



ALLIANCE FINANCIAL GROUP BERHAD (6627-X)

Banking Made Personal



 **ALLIANCE BANK**



 **ALLIANCE BANK**

ALLIANCE
one
bank rewards
**WASTE
POINT**

2013 ANNUAL REPORT

DELIVERING SUPERIOR CUSTOMER EXPERIENCE

CORPORATE PROFILE

Alliance Financial Group Berhad was incorporated in Malaysia on 7 April 1966 and was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 July 1979. The Group is principally involved in the provision of banking and financial services through Alliance Bank Malaysia Berhad.

Alliance Bank Malaysia Berhad, together with its subsidiaries, Alliance Investment Bank Berhad and Alliance Islamic Bank Berhad, provide a wide range of financial products and services in commercial banking, financing, investment banking, investment advisory, stockbroking, Islamic banking and other related financial services.



VISION

THE BEST CUSTOMER SERVICE BANK

MISSION

- ▲ **TO BUILD** Consistent & Sustainable Financial Performance
- ▲ **TO DELIVER** Superior Customer Experience
- ▲ **TO DEVELOP** Engaged Employees With The Right Values

VALUES

- ▲ **RESPECT**
- ▲ **INTEGRITY**
- ▲ **TEAMWORK**
- ▲ **EXCELLENCE**



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HISTORY OF ALLIANCE FINANCIAL GROUP

Banque de L'Indochine commenced operations in Malaya with its first branch in the Selangor Kwangtung Association Building, Jalan Pudu, Kuala Lumpur. This branch was subsequently relocated to Jalan Raja Chulan, Kuala Lumpur, in 1975.

The name of the Bank was changed to Banque de L'Indochine et de Suez (Banque Indosuez). In the same year, Banque Indosuez acquired a building in Jalan Raja Chulan, Kuala Lumpur, to serve as its headquarters.

The Bank established its "first" branch in Taman Maluri, Kuala Lumpur. In the same year, eight more branches were opened throughout the country.

Malaysian French Bank Berhad changed its name to Multi-Purpose Bank Berhad.

1958

1959

1975

1982

1985

1986-1995

1996

1998

Banque de L'Indochine opened a sub-branch at Jalan Batu, Kuala Lumpur (now known as Jalan Tunku Abdul Rahman).

During this time, 16 branches were established nationwide.

By February 1998, the Bank had a network of 34 branches nationwide, including Sabah and Sarawak.

Malaysian French Bank Berhad was incorporated to assume the banking business of the two local branches of Banque Indosuez.

The incorporation was the result of the French government's nationalisation of Banque Indosuez and also of the subsequent restructuring of the Bank's businesses in Malaysia to comply with local banking regulations.



**ALLIANCE
FINANCIAL GROUP**

Banking Made Personal

Multi-Purpose Bank Berhad was selected to be one of the anchor banks in the Malaysian government's bank consolidation initiative. Multi-Purpose Bank Berhad successfully anchored the merger with International Bank Malaysia Berhad, Sabah Bank Berhad, Sabah Finance Berhad, Bolton Finance Berhad, Amanah Merchant Bank Berhad, and Bumiputra Merchant Bankers Berhad.

In March, Alliance Bank completed the sale of its 30% equity stake in AIA AFG Takaful Berhad. In April, AIMB ceased to be part of the Group, following the disposal of the Bank's 70% equity interest.

On 1 August, Alliance Finance Berhad merged with Alliance Bank. Consequently, Hire Purchase is now offered at all Alliance Bank's retail branches nationwide.

In August, Alliance Merchant Bank Berhad changed its name to Alliance Investment Bank Berhad (AIBB). In December, KLCS merged with AIBB to offer a full suite of investment banking services.

Alliance Islamic Bank Berhad commenced its Islamic banking business on 1 April after assuming the entire Islamic banking business portfolio of Alliance Bank.

1999 **2001** **2004** **2005** **2006** **2007** **2008** **2011** **2013**

On 1 January, Alliance Merchant Bank Berhad acquired 100% equity interest in Kuala Lumpur City Securities (KLCS).

In April, Alliance Unit Trust Management Berhad merged with Alliance Capital Asset Management Berhad to form Alliance Investment Management Berhad (AIMB).

In June, Alliance Islamic Bank Berhad was incorporated as a wholly-owned subsidiary of Alliance Bank.

In conjunction with the change of name of its holding company from Malaysian Plantations Berhad to Alliance Financial Group Berhad on 31 August, Alliance Banking Group underwent a major rebranding exercise and was renamed Alliance Financial Group (the Group).

In January, Alliance Bank and AIA Bhd. entered into a joint venture to form AIA AFG Takaful Berhad, which offers a range of Takaful savings, protection and investment products.

The Alliance Banking Group was established on 19 January with the successful merger of seven financial institutions. The newly-merged entity's name and logo were unveiled to the public for the first time as the Alliance Banking Group comprising Alliance Bank Malaysia Berhad (Alliance Bank), Alliance Finance Berhad, Alliance Merchant Bank Berhad and Alliance Unit Trust Management Berhad.

Today

The Alliance Financial Group, comprising Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad and Alliance Islamic Bank Berhad, is a dynamic, integrated financial services group offering banking and financial services through its consumer banking, business banking, Islamic banking, investment banking and stockbroking businesses.

It provides easy access to its broad base of customers throughout the country via multi delivery channels which include retail branches, Privilege Banking Centres, Islamic Banking Centres, Business Centres, Investment Bank branches and direct marketing offices located nationwide, as well as mobile and Internet banking.

With over five decades of proud history in contributing to the financial community in Malaysia with its innovative and entrepreneurial business spirit through its principal subsidiaries, the Group is committed to delivering the best customer experience and creating long-term shareholder value.

