

A portrait of Tan Sri Azman Hashim, an elderly man with a friendly expression, wearing a grey suit jacket, a white shirt, and a red tie. He is looking slightly to the right of the camera. The background is a blurred office setting.

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TAN SRI AZMAN HASHIM

Non-Independent Non-Executive Chairman

Message from the Chairman



Bringing Solutions

**That Help Strengthen
Stakeholder Relationships.**

Dear Stakeholders,

These are unprecedented times. As the banking sector continues to navigate regulatory obligations, technological disruptions and socio-economic trends, we are now faced with the adverse impacts of the unprecedented COVID-19 pandemic. Despite the increasingly challenging landscape, AmBank Group is well prepared to do what is needed to take care of both our businesses and our stakeholders. In recent years, we have been building our resilience to emerging economic, environmental and social risks. Led by a strong leadership team, we continue to make progress on our sustainability agenda to future-proof our business. We implement measures and financial solutions that enable us to remain competitive in an increasingly digital environment, while also contributing to inclusive socio-economic development. Therefore, we are confident in our ability to overcome the uncertainties brought by the global health crisis and continue our growth trajectory as a sustainable bank.

Message from the Chairman

THE YEAR UNDER REVIEW

The financial year (FY2020) was tumultuous. Global growth for 2019 slowed to 2.9% (2018: 3.6%), with global trade and investments dampened by ongoing trade tensions and other geopolitical uncertainties that weighed on investors' confidence. Malaysia, being an open economy, was affected by muted demand for exports as well as reduced cross-border capital flows.

Nonetheless, Malaysia's macroeconomic fundamentals remained resilient due to private sector and consumer spending; ongoing infrastructure investments; a more business-friendly regulatory environment; low and predictable inflation; an accommodative monetary policy with interest rates that support sustainable economic activity and a flexible exchange rate policy that helped buffer against external shocks. With that, the banking system recorded a loans growth of 3.9% in 2019.

By Q42019, we started seeing positive signs of global market recovery and lower volatility in financial markets, while the Malaysian economy expanded by 4.6% with a decline in headline inflation. However, the shutdown of borders from the rise of COVID-19 in Q12020 impacted global demand and disrupted supply chains, resulting in a global economic contraction. The domestic financial market performance went on a decline.

As income potential shrank due to the closure of manufacturing units and downscaling operations, the inability of borrowers to keep up with repayment schedules became more evident. AmBank Group addressed the immediate challenges presented by the COVID-19 crisis by protecting our employees through remote working measures (Work-from-Home). We also provided much-needed financial assistance to customers, which include reassessing customers' debt classification and repayment structures, in addition to relief initiatives that cushion their financial burdens.

Moreover, Bank Negara Malaysia (BNM) introduced measures such as the automatic loan moratorium for businesses and individuals with an aim to ease cash flow strains that could arise during this crisis. BNM also reduced the Overnight Policy Rate (OPR) and Statutory Reserve Requirement to 2% respectively, in a move to support both growth and liquidity. These measures are among the key stabilisers for the economy, as the stress mounted with the extension of the Movement Control Order (MCO) amid ongoing global supply-and-demand shocks.



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TRANSFORMATION AT THE FOREFRONT

In the last four years, we have seen significant improvements across many key areas within the Bank. The Group and the leadership team has worked extremely hard to deliver the four-year strategic plans that were put in place, resulting in the solid foundation across key business parameters and corporate governance that we see today.

Despite strong economic and geopolitical headwinds intensified by the outbreak, AmBank Group continues to deliver a solid performance, largely due to efforts in driving the Group's Top 4 Strategy (FY2016-FY2020) that focused on our growth segments, key products, and sustaining our position in current engines. In FY2020, compared to other industry players, we consistently ranked Top 3 in terms of growth across most of our key performance metrics. Moreover, we ranked first for Net Interest Income (NII) growth, Cost-to-Income (CTI) ratio improvement, and Profit Before Provision (PBP) growth in Malaysia.

Net Interest Income

RM2,773.9
Million

Cost-to-Income Ratio

49.9%

Profit Before Provision

RM2,119.0
Million

STRONG CORPORATE GOVERNANCE

More than ever, good leadership is key to withstanding the major challenges of the banking landscape and delivering superior performance. Therefore, the Board remains committed to maintaining the highest standards of good governance. In FY2020, we continued to strengthen the Group's corporate governance with a common set of expected behaviours developed over time. Our corporate values and effective governance systems have created a strong ethical and governance culture across the Group. The principles governing our ethical standards are entrenched within our internal policies, such as the Code of Conduct, Code of Ethics and the Whistleblower Protection Policy.

