,370
Net income	117,916	122,760	65,758	5,234	8,371	320,039	(701)	319,338
Other operating expenses	(69,225)	(55,984)	(12,025)	(6,644)	(7,413)	(151,291)	2,469	(148,822)
Depreciation and amortisation	(5,780)	(4,528)	(1,882)	(80)	(27)	(12,297)	-	(12,297)
Operating profit	42,911	62,248	51,851	(1,490)	931	156,451	1,768	158,219
(Allowance for)/write-back of losses on loans, advances and financing and other losses	(4,026)	13,026	(164)	(50)	-	8,786	-	8,786
Write-back of impairment	-	-	473	-	-	473	-	473
Segment result	38,885	75,274	52,160	(1,540)	931	165,710	1,768	167,478
Share of results in an associate								(1,110)
Taxation and zakat								(41,791)
Net profit after taxation and zakat								<u>124,577</u>
Segment assets	14,497,373	10,752,323	16,116,062	253,988	1,864,743	43,484,489	(3,908,524)	39,575,965
Reconciliation of segment assets to consolidated assets:								
Investment in an associate								25,441
Property, plant and equipment								88,946
Unallocated assets								14,282
Intangible assets								356,032
Total assets								<u>40,060,666</u>
Segment liabilities	16,457,492	10,658,798	10,119,075	109,919	58,815	37,404,099	(1,312,917)	36,091,182
Unallocated liabilities								78,300
Total liabilities								<u>36,169,482</u>

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

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

GROUP 1st Financial Quarter Ended 30 June 2011	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Investment Banking RM'000	Others RM'000	Total Operations RM'000	Inter- segment Elimination RM'000	Total RM'000
Net interest income/(expense)								
- external income/(expense)	30,802	71,194	58,332	1,168	(985)	160,511	5,466	165,977
- inter-segment	25,250	(1,437)	(22,959)	(854)	-	-	-	-
	56,052	69,757	35,373	314	(985)	160,511	5,466	165,977
Net income from Islamic banking business	31,058	16,815	7,385	-	-	55,258	6,619	61,877
Other operating income	19,677	38,820	12,505	6,397	6,363	83,762	(4,551)	79,211
Net income	106,787	125,392	55,263	6,711	5,378	299,531	7,534	307,065
Other operating expenses	(62,485)	(48,187)	(9,909)	(6,938)	(5,805)	(133,324)	756	(132,568)
Depreciation and amortisation	(5,505)	(3,793)	(1,482)	(695)	(33)	(11,508)	-	(11,508)
Operating profit	38,797	73,412	43,872	(922)	(460)	154,699	8,290	162,989
Write-back of/(allowance for) losses on loans, advances and financing and other losses	3,934	7,691	(695)	29	(55)	10,904	-	10,904
Write-back of/(allowance for) impairment	-	2,331	-	-	(1,460)	871	-	871
Segment result	42,731	83,434	43,177	(893)	(1,975)	166,474	8,290	174,764
Share of results in an associate								(698)
Taxation and zakat								(44,091)
Net profit after taxation and zakat								<u>129,975</u>
Segment assets	12,259,281	9,926,506	17,129,000	204,792	746,836	40,266,415	(2,861,614)	37,404,801
Reconciliation of segment assets to consolidated assets:								
Investment in an associate								27,832
Property, plant and equipment								100,660
Unallocated assets								94,753
Intangible assets								357,790
Total assets								<u>37,985,836</u>
Segment liabilities	15,713,334	9,286,616	10,556,894	161,257	682,015	36,400,116	(2,063,169)	34,336,947
Unallocated liabilities								57,747
Total liabilities								<u>34,394,694</u>

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

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

GROUP As at 30 June 2011	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Investment Banking RM'000	Others RM'000	Total Operations RM'000	Inter- segment Elimination RM'000	Total RM'000
Net interest income/(expense)								
- external income/(expense)	30,802	71,194	58,332	1,168	(985)	160,511	5,466	165,977
- inter-segment	25,250	(1,437)	(22,959)	(854)	-	-	-	-
	56,052	69,757	35,373	314	(985)	160,511	5,466	165,977
Net income from Islamic banking business	31,058	16,815	7,385	-	-	55,258	6,619	61,877
Other operating income	19,677	38,820	12,505	6,397	6,363	83,762	(4,551)	79,211
Net income	106,787	125,392	55,263	6,711	5,378	299,531	7,534	307,065
Other operating expenses	(62,485)	(48,187)	(9,909)	(6,938)	(5,805)	(133,324)	756	(132,568)
Depreciation and amortisation	(5,505)	(3,793)	(1,482)	(695)	(33)	(11,508)	-	(11,508)
Operating profit	38,797	73,412	43,872	(922)	(460)	154,699	8,290	162,989
Write-back of/(allowance for) losses on loans, advances and financing and other losses	3,934	7,691	(695)	29	(55)	10,904	-	10,904
Write-back of/(allowance for) impairment	-	2,331	-	-	(1,460)	871	-	871
Segment result	42,731	83,434	43,177	(893)	(1,975)	166,474	8,290	174,764
Share of results in an associate								(698)
Taxation and zakat								(44,091)
Net profit after taxation and zakat								<u>129,975</u>
Segment assets	12,259,281	9,926,506	17,129,000	204,792	746,836	40,266,415	(2,861,614)	37,404,801
Reconciliation of segment assets to consolidated assets:								
Investment in an associate								27,832
Property, plant and equipment								100,660
Unallocated assets								94,753
Intangible assets								357,790
Total assets								<u>37,985,836</u>
Segment liabilities	15,713,334	9,286,616	10,556,894	161,257	682,015	36,400,116	(2,063,169)	34,336,947
Unallocated liabilities								57,747
Total liabilities								<u>34,394,694</u>

A9. Material Event During The Financial Reporting Period

Shares Purchased pursuant to ESS

During the three months ended 30 June 2012, the Trustee of the ESS had purchased 4,641,600 ordinary shares of RM1.00 each from the open market at an average price of RM3.92 per share. The total consideration for the purchase including transaction costs was RM18,173,901. The shares purchased are being held in trust by the Trustee of the ESS in accordance with the Trust Deed dated 3 December 2007.

