

# STATEMENT BY CHAIRMAN OF ALLIANCE BANK MALAYSIA BERHAD



We have built a track record of sustainable growth, and I am confident that the Group will continue to deliver credible financial performance.

**I am pleased to report that Alliance Bank Malaysia Berhad turned in credible business growth despite challenging economic conditions and a highly competitive business landscape.**

**Dato' Thomas Mun Lung Lee**  
Chairman, Alliance Bank Malaysia Berhad



## A Challenging Economic Backdrop

In 2014, global financial markets were characterised by intensified volatility in currency and equity markets in the latter part of the year. This was driven by ambiguity surrounding monetary policy normalisation in the United States, a return of concerns over global growth prospects, and uncertainty over the consequences of the sharp decline in commodity prices, especially oil and crude palm oil, on commodity-producing countries such as Malaysia.

Although the Malaysian economy, recorded a stronger 6.0% growth in 2014 (2013: 4.7%), however, business momentum slowed in the banking industry. The industry had to contend with a number of key challenges - margin compression, normalisation of credit costs, volatility in treasury trading income as well as lower fund raising in both debt and equity markets.

## Satisfactory Financial Performance

Despite our loans and deposits growth outpacing the industry, revenue only grew slightly by 0.8% due to margin compression and lower treasury profits. Overheads were controlled, rising by only 3.3% year-on-year. Net profit after tax at RM509.8 million, however, was RM53.4 million lower. For the financial year ended 31 March

2015 (FY2015), we had to set aside a net provision charge of RM32.9 million, in contrast to a net write back of RM27.9 million last year.

We have had three good years of net write backs of provisions from recoveries of legacy impaired loans. During this period, our overall portfolio of impaired loans dropped by 34.3% to RM380.7 million, from RM579.2 million in financial year 2013. With this, gross impaired loans ratio has improved to a record-breaking low of 1.0%, and our loan loss coverage ratios now stand at 102.7%.

## Delivering on Our Strategic Priorities

We continued our key long-term strategic priorities that revolved around building consistent and sustainable financial performance, delivering a superior customer service experience, and developing engaged employees with the right values.

Other specific initiatives included expanding our core business, making continuous productivity improvements, and inculcating a high-performance culture.

We also continued to make investments to further upgrade our infrastructure and re-engineer our operations via the Alliance Process Excellence (APEX) initiative.

We upgraded our IT infrastructure to strengthen the delivery of customer service and improved the granularity of management information system for better decision-making. Project APEX saw us streamlining various credit, collection, foreign exchange, remittances and account opening processes, and we completed ISO certification for the centralised cheque processing, branch counter service queue time, trade finance processing functions and treasury operations.

Our Islamic Banking subsidiary undertook a number of initiatives. These included launching new products, rolling out a Shariah competency programme, establishing new relationships with government-linked companies and statutory bodies, as well as reducing its concentration on housing loans.

The acquisition of a majority stake in HwangDBS Vickers Research has enhanced the research capabilities of our subsidiary, Alliance Investment Bank Berhad (AIBB). The new entity, AllianceDBS Research Sdn Bhd, jumped to eighth place in 2014, from 21st ranking a year earlier in the Asiamoney Polls ranking for Best Overall Research. Similarly, the ongoing efforts to build stronger institutional client relationships has shown positive results, with AIBB jumping to eighth place in the "Best Overall Sales" category, from 19th place the year before.

As our people are the most vital component of our operations, the focus on staff training and development remains a key priority. We continue to equip our people with the right skills and knowledge, promote a culture of meritocracy so that they can readily manage new challenges and deliver greater service excellence. We continued with our structured learning and development initiatives with the Management Trainee Programme and Alliance Managers Programme. We also conducted regular assessments and reviews to ensure a ready pool of talent and to provide for smooth succession planning.

### Recognised for Our Commitment to Excellence

The Bank continued to be recognised for its commitment to excellence by winning a host of prestigious local and international awards. For this, I wish to thank our Group Chief Executive Officer, the senior management team and our dedicated and hardworking staff for their excellent efforts. These awards and accolades include:

#### For the SME Banking segment

- “Best SME Bank” in Asia Pacific, Gulf region & Africa at The Asian Banker Excellence in Retail Financial Services International Awards 2015 (for the second time);
- “Excellence in SME Banking” at the Retail Banker International (RBI) Asia Trailblazer Awards 2015 for the third consecutive year;
- “Best Business Card Programme, Asia” at the Cards & Electronic Payment International (CEPI) Asia Trailblazer Summit Awards 2014;
- “Growing Business in New Territory or New Service Offering” for Internet Banking 2nd Generation at the Global Architecture Award of Excellence 2014; and
- “Online Banking Initiative of the Year - Malaysia” at the Asian Banking & Finance Retail Banking Awards 2014.

