

Group Chief Executive Officer's Message

Towards a Digitalised Future



“AmBank Group’s transformation plan saw increased traction that further strengthened our fundamentals, drove higher earnings and efficiencies across all business segments.”

DATO' SULAIMAN MOHD TAHIR
Group Chief Executive Officer

Group Chief Executive Officer's Message

FY2019 was an impactful year for AmBank Group.

Three years into our Top 4 journey, our Group has indeed grown by leaps and bounds. As a result of our strategic transformation efforts, we have moved forward to unlock the true potential and value of the Group.

The fruition of our efforts is nowhere more pronounced than in our significantly improved earnings, stemming from broad-based growth in our key business segments throughout the year.

Testament to our improved performance, AmBank Group's profit after tax and minority interest ("PATMI") rose substantially by 33% to RM1,505.3 million.

What is important to note is the fact that we achieved these sterling results by performing amidst a backdrop of slower economic growth due to higher volatilities in global markets as well as continuing geopolitical uncertainties in the region.

ALL-ROUND EARNINGS PROGRESSION

For the financial year ended 31 March 2019 ("FY2019"), the Group's Net Interest Income grew by 3.9%, while profit before provision increased by 15% to RM1,791.5 million. We were able to achieve this profit increase mainly due to our commendable loans growth which in turn improved our net interest income.

The strategic cost optimisation measures that were undertaken during the year complemented by our prudent capital management as well as the Group's diversified funding has allowed our Group to enhance the resilience of our balance sheet.

In terms of cost optimisation, we were able to record an improved cost-to-income ("CTI") ratio, with a reduction from 60.8% in FY2018 to 54.3% in FY2019, resulting in a positive JAWS ratio of 11%.

Reflecting the improvement in our profit, our earnings per share ("EPS") (basic) stood at 50.03 sen, increasing 32.9% from FY2018. Moreover, return on assets ("ROA") improved by 0.2% to 1.08%. As we move forward, the Group is committed to delivering progressive growth in terms of our dividend payout.

We also surpassed our return on equity ("ROE") target of 8.5%, achieving 8.8% during the year under review, an increase of 180 basis points from FY2018, placing our Group amongst the top three domestic banks during the fiscal year.

Our transformation journey so far has elicited the interest of both the retail as well as institutional investment communities. We were able to chart a strong recovery in our share price from RM3.90 on 2 April 2018 to RM4.56 on 29 March 2019 which is equivalent to a capital appreciation of 16.9% per share for FY2019, excluding dividend returns.

Indeed, we are moving in the right direction and with good momentum as we entrench ourselves as a bank that is committed to creating sustainable value for our shareholders and investors.

"Reflecting the improvement in our profit, our earnings per share ("EPS") (basic) stood at 50.03 sen, increasing 32.9% from FY2018."

COST-TO-INCOME ("CTI") RATIO



54.3%
in FY2019
▲
60.8%
in FY2018

EARNINGS PER SHARE ("EPS") (BASIC)



50.03 sen
in FY2019
increasing
32.9%
from FY2018

TRANSFORMATION JOURNEY

Our transformation journey commenced in 2016, following the launch of our Top 4 Strategy. We knew we needed to ensure that AmBank Group not only survives, but thrives. We were single-minded in our aim of attaining top four industry positions in our growth segments, key products as well as sustaining our existing top four position in current engines. This was complemented by our aim to be among the top employers in Malaysia.

Group Chief Executive Officer's Message

We developed 33 initiatives across our line of businesses to underpin our Top 4 Strategy as we charted a clear performance framework to drive and measure our achievements, benchmarked against the best of the best in the sector.

I am pleased to share that today, we have seen meaningful and tangible progress and advances on all fronts. Our achievements bear testament to the execution of our Top 4 Strategy.

