

CHAIRMAN'S MESSAGE

Dear Stakeholders,

The COVID-19 pandemic created difficulties for individuals and businesses and also affected how we operated and performed. In addition to these challenges, we have also resolved our historical matters amicably to allow the Group to move forward without further distractions.



**Growing Trust,
Connecting People**



I am pleased to present AmBank Group's Integrated Annual Report FY2021, in which we demonstrate how we continue to create sustainable growth and stakeholder value amidst an extraordinary year. In recent years, we have continued to build on our resiliency. The strategic actions taken by our current leadership team enabled us to continue supporting our customers and stakeholders during these tumultuous times. Our ability to adapt to the new normal is a necessity to future proof our business against environmental, social and governance (ESG) risks.

A CHALLENGING YEAR

The COVID-19 pandemic has virtually affected all industries and economies. As the outbreak rapidly spread, movement restrictions and social distancing measures were widely implemented, affecting businesses and economic activities. The pandemic put a strain on global financial conditions, with sharp declines in prices of financial assets, vulnerabilities in credit markets, and dampened loans growth. In Malaysia, the government's Movement Control Order (MCO) led to adverse economic impacts that rippled across sectors and households. The most significant impact was felt in the second quarter of 2020, with a 17.1% contraction in GDP.

As containment measures gradually eased from the second quarter, economic activities partially resumed, and labour market conditions started to improve. COVID-19-resilient industries experienced quicker recovery, supported by a global surge in digitalisation and a shift in consumer preferences. Export-oriented sectors benefitted from the increasing external demand in areas like electrical and electronic (E&E) products. In contrast, vulnerable sectors, like tourism-related industries, experienced slower recoveries due to continued risk aversion and restrictions on global travel.

In the final quarter of 2020, economic recovery remained vulnerable. A resurgence in cases led to the tightening of containment measures, which dented the recovery pace. However, the impact was less severe due to a more targeted approach of state-specific containment and less stringent supply restrictions. It reflected efforts to balance



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managing public health concerns with protecting livelihoods during the pandemic.

As Malaysia went through the various stages of MCO, financial institutions enabled substantial loan repayment relief measures for households and businesses. The resiliency of Malaysian banks, in particular, has been key to absorbing the economic shocks that arose. The sector worked together with Bank Negara Malaysia (BNM) to implement a blanket moratorium, thus ensuring that aggregate banking system impairments and delinquencies remained low.

The Malaysian banking sector remained strong despite the economic shocks. During the year under review, liquidity coverage ratio stayed above 100% due to well-diversified funding policies, with loans-funds ratio and loans-funds and equity ratio remaining above 80% and 70%, respectively. Additionally, Non-Performing Loans (NPL) stayed at a manageable level of 1.6% and did not pose a severe threat to the financial system's health, primarily due to BNM's Targeted Repayment Assistance.

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At AmBank Group, we immediately had to adapt to conducting business in the pandemic environment in order to stay competitive. Our priority was to remain agile and effective in our response to the pandemic. We transitioned to a new working model, with stringent measures and Standard Operating Procedures (SOPs) to minimise business disruption while safeguarding the well-being of our customers and staff. During MCO, we enhanced our digital infrastructure so that we can continue to deliver critical financial services to all customer segments. Employees were also provided with ongoing technical and engagement support as they adapt to the work environment.

We also stepped up our efforts in easing the financial burden of customers affected by the pandemic. Following the economic impact of COVID-19, we supported the government's call for banks to provide Targeted Repayment Assistance to borrowers across a range of income groups, with special consideration given to households from the B40 category, micro-businesses as well as borrowers affected by movement restrictions. We provided approximately RM15.2 billion in repayment assistance for loans and financing across our customer segments.

CONFRONTING OUR PAST AND FORGING AHEAD

In February 2021, we agreed to a settlement with the Ministry of Finance Malaysia (MOF) related to historical transactions by 1Malaysia Development Berhad (1MDB) and its related entities. Having resolved this legacy issue, we are now able to put this matter behind us and focus on our strategy execution. Although the RM2.83 billion settlement undoubtedly impacted our FY2021 results materially, we remained financially resilient with sufficient Common Equity Tier-1 buffer.

Notwithstanding this, we completed a Private Placement of 300 million new shares at RM2.75 per new share, raising RM825.0 million to accelerate capital accretion and further strengthen our balance sheet.

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At the same time, we took into account the impact of the settlement and the adverse effects of COVID-19 on economic growth, during our annual review of goodwill and other impairment. As a result, we wrote down goodwill of RM1.79 billion for our conventional and investment banking businesses, as well as RM148 million impairment on our investment in an associate (REIT Impairment).

With the historical matter finally put to rest, we can move forward without further distractions. We will learn from the past and further strengthen our fundamentals, as we have been doing for the past five years. Under the current Board and management teams, we will continue to strengthen our governance structures, improve our due diligence, and enhance the robustness of our systems and processes.



