

Corporate and Strategic Developments

Over the last financial year, we focused on the following three core areas: the first was to reap the full benefits of our merger with MBF Finance in 2001. The second was to forge ahead with our mission of establishing ourselves as a premier finance company in Malaysia, and the third was to enhance our risk management capabilities.

Following the amendments to the Banking and Financial Institution Act to enable a single entity to hold both commercial banking and finance company licenses, we also then refocused our priorities to enable a swift merger between AmBank and AmFinance and to do this, we needed to transform our people and culture towards commercial banking readiness. This would be an uphill task, as commercial banking operations are more complex than finance company operations, and the AmBank Group's finance company operations, unlike other domestic banking groups, are much larger than its commercial banking operations.

We are pleased to report that, due to the dedication of our employees, progress is being made on all these fronts.

An Organisation in Transition

AmFinance has been an organisation in transition since the new millennium. We took the opportunity to review our target business models during the business rationalisation exercise within the AmBank Group in 2000, and the merger with MBF Finance enabled us to refine our target operating models further to ensure that the organisation's structure served our customer segments efficiently.

To realise the synergies that existed between MBF Finance and ourselves, we had to manage the merger process carefully. Technology, processes and people were required to be fully integrated to enable a seamless banking experience for our customers. We also needed to ensure that our expanded geographical reach and presence translates into higher levels of productivity and service standards.

We have achieved much towards realisation of these goals over the past year. Products and services have been streamlined. Primary amongst our achievements was the integration of our branches network and rationalisation of duplicate branches.





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 yang **RENDAH**

Up-scaling towards commercial banking capabilities

The next big challenge on the agenda is preparing the organisation towards commercial banking readiness.

We have been preparing ourselves for this eventuality over the past few years. In year 2000, the AmBank Group embarked on the Business Rationalisation Exercise, which was aimed at reorganising and consolidating our structure and resources across the entities within the banking group as well as along distinct customer segments of retail banking, business banking and investment banking. In line with this exercise, retail banking operations, together with other shared service units were centralised at AmFinance, the agent service provider to AmBank in respect of these functions. This consolidation has eased the path of our transition, as during the integration, most products and services offerings together with systems and processes were streamlined.

Over the past year, we have upgraded 68 of our AmFinance branches and 23 of AmBank branches to Sales and Service Centres (SSCs), thus re-emphasising our commitment to serve our customers better. The AmFinance SSCs are enabled with commercial banking windows, which will enable our branches personnel to familiarise themselves with traditional commercial banking products and services, such as current accounts. The SSC transformation for both AmFinance and AmBank branches involves injecting a new and exciting 'look and feel' to our branch premises, in line with the AmBank Group's revitalised branding and image. We hope that this fresh new look will provide our customers with an enhanced banking experience.

We will be working very hard at rolling out the SSCs at another 83 AmFinance branches before the next financial year end.

In tandem with this, we are also embarking on a branch reconfiguration exercise, which will see the rationalisation of some 47 branches and relocation of possibly another seven branches to more commercially viable locations. The reconfiguration of our branches channel will enable us to maximise our physical branch assets to ensure these are placed for optimum customer catchment and service areas.

We will also be setting up three more AmFinance SSCs, bringing our target branch network size to 163 branches.



Mission: The Premier Financial Services Provider in Retail Banking

Despite the ongoing organisational transformation exercise, managing our finance company business was still top priority. This can be witnessed by the 35.0% increase in profits before tax, achieved by the Company this year.

We also maintained or enhanced our market positioning in most of our core products. This was no easy task, in the face of the intensifying competitive banking environment, with narrowed interest spreads which forced margins downwards.

The competition was especially vigorous in the retail banking arena, our chosen focus area. In order to remain competitive, we embarked on a “multi-niche specialist” strategy, which involved directing our attention and resources towards our key competencies and proven product strongholds of hire purchase, mortgages and other consumer loans, credit cards and lines of credit, deposits and assets financing and small business.

In order to increase our visibility and market share in retail banking, we have persevered in our efforts to build up the AmBank Group brand – one that is committed to serving our customers, and putting their needs first. Brand recognition has improved tremendously since our rebranding exercise last year. We were pleased that the AmBank Group was awarded ‘Superbrand’ status, and was rated as one of the banks ‘Most Innovative in Meeting Customers Needs’ by the Far Eastern Economic Review last year.



We also improved some of our existing products and services with enhanced product features in order to respond to the dynamic nature of consumer banking preferences. For example, we improved our HomeFree Housing Loan product package to provide greater flexibility to our home loan customers in terms of potential savings on interests payments, increasing installment amounts, paying additional amounts in between monthly installments, interest calculation on a daily rest basis and even the ability to withdraw the additional amounts paid should the need arise. We also launched our new product MegaFD, a unique investment that combines the wealth accumulation of Fixed Deposits with high returns and the protection of a non-participating Whole Life policy that offers up to 12.5 times premium payout.

In order to provide personal assistance to our customers in planning their finances, we have also completed the roll-out of our Financial Planning Services Teams. The Teams were first introduced at our branches last year, and we are happy to note that the Personal Financial Executives are available at all our major branches this year. The provision of financial planning services provides more personal attention to our customers and enables us to be the premier financial services provider in retail banking.



Managing Risks Better

We also worked hard at managing our risks. Over the last year, we instituted several structural measures that were designed to better manage our risks.

We empowered a central co-ordinating unit, known as the Group Loan Rehabilitation Unit, to be responsible for recovery of retail and commercial Non-Performing Loans (NPLs) of the Group.

Other structural measures include implementation of a strategic enterprise wide risk management framework, which utilizes an automated risk scorecard to assist the company in monitoring and managing its risk. We have strengthened our analytical ability by enhancing our credit scoring regime. The new improved system provides us with a systematic and structured approach to making credit decisions and utilizes statistical methods to evaluate historical data to scientifically establish probabilities of default.



Strategies Moving Forward

This year, the focus of our attention will be very much on upgrading ourselves to full commercial banking capabilities, which should be achievable before mid next year.

We will also be refocusing our strategies on profitability and sales. We will build strong and lasting relationships with our customers and other business partners by understanding and meeting their financing needs. We also need to review our pricing strategies in relation to our credit and risk segment profiles. Sustainable and long term growth remains our objective.

AmBank Group

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