



*Dear Valued Shareholders,*

***I am honoured to extend my greetings to you in my new role as the Acting Group Managing Director of AmBank Group on 2 April 2015, exactly 3 years after assuming the position of the Deputy Group Managing Director.***

For FY2015, we are pleased to have delivered financial results in line with our earlier market guidance by staying on course with our strategic priorities to (1) Deliver on focused organic growth, (2) Leverage strategic partnerships and deliver on acquisitions, (3) Continue to optimise efficiency, and (4) Build sustainability.

We started the year at a slower pace in tandem with decelerating private consumption growth dampened by higher cost of living and ongoing rationalisation of subsidies, higher interest rate and periodic bouts of market volatility. As the financial year progressed, our business momentum had picked up in selected segments. Nevertheless, the full year performance continued to be weighed down by prevailing weak market sentiments and lower margin environment.

The Group has achieved a 7.6% year-on-year (yoy) increase in profit after tax and minority interests of RM1,918.6 million, which translates to a return on equity (ROE) of 13.8%. Our results benefited from a one-off gain from the sale of approximately 50% stakes in our AmLife and AmFamily Takaful business coupled with lower allowances in line with our emphasis on better credit quality and portfolio rebalancing strategy.

Customer deposits grew by 2.7% yoy to RM92.1 billion, of which low-cost deposit composition was stable at 20%. Net loans contracted by 1.1% yoy to RM86.2 billion, reflecting the Group's ongoing portfolio rebalancing strategy which aims to de-risk selected market segments by targeting preferred customers. Mortgages rose by 6.2% yoy while wholesale loans expanded 2.2% yoy.

Asset quality continued to improve with gross impaired loans ratio declining to 1.8% in FY2015 from 1.9% in FY2014, which translates to a comfortable loan loss coverage of 104.9%, above the industry average of 98.7% as at 31 March 2015. Our capital position, CET-1 of 10.5%, was above our internal FY2015 targeted range of 9.0%±1%.

### Customer-centric agenda

We continued to invest in technology and customer-centric initiatives to drive sustainable growth. We are enhancing digital platforms which will improve our brand appeal and enable more convenient customer access via the internet and social media, which leverages on multiple collaborations with our business partners. Notwithstanding significant investments in technology, infrastructure, customer-centric measures and enhancements to risk and compliance management, our operating expenses was well contained with a flat annual growth.

Customer focus remains the Group's top priority, and each business division is executing tactical action plans with the intention to step up service delivery. These include the consolidation of the Group's Wholesale Banking business which enable relationship managers to be single points of contact for customers while being supported by product specialists. The implementation of Retail Banking's Service Culture Transformation programme and digital enhancements such as the TRUE Lab crowd-sourcing platform.

In General Insurance, customers can now buy or renew their insurance policies online anytime and anywhere at their convenience. **AmAssurance Express**, an express motor claims settlement service was introduced during the year. Recently, **Kurnia One Touch** mobile application was launched, which enables motor insurance customers to send road assistance requests during road emergencies and report their claims.



AmAssurance Express launched 9 October 2014, an express motor claims settlement service.

### Strengthening strategic partnerships

In FY2015, Australia and New Zealand Banking Group (ANZ) has appointed new and additional board representatives to the Group and its subsidiaries, re-emphasising the importance and commitment to the strategic partnership between AmBank Group and ANZ.

The partnership between IAG with our General Insurance business also marked another milestone with the completion of Kurnia's integration and commencement of a new CEO from IAG. In Life and Family Takaful, we sealed our strategic partnership with MetLife International Holdings Inc. with the aim of creating a modern and innovative customer-centred life insurer in Malaysia.

### Contributions from business divisions

**Wholesale Banking's** profit after tax (PAT) declined by 1.1% yoy to RM974.2 million due to weaker corporate loans growth and capital market activities in the first half of the financial year, partly offset by lower expenses from right-sizing initiatives and lower provisions which benefited from pursuing higher quality assets.

Improved contributions from broking, equity derivatives, funds management, and private banking were offset by margin compression and subdued foreign exchange and derivative trading activities.

Average assets under management grew by RM4 billion yoy; whilst we maintained our top 3 market share rankings for Initial Public Offering (IPO), debt and Islamic capital markets based on Bloomberg league tables.

The Wholesale Banking division remained the largest earnings contributor of the group with a lower 47.6% share of Group's PAT in FY2015, down from 52.6% in FY2014, largely due to the one-off gain from the sale of 50% equity stakes in AmLife and AmFamily Takaful business.

## MESSAGE FROM ACTING GROUP MANAGING DIRECTOR

**Retail Banking** registered a 30.1% yoy decrease in PAT to RM429.2 million due to:

- i) 5.1% loan contraction in line with the Group's policy of de-risking of its auto finance portfolio; and
- ii) Margin compression from the ongoing portfolio rebalancing efforts towards higher quality assets;

Excluding the auto finance segment, gross loans grew by 1.5% yoy, supported by strong mortgage growth of 6.2% yoy.