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

Employees' Share Scheme ("ESS")

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

- (i) 13,021,400 share options under the Share Option Plan at an option price of RM4.22 per share which will be vested subject to the achievement of performance conditions.
- (ii) 1,705,300 share grants under the Share Grant Plan. The first 50% of the share grants are to be vested at the end of the 2nd year and the remaining 50% of the share grants are to be vested at the end of the 3rd year from the date on which an award is made.

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

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

A11. Changes In The Composition Of The Group

There was no change in the composition of the Group during the first financial quarter ended 30 June 2012.

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

Please refer to Note C18.

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

B1. Review Of Performance

With effect from 1 April 2012, the Group had converged to the Malaysian Financial Reporting Standards ("MFRS") accounting framework, which is equivalent to the International Financial Reporting Standards ("IFRS") framework issued by International Accounting Standards Board ("IASB"). A major consequence of this transition to the MFRS framework was the change in the accounting policy for collective assessment on the Group's loans, which was adopted with retrospective effect.

As a result of the above change in accounting policy, the comparative profit before taxation for the 1st quarter ended 30 June 2011 have been restated from RM173.8 million to RM174.1 million.

The following analyses are based on the restated comparative results:

For the current quarter under review the Group recorded profit before taxation of RM166.4 million, a decrease of 4.4% compared to the corresponding quarter last year due to higher overhead expenses.

The Group net interest income including Islamic financing income grew by 4.0% on the back of the loans growth. Year-on-year loan growth was 14.2%, with total loans outstanding rising from RM22.6 billion to RM25.9 billion; while customer deposits growth was 11.7% to RM31.6 billion. The loans to deposits ratio remained stable at 81.8% as of 30 June 2012.

Other operating income registered a 4.0% growth mainly due to higher fee income and gains from treasury trading and investment activities. The non-interest income ratio improved from 26.6% a year ago to 27.3%. Overheads expenses rose by 11.8% and cost to income ratio stood at 50.5% due to continued investment in its human capital and upgrading of technology and infrastructure to support the on-going business expansion.

Reflecting on the on-going efforts to improve asset quality, the Group's net impaired ratio had improved to 2.4%, as compared to 3.0% as of 30 June 2011. Risk-weighted capital ratio remained strong at 14.7%, with core capital ratio at 11.6%.

Performance by business segment

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

Consumer Banking provides a wide range of personal banking solutions covering mortgages, term loans, personal loans, hire purchase facilities, credit cards and wealth management. For the current quarter ended 30 June 2012 Consumer Banking registered profit before taxation of RM38.9 million, 9.0% lower compared to same period last year due to net bad debts of RM4.0 million. The loans growth had accelerated to 11.7% compared to a decline of 3.8% in the corresponding period. Segment assets increased by 18.3% to RM14.5 billion as at 30 June 2012.

Business Banking covers Small and Medium Enterprise and Wholesale Banking. For the current quarter ended 30 June 2012, Business Banking registered profit before taxation of RM75.3 million, 9.8% lower compared to RM83.4million same period last year. The decrease was mainly due to higher overheads and lower non-interest income. Segment assets grew by 8.3% to RM10.8 billion as at 30 June 2012.

B1. Review Of Performance (contd.)

Financial Markets provide foreign exchange, money market, hedging, wealth management and investment (capital market instruments) solutions for banking customers. For the current quarter ended 30 June 2012, Financial Markets recorded profit before taxation of RM52.2 million, an improvement of 20.8% compared to same period last year. The increase was mainly due to higher net income and capital gains from active portfolio management.

Investment Banking covers stockbroking activities and corporate advisory. It reported a loss before taxation of RM1.5 million due to lower brokerage income.

B2. Comparison With Immediate Preceding Quarter

For the first quarter ended 30 June 2012, the Group recorded profit before taxation of RM166.4 million, compared to RM144.1 million for the fourth quarter ended 31 March 2012 due to higher net income as well as higher recoveries.

B3. Current Year Prospect

Against the background of GDP growth of 4% to 5% in 2012, the Group expects demand for financing and non-interest income business activities to be sustained. The Group will continue to focus on existing business opportunities in Consumer Banking and Business Banking, while enhancing Treasury and Transaction Banking and developing the Wealth Management and Investment Banking business.

In FY2013, we expect sustainable loans growth in Consumer Banking, supported at the current moderate level. The business growth is supported by growth in retail lending and customer deposits. Consumer Banking is expanding its hire purchase business while focusing on existing business opportunities. Consumer Banking will also focus on growing non-interest income through further expansion of its wealth management, bancassurance and treasury business activities, and range of products. At the same time, Consumer Banking will continue to enhance customer experience and frontline experience.

The Business Banking Segment covers Small and Medium Enterprise ("SME") and Wholesale banking. In 1Q FY13, the lending activities of Business Banking are expected to grow moderately, supported by the continuing demand for credit by businesses, arising from the implementation of projects under the Economic Transformation Programme as well as the Government's efforts to support the growth of private sector businesses.

The segment will continue to focus on cross-selling efforts to grow non-interest income in transaction banking, foreign exchange, investment banking, business platinum card, and bancassurance products.

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

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

Conclusion

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

B4. Profit Forecast

There was no profit forecast issued by the Group.

B5. Taxation And Zakat

	1st Quarter Ended		Cumulative 3 Months Ended	
	30.6.2012	30.6.2011 (Restated)	30.6.2012	30.6.2011 (Restated)
<u>GROUP</u>	RM'000	RM'000	RM'000	RM'000
Taxation				
- Income tax	33,793	34,642	33,793	34,642
- Deferred tax	8,101	9,470	8,101	9,470
	<u>41,894</u>	<u>44,112</u>	<u>41,894</u>	<u>44,112</u>
- Over provision in prior year	(103)	(21)	(103)	(21)
	<u>41,791</u>	<u>44,091</u>	<u>41,791</u>	<u>44,091</u>

The Group's effective tax rate for the financial period ended 30 June 2012 was higher than the current statutory tax rate mainly due to non-deductibility of certain expenses.

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

There was no material profit/(loss) on sale of unquoted investments or properties for 1st financial quarter ended 30 June 2012 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 1st financial quarter ended 30 June 2012 other than investments held by the Group whose activities are regulated by law relating to banking companies and are subject to supervision by BNM.

