

Statement by Chairman of Alliance Bank Malaysia Berhad

I am pleased to report that the Alliance Financial Group achieved another year of solid business growth and improved earnings despite the tougher than expected economic conditions and business environment.



The Year In Review

The global financial markets – equities, bonds, currencies, and derivatives – continued to be volatile, arising from the uncertainty over the United States' Federal Reserve's quantitative easing measures and expectations that interest rates would rise.

On the domestic front, Bank Negara Malaysia implemented several initiatives to curb rising household debt and to slow credit growth. These included putting a cap on the tenure for home and personal loans, reducing the margin of financing for home loans, as well as prohibiting offers for pre-approved personal loans. The combined effect of these measures was a slowing down of consumer loan demand.

However, despite such conditions, the Bank achieved solid business growth accompanied by better asset quality.

Platform for Sustained Growth

You may recall that for FY2014, we outlined three key long-term strategic priorities:

- *To build a consistent and sustainable financial performance;*
- *To be Malaysia's Best Customer Service Bank; and*
- *To develop engaged employees with the right values.*

This required us to focus on some specific initiatives, namely, growing the core business, continuous improvement in productivity, and change in culture to ensure high performance.

I am happy to report that we continue to make good progress on these long-term strategic priorities and have further strengthened our position in the banking industry.

The key factor underpinning our aspiration of consistent and sustainable financial performance is top-line revenue growth, both from net interest income and recurring revenues from non-interest income. I am pleased that our efforts have resulted in rising market share in deposits and loans in the Consumer and SME customer segments, and we are one of the leaders in the industry for loan growth.

As part of our initiatives to grow recurring non-interest income, we entered into a ten-year exclusive bancassurance arrangement with Manulife Insurance Berhad to distribute the company's life insurance products at our branches which will give us growing income.

During the year, we invested substantially in the upgrading of our technology infrastructure and the re-engineering, centralisation and automation of processes to improve customer experience. In particular, the credit process re-engineering initiative to streamline processes from origination to disbursement for both Consumer and SME lending resulted in a significant reduction in processing time and improvement in sales productivity and service delivery. We have seen progress on certain productivity indicators such as improvement in turnaround time which have translated into higher customer satisfaction scores, and the decline in cost-to-income ratio to 46.6%.

Our Islamic Banking subsidiary, Alliance Islamic Bank Berhad, also gained a stronger foothold in the local market as it continued to build its capabilities to grow new customer segments and enhance product offerings.

In the equities business, our subsidiary, Alliance Investment Bank Berhad is gaining greater market recognition for its research capabilities, emerging overall 5th in the AsiaMoney Brokers Poll and was ranked No. 5 as the "Most Improved Research House" and will continue to be even better with our partnership with DBS Vickers Securities Holdings Pte Ltd. Our institutional and retail broking business has also increased its share of the trading volume on Bursa Malaysia.

We recognise that human capital is a key enabler to our success and that is the reason we continue to invest substantially in training, talent retention, and the creation of an environment that fosters continuous learning and development. In FY2014, we leveraged on our Respect, Integrity, Teamwork and Excellence (R.I.T.E.) values to further instill a new sense of pride and passion in our employees as we work towards reinforcing a high performance culture of meritocracy.

All these developments, and more, are steadily reinforcing our capabilities to deliver innovative products to meet the evolving needs of customers across all touch points, as we move towards positioning ourselves as "The Best Customer Service Bank in Malaysia".

The success of these initiatives is evident from the many awards received during the year, which recognised, amongst others, the Bank's well defined franchise in Consumer and SME Banking in areas such as business, service excellence and operational processes and technology.

Congratulations

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

- “Best Self Service Banking Project” at The Asian Banker Technology Implementation Awards 2014
- “Service Excellence in SME Banking” at the Retail Banker International Asia Trailblazer Awards 2014
- “Asia's Most Customer Friendly Bank” and “Asia's Best Online Banking” at the Financial Insights Innovation Awards 2014
- “Sahabat SME” by the SMI Association of Malaysia
- “Best SME Bank Malaysia 2013” by Global Banking & Finance Review
- “Credit Card Initiative of the Year – Malaysia” at the Asian Banking & Finance Retail Banking Awards 2013
- “Best Brand Loyalty Campaign – Alliance OneBank Rewards” by the Promotions Marketing Awards of Malaysia 2013

Challenges Ahead and Strategic Priorities

To round up my report, I would like to share our plans going forward.

In 2014, the Malaysian economy is expected to sustain its growth momentum underpinned by continued strength of private investment and domestic demand as well as improving export performance. However, households and businesses will have to adjust to the rising cost of living and potential interest rate hikes. These, coupled with the responsible financing guidelines, are likely to lead to more moderate consumer loans growth, while ongoing competition for loans and deposits are likely to impact margins.



While the economic backdrop will be challenging, I believe the Group's good financial performance, strong asset quality, liquidity and capital position, puts us in a position of strength to further expand our business operations. At the same time, we shall continue to observe and strengthen all our risk and governance processes.

Serving our customers well will remain the cornerstone of our strategy. We will continue to invest in our infrastructure platforms and the branch network, to improve our customer service, but more importantly, deliver more innovative products to meet our customers evolving needs consistently across all channels.

We will roll out programmes to strengthen our brand positioning, *Banking Made Personal*, through integrated marketing campaigns, and improve customer experience through re-engineering of processes under Project APEX.

We will reinforce our core values of R.I.T.E. and behaviors required to achieve the Bank's vision and mission: to become a high performance organisation. We will step up on training, job rotation, talent management, and further strengthen our performance management systems to reward staff for their hard work, creativity and team work.

Appreciation

On behalf of the Board of Directors, I would like to thank our shareholders and the 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 record my sincere appreciation of 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.

DATO' THOMAS MUN LUNG LEE

Chairman, Alliance Bank Malaysia Berhad