Customer deposits grew by 5.8% yoy, supported by segment solutions targeting small businesses and young professionals.

The lower earnings, coupled with the one-off exceptional item this year, caused the share of this division's PAT to the Group to decrease from 32.8% in FY2014 to 21.0% in FY2015.

**General Insurance's** PAT grew 46.5% yoy to RM256.4 million from higher investment gains, improved claims management and lower management expenses. On the life insurance segment, **Life Assurance and Family Takaful's** net profit contribution fell from RM12.9 million to RM4.6 million, reflecting equity accounting impact from the completion of equity stake sales to MetLife on 1 May 2014 and higher reserves required from lower yields of Malaysian Government Securities and investments.

Overall, the stronger performance of the insurance business has caused its contribution of PAT to the Group to rise from 10.0% in FY2014 to 12.8% in FY2015.

### FY2015 progress round-up

Last year, we set ambitious targets and unveiled the strategic agenda for FY2015 – FY2017. Our progress during the year is as follows:

**(1) Deliver on focused organic growth** in Wholesale Banking, Retail Banking, General Insurance and Islamic Banking divisions.

The Wholesale Banking business model was consolidated from five divisions to two, with product specialist and coverage teams set up to focus on penetrating customers' share of wallet. The purpose is to enhance our customers' experience by referring to our relationship managers as single points of contact across all product sales, solutions and services; and enable the delivery of the right product, pricing terms and operational support through dedicated specialist teams.

In Retail Banking, we made good progress in our focus on building small business and emerging affluent segments. In the fourth quarter of 2014, we rolled out new Small Business Banking solutions (SBB) nationwide, offering a refreshed and extended suite of solutions for small business owners. SBB's tagline, "In Partnership, We Grow", represents our value proposition to customers. We aim to be a 'partner' to our SBB customers, closely understanding their business as well as personal financial needs, and thereby matching these needs with tailored solutions.

### small Business Banking

In partnership, we grow

We have introduced a new value proposition and solution called **TRUE**, which caters to young professionals. TRUE is a customer-focused everyday banking solution which aims to deliver a simple and relevant banking experience to customers through digital channels. In December 2014, our first TRUE offering – TRUE Lab was launched. TRUE Lab is Malaysia's first digitally-enabled crowd-sourcing community banking platform, designed to crowd-source ideas from young professionals for their desired banking solutions. This online community platform allows customers to contribute and vote for ideas on banking solutions to promote engagement and ownership among customers.

We have launched the first TRUE products with the TRUE Debit MasterCard, which comes with a built-in TRUE Transact Account and TRUE Savers Account that offers free unlimited online Interbank GIRO transactions, 5 free MEPS withdrawals per month in any bank's ATM and attractive interest rates.

In General Insurance, we maintained our No. 1 position in motor insurance in Malaysia. A new CEO (Chief Executive Officer), Derek Roberts from our strategic partner, Insurance Australia Group, was appointed to spearhead tactical action plans to drive premium growth, enhance a performance-driven culture and lead the upcoming de-tariffed market with our pricing capability.

Recently, we welcomed a new CEO, Eghwan Mokhzanee bin Muhammad, for AmBank Islamic to accelerate the growth of the business and synergise cross-selling opportunities with the rest of the conventional banking group. We also welcome Mohamad Salihuddin bin Ahmad, who has assumed the role of Chief Executive Officer of AmMetLife Takaful effective on 14 May 2015.

### (2) Leverage Strategic partnerships and deliver on acquisitions.

The system integrations were completed for Kurnia Motor and MBF Cards during the year, which will position our general insurance and credit card segments on a stronger platform to re-focus on driving revenue growth.

In our Life Assurance and Family Takaful businesses, we welcomed MetLife International as our strategic partner following the completion of the share sale agreement on 30 April 2014. A new leadership team was appointed, including a new CEO and board members. 'AmMetLife' brand was launched together with a new corporate website.

A series of 'Live Ready' campaigns were rolled out as part of the brand enhancement strategy. AmMetLife adopts a multi-channel approach and has recently deployed insurance specialist teams for both Life and Family Takaful solutions. We will continue to leverage on our combined strengths to offer customer-centric and modern life assurance / family takaful solutions to Malaysians.



AmMetLife 'Live Ready' proposition on the KLIA gantry

**(3) Continue to optimise efficiency** via building a lean and scalable customer service delivery capability, streamlining operating levels, simplifying business and operating models, and managing our capital efficiently. We have commenced Phase 2 of our new core banking system implementation, which is expected to be completed within this calendar year.