B8. Status Of Corporate Proposals

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

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

	GROUP	
	30.6.2012	31.3.2012
	RM'000	RM'000
(a) Deposits from customers		
Fixed deposits, negotiable instruments of deposits and money market deposits:		
- One year or less (short term)	20,020,433	20,999,784
- More than one year (medium/long term)	93,489	94,312
	20,113,922	21,094,096
Others	11,483,307	11,036,866
	31,597,229	32,130,962
(b) Deposits and placements of banks and other financial institutions		
- One year or less (short term)	2,390,960	1,532,543
- More than one year (medium/long term)	586,144	628,462
	2,977,104	2,161,005
(c) Subordinated obligations		
Unsecured and more than one year (medium/long term)		
- Tier II Subordinated Medium Term Notes	604,491	611,615

B10. Derivative Financial Assets/(Liabilities)

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

	As at 30 June 2012			As at 31 March 2012		
	Principal RM'000	Fair value		Principal RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives						
<u>Foreign exchange and commodity contracts:</u>						
Currency forwards						
- one year or less	981,786	24,645	(1,643)	859,253	4,792	(6,243)
Currency swaps						
- one year or less	1,560,235	10,914	(20,799)	1,690,284	9,774	(8,784)
Currency spots						
- one year or less	525,044	872	(881)	258,209	185	(150)
Currency options						
- one year or less	99,526	521	(390)	122,204	467	(324)
Gold options						
- one year or less	248,835	1,578	(960)	217,538	2,512	(1,102)
	3,415,426	38,530	(24,673)	3,147,488	17,730	(16,603)
<u>Interest rate derivatives:</u>						
Interest rate swap	2,171,704	6,449	(5,533)	2,106,781	5,982	(9,215)
- one year or less	637,000	531	(393)	587,000	130	(105)
- over one year to three years	1,130,000	1,689	(1,775)	1,110,000	2,592	(2,030)
- over three years	404,704	4,229	(3,365)	409,781	3,260	(7,080)
Hedging derivatives						
Interest rate swap						
- over three years	69,704	-	(1,040)	14,115	-	(423)
Total derivatives assets/(liabilities)	5,656,834	44,979	(31,246)	5,268,384	23,712	(26,241)

The credit risk, market risk and liquidity risk associated with the derivatives and the policies in place for mitigating or controlling the risk with these derivatives are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2012.

Forwards

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

Swaps

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

Spots

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

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

Options

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

Related accounting policies

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

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

B11. Material Litigation

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

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

The two suits were then consolidated and heard together. On 6 May 2009, judgment was delivered against the agent bank for special damages amounting to RM115.5 million together with interest at the rate of 6% per annum from date of disbursement to date of realisation with general damages to be assessed by the Court.

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

On 19 June 2012, the Court of Appeal had scheduled the appeal for continued hearing on 3 August 2012.

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

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

Arising from the above-mentioned suit, the third party in September 2008 filed a separate suit against ABMB for force selling the shares pledged by the third party. The third party's claim is for damages for loss of the benefit of the shares pledged to ABMB, damages for conversion, damages for misrepresentation and for breach of contract.

The two cases were consolidated into one suit. The consolidated suits were heard from 20 till 24 February 2012. On 20 March 2012, the High Court allowed ABMB's claim against the individual borrower and dismissed the individual borrower's counter claim against ABMB with costs of RM150,000. The individual borrower has since filed an appeal to the Court of Appeal against the said decision. ABMB is contesting the appeal.

On 20 March 2012, the High Court dismissed the third party's suit against ABMB with costs of RM150,000. The third party has since appealed against the said decision to the Court of Appeal. ABMB is contesting the appeal.

On 5 June 2012, the third party had discontinued its appeal at the Court of Appeal with no order as to costs. On 12 June 2012 the individual borrower had also discontinued his appeal at the Court of Appeal with no order as to costs.

B12. Dividend Declared

The Board of Directors has declared a first interim dividend of 6.6 sen per share tax exempt under the single tier tax system, in respect of the financial year ending 31 March 2013 (2012: 5.6 sen), to be paid on 28 August 2012. The entitlement date for the first interim dividend payment is on 9 August 2012.

B13. Related Party Transactions

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

B14. Earnings Per Share (EPS)

(a) Basic

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

	1st Quarter Ended		Cumulative 3 Months Ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Net profit attributable to owners of the parent (RM'000)	124,532	129,766	124,532	129,766
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(29,108)	(17,629)	(29,108)	(17,629)
	1,518,998	1,530,477	1,518,998	1,530,477
Basic earnings per share (sen)	8.2	8.5	8.2	8.5

(b) Diluted

The calculation of the diluted earnings per share is based on the net profit attributable to owners of the parent divided by the weighted average number of ordinary shares of RM1.00 each in issue during the period, excluding the weighted average shares held for ESS and taken into account the assumed Share Grants to employees under ESS were vested to the employees as at 30 June 2012.

	1st Quarter Ended		Cumulative 3 Months Ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Net profit attributable to owners of the parent (RM'000)	124,532	129,766	124,532	129,766
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(29,108)	(17,629)	(29,108)	(17,629)
Effect of Share Grants under ESS ('000)	3,913	3,982	3,913	3,982
	1,522,911	1,534,459	1,522,911	1,534,459
Diluted earnings per share (sen)	8.2	8.5	8.2	8.5

B15. Realised And Unrealised Unappropriated Profits Disclosure

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	Period Ended	
	30.6.2012	31.03.2012
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	1,570,752	1,457,304
- Unrealised	62,944	51,858
	1,633,696	1,509,162
Less: Consolidation adjustments	(281,360)	(281,358)
Total group retained profits as per consolidated accounts	1,352,336	1,227,804

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Accordingly, the unrealised retained profits of the Group as disclosed above excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these gains and losses are incurred in the ordinary course of business of the Group, and are hence deemed as realised.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

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

C1. Interest Income

<u>Group</u>	1st Quarter Ended		Cumulative 3 Months Ended	
	30.6.2012	30.6.2011 (Restated)	30.6.2012	30.6.2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	243,723	218,174	243,723	218,174
Money at call and deposit placements with financial institutions	4,387	3,483	4,387	3,483
Financial assets held-for-trading	1,280	830	1,280	830
Financial investments available-for-sale	59,488	70,451	59,488	70,451
Financial investments held-to-maturity	2,933	8,171	2,933	8,171
Others	375	1,082	375	1,082
	312,186	302,191	312,186	302,191
Accretion of discount less amortisation of premium	36,440	24,000	36,440	24,000
	348,626	326,191	348,626	326,191

Included in interest income on loans, advances and financing is interest income accrued on impaired loans of the Group of RM230,000 (30.06.11: RMnil).

