

STATEMENT BY CHAIRMAN OF ALLIANCE FINANCIAL GROUP BERHAD



Dear Shareholders

I am pleased to report that the Alliance Financial Group Berhad has delivered its best-ever results for the financial year ended 31 March 2013 despite the intense domestic competition and turbulent global economic conditions.

The Alliance Financial Group Berhad (the Group) continued to manage these challenges well, and remained focused on driving sustainable performance across all our businesses. The key financial metrics achieved during the year indicates that we are moving in the right direction. The credibility of our business franchise is further reinforced by winning recognition in the marketplace. Earlier this year, The Asian Banker acknowledged Alliance Bank as the “Best SME Bank” in the Asia Pacific, Gulf region and Africa. Our brand is also becoming more relevant and trusted, and we’ve moved up the ranks to be rated 23rd amongst Malaysia’s Most Valuable Brands.

Operating Environment

The global economic landscape was challenging in 2012 due to the impact of the Eurozone debt crisis, sovereign credit ratings, and natural disasters.

Although Malaysia was not completely insulated from these economic developments and other structural changes in the global financial services industry, our economy fared much better. The economy grew 5.6%, compared to 5.1% in 2011, underpinned by strong domestic demand and consumption. We remain optimistic that the multiplier effects of the infrastructure and construction-related projects under the Government’s Economic Transformation Programme (ETP) will spill over to benefit other business and consumption activities.

Financial Performance

The Group recorded net profit after tax of RM538.1 million, up 7.0% over the previous year. This translated into a return on equity of 13.8% and earnings per share of 35.3 sen.

The higher net profit after tax was driven by growth in net interest income, non-interest income, and lower impairment losses from the loans portfolio, but were partially offset by higher operating expenses.

The Group’s funding position remained strong, as customer deposits increased by 11.9% to reach RM36.0 billion. The Group’s total assets expanded by RM4.0 billion to RM43.7 billion, driven mainly by the 13.4% growth in net loans, from our Consumer and SME lending activities.

The Group also continued to show improvement in asset quality, with the net impaired loans ratio dropping to 1.1% from 1.4% a year ago.



The Group remained well-capitalised with Common Equity Tier 1 and Tier 1 capital ratio of 10.6% and 12.1% respectively, while the overall total capital ratio stood at 14.8% as at end-March 2013.

Creating Shareholder Value

Growth and profitability with no compromise in governance and risk management remain key to ensuring sustainability of our earnings.

I am happy to report that as a reflection of our much stronger and profitable franchise, AFG was able to pay higher dividends of 16.6 sen per share (FY2012: 13.3 sen per share) amounting to RM252.5 million. At the close of the financial year ended 31 March 2013, our share price had risen to RM4.40, and our market capitalisation has increased by 13.1% to RM6.8 billion from a year ago.

Growing in Malaysia

We are committed to further developing our franchise to be strategically compelling for all our stakeholders, as one of the key players in the Malaysian financial services industry. We recognise the need to stay connected and relevant to our customers across the different customer segments. You will, no doubt, have noted the tagline of “Delivering Superior Customer Experience” as the theme of our Annual Report. We strive to understand our customers’ needs, discover appealing winning solutions, and deliver excellent service consistently across all channels. Accordingly, we upgraded the Internet banking platform, the Alliance Bank BizSmart Online Banking, as well as launched a customer loyalty programme, the Alliance OneBank Rewards.

Investing in Our People

The passion and commitment of our people is key to our success. In addition to our programmes to attract, retain and develop talent, we also institutionalised the R.I.T.E core values of Respect, Integrity, Teamwork and Excellence to help ensure that positive behaviours are encouraged.



Corporate Responsibility

In our corporate responsibility activities, we are reaching out through education, financial literacy programmes, charity work and engaging staff volunteers in the areas of building sustainable and meaningful business and community partnerships.

We are very pleased, in particular, with the response and outcome of the inaugural Alliance Bank Money & Math Challenge, which is an exciting and innovative financial literacy programme to teach young children good money habits.

Corporate Development

On 11 March 2013, the Group completed the sale of its 30% equity stake in AIA AFG Takaful Berhad, a company offering a range of Shariah compliant products to AIA Bhd. for RM45 million cash.

Challenges Ahead and Strategic Priorities

Globally, we believe that economic conditions will remain challenging in 2013, in view of the continued lack of clarity in the recovery of some of the world’s largest economies. Despite the global uncertainties, we remain cautiously optimistic that Malaysia will be able to sustain its GDP growth at around 5.5%, supported by domestic demand and private investment expansion from the on-going implementation of projects under the ETP.

We also expect competitive pressure in the domestic banking industry to intensify, with changes brought about by mergers and acquisitions, expansion of alternate distribution channels, changing demographics, technological innovation and the rise of social media.

Against this backdrop, the Group is well-positioned to leverage on its competitive strengths to drive growth strategies, strengthen customer service, increase productivity and efficiency and grow profitably with responsibility. This will further enhance our franchise and shareholder value.

Acknowledgements

I would like to thank the management team and staff for their dedication and hard work in developing the business and delivering excellent service to our customers. I am confident that the Group will achieve greater progress and continue to deliver greater value to our shareholders.

I am grateful for the trust and loyalty of our shareholders and customers. We are more committed than ever to make the Alliance Bank brand stronger and relevant in the marketplace.

I would also like to extend my appreciation to Bank Negara Malaysia, Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other regulatory authorities, as well as my fellow directors for their guidance, contributions and commitment to the Group.

DATUK OH CHONG PENG

Chairman, Alliance Financial Group Berhad