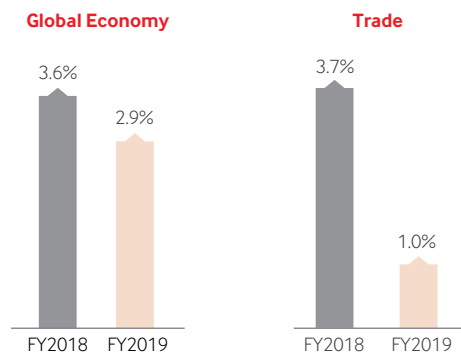


ECONOMIC REVIEW

Global

The global economy faced a challenging year in 2019. Unresolved trade tensions between China and the US resulted in a slowdown of manufacturing, investments and trade activities. The automotive industry was severely affected by supply disruptions, while the technology cycle was on a downturn. Increasingly, trade dispute caused multinational corporations to reassess their global production strategies, prompting a reconfiguration of global value chains.

Meanwhile, volatility in the global financial market heightened, primarily dominated by risk aversion during the year. Country-specific risks, including the prolonged state of Brexit negotiations and political unrest in Hong Kong and Latin America, resulted in sharp capital flows and exchange rate movements. Uncertainties remained elevated, with subdued investor sentiments and geopolitical uncertainties. Increased global risk aversion led to sustained demand for safe-haven assets (e.g. US dollar and gold) and safer financial asset classes (e.g. sovereign bonds), as well as capital flow reversals from emerging market economies. During the year, both the global economy and trade, which grew by 2.9% and 1% respectively, experienced the lowest growth since 2009 (2018: 3.6% and 3.7%, respectively).



Despite weaker trade and investment activities, steady consumer demand and timely policy actions provided some support to global growth. Domestic demand in major economies was supported by resilient private consumption, underpinned by favourable labour market conditions with stable wage growth and lower unemployment rates. Expansionary fiscal policies in the US and most emerging market economies, such as China and developing nations in Asia, also cushioned the economic challenges and contributed to global growth.

Malaysia

Underpinned by global headwinds and domestic challenges, the Malaysian economy grew at a credible pace of 4.3% in 2019. Growth was supported by the resilient private sector and household spending. Private consumption remained firm in 2019, supported by continued income and employment growth. Lower-income households also benefitted from key Government measures, such as an increase in the minimum wage and cash transfers (e.g. *Bantuan Sara Hidup*).

Malaysian Economic Growth

2019: 4.3%

2018: 4.7%

Private Consumption Growth

2019: 7.6%

2020: 8.0%

Throughout the year, Malaysia sustained its foreign direct investments (FDI). However, investments by the private sector were affected by the highly uncertain global outlook, a broad-based decline in corporate profitability, and continued weakness in the domestic property market. Investments by the public sector were particularly weak due to lower capital spending by public corporations, as well as from the review and delays of large-scale projects. Nevertheless, the weakening of investment activities was mitigated by several factors. First, large multi-year investment projects in the resource-based and electrical and electronic (E&E) manufacturing subsectors continued to make steady progress. Second, the resumption of several rail transport projects, mainly in the second half of 2019, provided some lift to investment growth. Third, broadly stable global oil prices in 2019 supported further capital outlay by companies in the mining sector.

In the second half of 2019, the economy was affected by supply disruptions in the commodities sector. Growth in the agriculture sector contracted as the lagged impact of dry weather conditions and a cutback in fertiliser application in early 2019 affected oil palm yields. Similarly, growth in the mining sector also declined as facility closures and maintenance work affected both crude oil and natural gas output. Similar to most emerging economies, weaker external demand weighed on the economy's exports and investment activity. In tandem with the decline in exports, imports for further processing and re-export activities subdued in 2019. The lower investment activity also reduced demand for capital imports, particularly machinery and transport equipment.

Outlook

The year 2020 has taken a dramatic turn. The initial outlook for the local economy was a modest recovery on the back of an expected stabilised global economy. However, this was interrupted by the sudden emergence of the COVID-19 pandemic. In response to the outbreak, national authorities across the world have taken unprecedented measures to contain the virus. These include lockdown and movement control orders, inbound and outbound travel restrictions, bans on large social gatherings, shutdown of non-essential services, enforced business closures and, most restrictively, blanket quarantine orders on all segments of the population.

While these “social distancing” measures are vital for public health, they resulted in concurrent supply and demand shocks, dragging down the economic growth in both advanced and emerging market economies. This led to heightened turbulence in global financial markets, which was further amplified by uncertainty in the global oil market. Hence, governments and central banks have introduced significant fiscal and monetary intervention measures to cushion the impact of economic contraction, as well as preserving income and employment as much as possible.

Malaysia has not been spared from the economic challenges of COVID-19. Spillovers from the pandemic and the implementation of the Movement Control Order (MCO) to contain the outbreak will result in large output losses for the economy in 2020. The Government and the central bank have responded swiftly through a combination of monetary, financial and fiscal measures that support household income and safeguard jobs, while also averting large-scale business failures to prevent the transitory economic disruption in becoming permanent.

The baseline growth for the economy in 2020 is within -2.0 to 0.5%, based on the coordinated slowdown in both external and domestic demand. However, the growth outlook remains uncertain as it depends on the development of the virus, external headwinds, and domestic challenges. Nevertheless, the fundamentals of the economy remain resilient. Diversified sources of growth and external trade structure should help mitigate the economic impact of domestic and external developments. Current account surplus, healthy levels of international reserves, and a flexible exchange rate are expected to provide some buffer against external shocks. The financial sector remains a source of strength, giving assurance that financial intermediation will carry on uninterrupted.

BANKING REVIEW

The capitalisation of the banking sector remained strong, thus bolstering banks’ resilience against potential stress arising from adverse financial and macroeconomic shocks. The Capital Ratio at the end of 2019 was well in excess of the regulatory minimum, underpinned by continued profitability and sound asset quality. The common equity tier-1 capital ratio stood at a robust 14.3% in December 2019, and the overall risk profile of banks was broadly stable, with the ratio of risk-weighted assets to total assets remaining largely unchanged at around 58%.

