

Economic and Banking Industry Review and Outlook

FY2019 GLOBAL AND MALAYSIA ECONOMIC REVIEW

Following the victory of Pakatan Harapan in the 14th General Election (“GE14”), Tun Dr. Mahathir Mohamad was sworn in as Malaysia’s new Prime Minister.

In order to boost the confidence of investors and households, Tun Dr. Mahathir announced a suite of changes including the removal the Goods and Services Tax (“GST”), reintroduced subsidies for electricity and fuel, to address the increased cost of living and reviewed the toll and construction projects as part of a broad measure to improve the country’s fiscal position.

Malaysia’s macroeconomic fundamentals are expected to continue to remain resilient despite domestic and external headwinds, as it builds on the firm gross domestic product (“GDP”) growth registered in 2018 at 4.7% (2017: 5.9%). This resiliency is supported by the private sector and consumer spending, on-going infrastructure investments, a more business-friendly regulatory environment, and exports performance. Global growth for 2018 is 3.6%, with global trade and investments dampened by the on-going trade talks between the United States and China which escalated in the second half of the year.

The banking system’s loans growth was at 5.6% in 2018, continued to be driven mainly by the household, real estate and manufacturing sectors. In the domestic property sector, an excess supply of luxury high-rise residential properties, office spaces and shopping complexes will continue. If left unchecked, this could pose risks to macroeconomic and financial stability.



On business and investment sentiment, uncertainties in oil pricing will continue to weigh on the oil and gas industry amid geopolitical uncertainties and changes in the global economic policy. We anticipate major oil producers and service providers to remain cautious on spending in the upstream segment.

GROSS DOMESTIC PRODUCT 2019

4.5% - 4.7%
(forecast)

HOUSEHOLD DEBT/GDP RATIO 2019

82.5% – 83.0%
(forecast)

UNEMPLOYMENT RATE

3.5%

FY2020 GLOBAL AND MALAYSIAN ECONOMIC OUTLOOK

Although the external sector may continue be influenced by on-going challenges surrounding the global environment, particularly the possible escalation of US-China trade tensions, the International Monetary Fund has maintained Malaysia’s 2019 GDP growth forecast at 4.7%, followed by 4.6% in 2020. This is in line with our expectation of Malaysia’s GDP to fall within the 4.5% to 4.7% range. Malaysia is also expected to achieve a high-income status by 2024.

In terms of business competitiveness, Malaysia maintained its global ranking at 22nd among 63 countries for the second consecutive year in the World Competitiveness Yearbook 2019. The business competitiveness report was published by the IMD World Competitiveness Centre in Lausanne, Switzerland. In addition to improvements in governance related indicators such as bribery and corruption, transparency, bureaucracy, justice, social cohesion and public finance, the global ranking was also a reflection of the positive sentiments of the business community towards the Government.

Economic and Banking Industry Review and Outlook

FINANCIAL SECTOR OUTLOOK

The banking sector continues to chart steady growth with stable asset quality with an expected loans growth of 4.6% in 2019, underscored by resilient liquidity and capital positions. We also anticipate the Overnight Policy Rate (“OPR”) to remain stable at 3%, consistent with the Central Bank’s monetary policy stance of supporting a steady growth path amid price stability.

Banks anticipate an improvement in earnings supported by lower provisioning and operating expenses. Income growth is expected to be modest.

The implementation of MFRS 9 has affected banks’ capital ratios but the impact, as expected, has been manageable in the first year of transition. Higher provisions resulting from the implementation of MFRS 9 may however lead to increases in the cost of capital if profitability is affected. In managing the impact of MFRS 9, banks will need to have more loan pricing discipline, strengthen collection resources and monitor asset quality closely to deter loans from being classified under Stage 2.

Asset quality is expected to be steady and the Gross Impaired Loans (“GIL”) ratios of banks’ loans portfolio should remain stable. Return on Equity (“ROE”) for banks is projected to be stable at around 10%-11%, with net interest margin remaining under pressure.

The sector may also face higher funding costs in 2019, when industry loan growth starts to accelerate. To counter the potential increase, we will keep our focus on asset and liability management, increasing CASA growth and controlling pricing for loans and deposits.

We expect modest improvement in bank earnings supported by higher interest income from the expansion of loans growth while non-interest income will still be challenging owing to the volatile global markets and a more cautious investor sentiment.

“The International Monetary Fund has maintained Malaysia’s 2019 GDP growth forecast at 4.7%, followed by 4.6% in 2020. This is in line with our expectation of Malaysia’s GDP to fall within the 4.5% to 4.7% range. Malaysia is also expected to achieve a high-income status by 2024.”

Strategic Review

HOW WE CREATE VALUE

We believe our business model through business lines, distribution network and customer relations, enhances our ability to adapt swiftly to changes in the external environment. In addition, we harness the benefits of diversification through efficient delivery of synergies across the Group. We also leverage our rich resource of experiences and relationships as key elements in our business model, which in turn enables us to produce long-term sustainable outputs for our stakeholders. These outputs provide compounded values to our stakeholders, facilitating both individuals and businesses to achieve their ambitions.

WHAT WE DO



Our business model aims to meet robust consumer needs by delivering simple, seamless, convenient and holistic financial services and solutions for our customers, enabling them to navigate the evolving business environment.



We connect with our customers via our extensive and growing touch points to improve accessibility to our offerings, while balancing our physical presence in recognition of the importance of the 'human touch'.



We offer innovative financial products and services in Wholesale Banking, Investment Banking, Retail Banking, Business Banking, Islamic Banking, Insurance and Takaful.



We work hand-in-hand with our customers to deliver the right financial solutions that cater to their needs and help them grow.

Key Resources and Relationships



We focus on these key areas



Ensuring Operational Efficiency

- Driving operational efficiency across the Group
- Deepening relationships with our customers
- Enhancing the funds management performance of AmFunds

Driving Productivity

- Driving productivity in the Business and Retail Banking divisions
- Pushing income through ancillary products
- Focus on capital-light assets – i.e. ASB, Card, Wealth Management, etc.

Improving Cost Efficiency

- Delayering management structure and processes for a flatter and leaner organisation
- Cost Structure Optimisation initiatives under Business Efficiency Transformation (“BET300”)

Enablers

- Continuously drive digital adoption at the heart of our businesses through implementation of our Digital blueprint
- Intensify Cyber Security
- Continuously inculcating a culture of compliance and embedding them in our performances
- Improve Credit Risk Rating
- Implement a robust and strategic talent management framework

Strategic Focus

- Ensuring capital and funding efficiency
- Grow our core business and form new strategic business partnerships
- Diversify revenue through Digital Partnerships and Ecosystem Build

Create sustainable value for our shareholders, customers, the community and the country



FOR CORPORATE CUSTOMERS

We help our corporate customers raise their competitive edge in local markets by supporting them with services ranging from corporate loans to debt capital markets and asset management.



FOR UNDERSERVED SEGMENTS

We reach out to the underserved market such as small and medium-sized enterprises to help them grow and expand; whilst meeting the needs of the growing Mass Affluent and Affluent retail segment.



FOR MALAYSIA

As a Malaysian bank, we possess a comprehensive understanding of the local environment and the Malaysian way of doing business and we share our unique insights with local companies and multinationals.



FOR THE FINANCIAL MARKET

Build and strengthen financial market confidence through strong compliance and governance practices.



FOR OUR CUSTOMERS

We partner with other organisations to develop value-driven products and services for our customers. Our digital initiatives are designed to enhance the daily lives of our customers and make banking with us simple, fast and convenient.



FOR OUR SOCIETY

We reach out to communities and contribute to societal wellbeing via our corporate social responsibility initiatives and our sustainability focus. Our comprehensive internal training programmes upskill our employees, which improve the socio-economic development of the community.



Wholesale Banking

- Building Cash Net Interest Income
- Enhance ROCE
- Grow Non-Interest Income
- Recalibrate Balance Sheet



Investment Banking

- Grow Private Banking Business
- Grow Retail and Institutional Businesses
- Focus on Strategic Bond Placements and Swaps
- Focus on Privatisation and Opportunistic Consolidation Play (Mergers and Acquisitions)



Retail Banking

- Capital
- CASA Drives
- Process Optimisation and Branch Digitalisation
- Compliance
- Collaboration



Business Banking

- CASA Focus
- Higher Risk-adjusted Returns
- Asset Focus
- FX
- Portfolio Actions
- Deposit Hunting Team



Digital and Group Information and Operations

- Protect the Enterprise from Cyber Threats
- Improve Price Performance
- Improve Business Resilience
- Build Business Capability

Strategic Review

MATERIAL MATTERS IMPACTING OUR STRATEGY

MATERIAL MATTERS

Increasing Competition



Rising competition in the financial services in Malaysia with the emergence of new financial technology companies

Understanding Our Customers



Customers form the core of our businesses. We thrive when we integrate our financial services into the lives of our customers by understanding their needs, circumstances and desired outcomes

Evolving Regulatory Requirements



To safeguard the financial services industry, government regulators are adopting a widening emphasis on compliance and an increasingly rigorous regulatory framework

HOW WE RESPOND

Launch of our four-year journey to become a Top 4 Malaysian bank in key segments and products by 2020

Focus on our Top 4 Strategic target segments and products

Everything we do is aimed at helping individuals and businesses in Malaysia grow and win together

Set up a centralised Customer Care unit to manage all retail customer issues

Established Customer Innovation Lab (Digital Garage) to improve customer experience with innovations solutions and enhanced processes

Group-wide digital roadmap to integrate and innovate products and services

Integration of our compliance function as a strategic element of the business

Compliance Department is realigned to ensure independence

Strengthened compliance policies, procedures, training, technology and systems



REFER:

Group CEO's Message, page 14
Our Strategy, page 28



Group CEO's Message, page 14
Customer Experience, page 57
Integrating Digital Technology, pages 89-93



Group CEO's Message, page 14
Group Compliance, page 181
Sustainability Statement, page 76

Strategic Review

Building Leadership and Talent



We need motivated leaders and talents to build capacity, lead our transformation strategy and champion our values

Innovation and Digital Transformation



The digital era is transforming the financial services industry, impacting customer journey and expectations

Managing Our Sustainability



The sustainability of the Group is influenced by how we manage current and future environmental, economic and social risks and opportunities

MATERIAL MATTERS

Ensure we have the right people and skillsets to drive our Top 4 Strategy

Continue to groom and identify talents through Group and Division Talent Councils

Reinforce employee performance by emphasising on our Code of Conduct, customer care, risk management and compliance

Identify mission-critical positions and set up succession planning

Adopt mobile-first approach. Introduced an enhanced mobile banking platform to cater to the needs of retail, business and corporate customers

Focus on infrastructure and Application Programming Interface ("API") readiness

Establish partnerships with financial technology and cross-industry players

Employ data analytics to capture new business insights and drive internal efficiencies

Identify and group our sustainability contributions into three key themes: Responsible Banking, Employer of Choice and Positive Societal Impact

Integrate environmental, economic and social considerations into our business decisions

Fulfil our social commitments towards local communities

Assess our internal practices by engaging third party assessments

HOW WE RESPOND



Group CEO's Message, page 14
People, Talent and Culture, pages 120-123
Corporate Governance, pages 141-195



Group CEO's Message, page 15
Integrating Digital Technology, pages 89-93
Sustainability Statement, page 76



Sustainability Statement, page 76

Strategic Review

OUR STRATEGY

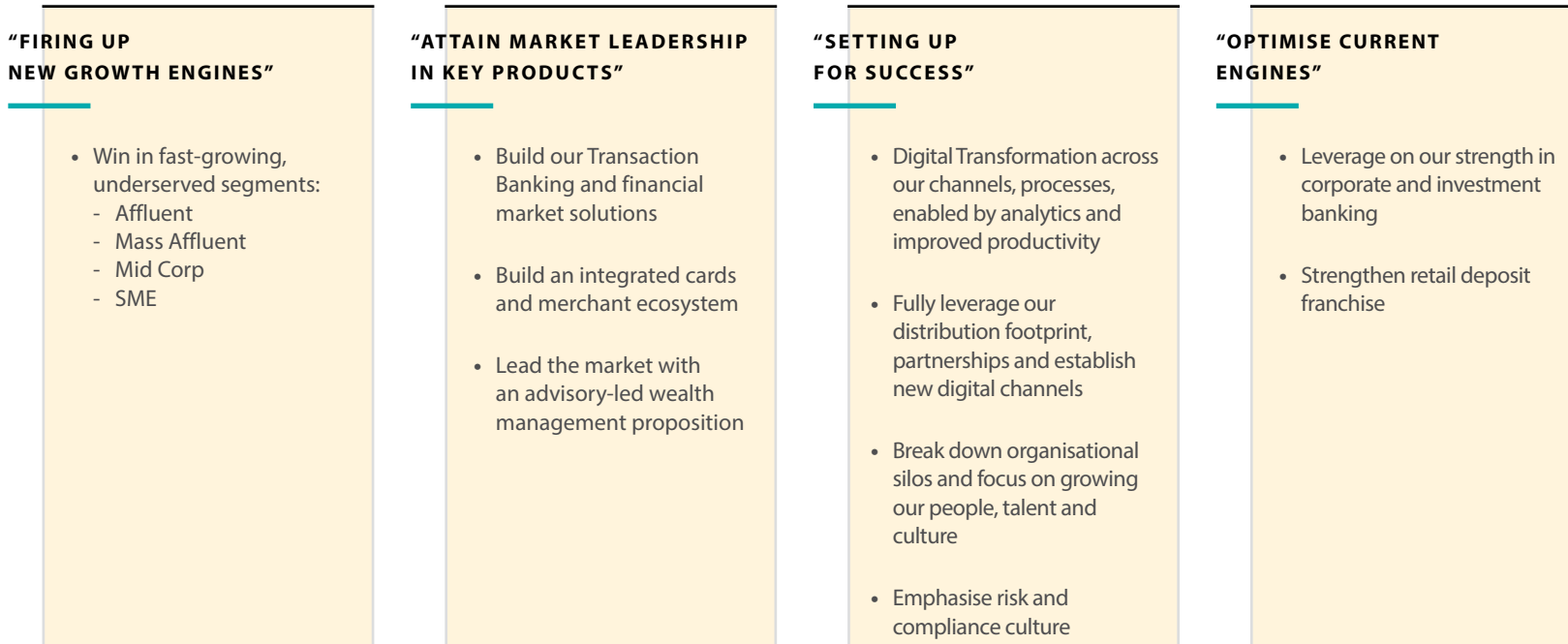
“We dedicate ourselves to bringing financial solutions to the community in a seamless and simplified manner, delivering innovative solutions that are convenient, easy, affordable and holistic.”

We formulated our Top 4 Strategy in 2016. Since then, we have achieved significant milestones in each of our Top 4 aspirations.

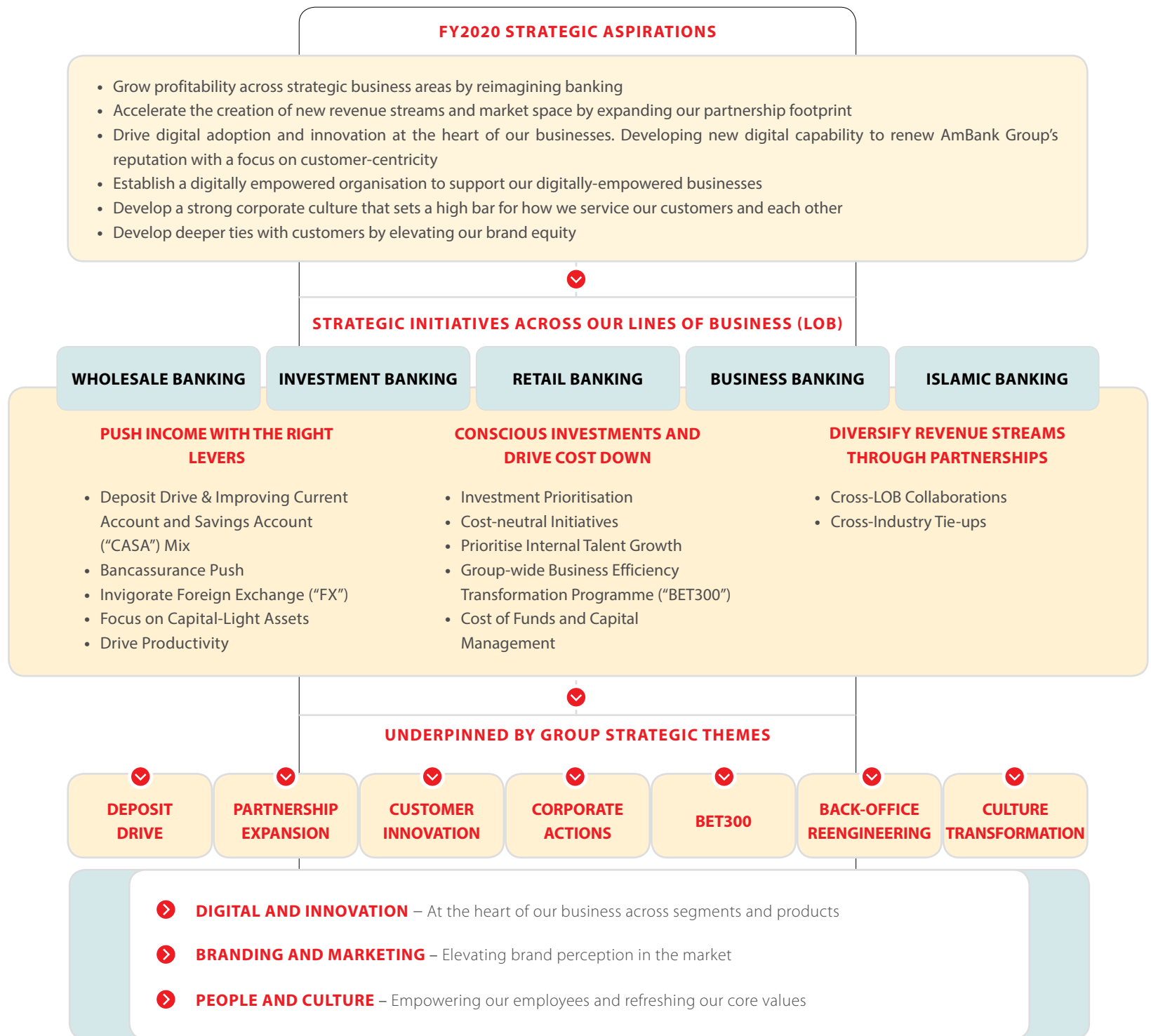


Progressing our strategic targets to create new sustainable growth engines, attain market leadership in key products and client segments, optimise our current engines, and improve our capabilities – major efforts are underway Group-wide as we approach the final leg of our Top 4 transformation journey.

OUR STRATEGIC PRIORITIES



Strategic Review



Strategic Review

“We delivered stronger traction in the transformation of AmBank Group during the third year of our Top 4 Strategy.”

OUR STRATEGY

Top 4 Segments



AFFLUENT (PRIORITY BANKING)

FY 2019 Revenue ▲ 32.4%

- Priority Banking Customer Base ▲ 19.7%.
- Loans ▲ 16.4%, Deposits ▲ 10.6%



MASS AFFLUENT (TRUE BANKING)

FY 2019 Revenue ▲ 58.4%

- TRUE Banking Customer ▲ 35.2%
- Loans ▲ 53.0%, Deposits ▲ 6.8%



MID CORP

FY 2019 Revenue ▲ 5%

- eAmBiz Payment Customer ▲ 36.0%.
- MidCorp Loans ▲ 15%, Deposits ▲ 9%



SME (RETAIL SME, BUSINESS BANKING)

FY 2019 Revenue ▲ 26.4%

(Retail SME: ▲ 34.0%, BB: ▲ 21.8%)

- Won BEST SME Bank Malaysia 2018 by Global Banking & Finance Review
- Business Banking Loans ▲ 29.4% and Deposits ▲ 27.1%

Top 4 Products



CREDIT CARDS

- Income from Cards ▲ 10.2% and Card Spend ▲ 11.6%
- Retail Card Loans ▲ 17.4% YoY
- Merchants CASA Balances ▲ 15.8%



MARKETS

- Awarded the Best FX Bank for Corporates and Financial Institutions for the 7th consecutive year at the 12th Annual Alpha Southeast Asia Best Financial Institution Awards.
- Overall FX Revenue ▲ 10.7%



TRANSACTION BANKING

- Positive JomPAY Performance ▲ 58.0%
- Virtual Accounts Performance ▲ >100%
- Payroll Employee Sign-On ▲ >100%



WEALTH MANAGEMENT

- Strong Growth Momentum in ASNB Sales – ▲ 14.5% Disbursement
- Unit Trusts Fee Income ▲ 7.9%

Top 4 Position Current Engines

ASSET MANAGEMENT

- Awarded the ‘Best Fund House – Malaysia’ by Asian Investors in May 2019.
- Awarded the ‘Best Pension Fund House – Malaysia’ by Asia Asset Management in May 2019.
- Asset Under Management (“AUM”) by AmFunds increased by 13.5% (RM 4.8 billion).
- Unit Trust market share was ranked number five (5) with an 8% market share.