SMEs are a key client segment for AmBank Group and the potential for growth in the SME market is certainly tremendous. It is by no accident that we are in pole position in terms of SMEs today. Total loans extended to SMEs grew 21.2% YoY to RM20.2 billion and comprises 19.9% of our total loan base.

At AmBank Group, we believe that a bank for SMEs must have the ability to create holistic relationships with our SME clients that go beyond financing. We want to provide SMEs with solutions that cater to different business models at different stages, accompanied by additional support through digital and development initiatives. We hope to help SMEs become successful by being part of their journey from cradle to initial public offering. Our financial products and services are complemented by our various beyond-financing initiatives aimed at helping SMEs grow and succeed. We are also constantly working on enhancing our loan financing and cash management products to cater to the needs of our clients and improving our loan-processing infrastructure to expedite delivery of loan offerings to SMEs. Over the last year, we have onboarded more than 15,000 new SME clients.

AmBank BizCLUB which was formed in 2017 to accelerate entrepreneurial development has more than 5,000 members from the SME community today. Our aim is to help grow and nurture SMEs, equipping them with the fundamentals to achieve sustained success through the AmBank BizCLUB platform.

One of the key activities of AmBank BizCLUB is the AmBank BizRACE, which is a platform where SMEs can connect, learn, as well as showcase their business ideas. We have hosted two successful seasons of the AmBank BizRACE which received close to 1,000 participants in each season and are looking forward to the third season soon.

AmBank BizCONFERENCES were also held in multiple locations nationwide in FY2019, in conjunction with the launch of AmBank BizRACE Season Two where successful business owners shared their path to success and lessons learnt along the way. There were also exclusive sharing sessions with well-known entrepreneurs and experts from various fields and industries via our CEO Chat sessions.

Testament to our efforts with SMEs, AmBank Group received the Best SME Bank award for Malaysia by the Global Banking & Finance Review.

AMY™, an acronym for AmBank Malaysia, is the country's first virtual assistant for customer service which is integrated into AmBank's AmOnline mobile banking app.

The idea for AMY™ was conceived to create a brand new digital banking experience for our customers, one which is available round the clock and provides proactive and personalised assistance through a self-guided chat interface. AMY™ will continue to evolve and get smarter with artificial intelligence in future releases with an emphasis on 'customer first' to revolutionise our customers' banking experience with us.



AmOnline which is our flagship online and mobile banking platform, has more than 700,000 registered users, an upsurge of 58% from a year ago, with a monthly average of circa 28 million transactions at the value of RM1.34 billion. Our near term target is to reach one million AmOnline users by 2020.

Last October, we launched AmEquities which is an online share trading platform available via web and mobile. AmEquities is designed to allow our customers who are increasingly digital savvy to manage their investment anytime, anywhere. We hope to attract millennials who are fast emerging as a new generation of investors. AmEquities' trading engine is now available in two languages i.e. English and Chinese and will soon be available in Bahasa Melayu as well.

As part of the Group's digital agenda, our investment in specific digital initiatives has allowed us to drive market share in key product segments as well as develop new growth engines. We continued to form new strategic partnerships with industry players such as PayNet, WeChat, Digi and Axiata to complement our efforts to broaden our electronic payment (e-payment) capabilities.

We are also pleased to partner with government agencies to drive value-driven solutions which enable cashless collections and convenience to customers for payments transacted via eWallet, JomPAY, Virtual Accounts and other channels. AmBank Group is intent on supporting Bank Negara Malaysia's agenda to accelerate the country's migration to become a cashless society.

Our Sustainability Rating was upgraded from Silver to Gold by RAM Consultancy Services Sdn Bhd ("RAMC") during the year. AmBank Group is the first banking group in Malaysia to secure a RAM Sustainability Rating, and the recognition of this milestone was the RAM Sustainability Award 2019' received during the 16th Annual RAM League Awards. The Sustainability Rating upgrade by RAMC was primarily supported by an improvement in the Group's Environment Rating from Bronze to Silver, while our Gold Social Rating and Gold Governance Rating were reaffirmed. As we are serious about driving sustainability within the Group, we had taken the bold step of having ourselves independently assessed and are truly proud of the acknowledgment by RAMC.