Capital Ratio 18.3%

The Liquidity Coverage Ratio (LCR) of the banking system, which indicates banks’ ability to meet liquidity needs over a 30-day stress period, stood at 149.1% as of end-2019, with all banks recording LCR levels above the regulatory minimum of 100%. These liquid assets are available for banks to draw upon during periods of stress. As part of the measures recently introduced by the Bank to preserve stability in funding markets and support bank lending activity, the implementation of the Net Stable Funding Ratio (NSFR) requirement will be phased-in, with a minimum compliance ratio of 80% in July 2020 and 100% in September 2021.

The banking sector’s profitability was sustained above the estimated average cost of capital, with 13% in 2019, thus further strengthening banks’ solvency positions. Pre-tax profits experienced solid annual growth due to a strong rise in non-interest income.

Profit-taking by banks in the government bond market, amid declining yields, drove higher trading and investment income. The growth in fee and commission income was consistent with recent strides by banks to diversify revenue sources through the cross-selling of wealth management and insurance products. Overall, the banking system loans grew by 3.9% in 2019. This was driven mainly by household and service-related sectors such as transport, storage and communication, as well as the wholesale, retail, hotel and restaurant, real estate, and manufacturing sectors. Impairments remained low across most credit portfolios, with a stable share of total banking system loans at 1.5%. However, there was some deterioration in loan performance in specific segments of the household and business sectors, but the potential losses remained within the financial buffers of banks. Additionally, banks continue to keep a firm lid on operational costs with sustained efforts to streamline and automate business processes, as well as optimise their physical branch presence. On aggregate, the operating cost-to-income ratio remained stable at 44.7%.

Pre-Tax Profits Growth 15.4%

Non-Interest Income Growth 30.5%

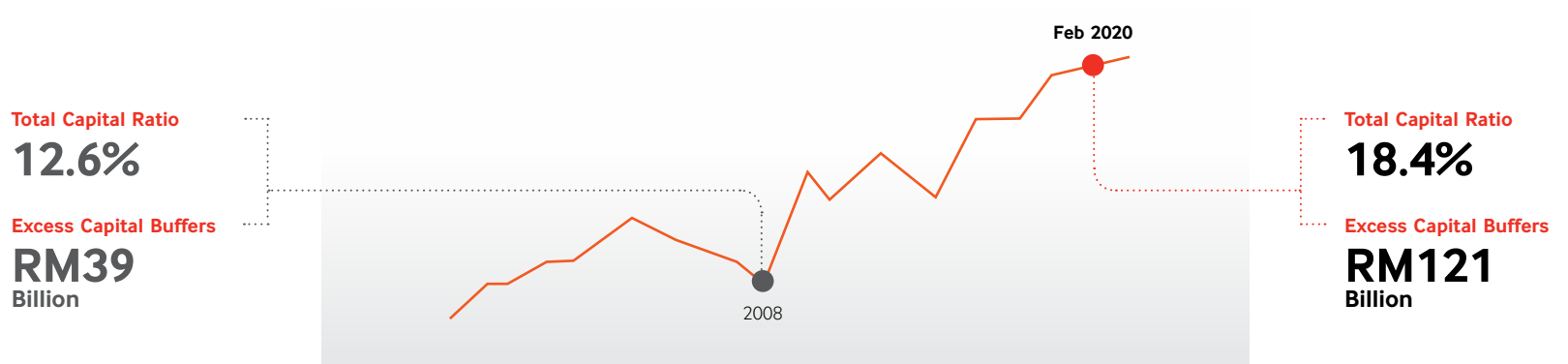
Outlook

In the wake of the COVID-19 pandemic, banks are expecting an increase in the share of Restructured and Rescheduled (R&R) loans, particularly by borrowers in business segments who have been most affected by the pandemic. The rise in R&R loans will likely increase provisions over the short-term. However, banks are well-positioned to absorb its potential impact on profitability, given the prudent provisioning of buffers built up over the years. Total provisions, including regulatory reserves held by banks against credit losses, currently stands at RM33.9 billion (126.4% of impaired loans). Active monitoring and recovery efforts are expected to help banks keep the impairments from accelerating.

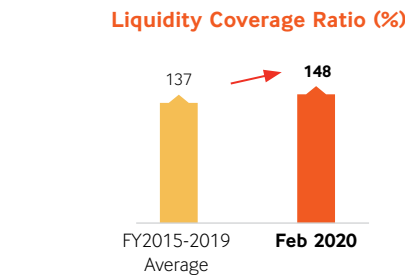
For 2020, banks are expecting weaker credit growth compared to 2019, which remains significantly dependent on the duration of the COVID-19 pandemic. While the impact of COVID-19 on the economy is likely to be significant in the short-term, banks are entering this period from a position of strength, with significant capital and liquidity buffers.

The prudent management of credit risks and diversified income sources will provide support to the banking sector's profitability. In addition, banks' digitalisation strategies are expected to drive further operational efficiencies, lending additional support to long-term profitability and overall viability. Return on Equity (ROE) for banks is projected to be stable at around 9%-11%, with net interest margin remaining under pressure.

Banks have strong capital positions...

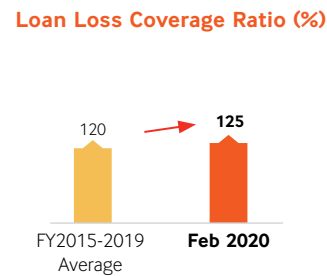


...with ample liquidity buffers...







Source: Bank Negara Malaysia (BNM), 2020

...and adequate provisions set aside.



Stakeholder Engagement







The financial and non-financial performance of the Group relies on our ability to generate value for the people impacted by our business. As such, we actively engage and interact with various stakeholder groups to better understand and serve their changing expectations. Through both internal and external platforms, we hold meaningful discussions that shape the direction of our business strategy, allowing us to deliver solutions that enrich the lives of stakeholders far into the future.