CORPORATE INFORMATION

DIRECTORS

Datuk Oh Chong Peng

Chairman, Independent Non-Executive Director

Dato' Thomas Mun Lung Lee

Senior Independent Non-Executive Director

Stephen Geh Sim Whye

Independent Non-Executive Director

Tan Yuen Fah

Independent Non-Executive Director

Megat Dziauddin bin Megat Mahmud

Independent Non-Executive Director

Lee Ah Boon

Non-Independent Non-Executive Director

Ou Shian Waei

Independent Non-Executive Director

Kung Beng Hong

Non-Independent Non-Executive Director

Sng Seow Wah

Non-Independent Non-Executive Director

GROUP COMPANY SECRETARY

Lee Wei Yen (MAICSA 7001798)

REGISTERED OFFICE

3rd Floor, Menara Multi-Purpose
Capital Square

No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia

Tel : 03-2604 3333

Fax : 03-2694 6200

Website : www.alliancefg.com

Email : enquiry@alliancefg.com

REGISTRAR

Shareworks Sdn Bhd
No. 10-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur, Malaysia

Tel : 03-6201 1120

Fax : 03-6201 3121

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur, Malaysia

PRINCIPAL BANKER

Alliance Bank Malaysia Berhad

BURSA MALAYSIA STOCK NAME/CODE

AFG/2488

INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

MYL248800004

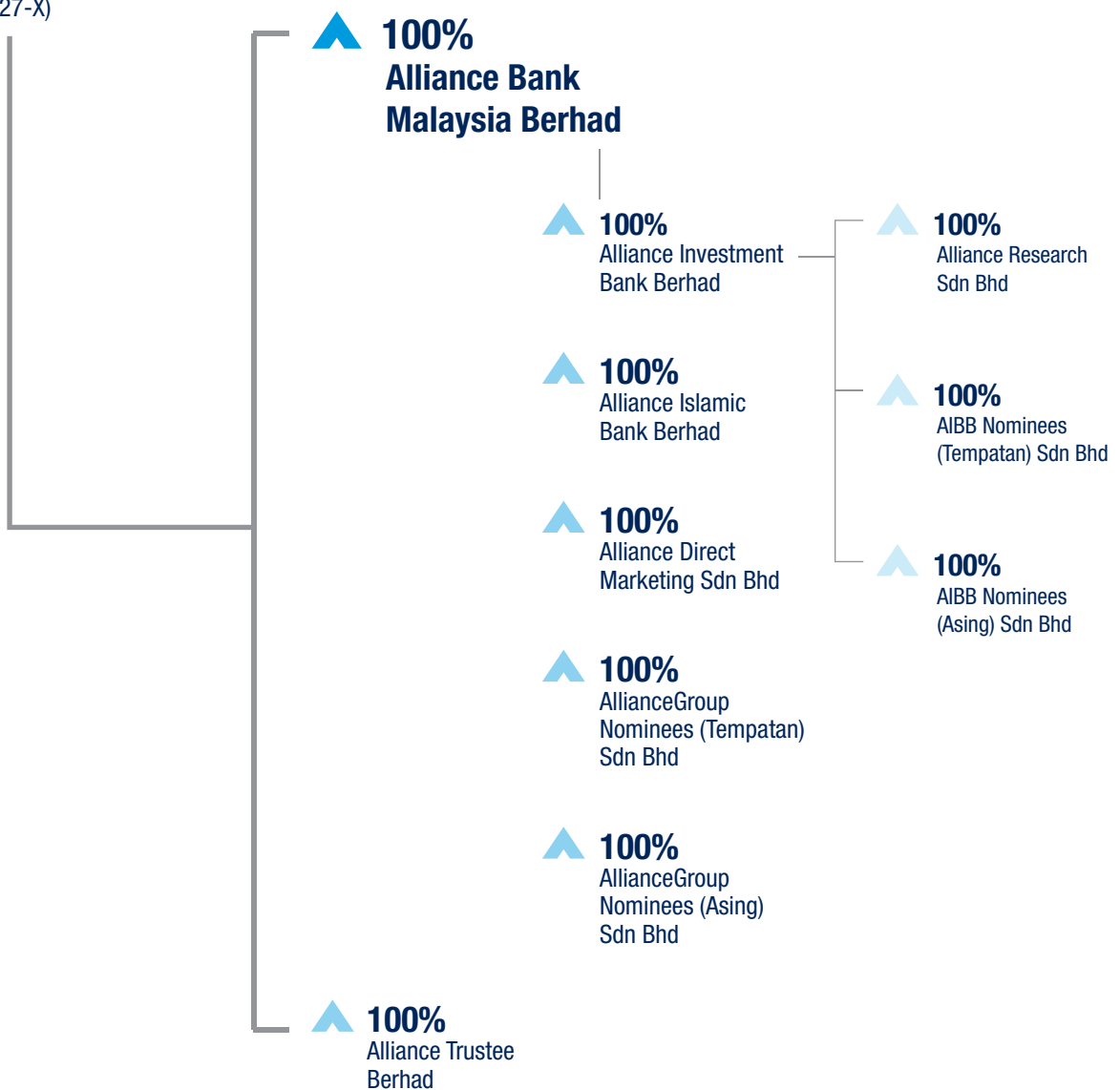
CORPORATE STRUCTURE

as at 31 May 2013



ALLIANCE FINANCIAL GROUP BERHAD

(6627-X)



This chart features the main operating companies and does not include inactive companies and companies that are under members' voluntary liquidation.

PRODUCTS AND SERVICES

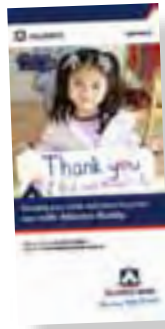
▲ ALLIANCE BANK MALAYSIA BERHAD

Personal Banking

Wealth Management

Deposits

- Savings Account/
Basic Savings Account
- AllianceSave Pendidikan
- Alliance Buddy
- Alliance Senior Savers
- Alliance My eSaving Account
- Current Account/
Basic Current Account
- AllianceSave
- Alliance Hybrid Account
- Fixed Deposit
- Alliance FDGold



Structured Investment

- Alliance Interest-rate Linked Structured Investment
- Alliance Dual Currency Investment (DCI)
- Alliance Gold-AUD Linked Structured Investment (GOALS)
- Alliance Equity Linked Structured Investment (ELI)
- Alliance Equity Linked Convertible Structured Investment (ELC)

Retail Bond

- MYR Retail Bond

Unit Trust Investment

- Bond Funds
- Balanced Funds
- Equity Funds
- Money Market Funds
- Alternative Funds i.e REITs

Investment Lending and Share Services

- Alliance Share Margin Financing
 - Margin + Trading 2-in-1 Account
 - External Margin Account
 - Foreign Share Margin Financing
- Alliance Share Trading
 - Cash Trading Account
 - Collateralised Trading Account
 - T+7 Trading Account
- ESOS/IPO/Placement Financing
- Investment Margin Financing
- Portfolio Lending