#### For our work in supporting the SME segment

- “Best Community Outreach Programme” (Highly Commended) at the Retail Banker International Asia Trailblazer Awards 2015.

#### For our work with young Malaysian graduates

- “Best Graduate Programme” at the Retail Banker International Asia Trailblazer Awards 2015;
- “Best Graduate Recruitment Programme” in Malaysia (Bronze) at the Asia Recruitment Awards 2015; and

- “Malaysia’s 100 Leading Graduate Employers 2014 (29th Place)” by gradmalaysia.com.

### Creating Value and Sustainable Profitability

The international economic and financial landscape has undoubtedly become more challenging since the latter part of 2014. Beyond the sharp decline in commodity prices, the growth momentum in several major economies is also more fragile than previously forecasted. The different growth momentums could lead to divergent monetary policy stances in the major economies, and the international financial markets are likely to remain volatile in 2015. Further with the implementation of a Goods and Services Tax in April 2015, we expect reduction in household purchasing power and higher production and operational costs for businesses.

As these uncertainties continue to impact economic growth, we will remain mindful of the downside risks and the need to balance growth with preservation of asset quality. Therefore, we will focus on improving asset efficiency and assuming the right risk exposure to balance our capital needs and providing reasonable return to shareholders. With this in mind, the Group has embarked on a strategy to rebalance its loans portfolio and funding mix, which will drive more productive use of our capital over the medium to longer term.

We will continue to enhance the customer service experience through the re-engineering of processes under Project APEX as well as investments in improvements to our infrastructure platforms and distribution network. At the same time, we will work to strengthen our franchise and brand, deliver more innovative products to cater to our customers’ evolving needs by leveraging on our strength in SME and Consumer banking. In executing these initiatives, we will remain disciplined in our cost management programme to drive productivity and profitability improvements.

We will also continue to invest in human capital development, enhance the employee value proposition, improve employee engagement activities, and reinforce our core values of respect, integrity, teamwork and excellence, and the behaviours required to achieve our vision and mission. In all that we do, we will ensure we maintain robust governance and risk management policies to safeguard the Group’s operations and reputation.

With these efforts, I am confident of the Group’s credible financial performance, strong asset quality, solid liquidity and capital position, as we go forward into financial year 2016.

### Appreciation

On behalf of the Board of Directors, I wish to express my sincere appreciation to you, our valued shareholders, for your continued confidence in the Bank. My sincere thanks also go to our growing number of customers, stakeholders and business partners for their steadfast support. I wish to record my appreciation to Bank Negara Malaysia, the Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other government agencies and regulatory authorities for their support.

To Datuk Oh Chong Peng and the Board of Directors of our holding company, Alliance Financial Group Berhad, a big “thank you” for your astute insights, advice and support. I would also like to convey my heartfelt gratitude to my fellow Directors of Alliance Bank for their dedication and strong support. I also wish to thank Megat Dziauddin bin Megat Mahmud who retired as a Director from the Board of Alliance Bank Malaysia Berhad effective 21 April 2015 having served for nine years. I also thank Mr Sng Seow Wah, who was the Group Chief Executive Officer for four years and left us in October 2014. In his place, I welcome Mr Joel Kornreich who replaces him as the Group Chief Executive Officer effective 1 January 2015. Mr Kornreich comes to us with a long experience in international banking.

I would like to welcome our newly appointed Directors, Datuk Wan Azhar bin Wan Ahmad and Mr Lee Boon Huat, who bring to us a range of experience and expertise, and I welcome equally Mr Premod P. Thomas and Dato’ Majid bin Mohamad to our investment bank, AIBB.

My deep gratitude also goes to our management and staff for their hard work in helping us achieve a commendable performance in FY2015 in challenging circumstances. I look forward to their continued support in the year ahead.

#### DATO’ THOMAS MUN LUNG LEE

Chairman, Alliance Bank Malaysia Berhad