

STATEMENT BY CHAIRMAN OF ALLIANCE BANK MALAYSIA BERHAD



I am happy to report that the Alliance Financial Group has delivered higher earnings for the financial year ended 31 March 2013. Profit after taxation rose by 7.0% to RM538.1 million, translating into a return on equity of 13.8%, and return on assets of 1.3%.

The Year in Review

2012 was marked by financial volatilities as the Eurozone continued to grapple with its unresolved sovereign debt crisis, concerns over the mounting fiscal cliff in the United States and slow growth in the Asia-Pacific region, as well as the ongoing geo-political tensions in the Middle East.

Fortunately, Malaysia's economic fundamentals remained resilient. The implementation of the Government's Economic Transformation Programme, stronger than expected domestic demand coupled with an accommodative monetary policy, enabled Malaysia's gross domestic product to grow by 5.6%, compared to 5.1% in 2011.

Our Business Performance

The financial services sector however, was challenging as banks competed with each other for the same businesses. Notwithstanding this, the Bank's financial performance improvement was underpinned by revenue growth of 7.1%, with non-interest income ratio rising to 28.7%. Our investments in the last two years of building treasury sales, transaction banking and wealth management also contributed to higher non-interest income.

We focused on building our franchise and the roll-out of various strategic initiatives during the year, which contributed to a healthy gross loans growth, including Islamic financing, of 12.8% to RM28.2 billion. We outperformed the industry, gaining market share in key segments of housing and SME financing. The Bank's net impaired loans ratio dropped to 1.1% from 1.4% a year ago, reflecting our prudent risk and financial management.

Customer deposits rose by 11.9% to RM36.0 billion, with current-account-savings-account (CASA) now accounting for 33.6% of total deposits. The liquidity position as measured by the loans-to-deposit ratio remained healthy at 78.4%.

Sustained Growth

Serving our customers well is the cornerstone of our strategy and embedded into our operational objectives. During the year, we continued our investments in infrastructure platforms to build long-term capabilities and to improve customer service. These investments enable us to deliver more innovative products to meet the evolving needs of customers across all touch points and enhance the Bank's efficiency and competitiveness.



The initiatives to re-engineer our front and back-office operations, and align the organisation structure, have resulted in improvements in sales productivity, service delivery and turnaround time for credit underwriting, over-the-counter service transactions as well as complaint resolution.

We also embarked on a Branch Strategy Project as part of the plan to redesign a holistic customer experience by transforming our branches into more effective distribution and service channels to better serve the community.

The Bank's relationship with our SMEs and wholesale customers remain strong and we continued to invest in this area and to ensure that they will remain long term relationships.

The success of these initiatives is evident with the Bank being acknowledged as the "Best SME Bank" in the Asia Pacific, Gulf region and Africa by The Asian Banker. This award recognises, amongst others, the Bank's well-defined franchise in the SME customer segment in areas such as business, service excellence, operational processes and technology.



Challenges Ahead and Strategic Priorities

We recognise that as competition in the financial services industry continues to intensify, we have to accelerate our growth plans, whilst remaining nimble and agile to ensure that we continue to meet customer needs. We will ensure that the required organisational values, leadership behaviours and value propositions that will enable us to deliver consistent and sustainable financial performance, are reinforced.

For the new financial year, our three key strategic priorities are:

- i. **To build a consistent and sustainable financial performance**
One of our goals is to generate recurring revenues by growing Transaction Banking, Wealth Management and Financial Markets for non-interest income, and another is to concentrate on our existing Consumer and Business Banking business. We will, at the same time, continue to reinforce our prudent, effective balance sheet management strategies and integrated risk management and governance to sustain profitability.
- ii. **To be Malaysia's "Best Customer Service Bank"**
To achieve our goal of becoming "The Best Customer Service Bank In Malaysia" within the next few years, we will be rolling out a series of programmes to strengthen our brand promise, *Banking Made Personal*, and improve customer experience through re-engineering, centralisation and automation of processes.
- iii. **To Develop "Engaged Employees with the Right Values"**
We will reinforce our core values of Respect, Integrity, Teamwork and Excellence (R.I.T.E.) and behaviours required to achieve the Bank's mission and vision to become a high performance organisation. We will step up both the soft skills and technical skills training to cultivate future leaders. Amongst the major on-going programmes will be the Branch Managers, Managerial Development and Management Trainee Programmes. We will also step up job rotation, talent management and further strengthen our performance management systems to reward staff for their hard work, creativity and team work.



Given the Bank's good financial performance, strong asset quality and capital ratios, as well as committed and supportive employees, we are well-placed to achieve the key strategic priorities in FY2014 and beyond.

Congratulations

I would like to congratulate our Group CEO Mr Sng Seow Wah and all his staff for the major awards won by the Bank during the year:

- "SOA Vision for Enterprise Services" at the Enterprise & IT Architecture Global Excellence Awards 2012 by iCMG International
- 23rd place on the "Malaysia's Most Valuable Brand" by the Association of Accredited Advertising Agents in consultation with Interbrand
- Ranked 76th on Malaysia's 100 Leading Graduate Employers 2012 by the GTI Group
- "Sahabat SME Award" for the third consecutive year by the SMI Association of Malaysia
- "Service Excellence in SME Banking 2012" and "Service Provider Excellence in Virtualisation" by Banking & Payments Asia at the Trailblazer Awards 2013
- "Best SME Bank" in Asia Pacific, Gulf Region & Africa by The Asian Banker at the International Excellence in Retail Financial Services 2013 Award
- Gold winner of the "Excellence in Consumer Insights/Market Research/Data-Driven Marketing" and Silver recipient of the "Excellence in CRM & Loyalty Marketing" at the Marketing Excellence Awards 2013.



Appreciation

On behalf of the Board of Directors, I would like to thank our shareholders and 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 strong 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.

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

I am confident that we can face the challenges that FY2014 will bring and continue to deliver sustainable financial performance.

DATO' THOMAS MUN LUNG LEE
Chairman, Alliance Bank Malaysia Berhad