C2. Interest Expense

<u>Group</u>	1st Quarter Ended		Cumulative 3 Months Ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	13,072	12,167	13,072	12,167
Deposits from customers	153,397	127,993	153,397	127,993
Loans sold to Cagamas	-	885	-	885
Subordinated obligations	7,296	12,326	7,296	12,326
Long term borrowings	-	5,460	-	5,460
Others	983	1,383	983	1,383
	174,748	160,214	174,748	160,214

C3. Net Income From Islamic Banking Business

<u>Group</u>	1st Quarter Ended		Cumulative 3 Months Ended	
	30.6.2012	30.6.2011 (Restated)	30.6.2012	30.6.2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	83,292	82,399	83,292	82,399
Income derived from investment of Islamic Banking funds	8,794	7,579	8,794	7,579
Income attributable to depositors and financial institutions	(36,456)	(34,720)	(36,456)	(34,720)
	55,630	55,258	55,630	55,258
Add: Income due to head office eliminated at Group level	7,460	6,619	7,460	6,619
	63,090	61,877	63,090	61,877

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

C4. Other Operating Income

Group	1st Quarter Ended		Cumulative 3 Months Ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee income:</u>				
Commissions	17,828	12,984	17,828	12,984
Service charges and fees	9,284	8,008	9,284	8,008
Portfolio management fees	1,778	1,801	1,778	1,801
Corporate advisory fees	1,893	2,107	1,893	2,107
Brokerage fees	2,683	3,482	2,683	3,482
Guarantee fees	2,078	2,254	2,078	2,254
Processing fees	846	3,293	846	3,293
Commitment fees	3,633	3,418	3,633	3,418
Underwriting commissions	18	-	18	-
Other fee income	2,264	4,376	2,264	4,376
	42,305	41,723	42,305	41,723
(b) <u>Investment income:</u>				
Gain arising from sale/redemption of:				
- Financial assets held-for-trading	698	866	698	866
- Financial investments available-for-sale	15,187	2,391	15,187	2,391
- Financial investments held-to-maturity	20	11,994	20	11,994
Unrealised gain/(loss) from revaluation of:				
- Financial assets held-for-trading	145	(365)	145	(365)
- Derivative financial instruments	13,895	(1,165)	13,895	(1,165)
Realised gain on revaluation financial instruments	7,433	11,392	7,433	11,392
Gross dividend income from:				
- Financial investments available-for-sale	2,622	3,619	2,622	3,619
	40,000	28,732	40,000	28,732
(c) <u>Other income:</u>				
Unrealised foreign exchange translation (loss)/gain	(6,796)	2,838	(6,796)	2,838
Gain on disposal of property, plant and equipment	1,578	82	1,578	82
Others	5,283	5,836	5,283	5,836
	65	8,756	65	8,756
Total other operating income	82,370	79,211	82,370	79,211

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

C5. Other Operating Expenses

Group	1st Quarter Ended		Cumulative 3 Months Ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs:</u>				
Salaries, allowances and bonuses	84,370	73,758	84,370	73,758
Contribution to EPF	13,444	11,861	13,444	11,861
Share options/grants under ESS	2,028	1,293	2,028	1,293
Others	6,676	6,002	6,676	6,002
	106,518	92,914	106,518	92,914
<u>Establishment costs:</u>				
Depreciation of property, plant and equipment	7,330	7,443	7,330	7,443
Amortisation of computer software	4,967	4,065	4,967	4,065
Rental of premises	7,106	6,257	7,106	6,257
Water and electricity	1,452	1,780	1,452	1,780
Repairs and maintenance	2,350	2,070	2,350	2,070
Information technology expenses	10,341	7,177	10,341	7,177
Others	2,525	6,745	2,525	6,745
	36,071	35,537	36,071	35,537
<u>Marketing expenses:</u>				
Promotion and advertisement	2,991	2,560	2,991	2,560
Branding and publicity	826	886	826	886
Others	1,328	1,100	1,328	1,100
	5,145	4,546	5,145	4,546
<u>Administration and general expenses:</u>				
Communication expenses	3,413	3,515	3,413	3,515
Printing and stationery	960	459	960	459
Insurance	1,997	260	1,997	260
Professional fees	3,138	2,904	3,138	2,904
Others	3,877	3,941	3,877	3,941
	13,385	11,079	13,385	11,079
Total other operating expenses	161,119	144,076	161,119	144,076

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

Group	1st Quarter Ended		Cumulative 3 Months Ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RM'000	RM'000	RM'000	RM'000
<u>(Write-back of)/allowance for impaired loans and financing:</u>				
(a) Individual assessment allowance				
- write-back during the period (net)	(3,624)	(4,039)	(3,624)	(4,039)
(b) Collective assessment allowance				
- (write-back)/made during the period (net)	(239)	7,669	(239)	7,669
(c) Bad debts on loans and financing				
- Recovered	(10,914)	(16,345)	(10,914)	(16,345)
- Written off	4,504	173	4,504	173
	(10,273)	(12,542)	(10,273)	(12,542)
Write-back of commitments and contingencies	-	(50)	-	(50)
Allowance for other assets	1,487	1,688	1,487	1,688
	(8,786)	(10,904)	(8,786)	(10,904)

C7. Balances Due From Clients And Brokers

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
Due from clients	54,349	58,060
Due from brokers	-	4,900
	54,349	62,960
Less: Allowance for other losses	(1,249)	(1,196)
	53,100	61,764

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

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

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

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
Classified as doubtful	144	165
Classified as bad	1,402	1,420
	1,546	1,585

The movements in allowance for other losses are as follows:

At beginning of year		
- As previously stated	1,262	15,799
- Effect of full adoption of MFRS 139	(66)	(24)
As restated	1,196	15,775
Allowance made during the period/year	73	1,405
Reversal of allowance	(20)	(1,534)
Amounts written off	-	(14,450)
At end of period/year	1,249	1,196

C8. Financial Assets Held-for-trading

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Bank Negara Malaysia bills	1,400,076	1,371,696
Malaysian Government securities	51,052	20,053
Malaysian Government investment certificates	111,495	100,246
Total financial assets held-for-trading	1,562,623	1,491,995

