

# BUSINESS AND OPERATIONS REVIEW

## BY GROUP CHIEF EXECUTIVE OFFICER

### OF ALLIANCE BANK MALAYSIA BERHAD



The Alliance Financial Group performed well for the financial year ended 31 March 2013. The Group's net profit after tax of RM538.1 million is the result of strategic initiatives to pursue new revenue streams, transform the distribution channels and processes to deliver superior customer service and experience.

The Group kept its focus on balancing business growth and enhancing its strong balance sheet during the year, to create a platform for consistent and sustained financial performance.

#### Building on the Momentum

Despite the external uncertainties in 2012, the Malaysian economy expanded by 5.6%. The growth, driven by increased investment activities and characterised by strong capital spending in consumer-related services and domestic-oriented manufacturing sectors, boosted loans growth for the banking industry. The implementation of the Economic Transformation Projects and the developments in the Iskandar Development Region also generated opportunities for the Group's business.

Notwithstanding the intense competition from the changing banking landscape and external challenges, the Group was able to deliver improved financial performance and earnings.

#### Strong Financial Performance

The Group registered a net profit after tax of RM538.1 million for the financial year ended 31 March 2013 (FY2013), surpassing last year's profit of RM503.1 million, an increase of RM35.0 million. Return on equity was 13.8% while return on assets was 1.3%.

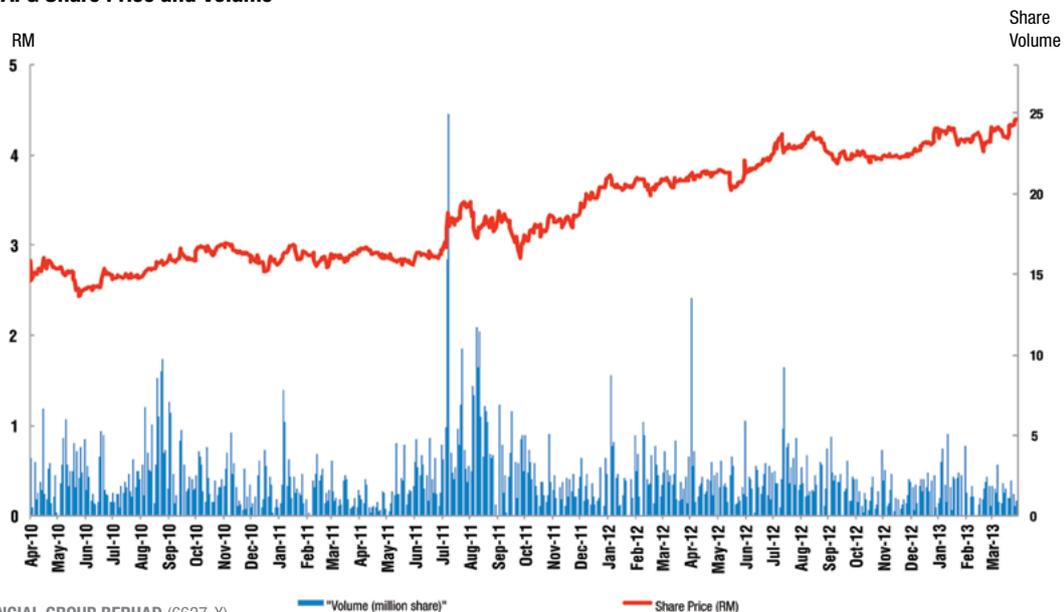
#### Shareholder Value Continues to Grow

The intrinsic value of the Group continued to strengthen in FY2013 as reflected in the 7.0% increase in earnings per share. Net asset per share rose to RM2.60 as at end-March 2013, from RM2.43 in the previous year.

Reflecting the performance of the Group, the share price of AFG closed at RM4.40 on 29 March 2013, raising the total market capitalisation to RM6.8 billion, up from RM6.0 billion a year ago.

For the year under review, the Group's Total Shareholder Return, which takes into account the capital gains of share price and dividends to measure enhancement of value to shareholders, stood at 17.4%, when compared to FBMKLCI Index of 8.3% and KLFIN Index of 14.0%.