CORPORATE FINANCE

- As at 31 March 2019, AmInvestment Bank was ranked number three amongst local banks in M&A in Malaysia.
- Top 4 with an 11.8% market share for fund raising.

DEBT CAPITAL MARKETS

- Ranked number three with a 19.0% market share for Overall Malaysian Bonds/Sukuk for 2018.
- Ranked number four with a 17.2% market share for Malaysian Ringgit Islamic Sukuk for 2018.
- Received 25 awards.

Employer of Choice



TOP 75
Most Attractive Companies to Work for 2018



Malaysia Best Employer Brand Awards 2018
(third consecutive year)



Graduate Recruitment and Development

Other Notable Achievements and Awards in FY2019

GOVERNANCE AND PROCESSES

NEW CHANNELS/SEGMENTS/PRODUCTS

PEOPLE AND DIGITAL



RAM SUSTAINABILITY RATING
Upgraded from Silver to Gold in 2019



AUSTRALASIAN REPORTING AWARD
GOLD Award



ISO45001 FOR OSH
1st Financial Institution in Malaysia to be awarded



NACRA
Received Certificate of Merit for three consecutive years since 2016



ASBF/ASNBV

- Sales grew 12% YoY. Ranked third position in the market
- Six awards in ASNB Starz Awards Night 2018



TIE-UP/COLLABORATION

Partnered up with Various Financial and Non-Financial Players



DIGI, TENCENT, BONUSLINK

- Widen merchant network through partnership with Digi by enabling merchants to accept vcash QR code
- One of the two local banks that collaborated with Tencent's WeChat Pay to offer local and cross-border merchant acquiring services
- BonusLink modernisation



CLIENT ENGAGEMENT

Organised engagement sessions and appreciation dinners with customers



PARTNERSHIP WITH CGC

- Launched SME Biz Start Up-i to assist start-ups (one to three years in business) with their financing needs
- Top Financial Institution ("FI") Partner Award for Commercial category
- Top FI Award for the Bumiputera category



AmBank BizCLUB

Nurtured and empowered the growth of SMEs



GLOBAL BANKING & FINANCE REVIEW

Best SME Bank Award for Malaysia



VISA AWARDS

- Highest Payment Volume Growth – Consumer Credit
- Highest Payment Volume Growth – Visa Signature Cards
- Highest Card Growth – Consumer Credit



WELLS FARGO OPERATIONAL EXCELLENCE

Award 2017/2018



RED HAT

Innovation Awards APAC 2018 (Digital Transformation)



MOST INNOVATIVE EMERGING DIGITAL TECHNOLOGIES PROJECT

The Asset (for AMY™)



2018 J.P. MORGAN ELITE QUALITY RECOGNITION AWARD FOR TREASURY OPERATIONS

Award - Treasury Operations



BNY MELLON EXCELLENCE IN PARTNERSHIP FOR TRADE EXPORT COLLECTION BILLS 2018

Wholesale Banking Operations



STAFF ENGAGEMENT

Townhalls, Conventions, AmGames Annual Sports Event, Sport Club Engagements ("Kelab AmBank Group")



TALENT PROGRAMME

Groomed internal talents through Emerging Leader Programme ("ELP") and Being A Talented Manager ("BATMAN") Programme

Group Chief Financial Officer's Message

Progressing Growth Strategy



“We have executed well in FY2019, with improved operating leverage and we have further strengthened our capital and liquidity positions.

We delivered a commendable result in FY2019, with a 33% increase in net profit to RM1,505.3 million and ROE of 8.8% (FY2018: 7%).”

JAMIE LING
Group Chief Financial Officer

Group Chief Financial Officer's Message

OUR PRIORITIES AND FINANCIAL TARGETS FOR FY2019



STRATEGIC PRIORITIES

- **Revenue Growth**
 - Continue to build income momentum
- **BET300**
 - To achieve cost-to-income ratio of 55% by FY2019 and deliver cost savings of RM300 million over three years
- **Capital Accretive Growth**
 - To strengthen our capital position and deliver sustainable dividend payout



FINANCIAL TARGETS

- **Return On Equity (ROE)**
8.5%
- **Cost-to-Income (CTI)**
55%
- **Dividend Payout**
40%
- **FHC CET1**
10.5% ±1%

We are pleased to share the progress made during the year and our key performance highlights are summarised below.

KEY PERFORMANCE HIGHLIGHTS

1

Overall income remained resilient and was in line with the previous year, amidst a tougher economic backdrop in the second half of the financial year:

Good growth was achieved in net interest income underpinned by continued balance sheet expansion, offsetting net interest margin compression. In contrast, fee income was more subdued against a tougher economic backdrop which affected Investment Banking revenues significantly. Heightened market volatilities also resulted in a more cautious position taking with lower trading gains generated.

2

Cost discipline and business efficiency were key drivers in improving our operating leverage, driving profit before provision up 15% year on year:

Overall expense base fell 12.0% year on year, with cost-to-income ratio at 54.3% compared to 60.8% a year ago. This year, our BET300 initiatives generated approximately RM112 million in gross savings, enabling us to absorb salary inflation as well as allowing for higher investment related expenses in technology and digital infrastructure.

3

Improved returns with ROE of 8.8%:

The completion of retail debt sale and the resolution of several non-performing legacy corporate loans during the financial year further supported our earnings. These outcomes also reflect our commitment to release capital and improve capital efficiency as well as focus our collection resources on newer vintage delinquent loans.

4

Strengthened our funding, liquidity and capital metrics:

The Group's CET1 and total capital ratio increased by 80 bps and 180 bps to 11.9% and 15.4% respectively through capital accretive growth and better risk weighted assets efficiency. The Group's liquidity profile remains strong, and is already compliant with NSFR requirements. The Group received two credit rating upgrades this year; RAM upgraded AMMB Holdings Berhad, our financial holding company's credit rating to AA2 from AA3 and AmBank (M) Berhad's foreign currency rating was also upgraded by Moody's to A3 from Baa1.

5

Delivered total shareholders' return of 21.1% during the year:

The Group's dividend per share of 20 sen per share compared to 15 sen per share in FY2018, taken together with the growth in share price over the past year represented a 21.1% total shareholder's return over one year.

Group Chief Financial Officer's Message

KEY PERFORMANCE HIGHLIGHTS

	FY2019 Financial (YoY)			FY2019 Executing on strategic priorities
Profitability (RM Million)	Income	3,922 <i>FY2018: 3,979</i>	▼ -1.4%	• Underlying income unchanged YoY, with NII growing 3.9%
	Expenses	2,131 <i>FY2018: 2,421</i>	▼ 12%	• Cost actions taken allows for reinvestments
	PBP	1,791 <i>FY2018: 1,558</i>	▲ 15%	• Operating leverage improved, positive JAWS of 11%
	(Recovery)/Impairment	(304) <i>FY2018: 16</i>	▼ >100%	• Resolved certain large NPL and completed the retail debt sale. LLC ¹ , 114%, GIL ratio 1.59%
	PATMI	1,505 <i>FY2018: 1,132</i>	▲ 33%	• Strong PATMI growth YoY
	ROE	8.8% <i>FY2018: 7%</i>	▲ 180 bps	• Improved returns
Assets and Liabilities (RM Billion)	Gross Loans	101.8 <i>FY2018: 96.3</i>	▲ 5.7%	• Good loans growth, tougher second half FY2019
	Deposits	106.9 <i>FY2018: 95.8</i>	▲ 11.6%	• Higher liquidity buffers
Capital and Dividend	FHC CET1 ²	11.9% <i>FY2018: 11.1%</i>	▲ 80 bps	• Capital accretive growth, credit ratings upgrades
	Final Dividend	15sen <i>FY2018: 10 sen</i>	▲ 5 sen	• 33.3% annual dividend growth, 40% payout
	Dividend per share	20sen <i>FY2018: 15 sen</i>	▲ 5 sen	

¹ Includes regulatory reserve
² After deducting proposed dividend

NET PROFIT GREW 33% UNDERPINNED BY GOOD NET INTEREST INCOME GROWTH, COST ACTIONS AND RECOVERIES

The Group generated a total income of RM3,922.4 million. Our net interest income grew 3.9% YoY with growth recorded across all business divisions, on the back of good lending growth of 5.7%. The Group's total deposits from customers increased strongly by 11.6% and the Group's liquidity position remains strong.

As a result of the OPR hike in January 2018 and the repricing of our term deposits, the Group saw an increase in cost of funds during the year. The higher liquidity surplus coupled with the lending rate pressures in Retail Banking have weighed on our net interest margin ("NIM"), with a net compression of 11 bps to 1.89%.

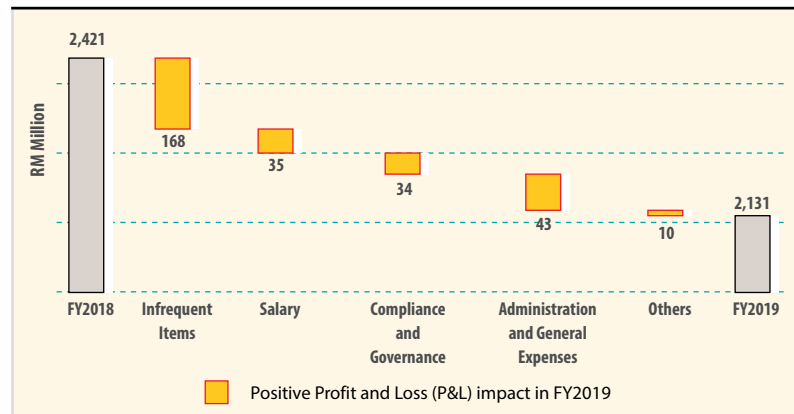
Non-interest income declined by 10.2% YoY. Volatilities in the financial markets and rising geopolitical risks, including the escalating trade tensions between the United States and China which emerged in the second half of the financial year, had dampened our Investment Banking fee income and financial markets trading income. This was partially cushioned by higher fee income contributed by Business Banking as well as better outcome from our Life Insurance business.

Group Chief Financial Officer's Message

As revenue growth was more subdued, we remained assertive in managing cost while continuing to invest in improving the Group's infrastructure and building new capabilities. We reduced expenses by 12.0% YoY to RM2,130.9 million and achieved a positive JAWS of 11%, and our CTI ratio improving to 54.3%. Excluding certain one-off costs in the previous year, underlying expenses were down by 4%. The BET300 efficiency programme remains on-going and delivered additional gross cost savings of RM112 million (FY2018: RM139 million), mainly driven by the following initiatives:

- Business units absorbing salary inflation from new cost efficiencies generated;
- Maintained a targeted employee number of circa 8,000 for the banking entities post the Mutual Separation Scheme;
- Pacing investments by conducting comprehensive cost benefits analysis and considering revenue outlook;
- Workforce efficiency, reducing management layers and benefits review;
- Rental savings from relocation and consolidation of office spaces as well as lease negotiations;
- Improved procurement efficiencies, streamlined external vendors and re-negotiated certain supplier contracts; and
- "Go green, reduce wastage" initiatives which promoted greater adoption of e-statements by our customers and digitised some of our internal processes to reduce paper printing.

BUSINESS EFFICIENCY ("BET300")



Consequently, our profit before provision posted a double digit growth of 15% to RM1,791.5 million.

On credit costs, the Group recorded a net recovery of RM303.8 million in FY2019 compared to a net impairment charge of RM15.7 million in FY2018. This was attributable to the sale of retail non-performing loans and a few large corporate recoveries achieved during the financial year.

ROBUST BALANCE SHEET GROWTH IN TARGETED SEGMENTS

Our gross loans grew by 5.7% to RM101.8 billion, exceeding Malaysia's 2018 GDP growth of 4.7% and outperformed the system loans growth of 4.9% for the same period. We achieved good traction in our preferred segments and our lending volume expanded across all segments and products except for auto finance and large corporates. Our auto finance loans have been declining since the Group embarked on a de-risking exercise several years ago which has helped to improve our retail asset quality. Drawdowns by large corporates were generally slower during the year as our clients were adopting a cautious stance amidst rising uncertainties.

Mortgages, retail SME and cards were key growth drivers of our Retail Banking's loans portfolio, which increased by 4.2% during the year. Business Banking, our growth engine, delivered a strong loans growth of 29.4% while our lending to mid corporates segment also increased by circa 15%. In totality, loans to the SMEs represented about 20% of our gross loans outstanding and grew 21.2% in FY2019, reflecting the Group's commitment in supporting BNM's strategic focus on driving financial inclusion.

During the year, the Group's deposits growth outpaced loans growth, increasing our liquidity buffer. Our deposits increased by 11.6% YoY, with CASA up 22.1% and fixed deposits grew 8.8%. Our focus was to expand our retail fixed deposits base (+8.4%), leveraging on our Signature Priority Banking offerings and reducing our dependencies on large corporate deposits. We also saw good growth in our CASA balances with CASA mix higher at 23.3% from 21.3% a year ago, supported by our enhanced cash management and transaction banking capabilities.

As part of our liquidity management, we have invested part of our excess liquidity in treasury assets. The Group has progressively increased its holding of government securities in the second half of FY2019 in anticipation of a potential OPR cut in calendar year 2019.

ASSET QUALITY STABLE

The Group's gross impaired loan ("GIL") ratio was 1.59% as at 31 March 2019, down 11bps from the previous year while our loan loss coverage ratio was higher at 114.0% (FY2018: 100.5%). Our new impaired loans formation was down 3.3% YoY and total impaired loans were broadly stable (-1%) as we continued to exercise credit vigilance while pursuing assets growth.

MFRS 9

The Group adopted Malaysian Financial Reporting Standard 9 on Financial Instruments ("MFRS 9") on 1 April 2018. The impairment assessment under MFRS 9 is based on the expected credit loss ("ECL") model, which uses forward-looking assumptions, as opposed to MFRS 139, the preceding accounting standard, which based impairment assessment on an incurred loss model. The Day-1 (i.e. on 1 April 2018) impact to the Group's capital position was broadly neutral (+4 bps). As a result of the adoption of MFRS 9, the Group's allowances for ECL on loans and financing increased by circa 48% on Day-1. We have made a total allowance for ECL on loans amounting to RM1,300.5 million as at end of FY2019 (+37.9% YoY) and regulatory reserve of RM450.2 million in our balance sheet.

IMPROVED CAPITAL AND LIQUIDITY POSITIONS

As at 31 March 2019, our FHC CET1 Capital Ratio and Total Capital Ratio were higher at 11.9% (+80 bps) and 15.4% (+180 bps) respectively, a reflection of our focus on driving capital accretive growth.

On liquidity, all banking subsidiaries of the Group have maintained liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") above 100%.

PROSPECTS FOR FY2020

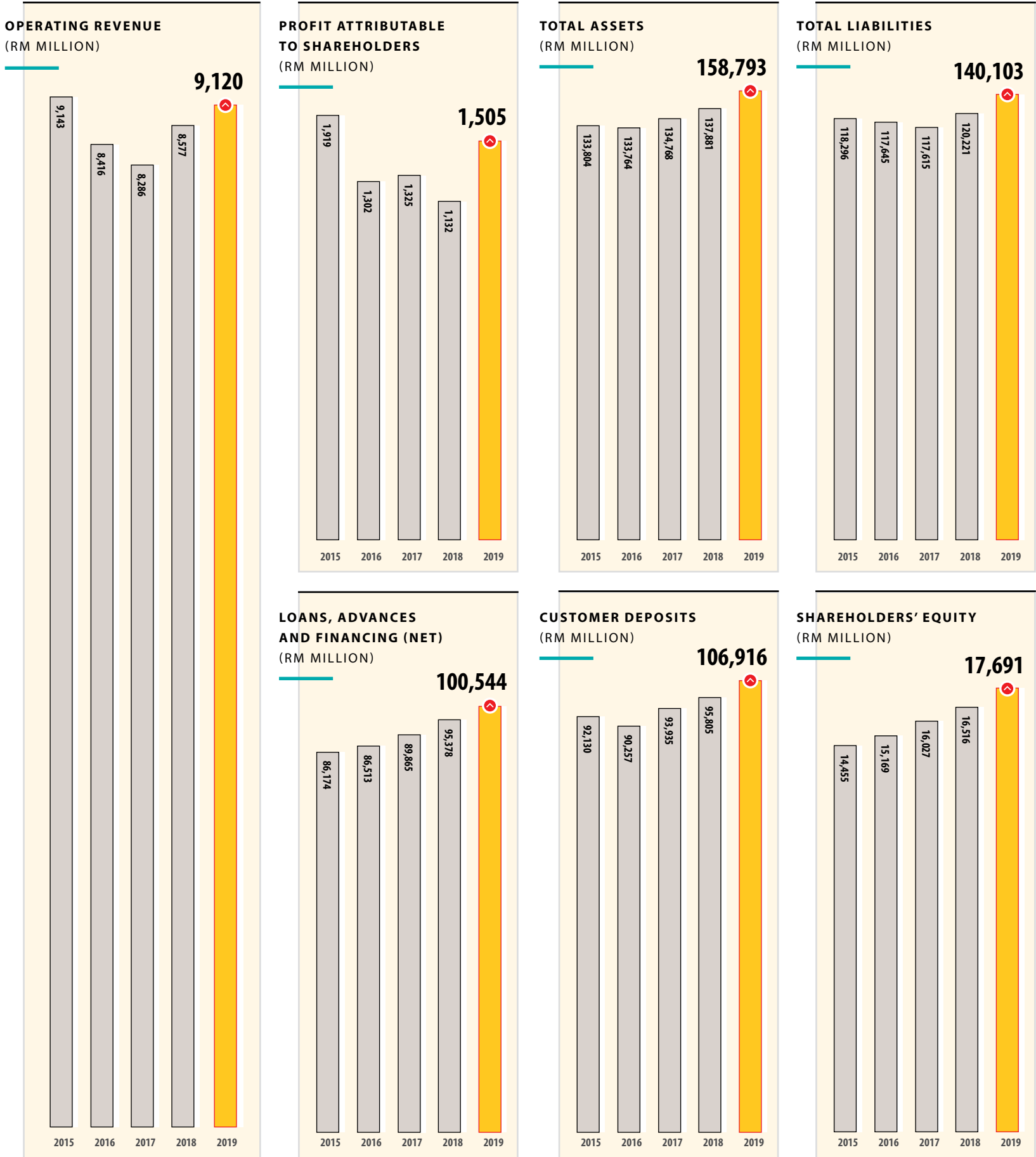
Our growth strategy in terms of improving profitability and strengthening our balance sheet is progressing well.

For FY2020, our financial priorities will continue to be on the following:

1. Revenue growth: We will continue to increase penetration in the targeted segments and products, especially in the areas of transaction banking, foreign exchange, SME and wealth management. We need to accelerate our CASA growth and improve our retail assets yield in order to better manage our cost of funds and NIM. On the digital front, we have embarked on developing our digital roadmap and exploring smart digital partnerships to create new customer access points, but we need to accelerate our presence in this space.
2. BET300: Moving into the third year of our BET300 programme, we will continue to maintain a tight rein on cost and pacing our investments while driving operational efficiencies through digitalisation and streamlining of processes.
3. Capital accretive growth: We aim to further strengthen our capital position and deliver sustainable dividend payout to our shareholders, focusing on managing returns on capital employed and risk-weighted assets.