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

C9. Financial Investments Available-for-sale

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	2,258,048	2,316,772
Malaysian Government investment certificates	1,925,331	1,833,967
Negotiable instruments of deposits	929,098	884,535
Bankers' acceptances	2,117,871	1,944,074
Cagamas bonds	20,148	35,254
<u>Quoted securities in Malaysia:</u>		
Shares	9	4,212
Debt securities	3,505	4,768
<u>Unquoted securities:</u>		
Shares	132,493	135,888
Debt securities and medium term notes	2,016,099	1,963,731
Total financial investments available-for-sale	9,402,602	9,123,201

C10. Financial Investments Held-to-maturity

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	280,329	328,639
Malaysian Government investment certificates	435,504	439,463
<u>Unquoted securities:</u>		
Debt securities	74,392	74,283
Accumulated impairment	(47,129)	(47,129)
Total financial investments held-to-maturity	743,096	795,256

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

C11. Loans, Advances And Financing

	Group	
	30.6.2012	31.3.2012
		(Restated)
	RM'000	RM'000
Overdrafts	1,886,780	1,854,599
Term loans/financing		
- Housing loans/financing	9,658,539	9,269,933
- Syndicated term loans/financing	472,929	475,520
- Hire purchase receivables	638,593	654,393
- Other term loans/financing	8,183,800	7,729,424
Bills receivables	272,436	308,770
Trust receipts	211,521	207,515
Claims on customers under acceptance credits	2,294,995	2,337,986
Staff loans [include RM85,000 loans to Directors of banking subsidiary (2012: RM92,000)]	53,860	54,567
Credit/charge card receivables	629,898	623,563
Revolving credits	1,004,298	1,044,595
Other loans	543,070	451,282
Gross loans, advances and financing	25,850,719	25,012,147
Add: Sales commissions and handling fees	26,443	28,523
Less: Allowance for impairment on loans, advances and financing		
- Individual assessment allowance	(147,220)	(156,614)
- Collective assessment allowance	(382,465)	(395,224)
Total net loans, advances and financing	25,347,477	24,488,832

(a) By type of customer:

	Group	
	30.6.2012	31.3.2012
		(Restated)
	RM'000	RM'000
Domestic non-bank financial institutions		
- Others	160,369	207,164
Domestic business enterprises		
- Small and medium enterprises	5,590,368	5,474,004
- Others	5,323,220	4,975,449
Government and statutory bodies	11,820	12,618
Individuals	13,851,030	13,469,972
Other domestic entities	248,214	247,679
Foreign entities	665,698	625,261
Gross loans, advances and financing	25,850,719	25,012,147

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

C11. Loans, Advances And Financing (contd.)

(b) By interest/profit rate sensitivity:

	Group	
	30.6.2012	31.3.2012 (Restated)
	RM'000	RM'000
Fixed rate		
- Housing loans/financing	88,981	90,842
- Hire purchase receivables	638,630	654,394
- Other fixed rate loans/financing	1,946,544	1,997,715
Variable rate		
- Base lending rate plus	17,402,570	16,761,836
- Cost plus	5,516,246	5,203,667
- Other variable rates	257,748	303,693
Gross loans, advances and financing	25,850,719	25,012,147

(c) By economic purposes:

	Group	
	30.6.2012	31.3.2012 (Restated)
	RM'000	RM'000
Purchase of securities	597,575	456,014
Purchase of transport vehicles	552,955	561,821
Purchase of landed property	13,686,561	13,116,463
of which: - Residential	10,171,984	9,761,038
- Non-residential	3,514,577	3,355,425
Purchase of fixed assets excluding land and buildings	110,664	117,110
Personal use	2,063,820	2,147,220
Credit card	629,898	623,563
Construction	272,799	249,710
Merger and acquisition	207,257	207,265
Working capital	6,208,100	6,338,755
Others	1,521,090	1,194,226
Gross loans, advances and financing	25,850,719	25,012,147

(d) By geographical distribution:

	Group	
	30.6.2012	31.3.2012 (Restated)
	RM'000	RM'000
Northern region	1,896,937	1,915,373
Central region	19,654,449	18,846,423
Southern region	2,157,807	2,102,419
East Malaysia region	2,141,526	2,147,932
Gross loans, advances and financing	25,850,719	25,012,147

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

C11. Loans, Advances And Financing (contd.)

(e) By residual contractual maturity:

	Group	
	30.6.2012	31.3.2012 (Restated)
	RM'000	RM'000
Within one year	7,061,705	7,038,788
One year to three years	890,949	823,437
Three years to five years	1,297,730	1,253,739
Over five years	16,600,335	15,896,183
Gross loans, advances and financing	25,850,719	25,012,147

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

	Group	
	30.6.2012	31.3.2012 (Restated)
	RM'000	RM'000
At beginning of year		
- As previously stated	601,135	741,324
- Effect of full adoption of MFRS 139	28,101	34,157
As restated	629,236	775,481
Impaired during the period/year	119,697	435,383
Reclassified as non-impaired during the period/year	(84,250)	(361,159)
Recoveries	(34,480)	(106,986)
Amount written off	(18,286)	(113,483)
At end of period/year	611,917	629,236
Gross impaired loans as a % of gross loans, advances and financing	2.4%	2.5%

(g) Impaired loans by economic purposes:

	Group	
	30.6.2012	31.3.2012 (Restated)
	RM'000	RM'000
Purchase of securities	5,781	5,436
Purchase of transport vehicles	5,496	5,710
Purchase of landed property	263,786	266,682
of which: - Residential	195,449	191,394
- Non-residential	68,337	75,288
Purchase of fixed assets excluding land & buildings	198	190
Personal use	32,456	31,130
Credit card	10,876	9,908
Construction	12,133	11,870
Working capital	240,795	256,919
Others	40,396	41,391
Gross impaired loans	611,917	629,236

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

C11. Loans, Advances And Financing (contd.)