AFG Share Price and Volume



## Financial Performance

The following table summarises the financial performance of the Group:

<b>Steady Profit Growth</b>	<ul style="list-style-type: none"> <li>Net profit of RM538.1 million, up 7.0% year-on-year, driven by an increase in revenue and lower impairment charges.</li> <li>12.6% growth in non-interest income. Non-interest income as a proportion of total revenue, rose to 28.7%, from 27.0% a year ago.</li> <li>Return on equity at 13.8% and return on assets of 1.3%.</li> </ul>
<b>Balance Sheet Expansion</b>	<ul style="list-style-type: none"> <li>Total assets expanded by 10.0% to RM43.7 billion.</li> <li>Net loans growth of 13.4% to RM27.8 billion, reflecting strong business momentum.</li> <li>Deposit growth of 11.9% to RM36.0 billion.</li> <li>Current-account-savings-account (CASA) ratio maintained at 33.6%.</li> </ul>
<b>Productivity</b>	<ul style="list-style-type: none"> <li>Cost-to-income ratio increased marginally by 0.3% to 47.9%.</li> </ul>
<b>Risk Management: Liquidity, Operating Efficiency and Capital</b>	<ul style="list-style-type: none"> <li>Liquid balance sheet; with loans-to-deposits ratio maintained at 78.4%.</li> <li>Net impaired loans ratio continued to improve to 1.1%, from 1.4% in FY2012, due to better underwriting standards and intensified collection efforts.</li> <li>Total capital ratio stood at 14.8%.</li> <li>Common Equity Tier 1 and Tier 1 capital ratio of 10.6% and 12.1% respectively, are well-above regulatory and Basel III requirements.</li> </ul>

	FY2012	FY2013	Growth	Growth
Summarised Income Statement	RM million	RM million	RM million	%
Net Interest & Islamic Banking Income	924.1	972.6	48.5	+5.2%
Non-Interest Income	320.2	360.4	40.2	+12.6%
Net Income	1,244.3	1,333.0	88.7	+7.1%
Operating Expenses	591.8	639.3	47.5	+8.0%
Write-Back of Losses on Loans and Impairment	24.1	25.0	0.9	+3.7%
Profit Before Taxation and Zakat	674.6	714.0	39.4	+5.8%
Net Profit After Taxation	503.1	538.1	35.0	+7.0%
Summarised Balance Sheet				
Net Loans, Advances and Financing	24,488.8	27,771.7	3,282.9	+13.4%
Investment and Dealing Securities	11,434.2	12,499.1	1,064.9	+9.3%
Total Assets	39,718.8	43,692.0	3,973.2	+10.0%
Deposits from Customers	32,186.9	36,004.3	3,817.4	+11.9%
CASA Deposits	10,841.9	12,099.2	1,257.3	+11.6%
Shareholders' Funds	3,771.9	4,035.2	263.3	+7.0%

## Business and Operations Review

by Group Chief Executive Officer of Alliance Bank Malaysia Berhad (cont'd)

### Business Performance

Building on the momentum established, the Group's priorities for the year were focused on:

- Ensuring broad revenue growth in interest income and non-interest income across all lines of business, through bundling and cross-selling of innovative products and services;
- Enhancing our customers' overall service experience by building strong and enduring relationships and providing fast, simple and convenient services by leveraging on our Customer Relationship Management System and streamlined business processes; and
- Strengthening our human capital and reinforcing our core values, as the implementation of the Group's plans depends on the combined knowledge, skills and commitment of our people.

### Consumer Banking

With our customer segmentation strategy, we continued to outpace industry growth in the mass and mass affluent segments, to account for 55.6% of the Group's loan portfolio and 45% of the deposits portfolio. These results were achieved by giving priority to:

- Rebalancing the consumer banking portfolio by growing revenue from core products of mortgage lending, cards, hire purchase and wealth management;
- Strengthening service and product propositions that cater to customers' lifestyle needs;
- The roll out of Alliance OneBank Rewards loyalty programme and Privilege Banking (PB) Desks at selected branches;
- Enhancing sales and service capabilities across various distribution channels; and
- Improving internal processes and operational efficiency to enhance customer experience.