Stakeholders	Engagement Platforms	Topics of Interest
 CUSTOMERS	<ul style="list-style-type: none"> • Customer Satisfaction Survey • CX Mystery Shopping • Digital and Online Solutions • Contact Centres • Customer Experience Unity Tour (CXT) 	<ul style="list-style-type: none"> • Financial Inclusion • Green Financing • Customer Experience • Data Security
 EMPLOYEES	<ul style="list-style-type: none"> • Learning & Development Programmes (e.g. Induction Trainings) • Townhalls • AmConnected Portal/Within • eHR Emails, AmBerita Newsletters and Direct Employee Electronic Feedback • Senior Management Visits to Touchpoints • Department Meetings, Senior Management Quarterly Engagements, Team Huddles, Senior Management Offsite and Department Offsite • KPI and TOR Sessions Sessions (1-1 Performance Review and Development Cycle) • AmBank Group Sports Club 	<ul style="list-style-type: none"> • AmBank Group Sustainability Agenda • Responsible Lending Strategy and Progress
 SUPPLIERS	<ul style="list-style-type: none"> • Onboarding Procurement Process • Performance Evaluation • Adhoc Engagements 	<ul style="list-style-type: none"> • Supplier Code of Conduct • Business Integrity • Governance & Compliance • Procurement Sustainability • Green Procurement
 GOVERNMENT & REGULATORS	<ul style="list-style-type: none"> • Regular Meetings and Updates Sessions (e.g. with Bank Negara Malaysia, Securities Commission Malaysia, Bursa Malaysia Berhad and Credit Guarantee Corporation Malaysia Berhad) • Seminars and Workshops • Feedback to Regulators' Sustainability-Related Consultation Papers 	<ul style="list-style-type: none"> • Governance • Quality of ESG Reporting & Communication • Value-Based Intermediation (VBI) • Sectoral Sustainability Standards • Climate Change • Financial Inclusion • Talent Development • Treating Customer Fairly

Stakeholders	Engagement Platforms	Topics of Interest
 COMMUNITY/ NGO/CIVIL SOCIETY	<ul style="list-style-type: none"> • Financial Industry Collective Outreach (FINCO) • Focus Groups • AmBank Group Sports Club • Volunteering Programmes • Zakat Contributions • AmKasih – CSR Activities 	<ul style="list-style-type: none"> • Financial Inclusion • Financial Literacy • Climate Change • Community Development
 SHAREHOLDERS & INVESTORS	<ul style="list-style-type: none"> • Annual General Meeting • Quarterly Analyst and Fund Manager Briefings • Investor Presentations, Meetings and Discussions • Financial Statements • Media Releases • Investor Conferences and Roadshows • AmBank Group's Investor Relation (IR) Section and Dedicated IR Mailbox 	<ul style="list-style-type: none"> • Financial Performance • Asset Quality Outlook • Dividend Payout and Capital Position • Strategic Priorities • Corporate Actions and Divestment of Assets • Macroeconomic Outlook • Responsible Financing and Progress of ESG Aspirations
 BUSINESS PARTNERS	<ul style="list-style-type: none"> • Meetings, Knowledge Sharing Sessions and Webinars • Seminars/Workshops • Roadshows 	<ul style="list-style-type: none"> • Financial Inclusion • Responsible Financing
 MEDIA	<ul style="list-style-type: none"> • Conferences and Events • Media Releases • Media Interviews • Media Engagements 	<ul style="list-style-type: none"> • Financial Inclusion • Responsible Financing • Value-Based Intermediation (VBI) • Financial Literacy • Community Development
 SUSTAINABILITY- CERTIFIED BODIES	<ul style="list-style-type: none"> • Meetings • Audit • Assessments 	<ul style="list-style-type: none"> • Sustainability Governance • Occupational Health Safety • Human Resource • Procurement and Environment

Material Matters

The Group's strategies and decisions are based on material matters that influence the achievement of business objectives. The table below describes the management's approach to addressing these matters for optimal long-term growth.

Material Matters	Business Context	Risks
 GEOPOLITICAL AND ECONOMIC TRENDS	<p>We operate in a dynamic environment that is changing and evolving at an unprecedented rate, triggered by domestic and international political factors, technological advances, and shifts in consumer expectations and behaviour.</p>	<p>External headwinds and uncertainties weaken domestic business sentiments, equity markets and commodity prices, impacting our overall growth and performance.</p>
 TECHNOLOGY & DIGITAL TRANSFORMATION	<p>The increasingly digital and hyper-connected world is redefining customers' expectations of financial services. More than ever, there is a need for cross-industry convergence and digital empowerment, both internally and externally, to future-proof our organisation.</p>	<p>Cyber security breaches due to an increase in online services may lead to loss of stakeholder confidence and financial penalties.</p>
 CUSTOMER SATISFACTION	<p>Customer satisfaction requires an approach encompassing more than just product or service delivery. It is essential to create new, holistic and innovative sources of value for customers.</p>	<p>A poor understanding of customers' financial circumstances impedes our ability to deliver relevant solutions that meet their needs, thus reducing customer loyalty.</p>
 GOVERNANCE & COMPLIANCE	<p>Financial regulatory reforms and developments take place to protect the financial ecosystem, ensure financial stability, and drive customer protection. Therefore, banks must remain resilient to regulatory changes by responding swiftly and effectively.</p>	<p>A lack of internal policies and frameworks to effectively navigate regulatory standards exposes the Group to financial and non-financial losses associated with regulatory non-compliance.</p>
 LEADERSHIP & TALENT	<p>Business strategies and objectives are driven by the skills and capacity of our people. As business dynamics and demands change, creating a digital-ready and agile workforce is imperative to ensure they are resilient and equipped for work of the future.</p>	<p>A gap in relevant skills and capabilities within the workforce prevents the Group from meeting its strategic objectives in the long-term.</p>
 ENVIRONMENTAL, SOCIAL, & GOVERNANCE (ESG) FACTORS	<p>There is an increasing expectation for financial institutions to integrate ESG considerations into their business to drive long-term value and performance.</p>	<p>The negative environmental and social impact that arises from unsustainable practices may lead to regulatory non-compliance and stop-work orders.</p>