Performance Review

FIVE-YEAR GROUP FINANCIAL SUMMARY



Performance Review

FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 MARCH

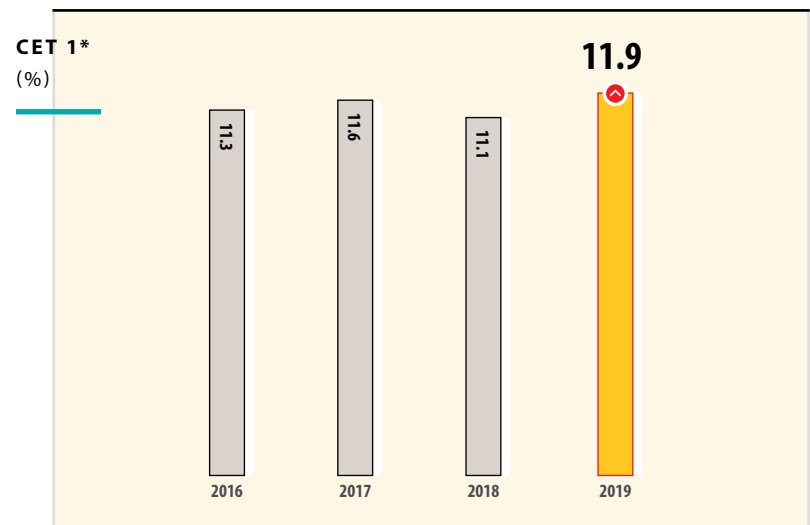
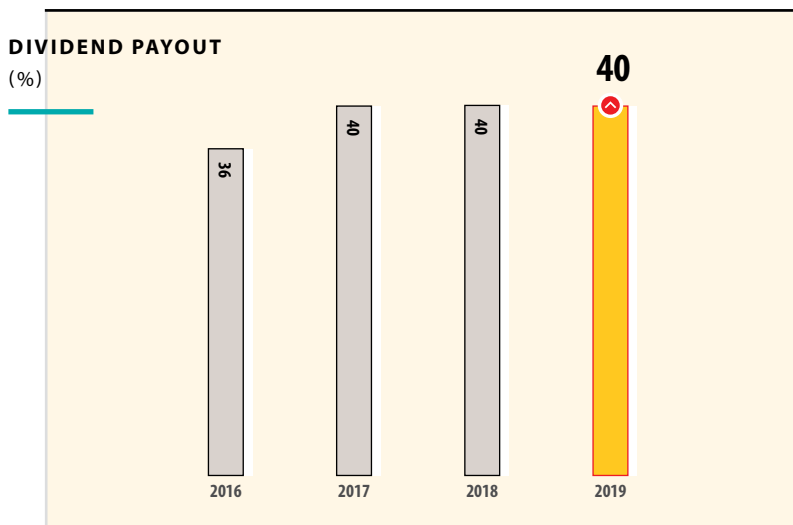
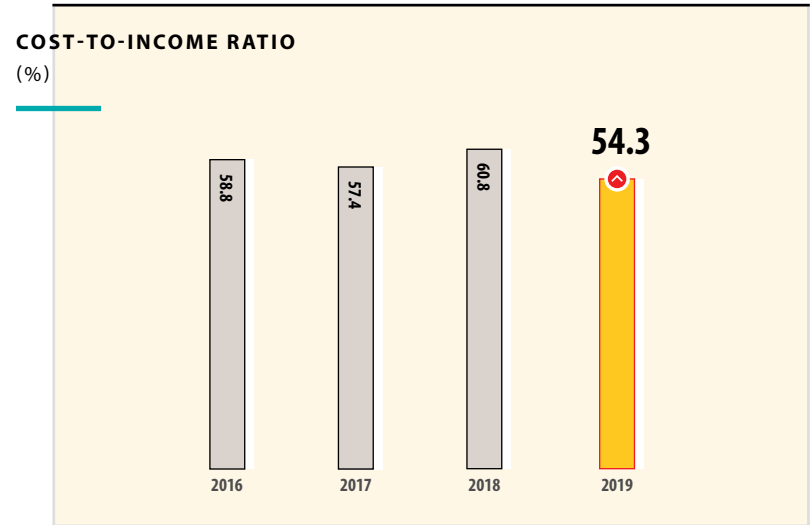
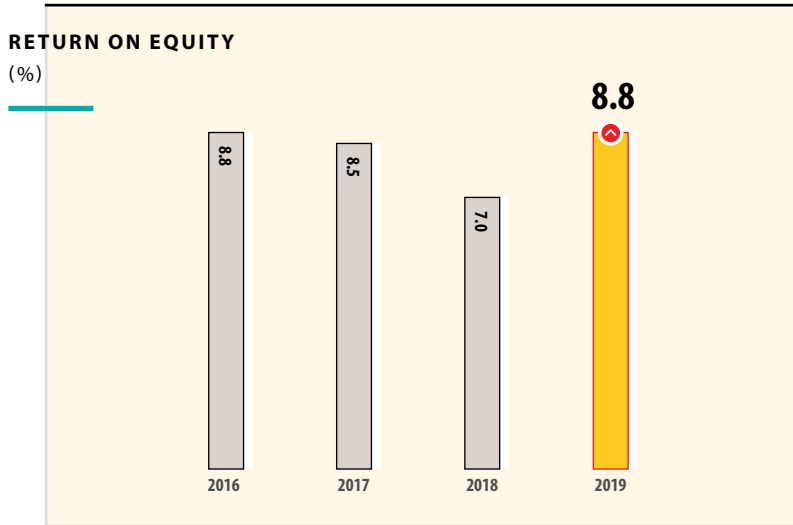
	2019	2018	2017 [®]	2016	2015
1. REVENUE (RM MILLION)					
i. Operating Revenue	9,119.9	8,576.7	8,285.8	8,416.0	9,142.5
ii. Operating Profit Before Impairment Losses	1,791.5	1,558.4	1,605.1	1,521.5	2,566.8
iii. Impairment Writeback on Loans, Advances and Financing	301.3	1.1	173.5	164.1	30.5
iv. Profit Before Taxation and Zakat	2,095.4	1,542.7	1,801.2	1,731.0	2,604.3
v. Profit Attributable to Shareholders	1,505.3	1,132.1	1,324.6	1,302.2	1,918.6
2. BALANCE SHEET (RM MILLION)					
Assets					
i. Total Assets	158,793.4	137,881.2	134,767.6	133,764.0	133,803.8
ii. Loans, Advances and Financing (Net)	100,544.0	95,377.9	89,865.1	86,513.3	86,173.8
Liabilities and Shareholders' Equity					
i. Total Liabilities	140,103.0	120,221.2	117,614.7	117,644.6	118,296.4
ii. Customer Deposits	106,916.0	95,805.2	93,935.1	90,257.4	92,130.0
iii. Paid-Up Share Capital*	5,751.6	5,551.6	5,551.6	3,014.2	3,014.2
iv. Shareholders' Equity	17,691.0	16,515.6	16,027.1	15,168.5	14,455.1
Commitments and Contingencies					
	131,016.8	143,672.5	134,563.3	125,037.1	116,765.1
3. PER SHARE (SEN)					
i. Basic Net Earnings	50.0	37.6	44.1	43.3	63.8
ii. Fully Diluted Net Earnings	50.0	37.6	44.0	43.3	63.8
iii. Net Assets	586.9	547.9	531.7	503.2	479.6
iv. Single Tier/Gross Dividend	20.0	15.0	17.6	15.5	27.3
4. FINANCIAL RATIOS (%)					
i. Post-Tax Return on Average Shareholders' Equity [^]	8.8	7.0	8.5	8.8	13.8
ii. Post-Tax Return on Average Total Assets	1.1	0.9	1.1	1.1	1.6
iii. Loans to Deposits [#]	91.1	98.1	95.3	96.4	93.9
iv. Cost to Income	54.3	60.8	57.4	58.8	45.7
5. SHARE PRICE (RM)					
i. High	4.61	5.62	4.99	6.50	7.34
ii. Low	3.45	3.88	3.90	4.27	6.16
iii. As at 31 March	4.56	3.89	4.65	4.60	6.36

* Paid-up share capital prior to 31 March 2017 is excluding share premium account

[^] Adjusted for non-controlling interests[®] After adjusting for restatement pursuant to clarification provided in Bank Negara Malaysia circular on Classification and Regulatory treatment for structured products under the Financial Services Act 2013 and Islamic Financial Services Act 2013 that have been applied retrospectively for one financial year[#] Loans to Deposits is gross loans divided by deposits from customers and financial institutions excluding interbank borrowings

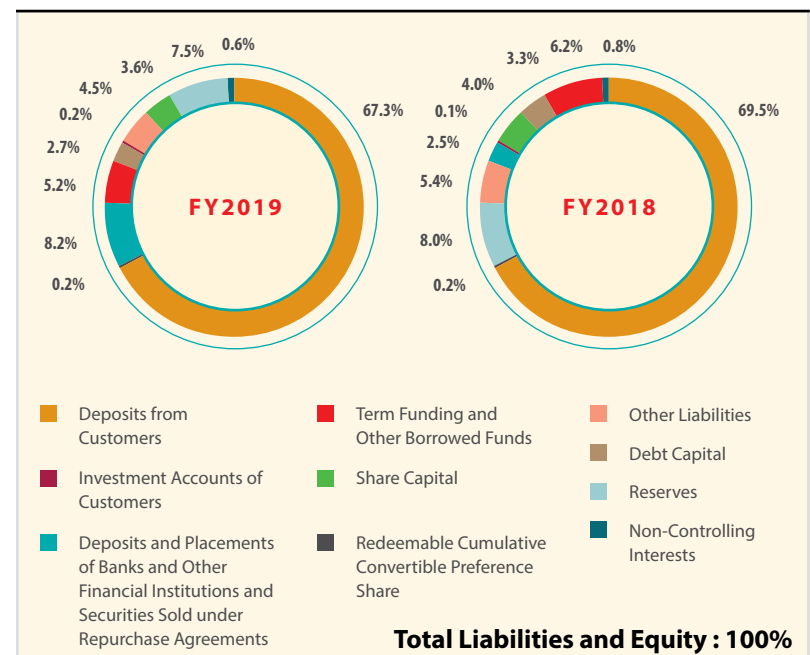
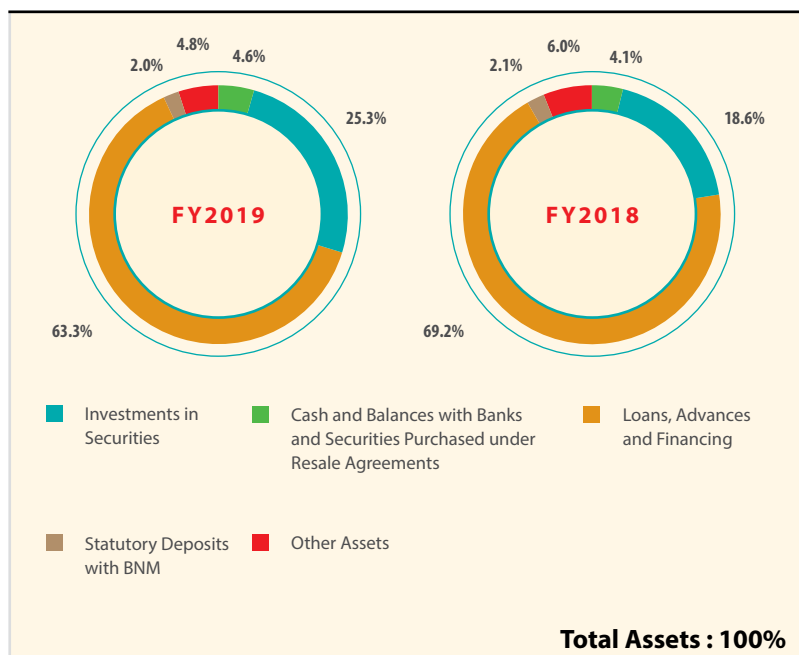
Performance Review

FINANCIAL INDICATORS



* Proforma aggregated for FY2016 and FY2017; Financial Holding Company Basis ("FHC") for FY2018 and FY2019

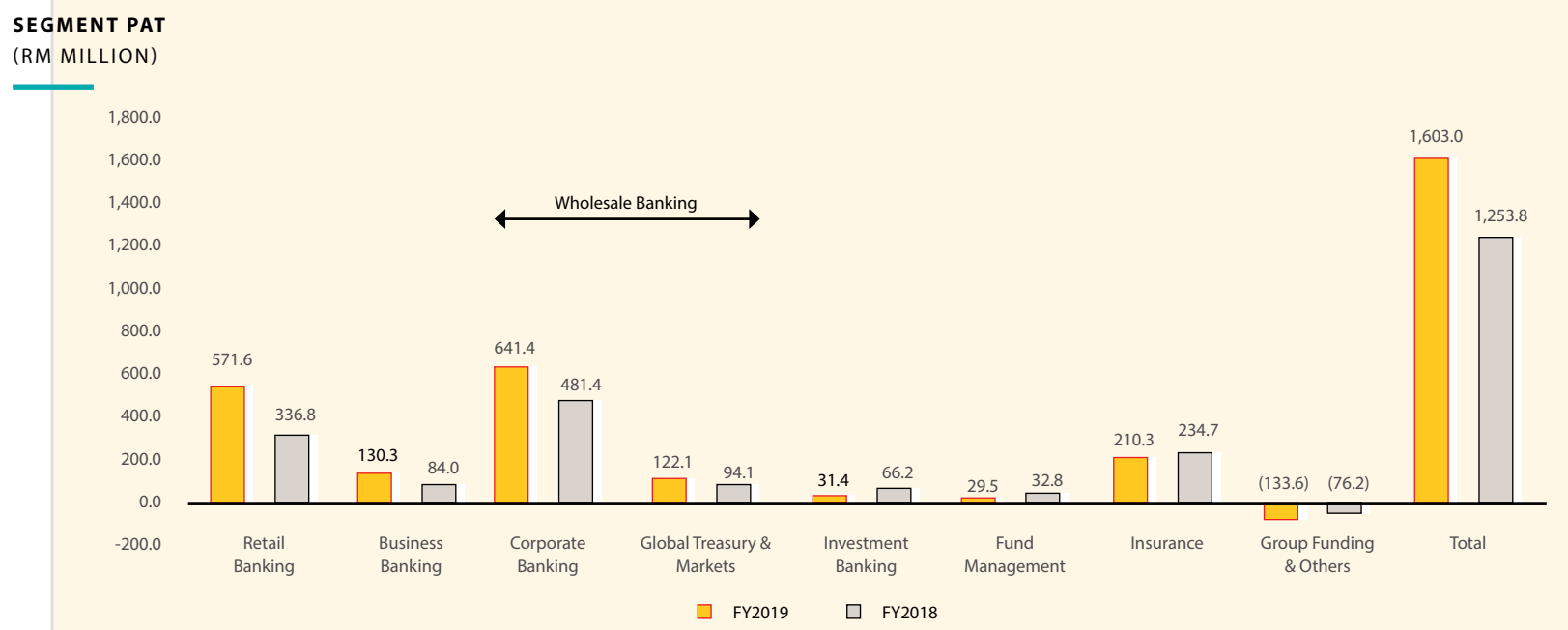
SIMPLIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION



Performance Review

SEGMENTAL ANALYSIS

AmBank Group's businesses are grouped in the following business activities: Wholesale Banking, Investment Banking, Retail Banking, Business Banking, Fund Management, Insurance and Group Funding and Others.



WHOLESALE BANKING

Wholesale Banking comprises Corporate Banking and Group Treasury & Markets. Corporate Banking offers a full range of products and services of corporate lending, trade finance, offshore banking and cash management solutions to wholesale banking clients.

Group Treasury & Markets includes proprietary trading as well as providing full range of products and services relating to treasury activities, including foreign exchange, derivatives, fixed income and structured warrants.

Wholesale Banking's PAT increased 32.7% to RM763.5 million mainly due to higher writeback of impairment and lower other operating expenses.

INVESTMENT BANKING

Investment Banking offers investment banking solutions and services, encompassing capital markets (primary) activities, broking, private banking services, corporate advisory and fund raising services (equity and debt capital).

PAT decreased by RM34.8 million from softer fee income, offset by lower other operating expenses and higher writeback of impairment on loans, advances and financing.

RETAIL BANKING

Retail Banking continues to focus on building mass affluent, affluent and small business customers. Retail Banking offers products and financial solutions which includes auto finance, mortgages, personal loans, credit cards, small business loans, priority banking services, wealth management, remittance services and deposits.

Profit after tax ("PAT") increased by RM234.8 million year-on-year ("YoY") to RM571.6 million. The increase was largely attributable to lower operating expenses underpinned by cost savings flow through from Mutual Separation Scheme ("MSS") last year and net writeback of impairment mainly on loans, advances and financing driven by higher recoveries from debt sale.

Strong balance sheet growth with deposits up 7.4% and gross loans, advances and financing grew 4.2% YoY mainly from mortgages.

BUSINESS BANKING

Business Banking focuses on the small and medium sized enterprises segment, which comprises Enterprise Banking and Commercial Banking. Solutions offered to Enterprise Banking customers encompass Capital Expenditure ("CAPEX") financing, Working Capital financing and Cash Management and while Commercial Banking offers the same suite of products, it also provides more sophisticated structures such as Contract Financing, Development Loans and Project Financing.

PAT increased by RM46.3 million due to higher income and writeback of provision for commitments and contingencies, offset by higher other operating expense from business expansion.

Performance Review

SEGMENTAL ANALYSIS

FUND MANAGEMENT

Fund Management comprises the asset and fund management services, offering a variety of investment solutions for various asset classes to retail, corporate and institutional clients.

PAT decreased by RM3.3 million from lower management fee, offset by lower other operating expenses.

General Insurance business reported a PAT of RM198 million underpinned by lower trading and investment income, and higher expenses. After tax and non-controlling interests, General Insurance's contribution to the Group's net profit was RM101 million in FY2019.

The joint ventures Life Insurance businesses reported a PAT of RM24.6 million from higher trading and investment income, and higher claims. Their equity accounting contribution to the Group net profit was RM12.3 million.

INSURANCE

Insurance segment offers a broad range of general insurance products, namely motor, personal accident, property and household. It also offers life insurance and Takaful products namely wealth protection/savings, health and medical protection and family Takaful solutions provided through our joint venture operations.

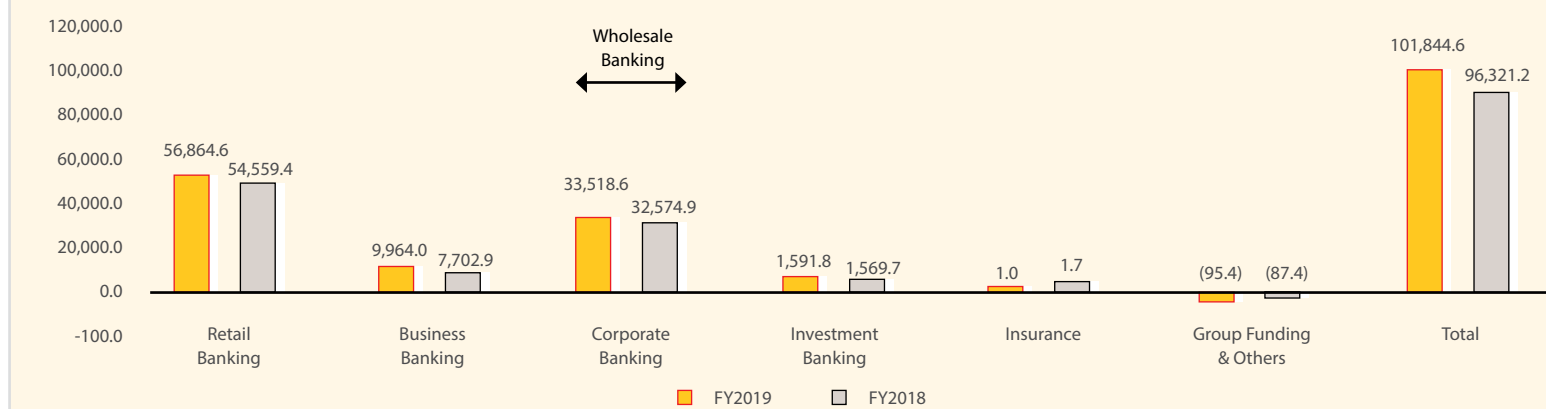
PAT from Insurance decreased 10.4% to RM210.3 million in FY2019.

GROUP FUNDING AND OTHERS

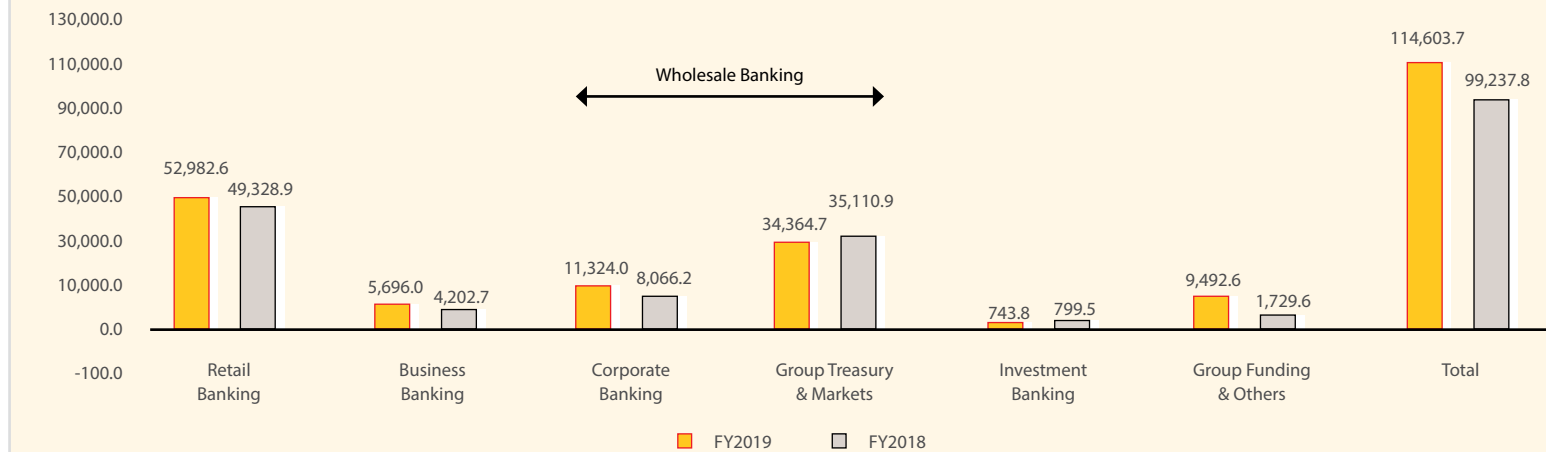
Group Funding and Others comprises activities to maintain the liquidity of the Group as well as support operations of its main business units and non-core operations of the Group.