The Alliance OneBank Rewards Programme is a comprehensive points-based loyalty programme that rewards customers for their total banking relationship with Alliance Bank. The programme enables customers to earn Timeless Bonus Points (TBP) through their credit card usage as well as other services such as deposits, home loans, investments and other financial services, which can be redeemed for Travel, Cash Certificates and other popular gifts.

### Mortgage Loans

We saw improvements in mortgage financing despite intense competition and softer market sentiments. The mortgage financing portfolio stands at RM10.9 billion, accounting for 38.9% of the Group's total gross loans. Total new housing loans approved and accepted registered robust growth, boosted by improved processes, quicker turnaround time and more innovative product features.

During the year, we focused on:

- Offering competitive and value-added home loan products via product bundling to meet the diversified property investment needs of our customers. We launched the Home Complete Personal Loan facility, and re-launched the Commercial Property Loan facility; and
- Expanding our in-house direct sales force, strategic tie-ups with top developers for end-financing and improved sales processes.



### Credit Cards

The Credit Cards business continued to expand, achieving an 11% year-on-year growth in spending. We captured a 3.8% market share of merchant sales and received the "Highest Payment Volume Growth for Visa Platinum Card" award during Visa Malaysia's Awards 2012 ceremony.

We attribute the growth in market share to the introduction of:

- The Visa Infinite Credit Card, which offers members a host of attractive benefits such as the Priority Pass card and the Timeless Bonus Points under the Alliance OneBank Rewards programme; and
- Rewards for different customer segments and merchant loyalty programmes, such as the BIG loyalty programme tie-up with Air Asia, which allows card members to convert their TBP to BIG Points for Air Asia and Air Asia X flights.

Although tighter credit card lending guidelines remains an industry challenge, we are optimistic of increasing our market share in both the mass affluent and affluent customer segments through more targeted partnerships with key merchants, active cross-selling and product bundling of the cards with other services.



### Personal Loans

Personal loans contributed about 15% to Consumer Banking's revenue. The growth was largely driven by Alliance Cash Vantage Personal Financing-i and Alliance CashFirst products. Continuous improvements to our credit risk framework have enabled the personal loans business to keep its impaired loans ratio at just above 1%, compared to the industry average of 2%.

### Hire Purchase

We recently placed heavier emphasis on our hire purchase financing business, focussing mainly on the financing of new vehicles, both national and non-national marques. We plan to increase our market share, by expanding the panel of dealers and achieving a quicker turnaround time in credit underwriting.

### Wealth Management

The wealth management business comprises three key products: Investment/Treasury, Investment Lending and Share Services, and Bancassurance.

One of our key success factors in expanding the wealth management business lies in understanding our customer's financial needs and presenting the "right solution to the right customer".

During the year, we focused on:

- Expanding the suite of wealth management products and services and cross-selling to the Bank's customer base;
- Increasing the number of relationship managers, and adopting a multi-channel and multi-product strategy to reach out to different customer segments;
- The implementation of a front-line system for treasury product transactions; and
- Providing insights on investment trends at the 15 wealth management events and talks held during the year.

We introduced 10 new unit trust funds, equity-linked structured investments, dual currency investments, retail bonds, investment lending and share services, and foreign denominated financial investments.

The 10 new unit trust funds, amongst others, included the Hwang Fixed Income Maturity series, OSK-UOB Focus Bond Fund series, AmAsia ex-Japan REITs and OSK-UOB Asian Income Fund. Our other new products included Retail Bond and Equity-linked Structured Investment.

In early 2012, Alliance Bank became the first commercial bank to introduce the Portfolio Lending facility, which complements our existing Share Trading & Share Margin Financing facilities. With the Foreign Share Margin Financing facility, our customers can now finance their purchases of shares listed on the stock exchanges of Singapore (SGX), Hong Kong (SEHK), Australia (ASX) and the United States (NYSE, NASDAQ, AMEX).