(h) Impaired loans by geographical distribution:

	Group	
	30.6.2012	31.3.2012 (Restated)
	RM'000	RM'000
Northern region	122,062	139,406
Central region	381,126	378,774
Southern region	50,401	53,056
East Malaysia region	58,328	58,000
Gross impaired loans	<u>611,917</u>	<u>629,236</u>

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

	Group	
	30.6.2012	31.3.2012 (Restated)
	RM'000	RM'000
Individual assessment allowance		
At beginning of year		
- As previously stated	266,349	328,375
- Transfers to collective assessment allowance	<u>(109,735)</u>	<u>(154,620)</u>
As restated	156,614	173,755
Allowance made during the period/year (net)	(3,624)	3,108
Amount written off	(7,170)	(20,249)
Transfers from collective assessment allowance	<u>1,400</u>	<u>-</u>
At end of period/year	<u>147,220</u>	<u>156,614</u>

	Group	
	30.6.2012	31.3.2012 (Restated)
	RM'000	RM'000
Collective assessment allowance		
At beginning of year		
- As previously stated	386,017	339,636
- Effect of full adoption of MFRS 139	(100,528)	(63,474)
- Transfers from individual assessment allowance	<u>109,735</u>	<u>154,620</u>
As restated	395,224	430,782
Allowance made during the period/year (net)	(239)	49,582
Amount written-off	(11,120)	(85,140)
Transfers to individual assessment allowance	<u>(1,400)</u>	<u>-</u>
At end of period/year	<u>382,465</u>	<u>395,224</u>

C12. Other Assets

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
Other receivables, deposits and prepayments	97,906	100,059
Trade receivables	40	2,514
	<u>97,946</u>	<u>102,573</u>
Less: Allowance for other losses	(25,649)	(24,416)
	<u>72,297</u>	<u>78,157</u>

C13. Deposits From Customers

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
<u>By type of deposits:</u>		
Demand deposits	9,548,010	9,141,209
Savings deposits	1,707,046	1,700,686
Fixed/investment deposits	15,284,039	15,595,344
Money market deposits	4,389,426	4,091,427
Negotiable instruments of deposits	440,457	1,407,325
Structured deposits [Note]	228,251	194,971
	31,597,229	32,130,962

Note:

- (a) Structured deposits represent foreign currency time deposits with embedded foreign exchange, gold commodity linked options and interest rate index linked placements.
- (b) The Group has undertaken a fair value hedge on the interest rate risk of the structured deposits amounting to RM69,704,000 (2012: RM14,115,000) using interest rate swaps.

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
Structured deposits	69,704	14,115
Fair value changes arising from fair value hedges	(1,040)	(423)
	68,664	13,692

The fair value loss of the interest rate swap in this hedge transaction as at financial period ended 30 June 2012 is RM1,040,000 (31.03.12: RM423,000).

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
(i) <u>By type of customers:</u>		
Domestic financial institutions	469,039	1,411,638
Government and statutory bodies	1,245,370	1,396,323
Business enterprises	11,950,632	11,845,743
Individuals	16,056,751	15,707,697
Others	1,875,437	1,769,561
	31,597,229	32,130,962

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
(ii) <u>The maturity structure of fixed deposits, money market deposits and negotiable instruments of deposit are as follows:</u>		
Due within six months	15,827,584	16,483,378
Six months to one year	4,192,849	4,516,406
One year to three years	70,046	72,776
Three years to five years	23,443	21,536
	20,113,922	21,094,096

C14. Deposits And Placements Of Banks And Other Financial Institutions

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
Licensed banks	1,843,918	976,450
Licensed investment banks	70,834	180,036
Licensed Islamic banks	330,721	245,468
Bank Negara Malaysia	731,631	759,051
	2,977,104	2,161,005

C15. Balances Due To Clients And Brokers

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
Due to clients	79,831	74,915
Due to brokers	2,262	-
	82,093	74,915

These mainly relates to amounts payable to non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Bursa Malaysia Securities Clearing Sdn. Bhd. has yet to be made.

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

C16. Other Liabilities

	Group	
	30.6.2012	31.3.2012
	RM'000	RM'000
Other payable and accruals	757,473	849,577
Remisiers' accounts	20,095	21,230
	777,568	870,807

C17. Capital Adequacy

The capital adequacy ratios of the banking group are computed in accordance with BNM's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The banking group has adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (31.3.2012: 8.0%) for the risk-weighted capital ratio.

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

	30.6.2012	31.3.2012 (Restated)
<u>Before deducting proposed dividends</u>		
Core capital ratio	12.05%	12.37%
Risk-weighted capital ratio	15.17%	15.62%
<u>After deducting proposed dividends</u>		
Core capital ratio	11.57%	11.88%
Risk-weighted capital ratio	14.70%	15.13%

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

	30.6.2012	31.3.2012 (Restated)
	RM'000	RM'000
Tier I Capital (Core Capital)		
Paid-up share capital	596,517	596,517
Irredeemable convertible preference shares	4,000	4,000
Share premium	597,517	597,517
Retained profits	1,517,252	1,517,252
Statutory reserves	842,167	842,167
Other reserves	10,018	10,018
Non-controlling interests	4,905	4,905
	3,572,376	3,572,376
Less: Purchased goodwill/goodwill on consolidation	(302,065)	(302,065)
Deferred tax assets	(13,536)	(15,038)
Total Tier I capital	3,256,775	3,255,273
Tier II Capital		
Subordinated obligations	597,915	597,829
Collective assessment allowance	249,693	260,666
Total Tier II capital	847,608	858,495
Total Capital	4,104,383	4,113,768
Less: Investments in subsidiaries	(3,620)	(3,620)
Total Capital Base	4,100,763	4,110,148

The comparative capital adequacy ratios and components of capital base have been restated for the effects of the change in accounting policy on collective assessment allowance for loans, advances and financing during the financial period. Please refer to Note C20 Changes in Accounting Policies for a summary of the changes.

C17. Capital Adequacy (contd.)

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

	Alliance Bank Malaysia Berhad	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
30 June 2012			
<u>Before deducting proposed dividends</u>			
Core capital ratio	13.68%	12.79%	72.15%
Risk-weighted capital ratio	13.69%	13.74%	72.32%
<u>After deducting proposed dividends</u>			
Core capital ratio	13.09%	11.98%	70.58%
Risk-weighted capital ratio	13.11%	12.93%	70.75%
31 March 2012 (Restated)			
<u>Before deducting proposed dividends</u>			
Core capital ratio	14.23%	13.00%	58.39%
Risk-weighted capital ratio	14.28%	14.04%	58.51%
<u>After deducting proposed dividends</u>			
Core capital ratio	13.63%	12.17%	57.13%
Risk-weighted capital ratio	13.68%	13.21%	57.25%

Note:

- (i) The capital adequacy ratios of Alliance Islamic Bank Berhad ("AIS") are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB). AIS has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (31.3.2012: 8.0%) for the risk-weighted capital ratio.
- (ii) The capital adequacy ratios of Alliance Investment Bank Berhad ("AIBB") are computed in accordance with BNM's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). AIBB has adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement is 8.0% (31.3.2012: 8.0%) for the risk-weighted capital ratio.