PAT dropped by RM57.4 million to close the year at a loss of RM133.6 million mainly attributed to higher net impairment, partially offset by lower other operating expenses from cost savings initiatives and post MSS.

GROSS LOANS (RM MILLION)



DEPOSITS (RM MILLION)



Performance Review

GROUP QUARTERLY FINANCIAL PERFORMANCE

	2019			
ALL IN RM MILLION UNLESS STATED OTHERWISE	Q1	Q2	Q3	Q4
Operating Revenue	2,171.3	2,314.0	2,300.6	2,334.0
Net Interest Income	431.4	431.3	438.8	422.8
Net Income from Islamic Banking	236.6	235.6	242.1	237.6
Net Income from Insurance Business	155.1	107.7	109.8	79.9
Other Operating Income	174.7	225.8	160.1	212.6
Share in Results of Associates And Joint Ventures	15.9	6.7	(3.8)	1.6
Other Operating Expenses	(512.9)	(505.5)	(512.5)	(599.9)
Impairment and Provisions	(7.0)	(10.9)	51.3	270.4
Profit Before Taxation and Zakat	493.8	490.7	485.8	625.0
Profit Attributable to Equity Holders of The Company	347.6	348.1	349.9	459.7
Earnings Per Share (sen)	11.5	11.6	11.6	15.3
Dividend Per Share (sen)	-	5.0	-	15.0

	2018			
ALL IN RM MILLION UNLESS STATED OTHERWISE	Q1	Q2	Q3	Q4
Operating Revenue	2,080.8	2,125.0	2,159.6	2,211.3
Net Interest Income	416.2	415.0	407.8	425.3
Net Income from Islamic Banking	225.3	225.8	239.9	250.0
Net Income from Insurance Business	123.2	108.5	85.1	148.3
Other Operating Income	220.3	228.3	218.5	248.0
Share in Results of Associates And Joint Ventures	(2.9)	(10.7)	8.0	(0.7)
Other Operating Expenses	(553.0)	(562.7)	(576.7)	(728.4)
Impairment and Provisions	20.0	28.0	(80.9)	17.2
Profit Before Taxation And Zakat	449.1	432.2	301.7	359.7
Profit Attributable to Equity Holders of The Company	328.3	331.4	219.0	253.4
Earnings Per Share (sen)	10.9	11.0	7.3	8.4
Dividend Per Share (sen)	-	5.0	-	10.0

Performance Review

KEY INTEREST BEARING ASSETS AND LIABILITIES

	FY2019			FY2018		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
	RM million	%	RM million	RM million	%	RM million
INTEREST EARNING ASSETS						
Short-term Funds, Deposits and Placements with Banks and Other Financial Institutions	5,272	3.30%	174	7,205	2.80%	202
Financial Assets at Fair Value Through Profit or Loss/Financial Assets Held-for-trading	15,461	3.83%	592	9,979	3.88%	387
Financial Investments at Fair Value Through Other Comprehensive Income/Financial Investments Available-for-sale	10,377	4.75%	493	8,307	4.20%	349
Financial Investments at amortised cost/Financial Investments Held-to-maturity	4,912	4.39%	216	3,274	4.15%	136
Loans, Advances and Financing	99,215	5.40%	5,358	93,494	5.29%	4,947
INTEREST BEARING LIABILITIES						
Deposits from Customers ¹	101,786	3.28%	3,340	94,382	3.07%	2,894
Deposits and Placements of Banks and Other Financial Institutions	7,009	3.37%	236	4,004	2.86%	115
Recourse Obligation on Loans and Financing Sold to Cagamas Berhad	4,469	4.27%	191	3,757	4.01%	151
Term Funding, Debt Capital and Other Borrowed Funds	10,507	4.83%	508	10,319	4.97%	513

Note:

¹ Deposits from customers includes Investment accounts of customers

STATEMENT OF VALUE ADDED

Value Added	FY2019	FY2018
	RM million	RM million
Net Interest Income	1,724.3	1,664.3
Net Income from Islamic Banking	951.9	941.0
Income from Insurance Business	1,374.8	1,390.4
Other Operating Income	773.2	915.1
Share in Results of Associates and Joint Ventures	20.4	(6.3)
Insurance Claims and Commissions	(922.3)	(925.3)
Other Operating Expenses	(701.2)	(840.3)
Writeback for Impairment on Loans, Advances and Financing	301.3	1.1
Net Writeback/(Impairment) on Other Financial Investments	2.5	(16.8)
Value Added Available for Distribution	3,524.9	3,123.2

Distribution of Value Added	FY2019	FY2018
	RM million	RM million
To Employees:		
Personnel Expenses	1,260.5	1,401.0
To the Government:		
Taxation	489.9	286.9
To State Collection Centres and Community:		
Zakat	2.4	2.0
To Providers of Capital:		
Dividends to Shareholders	602.8	452.1
Non-controlling Interests	97.8	121.7
To Reinvest to the Group:		
Depreciation and Amortisation	169.1	179.5
Retained Profits	902.4	680.0
	3,524.9	3,123.2

Performance Review

CAPITAL MANAGEMENT

AmBank Group’s capital management approach remains focused on maintaining a healthy capital position that supports the Group’s strategic objectives and risk appetite. This is achieved through building an efficient capital structure that optimises return on capital and provides sustainable returns to shareholders.

Annually, the Group establishes a set of Internal Capital Targets that provide an adequate buffer above the minimum regulatory requirements.

Key Initiatives

The Group manages its capital position proactively by building sufficient capital buffers in view of forthcoming capital requirements. Capital management tools that were employed in FY2019 include:



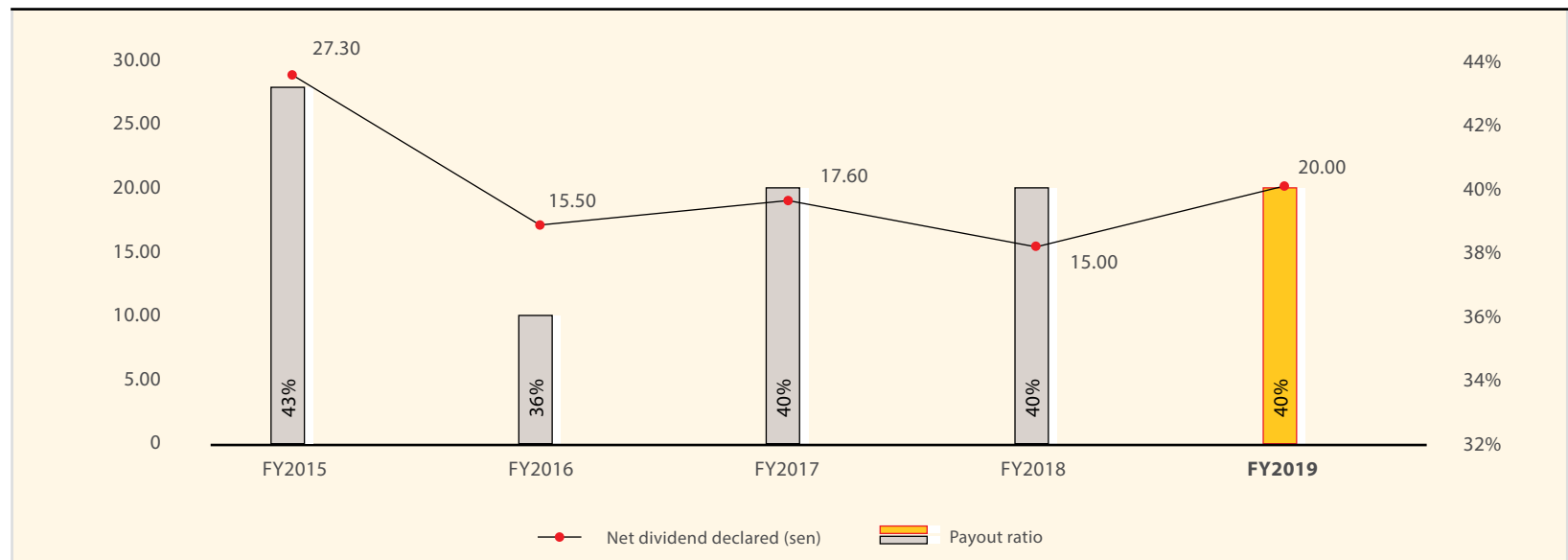
- 1 Revision of Capital Programmes to include the Point of Non-Viability Clause with Reference to the Financial Group
- 2 New Basel III Compliant Capital Issuances
- 3 Risk-Weighted Assets Optimisation
- 4 Non-core Asset Disposal

During the financial year, the Group issued RM1,500 million Basel III compliant Tier 2 capital instruments that were utilized for working capital and general banking purposes and had redeemed a total of RM1,250 million capital instruments as outlined below:

- (a) RM400 million Tier 2 Subordinated Notes redeemed on 31 December 2018;
- (b) RM200 million Non-Innovative Tier 1 Capital Securities redeemed on 27 February 2019;
- (c) RM200 million Subordinated Sukuk Murabahah redeemed on 28 February 2019;
- (d) RM300 million Non-Innovative Tier 1 Capital Securities redeemed on 6 March 2019;
- (e) RM150 million Subordinated Sukuk Murabahah redeemed on 25 March 2019.

DIVIDENDS FOR 2019

For the financial year ended 31 March 2019 (“FY2019”), a final dividend of 15 sen on 3,014,184,844 ordinary shares was approved by the Board of Directors on 30 April 2019 and Bank Negara Malaysia on 27 May 2019. With the interim dividend of 5 sen per share paid on 28 December 2018, the total dividends for FY2019 amounted to 20 sen per share, leading to a full year dividend payout ratio of 40%.



Performance Review

CREDIT RATINGS

From a credit rating perspective, we believe in providing our stakeholders with an independent view of our banking subsidiaries as well as that of the Company. As such, we continue to maintain credit ratings with Moody's Investors Service, S&P Global Ratings and RAM Rating Services Berhad ("RAM Rating Services").

Rating agency	Rating classification	Ratings accorded
The Company		
RAM Rating Services	Long-Term Corporate Credit Rating	AA2
	Short-Term Corporate Credit Rating	P1
	Outlook	Stable
AmBank (M) Berhad		
Moody's Investors Service	Long-Term Bank Deposits (Foreign) Rating	A3
	Short-Term Bank Deposits (Foreign) Rating	P-2
	Outlook	Stable
S&P Global Ratings	Long-Term Foreign Currency Rating	BBB+
	Short-Term Foreign Currency Rating	A-2
	Outlook	Stable
RAM Rating Services	Long-Term Financial Institution Rating	AA2
	Short-Term Financial Institution Rating	P1
	Outlook	Stable
AmBank Islamic Berhad		
RAM Rating Services	Long-Term Financial Institution Rating	AA2
	Short-Term Financial Institution Rating	P1
	Outlook	Stable
AmInvestment Bank Berhad		
RAM Rating Services	Long-Term Financial Institution Rating	AA2
	Short-Term Financial Institution Rating	P1
	Outlook	Stable

Performance Review

BALANCE SHEET MANAGEMENT

Balance sheet management involves the management of AmBank Group's structural funding and liquidity. It also maintains the Funds Transfer Pricing ("FTP") framework which is governed by the Group Assets and Liabilities Committee ("GALCO").

Structural funding and liquidity is managed by targeting a diversified funding base and avoiding concentrations by depositor and investor type, product, maturity or currency and implementing wholesale funding diversification and maturity concentration limits. In setting its funding diversification policy, the Group will take into consideration the cost/benefit trade-off to ensure optimum level of funding cost.

To sustain a diversified funding profile and monitor the liquidity risk of the Group, we are guided by the Basel III liquidity framework, namely the:

- 1 Liquidity Coverage Ratio ("LCR"), with a primary focus of ensuring a sufficient buffer of liquid assets that could be easily converted into cash to meet the liquidity needs for up to 30 calendar days; and
- 2 Net Stable Funding Ratio ("NSFR"), outlining the requirements on maintaining stable funding profile vis-à-vis the composition of assets and off-balance sheet commitments in order to reduce likelihood of disruption to liquidity position.

The FTP framework promotes a Group-wide allocation of funding costs to the business units by taking into account the interest rate and liquidity positions of the Group. The FTP mechanism is refined according to market conditions and relevant strategies approved by the management and it is derived to reflect regulatory principles.

To fund our businesses, a liquidity premium is charged to the business units based on the contractual tenor of the transactions. Business units that generate long-term, stable funding are incentivised in the form of liquidity credit. Presently the key funding growth agenda are as follows:

- 1 To strengthen the deposit franchise, by focusing on lower cost current accounts and savings accounts ("CASA") and gathering term deposits to build sufficient base to fund the loans growth; and
- 2 To diversify the sources of funding to build a more sustainable base and reduce reliance on non-core deposits.

FUNDING STRUCTURE FY2019

Loans are the largest component of the Group's assets and are generally funded by core customer deposits. Our core customer deposits increased by RM11.1 billion from RM95.8 billion in FY2018 to RM106.9 billion in FY2019, an 11.6% growth. We will continue to prioritise growth in core customer deposits, which are a stable and resilient source of funding. We have outlined plans to lower the cost of funding by growing CASA composition, tapping on alternative funding sources and optimising a stable funding mix.

FINANCIAL CALENDAR

2018	2019
<p>21 August</p> <p>Announcement of unaudited consolidated results for the financial first quarter ended 30 June 2018</p>	<p>21 February</p> <p>Announcement of unaudited consolidated results for the financial third quarter ended 31 December 2018</p>
<p>28 August</p> <p>Payment of final single-tier dividend of 10 sen per share for the financial year ended 31 March 2018</p>	<p>28 May</p> <p>Announcement of audited consolidated results for the financial year ended 31 March 2019</p>
<p>22 November</p> <p>Announcement of unaudited consolidated results for the financial half year ended 30 September 2018</p>	<p>28 June</p> <p>Notice of 28th Annual General Meeting</p>
<p>28 December</p> <p>Payment of interim single tier dividend of 5 sen per share for the financial year ended 31 March 2019</p>	<p>31 July</p> <p>28th Annual General Meeting</p>

Business Review

WHOLESALE BANKING



Raja Teh Maimunah Raja Abdul Aziz
Managing Director, Wholesale Banking

Wholesale Banking comprises of Corporate Banking, Group Treasury & Markets and Transaction Banking.

Our Wholesale Banking coverage team holds strong relationships with AmBank Group's key clients across various economic sectors and industries covering mid-sized and large corporates.

We provide bespoke business solutions and help our clients by offering innovative, quality, and customised products and services. In addition, we also help our clients to be more effective and efficient in the daily running of their businesses through our cash management, trade solutions and cross-border transaction services for foreign exchange ("FX"), remittances and interbank transactions.

FINANCIAL PERFORMANCE

Overall Performance

TOTAL INCOME

RM1,056.4 million
in FY2019

RM1,053.2 million in FY2018

PROFIT AFTER TAX AND MINORITY INTERESTS ("PATMI")

RM763.6 million
in FY2019

RM575.5 million in FY2018

PERFORMANCE METRICS

NET INTEREST INCOME ("NII")

RM757.0 million
in FY2019

RM711.0 million in FY2018

GROSS LOANS

RM33,518.6 million
in FY2019

RM32,574.9 million in FY2018

TREASURY ASSETS

RM32,535.9 million
in FY2019

RM16,860.0 million in FY2018

CASA

RM11,323.6 million
in FY2019

RM8,065.7 million in FY2018

KEY INITIATIVES AND DEVELOPMENTS

Corporate Banking

- Growing the **Mid-Corporate segment** through developing strong relationship with potential clients.
- Focus on providing tailored solutions to fit clients' needs and thereby improving overall ROCE.
- Focusing on building new-to-bank customers particularly in the services and manufacturing sectors, in keeping with the country's economic growth direction.

Group Treasury and Markets

- The Group Treasury and Markets ("GTM") division offers hedging and investment solutions spanning across all asset classes which include interest rates, FX, commodities and equity derivatives.
- As one of the appointed Principal Dealers, our fixed income traders and sales dealers continue to play a prominent role in the local fixed income market.
- During the year, our people were recognised in The Asset Benchmark Research Award as "The Region's Best Local Currency Bond Individuals" in the Trading and Sales categories.
- FX remains as one of our key products as we expand our flow business. In recognition of our ability to provide efficient and effective FX solutions and services to meet the needs of our customers, we were again awarded the "Best FX Bank for Corporates & Financial Institutions" by Alpha Southeast Asia for the seventh consecutive year.

Business Review

WHOLESALE BANKING

KEY INITIATIVES AND DEVELOPMENTS

Group Treasury and Markets (continued)

- Actively manage overall Group funding requirements and cost of funds, whilst maintaining sound liquidity position in meeting the Group's liquidity and regulatory requirements.

Transaction Banking

- We provide end-to-end cash management proposition to improve our clients' business efficiency and effectiveness ie. virtual accounts, JomPay Reference and Electronic Invoice Presentation and Payment ("EIPP").
- We launched a new **Cash Management System ("CMS")** to deliver an improved customer experience.
- In addition, we also partnered with Paynet to customise and meet complex workflows to boost buyers' and sellers' confidence and provide transaction assurance.
- We aim to enhance growth in current account and savings account ("CASA") income through our collections and payments solutions.



Strategic Collaboration with Cameron Highlands District Council to enable JomPAY Payments



Collaboration with PayNet for Direct Merchant Settlement ("DMS") services

SUSTAINABILITY CONTRIBUTIONS

Responsible Banking

Digitalising Customer Journey

- Formed digital innovation incubators through FinTech partnerships to enable new transaction channels for easy, cashless banking and long-term development of sustainable CASA. Among the initiatives include:
 - Payment Gateway and FPX** – Diversify current eWallet offerings with comprehensive financial services;
 - Payroll Solution** – Differentiated payroll propositions for clients;
 - Blockchain Remittances** – Strategic partnership on new blockchain payment innovation;
 - Co-Brand Card** – Co-brand prepaid cards towards implementing a cashless society;
 - eWallet Withdrawal** – Seamlessly facilitate fund transfer from eWallet to specified bank account;
 - Virtual Account (VA) and Multi-Layer VA** – Flexible reconciliation by payment modes.

Positive Societal Impact

Corporate Social Responsibility ("CSR")

- The Wholesale Banking team undertakes several CSR initiatives such as volunteering and sponsoring meals at Pertiwi Soup Kitchen, supporting the SEMOA Orang Asli Home as well as undertaking social procurement from social enterprises such as PichaEats and Silent Teddies.

Employer of Choice

- Increasing talent engagement and targeted training.
- Regular huddle sessions with wholesale banking team to foster deep relationship across the Group.



Pertiwi Soup Kitchen Programme

Business Review

WHOLESALE BANKING

AWARDS AND RECOGNITIONS

- **Outstanding Contribution to JomPAY** at the Malaysian e-Payments Excellence Awards (“MEEA”) on 22 May 2018.
- 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)**



➤ Malaysian e-Payments Excellence Awards 2018



➤ 12th Annual Alpha Southeast Asia Best Financial Institution Awards

KEY RISKS AND MITIGATION MEASURES

- **Credit Risk** – the risk of default on debt that may arise from borrower’s failure to make the required payment obligations.
 - Improved Wholesale Banking asset quality as reflected below:
 - > Out of the total new impairment of RM1.8 billion in the five years from 2014 to 2018, only RM114.9 million (or 6.3%) were originated in 2014 onwards.
 - Issued the Non-Retail Credit Policy (“NRCP”) following the new Bank Negara Malaysia (BNM) Credit Risk Policy, dated 22 January 2018. The NRCP sets out high-level credit principles to ensure that the non-retail segment of AmBank Group practises a consistent approach in managing credits.
 - Introduced the “Loss Estimate Thermometer” as input for strategic monitoring of sector limits.
 - Completed the Credit Pathway programme to guide credit officers in Wholesale Banking (“WB”) on how credit is assessed in AmBank Group.
- **Market Risk** – the risk posed by unfavourable market conditions due to changes in the country’s macroeconomic outlook, policies and regulations, and uncertainties in interest rates, credit spreads, foreign exchange rates and volatility.
 - Potential consolidation in Malaysia’s Gross Domestic Product and overall business loans growth. This is mitigated by measures to increase revenue through deposits growth.
 - Changes in the Government’s procurement policy that may extend the rollout of infrastructure deals, causing lower financing needs. Efforts are made to follow closely the latest developments in the Government’s review of public infrastructure projects for potential funding prospects.
 - Potential fluctuations in foreign exchange rates in the global markets due to geopolitical dynamics and changing global economic structure. We actively advise clients on hedging structures that may further protect their businesses from foreign currency volatilities.