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INVESTING FOR THE FUTURE

Technology will continue to disrupt the financial services industry and we are cognisant of this irrefutable fact, which is why we are determined to continue driving the digital agenda.

To not embrace change would be self-destructive. AmBank Group needs to be at the forefront of disruptions that are and still continue to remould the financial landscape. It goes back to the idea of adaptability, receptiveness and innovation.

We will continue to grow quality assets, improve our deposits mix, maximise our fee-based income potential, optimise our risk-adjusted returns, as well as expand our partnerships and network footprint, while improving value creation for our customers and shareholders.

In today's digital age, banks do not only operate in the physical sense, but increasingly in a virtual manner. More than ever, the need to establish synergistic partnerships, particularly with FinTech and e-payment platforms becoming an imperative as competition intensifies.

Our online offerings have been refreshed. We are now able to offer a comprehensive online banking platform via AmOnline which is available via both web and mobile app (Android and iOS). AmOnline has been designed to offer our customers an easy, simple and fast online banking experience. We are market leaders in adopting a mobile-first approach to electronic banking and we look to continue pushing beyond what is expected of the industry.



We continue to win industry awards across our businesses and control functions, reflecting external recognition of our performance, benchmarked across industry peers. Some of these awards are first-of-its-kind and regionally renowned:

AmBank Group

- **16th Annual RAM League Awards**
 - Sustainability Award
- **8th Asian Excellence Awards 2018**
 - Best Investor Relations Company
 - Asia's Best CFO, Investor Relations
- **Australasian Reporting Awards**
 - Gold Award for 2018 Annual Report
- **2nd Asean Corporate Governance Awards Ceremony 2018**
 - One of the Top 50 ASEAN Public Listed Companies

AmInvestment Bank

- **The Asset Triple A Asia Infrastructure Awards 2018**
 - Project Finance House of the Year (4th Consecutive Year)
- **The Asset Triple A Country Awards 2018**
 - Best Loan Adviser (2nd Consecutive Year)
- **The Global Islamic Finance Awards 2018**
 - Best Islamic Project Finance House
- **The Edge's Best Deal of the Year 2018**
 - Best Non-IPO Fund Raising (Sukuk/Bond) - Yinson TMC Sdn Bhd 's RM950.0 million Perpetual Sukuk Issuance
 - Best Mergers & Acquisitions - IOI Corporation's RM3.95 billion partial divestment of Loders Croklaan Group
- **Islamic Finance News ("IFN") Awards 2018**
 - Equity & IPO Deal of the Year - Malaysia Building Society Berhad RM644.95 million acquisition of Asian Finance Bank
- **Employees Provident Fund ("EPF")'s External Fund Managers Annual Awards 2019**
 - Best Domestic Fixed Income Fund Manager 2018

SME Business

- **Best SME Bank Malaysia 2018 by Global Banking and Finance Magazine**
- **CGC SME Awards 2018 (CGC's Top FI Partner)**
 - Top Financial Institution ("FI") Partner Award for the Commercial category
 - Top Financial Institution ("FI") Partner Award for the Bumiputera category

Wholesale Banking

- **'Outstanding Contribution to JomPAY'** at the Malaysian e-Payments Excellence Awards ("MEEA")
- **12th Annual Alpha Southeast Asia Best Financial Institution Awards 2018** (7th Consecutive Year)
 - Best FX Bank for Corporates & Financial Institutions
- **The Asset Benchmark Research Award**
 - The Region's Best Local Currency Bond Individuals (Trading)
 - The Region's Best Local Currency Bond Individuals (Sales)

Retail Banking

- **ASNB Starz Awards 2018**
 - Six awards including third highest number of new accounts for all ASNB products.

