

Statement by Chairman of Alliance Bank Malaysia Berhad



I am pleased to report that despite the challenging global economic conditions in 2011, Alliance Bank Malaysia Berhad delivered to shareholders higher profits for the financial year ended 31 March 2012. Profit after taxation rose by 16.6% to RM484.3 million, and our return on equity further improved to 14.0%. We continued to focus on organic growth and better asset quality to further consolidate our position in the financial services industry. Our loans portfolio expanded by 11.3%, and our net impaired loans ratio declined to 1.4%, whilst the loan loss coverage rose to 108.5%, from financial year ended 31 March 2011. Today, Alliance Bank is better positioned to capitalise on market opportunities and deliver profitable growth in a sustainable manner.

The Year In Review

2011 continued to bring with it new challenges and stresses in the international financial markets. Given the extensive trade links, Malaysia was not immune from the global forces of contraction following the downgrade of the US sovereign credit ratings, the eurozone debt crisis and the Middle East geopolitical tensions, as well as the earthquake that shook Japan. However, we have been fortunate that the Government has reacted with speed and decisiveness in the accelerated implementation of various Entry Point Projects under its Economic Transformation Programme and ensured an accommodative monetary policy. As a result, the Malaysian economy expanded by 5.1%, a healthy outcome under the circumstances, considering the fact that the world's gross domestic product declined to 3.8% in 2011.

Our Business Performance

Against this background, the Bank's results for the financial year ended 31 March 2012 were satisfactory, as the Bank remained steadfast in the implementation of its business strategy of focusing on Consumer and Business Banking, as well as relentless pursuit of customer service excellence.

We enjoyed solid growth of 11.3% in loans to RM25.0 billion, and outperformed the industry, gaining greater market share in key segments of housing and SME financing. Customer deposits increased by 10.9% to RM32.2 billion as at end-March 2012, and the loans-to-deposits ratio was maintained at 77.7%.

Revenues from non-interest income activities rose 41.9% or RM94.6 million in line with the focus on recurring fee income from treasury sales and wealth management, as well as product bundling and cross-selling of products and services. The non-interest income ratio has risen to 26.8%, from 20.7% a year ago.

During the year, we continued to upgrade our technology infrastructure, streamlined our branch processes and enhanced service quality and operational efficiency across all touch points in an effort to drive higher productivity and efficiency. Our efforts in re-engineering our front and back office operations, and aligning the organisation structure have resulted in significant improvements in sales productivity and service delivery, with better turnaround time for underwriting, over-the-counter service, and complaint resolution, as well as the drop in the cost-to-income ratio to 47.0%.

Preparing For Tomorrow's Growth

We embarked on various initiatives to deepen and strengthen our client relationships through the customer segmentation model. We are mindful that to grow and stay relevant, the Bank must be highly disciplined and focused on its long term competitiveness to deliver an unsurpassed customer service to achieve its vision to be "The Best Customer Service Bank in Malaysia".

Our value proposition is based on building long-term relationships with our customers by:

- Understanding and meeting our customers' needs and expectations at every stage of their financial life cycle.
- Recognising and serving our customers as individuals, each with their own personal needs and preferences, by delivering on our brand promise, *Banking Made Personal*.
- Offering a full suite of products, services and solutions relevant to the needs of our customers.

I am encouraged that the success of our initiative to develop a new level of customer experience is already becoming evident, with the Bank winning the coveted "Excellence in SME Banking" award from the global research consultancy, IDC Financial Insights.

Challenges Ahead and Strategic Priorities

While we continue to build on this success and pursue expansion plans to ensure sustainable growth, we are also mindful of the changing dynamics in the industry and the need for stronger and more resilient banks that can face up to new banking realities of increased regulations and complexity of risks. In this regard, we are more agile and nimble in responding to the changes in the market place and exploiting opportunities that come our way. Hence, moving forward from a position of strength, the Bank's three key strategic priorities for the financial year ending 31 March 2013 are:

- To build a consistent and sustainable financial performance by growing our core businesses of Consumer and Business Banking, while pursuing fresh opportunities in new areas which include, amongst others, wealth management, treasury sales and bancassurance. We will also continue to reinforce our prudent, effective balance sheet management strategies and integrated risk management and governance to sustain profitability.
- To be Malaysia's "Best Customer Service Bank" within the next few years by building on our brand promise, *Banking Made Personal*, through improvement of processes and the quality of our service.



- To develop "Engaged Employees with the Right Values" by redefining our core values and strengthening our performance management systems to create a culture which rewards staff for their hard work, creativity and team work.

A detailed report is contained in the Review by the Group Chief Executive Officer.

Acknowledgements

On behalf of the Board of Directors, I would like to thank our shareholders, our growing number of customers, stakeholders and business partners for their support and confidence in the Bank.

I would also like to thank my fellow directors of Alliance Bank for their great support and hard work.

To Datuk Oh Chong Peng and the Board of Directors of our holding company, Alliance Financial Group Berhad, I would like to place on record my sincere appreciation for their insights, advice and support.

Three directors have left during the year, Mr Tee Kim Chan, Mr Chua Eng Kee and Mr Phoon Siew Heng, and I would like to thank them for their past services. During the year, Mr Kuah Hun Liang and Mr Lee Ah Boon joined the Board, and I would like to welcome them both.

I would also like to express my sincere thanks and gratitude to Bank Negara Malaysia, Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other government agencies and regulatory authorities for their continual support, guidance and assistance.

I believe that with the growth momentum supported by a strong balance sheet and proven business model, driven by a strong and united team, Alliance Bank will continue to deliver increasing returns to all our stakeholders. We look forward to the new financial year with optimism.

DATO' THOMAS MUN LUNG LEE

Chairman, Alliance Bank Malaysia Berhad