• Risk Mitigation Strategy for FY2020:

- To support AmBank Group’s aspirations towards achieving the FIRB status. In this respect, immediate focus is targeted at ensuring credit policies address relevant regulatory requirements e.g. Basel II international regulatory framework, Bank Negara Malaysia regulations, Bursa Malaysia rules and regulations, and other regulatory stipulations.
- To support Sustainable Finance initiatives to ensure alignment with AmBank Group’s ESG agenda.

PROSPECTS AND STRATEGY FOR FY2020 AND BEYOND

- Over the next three years, Wholesale Banking will be focusing on further developing our FX franchise; cash management capabilities namely digital collections and payments solutions; recalibration of our assets by focusing on ROCE and providing infrastructure support for e-money players.
- We will continue to refine our suite of products and services (for both conventional and Shariah) to meet the needs of our increasingly sophisticated clientele to navigate changing markets. We remain focused on growing our FX franchise by leveraging on the Group’s coverage and distribution footprint to reach out to our individual and corporate clients across all segments, whilst enhancing our services through digitalisation.

Business Review

INVESTMENT BANKING

**Seohan Soo**

Chief Executive Officer, AmInvestment Bank

Investment Banking, under AmInvestment Bank, provides a full range of investment advisory, solutions, and products covering conventional and Islamic financing for our sovereign, corporate and institutional clients. Key areas of our expertise include Corporate Finance, Equity Markets, Debt Markets, Islamic Capital Markets, Private Banking and integrated fund management.

AmInvestment Bank has a solid award-winning track record in the debt, equity and Islamic capital markets segment.

As an integral part of AmInvestment Bank, AmFunds Management Berhad (AmInvest) leads the fund management business of AmBank Group. AmInvest is among the top fund management houses in Malaysia with an award-winning track record spanning three decades in the management of unit trusts and wholesale funds, institutional mandates, exchange-traded funds and Private Retirement Schemes.

FINANCIAL PERFORMANCE

Overall Performance

➤ TOTAL INCOME



RM242.4 million
in FY2019

RM321.2 million in FY2018

➤ PROFIT AFTER TAX AND
MINORITY INTERESTS (PATMI)



RM60.9 million
in FY2019

RM99.0 million in FY2018

PERFORMANCE METRICS

➤ LEAGUE TABLE

Overall Malaysian Bonds/Sukuk:

2018: Ranked 3rd
with a **19.04%**
market share

2017: Ranked 3rd
with a **15.23%**
market share

Malaysian Ringgit Islamic Sukuk:

2018: Ranked 4th
with a **17.22%**
market share

2017: Ranked 3rd
with a **14.06%**
market share

➤ ASSETS UNDER MANAGEMENT (AUM) BY AmFunds
AND PRIVATE BANKING

RM48.6 billion in FY2019

RM43.2 billion in FY2018

KEY INITIATIVES AND DEVELOPMENTS

What We Do

• Capital Markets Group

- Capital Markets Group provides customised financing solutions to our sovereign, corporate and institutional clients through fixed income, derivatives and credit solutions and advisory services.

• Corporate Finance

- Corporate Finance provides an extensive range of corporate finance and advisory services comprising initial public offerings ("IPO"), mergers and acquisitions ("M&As"), take-overs, restructuring, issuance of equity and equity-linked instruments, valuations and independent advisory services.

• Equity Markets

- Equity Markets is our stockbroking business arm which provides share trading services including futures trading, margin financing, discretionary financing, and custody services.

• Equity Capital Markets

- Equity Capital Markets deals mainly with the marketing, sales, and distribution of equities in the primary and secondary equity and equity-linked markets.

• Fund Management

- Fund Management provides fund management services to institutional and retail investors.

Business Review

INVESTMENT BANKING

KEY INITIATIVES AND DEVELOPMENTS

What We Do

• Private Banking

- AmPrivate Banking services high net worth Malaysian clients with investment advisory, securities dealings and fund management services.

FY2019 Highlights

- The Capital Markets Group continued to rank Top 3 in the Bonds/Sukuk market, whilst Corporate Finance ranked Top 3 in M&A and Corporate Advisory.
- Our Equity Markets established the Prime Brokerage unit last year to service the share trading and share margin financing needs of selected groups of customers. We are seeing good growth from both the Prime Brokerage and the share margin financing businesses.
- The Fund Management team registered a good performance to achieve an Asset Under Management (“AUM”) of RM40.5 billion as at 31 March 2019 (13% growth YoY).
- The Private Banking unit achieved double-digit Return On Equity (“ROE”).
- As part of our digital initiatives, our Equity Markets unit launched the AmEquities share trading portal in October 2018, whilst our Funds Management unit launched Malaysia’s first Robotech fund and Private Retirement Scheme (“PRS”) FinTech.

Prospects and Strategy for FY2020 and Beyond

- We aspire to be a top 3 investment bank in Malaysia and a trusted advisor with best-in-class advice and execution excellence. To this end, some of the strategic initiatives we plan to roll out in FY2020 include a focus by the origination businesses (i.e., Corporate Finance and Capital Markets Group) on M&A Advisory and Financing.
- Equity Markets will continue with its digital strategy and enhance the AmEquities online platform. To grow our broking retail segment, Equity Markets will leverage on our retail branch broking network. We anticipate above-market growth for our Equity Markets’ Prime Brokerage and share margin financing businesses, and our wealth management business via our Funds Management and Private Banking units.
- Our strategic initiatives also include helping our people grow through talent management and succession planning and cultivating a culture of collaboration and teamwork, high performance and compliance, besides improving the working environment and holding regular employee engagement sessions.

Capital Markets Group (“CMG”)

- AmInvestment Bank is a key player in the bonds/sukuk market and the ringgit-denominated loan market in Malaysia.
- To maintain our Top 3 market position, CMG continues to pull the right levers in providing a full spectrum of debt solutions such as project financing, structured finance, loan syndication and advisory services for emerging growth sectors in the economy with high funding needs.

KEY INITIATIVES AND DEVELOPMENTS

Capital Markets Group (“CMG”) (continued)

- CMG is well-positioned to meet the demands of our clients with our ability to provide a full suite of customised debt and capital financing solutions through proven capabilities in fixed income, derivatives, credit solutions, and advisory services – covering both conventional and Islamic financing. With a strong team comprising professionals experienced in finance, accounting, tax, actuarial, legal, credit rating, Shariah, risk management and regulatory requirements, we offer our clients innovative and customised financing solutions that meet and exceed expectations.
- Achievements in the Malaysian debt markets:
 - Ranked **No. 3 with 19.04% market share for Overall Malaysian Bonds/Sukuk** for 2018.
 - Ranked **Top 3 on the Bloomberg MYR Bonds/Sukuk league table for 16 consecutive years** since 2003.
 - Ranked **No. 4 with 17.22% market share for Malaysian Ringgit Islamic Sukuk** for 2018.

Corporate Finance (“CF”)

- CF is an integral product of AmInvestment Bank where we advise our corporate clients on mergers and acquisitions (M&As), and equity fund raising such as rights issues, placements and initial public offerings.
- Our strategy is aligned with Wholesale Banking Coverage (WBC) to help drive strategic dialogue with the bank’s corporate clients. Close collaboration between CF and WBC delivers high quality advice to win advisory mandate from our clients. Whilst the local M&A market in FY2019 recorded a slightly lower level of activity compared to the previous year, we nevertheless remained active in the M&A scene.
- We are committed to delivering the highest standards of execution for our clients, complementing our strong understanding of clients’ requirements with our deep talent pool. We will also deliver our balance sheet strategically by underwriting transactions to provide total solutions for our valued clients.

Equity Capital Markets (“ECM”)

- ECM deals mainly with the marketing, sales and distribution of equities in the primary and secondary equity and equity-linked markets.
- ECM leverages on AmInvestment Bank’s established distribution network and close relationships with fund managers, investors and research analysts to provide timely market intelligence in the origination of primary market transactions and in the structuring and managing of the marketing and distribution of both primary and secondary equity offerings.
- Through ECM’s close collaboration with CF and WBC teams, we provide clients with value-added equity solutions. As successful equity offerings are a function of accurate pricing, effective distribution, and market awareness of both the issuer’s industry and investor demand, we place strong priority on tracking the pulse of the market, combined with insights from the latest market developments.

Business Review

INVESTMENT BANKING

KEY INITIATIVES AND DEVELOPMENTS

Equity Markets

- During the financial year under review, AmInvestment Bank's market share of the total trading value on Bursa Malaysia was 5%, which ranked us at sixth position, out of 30 investment banks/brokers in the industry.
- As part of our strategy to improve our market share and ranking in the domestic equity markets, we introduced the following initiatives:
 - **Rolled out a new and improved online share trading portal, AmEquities**, which contains enhanced features and functionalities, in October 2018. The trading portal is available on web, mobile and tablet applications. AmEquities' trading engine is now offered in dual language (English and Chinese) with Bahasa Malaysia on the way soon.
 - **Established a Prime Brokerage unit** to serve the share investment and trading needs of ultra-high net-worth individuals; and
 - **Adopted the 'Bank Branch Broking model'** which leverages on our retail and commercial bank's network of 170 branches nationwide to increase penetration in the retail investors segment.

Fund Management

- AmInvest, our brand for AmInvestment Bank's Fund Management Division, is backed by more than 38 years of fund management expertise, encompassing both conventional and Shariah-compliant mandates. As at 31 March 2019, we managed 73 unit trusts, 10 private retirement schemes ("PRS"), 78 institutional mandates and two exchange traded funds.
- **Total AUM growth of 13% to RM40.5 billion in FY2019** (as at 31 March 2019). This marked a record fund size achieved to-date, despite a challenging capital market in 2018 and 2019.
- **Successfully launched three new unit trust funds in FY2019** – all three were conventional, of which two were Shariah-compliant funds.
- AmInvest rolled out our inaugural Environmental, Social and Governance ("ESG") and Shariah-compliant global equity fund, named 'AmIntelligent Global Equity Multi Strategy – Developed Markets ("iGEMS") in September 2018.

Private Banking

- AmPrivate Banking as part of the Wealth Management division continue to grow its AUM, reaching out geographically with its strong regional presence to serve the growing needs of High Net Worth ("HNW") individuals.
- It has an established track record in serving HNW individuals, both in discretionary and non-discretionary mandates.



Islamic Finance News Awards 2019

SUSTAINABILITY CONTRIBUTIONS

Responsible Banking

- AmInvest rolled out our inaugural Environmental, Social and Governance ("ESG") and Shariah-compliant global equity fund, named 'AmIntelligent Global Equity Multi Strategy – Developed Markets ("iGEMS") in September 2018. iGEMS is AmInvest's inaugural foray to invest in ethical and sustainable businesses across the world using a rules-based investment approach.
- In support of green initiatives by the Securities Commission Malaysia and the Malaysian government, Sustainable and Responsible Investment ("SRI") and Green Bonds/Sukuk is one of the primary areas of our focus, particularly the Capital Markets Group. We are committed to providing innovative products and support to our clients who embark on sustainable and green projects, as reflected in our award-winning green capital financing and advisory work to-date.
- In terms of market leadership, AmInvestment Bank is an active contributor to all RAM Consultancy Services Sdn Bhd's ("RAMC") second opinion for Green Bond Principles reporting to-date.
- The Group was also accorded the 'RAM Sustainability Award 2019' during the RAM Leagues and Conference 2019, held in Kuala Lumpur on 25 April 2019.
- Noteworthy deals led by AmInvestment Bank and rated by Malaysian Rating Corporation ("MARC") in 2018 included the RM415 million green bonds for Segi Astana, representing the first MYR-rated bonds issued under the ASEAN Green Bonds Standards, and the RM245 million green sukuk for Sinar Kamiri, the first green SRI Sukuk Wakalah for a listed company in Malaysia.

Positive Societal Impact

- As part of efforts in contributing towards sustainability and a greener environment, we reduced paper consumption by introducing electronic contract notes and electronic statements for all our share-trading customers on AmEquities – our online share trading portal – in October 2018.
- In line with the digitalisation exercise across AmBank Group, we digitised our front-end customer interaction process to cater to investors' needs 24/7 and created a digital interface for PRS fund subscriptions accessible across all devices.



Alpha SEA 12th Annual Deal & Solution Awards 2018

Business Review

INVESTMENT BANKING

AWARDS AND RECOGNITIONS



- **12th Annual Alpha Southeast Asia Best Financial Institutions Awards 2018**

- Best Asset & Fund Manager, Malaysia



- **12th Annual Alpha Southeast Asia Deal & Solution Awards 2018**

- Best Mudharabah Deal | Yinson TMC Sdn Bhd | RM1.5 billion Perpetual Sukuk Mudarabah Programme
- Most Innovative Bond Deal | GENM Capital Berhad | RM3 billion Medium-Term Note Programme
- Best Sustainable Energy/Renewable Finance Deal | Segi Astana Sdn Bhd | RM415 million ASEAN Green Medium-Term Note Facility
- Best Sukuk Deal | MBSB Bank Berhad | RM2.295 billion Structured Covered Sukuk Facility



- **15th Annual RAM League Awards 2018**

- Lead Manager Award 2017
 - No. 3 (by No. of Issues)
- Lead Manager Award (Sukuk) 2017
 - No. 3 (Programme Value)
- Lead Manager Award (Sukuk) 2017
 - Joint 3rd (by No. of Issues)
- Lead Manager Award X 2017
 - No. 3 (by Programme Value)



- **2019 Morningstar Awards**

- Best Malaysia Bond Fund: AmDynamic Bond
- Best Malaysia Bond (Syariah) Fund: AmBon Islam



- **Asia Asset Management's 2019 Best of the Best ASEAN Awards**

- Best Pension Fund Manager, Malaysia



- **Employees Provident Fund ("EPF")'s External Fund Managers Annual Awards 2019**

- Best Domestic Fixed Income Fund Manager 2018



- **FundsUPERMART.com Recommended Unit Trusts Awards 2017/18**

- Fixed Income – Malaysia (Short Duration) (5th Consecutive Year): AmIncome Plus
- Fixed Income – Malaysia with Foreign Exposure (3rd Consecutive Year): AmDynamic Bond



- **IFR Asia Awards 2018**

- Malaysia Capital Markets Deal | Yinson TMC Sdn Bhd | RM950 million Perpetual Sukuk Issuance



- **Insurance Asia News' Institutional Asset Management Awards 2018**

- Insurance Fund House of the Year, Malaysia



- **Islamic Finance News Awards 2018**

- Mudharabah Deal of the Year | Yinson TMC Sdn Bhd | RM950 million Perpetual Sukuk Issuance
- Equity & IPO Deal of the Year | Malaysia Building Society Berhad's RM644.95 million acquisition of Asian Finance Bank

AWARDS AND RECOGNITIONS



- **Lipper Fund Awards from Refinitiv 2019**

- Equity Malaysia – Malaysia Pension, 3 Years: AmMalaysia Equity
- Mixed Asset MYR Balanced, Malaysia – Malaysia Pension, 3 Years: AmBalanced



- **MARC 2017 Lead Managers League Tables Awards**

- Issue Count (Conventional & Islamic) (Second Runner-Up)



- **The Asset Triple A Asia Infrastructure Awards 2018**

- Project Finance House of the Year, Malaysia (4th Consecutive Year)
- Oil & Gas Deal of the Year | Pengerang Terminals (Two) Sdn Bhd | USD\$1.25 billion Syndicated Term Loan Facility
- Social Infrastructure of the Year | Perbadanan PR1MA Malaysia | RM2.5 billion Government-Guaranteed Islamic Medium-Term Note Issuance
- Power Deal of the Year | Tenaga Nasional Berhad | RM2 billion Sukuk Issuance
- Transport Deal of the Year | Projek Lintasan Sungai Besi Ulu Klang Sdn Bhd | RM380 million Sukuk Issuance
- Transport Deal of the Year (Highly Commended) | DanaInfra Nasional Berhad | RM10.18 billion Government-Guaranteed Sukuk Issuance



- **The Asset Triple A Country Awards 2018**

- Best Loan Adviser (2nd Consecutive Year)



- **The Asset Triple A Islamic Finance Awards 2018**

- Best Loan Adviser, Malaysia
- Best Government-Guaranteed Sukuk | Perbadanan PR1MA Malaysia | RM2.5 billion Government-Guaranteed Islamic Medium-Term Note Issuance
- Best Corporate Sukuk | Tenaga Nasional Berhad | RM2 billion Sukuk Issuance
- Best New Sukuk | Danajamin Nasional Berhad | RM500 million Subordinated Sukuk Issuance
- Best Project Finance Deal | Project Lintasan Sungai Besi Ulu Klang Sdn Bhd | RM380 million Sukuk Issuance



- **The Asset Triple A Private Banking, Wealth Management, Investment and ETF Awards 2018**

- Best ETF Provider, Malaysia (3rd Consecutive Year)

Business Review

INVESTMENT BANKING

AWARDS AND RECOGNITIONS



- **The Edge's Best Deal of the Year 2018**
 - Best Non-IPO Fund Raising (Sukuk/Bond) | Yinson TMC Sdn Bhd | RM950 million Perpetual Sukuk Issuance
 - Best Mergers & Acquisitions | IOI Corporation Berhad | RM3.95 billion partial divestment of Lodders Croklaan Group



- **The Global Islamic Finance Awards 2018**
 - Best Islamic Project Finance House



- **World Finance Investment Management Awards 2018**
 - Best Investment Management Company, Malaysia (7th Consecutive Year)

NOTABLE TRANSACTIONS

Capital Markets Group

Notable Bonds & Sukuk Deals

- **MBSB Bank Berhad**
 - Joint Solicitation Agent, Joint Principal Adviser, Joint Lead Arranger, Joint Lead Manager, and Joint Shariah Adviser
 - RM2,295 million Structured Covered Sukuk Murabahah Facility
- **Yinson TMC Sdn Bhd**
 - Joint Principal Adviser, Joint Lead Arranger, Joint Lead Manager and Joint Shariah Adviser
 - RM1.5 billion Perpetual Sukuk Mudharabah Programme
- **Telekom Malaysia Berhad**
 - Joint Principal Adviser, Joint Lead Arranger, Joint Lead Manager and Joint Shariah Adviser
 - RM4 billion Sukuk Wakalah Programme
- **Zamarad Assets Berhad**
 - Joint Principal Adviser, Joint Lead Arranger, Joint Lead Manager and Joint Shariah Adviser
 - RM2 billion Asset-Backed Securitisation Islamic Medium-Term Notes Programme
- **MNRB Holdings Berhad**
 - Principal Adviser, Lead Arranger, Lead Manager and Shariah Adviser
 - RM320 million Sukuk Murabahah Programme
- **GENM Capital Berhad**
 - Joint Lead Manager
 - RM2.6 billion Medium-Term Notes Issuance
- **Tenaga Nasional Berhad**
 - Joint Principal Adviser, Joint Lead Arranger, Joint Shariah Adviser and Joint Lead Manager
 - RM3 billion Sukuk Issuance

Notable Loan Syndication Deals

- **M.P. Evans & Co Limited**
 - Mandated Lead Arranger
 - USD\$120 million Syndicated Credit Facilities
- **Asaljuru Weida Sdn Bhd**
 - Mandated Lead Arranger
 - RM360.0 million Syndicated Islamic Finance Facilities
- **Penang Development Corporation**
 - Lead Arranger
 - RM1 billion Syndicated Term Loan Facilities

NOTABLE TRANSACTIONS

Corporate Finance

Notable M&A Deals

- **Can-One Berhad**
 - Principal Adviser
 - RM1.37 billion Mandatory Takeover of Kian Joo Can Factory Berhad
- **Doh Properties Holdings Sdn Bhd**
 - Principal Adviser
 - RM99.5 million Mandatory Takeover of D.B.E. Gurney Resources Berhad
- **Jawawana Sdn Bhd**
 - Principal Adviser
 - RM68.6 million Mandatory Takeover of GSB Group Berhad
- **DKSH Holdings (Malaysia) Berhad**
 - Principal Adviser
 - S\$157.6 million acquisition of Auric Pacific Group Limited