In Bancassurance, we established the insurance specialist advisory platform to offer a full range of comprehensive products catering to our customers' insurance needs. Among the products launched were the first-of-its-kind innovative single premium investment-linked plan, Global Bond Income Plan that provides quarterly guaranteed fixed payout to the policyholders, in addition to other insurance benefits. Other products launched included Banca Elite Care, Banca Elite Money Back and Banca Elite Auto Life.

## Business and Operations Review

by Group Chief Executive Officer of Alliance Bank Malaysia Berhad (cont'd)

### Business Banking

The SME and Wholesale Banking business lines were combined under a strategic initiative to enable the Group to enhance the efficient use of resources to holistically address the financial needs of the Malaysian business community. The Business Banking division, created as a result of this initiative, remains a core driver of our loans growth, and has made positive impact to both revenue and earnings.



The performance of the Business Banking Division was capped by Alliance Bank being named the “Best SME Bank” in Asia-Pacific, Gulf Region and Africa, an award conferred by The Asian Banker. Being the first Malaysian bank to be accorded this international industry-wide recognition is a testament to our SME business model which is underpinned by personalised relationship management, a superior programme lending model, deep customer insights and our holistic approach in meeting our customers’ banking needs. We aim to be the “Bank of Choice” for businesses and provide them with the support needed throughout their various business stages.

#### First Mover in Innovative Financial Solutions

We focused on offering innovative financial solutions for businesses as our competitive advantage. In March 2012, we launched ASEAN’s first Picture Business Credit Card, the ‘MyBusiness Platinum Card’, with a unique proposition of allowing companies to feature the image of their company on the cardface of their business credit card.

To complement the BizSmart proposition, we developed a comprehensive solution known as the ‘More of You’ bundle, comprising the BizSmart Online Banking, Current Account, ATM Card and Credit Card. This suite of business banking services enables companies to be more efficient in conducting their banking transactions, thus allowing them more time to focus on their business instead.

### Deepening Customer Engagement

We are committed to deepening our customer relationships via various ‘personal touch’ engagement events. These events included the Durian Fiesta which was a hit among our business customers, the nationwide Alliance Bank ilovegolf Tournament that received good response from the golfing community, and exclusive screenings of several movie blockbusters.

Our customer loyalty index for the SME segment remains among the highest in the industry, climbing to a score of 78%. In addition, 77% of our customers surveyed would recommend Alliance Bank to other business owners, indicating the strength of our customer relationships.

In our efforts to champion the cause of the wider business community, we conducted various business seminars and engaged in the sharing of thought leadership via business publications and radio interviews. One key initiative was the inaugural SME Business Conference 2012, organised jointly with Maxis and Malaysia SME. The Conference which attracted many business owners was held in the Klang Valley, Penang and Johor. The participants were provided insights on topics relating to business banking, business best practices, market trends, and technological innovation from various subject-matter experts.



#### Increased Regional & Industry Sector Focus

We adopted strategies tailored specifically for the different geographical regions within Malaysia to enable us to respond more quickly to local market conditions. These included organisational and process changes, as well as increased empowerment at the regional level, which has resulted in growth momentum from regions such as East Malaysia and the Southern region.

We re-aligned our “Go-to-Market” strategies and developed a deeper understanding of the inherent risks of our target industry sectors. At the same time, we continued to strengthen our position in traditional industry sectors, while pursuing opportunities in new high-growth sectors.



#### Highly Skilled Business Bankers

To retain talent and develop well-rounded bankers, we continue to invest in structured sales and service training programmes for our relationship managers and front-line staff. The consolidation of the SME and Wholesale Banking business lines has widened the career progression options for our relationship managers, enabling them to garner critical skill-sets from serving different business segments. We are also up-skilling our business bankers with deeper industry expertise to serve customers from different sectors more effectively, as well as leveraging on the Bank’s Managerial Development and Management Trainee Programmes to develop our talent pipeline.



#### Group Transaction & Alternate Banking

Group Transaction & Alternate Banking stayed focused on its goal of providing a competitive range of transactional and advisory services and solutions that are efficient, fast and secured. The products and services include Payments and Remittances, Trade Finance, Cash Management, Contact Centre, Group Deposits and Direct Banking, such as self-service terminals and online banking.