Opportunities	Our Approach	More Info
<p>Proactive monitoring and response to trends allow us to devise appropriate solutions that increase our competitive advantage and market share.</p>	<ul style="list-style-type: none"> Establish a comprehensive franchise that focuses on high-yielding businesses and adopt an agile approach that allows us to effectively navigate and capitalise on the changing environment. 	<ul style="list-style-type: none">  Group CEO's Message on pages 20 to 31  Key Risks & Mitigation on pages 44 to 46  Operating Landscape on pages 37 to 39
<p>Digital platforms and solutions enable better efficiency, lower operational costs and faster customer response.</p>	<ul style="list-style-type: none"> Expand and enhance our digital touchpoints and offerings for both retail and non-retail customers. Strengthen cyber security controls through our cyber-resilience framework to enhance the Group's capabilities to prevent cyber-attacks. Foster a data stewardship culture and establish a strong focus in corporate governance around the responsible use of data. Build cross-industry partnerships to deliver integrated and seamless services to customers. Assist SMEs with the migration to e-commerce as a new norm emerges. 	<ul style="list-style-type: none">  Group CEO's Message on pages 20 to 31  Key Risks & Mitigation on pages 44 to 46  Sustainability Report on pages 135 to 205  Our Strategy on pages 47 to 59
<p>Creating a seamless and efficient customer experience improves our brand value, which increases customer acquisition and loyalty.</p>	<ul style="list-style-type: none"> Rollout innovative strategies to address target segment needs (e.g. Road to IPO) for businesses looking to scale up. Redefine customer journeys by leveraging digital innovations. Avail extensive digital and physical touchpoints nationwide for customers' ease of access. Embed Net Promoter Score (NPS) and fair dealing principles into KPIs. Transform rewards and loyalty to currency & e-Wallet play across strategic partners. 	<ul style="list-style-type: none">  Our Strategy on pages 47 to 59  Sustainability Report on pages 135 to 205
<p>The close monitoring of industry and regulatory developments allow the Group to remain resilient against the evolving regulatory landscape.</p>	<ul style="list-style-type: none"> Integrate compliance into the business' strategic focus through group and individual KPIs that strengthen the compliance with policies and procedures. Drive continuous education and awareness initiatives to embed a culture of adherence. Tailor measurable outcomes into KPIs; observed as part of the on-the-job day-to-day ways of working. 	<ul style="list-style-type: none">  Sustainability Report on pages 135 to 205
<p>Effective training and development programmes create a strong talent pool of future leaders and a high-performing workforce.</p>	<ul style="list-style-type: none"> Leverage technology and digital solutions to support recruitment and development activities. Implement effective training and talent development programmes that create a future-proof and high-performing workforce. Nurture a strong organisational culture and compelling employee value proposition to continue attracting and retaining top industry talent. 	<ul style="list-style-type: none">  Chairman's Statement on pages 14 to 19  Sustainability Report on pages 135 to 205
<p>The implementation of sustainability strategies and practices improve our brand image as a responsible and caring bank.</p>	<ul style="list-style-type: none"> Establish a robust sustainability framework that outlines our journey towards becoming a sustainable organisation by incorporating ESG considerations into business decisions. 	<ul style="list-style-type: none">  Chairman's Statement on pages 14 to 19  Key Risks & Mitigation on pages 44 to 46  Group CEO's Message on pages 20 to 31  Sustainability Report on pages 135 to 205

Key Risks and Mitigation

AmBank Group continues to build its resilience against industry challenges, external environments and market changes. We deploy appropriate mitigation strategies that allow us to effectively stay ahead of uncertainties. We are guided by AmBank Group's Risk Management Framework that focuses on embedding effective risk mitigation mechanisms and risk disciplines within the Company. The framework is driven by the Board's annually-approved Risk Appetite Framework, which forms the foundation of the Group by setting its risk and reward profile.

CREDIT RISK

Stakeholders Affected:



Description

Factors such as weakening GDP growth and residential property market; higher household debt, unemployment and inflation rates; and unprecedented situations such as the global health crisis, continue to affect the repayment capacity of SMEs and retail customers which impacts our overall performance.

Mitigation Strategies

- Actively monitor portfolios and engage with customers (commercial and retail) to determine if Restructured & Rescheduled (R&R) loans are necessary.
- Semi-annually review Group Risk Appetite Framework (GRAF) for better risk control on higher-risk and vulnerable incomes, occupations, Central Credit Reference System (CCRIS), industries, financing ratio and risk grade segments.
- Conduct a dynamic stress simulation to estimate the deterioration of vulnerable borrowers and portfolio risk migrations for timely actions and adequate loss provisions.
- Enhance monitoring and early warning tools for more effective credit management and portfolio monitoring.

Results

- Retail portfolio of overall Gross Impaired Loan Ratio (GIL) and Probability of Default (PD) performance remained within the management guidance.
- Asset quality performance from new loans is satisfactory.
- The Bank's loan loss reserve provisioning is sufficient to cover impairment and is reviewed and re-assessed periodically.

MARKET RISK

Stakeholders Affected:



Description

Market changes and fluctuations in interest rates, profit rates, foreign exchange rates and equity prices may lead to financial losses.

Mitigation Strategies

- Strictly adhere to a comprehensive Market Risk and Liquidity Risk Management Framework, supplemented by the Market Risk Management Policy.
- Independently monitor detailed portfolio limits within the Bank's market risk appetite on a day-to-day basis.
- Automation of market risk monitoring and assessment tools to enhance coverage and increase efficiencies.

Results

- Portfolio volatility proactively managed and minimised within the approved limit structure and risk appetite.



Customers



Employees



Suppliers



Government &
Regulators



Community/NGO/
Civil Society



Shareholders/
Investors



Business
Partners



Media



Sustainability-
Certified Bodies

LIQUIDITY RISK

Stakeholders Affected:



Description

A limited ability to liquidate assets may cause the Group to have insufficient financial resources to meet our business obligations as they fall due.

Mitigation Strategies

- Comply with a comprehensive Market Risk and Liquidity Risk Management Framework, which is supplemented by the Liquidity Risk Management Policy.
- Define the liquidity risk appetite according to compliance with a range of internal and regulatory measures.
- Perform liquidity stress tests to identify and address potential areas of concern.
- Establish system enhancements that enable more proactive liquidity risk management.

Results

- Proactive liquidity risk management within the approved limit structure and risk appetite.

OPERATIONAL RISK

Stakeholders Affected:



Description

The Group's operations may be exposed to potential losses and disruptions due to inadequate or failed internal processes, people and systems or external events.