Diversity within the leadership team is essential for innovation and effective decision-making. Currently, 25% of AmBank Group's board members are women, as we strive to achieve the 30% national target.

We are also committed to establishing a more well-balanced leadership team, with a range of competencies capable of addressing emerging risks in the conduct of our businesses. With the Group's ongoing transformation into a digitally-mature bank, we are pleased to welcome Aaron Loo as the Managing Director of Retail Banking. He has worked in the financial sector for almost 20 years, leading the digital transformation of major banks, as well as growing the Priority Banking and Retail SME businesses. With his invaluable experience, we look forward to gaining his insights into the digital growth of our Retail Banking segment.

Our leadership team's efforts in maintaining the highest standards of transparency, responsibility and good governance were recognised by several awards and accolades.



Alpha Southeast Asia – 9th Annual Best Corporate-Institutional Investor Awards

- Best Senior Management Investor Relations Support
- Best Annual Report
- Best Strategic Corporate Social Responsibility

As the adverse impacts of COVID-19 continue to spread across the business community, the Group's leadership team remains proactive and agile in our response. We are considering the well-being of all stakeholders and regularly communicating on key developments and progress. For instance, we launched a dedicated COVID-19 microsite in our internal portal, which contains directives and advisory to employees concerning the crisis. Likewise, the management team formulated an integrated and succinct response plan that caters to the immediate needs of our staff and customers. This includes creating awareness internally and externally on the potential impact of COVID-19, the emergence of a new norm, and ways to quickly pivot the business model according to these rapid changes (e.g. increase in consumer spending online). We also worked with key partners from other industries to effectively enable businesses' transition online, enabling them to sustain alternative income streams during this period. Through an AmBank-Maxis collaboration, we are able to deploy and assist SMEs in migrating to e-commerce, providing an alternative option to help sustain their businesses. Our assistance extends to COVID-19 frontliners and the general public, in which we contribute to funds and programmes that aid communities and individuals affected by the pandemic.



Message from the Chairman

SUSTAINABLE BANKING

As a responsible bank, we are committed to balancing our profits with social and environmental well-being. The future growth of the company relies on our ability to mitigate Environmental, Social and Governance (ESG) risks. We cannot perform our duties as a financial institution if the prosperity of the people and the health of the planet is at risk. This understanding is what drives the Group's sustainability agenda. Therefore, we take a holistic approach to business decisions, allowing us to promote a more inclusive socio-economic growth that caters to current and future generations.

We developed the Group's Sustainability Framework to outline the parameters of our journey towards becoming a sustainable bank. Through the implementation of this Framework, we integrate ESG and Value-Based Intermediation (VBI) considerations into our decision-making processes without compromising our financial objectives. The Framework aligns with the Group's business priorities as well as key principles that contribute to positive social and environmental impact. The Sustainability Framework is governed by an enhanced sustainability governance structure consisting of new roles that are critical to effectively execute our sustainability strategies.

In support of our long-term aspiration to become a leading responsible financier in Malaysia, we launched AmBank Group's 10-Year Responsible Financing Strategic Plan in FY2020. The plan includes the establishment and implementation of the ESG Risk Framework, as well as the integration of ESG risks into the credit assessment. Through our sustainability efforts, our rating from RAM Sustainability Sdn Bhd's (RAMSus, formerly known as RAM Consultancy Sdn Bhd) improved from Silver to Gold in 2019.

**RAMSus Sustainability
Rating 2019
SILVER > GOLD**

PEOPLE-ORIENTED BANK

We are a people-oriented bank – our work revolves around creating value for people and is simultaneously driven by people. Our business objectives rely on the capability and well-being of our workforce. In line with our transformation into the new era of banking, we are providing opportunities for employees to leverage their various skill-sets with the power of data and advanced analytics. Our efforts in retraining, reskilling and redeploying resources are a continuous process that aims to improve the optimisation, competency and timing of our operations whilst concurrently gearing our workforce for the future.

During the year, we invested over RM24.7 million in employee training and development programmes designed to future-proof the workforce. Employees were provided with an average of 66 training hours each to sharpen their leadership, technical and soft skills, thus maximising their potential to thrive in the long-term.