In October 2012, we launched the Alliance Bank BizSmart Online Banking service for businesses, including sole proprietors; our services include advanced Cash Management Tools for ease of conducting payroll and bulk payment, statutory payments and easy account reconciliation. The Alliance Bank BizSmart Online Banking has the best-in-class security features, including the latest 128-bit key encryption and digital signatures.



For consumers, we introduced the upgraded AllianceOnline which comes with improved security and convenience to enhance customers’ experience when transacting online. The children’s flagship account, Alliance Buddy, was re-launched in April 2012. This account comes with complimentary Term Life protection for the parents and Straight A’s Achievement Award of up to RM300 per student.

Our success in growing our deposits can be attributed to our focus on specific deposit initiatives such as tactical promotions, product innovations, and attracting new-to-bank CASA accounts.

We will continue to innovate and make it more attractive for our depositors to bank with us.

## Business and Operations Review

by Group Chief Executive Officer of Alliance Bank Malaysia Berhad (cont'd)

### Financial Markets

The Financial Markets team manages the funding and liquidity requirements of the Bank, and functions as a solutions provider in marketing treasury products to various customer segments.

The treasury team adopts a client-led approach supported by research and product capabilities and a multi-product platform to offer hedging solutions for our SME and corporate clients and new structured investment products for Consumer Banking customers.

The business is beginning to benefit from its focus on growth areas of fixed income trading and foreign exchange sales. Revenue from foreign exchange sales increased year-on-year, despite pressure on margins, and has provided the Group with a viable source of non-interest income.

In view of the increasing volatility in the currency markets, we will continue to refine our market risk policies and monitoring to ensure that Financial Markets remains a major sustainable value generator for our customers.



### Islamic Banking

Our Islamic Banking business, conducted through our subsidiary Alliance Islamic Bank Berhad (AIS), continued to expand at a good pace, with the strong support and collaboration from Alliance Bank. Islamic financing accounts for 16.5% of the Group's total loans portfolio, with 63.7% or RM2.1 billion of the Islamic consumer financing extended to house financing.

#### Differentiated Capabilities

AIS continues to build business sustainability through cross-selling of innovative products and increasing operational efficiencies. During the year, AIS rolled out the *Wakalah* Investment Account, a long-term Islamic investment agency scheme that provides returns competitive to prevailing General Investment Account rates, and a *Shariah*-Compliant SME Financing Scheme which is supported by the Government's SME funding programme.

AIS will seek to capitalise on opportunities derived from the positive outlook for the domestic Islamic banking sector, and will continue to focus on building key differentiated capabilities. New product offerings in the pipeline such as *Murabahah*-based deposit and financing propositions would enhance its suite of propositions for both its consumer and business customers and help to uplift the portfolio yields, generate fee income and garner new-to-bank customers.

As an Islamic financial institution, AIS will ensure that its operations remain governed by its observance of the *Shariah* principles. An internal *Shariah* Committee, which includes an experienced *Shariah* scholar, oversees all *Shariah*-related matters. AIS has also fulfilled its obligation for zakat payment.



### Investment Banking

Alliance Investment Bank Berhad (AIBB) provides a wide range of services which include stockbroking, corporate advisory, corporate finance, underwriting and placement of equity securities, private debt financing and advisory, loan syndication, corporate banking and treasury services.

In FY2013, AIBB rebuilt its Institutional Business operations. Its efforts to strengthen its research capabilities and institutional dealing team, and the re-organisation of selected stockbroking operations in the previous year, have since made positive impact on AIBB's performance.

AIBB will continue to focus on strengthening its franchise, enhancing capabilities within the stockbroking and research teams, especially in the retail broking business. It would further expand its share trading centres, mobile and Internet broking channels and share margin business, to facilitate better client relationship management and complement its traditional remisier channel.



## Equity Market

AIBB's market share in the equity market improved during the year. Our efforts to strengthen relationships with major institutional clients was well-supported by the Equities and Economics research team, whose reports are gaining a following amongst major financial publications.

Our dealers and remisiers are now equipped with a new front-end trading engine, while our Internet/e-broking clients enjoy a complete trading experience with the upgrade of our Electronic Client Ordering System (ECOS) trading connectivity.