Bancassurance

- Alliance Motor Insurance
- Alliance Travel Protector
- Alliance Premier Protector
- Alliance Senior Protector
- Alliance Home Protector
- Alliance Safe Assure
- Alliance Passenger Assure
- Mortgage Reducing Term Assurance
- Mortgage Level Term Assurance
- Mortgage Reducing Takaful Term
- Elite Global Bond Plan
- Elite Wealth Saver
- Home Assure

Mortgage/Hire Purchase

- Alliance SaveLink Home Loan
- Alliance Conventional Home Loan
- Alliance SaveLink Interest Payment Option
- Alliance SaveLink Commercial Property Loan
- Alliance Conventional Commercial Property Loan
- Alliance Hire Purchase
- Alliance Home Complete Personal Loan
- Alliance Oil Palm Plantation Financing



Cards

- Alliance Gold and Classic Credit Cards
- Alliance Platinum Credit Card
- Alliance CPA Australia Gold Credit Card
- Alliance CNI Gold Credit Card
- Alliance CNI Gold Prepaid Card
- Alliance Business Platinum Card
- Alliance Chinese Independent School (CIS) Credit Card
- Alliance Chinese Independent School (CIS) Prepaid Card
- Alliance You:nique Rates Credit Card
- Alliance You:nique Rewards Credit Card
- Alliance You:nique Rebates Credit Card
- Alliance You:nique Prepaid Card
- Alliance Allianz Insurance Gold & Platinum Credit Cards
- DiGi Simple Prepaid Card
- Tiger Football Club Credit Card
- Tiger Football Club Prepaid Card
- Alliance My eSaving Debit MasterCard
- Alliance Hybrid Standard Debit MasterCard
- Alliance Hybrid Platinum Debit MasterCard
- Alliance Hybrid AP Platinum Debit MasterCard
- Alliance Hybrid Premium Debit MasterCard
- Alliance Visa Infinite Credit Card



Personal Loan

- Alliance CashFirst Personal Loan
- Alliance CashVantage Personal Financing-i



Business Banking

SME

- Credit Facilities
 - Working Capital Financing
 - Equipment Financing
 - Business Premises Financing
 - Schemes promoted by CGC/BNM/Government
 - Foreign Exchange
 - Biz Express Financing
- Trade Facilities
 - Letter of Credits
 - Trust Receipts
 - Foreign Currency Trade Loan
 - Bankers Acceptances
 - Export Bills Purchased/Discounting
 - Export Credit Refinancing
 - Export LC Negotiation
 - Collection Bills
 - Shipping Guarantees
 - Export LC Advising/Confirmation
 - Bank Guarantees (BGs)
 - Promissory Notes
 - Supplier Credit Financing
- Bancassurance
 - Commercial Line General Insurance
 - Keyman Credit-Life Insurance
 - Alliance Business Shield/Biz Assure
- Business Credit Card
 - MyBusiness Platinum Card
 - Business Platinum Card
- Cash Management
 - Account Management
 - Business Current Account
 - Business Fixed Deposit
 - Business Foreign Currency Current Account
 - Business Foreign Currency Fixed Deposit
 - Biz-Xpress Card: Deposit cum Withdrawal function via Self-Service Terminals (ATM, CDM and CES)
 - Collection Management
 - Payee Corporation Service
 - Auto Debit Service
 - iBayar Facility
 - Bulk Cheque Collection Service
 - Cash in Transit
 - Liquidity Management
 - Auto Sweeping Service
 - Bounce Cheque Protection Service
 - Business Rewards Services
 - Payment Management
 - Payroll (Salary/EPF/SOCSO Monthly Contribution/PCB-LHDN Payment)
 - Bulk Payment
 - Bulk Payment with Remittance Advice
 - Remittances (CO/DD/FTT/FDD/IBG/RENTAS)
 - Fund Transfer (Own account transfer/ Group account transfer/ Designated 3rd Party Transfer)
 - Bills Payment
 - BizSmart Online Banking



Corporate & Commercial

- Credit Facilities
 - Working Capital Financing
 - Term Loan
 - Bridging Loan
 - Syndicated Loan
 - Business Premises Financing
 - Supplier Financing
 - Business Platinum Card
 - Foreign Currency Loan
- Trade Facilities
 - Letter of Credits
 - Trust Receipts
 - Bankers Acceptances
 - Export Bills Purchased/Discounting
 - Export Credit Refinancing
 - Export LC Negotiation
 - Collection Bills
 - Shipping Guarantees
 - Export LC Advising/Confirmation
 - Bank Guarantees (BGs)
 - Promissory Notes
 - Foreign Currency Trade Loan
- Foreign Exchange
- Cash Management
 - Account Management
 - Business Current Account
 - Business Fixed Account
 - Business Foreign Currency Current Account
 - Business Foreign Currency Fixed Deposit
 - Business Internet Banking
 - Collection Management
 - Payee Corporation Service
 - Auto Debit Service
 - Bulk Cheque Collection Service
 - Cash in Transit
 - Cash Concentration Solution
 - Biz-Xpress Card: Deposit cum Withdrawal function via Self-Service Terminals (ATM, CDM and CES)
 - Liquidity Management
 - Auto Sweeping Service
 - Business Rewards Services
 - Payment Management
 - Payroll (Salary/EPF Monthly Contribution/ PCB-LHDN Payment/Socso Payment)
 - Bulk Payment
 - Bulk Payment with Remittance Advice
 - Remittances (CO/DD/FTT/FDD/IBG/RENTAS)
 - Fund Transfer (Own account transfer/ Group account transfer/ Designated 3rd Party Transfer)
 - Bills Payment
- BizSmart Online Banking
- Interest Rate Swap
- Bancassurance



▲ ALLIANCE BANK MALAYSIA BERHAD

Financial Markets

- Foreign Exchange Transactions
- Hedging Solution
 - Currency Options
 - Interest Rate Swap
- Structured Investments
- Money Market Deposit
- Money Market Deposit – Islamic
- Negotiable Instrument of Deposit
- Negotiable Islamic Deposit Certificate
- Banker Acceptances
- Islamic Acceptance of Bills