(c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

	30.6.2012 RM'000	31.3.2012 RM'000
Credit risk	24,414,898	23,601,495
Market risk	121,580	265,432
Operational risk	2,491,261	2,445,524
Total RWA and capital requirements	<u>27,027,739</u>	<u>26,312,451</u>

C18. Commitments And Contingencies

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

<u>Group</u>	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
As at 30 June 2012				
<u>Credit-related exposures</u>				
Direct credit substitutes	379,922	-	379,922	379,922
Transaction-related contingent items	574,121	-	287,061	287,061
Short-term self-liquidating trade-related contingencies	167,392	-	33,478	33,478
Obligations under an on-going underwriting agreement	14,610	-	7,305	7,305
Irrevocable commitments to extent credit:				
- maturity exceeding one year	4,867,500	-	2,433,750	2,001,757
- maturity not exceeding one year	6,223,836	-	1,244,767	1,092,431
Unutilised credit card lines	2,085,413	-	417,083	325,753
	<u>14,312,794</u>	<u>-</u>	<u>4,803,366</u>	<u>4,127,707</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	3,415,426	38,530	84,313	60,552
Interest rate related contracts:				
- one year or less	637,000	531	1,288	257
- over one year to three years	1,130,000	1,689	13,488	2,698
- over three years	474,408	4,229	24,128	8,995
	<u>5,656,834</u>	<u>44,979</u>	<u>123,217</u>	<u>72,502</u>
	<u>19,969,628</u>	<u>44,979</u>	<u>4,926,583</u>	<u>4,200,209</u>
As at 31 March 2012				
<u>Credit-related exposures</u>				
Direct credit substitutes	397,029	-	397,029	397,029
Transaction-related contingent items	549,766	-	274,883	274,883
Short-term self-liquidating trade-related contingencies	153,561	-	30,712	30,712
Obligations under an on-going underwriting agreement	70,122	-	35,061	35,061
Irrevocable commitments to extent credit:				
- maturity exceeding one year	4,320,657	-	2,160,328	1,786,192
- maturity not exceeding one year	5,793,193	-	1,158,639	1,004,648
unutilised credit card lines	2,188,661	-	437,732	340,525
	<u>13,472,989</u>	<u>-</u>	<u>4,494,384</u>	<u>3,869,050</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- less than one year	3,147,488	17,730	64,522	38,478
Interest rate related contracts:				
- one year or less	587,000	130	912	182
- over one year to three years	1,110,000	2,592	14,192	2,838
- over three years	423,896	3,260	20,055	6,467
	<u>5,268,384</u>	<u>23,712</u>	<u>99,681</u>	<u>47,965</u>
	<u>18,741,373</u>	<u>23,712</u>	<u>4,594,065</u>	<u>3,917,015</u>

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

C19. Interest Rate Risk

GROUP	Non-trading book						Non-interest/ profit sensitive	Trading book	Total	Effective interest/ profit rate
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years				
As at 30 June 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS										
Cash and short-term funds	530,665	-	-	-	-	-	461,209	-	991,874	3.11
Deposits and placements with banks and other financial institutions	-	36,763	-	-	-	-	219	-	36,982	3.67
Balances due from clients and brokers	1,055	-	-	-	-	-	52,045	-	53,100	12.00
Financial assets held-for-trading	-	-	-	-	-	-	-	1,562,623	1,562,623	3.05
Financial investments available-for-sale	1,103,070	2,004,794	117,088	304,872	2,426,960	3,248,727	197,091	-	9,402,602	3.77
Financial investments held-to-maturity	8,903	125,574	12,001	-	437,702	152,300	6,616	-	743,096	3.60
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	44,979	44,979	-
Loans, advances and financing	19,538,435	1,016,399	312,980	630,540	1,571,830	2,195,061	82,232*	-	25,347,477	5.47
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,877,933	-	1,877,933	-
TOTAL ASSETS	21,182,128	3,183,530	442,069	935,412	4,436,492	5,596,088	2,677,345	1,607,602	40,060,666	
LIABILITIES										
Deposits from customers	15,362,896	3,232,076	3,168,883	4,697,446	70,768	68,664	4,996,496	-	31,597,229	2.24
Deposits and placements of banks and other financial institutions	1,885,348	401,139	20,545	78,795	586,144	-	5,133	-	2,977,104	2.21
Balances due to clients and brokers	48,803	-	-	-	-	-	33,290	-	82,093	2.90
Bills and acceptances payable	16	65	115	-	-	-	-	-	196	3.45
Derivative financial liabilities										
- Trading derivatives	-	-	-	-	-	-	-	30,206	30,206	-
- Hedging derivatives	-	-	-	-	-	1,040	-	-	1,040	n/a
Amount due to Cagamas Berhad	-	1,550	9,160	-	10,545	-	-	-	21,255	3.77
Subordinated obligations	-	-	-	-	597,915	-	6,576	-	604,491	4.92
Other non-interest/profit sensitive balances	-	-	-	-	-	-	855,868	-	855,868	-
TOTAL LIABILITIES	17,297,063	3,634,830	3,198,703	4,776,241	1,265,372	69,704	5,897,363	30,206	36,169,482	
Equity	-	-	-	-	-	-	3,886,234	-	3,886,234	-
Non-controlling interests	-	-	-	-	-	-	4,950	-	4,950	-
TOTAL LIABILITIES AND EQUITY	17,297,063	3,634,830	3,198,703	4,776,241	1,265,372	69,704	9,788,547	30,206	40,060,666	
On-balance sheet interest sensitivity gap	3,885,065	(451,300)	(2,756,634)	(3,840,829)	3,171,120	5,526,384	(7,111,202)	1,577,396	-	

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

ALLIANCE FINANCIAL GROUP BERHAD (6627-X)
FIRST FINANCIAL QUARTER ENDED 30 JUNE 2012

C19. Interest Rate Risk (contd.)