## Capital Markets

Capital Markets' activities in FY2013 were dominated by large IPOs such as Felda Global, IHH Healthcare, Astro, IGB REIT and Gas Malaysia. The IPO offerings had slowed in the second half of 2012, in part, due to the then impending 13th General Election.

The notable assignments completed by AIBB during the year include:

- The RM200 million rights issue of Malayan Flour Mills Bhd;
- The IPOs of OCK Group Bhd and Datasonic Group Bhd;
- Independent advisory to Kenanga Investment Bank Bhd for its merger with ECM Libra Investment Bank Bhd;
- Independent advisory to Lingui Bhd for its privatisation via a selective capital repayment scheme; and
- The origination of a RM505 million unrated PDS programme for Setia Ecohill Sdn. Bhd, a subsidiary of SP Setia Bhd.

Capital Markets will continue to focus on providing a range of investment banking advisory services to SMEs by leveraging on the Bank's Business Banking customer segment.



## Service Quality and Re-Engineering

We conscientiously look for ways to place our customers' needs first, to deliver faster turnaround, and consistent quality service across all customer touch points. We embarked on the branch strategy project, in order to ensure an integrated and effective branch delivery channel.

We implemented several initiatives during the year with the goal of making banking with us easier for our customers and also for our staff to serve our customers better:

- Greater use of the Customer Relationship Management system, which provides us a holistic view of our customers' total relationship. This allows for efficient handling of customer requests, leading to a reduction in turnaround time;
- Streamlining of roles coupled with functional skills training, and increased empowerment for branch managers and other front-line staff has improved efficiency and enhanced customer experience; and
- Re-engineering processes, such as the account opening and credit underwriting, based on customers' feedback and results of mystery shopping and customer satisfaction surveys.

We are conducting a major review of some of our key end-to-end business processes and will redesign these as needed, in order to give our customers' experiences that are simple and convenient, personal and consistent. We will continue to commit significant resources to automate and re-align processes as we build a "customer first" culture in our pursuit to achieve best-in-class service standards.



## Group Technology

We continue to enhance the technology capabilities to promote operational efficiency and to provide a differentiated customer experience in a cost-effective manner.

During the year, the key milestones in relation to the upgrading of our technology capabilities and infrastructure included:

- Roll out of wealth management tools to enhance Customer Relationship Management;
- Roll out of Phase 1 of the Enterprise Financial solutions, which integrates enterprise General Ledger, Accounts Receivable, Accounts Payable and Online-Procurement;
- Upgrade of Inward Clearing and Signature Verification solutions to provide better services and improved security features;
- Implemented a new e-Treasury solutions to enhance product offerings;
- Implemented Bank Negara Malaysia (BNM)'s new Statistical Reporting solution;
- Adopted a single front-end trading platform for trading of shares listed on Bursa Malaysia and other foreign exchanges; and
- Relocated the Bank's Disaster Recovery sites and upgrading of infrastructure to provide better recovery capabilities.

In our endeavours to reduce overall IT cost, we:

- Continued with the virtualisation exercise, which resulted in cost savings from the consolidation of servers; and
- Reduced the continuing cost of refreshing infrastructure, in particular for the replacement of personal computers.

In FY2014, we will continue to upgrade and deploy the appropriate and relevant technologies and applications to support the delivery of innovative products and services to our customers.



## Capital Management and Risk Governance

The Group recognises the importance of a holistic capital and risk governance, and continues to improve on the effectiveness of the overall risk management framework. The Group's Risk Appetite Statement quantifies the maximum amount of risk that can be assumed in relation to the execution of its growth strategies.

The Group's capital plan takes into account business as usual regulatory capital requirements to address the inherent risk in the balance sheet, as well as under various stressed scenarios in line with Basel III and the Internal Capital Adequacy Assessment Process (ICAAP).