Menara AmBank, Jalan Yap Kwan Seng, Kuala Lumpur

REINFORCING GOOD GOVERNANCE

The role of the Board was as crucial as ever in FY2021. We needed to ensure that the Group effectively implemented governance and risk models to respond to the challenging environment. Throughout the financial year, the Board remained committed to improving our governance practices through better transparency, responsibility and accountability. At the onset of the pandemic, the Board conducted detailed discussions and maintained active oversight of the developing situation. We deliberated on measures and controls put in place in light of COVID-19, including the financial assistance given to customers affected by the pandemic, as well as its impact on the Group.

In addition to COVID-19 issues, the key topics of discussion included the settlement and closure of issues related to 1MDB, the implementation of digital tools to allow for seamless remote working and collaboration, digital onboarding of new-to-bank customers via e-Know Your Customers, and the successful completion and exit of the Group from the Direction of Compliance (DOC) programme.

The Board also had numerous discussions on strengthening the Group's governance processes and systems. The Board conducted numerous assessments and discussions on the issues related to 1MDB before reaching their conclusion to settle amicably to resolve historical matters of the Group. In reaching this decision to settle, the Board assessed

with the management, the financial capacity as well as the legal options before proceeding. It is our belief and opinion that the settlement is in the best interest of the Group and all its stakeholders.

As we continue to champion good corporate governance practices, policies and disclosures, we humbly received recognition from the Minority Shareholders Watch Group (MSWG) ASEAN Corporate Governance Awards, including the Excellence Award for Overall CG & Performance; Excellence Award for CG Disclosure; and Industry Excellence Award (financial services category). These awards serve as an affirmation of our commitment to maintaining the highest standards of transparency and good governance.



Excellence Award for Overall CG & Performance

Excellence Award for CG Disclosure

**Industry Excellence Award
(Financial Services Category)**



From left – Voon Seng Chuan, Chairman, AmBank (M) Berhad, Devanesan Evanson, Chief Executive Officer, Minority Shareholders Watch Group (MSWG), Tan Sri Azman Hashim, Chairman, AmBank Group, Dato' Sulaiman Mohd Tahir, Group Chief Executive Officer, AmBank Group, Dato' Sri Abdul Hamidy Abdul Hafiz, Chairman AmBank Islamic, Jeyaratnam Tamotharam Pillai, Chairman, AmInvestment Bank and Koid Phaik Gunn, Group Company Secretary, AmBank Group at the awards presentation ceremony, which was held on 7 October 2020 at Bangunan AmBank Group.

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INTEGRATING ESG INTO THE BANK

Our long-term success and continued relevance depend on the prosperity and trust of the people we serve and the well-being of the environment in which we operate. Impacts from ESG issues can be financial and material, and can spread across multiple business areas. As the significance of ESG risks become more apparent, and with growing stakeholder pressure for sustainable action, it is increasingly essential to integrate ESG considerations into the business strategy and risk models. With this in mind, we apply the principles of Value-based Intermediation (VBI) into our strategic decisions. VBI aligns with Shariah principles of acting responsibly towards the environment, economy and society at large, which is an integral part of AmBank Group's financial inclusion and responsible lending agenda.

Our sustainability agenda aims to make us more competitive, resilient and accountable in the way that we treat people and the planet. We institutionalised sustainability through AmBank Group's Sustainability Framework, which aligns with the VBI principles, our business strategy, the United Nations' Sustainable Development Goals (UN SDGs) and the higher objectives of Shariah (Maqasid Shariah). The framework is supported by a robust governance structure that enables better sustainability decision-making, implementation and accountability. Spearheaded by the Board of Directors, the sustainability governance structure includes a Sustainability Council in which the senior management can deliberate, monitor and drive the Group's sustainability ambitions. Additionally, we introduced strategic KPIs to the sponsors of our sustainability material matters to further promote our sustainability agenda.

Outside of the Group, we actively participate in industry efforts to develop the sustainability market. For example, AmBank Islamic has been appointed Chair of the VBI Sectoral Guide Working Group, in which we helped develop sectoral guidelines for palm oil, renewable energy and energy efficiency. We are also a member of the Joint Committee on Climate Change (JC3), a platform established by BNM and the Securities Commission to pursue collaborative actions for building climate resilience within the Malaysian financial sector. This aligns with our commitment to mitigate the economic and financial implications presented by the climate emergency.

Through our sustainability efforts over the years, we have improved our MSCI ESG Rating from A to AA, and we are proud to have maintained this rating since then. This is a testament to the strong ESG practices that we have built over the past five years, as an extension of our settlement with the MOF to strengthen our fundamentals. At the same time, we continue to progress in SUSBA ratings, which assess critical environmental and social integration performance for banks worldwide.