GROUP	Non-trading book							Trading book	Total	Effective interest/profit rate
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-interest/profit sensitive			
As at 31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	1,384,073	-	-	-	-	-	490,260	-	1,874,333	3.04
Deposits and placements with banks and other financial institutions	-	93,138	4,429	-	-	-	146	-	97,713	2.32
Balances due from clients and brokers	1,631	-	-	-	-	-	60,133	-	61,764	12.00
Financial assets held-for-trading	-	-	-	-	-	-	-	1,491,995	1,491,995	3.00
Financial investments available-for-sale	953,177	1,910,031	150,485	88,717	2,493,255	3,314,235	213,301	-	9,123,201	3.79
Financial investments held-to-maturity	-	50,081	134,359	11,992	357,154	233,114	8,556	-	795,256	3.55
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	23,712	23,712	-
Loans, advances and financing	18,988,098	1,013,570	338,603	608,585	1,485,718	1,976,860	77,398*	-	24,488,832	5.46
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,760,355	-	1,760,355	-
TOTAL ASSETS	21,326,979	3,066,820	627,876	709,294	4,336,127	5,524,209	2,610,149	1,515,707	39,717,161	
LIABILITIES										
Deposits from customers	15,942,492	3,716,695	2,353,813	5,203,955	87,647	40,278	4,786,082	-	32,130,962	2.31
Deposits and placements of banks and other financial institutions	771,753	462,662	226,140	61,329	628,462	-	10,659	-	2,161,005	2.02
Balances due to clients and brokers	38,858	-	-	-	-	-	36,057	-	74,915	2.90
Bills and acceptances payable	14	40	124	-	-	-	-	-	178	3.36
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	25,818	25,818	-
- Hedging derivatives	-	-	-	-	-	423	-	-	423	n/a
Amount due to Cagamas Berhad	-	-	1,634	9,566	10,844	-	-	-	22,044	4.54
Subordinated obligations	-	-	-	-	597,829	-	13,786	-	611,615	4.92
Other non-interest/profit sensitive balances	-	-	-	-	-	-	918,346	-	918,346	-
TOTAL LIABILITIES	16,753,117	4,179,397	2,581,711	5,274,850	1,324,782	40,701	5,764,930	25,818	35,945,306	
Equity	-	-	-	-	-	-	3,766,950	-	3,766,950	-
Non-controlling interests	-	-	-	-	-	-	4,905	-	4,905	-
TOTAL LIABILITIES AND EQUITY	16,753,117	4,179,397	2,581,711	5,274,850	1,324,782	40,701	9,536,785	25,818	39,717,161	
On-balance sheet interest sensitivity gap	4,573,862	(1,112,577)	(1,953,835)	(4,565,556)	3,011,345	5,483,508	(6,926,636)	1,489,889	-	

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

C20. Change in Accounting Policies

During the current reporting period, the Group adopted MFRS 139 "Financial Instruments: Recognition and Measurement" ("MFRS 139") - Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing ("loans/financing").

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

Under MFRS 139, collective assessment is performed on loans/financing which are not individually significant based on the incurred loss approach. Loans/financing which are individually assessed and where there is no objective evidence of impairment are also included in the group of loans/financing for collective assessment. These loans/financing are pooled into groups with similar credit risk characteristics and the future cash flows for each group is estimated on the basis of the historical loss experience for such assets and discounted to present value. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans/financing.

This change in accounting policy has been accounted for retrospectively and has resulted in a decrease in the collective assessment allowance charged in the statement of comprehensive income and a write-back of collective assessment allowance to the opening retained profits and opening collective assessment allowance in the statements of financial position.

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

(a) Impact on the statements of financial position

As at 31 March 2012	As previously reported RM'000	Effect of full adoption of MFRS 139 RM'000	As restated RM'000
ASSETS			
Balances Due From Clients And Brokers	61,698	66	61,764
Loans, advances and financing	24,360,203	128,629	24,488,832
- Gross loans, advances and financing	24,984,046	28,101	25,012,147
- Individual assessment allowance	(266,349)	109,735	(156,614)
- Collective assessment allowance	(386,017)	(9,207)	(395,224)
Tax recoverable	15,484	(15,019)	465
LIABILITIES AND EQUITY			
Provision for taxation	(7,372)	(17,155)	(24,527)
Retained profits	(1,131,283)	(96,521)	(1,227,804)

C20. Change in Accounting Policies (contd.)

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

(a) Impact on the statements of financial position (contd.)

As at 1 April 2011	As previously reported RM'000	Effect of full adoption of MFRS 139 RM'000	As restated RM'000
ASSETS			
Balances Due From Clients And Brokers	80,519	24	80,543
Loans, advances and financing	21,796,319	97,631	21,893,950
- Gross loans, advances and financing	22,439,361	34,157	22,473,518
- Individual assessment allowance	(328,375)	154,620	(173,755)
- Collective assessment allowance	(339,636)	(91,146)	(430,782)
Deferred tax assets	109,099	(25,016)	84,083
LIABILITIES AND EQUITY			
Deferred tax liabilities	(6,792)	602	(6,190)
Retained profits	(908,084)	(73,241)	(981,325)

(b) Impact on the statements of comprehensive income

1st Quarter ended 30 June 2011	As previously reported RM'000	Effect of full adoption of MFRS 139 RM'000	As restated RM'000
Interest income	328,951	(2,760)	326,191
Net income from Islamic banking business	61,827	50	61,877
Allowance for losses on loans, advances and financing and other losses	7,917	2,987	10,904
Profit before taxation	173,789	277	174,066
Taxation	(44,023)	(68)	(44,091)
Net profit after taxation	129,766	209	129,975
Earnings per share attributable to owner of the parent			
- Basic (sen)	8.5	-	8.5
- Diluted (sen)	8.4	0.1	8.5

(c) Impact on capital adequacy

As at 31 March 2012	As previously reported RM'000	As restated RM'000
<u>Before deducting proposed dividends</u>		
Core capital ratio		12.37%
Risk-weighted capital ratio		15.62%
<u>After deducting proposed dividends</u>		
Core capital ratio		11.88%
Risk-weighted capital ratio		15.13%
Total Tier I capital	3,158,752	3,255,273
Total Tier II capital	978,848	858,495
Total Capital Base	4,133,980	4,110,148

By Order of the Board

LEE WEI YEN (MAICSA 7001798)

Group Company Secretary

Kuala Lumpur

15 August 2012