▲ ALLIANCE ISLAMIC BANK BERHAD

Deposits

- Basic Savings Account-i
- Wadi'ah Yad Dhamanah Savings Account-i
- Mudharabah Savings Account-i
- Alliance My eSaving Account-i
- Basic Current Account-i
- Wadi'ah Yad Dhamanah Current Account-i
- Mudharabah Current Account-i
- Alliance Hybrid Account-i
- Investment Account-i
- Wakalah Investment Account-i

Financing

- Alliance CashVantage Personal Financing-i
- Alliance i-Wish Home Financing-i
- Alliance i-Wish Flexi Home Financing-i
- Alliance Hire Purchase-i
- Civil Servant Personal Financing-i

Business Financing

- Term Financing-i
- Leasing-i
- Biz Prop Financing-i
- Cash Line Facility-i
- Revolving Credit-i
- Alliance i-Wish Savelink Business Financing-i
- Bridging Financing-i
- Contract Financing-i
- Project Financing-i
- SME Shariah-compliant Financing Facility
- Business Premises Financing-i
- Government Assistance Scheme

Trade Financing

- Letters of Credit-i
- Trust Receipt-i
- Shipping Guarantee-i
- Accepted Bills-i
- Bill of Exchange Negotiated/Purchase-i
- Export Credit Refinancing-i
- Pre-Shipment & Post-Shipment
- Bank Guarantee-i
- Murabahah Working Capital Financing-i

Cards

- Alliance My eSaving Debit MasterCard-i
- Alliance Hybrid Standard Debit MasterCard-i
- Alliance Hybrid Platinum Debit MasterCard-i
- Alliance Hybrid AP Platinum Debit MasterCard-i
- Alliance Hybrid Premium Debit MasterCard-i
- ASLAM International Debit Card

Unit Trust Investment

- Islamic Equity Funds
- Islamic Balanced Funds
- Islamic Bond Funds
- Islamic Money Market Funds

Financial Markets

- Accepted Bills-i (AB-i)
- Negotiable Instruments of Deposit (NID)
- Investment Account-i
- Investment Products



▲ ALLIANCE INVESTMENT BANK BERHAD

Corporate Finance

- Initial Public Offerings
 - involving public issues of new securities and/or offers for sale of existing securities in companies seeking listing and quotation on the Main Market and the ACE Market of Bursa Malaysia Securities Berhad as well as listing of Real Estate Investment Trusts (REITs).
- Secondary Offerings
 - involving raising of funds subsequent to the initial public offering through rights issues, restricted issues, private placements and special issues of both equity and equity-linked instruments.
- Corporate Restructuring Advisory
- Merger, Takeover and Acquisition Advisory
- Independent Advice to Minority Shareholders
- Valuation of Companies

Debt Finance & Advisory

Customised solutions via Conventional and Islamic:

- Structured Financing
- Asset Securitisation
- Project Financing
- Fixed/Floating Rate Bonds
- Commercial Papers/Medium Term Note Programmes
- Loan Syndication

Equity Capital Markets

- Underwritings and Private Placements of Initial Public Offerings
- Underwritings of Rights Issues
- Primary and Secondary Private Placements of Equity and Equity-Linked Instruments
- Underwriting and Private Placements of Real Estate Investment Trusts (REITs)
- Book-Building/Accelerated Book-Building of Equity and Equity-Linked Instruments

Corporate Banking

- Credit Facilities
- Bankers Acceptance
- Bank Guarantee
- Term Loans

Islamic Banking

- Bal' Bithaman Ajil
- Murabahah Working Capital Financing
- Islamic Accepted Bills
- Mudharabah Investment Account Deposits
- Kafalah Bank Guarantee

Stockbroking Products & Services

- Institutional and Retail Share Trading
 - Cash Trading Account
 - Collaterised Trading Account
 - Alliance Flexi 7
- Share Margin Financing
- Online Share Trading Services
 - eAllianceShare
 - Mobile Share Trading
- E-Services
 - Direct Credit
 - E-dividend
- Foreign Share Trading
- Nominees and Custodian Services

Investment Research



▲ ALLIANCE RESEARCH SDN BHD

- Equity Research
- Economic Research
- Industry Research
- Corporate Research
- Investment Advisory Services

▲ ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD

▲ ALLIANCEGROUP NOMINEES (ASING) SDN BHD

- Nominee and Custody Services

▲ ALLIANCE TRUSTEE BERHAD

- Trustee Services

FINANCIAL HIGHLIGHTS

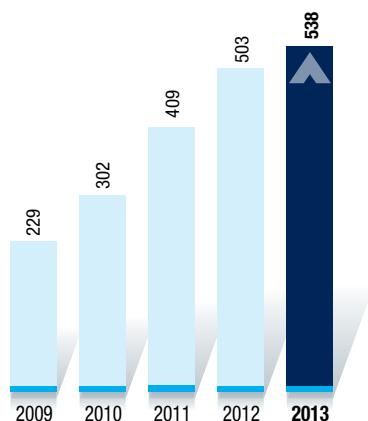
FINANCIAL YEAR ENDED 31 MARCH	2013	2012 ¹	2011 ¹	2010	2009
OPERATING RESULTS (RM million)					
Net income	1,333	1,244	1,129	1,065	1,054
Profit before taxation and zakat	714	675	553	409	303
Net profit after taxation and zakat	538	503	409	302	229
KEY BALANCE SHEET DATA (RM million)					
Total assets	43,692	39,719	36,145	31,664	31,846
Gross loans, advances and financing	28,225	25,012	22,474	21,410	19,590
Total liabilities	39,657	35,947	32,715	28,712	29,080
Deposits from customers	36,004	32,187	28,385	23,628	25,575
Paid-up capital	1,548	1,548	1,548	1,548	1,548
Shareholders' equity	4,030	3,767	3,425	2,947	2,762
Commitments and contingencies	19,079	18,741	15,909	14,293	15,081
SHARE INFORMATION AND VALUATIONS					
Share Information					
Earnings per share (sen)	35.3	33.0	26.7	19.7	14.9
Diluted earnings per share (sen)	35.3	32.9	26.7	19.6	14.8
Dividend per share (sen)	16.6	13.30	7.00	6.40	6.25
Net assets per share (RM)	2.60	2.43	2.21	1.91	1.79
Share price as at 31 March (RM)	4.40	3.89	3.17	2.88	1.69
Market capitalisation (RM million)	6,811	6,022	4,907	4,458	2,616
Share Valuations					
Dividend yield (%)	3.77	3.42	2.21	2.22	3.70
Dividend payout ratio (%)	46.9	42.3	26.2	32.5	41.9
Price to earnings multiple (times)	12.5	11.8	11.9	14.6	11.3
Price to book multiple (times)	1.7	1.6	1.4	1.5	0.9
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest-earning assets	2.4	2.5	2.7	2.7	2.8
Net return on average equity	13.8	14.0	12.8	10.5	8.6
Net return on average assets	1.3	1.3	1.2	0.9	0.8
Net return on average risk-weighted assets	2.0	2.1	1.9	1.4	1.2
Cost to income ratio	47.9	47.6	48.3	52.1	53.0
Asset Quality Ratios					
Loan loss coverage ²	82.5	87.7	78.0	94.4	99.7
Gross impaired loans ratio ²	2.1	2.5	3.5	3.8	4.5
Net impaired loans ratio ²	1.1	1.4	1.9	1.8	1.8
Gross loan to deposit ratio	78.4	77.7	78.8	90.6	76.4
Capital Adequacy Ratios³ (after deducting proposed final dividend)					
Core capital ratio	–	11.88	12.39	11.13	10.30
Risk-weighted capital ratio	–	15.13	16.18	15.40	14.65
Common Equity Tier I (“CET I”) capital ratio	10.62	–	–	–	–
Tier I capital ratio	12.06	–	–	–	–
Total capital ratio	14.77	–	–	–	–

