

JOINT STATEMENT BY **CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER**

**Tan Sri Dato’
Ahmad bin Mohd Don**
Chairman

Kellee Kam
Group Chief Executive
Officer



Dear Valued Shareholders,

We are pleased to present to you the Integrated Annual Report of Alliance Bank Malaysia Berhad (“Alliance Bank” or “the Bank”) for the financial year ended 31 March 2023 (“FY2023”).

Revenue RM1.92 billion	Return On Equity 10.5%	Net Interest Margin 2.64%
RM8.1 billion achieved in new sustainable banking business		Earnings Per Share 43.8 sen

A YEAR OF RESILIENCE

The year 2022 saw the Malaysian economy transitioning from the pandemic to the endemic phase. Throughout this period, we remained close to our communities and continuously provided support to help them through the challenges by extending Payment Relief Assistance (“PRA”) to individuals and businesses.

Additionally, we supported and sustained many community businesses during the prolonged periods of COVID-19 lockdowns. With campaigns such as #SupportLokal, we helped small to medium businesses widen their market reach through our social media platforms and popular e-commerce sites. This initiative drove more than 430,000 visitors to our customers’ websites.

Furthermore, we made it more convenient for our customers to engage with us during this period through our digital solutions such as “Bank in Your Pocket” – which enabled them to self-serve remotely as well as “Branch-in-a-Tablet” – where we provided door-to-door service to customers who preferred in-person interactions at a location of their choice.

Looking beyond the pandemic, we see an economy that is now building back better and on its way to making a resilient recovery. Consumer sentiment has improved considerably and many industries are expected to report positive financial performance. For the year as a whole, Malaysia’s growth was positive with gross domestic product (“GDP”) increasing by 8.7% as compared to the previous year (2021: 3.1%).

OUR BUSINESS PERFORMANCE

For FY2023, the Bank registered strong performances across key financial metrics. The Bank’s revenue grew by 2.8% to RM1.92 billion, while we improved our net interest margin to 2.64%. We also registered an improvement in our net credit cost from 48.1 bps to 31.9 bps, reflecting our proactive credit management. Additionally, our cost-to-income ratio stood at 45.9%.

The year in review saw the Bank make a full recovery from the COVID-19 pandemic, with our earnings per share at 43.8 sen and net asset value per share at RM4.36, which surpassed pre-pandemic levels. Similarly, the Bank’s return on equity improved to 10.5%.

We continue to maintain a strong capital position. With Bank Negara Malaysia’s (“BNM”) Transitional Arrangement, our Common Equity Tier-1 ratio stands at 14.5%, Tier-1 capital ratio at 15.3%, and total capital ratio at 19.4%.

For FY2023, we declared a total dividend of 22.0 sen, representing a dividend payout ratio of 50%.

Our focus on delivering our strategic priorities, in the areas of customer acquisition, engagement and digitalisation, has put the Bank in good stead moving forward.

Acquiring More Customers

Our strategy of driving SME expansion saw the Bank’s SME market share grow from 3.4% to 5% over the past four years. In FY2023, the Bank recorded a healthy 13.1% year-on-year (“YOY”) SME loans growth.

New-to-bank customer acquisition kept its positive momentum, growing 58% YOY to 89,000, enabling us to achieve our target of acquiring 80,000 new-to-bank customers.

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This growth can be attributed to our focus in intensifying our digital acquisition especially through digital solutions such as our electronic Know Your Customer (“eKYC”) account opening platform and digital loans. In FY2023, we doubled our digital personal loans to RM295 million, from RM141 million in FY2022. Additionally, over one-third of our consumer acquisition in FY2023 was derived from digital channels.

Deepening Customer Engagement

Customer engagement continues to be our key focus. We achieved our highest-ever customer Net Promoter Score (“NPS”) and recorded solid improvements in areas like digital banking, contact centre, and account opening. The NPS is a measurement of customers’ willingness to recommend our products and services to others.

We also continued to strengthen our engagements and relationships with business owners by servicing their needs and those in their extended group such as their family members, business partners, employees and local communities. This initiative served to increase the number of new business owners with dual relationships to 8,700 in FY2023.

Digitalisation

Although more customers have begun returning to our branches to conduct their banking transactions following the relaxation of pandemic restrictions, we continue to register a high proportion of digital transactions, whereby 76% of total customer transactions are now done digitally. On top of this, customers’ adoption of digital channels accelerated notably in FY2023, with digital adoption registering a 19% increase YOY.