Capital and risk management activities are managed centrally at the Group-level, to ensure that we have an optimum mix of different components of capital. As at end-March 2013, after taking into account our dividend policy of paying up to 50% of the Group's net profits as dividends, our capital ratios remain at the higher end of our target ranges, as well as BNM's minimum capital requirements under Basel III, as follows:

- |                                      |       |
|--------------------------------------|-------|
| • Total Capital Ratio                | 14.8% |
| • Tier 1 Capital Ratio               | 12.1% |
| • Common Equity Tier 1 Capital Ratio | 10.6% |

The Group is also well placed to satisfy the proposed Basel III Liquidity Coverage Ratio, based on our current level of retail deposits and liquifiable securities, when the requirements come into force in 2015.

The other key initiatives implemented during the year to strengthen our risk management capabilities included:

- Re-aligning risk monitoring and dashboard reporting in line with the Risk Appetite Statements;
- Performing parallel monitoring and reporting of the Basel III liquidity and capital requirements to facilitate smooth transition upon implementation by BNM;
- Implementing Risk Triggers Framework to monitor and detect potential risk events and/or other indicators which may adversely impact the Bank's financial health or reputation;
- Enhancing our stress testing process to gauge potential vulnerabilities and the impact to the Bank's earnings and capital; and
- Instituting Portfolio Review Committees by the various business segments to promote efficiency along the entire credit process and risk management while maintaining proper governance.

## Group Internal Audit

Group Internal Audit (GIA) provides an independent and objective assurance that the risk management systems, internal controls and governance processes critical to the Group's business and strategic objectives are effective and that operations are under proper controls.

In FY2013, GIA continued to enhance its capabilities and practices to better support the Group's strategy and growth. These include developing a comprehensive set of internal quality assessment procedures/guidelines covering the mandatory guidance components of the Institute of Internal Auditors' International Professional Practices Framework. It also enhanced its audit methodology and audit approach including improving standards for audit documentation.

GIA stepped up its emphasis on integrated and thematic audits for more effective audit coverage and efficient use of audit resources, better grasp of high level audit issues and lower risk of audit coverage gaps.

GIA continued with the Guest Auditor Programme where selected line managers are invited to join as guest auditors for audit assignments. While guest auditors have the opportunity to gain experience and exposure into areas of the Group, GIA benefits from their functional or business unit knowledge. This pooling of talents and experiences allow the sharing of best practices across the Group.

An internal audit competency framework was established to provide a more structured basis to better evaluate and meet the training needs of the internal auditors.



## Investing in Our People

Our Human Capital agenda continued to focus on three key strategic themes of attracting, developing and retaining resources, culture of meritocracy, and employee engagement.

A major initiative during the year was the introduction of the core values of Respect, Integrity, Teamwork and Excellence or simply R.I.T.E. to reinforce the right behaviour to support our goal of building a high performance organisation.



We engaged our employees through the annual Voice of Employee survey, to systematically gauge employees satisfaction gather employee feedback in support of recent years' initiatives as well as providing focus on priority issues.

To improve consistency and transparency of internal communications with employees, Townhalls and Pulse Lunches were held to provide a platform for management to share key strategies and priorities with the staff. It is also an effective channel for feedback from employees.

In addition, the Bank also:

- Implemented an improved performance management system, which helped reduce staff turnover;
- Rolled out new job grading framework and Structured Internship Programme; and
- Introduced the Talent Management and Succession Planning framework.

Programmes that gave emphasis to career development, succession planning and leadership development were held throughout the year, most notably the:

- Alliance Bank Structured Internship Programme for graduating university students;
- Management Trainee Programme for university graduate trainees keen on exploring banking as a career path; and
- Managerial Development Programme for junior and mid-level managers of the Bank.

## Business and Operations Review

by Group Chief Executive Officer of Alliance Bank Malaysia Berhad (cont'd)

### Awards and Recognition

During the year, we were recognised for our expertise and commitment to service excellence.

In terms of brand value, Alliance Bank was ranked 23rd among the top 30 of Malaysia's Most Valuable Brands organised by the Association of Accredited Advertising Agents in collaboration with Interbrand, one of the world's largest brand consultancies.

The Bank improved its rankings to number 76 in 2012, from 81 the previous year, on the Malaysia's 100 Leading Graduate Employers 2012.