¹ Comparative figures were restated due to first-time adoption of Malaysian Financial Reporting Standards (“MFRS”) Framework and change in accounting policies. For FYE 2011, only relevant balance sheet items have been restated to position as at 1 April 2011.

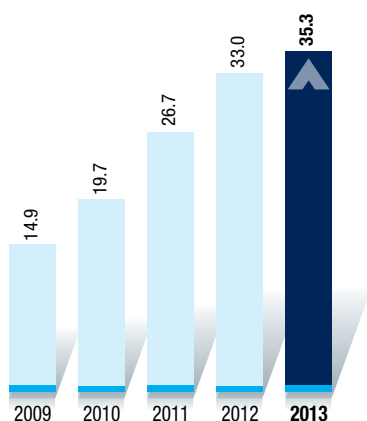
² FYE 2011 to FYE 2013 ratios were computed based on the adoption of MFRS 139: “Financial Instruments: Recognition and Measurement”.

³ FYE 2013 ratios were computed in accordance with Bank Negara Malaysia’s Risk-Weighted Capital Adequacy Framework (Capital Components) Basel III issued on 28 November 2012.

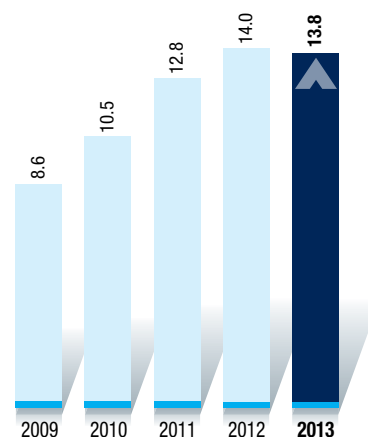
Profit After Taxation and Zakat
(RM million)



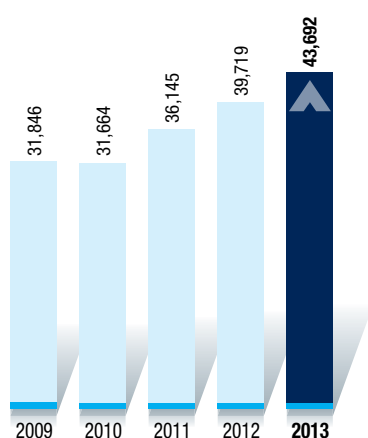
Earnings Per Share
(sen)



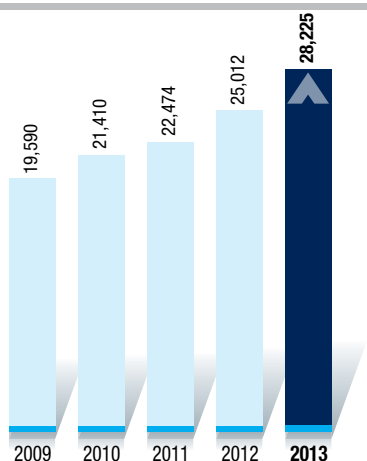
Net Return on Average Equity
(%)



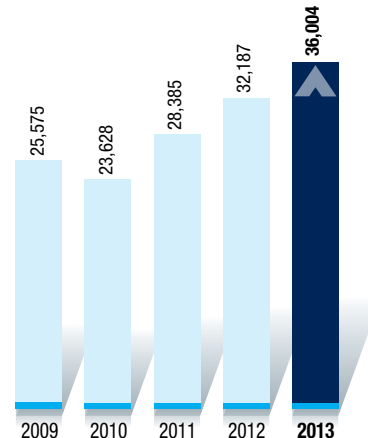
Total Assets
(RM million)



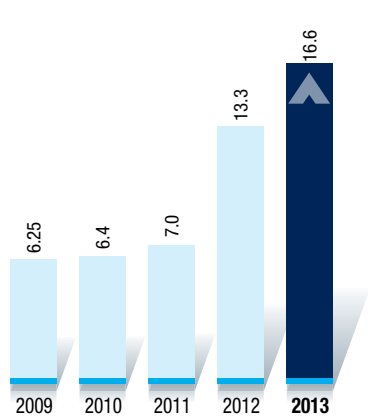
Gross Loans, Advances and Financing
(RM million)



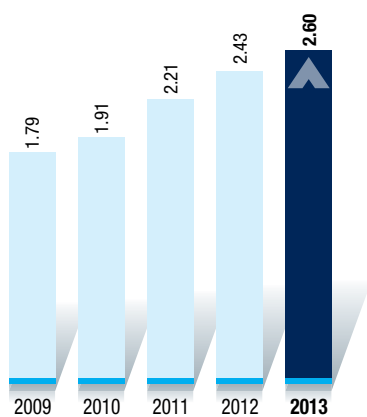
Deposits from Customers
(RM million)