On simplifying business and operating models, we are rationalising our subsidiaries and non-core operations for greater efficiencies and to release dormant capital. During the year, we have wound-up several dormant subsidiaries, consolidated our fund management companies and disposed our stockbroking subsidiaries in Singapore and Indonesia. Internally, the streamlining of our organisation structure is an on-going process.



## MESSAGE FROM ACTING GROUP MANAGING DIRECTOR

**(4) Build sustainability** by enhancing corporate governance, compliance culture, human capital and customer experience.

As the Chairman mentioned in his message, changes were made to the Board compositions in the Group and subsidiaries. We continued to invest in governance and compliance enhancement projects, of which the key initiatives and progress are detailed under the 'Group Risk Management' of our annual report.

On our people agenda, we embarked on a Total Target Remuneration Project to align and enhance rewards and recognition throughout the organisation. Recently, we introduced Flexible Benefits to AmBankers which provide flexibility on the type and level of employee benefits catering to different demographics and changing needs of our people.

The Group continued to invest in customer-centric initiatives and focus on segment plays to provide customised solutions and services to our clients. Our corporate website facelift, which is mobile and tablet responsive, was launched in November 2014 to promote engagement and participation from our customers through user-friendly navigation.

We progressively rolled out online enhancements with new features and functions to improve user experience and security. Retail Banking has also initiated a 'Service Culture Transformation' programme to further develop a service-oriented culture and staff capabilities across all customer touch points.

### Setting out strategic priorities for FY2016

Advancing into FY2016, we remain confident in our FY2015 – 2017 strategic agenda and will continue to be guided by it.

#### On (1) Deliver on focused organic growth:

Wholesale Banking is prioritising growth in targeted markets with higher flow businesses across all asset classes, simplifying its processes to improve speed of service to customers, enhancing collaboration amongst its various services to cross-sell with right products and pricing, driving deposits and trade utilisation through integrated propositions and leveraging ANZ's connectivity on trade finance.

Retail Banking will focus on strengthening relationships with business partners, improve service culture, upgrade its digital platforms, execute its simplification agenda and continue to target small businesses and the emerging affluent, particularly the young professionals.

General Insurance aims to maintain its top position in motor, build a customer-oriented organisation, drive premium growth via focused action plans in penetrating new markets, improve supply chain management, strengthen alliances with key partners and leverage on its pricing capability to lead the impending de-tariffed market.

Islamic Banking will focus on enhancing collaboration across the Group's business units, offering tailored products for higher value segments, driving growth in low-cost deposits and inculcating brand awareness of Shariah-compliant products. AmIslamic Bank has also changed its name to 'AmBank Islamic' to position our brand more prominently in the domestic Islamic finance industry, leverage on the AmBank's strong brand position and enhance linkage of conventional and Islamic offerings.



AmBank Islamic branch in Putrajaya

As part of **(2) Leverage strategic partnerships and deliver on acquisitions**, we will continue to leverage on MetLife's global best practices particularly on brand enhancements, product innovations, distribution and system capabilities. With the completion of system integrations of MBF Cards and Kurnia Motor, the Group will re-focus on accelerating revenue growth in the credit card and general insurance segments.

Next, **(3) Continue to optimise efficiency**, we will continue to build scalable customer service delivery capabilities and simplify our business and operating models. For capital management, the Group is progressively optimising its holding company structure and capital allocation.

Lastly **(4) Build sustainability**, our focus remains unchanged – strengthen risk management, develop human capital and improve customer experience. We will continue to enhance our governance in risk management, control systems and compliance culture.

On human capital, initiatives are progressively being rolled out to improve employee engagement and talent management in supporting a connected team culture.

Our ongoing investments in technology and customer-centricity projects are expected to deliver superior customer experience and strengthen our capabilities in expanding our presence in targeted market segments.

### Appreciation

Over the past months in my role as the Acting Group Managing Director, I have been impressed with the dedication of our AmBankers. I am deeply grateful for their trust and continued support.

Looking forward, the Central Bank of Malaysia expects the Malaysian economy to register a growth of 4.5% - 5.5%, compared to a GDP growth of 6.0% in 2014. The Goods and Services Tax, introduced at the start of our financial year, will likely have an impact on consumer spending. Decelerating export expansion and a slowdown in capital expenditure in the oil and gas sector may dampen growth expectations this year.

While we recognise that there are looming headwinds ahead for the economy and banking sector in the coming year, we remain committed to deliver sustainable risk-adjusted returns and growth to all our shareholders and will rise to these challenges.

To our business partners and customers, thank you for allowing us to be **Your Bank. Malaysia's Bank. AmBank.**

*Yours sincerely,*



**Datuk Mohamed Azmi Mahmood**  
Acting Group Managing Director

Kuala Lumpur  
30 June 2015