Mitigation Strategies

- Adopt an operational risk framework wherein a set of Operational Risk Appetite guidelines was duly agreed and approved by the Board of Directors. This sets forth the formulation of policies and procedures with regard to managing operational risks.
- Implement a governance structure that embeds the Three-line of Defence approach, with the business units taking the first line of defence; Group Operational Risk Unit for the second line; and the Internal Audit division taking the third and final line.
- Devise a full suite of operational risk management tools, such as Risk Control Self-Assessment, Key Control Testing, Key Risk Indicators, etc. to provide both leading and lagging risk management indicators through an integrated Operational Risk Management System.
- Periodically conduct comprehensive business continuity planning and implement a robust Business Continuity Management (BCM) Framework in preparation for all eventualities.
- Carry out regular drills on all aspects of the BCM Framework to ensure that all policies and procedures are sufficient and effective.
- Adhere to the BCM and crisis management framework, policies, practice guides and plans.

Results

- Overall decline in operational loss by 39% YoY.



Key Risks and Mitigation

CYBER RISK

Stakeholders Affected:



Description

Vulnerabilities in IT security and inadequate internal controls expose the Group to internal as well as external cyber-attacks and threats that result in breaches of confidentiality, integrity and availability of information assets and systems.

Mitigation Strategies

- Actively deploy the latest patches and updates to the Group's information systems.
- Implement Next-Generation Anti-Virus and Endpoint Detection & Response (EDR) at the endpoints.
- Filter incoming emails at the email gateway for threats.
- Implement perimeter network control measures (e.g. firewalls and Intrusion Prevention System) on the Group's information systems.
- Conduct red teaming assessments to proactively test and simulate attacks on the Group's security controls to identify potential vulnerabilities, and whether such vulnerabilities can be exploited into viable threats that pose a risk to the Group.

Results

- Zero (0) cyber incidents within AmBank Group.
- Effective defence-in-depth and multi-tier approach to cyber security.

SUSTAINABILITY RISK

Stakeholders Affected:



Description

Social and environmental externalities may impact the Group's long-term value chain and our ability to sustain growth.

Mitigation Strategies

- Conduct a sustainability materiality assessment to determine the Group's sustainability material matters.
- Establish a sustainability governance structure that streamlines sustainability-related decisions and strategies.
- Implement AmBank Group's Sustainability Framework to optimise the Group's social and environmental impact.

Results

- Consistently achieve the Group's annual carbon-reduction targets (FY2020: 11%)
- Overall decline in total workplace accidents by 27%.
- Contributed RM26 million and RM850 million in green loans and affordable housing schemes respectively.



Customers



Employees



Suppliers



Government &
Regulators



Community/NGO/
Civil Society



Shareholders/
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Business
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Media



Sustainability-
Certified Bodies



Our Strategy

FY2016-FY2020: TOP 4 STRATEGY RECAP

The Top 4 Strategy was launched in 2016 as part of our aspiration to become a "Top Four" player in key growth segments and products. The aim of the strategy was to put us on track to build a stronger, more competitive and more resilient bank as a whole.

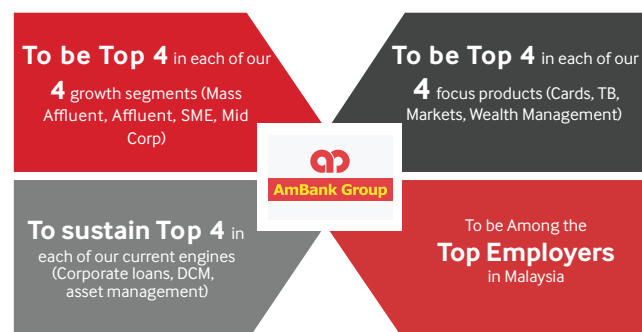
The strategy was based on a two-pronged approach:

- 1 To run the Bank better; and
- 2 To transform the Bank where needed.

Ultimately, our goal was to ensure that the Bank is operated on a foundation of strength and is well-positioned to deliver sustainable returns to our shareholders.

We identified four key strategic priorities under the Top 4 Strategy. This includes firing new growth engines targeting underbanked segments; attaining market leadership in key products; solidifying our operational, governance, and digital core; and optimising our current areas of strengths.

OUR STRATEGIC PRIORITIES



FIRING UP NEW GROWTH ENGINES

Win in fast-growing and underserved segments:

- Mass Affluent
- Affluent
- SME
- Mid-Corp

ATTAIN MARKET LEADERSHIP IN KEY PRODUCTS

- Build up Transaction Banking and Markets – Cross-Sell Business
- Build an Integrated Cards and Merchant Ecosystem
- Lead the market with an advisory-led wealth proposition

SETTING UP FOR SUCCESS

- Drive Digital Transformation across channels, processes, productivity, analytics
- Fully leverage distribution footprint, partnerships and new digital channels
- Break down organisational silos and focus on people, talent and culture
- Enhance the risk and compliance culture

OPTIMISE CURRENT ENGINES

- Leverage strengths in Corporate and Investment Banking
- Strengthen Retail Deposit Franchise

Underpinning our strategic priorities were 33 tactical initiatives that span across Retail Banking, Business Banking, Wholesale Banking, Islamic Banking and Group Shared Services, with oversight from the Group Strategic Transformation Office who worked closely with all parties. These initiatives aimed to stabilise the Bank and streamline our people, processes and technology, while also laying the foundation for our digital transformation.

The strategy adopted a groupwide approach that ensured these initiatives were tracked holistically and centrally. This included establishing a clear performance framework across group and individual levels to drive and measure progress, which was benchmarked against leading industry players.