Notable Equity Fund Raising Deals

- **MNRB Holdings Berhad**
 - Principal Adviser
 - RM403.0 million Rights Issue
- **PMB Technology Berhad**
 - Principal Adviser
 - RM212 million Rights Issue of ICULS with Warrants
- **Naim Holdings Berhad**
 - Principal Adviser
 - RM160 million Rights Issue
- **Priceworth International Berhad**
 - Joint Underwriter
 - RM102.4 million Rights Issue

Equity Capital Markets

Notable Equity Fund Raising Deals

- **ATA IMS Berhad**
 - Sole Placement Agent
 - RM184 million Primary and Secondary Placement
- **Eastern & Oriental Berhad**
 - Sole Placement Agent
 - RM128 million Primary Placement
- **GHL Systems Berhad**
 - Sole Placement Agent
 - RM85 million Primary Placement
- **MNRB Holdings Berhad**
 - Joint Underwriter
 - RM403 million Rights Issue

Business Review

INVESTMENT BANKING

KEY RISKS AND MITIGATION MEASURES

- **Key Investment Banking Risk Initiatives in FY2019:**
 - Enhanced liquidity stress testing methodologies and assessed intraday liquidity risk practices under stress scenario.
 - Continued automation of market risk monitoring and assessment tools to enhance coverage and increase efficiencies.
- **Key Market Risk** – the risk of experiencing losses as a result of changes in interest rates, foreign exchange rates, credit spreads, volatility, correlations and fluctuations in bond, commodity or equity prices.
 - The Group has a comprehensive Market Risk and Liquidity Risk Management Framework, which is supplemented by the Market Risk Management Policy, to govern trading and balance sheet activities in line with the Group's risk appetite. We apply an independent risk measurement approach to quantify and proactively monitor market risk within the respective portfolios arising from dynamic movements in the market.
- **Liquidity and Funding Risk** – the risk that the Group may be unable to meet payment obligations as they fall due, including repaying depositors or maturing wholesale debt or that the Group has insufficient capacity to fund increases in assets.
 - The Group has a comprehensive Market Risk and Liquidity Risk Management Framework, which is supplemented by the Liquidity Risk Management Policy, to govern liquidity risk taking activities. The Group's liquidity risk appetite is defined by the ability to meet a range of regulatory and internal liquidity metrics mandated by the Board.
- **Group Technology Risk** – we continued to build internal capability and resiliency to protect against information and cyber security threats. Key mitigative actions taken and updates are as follows:
 - In the second year of the three-year Cyber Security Maturity Improvement Programme to strengthen the Group's cyber security posture and the ability to protect the Group's information assets.
 - Further built on cyber security awareness through on-going education programmes for employees.
 - A Cyber Security Risk team (Red Team) was established.
 - Enhanced the Group's Data Leakage Prevention ("DLP") monitoring controls.
- **Governance and Provisioning** – we continued to enhance our robust regulatory measures to strengthen our compliance efforts. Key measures taken to reinforce regulatory controls include:
 - Basel II Internal Rating Based ("IRB") Programme – The Basel II IRB Programme was launched in 2013 and is gearing for accreditation. Organisation is focusing on IRB-based ROCE (risk-based) lending assessment and direction.
 - MFRS 9 implementation – MFRS 9 compliance is well into operation with Day-1 and quarterly disclosures published. Infrastructure build of on-going MFRS9 model development and maintenance, and analytics.
- **Risk Mitigation Strategy for FY2020:**
 - **Investment Banking and Markets Risk:**
 - > Enhance or upgrade infrastructure to improve risk analytics and assessment.
 - > Enhance market and liquidity risk management practices in line with regulatory and market developments.
 - **Group Technology Risk:**
 - > Continue to further enhance and strengthen our cyber defences and robust cyber security controls framework.
 - > Continue on-going initiatives to educate our employees and customers about cyber security and what they can do to protect their data security.
 - > Further develop the maturity and capabilities of our Cyber Risk team.
 - **Governance and Provisioning:**
 - > Basel II IRB Programme – Optimise allocation and efficient usage of capital.

Business Review

RETAIL BANKING



Jade Lee Gaik Suan
Managing Director, AmBank (M) Berhad

Our Retail Banking serves the banking needs of 2.4 million consumers. Our comprehensive suite of financial products and solutions include deposits, loans, financing, credit cards, wealth management, and Priority Banking.

Operating one of the larger retail banking networks in the country, Retail Banking supports the needs of our customers through our 170 retail branches, 759 ATMs, 11 regional offices, and eight Priority Centres countrywide.

Retail Banking made significant progress in growing our Mass Affluent and Priority customer base during the year to 115,000 and 85,000, respectively. Besides retail customers, we also serve Corporate, Business, SME, and payroll clients at all our branches.

FINANCIAL PERFORMANCE

Overall Performance

TOTAL INCOME



RM1,453.3 million
in FY2019

RM1,476.4 million in FY2018

PROFIT AFTER TAX AND MINORITY INTERESTS ("PATMI")



RM571.7 million
in FY2019

RM329.0 million in FY2018

PERFORMANCE METRICS

DEPOSITS

RM52,982.6 million
in FY2019

RM49,328.9 million in FY2018

CASA

RM11,677.2 million
in FY2019

RM11,333.5 million in FY2018

MORTGAGE

RM34,122.4 million
in FY2019

RM30,532.8 million in FY2018

CREDIT CARD OUTSTANDING BALANCE

RM2,514.4 million
in FY2019

RM2,142.3 million in FY2018

RETAIL SME

RM2,672.7 million
in FY2019

RM1,743.6 million in FY2018

KEY INITIATIVES AND DEVELOPMENTS

Easy, Simplified, and Fast Online Banking

- A refreshed AmOnline platform, launched in April 2018, is available via both web and mobile app (Android & iOS). The key features of AmOnline include:
 - Multi-lingual – The first online banking platform in Malaysia that is equipped with three language options (Bahasa Malaysia, English, and Mandarin);
 - Quick Apply – Customers are able to consolidate their outstanding credit card balance from other banks into their AmBank credit card, or get cash from their credit card;
 - AMY™ Virtual Assistant – Launched in October 2018 to help customers on credit card applications;
 - DuitNow – Launched in December 2018 in collaboration with PayNet to enable instant fund transfers through mobile number and national identity ("ID") card number; and
 - Wealth – Currently at the beta testing stage, preparing for regulatory approval.
- As of 31 March 2019, total AmOnline users surpassed 700,000 and is poised to reach one million by end 2019.
- As of 31 March 2019, total DuitNow ID registrations exceeded 365,000.

Business Review

RETAIL BANKING

KEY INITIATIVES AND DEVELOPMENTS

Priority Banking and Wealth Management

- Total Priority Banking customers grew 20% year-on-year (YoY) to 85,000 in FY2019, placing us among the top three local banks in Malaysia for Priority Banking; while total Mass Affluent customers went up 35% YoY to 115,000.
- We expanded our product range for wealth-savvy customers including ASNB variable-priced products, unit trusts, structured investments, direct bonds, dual currency investments, bancassurance and providing referrals for Universal Life Financing.

Catalysing SME Banking

- Launched SME Biz Property Extra – The first Credit Guarantee Corporation (“CGC”) asset-backed financing in the market offering SMEs a high margin for assets and working capital financing.
- Upcoming SME financing facility: SME Biz Start Up – a hassle-free working capital facility to support new businesses and start-ups.
- Participated in SME-focused events throughout the year:
 - SME Deposit Day @ Nationwide for SMEs to carry out business banking transactions such as payroll, current accounts, fixed deposits, over-the-counter bank guarantee, and foreign exchange.
 - SME Tea Talks @ Nationwide
 - BizCONFERENCE KL @ Nexus Bangsar South
 - Digital Forum @ Nationwide
 - Malaysia International Retail and Franchise Exhibition 2018 - SME Learning Conference 2018 @ Mines 2

Loans and Financing Growth

Mortgage

- Mortgage loans grew 11.8% YoY from RM30.5 billion to RM34.1 billion.
- As a result of greater stability in the secondary market, mortgage loan acquisition via secondary market versus primary market improved from 50% to 77% YoY in FY2019.
- Our mortgage valuation practices Risk-Based Pricing to ensure we offer appropriate rates based on the customers’ risk profile.

Credit Card Receivables

- Card spend YoY performance:
 - Overall card spend grew 17% YoY for FY2019 vs FY2018.
 - Overall online card spend grew 30% YoY.
 - Overall cross-border card spend grew 27% YoY.

KEY INITIATIVES AND DEVELOPMENTS

Loans and Financing Growth (continued)

Credit Card Receivables

- Instituted cost-efficient and effective card-based processes (i.e. Quick Apply, Balance Transfer & Quick Cash (“BTQC”) and AMY™) which helped reduce channel and contact centre servicing cost.
- ‘Balance Transfer’ and ‘Quick Cash’ features provided via AmOnline utilises propensity-based pricing to boost year-on-year sales and improved net interest income.

Customer Expansion

- We grew our key or target customer base in FY2019:
 - 19.7% YoY increase in Priority Banking customers
 - 35.2% YoY increase in True Banking (payroll) customers
 - 6.3% YoY increase in SME customers

Credit Management

Retail Debt Sale

- Successfully executed one of the biggest debt portfolio sale in Malaysia worth RM554 million.

Credit Analytics Capability

- Established a new Credit Analytics team to optimise acquisition value towards for better quality and higher ROCE segments.
- Enhanced collection productivity and monitoring via collection scorecards.
- Implemented various collection strategies and campaigns, which improved collection and recovery rate.

Credit Recovery

- Upgraded telephony (auto-dialer) and Customer Relationship Management system for more efficient payment collection and shorter turnaround time.
- Showed significant growth of around 13% in recovery numbers on ageing credit portfolio.

Fraud Management

- Successfully prevented potential fraud loss of RM207 million in 2018 by more effective detection of fraudulent applications.
- Successfully implemented INSTINCT, which significantly enhanced the bank’s fraud detection capability.

RETAIL BANKING

SUSTAINABILITY CONTRIBUTIONS

Responsible Banking

- We enhanced our customer journey through three key initiatives for AmBankers:
 - The Happy To Help Programme features service attributes of warmth, attentiveness and helpfulness. Frontline staff also underwent AmBank@BEST training to build excellent service talent. More than 1,380 AmBankers were trained.
 - A nationwide customer experience (“CX”) awareness tour entitled CX Unity Tour, kicked off in August 2018, and is on-going.
 - Customer Pain Point workshops were held, in conjunction with the CX Unity Tours. Issues identified were addressed through Six Sigma Green Belt Projects.
- To monitor customer feedback, we completed a Net Promoter Score (“NPS”) and Customer Satisfaction (“CSAT”) surveys through IPSOS. Our baseline NPS is -21 and CSAT is 60%.



CX Unity Tour

Employer of Choice

- We have a proactive program to reskill employees to enhance their contributions, called RB CARES.
- An employee portal was introduced for updated information on KPI, incentives and other performance data.
- Employee engagement focus groups are being conducted countrywide, to gather feedbacks, and improve our employee engagement scores.
- The GCEO Challenge rewards sales and service achievers with overseas trips.



Winners of AmBank MasterCard Campaign

Business Review

RETAIL BANKING

AWARDS AND RECOGNITIONS

- CGC SME Awards 2018 (CGC's Top FI Partner)
- ASNB Starz Awards 2018 – six awards including third highest number of new accounts for all ASNB products.
- AMY™ won 'Most Innovative Emerging Digital Technologies Project' for Malaysia at The Asset Triple A Digital Award in Hong Kong

KEY RISKS AND MITIGATION MEASURES

- Credit Risk – the risk of default on debt that may arise from borrower's failure to make the required payment obligations. Potential credit risk may arise from external factors including:
 - Softening residential property market with high property overhang;
 - High household debt (83.8% of GDP at 1H 2018); and
 - Softening economic growth which may have significant impact to vulnerable income groups.
- Among the risk mitigation measures executed include improved lending guidelines to focus on owner-occupied property financing; as well as GRAF and internal credit policy (ie. Debt-Service Ratio) for vulnerable income groups.
- Key initiatives in mitigating retail credit risk were:
 - Comprehensive customer portfolio review and implementation of granular scoring cut-off by segments;
 - Implementation of test programme to encourage booking of better-quality customers; and
 - Enhanced monitoring of monthly credit applications and customer profiling (portfolio performance).



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



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



ASNB Starz Awards 2018

PROSPECTS AND STRATEGY FOR FY2020

- The operating environment is expected to be challenging as consumer sentiments become more cautious. We will rely on our data science and credit analytics capabilities to better focus and target profitable and new customer segments, with relevant products.
- Key initiatives are:
 - CASA acquisition through new products and channels;
 - Building a more efficient and technology enabled Branch Footprint;
 - Embracing a High Performance Culture with a structured and sustainable programme;
 - Improving Customer Satisfaction based on drivers for Net Promoter Scores; and
 - Managing Credit Risk through credit analytics, proactive credit strategies and actions.

Business Review

BUSINESS BANKING

**Christopher Yap Huey Wen***Managing Director, Business Banking*

The Business Banking division was launched in April 2017 to focus on Malaysia's emerging small and medium-sized enterprises (SMEs), which form the backbone of the country's economy.

The creation of Business Banking is also in keeping with our national agenda and strategic initiative to nurture entrepreneurs. This will create positive spillover effects for Malaysia's economy and vision to become a fully-developed nation by 2024.

The Business Banking division comprises of two segments, namely: Enterprise Banking and Commercial Banking.

FINANCIAL PERFORMANCE

Overall Performance

TOTAL INCOME



RM322.4 million
in FY2019

RM258.7 million in FY2018

PROFIT AFTER TAX ("PAT")



RM130.3 million
in FY2019

RM84.0 million in FY2018

PERFORMANCE METRICS

➤ TOTAL LOANS

RM9,964 million in FY2019

RM7,703 million in FY2018

➤ TOTAL DEPOSITS

RM5,696 million in FY2019

RM4,203 million in FY2018

➤ BANCASSURANCE

Life Insurance

RM37.3 million in FY2019

RM5.7 million in FY2018

General Insurance

RM16.6 million in FY2019

RM14.1 million in FY2018

KEY INITIATIVES AND DEVELOPMENTS

Widening Distribution and Reach

- Business Banking continued to expand distribution channels nationwide via 27 Enterprise Business Banking Centres, and 18 Commercial Business Banking Centres. The division now employs 194 Relationship Managers serving the financial needs of business banking customers across Malaysia.
- Business Banking supports the needs of our customers by providing a wide range of products and solutions, such as Business Banking Lending, Business Wealth, Bancassurance, and Shariah-compliant SME Financing.

Digitalising Transactions and Processes

- Business Banking's online banking portal, e-AmBiz, provides secured online 24/7 internet banking service with comprehensive features to support clients' day-to-day transactions.
- AmACE, our new Loan Origination System, dramatically improves customer experience by reducing the time taken to process, offer, and disburse a loan. Thorough automation, previously separate and repetitive tasks are completed at the click of the button. AmACE also makes possible on-demand extraction of performance, efficiency and exposure data to meet users' MIS needs.

Business Review

BUSINESS BANKING

KEY INITIATIVES AND DEVELOPMENTS

Innovative Business Financing Solutions

- Through its lending programs, Business Banking is able to offer banking products with improved lending guidelines that significantly reduce turnaround time (“TAT”) and is more responsive to business customers’ needs. Total lending under these programs in FY2019 was recorded at RM4.7 billion.
- The division offers a range of schemes such as financing for business premises and equipment purchases to more complex financing that allow for a combination of capital expenditure (“CAPEX”) and working capital needs.
- Business Banking also structures more sophisticated products to cater to its larger business customers under Commercial Banking. Such products include working capital, bridging financing, contract financing and other specialised loans.
- The contract financing facilities offered by AmBank can be tailored for a specific project or contract. The financing package varies in accordance to the type of contract, such as construction, services, or supply-based projects. AmBank also provides financing for import and export transactions, particularly for businesses in the auto parts and food-related industries
- Apart from that, the bank is also the first to offer an asset-backed Credit Guarantee Corporation (“CGC”) guaranteed scheme in the market which has a high margin of up to 148.0% for SMEs’ asset and working capital loan needs.
- **Portfolio Guarantee (“PG”) Scheme**
 - The scheme provides SMEs with financing of up to RM2.5 million and financing tenure of up to seven years at a competitive interest/profit rate. As part of its proposition, the PG Scheme does not require collaterals or charge credit guarantee fees, and has a shorter TAT due to its simplified lending process. The scheme saw a total of RM149 million loans disbursed in FY2019.
 - The bank also launched a Portfolio Guarantee Scheme in collaboration with CGC specially for Proton Dealers. The scheme provides assistance to dealers who are entitled to upgrade their facilities to to 3S (sales, services and spare parts) and 4S (including body and paint) centres.
- **Shariah-compliant SME Financing Scheme 3.0**
 - The Bank is also exploring to participate in the Shariah-compliant SME Financing Scheme 3.0 which gives priority to SMEs involved in exporting halal products as announced in the Budget 2019. Total fund allocation is RM1.0 billion with profit rate subsidy of 2% by the Government that is to be enjoyed by eligible SMEs. Based on 19 participating financial institutions, each institution will be allocated an initial limit of RM52.6 million.

Business Wealth

- Business Banking has a dedicated team of Relationship Managers (“RMs”) that focus specifically on helping businesses manage their wealth. RMs are committed to tailoring the right solutions to help business clients meet their financial goals and objectives.
- The Business Wealth team saw total deposits of RM817 million in FY2019.

Business Bancassurance

- To achieve a holistic level of offerings, Business Banking offers solutions that help customers protect their business from financial damages resulting from unforeseen events.
- Bancassurance solutions include Reducing Team Assurance (“RTA”), Level Term Assurance (“LTA”), and Level Term Assurance with Refund of Premium (“ROP”).
- The Business Banking Bancassurance Unit has closed a total of 4,395 number of cases for both life insurance and general insurance with a total premium of RM53.82 million to-date.

Business Review

BUSINESS BANKING

SUSTAINABILITY CONTRIBUTIONS

Positive Societal Impact

Accelerating Entrepreneurial Development

• AmBank BizCLUB

- The AmBank BizCLUB is a business community platform that aims to help SMEs scale their business, go international, and reduce rate of failure.
- Three main activities of AmBank BizCLUB include:
 - > A series of conferences (AmBank BizCONFERENCES),
 - > A business competition (AmBank BizRACE); and
 - > Exclusive sharing sessions with well-known entrepreneurs and experts from various fields and industries.

• AmBank BizCONFERENCES 2018

- Garnering a host of business owners from all industries, five AmBank BizCONFERENCES were held in FY2019, in conjunction with the launch of AmBank BizRACE Season 2. The conferences in FY2019 took place in Kuala Lumpur, Klang, Penang, Malacca and Johor Bahru. Its panelists included successful business owners who spoke about their own journey to success, as well as sharings from the top three winners of AmBank BizRACE season 1.

• AmBank BizRACE Season 2

- The eight-month long AmBank BizRACE Season 2 programme ended in April 2019 where five high potential SMEs made it to the finale and three winners were chosen.
- The three winners were announced during an Awards Night ceremony held in Sheraton Hotel, Petaling Jaya
 - > AmBank Business of the Year 2019 went to PTT Outdoor, a retailer in outdoor gear and adventure trips
 - > AMS metal, a wholesale trader was the first runner-up; and
 - > Ticket2U, an online ticketing platform was second runner-up.
- The programme generated close to 1,000 entries and RM5.7 million in media exposure value.
- The second season of AmBank BizRACE provided opportunity for Malaysian business owners to learn from seasoned entrepreneurs, such as Dato' Cheah See Yeong from Baskin Robbins Malaysia, Mr. Chiau Haw Choon from Chin Hin Group, who is also EY's Entrepreneur of the Year (Malaysia), and Mr. Teh Swee Chye from Malayan Flour Mills.
- Other judges include Christopher Yap Huey Wen, Managing Director of Business Banking; Datuk Kamal Khalid, Group MD of Media Prima; and the senior management of AmBank BizRACE partners – UTM-Azman Hashim International Business School, Microsoft and MasterCard.
- AmBank Group decided to up the ante in season two by extending the development programme to the top 100 participating SMEs, instead of the top 15 in season one.
- In partnership with UTM-AHIBS, the top 100 SME participants attended a two-day training consisting of a business simulation programme centered around Strategic Talent Management, and another day involving an immersive experiential programme designed to help leaders develop critical thinking skills as well as build trust in their organisation.
- The top 30 SME participants that made it to next round, attended a four-day development programme that targeted four specific business areas – culture, innovation, process, and leadership.
- Besides entrepreneur-focused prizes, business owners also stood a chance to gain exposure across various mediums including TV, print, radio and digital channels, made possible by AmBank Group's partnership with Media Prima.