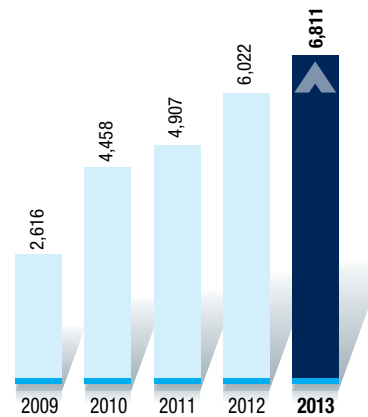
Dividend Per Share
(sen)



Net Assets Per Share
(RM)



Market Capitalisation
(RM Million)



DIRECTORS



From left to right

1. Datuk Oh Chong Peng
2. Dato' Thomas Mun Lung Lee



3. Stephen Geh Sim Whye
4. Tan Yuen Fah
5. Megat Dziauddin bin Megat Mahmud

- 6. Lee Ah Boon
- 7. Ou Shian Waei
- 8. Kung Beng Hong



- 9. Zakaria bin Abd Hamid
- 10. Kuah Hun Liang
- 11. Sng Seow Wah



- 12. Assoc. Prof. Dr Abdul Rahman bin Awang
- 13. Tuan Haji Md Ali bin Md Sarif



Datuk Oh Chong Peng

*(Chairman, Independent Non-Executive Director)
Chairman of Nomination Committee,
Remuneration Committee and
Employees' Share Participating Scheme Committee*

Aged 68, a Malaysian, was appointed Chairman of the Board on 21 April 2006. He had his accountancy training in London from 1964 and qualified as a Chartered Accountant in 1969. He is a Fellow of the Institute of Chartered Accountants in England and Wales as well as a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA).

Datuk Oh joined Coopers & Lybrand (now called PricewaterhouseCoopers) in London in 1969 and in Malaysia in 1971. He was a Partner of Coopers & Lybrand Malaysia from 1974 and retired as a Senior Partner in 1997. He was with Rashid Hussain Berhad Group of Companies between 1998 and 2003.

Datuk Oh is a Government-appointed member of Labuan Financial Services Authority. He is a Council Member of Universiti Tunku Abdul Rahman (UTAR) and a trustee of the UTAR Education Foundation.

His past appointments included stints as a Government-appointed Member of the Kuala Lumpur Stock Exchange, now called Bursa Malaysia Berhad (1990-1996), member of the Malaysian Accounting Standards Board (2004-2009) as well as a Council Member (1981-2001) and President (1994-1996) of MICPA.

Datuk Oh currently sits on the Boards of British American Tobacco (Malaysia) Berhad, Kumpulan Europlus Berhad, Malayan Flour Mills Berhad, Dialog Group Berhad and several other companies.

Dato' Thomas Mun Lung Lee

*(Senior Independent Non-Executive Director)
Member of Nomination Committee,
Remuneration Committee and
Employees' Share Participating Scheme Committee*

Aged 75, a Malaysian, was appointed to the Board on 26 September 2005. He has been in legal practice as an advocate and solicitor for over 40 years. He is a Barrister-at-Law (England) and holds a Master of Arts (MA) and Master of Law (LLM) degrees from Cambridge University, United Kingdom. He is a member of the Appeals Committee of Bursa Malaysia Berhad and the Steering Committee of Financial Institutions Directors' Education (FIDE) Programme. He is also an arbitrator with the Court of Arbitration for Sport based in Lausanne, Switzerland.

Dato' Lee is currently a Senior Partner of Lee Hishammuddin Allen & Gledhill. He is the Chairman of Alliance Bank Malaysia Berhad (ABMB) and Alliance Investment Bank Berhad (AIBB). He is also the Chairman of AIG Malaysia Insurance Berhad, American International Assurance Berhad, AIA AFG Takaful Berhad, ING Insurance Berhad and ING PUBLIC Takaful Ehsan Bhd.

Stephen Geh Sim Whye

*(Independent Non-Executive Director)
Chairman of Audit Committee and
Member of Nomination Committee*

Aged 57, a Malaysian, was appointed to the Board on 5 May 2004. He is a Chartered Accountant with the MIA since 1987 and was admitted as a member of the MICPA in 1985.

He became a member of the Malaysian Institute of Taxation in 1992. Since 1984, he has been a practising accountant and consultant to several companies. He has wide experience in the financial management of companies involved in tin mining, oil palm and rubber plantations, manufacturing, property development and construction.

He was involved in the financial management of a number of Malaysian manufacturing and trading companies with overseas investments, besides serving as their tax adviser.

He is currently the Managing Director of GSW Consultants Sdn Bhd.

Tan Yuen Fah

*(Independent Non-Executive Director)
Member of Audit Committee*

Aged 68, a Singaporean, was appointed to the Board on 1 July 2005. He holds a Bachelor of Accountancy degree from the former University of Singapore and a Bachelor of Law degree from University of Wolverhampton, United Kingdom. He also holds a Post-Graduate Diploma in Business Administration from Manchester Business School, United Kingdom. He is a Fellow of the Institute of Certified Public Accountants in Singapore, Fellow of the Certified Practising Accountant in Australia, Fellow of The Association of Chartered Certified Accountants in the United Kingdom and an Associate of the Chartered Institute of Management Accountants, United Kingdom.

Mr Tan had 11 years of experience in the commerce and industry sector prior to joining the banking and finance sector. He joined Overseas Union Bank Ltd, Singapore in 1979, holding various senior positions and retired in 2002 as Executive Vice President.

He is currently a Director of ABMB, Guthrie GTS Limited, Union (2009) Limited, Wildlife Reserves Singapore Pte Ltd, Singapore Zoological Gardens, The Jurong Bird Park Pte Ltd and the National Kidney Foundation in Singapore.

Megat Dziauddin bin Megat Mahmud

*(Independent Non-Executive Director)
Member of Audit Committee, Nomination Committee,
Remuneration Committee and Employees' Share Participating
Scheme Committee*

Aged 67, a Malaysian, was appointed to the Board on 26 September 2005. Tuan Haji Megat holds a Bachelor of Science (Econs) (Hons) degree from the Queen's University of Belfast, Northern Ireland, United Kingdom and is a Fellow of the Institute of Chartered Accountants in Ireland as well as a Chartered Accountant with the MIA.