Whether fully digital, partly digital with personal assistance or direct face-to-face interactions, our aim is to consistently be by our customers’ side to meet their banking needs as well as to continue our efforts in making banking faster, simpler and more convenient.

EMBARKING ON OUR REFRESHED STRATEGY

Over the past five years, we have focused our efforts on being “The Preferred Bank of Business Owners” and the strategy was a success as evidenced by the Bank’s market share growth in the SME segment. Moving forward, Alliance Bank will be embarking on a transformation journey led by our refreshed strategy - Acceler8 2027 - which will guide the Bank towards its goals over the next four years. This includes ambitious financial performance, broadening of focus areas for growth as well as progress on our ESG journey. There are eight key pillars of growth to take Alliance Bank to the next level:

- Continue velocity on SME expansion;
- Support our business customers through their life cycle;
- Broaden the consumer business by targeting attractive segments (young professionals and high-net-worth customers);
- Target resilient ecosystems across their value chain (education, healthcare and green technology);
- Become the regional champion for selected economic corridors (Northern region and Sarawak);
- Drive synergies and value creation in our corporate and capital markets businesses;
- Accelerate the Islamic Banking business and enhance its unique propositions; and

- Leverage on partnerships to scale product offerings, distribution channels and drive further value for customers.

To achieve this, Team Alliance will be looking at strengthening our three key differentiators that will set us apart from our competition and bring greater value to our customers:

- **SPEED** – by being fast and responsive;
- **SERVICE** – by offering easy and simple solutions; and
- **PERSONALISATION** – by understanding our customers and tailoring solutions that best meet their needs.

CHAMPIONING SUSTAINABILITY

The importance of sustainability in today’s business cannot be overemphasised. Companies that implement robust sustainability practices encompassing Environmental, Social and Governance (“ESG”) elements are more likely to build strong, resilient and sustainable businesses in the long run. By adopting good sustainable practices, companies can focus on enhancing their value creation efforts and improve the delivery of their solutions, products and services.

We are committed to reinforcing our new transformation strategy, Acceler8, with our goal to build an ESG-focused organisation, by embedding ESG at the heart of our business and operations. Our ambition is underpinned by our purpose to help our customers adopt sustainable practices in support of the transition to a low-carbon economy and to create meaningful impact through our people and community.

We are pleased to report that we made significant progress on our sustainability efforts throughout FY2023:

- We doubled our FY2025 sustainable business target to RM10 billion and achieved RM8.1 billion of new sustainable banking business;
- We reduced the percentage of C5 (businesses that do not demonstrate any commitment to transition to more sustainable practices) in our business and investment portfolio to 35%;
- We established our greenhouse gas (“GHG”) emissions reduction strategy i.e., to reduce 20% of our Scope 1 and Scope 2 GHG emissions by FY2027 against our FY2020 baseline;
- We enhanced our risk management infrastructure by embedding sustainability and climate-related risks into our overall risk management practices and are working towards complying with the BNM Climate Risk Management and Scenario Analysis that is due in December 2024;
- We increased our efforts to promote greater sustainability awareness and staff engagement by developing an internal sustainability skills and competency framework as well as by rolling out our internal Sustainability e-Learning; and
- In tandem with this, we launched a communication plan to keep all employees updated on bank-wide sustainability initiatives.

The Bank also serves as an advocate and enabler for our customers by providing support and solutions to help them on their sustainability journey:



- We launched the “BeESG” campaign to help businesses inculcate sustainable practices through effective adoption of ESG elements. Together with UN Global Compact Network Malaysia & Brunei (“UNGCMYB”), the Malaysian Green Technology and Climate Change Corporation (“MGTC”), and Bursa Malaysia Securities Berhad, this strategic partnership aims to push forward the ESG agenda and help companies establish their roadmaps and goals.
- We signed a Memorandum of Understanding (“MoU”) with UNGCMYB to help SMEs on-board ESG support programmes such as the Action Centre for Sustainable SMEs (“ACCESS”) for tools, resources as well as training and development programmes.

- We launched the Bank’s inaugural ESG thought leadership publication - “ESG Insights from Malaysian SMEs: Building A Better Future Together” in collaboration with UNGCMYB and SME Corporation Malaysia (“SME Corp. Malaysia”). This report provided insights on ESG awareness, adoption and challenges faced by Malaysian SMEs together with solutions and support tools to help them become more ESG-centric.