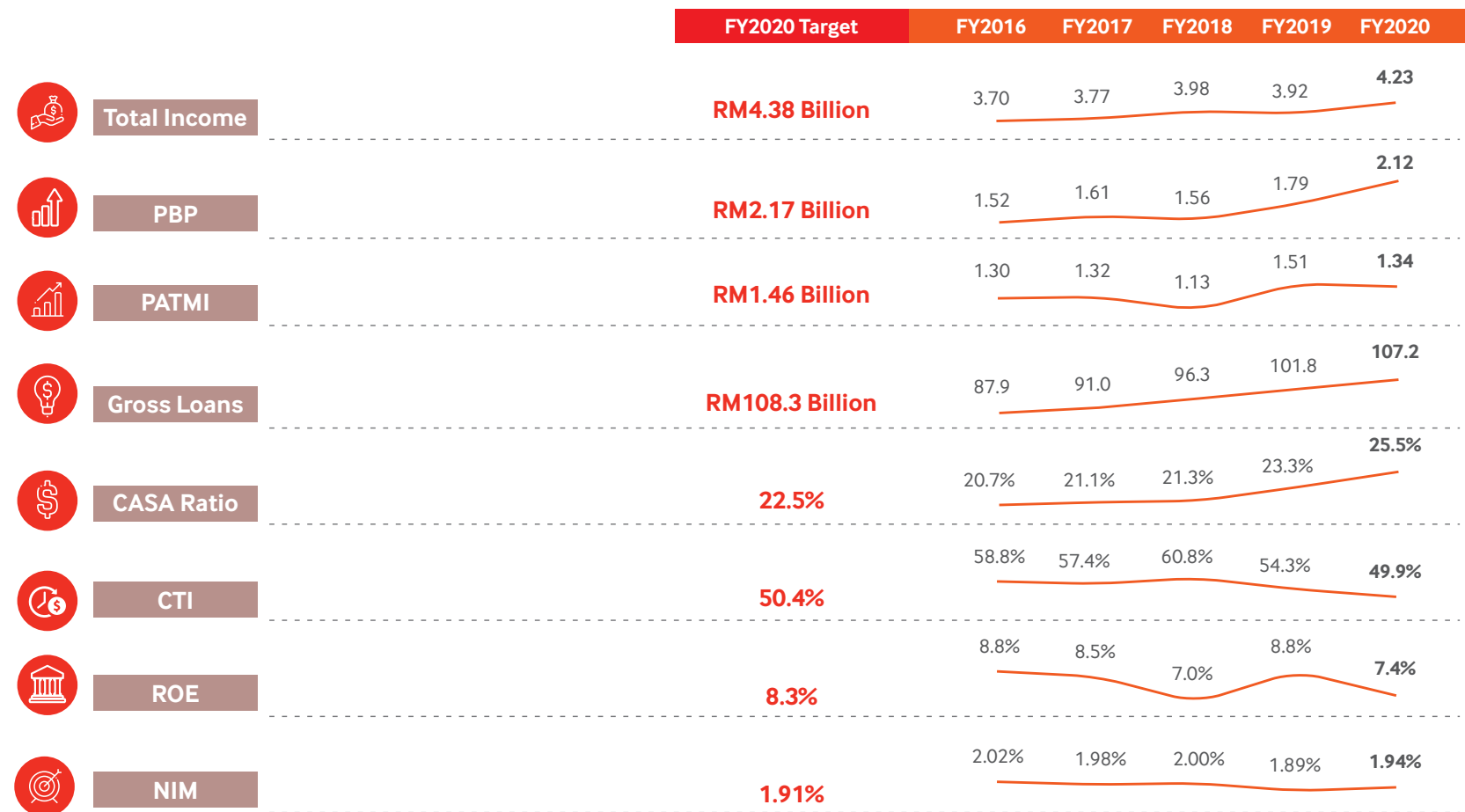
At the 2019 Half-Yearly Annual Board Strategy Offsite Meeting charting the Group's mid- and long-term strategic direction and blueprint.

TOP 4 STRATEGY ACHIEVEMENTS

DELIVERING A SOLID PERFORMANCE

FY2020 marks the culmination of AmBank Group's Top 4 Strategy. Since embarking on our transformation journey, we have improved profitability and strengthened our market position due to the intense execution of our strategy, which was reinforced by disciplined tracking.

Significant progress has been made in the past four years with regard to strategy execution surrounding segment realignment, such as shifting focus to higher-return businesses, diversifying our revenue sources, and implementing cost discipline and business efficiency. As a result, we achieved notable improvements and performance turnaround in our profit and loss (P&L) statement and balance sheet.



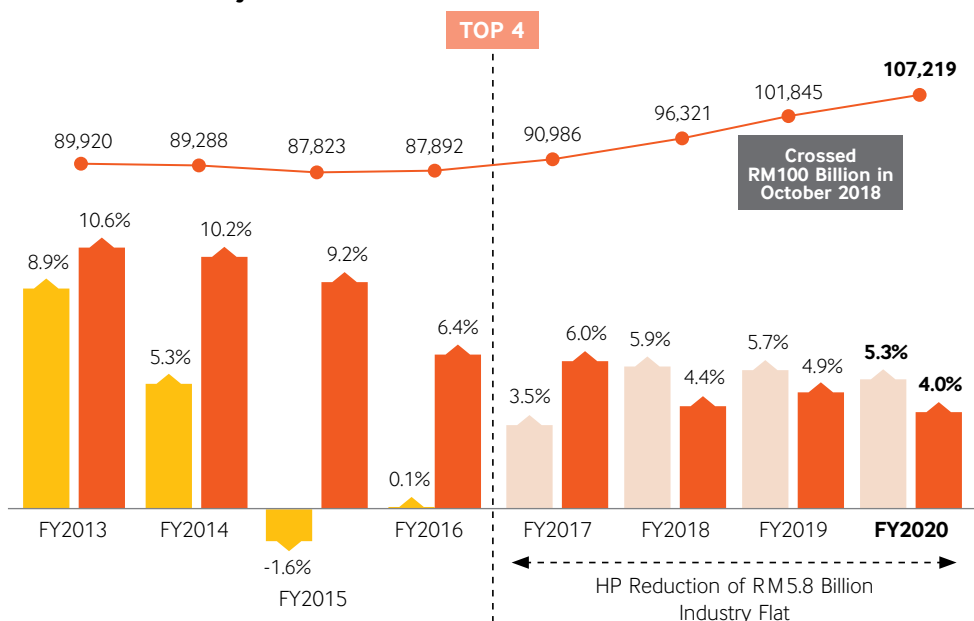
TOP 4 STRATEGY

ACHIEVEMENTS

DELIVERING A SOLID PERFORMANCE

LOAN GROWTH & LOAN BASE (RM MILLION)