AmMetlife Takaful

- **Innovation Award for iMeriah 2018**
- **Best Family Takaful Operator Award 2018**

AmGeneral

- **Bronze Award for 'Excellence in Branding Strategy'** for Kurnia's auto365 marketing campaign at A&M Magazine's Marketing Excellence Awards

Digital

- **The Asset Triple A Digital Awards 2018**
 - AMY™ won Most Innovative Emerging Digital Technologies Project for Malaysia
- **Red Hat Innovation Awards APAC 2018**
 - Digital Transformation category for Malaysia

Group Operations

- **2018 J.P. Morgan Elite Quality Recognition Award** for Treasury Operations
- **Appreciation of Partnership Award 2018** from BNY Mellon

HR

- **Employer Branding Awards 2018**
 - Malaysia Best Employer Brand Awards 2018 (3rd Consecutive Year)

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▶ Launch of AMY, Malaysia's first virtual financial assistant for customer service



▶ Launch of New Redesigned Website & Mobile App - AmEquities

We will also be tailoring customer experiences on the mobile phone to fully capitalise on smartphone capabilities such as geolocation, camera as scanner and more. Backed by advanced analytics to personalise the recommendations, we serve customers based on their financial profiles.

In the age of digital convergence, our customers are not only exponentially shifting their banking needs to mobile but are also increasingly expecting their devices to deliver the convenience and speed of borderless banking – anytime, anywhere.

In response to these rapid disruptions, the Group is investing for the future by ramping up our digital capability through a structured and customer-led approach.

Over the next five years, we will be breaking new markets and extending the limits of our value chain, providing trusted, secure, and value-centric solutions that cut across industries.

The realisation of our digital strategy rests on the strategic measures outlined under the four key pillars of Retail, Non-Retail, Partnerships and Ecosystem Play. A further capital investment of RM54 million has been allocated and approved by the Board to be spent over the next two financial years to provide the necessary resources for our Digital team to continue conquering new milestones.

Significant time and resources were also channeled towards instilling a 'Digital Culture' amongst each and every AmBanker. Our three key drivers to build consensus are as follows:



Transforming each employee to become our digital ambassador;



Embedding digitalisation into our corporate DNA; and



Aligning employees' digital 'customer experience' ("CX") with the expectations of our customers.

In transitioning to become a fully digitalised entity, we are harmonising the digital expectations of our own employees who we see as our in-house 'customers', with those of our external customers.

We have invested a significant amount of time, effort and focus to implement this impactful and timely digital journey, to ensure a future-ready AmBank Group in terms of competitiveness, branding and profitability.



▶ To know more about our digitalisation strategy and efforts, please refer to the Responsible Banking section on [pages 89-96](#).

**Our end-goal is simple:
To be an end-to-end financial solutions provider with just a touch on the screen.**

Group Chief Executive Officer's Message

BUSINESS PERFORMANCE

We were able to improve profitability as well as strengthen our market position during the year as a result of focused execution of the Group's Top 4 Strategy.

On the Retail Banking front, we saw a substantial increase in our target segments with a 35% growth in our Mass Affluent customer base and close to a 20% growth in our Priority customer base. We continue to see traction in the distribution of Amanah Saham Nasional Berhad ("ASNB"), retaining our top three position last year.

SME loans expanded to RM20.2 billion as of 31 March 2019 (21.2% YoY) which translated to an income growth of 19.9% YoY. We grew our SME segment customer base to more than 90,000 customers. Our stronger market presence in the segment is underpinned largely by the successful AmBank BizCLUB community engagement events, such as the AmBank BizRACE which supports SMEs in their entrepreneurial journey.

The Mid Corp segment was another strong performer in FY2019 as a result of consistent efforts undertaken to nurture strong relationships with new-to-bank businesses, particularly in the services and manufacturing sectors. The Mid Corp segment contributed 36% to our Wholesale Banking division's revenue during the financial year. Revenue rose by 5% while loans and deposits grew by 15% and 9%, respectively.