CREATING VALUE FOR STAKEHOLDERS

Our commitment to value creation extends beyond creating profits. We consider the impact of our organisational decision-making on all our stakeholders, now and into the future. With uncertainties expected in FY2021, our focus is to provide adequate support to help our customers, employees, suppliers, and communities navigate the impact of COVID-19.

The pandemic severely impacted the financial health of our customers. In response, we deployed various policies and measures to help affected customers, including relief facilities, repayment assistance and other COVID-19 related financing schemes. We proactively engaged with customers to extend their trade bills by one cycle to ease their cash flows. Furthermore, we set up a Special Relief Facility that offers collateral-free financing of up to RM1.0 million for affected SMEs, with more than 1,400 applications amounting to RM1.20 billion received. As customers shifted to remote working and living, we intensified our digital efforts to help individuals and businesses adapt to and thrive in the new normal. We continued to roll out new digital capabilities and updates to our digital platforms, including online account opening, cashless payments and digital onboarding.

For employees and suppliers, we focused on protecting their income and livelihoods from the rise in unemployment. Undeterred by the economic headwinds, we are proud to report that we did not retrench any AmBank employees. At the same time, we continued to prioritise local suppliers, channelling close to RM450 million to local businesses during the pandemic.

We also strived to protect employees and suppliers from the health risks posed by the outbreak. In addition to remote working arrangements, various measures were swiftly implemented to ensure a safe work environment. All employees were given COVID-19 Self Care Kits consisting of masks and sanitisers, with replenishments available in common areas of our buildings. We also conducted periodic sanitisation across our facilities, installed acrylic screens for physical distancing between workspaces, and uploaded regular COVID-19 updates on SOPs and protocols on the intranet. To help employees navigate the drastic work changes, we organised wellness webinars tailored around stress, anxiety, work-from-home habits, resilience and ergonomics.

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We remained committed to assisting local communities during this challenging time. Aligning with the Group’s Corporate Social Responsibility commitments, we implemented community programmes that aim to reach out and uplift the underserved community at large. Through the AmBank Islamic COVID-19 Assistance Programme, we allocated approximately RM498,000 of AmBank Islamic’s business zakat fund to directly aid low-income groups affected by the ongoing pandemic. The programme aims to alleviate the financial burden of hawkers, small traders and entrepreneurs from *Amanah Ikhtiar* Malaysia (*Sahabat* AIM). Through the programme, we also distributed RM75,000 worth of food hampers to 500 asnaf families nationwide.

We are disappointed that we are not able to declare a dividend this year in order to conserve capital strength during these challenging economic conditions. We understand that many shareholders rely on dividends as income, so this was a particularly difficult decision to make. However, we had to consider the best long-term interest of both the business and our shareholders. We are confident that in doing so, we will be able to generate greater shareholder returns in the years to come.

As we head towards a more digitalised future, we remain steadfast in our commitment to you all
 – **Growing Trust, Connecting People.**

FINAL REMARKS

The financial year concluded with solid signs of economic recovery. Vaccine distributions, uplift from external activities and domestic demands, realised investments, and capital expansion signal a more promising FY2022. On the back of this, the banking sector is expected to remain healthy as it continues to help Malaysians recover from the impact of the pandemic. Although the market remains susceptible to economic and geopolitical uncertainties, we are cautiously optimistic about what lies ahead. AmBank has been a strong financial institution in Malaysia for more than 40 years. We have overcome adversities in the past, and will undoubtedly get through this together too. So, while the future remains uncertain, we will approach the post-pandemic landscape with the same perseverance and determination as before.

In closing, I would like to take this opportunity to thank our stakeholders for their continued trust and support. Thank you to the leadership team for their unwavering dedication and guidance. I look forward to working with my fellow Board members and the Senior Management Team in taking the Group to a new level of success. In particular, I want to acknowledge the contributions of Mr Graham Kennedy Hodges (Mr Graham), who has retired as a Director of AmBank Group. Mr Graham has been instrumental to the Group’s transformation journey and growth performance during his tenure. In his place, I welcome Mr Robert William Goudswaard (Mr Goudswaard) as a Non-Independent Non-Executive Director of AmBank Group. With nearly 39 years of international experience in financial services, as well as his previous work as Chief Executive Officer, Mr Goudswaard brings substantial governance expertise and diversity of thought.

Also, my sincere gratitude to all AmBankers; working tirelessly to adapt to the new normal and propel our strategic vision forward. A special thanks to employees working at AmBank Branches, who continue to serve our customers throughout these critical times. My most heartfelt thanks for your extraordinary commitment, professionalism and unity. Finally, my most profound appreciation to our shareholders, customers, suppliers and all other stakeholders. As we embark on uncharted territory towards a digitalised future, we remain steadfast in our commitment to you all – Growing Trust, Connecting People.

TAN SRI AZMAN HASHIM
 Non-Independent Non-Executive Chairman