ACCELERATING DIGITALISATION AND DEVELOPING A PROGRESSIVE WORK CULTURE

Enhancing the Digital Banking Experience

At Alliance Bank, we strive to drive further innovation to move up the value chain in terms of service, advice and solutions to our stakeholders. We aim to provide an effective omni-channel experience to our customers with a combination of physical locations through our branches or self-service kiosks as well as a suite of digital tools and online platforms that are simple and convenient to use.



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We bring convenience to our customers, ensuring that they have access to multiple options and platforms at all times through:

- **Bank in Your Pocket** – which enables customers to self-serve remotely, including opening accounts through our eKYC platform, or applying for loans digitally from anywhere at any time.
- **Branch-in-a-Tablet** – for customers who still prefer in-person interactions, we bring the bank to them. Our relationship managers are able to bring the full capabilities of the branch, on a tablet, to a location of the customer's choice.

Looking ahead, we will continue to augment our IT infrastructure to drive business growth as well as maintain high standards of governance, compliance and cybersecurity.

We will also consistently update our security risk management policies to enhance measures that protect our customers and our Bank from new threats in the form of frauds and scams.

Investing in Our People, Our Greatest Asset

Our achievements to date are the result of the Bank's strong talent pool. Our people have demonstrated their resilience and agility in adapting to various challenges during the pandemic to serve our customers effectively.

Our resilience as a team was recognised when we won the Silver award in the "Excellence in COVID-19 Response" category at the HR Excellence Awards 2022. This award recognises the Bank's commitment to promoting employee wellbeing through effective workplace programmes and initiatives, ongoing learning and development,



SILVER AWARD
"Excellence in COVID-19 Response" category at the HR Excellence Awards 2022



Invested over
RM7.2 million
in Staff Upskilling Initiatives



as well as prioritising employees' health and safety during the pandemic.

In FY2023, we introduced Flexible Work Arrangements, offering employees the options of staggered working hours and hybrid work arrangements. We also fostered a strong culture of appreciation via initiatives such as Alliance Heroes and ManCo Appreciates You.

We continue to focus on upskilling our people with new skillsets and equipping them with the right tools so as to help them perform their roles more effectively. Overall,

we invested over RM7.2 million in these initiatives plus professional training to further strengthen our talent force.

As we embark on our Acceler8 journey and work together towards building better solutions for our customers and stakeholders, we are also cultivating a progressive work culture within the Bank. This is embodied in the new **Team Alliance Values (A.G.I.L.E.)** – to reflect that we are fast and responsive, with a winning mindset to support our customers to achieve their goals in life.



LOOKING AHEAD: ALLIANCE BANK'S PROSPECTS

For 2023, BNM projects that the country's GDP will grow between 4% and 5%. Private consumption will remain the key growth driver, underpinned by continued improvements in labour market conditions. Sector-wise, the Services and Manufacturing sectors should continue to sustain their growth momentum. The resilient economic expansion in Malaysia and the ASEAN region coupled with China's economic recovery is expected to support the recovery of key sectors.

Nevertheless, there remains risks stemming from volatility in global financial markets and geopolitical tensions. However, with our strong domestic and regional economic fundamentals, we are optimistic that the banking industry is well positioned to manage the uncertainties ahead.

To fulfil our growth ambitions under our refreshed Acceler8 strategy, we will strive to remain nimble to respond to the changes in our environment.

ACKNOWLEDGEMENTS

In this second year of the Bank's Integrated Reporting ("IR") journey, we have taken steps to better articulate how we are creating value for our stakeholders and the community. On behalf of the Board of Directors, we express our sincere gratitude to our valued shareholders whose confidence in the Bank continues to inspire us to do better. Additionally, we wish to thank all our customers and business partners for placing their faith and trust in us.

We would also like to convey our deep appreciation to the regulators, policymakers and corporate governance custodians, in particular Bank Negara Malaysia, the Securities Commission Malaysia, Bursa Malaysia Securities Berhad, as well as other regulatory authorities for their continued support and guidance.

Our heartfelt gratitude to Team Alliance – our Management team and employees – for their diligence, dedication and commitment to excellence which continue to help the Bank grow from strength to strength.

Last but not least, to our esteemed Board of Directors, we are indeed grateful for your astute counsel and continued support in making Alliance Bank "The Preferred Banking Partner".

AHMAD BIN MOHD DON

Chairman

Alliance Bank Malaysia Berhad

KELLEE KAM

Group Chief Executive Officer

Alliance Bank Malaysia Berhad