He has more than 30 years of experience in senior management capacities. He had served Golden Hope Plantations Berhad as Group Director (Finance), Arab-Malaysian Merchant Bank Berhad as General Manager (Operations) and as General Manager (Investment), Bank Simpanan Nasional as Finance Manager and the Accountant-General's Department as Treasury Accountant.

He currently sits on the Boards of ABMB, AIBB, Alliance Islamic Bank Berhad (AIS), MNRB Holdings Berhad, MNRB Retakaful Berhad, Malaysian Reinsurance Berhad, Pernec Corporation Berhad and several private limited companies.

Lee Ah Boon

*(Non-Independent Non-Executive Director)
Member of Nomination Committee, Remuneration Committee
and Employees' Share Participating Scheme Committee*

Aged 62, a Singaporean, was appointed to the Board on 18 April 2012. He holds a Bachelor of Accounting (Hons) degree from the former University of Singapore.

Mr Lee joined Citibank in 1990 and served in a variety of roles in Consumer Banking in Singapore which included Chief Financial Officer, Senior Operations Officer, Head of Credit Card business and Business Manager. In 2005, he started up Citibank's Consumer Business in China and returned to Singapore as Regional Operations Head of Citibank before joining Barclays Bank in early 2009 as International Technology Head for its Global Retail and Commercial Bank businesses.

Mr Lee is currently the Chief Operating Officer of Fullerton Financial Holdings (International) Pte Ltd overseeing operations and technology, human resources, compliance, corporate communication and special projects. He currently sits on the Boards of ABMB, Mekong Development Bank and several other companies.

Ou Shian Waei

*(Independent Non-Executive Director)
Member of Audit Committee, Remuneration Committee and
Employees' Share Participating Scheme Committee*

Aged 62, a Malaysian, was appointed to the Board on 1 July 2010. He holds a Bachelor of Science degree in Chemistry from University of Malaya. Mr Ou started his career with a local bank as a management trainee from 1976 to 1980. He joined IBM Malaysia in 1981 as a trainee System Engineer and held various technical and management positions before retiring as Managing Director of IBM Malaysia in January 2010 after almost 30 years of service.

Mr Ou was the PIKOM (Association of Malaysia Computer Industry) Councillor from 1997 to 1998 and was awarded the 'Key Industry Leader Award' in 2006 by PIKOM (now called The National ICT Association of Malaysia) for his contributions to Malaysia's IT industry. He was also the Chairman of the National International Technology Council (NITC) Taskforce for IT literacy in 1997 and Adjunct Professor for the Department of Economics & Business Administration at Universiti Putra Malaysia from 1998 to 1999.

He currently sits on the Boards of ABMB, AIG Malaysia Insurance Berhad, Private Pension Administrator Malaysia and HeiTech Padu Berhad.

Kung Beng Hong

*(Non-Independent Non-Executive Director)
Member of Audit Committee, Nomination Committee,
Remuneration Committee and Employees' Share Participating
Scheme Committee*

Aged 68, a Malaysian, was appointed to the Board on 21 April 2006. He holds a Bachelor of Arts (Hons) degree in Economics from University of Malaya. He is a Fellow and a Council Member of the Institute of Bankers Malaysia.

Mr Kung has 45 years working experience in the banking industry and has held numerous senior management positions, mainly in Malaysia, including CEO/Directorship positions in three banks. His experience includes positions held in Citibank N.A. in the United States and Singapore.

He is currently the Advisor of Fullerton Financial Holdings Pte Ltd and sits on the Boards of ABMB and AIBB. He is the Chairman of Akademi IBBM Sdn Bhd and also holds directorships in UOA Asset Management Sdn Bhd, Quill Motorcars Sdn Bhd, Asian Institute of Finance Berhad and Financial Institutions Directors' Education (FIDE) Forum.

Sng Seow Wah

(Non-Independent Non-Executive Director)

Aged 54, a Singaporean, was appointed to the Board on 18 November 2010. He was appointed as Group Chief Executive Officer and Director of ABMB on 5 July 2010. He holds a Bachelor of Accountancy degree from the National University of Singapore and attended the Advanced Management Programme at Wharton School of University of Pennsylvania, US, as well as the Corporate and Investment Banking Programme at Macquarie University, Australia.

Mr Sng is an experienced banker with many years of leading and developing high-performing organisations in a number of well-established regional and international banks. Prior to joining ABMB, he was the Executive Vice President, Head of Human Resources, Special Projects and Corporate Communications of Fullerton Financial Holdings (International) Pte Ltd. In this capacity, Mr Sng also held several directorships across the Asian region.

From 2003 to 2008, Mr Sng was the Executive Vice President and Head of Enterprise Banking at OCBC Bank Singapore. Before OCBC, he was with Citibank Singapore as the Managing Director of the Local Corporate Group. He had also held senior commercial and corporate banking positions in Banque Nationale De Paris and Westpac Banking Corporation.

Mr Sng currently sits on the Boards of AIBB and Malaysian Electronic Payment System Sdn. Bhd.

Other Information Of Directors

(i) Family Relationship

None of the Directors have any family relationship with each other and/or major shareholders of the Company.

(ii) Conflict of Interest

None of the Directors have any conflict of interest with the Company.

(iii) List of Convictions for Offences

None of the Directors have been convicted for any offences within the past 10 years.