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It is also our responsibility as an employer to protect the health and well-being of our people. We implement measures and campaigns that safeguard the mental and physical health of employees, which is essential to improving their engagement, productivity and overall performance. Amid the health risk of COVID-19, we swiftly introduced the necessary procedures to minimise their exposure to contamination. This includes controlling movement into AmBank Group premises; implementing travel directives and advisory; frequent disinfecting and cleaning; quarantine protocols; and higher digital communications. As we prepare for the challenging times ahead, we will not falter to take care of our people and reinforce our position as being the "Employer of Choice".

SHAREHOLDER VALUE

The Board remains committed to enhancing shareholder value according to regulatory buffer and working capital requirements. We strive to ensure that our proposed dividend payout remains appropriate for the Group to continuously fulfil both our financial and prudential objectives.

**Dividend
Payout Ratio
30%**

For this financial year, we are pleased to declare a final dividend of 7.3 sen per share, bringing the total dividend to 13.3 sen. This year's dividend payout ratio of 30% is a reflection of a more cautious outlook on the near-term economic conditions.

With the completion of AmBank Group's Top 4 Strategy, we begin the next stage of our transformation journey. We will focus on building new areas of growth surrounding the Group's renewed vision of **Growing Trust, Connecting People.**

LOOKING AHEAD

In the upcoming year, we anticipate the economic effects of the COVID-19 pandemic onto the business climate. While Malaysian banks' capital and liquidity are substantial enough to absorb losses in the current economic conditions, we are entering uncharted territory. It is difficult to fully predict where a shock is going to come from as there is limited visibility on how the shocks will transmit and evolve. We expect that the pandemic, compounded by domestic challenges, will contribute to a decline in overall loans growth. There are also several key areas that demand the banking sector's attention beyond business continuity, namely credit management, supporting our customers, digitalising service offering, and cost management.

After COVID-19, there will likely be a 'new normal' affecting the entire banking ecosystem. The knock-on effects from such a global pandemic crisis will exacerbate changes in customer expectations, investor decisions and regulatory outcomes. Throughout the world, businesses are adapting and learning to communicate, collaborate, and coordinate activities and interactions on virtual platforms, as well as developing new business models in which such modalities of work can be supported.

To effectively mitigate the impacts of the current crisis, AmBank Group remains proactive in our response to emerging challenges. We will take a vigilant approach to credit monitoring and credit assessments; observe the facility utilisation rates of customers and how operating account balances are developing; as well as reaching out to customers to support their recovery plans.

With the completion of AmBank Group's Top 4 Strategy, we begin the next stage of our transformation journey. We will focus on building new areas of growth surrounding the Group's renewed vision of **Growing Trust, Connecting People.** This will be our key theme moving forward, which reflects our strong belief in the legacy and solid relationships we have built over decades – servicing our customers for generations; cementing our trusted partnerships; and witnessing their growth from the beginning to where they are today. With the progress made, we remain confident in AmBank Group's ability to successfully move forward. We will continue to establish ourselves as an innovative bank that connects people. As the banking industry evolves, our key differentiator will be to actively respond to customers' needs while providing convenient access to our people and services – anytime, anywhere.

The Group will stay abreast of the evolving regulatory and policy landscape in Malaysia, as well as other changes in our ecosystem. As we roll out the Group's next four-year strategic plan, we will deploy a mix of defensive, offensive and tactical strategies to remain relevant to our stakeholders and emerge as a more competitive and responsible business that remains committed to both value creation and value preservation.

CLOSING REMARKS

I take this opportunity to recognise the extensive work undertaken throughout the four years of AmBank Group's Top 4 Strategy. Through the hard work and dedication of our people, we went above and beyond in achieving our goals. I am proud to report that we are well-equipped and ready to enter into the next phase of excellence, navigating the rapidly changing banking landscape.

On behalf of the Board, I would like to acknowledge the efforts that have been undertaken across the Group by my fellow Board Members, Senior Management and by our operating teams, who have been working tirelessly throughout this period to preserve the health and safety of our employees, the satisfaction of our stakeholders, and the growth of our business. Also, I am very grateful for the continued trust and support of our shareholders. Finally, to all stakeholders, we will continue to improve our performance in creating value for all of you. With the challenging times ahead, we will work to emerge from a post-pandemic world together, stronger than before.

TAN SRI AZMAN HASHIM

Non-Independent Non-Executive Chairman