AMS Metal Group, AmBank BizRACE First Runner Up 2019



Cloudhax (Ticket2U), AmBank BizRACE Second Runner Up 2019

Business Review

BUSINESS BANKING

AWARDS AND RECOGNITIONS

- Best SME Bank Malaysia 2018 by Global Banking and Finance Magazine
- Top Financial Institution (FI) Partner Award for Commercial category by Credit Guarantee Corporation Malaysia
- Top Financial Institution (FI) Partner Award for the Bumiputera category by Credit Guarantee Corporation Malaysia

KEY RISKS AND MITIGATION MEASURES

- Credit risk - the risk of default on debt that may arise from borrower's failure to make the required payment obligations. Potential credit risk may arise from external factors including the softening economic growth which may impact businesses that do not have the financial capacity to maintain their cashflow position.
- We have issued the Non-Retail Credit Risk policy which sets out high-level credit principles to ensure that the non-retail segment of AmBank Group practises a consistent approach in managing credits while our GRAF is reviewed semi-annually to ensure our controls commensurate both the market conditions and business strategy.
- We have also implemented portfolio management tools, including the implementation of Phase 1 and Phase 2 of the Behavioral Early Warning Trigger system and our MIS reporting has been enhanced to allow for identification of portfolio trends for more proactive credit management.
- Portfolio management approach for small ticket size borrowers is applied, making use of early warning tools, collection management and MIS.
- Close monitoring on vulnerable borrowers is carried out.
- There is continued focus to drive an effective risk culture in Business Banking, especially with the planned migration to the FIRB approach.

PROSPECTS AND STRATEGY FOR FY2020

- Forge new mutually beneficial partnerships, aligned with the Group's Top 4 Strategy.
- While focusing on high yield products, increase flow-through for advisory business such as FX Bancassurance and others.
- Optimise Business Centre Network into new high potential areas, and improve the use of existing resources.
- Improve operational efficiency with AmACE and early warning tools.
- Magnify impact by clearly identifying targeted sectors, and deploying the specific value propositions to suit their needs.



PTT Outdoor (Malaysia) winner of AmBank Business of the Year 2019 Award



Business Review

ISLAMIC BANKING



Eqhwan Mokhzanee Muhammad
Chief Executive Officer, AmBank Islamic Berhad

AmBank Group offers Islamic banking, Islamic fund management, family takaful and Islamic capital market solutions to our customers.

AmBank Islamic Berhad is the primary Islamic banking arm of AmBank Group and offers a comprehensive range of Shariah-compliant retail and non-retail banking products and services, including investment, treasury, and trade solutions. Our primary role as a credit intermediary is complemented by an investment intermediary role, both of which are anchored by our value-based intermediation (“VBI”) aspiration. This is an integral strategy to catalyse our journey towards becoming a purpose-based organisation, whilst being mindful of financial returns to our shareholder.

AmIslamic Funds Management Sdn Bhd provides Islamic fund management solutions, whilst family takaful products are offered by AmMetLife Takaful Berhad.

FINANCIAL PERFORMANCE

Overall Performance

TOTAL INCOME



RM820.1 million
in FY2019

RM785.9 million in FY2018

PROFIT AFTER TAX AND ZAKAT (“PATZ”)



RM311.8 million
in FY2019

RM239.1 million in FY2018

PERFORMANCE METRICS



COST-TO-INCOME (“CTI”) RATIO

38.7% in FY2019
53.7% in FY2018



GROSS FINANCING

RM29.3 billion
in FY2019
RM28 billion in FY2018



GROSS IMPAIRED FINANCING (“GIF”) RATIO

1.95% in FY2019
2.08% in FY2018



CASA RATIO

28.8% in FY2019
26% in FY2018

KEY INITIATIVES & DEVELOPMENTS

Driving Sustainable and Profitable Growth

Targeted and Diversified Growth

- Whilst auto financing used to be AmBank Islamic’s primary income driver, AmBank Islamic’s current strategy is to grow the auto financing portfolio in a selective manner.
- The strategy of offering auto financing and mortgages to selected segments, coupled with the distribution of Islamic unit trusts and bancatakaful products, have diversified and further improved our earnings.
- We have also introduced new products such as AmMoney Line-i (MTQ) and will writing service, which broadened our range of value-added offerings.
- One of our other key earnings drivers was term financing-i for investment in Amanah Saham Bumiputera (“ASB”), which grew to almost RM1.5 billion during the financial year.
- AmBank Islamic continued to strengthen its investment intermediation role, as manifested by the growth of its term investment account-i (“TIA-i”) from RM118.6 million (as at 31 March 2018) to RM334.8 million (as at 31 March 2019). The TIA-i provides an avenue to our customers to earn higher returns by deploying their funds to invest in Shariah-compliant assets.

Penetrating the SME Sector

- In line with our VBI aspiration, AmBank Islamic continued to make headways in the SME sector through our Enterprise Financing Programme, amongst other programmes. The programme enabled AmBank Islamic to offer banking products with pre-determined criteria to significantly reduce turnaround time to improve responsiveness to SMEs’ needs. The offerings ranged from simple financing requirements for business premise and equipment purchase, to more complex structures, which may combine capital expenditure and working capital requirements.

Business Review

ISLAMIC BANKING

KEY INITIATIVES AND DEVELOPMENTS

Penetrating the SME Sector (continued)

- We were also one of the participating banks in the imSME Business Financing/Loan Referral Platform managed by Credit Guarantee Corporation Malaysia Berhad ("CGC"). imSME is the first online referral platform in Malaysia that is available 24/7 for SMEs to search for financial solutions offered by participating banks.
- We also participated in the 'Shariah-compliant SME Financing Scheme', whereby eligible SMEs may receive a two per cent profit expense rebate from SME Corporation.
- As at 31 March 2019, total financing to the SME sector stood at RM5.8 billion, or approximately 20% of our financing book.

Niche Sectors for Islamic Banking

- AmBank Islamic continued to lead Group-wide initiatives to move into sectors which typically gravitate towards Islamic banking, such as public bodies and educational institutions.
- We offered JomPAY solutions to public bodies and educational institutions as an additional collection channel to provide added convenience, accessibility and flexibility for online payments.
- Amongst others, we partnered with three public universities, a zakat collection centre and three mosques in Johor Bahru under the Waqaf An-Nur programme. We also partnered with Pejabat Tanah and Galian Negeri Perak.

Liquidity Resilience

- To grow 'sticky' and cost-effective deposits, we offered collection solutions via various channels, such as JomPAY. We also enhanced our payroll services and increased our share of wallet with our SME and mid-sized corporate customers to boost our deposit base.
- Cross-selling of CASA with financing products was an integral part of the strategy.
- The success of AmBank Islamic's deposit strategies resulted in an increase in deposits by 17.5%, on the back of CASA growth of 30.3%, resulting in AmBank Islamic's CASA ratio to improve to 28.8% in FY2019.

Capital Management

- Given that capital is scarce, AmBank Islamic is cognisant of the returns on capital employed to ensure accretive growth.
- We also monitored the utilisation rates of facilities extended to ensure optimum utilisation by our customers.
- AmBank Islamic completed the sale of certain written-off retail debt to Aiqon Islamic Sdn Bhd on 5 March 2019, and the net gain from the sale had improved AmBank Islamic's capital position. Furthermore, resources which would otherwise be utilised to recover the written-off debt, could be redeployed to prevent asset quality deterioration.
- After deduction of proposed dividend, AmBank Islamic's total capital ratio stood at 16.3%, while both common equity tier 1 and Tier 1 capital ratios stood at 11.1% (as at 31 March 2019).

Reinforce Malaysia's Position as an Islamic Finance Hub

- We are committed to strengthen Malaysia's position as an international financial centre for Islamic finance.

Promote Cross-Border Trade

- Our participation in cross-border trade is via the provision of trade finance facilities to our customers.
- Our target sectors were plantation, refinery, manufacturing, service providers and trading.
- Our trade finance portfolio grew from RM2.8 billion in FY2018 to RM3.7 billion in FY2019.

Foreign Currency Products to Support Cross-Border Trade

- We launched the following foreign currency products in FY2019:
 - Foreign Currency Current Account-i (MTQ)
 - Foreign Currency Revolving Credit-i (MTQ)
 - Foreign Currency Term Financing-i (MTQ)

Supported Events to Promote Islamic Finance

- AmBank Islamic was a member of the Organising Committee and Chairman of the Sub-Committee for Theme, Agenda and Speakers for the Global Islamic Finance Forum 2018 ("GIFF 2018").
- We provided sponsorships to and/or participated in finance-related events such as:
 - Kuala Lumpur Islamic Finance Forum 2019
 - Symposium on Islamic Finance
 - Penang International Halal Expo and Conference 2019
 - GIFF 2018
 - Karnival Kewangan, Terengganu
 - Karnival Kewangan, Sarawak
- We participated as a speaker at events such as:
 - IFN Investor Conference 2018
 - Future Retail Banking Summit 2019

Talent Development

- Besides building our own human resource capacity for our business, we also played a part towards the development of the industry's talent pool by providing internship placements for students from local educational establishments.
- We also contributed industry expertise to educational institutions as:
 - Member of the Industry Advisory Panel of Azman Hashim International Business School, University Technology Malaysia ("UTM")
 - Professor of Practice, The International Centre for Education in Islamic Finance ("INCEIF")

ISLAMIC BANKING

SUSTAINABILITY CONTRIBUTIONS

Responsible Banking

Value-based Intermediation (“VBI”) for Financial Inclusion and Responsible Financing

- VBI is a BNM-led initiative which is expected to be a game-changer to drive Malaysia’s Islamic finance industry to the next level, by giving equal importance to social and environmental considerations for sustainable value creation.
- The industry-level collaboration articulates strategies to promote the application of VBI practices, to lead to an improved suite of products and services offered by the Islamic banking industry for better facilitation of entrepreneurship, community wellbeing, sustainable environment and economic growth, without compromising shareholders’ returns.
- The implementation of VBI practices is very much aligned with shareholders’ focus on sustainable returns.
- While VBI shares similarities with concepts such as Ethical Finance, Environmental, Social and Governance (“ESG”) and Sustainable and Responsible Investment (“SRI”), some of the key distinguishing features are the:
 - Central position of Shariah in determining the underlying values, moral compass, and priorities of the Islamic financial institution;
 - Focus on the real economy; and
 - Embedment of networking and upskilling aspects.
- VBI would benefit the following:
 - Financial Industry – Greater innovation, as well as enhanced efficiency and effectiveness of the Islamic financial ecosystem;
 - Customers and community – Improved standard of living with fair and transparent treatment for all customers;
 - The Government of Malaysia – Realignment of the banking industry’s focus towards national agenda; and
 - Malaysian regulators (e.g. BNM) – Strengthened financial sector stability.
- In support of this vision, AmBank Islamic is a member of BNM-led Community of Practitioners for VBI.
- VBI is part of AmBank Group’s sustainability agenda and is an integral part of AmBank Group’s journey towards becoming a responsible lender/financier.
- AmBank Islamic has appeared on radio and business publications, and participated in events, to promote VBI.
- Whilst VBI encapsulates inter alia all of AmBank Group’s material sustainability matters, the VBI aspiration is driven primarily from the lens of:
 - Financial Inclusion; and
 - Responsible Lending/Financing.
- We have put in motion several initiatives in our quest to integrate VBI characteristics into our business, which include our focus on and foray into the following sectors:
 - SMEs
 - Start-up businesses
 - Affordable homes
 - Green

SUSTAINABILITY CONTRIBUTIONS

Responsible Banking

Value-based Intermediation (“VBI”) for Financial Inclusion and Responsible Financing (continued)

- In regard to Financial Inclusion, VBI has been put into practice through:
 - AmBank Islamic’s sectoral focus to grow in the SME sector by increasing the accessibility of banking solutions which are suitable to customers’ needs and financial capability;
 - The AmBank BizCLUB and AmBank BizRACE continue to be AmBank Group’s platform to support SMEs to network and provide them with the necessary tools to move forward and scale up their businesses;
 - We have broadened our offerings to start-up businesses under our SME Biz Start-up-i Scheme, a Shariah-compliant financing scheme in partnership with CGC; and
 - We are one of the participating banks in BNM’s Fund for Affordable Homes, in support of the government’s efforts to help the lower income group in the country to own a home.
- As regards to Responsible Financing, the Bank’s:
 - Non-retail credit policy articulates the need to consider VBI as part of the credit evaluation;
 - Credit memorandum for credit applications in wholesale banking includes a section for commentaries on the environmental aspects of the credit application; and
 - Product development process has been improved to consider environmental aspects.

Positive Societal Impact

Business Zakat FY2019

- Total business zakat amount declared was RM1.9 million, out of which RM479,000 have been paid to the respective state zakat collection centres. Identified eligible recipients for the balance of RM1.4 million comprised of associations, charitable organisations, and Yayasan Pelajaran Mara (“YPM”) for the on-going Student Adoption Programme.

Employer of Choice

Human Capital Development

- Our capacity building initiatives for Islamic banking entailed the establishment of a systematic training programme, which includes:
 - Mandatory Islamic banking 101 e-learning course;
 - Instructor-led training with modules that are tailored to ensure that the specific requirements of the business units are met; and
 - Nationwide engagements with relationship managers and Islamic banking champions in all AmBank Group branches.
- These are critical to ensure the sustainability of AmBank Islamic’s business and operations.
- AmBank Group has established the Leadership Enhancement and Acceleration Programme (“LEAP”) for the Group’s top-tier talent development. The curriculum for LEAP includes project-based assignments, one of which is being sponsored by AmBank Islamic. The assignment is premised upon the principles of VBI and the talents were provided with opportunities to be involved in implementing some of the initiatives identified under the VBI aspiration.

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ISLAMIC BANKING

SUSTAINABILITY CONTRIBUTIONS

Employer of Choice

Employee Engagement

- Continuous employee engagement is our commitment in AmBank Islamic.
- “The Voice” was formed to champion employee engagement initiatives comprising representatives of employees from various levels and departments.
- “The Voice” worked closely with Group Human Resources to organise employee engagement activities. These engagement activities were consistent with the organisation’s values and in response to feedback provided by the employees.
- A job rotation programme was successfully launched to provide opportunities for AmBank Islamic employees to acquire new exposures in different areas.
- In the recent “Q12 Engagement Survey” carried-out by AmBank Group, the participation rate from AmBank Islamic employees was 100% and AmBank Islamic obtained the highest engagement score in AmBank Group.

KEY RISKS AND MITIGATION MEASURES

- **Credit Risk** – the risk of loss resulting from non-payment of facilities extended to customers.
 - Credit risk is mitigated by managing asset quality via prudent credit underwriting standards and proactive collection strategies.
 - We would also proactively engage major underperforming customers to avoid impairment.
- **Operational Risk** – the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events, which include, but not limited to legal risk, technology risk and outsourcing risk.
 - We maintain a control environment, which encompasses a set of standards, processes, policies and structures that provide the basis for carrying out internal controls across the organisation.
 - The Operational Risk Appetite is established as part of the overall Group Risk Appetite Framework (“GRAF”), which sets acceptable tolerance level of operational risk we are willing to take and accept.
 - We identify, measure, assess, monitor, control and report operational risks in a consistent manner via operational risk management tools. The evaluation and monitoring of the effectiveness of the control activities at the business units is conducted periodically to ensure effective oversight of business/functional activities at all operating levels.
- **Market Risk** – the risk of loss due to adverse changes in the level or volatility of market rates, such as profit rates, equity prices, foreign exchange rates and commodity prices. It affects AmBank Islamic via:
 - i. Earnings – where market movements may affect the Bank’s earnings due to unrealised or realised losses; and

KEY RISKS AND MITIGATION MEASURES

- ii. Economics – where the economic or balance sheet value of the Bank’s assets and liabilities may be affected by changes in market rates.
 - Guidelines, practice guides and/or methodologies are emplaced to address market risk issues that may arise in each business.
 - In managing market risk, risk controls on market and liquidity risks via GRAF are established.
 - Stress testing is also conducted on a periodic basis with the objective to identify possible events or future changes in financial and economic conditions that could have unfavourable effects on the market or liquidity risk exposure including assessing the ability to withstand changes in relation to the capacity of the capital and earnings to absorb potential significant losses.
- **Cyber Risk** – the risk of loss of data and income arising from cyber-attack, as well as the costs incurred to remedy the situation. The scenario of such losses could be from Distributed Denial of Service (“DDOS”) attack, data leakage/theft, electronic payment interception and ransomware. Cyber risk is a type of technology risk that refers to threats or vulnerabilities emanating from connectivity to external networks or the internet on internal technology infrastructure.
 - The Cyber Resilience Policy is established to manage security with a multi-layered approach that encompasses people, processes, and technology, as well as facilitates and builds our ability to anticipate, withstand, contain and promptly recover from cyber-attacks and events that disrupt usual business operations and services.
 - A Security Incident Response Team is established with specific roles and responsibilities to identify, protect, detect, respond and recover from any cyber risk incident.
- **Shariah Risk** – the risk arising from failure to comply with the Shariah rules and principles (Shariah non-compliance or “SNC”).
 - AmBank Islamic adopted the Shariah Governance Framework (“SGF”) issued by BNM by inter alia having the four key Shariah functions. The Shariah Research & Advisory (including Shariah Legal), Shariah Risk Management, and Shariah Review functions act as the second line of defence, whilst the Shariah Audit function, which is part of the Group Internal Audit Department, acts as the third line of defence.
 - The Bank has also put in place the necessary guidance, governance, policies and controls to manage SNC risk.
 - By having this practice in place, the Bank is able to identify, monitor, and mitigate Shariah risks.

ISLAMIC BANKING

PROSPECTS AND STRATEGY FOR FY2020

Sustainable and Profitable Growth

- Over the last couple of years, AmBank Islamic had embarked on a revised strategy by growing its auto financing and mortgage portfolios in a selective manner, and focusing on profitable growth for its non-retail portfolio.
- We also introduced a number of new products and services to diversify our earnings drivers. These have resulted in a marked improvement in AmBank Islamic's underlying business as manifested through:
 - Growth in total income, financing, deposits, and PATZ;
 - Composition of fee-based income;
 - Asset and depositor concentration profile;
 - Net funded margin; and
 - Customer base.
- AmBank Islamic is now poised to harness opportunities in the Islamic banking space to further serve niche sectors. This would provide opportunities for the distribution of Islamic wealth management and bancatakaful products, and term financing-i for investment in ASB.
- These initiatives would be underpinned by strategies to procure low-cost deposits via new CASA propositions, cash management solutions, payroll, merchant acquisition, and utilisation of online channels.
- In line with our VBI aspiration, AmBank Islamic will continue to emphasise on the SME sector. Leveraging on strategic partnerships and upskilling initiatives such as the AmBank BizCLUB and AmBank BizRACE, would position us as the preferred bank among the SMEs. The SME sector would also provide the opportunity to cross-sell products such as key man takaful and deposits.
- We would continue to focus on trade and mid-sized corporate customers to increase the share of higher margin credit and deposits, and boost fee-based income.
- Managing asset quality via prudent credit underwriting standards and proactive collection strategies will continue to be our focus. This will complement our capital management strategies, which are key to drive our business in a sustainable manner.

Value-based Intermediation ("VBI")

- VBI's universal values in respect of being responsible towards the environment, economy, and society shall form an integral part of AmBank Group's financial inclusion and responsible lending/financing agenda.
- For AmBank Islamic specifically, our VBI journey will continue to be primarily manifested as follows:
 - In the Financial Inclusion space:
 - We will leverage on our recently launched SME Biz Start-up-i Scheme, a Shariah-compliant financing scheme for businesses with minimal track record. Based on the performance of the scheme, we will incorporate further refinements to promote financial inclusion for start-up businesses.
 - To diversify our offering to the SME sector, we are exploring to participate in the Shariah-compliant SME Financing Scheme 3.0, which gives priority to SMEs involved in exporting halal products, as announced in the Budget 2019.
 - We are exploring to develop a platform to support SMEs to upskill themselves, particularly for sectors which are synergistic with Islamic banking.
 - In the Responsible Financing space:
 - We intend to tap into the green financing sector to support the nation's renewable energy targets. We will also be exploring to participate in the Green Technology Financing Scheme 2.0, which was announced in the Budget 2019.
 - AmBank Islamic is spearheading AmBank Group's efforts to incorporate environmental and social considerations into the credit process in its quest to become a responsible lender/financier. Once the BNM VBI Financing and Investment Impact Assessment Framework is finalised, AmBank Group would explore embedding some areas of the framework into its credit processes.
- Moving forward, we are confident that value-based considerations will deliver the intended outcomes of Shariah to generate positive and sustainable impacts to the economy, community and environment, consistent with sustainable returns for shareholders' and our long-term interests.