On the Islamic Banking front, AmBank Islamic achieved further improvement in its financial performance by recording a total income and profit after taxation and zakat ("PATZ") of RM820.1 million and RM311.8 million respectively, which were correspondingly 4.4% and 30.4% higher than the previous financial year. AmBank Islamic also recorded total financing and deposit YoY growth of 4.6% and 17.5% respectively.

AmBank Islamic has further broadened its range of offerings through the introduction of new products such as AmMoney Line-i (Tawarruq) and has also launched the following foreign currency products:

- Foreign Currency Current Account-i
- Foreign Currency Revolving Credit-i
- Foreign Currency Term Financing-i



**SME base of more than
90,000 customers**



**SME loans expanded to
RM20.2 billion
in FY2019**



Strategic Partnership with Credit Guarantee Corporation Malaysia Berhad ("CGC")

New Islamic unit trusts and will writing service were also offered to customers to bolster the Islamic wealth management business.

As part of its VBI aspiration, AmBank Islamic continued to support the SME sector via the provision of credit and other banking facilities. To this end, AmBank Islamic has entered into various collaborations such as:

- Portfolio guarantee schemes and imSME Business Financing/Loan Referral Platform with Credit Guarantee Corporation Malaysia Berhad ("CGC")
- Shariah-compliant SME Financing Scheme with SME Corporation
- BNM Funds for SME with BNM
- Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP")

As at 31 March 2019, total financing to the SME sector stood at approximately RM5.8 billion, or 20% of AmBank Islamic's financing book.

In addition to the focus on the SME sector, AmBank Islamic has launched the SME Biz Start-up-i Scheme, a Shariah-compliant financing scheme for business start-ups. AmBank Islamic also supports the nation's agenda of providing financing for the purchase of affordable homes, including being a participating bank in BNM's Fund for Affordable Homes.

Overall, we have seen tangible traction on all fronts supported by digitalisation and data analytics which allows us to draw valuable insights that enable us to further enhance our product offerings and improve customer journey.

Innovative products combined with seamless, easy and secure banking experience were some of the key factors which helped the Group realise a 6% YoY increase in total loans to RM101.8 billion against the industry average of 5%. At the same time, total customer deposits grew 12% to RM106.9 billion against the industry average of 5%.

Current accounts and savings accounts ("CASA") rose in tandem by a substantial 22% YoY to RM24.9 billion against the industry average of 3%, with CASA mix at 23.3% compared with 21.3% in the previous financial year.

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NURTURING OUR PEOPLE

AmBank Group remains a strong advocate of workforce diversity. We recognise the diversity of our people as a source of strength. Significant efforts were undertaken during the year to ensure that we continue to create a workplace environment that fosters the growth of a vibrant and inclusive team – one that fully represents our multi-cultural and multi-generational community. The diversity of experiences, knowledge as well as approaches that a diverse workforce brings is key to driving innovation and growth.

I am pleased to have received constructive feedback from our diverse team during the course of the year through in-person engagements ranging from townhalls, business review meetings, lunches and a dedicated email channel where I can be reached directly, titled 'Talk to DSMT'. The voice of our AmBankers matter and very often their feedback reflects the passion that many AmBankers have on how we can continue to improve.

In our journey to be an 'Employer of Choice', as outlined under our Top 4 aspirations, we make every effort to support our people to achieve their personal and professional goals through a culture of teamwork and collaboration.

Understanding the significance of creating a harmonious work environment where each and every AmBanker is treated with respect and trust, we are committed to ensuring that the spirit and essence of equal opportunity, human rights, zero tolerance for discrimination, employee governance and

integrity are well institutionalised into our human capital policies and processes – primarily through our values, our Code of Conduct and our Code of Ethics.