The Bank also emerged as the Gold winner of the "Excellence in Consumer Insights/Market Research/Data-Driven Marketing" and received the Silver for "Excellence in CRM & Loyalty Marketing" at the Marketing Excellence Awards 2013 organised by the advertising+marketing magazine.

The Bank's strategy gained traction in the SME market and we received numerous acknowledgements for our initiatives, especially for the Alliance Bank BizSmart programme. The Bank was recognised with a "Sahabat SME Award" for the third consecutive year at the 11th SME Recognition Award Ceremony 2012 organised by the SMI Association of Malaysia. The Alliance Bank BizSmart initiative was also shortlisted as a finalist for the "Excellence in Launch Marketing" at the Marketing Excellence Awards 2013.



We won the "Service Excellence in SME Banking" at the Trailblazer Awards 2013 by Banking & Payments Asia magazine, and was the first Malaysian bank to be awarded the coveted Asian Banker's "Best SME Bank" in Asia Pacific, Gulf region and Africa at the International Excellence Retail Financial Services 2013 Award.

For our continuous improvement of the Group's IT infrastructure, we were awarded the "SOA Vision for Enterprise Services" at the Enterprise & IT Architecture Global Excellence Awards 2012, and the "Service Provider Excellence in Virtualisation" at the Trailblazer Awards 2013 by the Banking & Payments Asia magazine.

### Corporate Responsibility

The Group remains committed to the community it serves and embeds corporate responsibility in all aspects of its business in order to build sustainable and meaningful business and community partnerships.

We continue to reach out through the financial literacy programme, charity work and engaging staff volunteers.

In 2012, we launched the inaugural Alliance Bank Money & Math Challenge, which is an exciting and innovative financial literacy programme to teach young children good money habits. Parents and teachers alike gave good feedback on our programme.

We resumed with our financial literacy programme for young children at selected branches' "Open House". Since January 2013, more than 400 children have experienced our financial literacy workshops held across the country during the "Open House" sessions.

The details of the various initiatives are set out in the section on Corporate Responsibility report.



### Investor Relations

We engaged the financial community, stakeholders and other key constituencies to provide consistent, accurate, transparent and timely information in accordance with the principles and best practices prescribed as part of our corporate governance policies.

The engagement with investors and other stakeholders serves as a platform for the Group to disclose its financial performance, strategies, business directions, and developments of interest to the investing public. The information presented at the briefings is uploaded on our corporate website at [www.alliancefg.com](http://www.alliancefg.com) to promote accessibility of information.

A full report on the Group's investor relations' activities can be found in the Statement on Corporate Governance.

## Looking Ahead

The uncertainties in the external environment, particularly in the Eurozone, will continue to exert pressure on global growth. However, the strength of Malaysia's economic fundamentals coupled with the on-going implementation of the ETP initiatives would ensure that the Malaysian economy remains steady.

Nonetheless, the banking landscape recently re-shaped by mergers and acquisitions in the industry, the rise of social media, increased regulations and excess liquidity in the system, will continue to see intensified competition and greater pressure on interest margins.

Amidst these challenges, the Group will strive to sustain its growth momentum by continuing to enhance its franchise building and leveraging on improved infrastructure, distribution network and customer service.

By building a high-performance organisation motivated by a positive work culture, we will seize the opportunities available and confront our challenges to deliver better financial performance, enhanced customer experience and product excellence.

## Appreciation

The Group's sustained growth and financial performance is due largely to the support, trust and confidence of many of our customers. On behalf of the Group, I would like to take this opportunity to thank our customers and to reiterate our commitment to serve them better.

We acknowledge the important roles played by our regulators, especially Bank Negara Malaysia, The Securities Commission of Malaysia and Bursa Malaysia Securities Berhad. Their support and guidance have been invaluable.

The Group's progress is also due to the hard work, dedication and commitment of our management and staff, who have demonstrated good team work to achieve what we have set out to do.

I wish to express my appreciation to the members of the Board of Directors for their continued and invaluable guidance, and look forward to their support in the coming year as we take the Alliance Bank Group to the next level of growth.

Thank you.

**SNG SEOW WAH**  
Group Chief Executive Officer