AMMB vs Industry

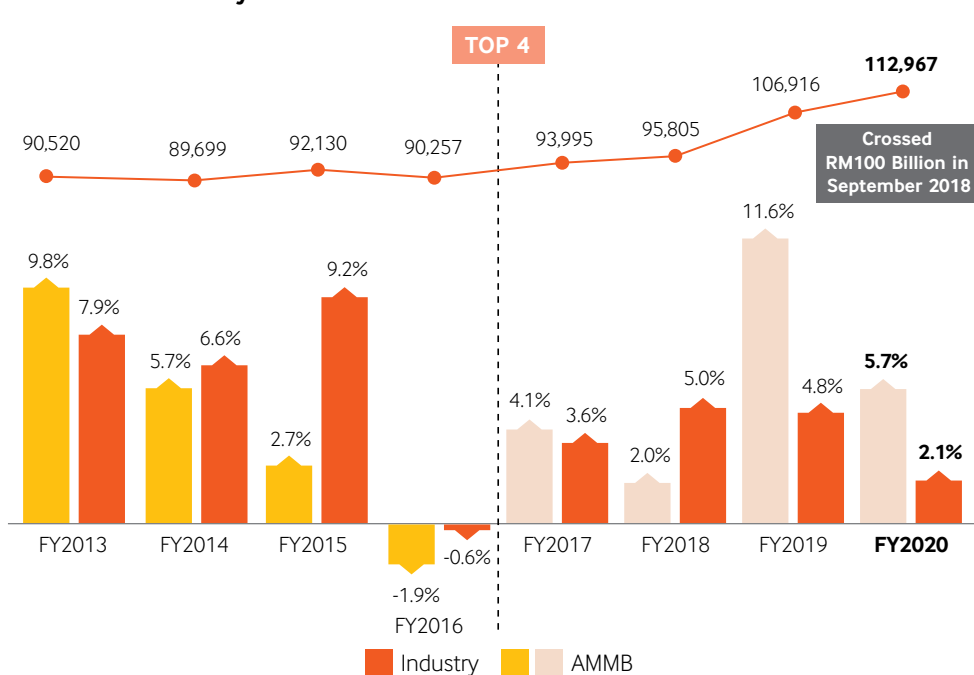


The Group's loan and deposit base continued on an upward path over the past four years, and consistently outpaced the financial industry's average loan and deposit growth performance.

In FY2020, we achieved a loan growth of 5.3% against a market average of 4.0%, as well as a 5.7% growth in deposits compared to the 2.1% market average. Our loan and deposit growth performance over the years indicate the effectiveness of the strategy in driving positive growth for the Group.

DEPOSIT GROWTH & DEPOSIT BASE (RM MILLION)

AMMB vs Industry



Exchanging ideas and thoughts with AmBank Group's Management team during the 2019 Half-Yearly Management Offsite Meeting.

TOP 4 STRATEGY ACHIEVEMENTS

DELIVERING A SOLID PERFORMANCE

SEGMENTS

MASS AFFLUENT & AFFLUENT BASE

Our Mass Affluent base grew by 2.77 times to more than 143,000 customers in FY2020, close to tripling the base in FY2016. Also, our Priority Banking customer base has since doubled from 43,000 to 85,900 in FY2020.

RETAIL SME, BUSINESS BANKING & MID-CORP BASE

We observed strong growth in all segments. This is largely the outcome of our concerted efforts in contributing to the development of SMEs through value-added services (e.g. AmBank BizRACE and Road to IPO). The targeted segments' growth is also attributed to the fostering of collaborations internally (across business units) and externally (with cross-industry players).

In FY2020, AmBank Group and Maxis entered into a strategic partnership to jointly grow SMEs in Malaysia. As part of the collaboration, SME-in-a-Box, a one-stop solution offering comprehensive and simple financing and digital solutions for SMEs was launched.



AmBank Group and Maxis joined hands to provide connectivity, e-Commerce, and financial solutions to SMEs in Malaysia.

	Customer Base ('000)	FY2016	FY2019	FY2020	Growth (FY2016 vs FY2020)
Segments	Mass Affluent	51.8	115.3	143.5	2.77x
	Affluent (Priority Banking)	43.4	85.7	85.9	1.98x
	SME	78.5	90.0	93.9	1.20x
	Mid-Corp	2.71	2.76	2.85	1.05x

PRODUCTS

LOANS & FINANCING

Our loans and financing growth for the SME segment expanded by a commendable 1.66 times to RM20.6 billion compared to four years ago, which was supported by consistent growth in our targeted segments. On a YoY comparison, we recorded a positive growth of 2% in loans and financing for SMEs, from RM20.2 billion in FY2019 to RM20.6 billion in FY2020, greatly outpacing the industry average of -16.2%. Card receivables, another key growth product, grew substantially to RM2.1 billion over the four-year period, representing a growth of 1.34 times.

DEPOSITS

We continued to record strong deposit momentum, closing the year at RM113.0 billion in FY2020 versus RM90.4 billion in FY2016. Current Accounts and Savings Accounts (CASA) grew in tandem to RM28.8 billion, resulting in a positive shift in our CASA ratio from 20.7% in FY2016 to 25.5% in FY2020. This is primarily due to our strategy of growing 'sticky' and cost-effective deposits by offering collection solutions (e.g. JomPAY), enhancing our payroll services; increasing the share of wallet with SME and Mid-Corp clients and cross-selling of CASA with financing products.

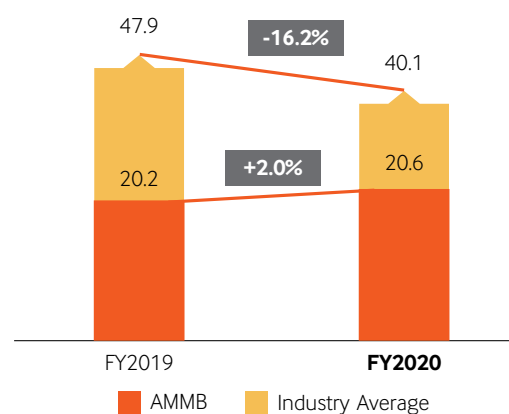
TOP 4 STRATEGY ACHIEVEMENTS

DELIVERING A SOLID PERFORMANCE

Loans	RM Billion	FY2016	FY2019	FY2020	Growth (FY2016 vs FY2020)
	SME	11.9	20.2	20.6	1.66x
	Mid-Corp	11.8	14.6	16.0	1.36x
	Cards	1.6	2.2	2.1	1.34x

Deposits	RM Billion	FY2016	FY2019	FY2020	Growth (FY2016 vs FY2020)
	Deposits	90.4	106.9	113.0	1.25x
	CASA	18.7	24.9	28.8	1.54x
	CASA Ratio	20.7%	23.3%	25.5%	1.23x

RETAIL SME LOANS (RM BILLION)



CURRENT ENGINES

CORPORATE FINANCE

We achieved a significant increase in profit before provision (PPB) by 65.6% compared to FY2019, which is driven by the 28.3% growth in revenue. Additionally, we maintained our YoY No. 4 ranking, with a 10.6% market share for mergers and acquisitions (M&A). Through our continued efforts and hard work, we were recognised as Malaysia's Best Corporate & Institutional Adviser by the Asset Triple A Awards 2019.