(iv) Attendance of Directors at Board Meetings

There were 10 Board Meetings held during the financial year ended 31 March 2013. Details of attendance of Directors at Board Meetings are as follows:

Name of Director	Attendance
Datuk Oh Chong Peng	10/10
Dato' Thomas Mun Lung Lee	10/10
Stephen Geh Sim Whye	10/10
Tan Yuen Fah	10/10
Megat Dziauddin bin Megat Mahmud	9/10
Lee Ah Boon	10/10
Ou Shian Waei	10/10
Kung Beng Hong	10/10
Sng Seow Wah	10/10

DIRECTORS OF MAJOR SUBSIDIARIES

Alliance Bank Malaysia Berhad

Dato' Thomas Mun Lung Lee

*(Chairman/Independent
Non-Executive Director)*

Lee Ah Boon

*(Non-Independent
Non-Executive Director)*

**Megat Dziauddin bin
Megat Mahmud**

(Independent Non-Executive Director)

Kung Beng Hong

*(Non-Independent
Non-Executive Director)*

Tan Yuen Fah

(Independent Non-Executive Director)

Zakaria bin Abd Hamid

(Independent Non-Executive Director)

Ou Shian Waei

(Independent Non-Executive Director)

Kuah Hun Liang

(Independent Non-Executive Director)

Sng Seow Wah

(Group Chief Executive Officer)

Alliance Investment Bank Berhad

Dato' Thomas Mun Lung Lee

*(Chairman/Independent
Non-Executive Director)*

**Megat Dziauddin bin
Megat Mahmud**

(Independent Non-Executive Director)

Zakaria bin Abd Hamid

(Independent Non-Executive Director)

Kung Beng Hong

*(Non-Independent
Non-Executive Director)*

Kuah Hun Liang

(Independent Non-Executive Director)

Sng Seow Wah

*(Non-Independent
Non-Executive Director)*

Alliance Islamic Bank Berhad

**Megat Dziauddin bin
Megat Mahmud**

*(Chairman/Independent
Non-Executive Director)*

Zakaria bin Abd Hamid

(Independent Non-Executive Director)

**Foziakhatoon binti
Amanulla Khan**

(Chief Executive Officer)

**Assoc. Prof. Dr Abdul
Rahman bin Awang**

(Independent Non-Executive Director)

Tuan Haji Md Ali bin Md Sarif

(Independent Non-Executive Director)

Zakaria bin Abd Hamid

Aged 60, a Malaysian, was appointed to the Board of ABMB on 24 April 2009. He holds a Bachelor of Economics degree from University of Malaya.

Encik Zakaria has over 33 years of experience in banking, corporate finance and advisory services. He has held senior positions in various organisations including Maybank Berhad, Bumiputra Merchant Bankers Berhad, Technology Resources Industries Berhad, Malaysia Helicopter Services Berhad, Natwide Group of Companies and KYM Holdings Berhad.

He is the Chairman of Agensi Pekerjaan Talentwork Sdn Bhd. He currently sits on the Boards of AIBB and AIS.

Kuah Hun Liang

Aged 51, a Malaysian, was appointed to the Board of ABMB on 15 December 2011.

He holds a Bachelor of Science (Hons) degree in Applied Economics from University of East London, United Kingdom. He was former Treasurer and Director of the Malaysian-German Chamber of Commerce and former Chairman of the Star Publications (Malaysia) Berhad.

Mr Kuah has 30 years of experience in the financial services industry having started his career in Public Bank. He subsequently joined Deutsche Bank AG as Treasurer and was promoted as Head of Global Markets when the bank ventured into investment banking. He was appointed Executive Director of Deutsche Bank (M) Berhad in 2000 and in 2002, he assumed the role of Managing Director and Chief Executive Officer.

Mr Kuah currently sits on the Boards of AIBB, Rexit Berhad and MPHB Capital Berhad.

Assoc. Prof. Dr Abdul Rahman bin Awang

Aged 67, a Malaysian, was appointed to the Board of AIS on 11 February 2011.

Dr Abdul Rahman holds a PhD in Islamic Law from University of Edinburgh, United Kingdom, Master of Laws (Comparative Laws) from Temple University, Philadelphia, and a Shariah and Law degree from Al-Azhar University, Egypt.

He has more than 30 years of experience in Islamic law and served in various universities in Malaysia. He is currently an Associate Professor at the Department of Islamic Law, Ahmad Ibrahim Faculty of Laws at International Islamic University Malaysia.

Tuan Haji Md Ali bin Md Sarif

Aged 59, a Malaysian, was appointed to the Board of AIS on 23 March 2011.

Tuan Haji Md Ali holds a Bachelor of Economics degree from University of Malaya and an MBA (Finance) from Universiti Kebangsaan Malaysia (UKM). He also holds a Diploma in Islamic Studies and a Post-Graduate Diploma in Islamic Law from UKM.

He was with Maybank Group from 1976, holding various senior positions until his retirement as Head of Planning, Maybank Islamic Berhad. He has extensive experience in the areas of Islamic banking, corporate planning, asset and liability management as well as banking operations.

He is currently a Distinguished Academic Fellow of the Institute of Islamic Banking and Finance (IIBF) at International Islamic University Malaysia, since 2008.

Foziakhatoon binti Amanulla Khan

Aged 45, a Malaysian, was appointed as Chief Executive Officer and Director of AIS on 24 September 2012.

Prior to joining AIS, she was the CEO of a local Islamic bank. Puan Fozia brings with her a wealth of knowledge and experience in the industry from various leadership roles covering both Investment Banking and Commercial Banking activities. She has overseen and concluded many deals with large local and multinational corporations.

Puan Fozia holds a Bachelor of Arts (Hons) in Accounting and Finance from the University of Humber, Hull, United Kingdom.

top from left

- **Sng Seow Wah** Group Chief Executive Officer
- **Ronnie Lim Kheng Swee** Head, Group Consumer Banking
- **Steve K. Miller** Head, Group Business Banking
- **Yeo Chin Tiong** Head, Group Financial Markets
- **Pang Choon Han** Group Chief Risk Officer
- **Chew Siew Suan** Head, Group Human Resource
- **Amarjeet Kaur** Head, Group Corporate Strategy and Development
- **Mary James** Group Chief Information Officer



MA

bottom from left

- **Victor Khor Eng Swee** Head, Group Transaction and Alternate Banking
- **Rafidz Rasiddi** Chief Executive Officer, Alliance Investment Bank Berhad
- **Fozia Amanulla** Chief Executive Officer, Alliance Islamic Bank Berhad
- **Raymond Leung Chun-Kow** Group Chief Operating Officer
- **Gary Teo** Group Chief Financial Officer
- **Yong Kok Mun** Head, Group Operations
- **Leong Sow Yoke** Group Chief Internal Auditor
- **Andrew Chow Thim Kwong** Group Chief Credit Officer
- **Lee Wei Yen** Group Company Secretary





MANAGEMENT



ENHANCING OUR FRANCHISE AND SHAREHOLDER VALUE





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

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

AN ENGAGED TEAM BASED ON THE R.I.T.E. VALUES





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:

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

	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 *Murahah*-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 liquefiable 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 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