Capacity Building

- We will continue to promote capacity building in order to develop the right skillsets, optimal level of resources, and ensure proper succession. To ensure the sustainability of our business and operations, our training plan entails systematic and targeted training for Board members, Shariah Committee members, management, and staff of AmBank Group who are involved in the Islamic banking business.
- AmBank Islamic is keen to contribute towards raising the professional standards of the Islamic finance industry in Malaysia by creating a workforce which ascribes to high standards of professional conduct, knowledge, and competence to continue building customer trust and confidence in the Islamic finance industry, through inter alia the Certified Shariah Advisor, Certified Shariah Practitioner, and Chartered Professional in Islamic Finance programmes.

Business Review

GENERAL INSURANCE



Derek Llewellyn Roberts

Chief Executive Officer, AmGeneral Insurance Berhad

Our General Insurance division, operating under AmGeneral Insurance, has over 2 million customers and over 4 million policies – making us one of the largest Motor and General Insurance providers in the country.

Our products are distributed under two trusted and well-established brands – Kurnia and AmAssurance. We generate growth through continuous improvement in our comprehensive range of general insurance solutions, distributed through a network of 33 Kurnia and AmAssurance counters and branches, more than 6,500 agents and dealers, and AmBank’s 170 nationwide branches.

FINANCIAL PERFORMANCE

Overall Performance

GROSS WRITTEN PREMIUM



RM1,473.9 million in FY2018

PROFIT AFTER TAX (“PAT”)



RM255.5 million in FY2018

KEY INITIATIVES AND DEVELOPMENTS

Maintaining Market Leading Position in Motor and General Insurance

- Throughout 2018, AmGeneral is the forerunner in the Malaysian Motor insurance market, ranked at second position with a 14.55% gross market share as of December 2018. AmGeneral is also the third largest general insurer in Malaysia by Gross Written Premium (“GWP”) with an 8.59% market share.

Leading the Market with Better Coverage and Value-Driven Products

- AmGeneral remained competitive and aggressive in the Liberalised environment by releasing a string of new and enhanced products throughout the year. In conjunction with the first Anniversary of Liberalisation on July 2018, AmGeneral launched its new and improved liberalised ‘Better365’ Motor and Fire products, catered to the increasing market demands.
- The launch was officiated by Chief Executive Officer, Derek Roberts, together with Chief Distribution Officer, Grace Quah, and Chief Underwriting Officer, Simon Herbert in the presence of AmGeneral Senior management team, AmGeneral employees, agents, partners and members of the media. A one-month roadshow campaign to 51 selected Kurnia agents’ offices was conducted to promote these newly launched products.



The launch of new and improved liberalised ‘Better365’ Motor and Fire products

Business Review

GENERAL INSURANCE

KEY INITIATIVES AND DEVELOPMENTS

Introducing More Innovative and Distinctive Products

- AmGeneral took the opportunity to embrace this ever changing industry by packing our products with better coverage and better value, focused on delivering products that are different from the standard tariff products whilst providing significant value to customers for the Motor and Non Motor segments.
- Motor:
 - **Corporate Motor**
 - > a risk-based pricing approach for comprehensive motor insurance offered only to corporate clients
 - **Auto365 Comprehensive Premier**
 - > an upgrade to the highly successful Motor product which was originally launched in October 2017, currently contributing 38% of total Motor portfolio in AmGeneral
 - **Auto365 Comprehensive Motor (Franchise)**
 - > exclusive product developed for our franchise partners
 - **Auto365 Third Party Fire & Theft ("TPFT") Premier**
 - > a differentiated Motor product that fills the gaps between the standard Third Party Fire & Theft and standard Comprehensive Motor
- Non-Motor:
 - **Fire365**
 - > a new liberalised Fire product which provides a limited number of additional covers from the standard tariff coverage
 - **Right Cover Personal Accident ("PA")**
 - > a low-cost Personal Accident product for the masses
 - **Right Cover PLUS Personal Accident**
 - > a mid-range Personal Accident product with market leading unique covers and benefits
 - **E-hailing** optional add-on for both Comprehensive Standard and Comprehensive Premier products
 - > providing customers who are using their vehicles for E-hailing purposes with necessary add-on cover
 - **Enhanced All Risks 365**
 - > enhanced product with sharper pricing and additional coverage and options
 - **M&E365 (Machinery & Equipment 365 All Risks)**
 - > targeted at customers with machinery and equipment assets who require an All Risks cover with competitive pricing

KEY INITIATIVES AND DEVELOPMENTS

Putting Our Customers First

- AmGeneral's priorities has always been to put our customers first by providing a strong customer experience and ensure customer satisfaction in all areas of our operations from confirming a policy to renewing or making a claim. Some of our customer-centric initiatives include:
 - **Kurnia and AmAssurance One Touch App** – customers are able to request for immediate accident and roadside assistance, submit claim information, and connect with their preferred agent.
 - **Kurnia Auto Assist Services** – an exclusive 24-hour roadside assistance to help customers in the event of a vehicle break down or an accident.
 - **Fast Claims Approval Turnaround Time** – provide the best turnaround in the industry with an average claims approval of six days.
 - **Express Claims Services** – ensure smooth and speedy motor claims settlement, with significant savings in time and cost.
 - **Specialist Windscreen Repairers** – we fix or repair customers' windscreen in a matter of hours, with no upfront payment and a two-year guarantee on workmanship.
 - **Multi-channel Renewal Reminders** – we provide quick and easy insurance renewal for our customers.

These customer-centric initiatives contributed to a significant increase in AmGeneral's Net Promoter Score ("NPS") by 60% as of March 2019, compared to the same period last year.

Creating Product Awareness Among AmBank Customers

- **In mid-July 2018, the second phase of 'AmAssurance on Tour' truck that was first introduced in February 2017, was launched at Bangunan AmBank Group in Kuala Lumpur.** The three-month roadshow aimed to create brand visibility and public awareness on AmGeneral products offered at AmBank branches.
- The truck traversed to 80 selected AmBank branches in Peninsular Malaysia to share AmGeneral's product offerings with AmBank customers, such as our auto365 Comprehensive Premier, AmDrive Plus, and AmPro PA Plus. There were also fun-filled activities arranged for clients who dropped by our 'AmAssurance on Tour' truck.

Business Review

GENERAL INSURANCE

KEY INITIATIVES AND DEVELOPMENTS

Digitalising Products and Customer Engagement

- Through our brand, Kurnia Insurans (Kurnia), AmGeneral recognises the importance of embracing digital technology and began providing digital solutions for our customers.
- Kurnia launched **'Home Safe Campaign'** on 11 May 2018, a social media engagement campaign held in partnership with Paramount Property and Build Easy, which used virtual reality ("VR") to identify home hazards.
- Home Safe Engagement Campaign achieved a total of 4 million impressions and reached an audience of 3 million individuals.
- To speed up AmGeneral's digital penetration, **Self-Serve Insurance Kiosks** were deployed at over seven AmGeneral branches nationwide, two AmBank branches and one Kurnia agent's office.
- Leveraging on AmBank's online banking platform, **AmOnline**, customers can now purchase or renew their motor insurance and road tax at the click of a button via the AmOnline website and mobile app.
- On 15 August 2018, Kurnia inked a **digital partnership with local insurance startup GITOGO**.
- Through the partnership, AmGeneral is able to offer Kurnia Personal Accident (PA) policies with better coverage and value to our clients via GITOGO. The partnership signifies another step for AmGeneral in providing more digital solutions to our clients, whilst empowering our agents and local entrepreneurs to further capture the digital space.

SUSTAINABILITY CONTRIBUTIONS

Positive Societal Impact

Inculcating Road Safety Among the Young

- Kurnia organised a pilot Corporate Social Responsibility ("CSR") Programme called **'Adiwira Topi Keledar'**, carrying the theme 'Hero yang Selamat adalah Hero yang Hebat!' at 30 selected primary schools in Klang Valley, Selangor; Johor Bharu, Johor; and Kota Bharu, Kelantan, in March 2019. Through this programme, 1,800 limited edition helmets were given away to primary school students to promote road safety and good road behavior. The main message delivered was the importance of wearing motorcycle helmet while on the road.
- We kick-started the programme with a colouring contest where students from participating schools were given the opportunity to express their creativity by designing their own helmets. The colouring contest received entries from over 20,000 students. A prize-giving ceremony was held in April 2019 where the three finalists and their respective schools were awarded with prizes. The winning designs were adapted to produce special edition helmets to be distributed to the students of these schools.
- The CSR Programme is aligned with AmGeneral Insurance's purpose, which is - "Together We Help Make Our Malaysia a Safer Place with Great Insurance Solutions". The campaign was co-organised with 'MyPerintis' as our partner to work with the Ministry of Education and the Education District Offices to reach out to the targeted primary schools.
- AmGeneral is set to roll out phase two of 'Adiwira Topi Keledar' campaign due to encouraging response from our partners with strong support from the Ministry of Education, the District Education Offices, teachers, and parents.



AmGeneral Insurance links up with startup GITOGO



CSR Programme 'Adwira Topi Keledar'

Business Review

GENERAL INSURANCE

AWARDS AND RECOGNITIONS

- Won the **'OSH Best Practices Award'** at the AmBank OSH Seminar held on 3 July 2018 for obtaining the highest rating in the OSH Audit and Inspection among AmBank Group entities.
- Awarded **Bronze for 'Excellence in Branding Strategy'** for Kurnia's auto365 marketing campaign at A+M's Marketing Excellence Awards held at Sheraton Imperial KL on 19 October 2018. AmGeneral's winning submission "Navigating in a New Insurance Landscape" was evaluated and judged by esteemed industry leaders and senior marketers. Through our 'Better365' range of liberalised products, AmGeneral strives to establish our brand as the preferred insurer with strategic and insightful branding and marketing plans.



KEY RISKS AND MITIGATION MEASURES

- Insurance Risk – AmGeneral principally issues the following types of general insurance contracts: Motor, Household and Commercial Fire, Business Interruption, Personal Accident, Extended Warranty and other Miscellaneous commercial contracts. Risks under these contracts usually cover a twelve-month duration other than Contractors' All Risk & Engineering and Extended Warranty which may be extended for more than a year. For general insurance contracts, the most significant risk arises from the frequency and severity of the claims experience. These risks vary significantly in relation to the location of risk, type of risk insured and industry.
- The above risks are mitigated by diversification across a large portfolio of insurance contracts. The volatility of risks is mitigated by implementation of underwriting strategies and claims management policies which attempt to minimise risks while at the same time encouraging reduction in the time taken to settle claims.
- AmGeneral limits its exposure to risk via various reinsurance arrangements. Also claims exposure is limited to individual contracts and loss events basis such as floods and fires, as well as accidents involving multiple insureds.
- Underwriting, Pricing & Product ("UPPCo") has been established to ensure that underwriting, pricing and product review and development is well managed and governed.

Risk Management Framework for FY2020

- AmGeneral's Enterprise Risk Management Framework is focused on embedding effective risk mitigation mechanisms and risk disciplines within the Company to manage risks within the Board-approved and risk appetites while protecting it from uncertainties and threats, thus enabling the achievements of its business objectives.
- The objectives in managing risks are essential to sustain the Company's business in order to:
 - Protect the investment of the Company's shareholder
 - Create value for the Company's shareholder
 - Fulfil its obligation to the Company's customers and other stakeholders
 - Prepare the Company's resilience to face expected and unexpected events
 - Support the Company's objectives and the achievement of its long term strategic intent
 - Instil confidence in customers, shareholders and other stakeholders on the Company's financial strength, capability and reliability

PROSPECTS AND STRATEGY FOR FY2020

- AmGeneral's enhanced strategic goals will be delivered via a series of innovative programmes that leverage on existing and recently deployed foundational capabilities.
- Our three-year FY2019-2021 key focus areas are:
 - Drive Motor growth and profit across all distribution channels
 - Balance up the Non Motor portfolio to include more innovative products
 - Offer market leading customer and agent servicing
 - Develop stronger internal capabilities within the business

Business Review

LIFE INSURANCE



Ramzi Albert Toubassy

Chief Executive Officer, AmMetLife Insurance Berhad

Our Life Insurance division operates under AmMetLife Insurance Berhad (AmMetLife), a joint venture between AmBank Group and MetLife International Holdings, Inc. The partnership merges MetLife’s financial strength and global expertise with the local reach of AmBank Group to deliver value-centric and tailored wealth protection solutions.

AmMetLife serves one million policyholders in Malaysia and is fully supported by AmBank Group’s extensive distribution channel of almost 200 AmBank and AmMetLife branches across the country.

FINANCIAL PERFORMANCE

Overall Performance

TOTAL INCOME

RM198 million
in FY2019

RM137.0 million in FY2018

PROFIT AFTER TAX AND MINORITY INTERESTS (“PATMI”)

RM35 million
in FY2019

(RM1.5 million) in FY2018

PERFORMANCE METRICS

➤ NEW BUSINESS ANNUAL PREMIUM EQUIVALENT CAGR

RM151.5 million
in FY2019

RM132.9 million in FY2018

➤ MANAGEMENT EXPENSE RATIO

26.8%
in FY2019

30.1% in FY2018

KEY INITIATIVES AND DEVELOPMENTS

Improving Business Performance through Better Partnership

- AmMetLife recorded a new Business Annual Premium Equivalent growth of 14% and a Gross Written Premium growth of 13% in FY2019, attributed to revenue contribution from our strong Bancassurance partnership and Employee Benefits distribution channel.
- We also accelerated the development of our Bancassurance Specialist team and launched ‘Protect Value’ to provide crucial protection with cancer-care benefits in April 2018. This has led to a doubling of New Business Premium for our Bancassurance Specialists business sub-channel.

Enhancing Life Insurance Product Features

- Launched HCC BoostUp Rider, a first of its kind medical plan in Malaysia that covers genomic testing after a patient is diagnosed with cancer. The HCC BoostUp Rider is an investment-linked unit deducting rider, attachable to the HealthCare Choice Rider. It further enhances HealthCare Choice Rider’s coverage by offering a high annual limit of RM1 million and above. This plan is distributed by our strong network of life insurance agents nationwide.

LIFE INSURANCE

KEY INITIATIVES AND DEVELOPMENTS

Digitalisation for Better Efficiency

- As we further embark on digitalising our company, we launched an online sales tool which enables our sales agents to submit new applications electronically at any time of the day. The interactive app has been well received by our agents and has led to an increase in our life insurance business.

Innovative Sales Force Recruitment Strategy

- We are also expanding our sales force through our Young Entrepreneurs Scheme. Through this recruitment strategy, we hope to develop young life insurance entrepreneurs within a span of three years by providing them with the right training and incentives. In addition to attracting aspiring entrepreneurs, we have also launched for the first time a very attractive programme to groom and attract MDRTs.

SUSTAINABILITY CONTRIBUTIONS

Positive Societal Impact

Building Financial Health for All

- MetLife Foundation partnered with Kiva, a global non-governmental organisation, to support low-income entrepreneurs around the world. The collaboration saw thousands of MetLife Asia associates directing micro loans worth USD 260,000. In Malaysia, more than 400 AmMetLife associates participated and helped contribute RM45,000 to support low-income entrepreneurs from around the world.
- MetLife Foundation has made a significant grant commitment of USD2.5 million (for Malaysia) for the ‘i3’ (Innovate, Implement, Impact) programme, which aims to reach out to more than 200,000 low to moderate-income Malaysians with improved financial health outcomes over three years and millions more at scale.
- In September 2018, MetLife Foundation and the United Nations Capital Development Fund (“UNCDF”), in partnership with Bank Negara Malaysia, and the Malaysian Digital Economy Corporation launched the Digital Finance Innovation Hub as the first initiative under the i3 programme.



▶ Launching of HCC BoostUp Rider



▶ Launching of ProtectValue

AWARDS AND RECOGNITIONS

- The American Malaysian Chamber of Commerce Certificate of Recognition for excellence in Corporate Social Responsibility.

PROSPECTS AND STRATEGY FOR FY2020

- We will continue to focus on providing protection, health and wellness by introducing products that cater to our customers at various stages of their lives. We will further embark on growing the company by introducing new products and solutions that can genuinely make a difference in the lives of our customers and the communities we serve. We see ourselves as architects of a more protected world – and we are committed to making AmMetLife a company that can thrive for many more years to come.

Business Review

FAMILY TAKAFUL



Noor Azam Bin Mohd Yusof

Chief Executive Officer, AmMetLife Takaful Berhad

Our Family Takaful division, is operated under AmMetLife Takaful Berhad (AmMetLife Takaful). Being a working partnership between AmBank Group and MetLife International Holdings, Inc., our Family Takaful business benefit from MetLife’s international takaful exposure and robust financial strength of and AmBank Group’s local industry know-how.

AmMetLife Takaful is a member of the Malaysian Takaful Association and provides a broad range of family takaful solutions encompassing education, health, assets protection, group coverage, Reducing Term Takaful and personal savings.

FINANCIAL PERFORMANCE

Overall Performance

TOTAL INCOME

RM18.8 million
in FY2019

RM9.8 million in FY2018

PROFIT AFTER TAX AND MINORITY INTERESTS (“PATMI”)

(RM9.9 million)
in FY2019

(RM21.3 million) in FY2018

PERFORMANCE METRICS

➤ NEW BUSINESS GROSS ANNUAL PREMIUM

RM51.6 million in FY2019
RM75.1 million in FY2018

➤ VALUE OF NEW BUSINESS

RM5.9 million in FY2019
RM8.3 million in FY2018

➤ MANAGEMENT EXPENSE RATIO

34% in FY2019
39% in FY2018

KEY INITIATIVES AND DEVELOPMENTS

Distribution Strategy

- AmMetLife Takaful continued to leverage and strengthen our bancatakaful offerings through AmBank and AmBank Islamic branches, as well as our authorised takaful agents nationwide to promote Shariah-compliant takaful products and improve the conversion rate for credit-related products.
- We also continued to reinforce our Hybrid Distribution Model with AmMetLife Insurance through on-going digital enhancements and joint expansion of our agency force. Going forward, AmMetLife Takaful will take full advantage of AmMetLife Insurance’s distribution channels to capture the takaful-oriented employee benefits market.
- In addition, AmMetLife Takaful has embarked on an alternative distribution strategy, namely, to partner with third party banks to distribute advisory takaful products and explore non-traditional partners to provide takaful coverage to the general public.
- During the financial year, AmMetLife Takaful had started to provide takaful coverage to mortgages extended by *Lembaga Pembiayaan Perumahan Sektor Awam (“LPPSA”)*.

Product Strategy

- In FY2019, AmMetLife Takaful focused on generating high-value and profitable new businesses through cross-marketing our product offerings to AmBank Islamic customers.
- In addition, we enhanced our current investment-linked takaful product offerings, in line with BNM’s VBI aspirations to improve the living standards and financial inclusivity of our society.

Business Review

FAMILY TAKAFUL

SUSTAINABILITY CONTRIBUTIONS

- A partnership between MetLife Foundation and Kiva, a global non-governmental organisation, to support low-income entrepreneurs around the world saw thousands MetLife Asia associates directing micro loans worth USD 260,000. In Malaysia, more than 400 AmMetLife associates participated and helped contribute RM45,000 to support low income entrepreneurs from around the world.
- MetLife Foundation has made a significant grant commitment of USD2.5 million (for Malaysia) for i3 (Innovate, Implement, Impact) programme that aims to reach more than 200,000 low to moderate income Malaysians with improved financial health outcomes over three years and millions more at scale. In September 2018, MetLife Foundation and United Nations Capital Development Fund (“UNCDF”), in partnership with Bank Negara Malaysia (“BNM”), and Malaysian Digital Economy Corporation (“MDEC”) launched the Digital Finance Innovation Hub as a first initiative under the i3 programme.



Memorandum of Understanding (“MOU”) with Yayasan Wakaf Malaysia

AWARDS AND RECOGNITIONS

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

PROSPECTS AND STRATEGY FOR FY2020

- Ensuring the growth of the company is crucial this year and key strategies has been put in place to accelerate the business. Initiative to improve internal process and management of business activities are closely check and enhanced if need be.
- Collaboration of business arrangement with other financial institution is also been planned this year to diversify income into the company i.e. Banca arrangement with other banks to promote Takaful advisory product.
- FY2020 sets a new page for AmMetLife Takaful with the constant changes of the insurance and takaful landscape, we view it as opportunities as it will continue to fuel the need for takaful protection. In line with the Bank Negara’s aspiration to close up the protection gap, we foresee the need for affordable and simple products – the iMeriah product concept is the solution for this.



Best Family Takaful Operator at the Islamic Business and Finance Southeast Asia Awards