We also place emphasis on ensuring the individual needs of AmBankers are catered to through flexible employee benefits and supportive workplace policies. We make a point to observe and celebrate Malaysia's unique multi-cultural and multi-religious festivities with all employees across AmBank Group.

In addition, we focus on the career development of AmBankers by ensuring that learning is made easier and more accessible across all employee levels. The Group spent RM23.9 million on training in 2018, garnering a total of 576,753 hours on training. This effectively translates into an average of 55 hours of training per employee during the year.

By employing a comprehensive range of programmes on focused learning, we are committed to empowering our talent pool. The professional growth of our talented AmBankers is accelerated through world-class learning. During the year, more than 200 AmBank Group employees participated in our talent development programmes, such as Leadership Enhancement and Acceleration Programme ("LEAP"), Emerging Leaders' Programme ("ELP") and Being A Talented Manager Programme ("BATMAN"), to sharpen their leadership skills, soft skills and personal potential in order to fast-track their career progression to leadership roles at AmBank Group.



Talent Connect 2018 (TC18)

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We are focused on preparing our workforce to be ready for future roles and opportunities. To this end, succession planning is strongly featured as part of AmBank Group's talent management strategy.

Through systematic and consistent measures carried out in accordance with our Talent and Succession Management Policy, we assessed, identified and monitored key positions within the Group to determine potential suitable successors with the capability to be future leaders in the organisation. As part of our Talent and Succession Management Policy, we have identified potential successors for all of the Group's most critical positions.

In line with our commitment to grow and promote internal talents, three of our internal talents were promoted to the C-Suite level over the last two years including our Chief Executive Officer of AmInvestment Bank, Group Chief Internal Auditor and Group Chief Human Resource Officer. I look forward to working closely with my senior management team to ensure the continued success of AmBank Group.



> For details on how we manage the sustainability of our talents and employees, please refer to the 'Employer of Choice' section on [pages 102-123](#).

BUILDING OUR FUTURE TOGETHER

It has certainly been an eventful and rewarding year at AmBank Group. I am proud that we have made positive progress and the Group is stronger today than it was three years ago. This is due, in no small part, to the untiring efforts of our AmBankers who displayed high levels of commitment in putting our strategies into practice and giving their all to realise the Group's objectives.

I would also like to take this opportunity to express my appreciation to our Chairman and Board members for their leadership and wise counsel, which helped steer the organisation to greater heights.

I personally look forward to the coming financial year where we, AmBankers, take another step closer to achieve our ultimate ambition.

To all AmBankers, thank you for believing in our cause. It has been and will continue to be a journey worth embarking on, together.

MALAYSIA'S OUTLOOK FOR FY2020

Malaysia's economy is expected to grow by 4.5%-4.7% in FY2020 from sustained expansion of private sector activities in a well-managed inflation environment of around 1%. Bank Negara Malaysia's lowering of the Overnight Policy Rate ("OPR") by 25 basis points to 3% will also support private sector growth amidst higher global risks, in addition to domestic challenges. In tandem with a moderate economic outlook, the Malaysian banking system loans growth is envisaged to grow by about 4.6%.

Malaysia's macroeconomy is well-positioned to remain resilient with strong foreign reserves, supported by the manufacturing and service sectors as key drivers of growth.

We expect modest improvement in bank earnings underscored by higher interest income from the expansion of loans while non-interest income will still be challenging, owing to the volatile global market.

We will continue to focus on executing our Top 4 Strategy in the year ahead as we capitalise on the prospects for tailored digitalised banking solutions as well as the emerging SME sector. The Group's growth will indeed be underpinned by keen focus on cost-efficiency and improving productivity through digitalisation of our processes for sustainable value creation.

We are cognisant that competition will remain fierce, and that regional as well as international headwinds will impact local market dynamics as it has this past year. We are confident that with our growth strategy to improve profitability and strengthen our balance sheet, our journey for growth remains on track.

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