AmBank Group continues to be recognised for its leading performance in the area of Corporate Finance.



Awarded Malaysia's Best Asset Manager for Money Market Funds by Alpha Southeast Asia.

ASSET MANAGEMENT

Our assets under management (AUM) grew by 6.9% to RM42 billion. Our work and achievements in asset management resulted in the Group winning Malaysia's Best Overall Asset & Fund Manager from the Alpha Southeast Asia Fund Management Awards 2019.

DEBT CAPITAL MARKET

During the financial year, we recorded a 17.7% growth in revenue, primarily driven by higher Fee & Trading income. We also improved our YoY position to the No. 2 ranking in the Bloomberg MYR Bonds League Table (FY2019: No. 3), with a 13.3% market share. Likewise, we achieved the No. 2 ranking with a 17.9% market share for Bloomberg MYR Islamic Sukuk League Table (FY2019: No. 4). Due to the collective efforts and subsequent results of the team, the Group received 16 awards in Debt Capital Market throughout FY2020.

TOP 4 STRATEGY ACHIEVEMENTS

DELIVERING A SOLID PERFORMANCE

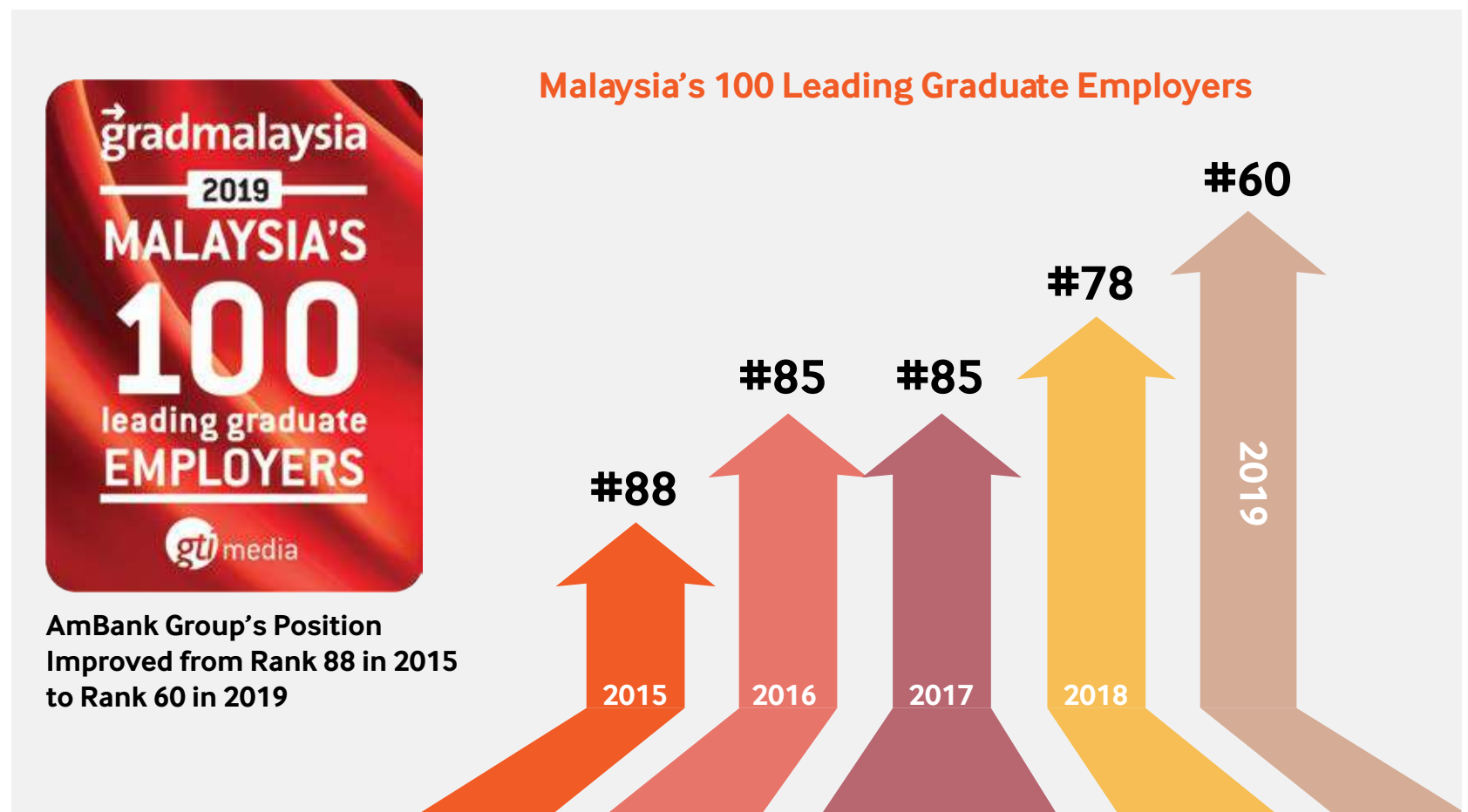
TOP EMPLOYER

In an effort to develop future leaders and a resilient workforce, we groomed over 60 young talents through the AmGraduate Programme since its inception in 2016. We also trained over 220 AmBankers of different levels across the Group through accelerated development programmes that were designed in collaboration with reputable institutions (e.g. INSEAD), including the following key programmes:

- Being a Talented Manager (BATMAN) for Assistant Managers and Managers;
- Emerging Leaders Programme (ELP) for Senior Managers and Vice Presidents; and
- Leadership Enhancement and Acceleration Programme (LEAP) for Group Senior Vice Presidents and Executive Vice Presidents.

Our continuous commitment to excellence in human resources and talent management resulted in numerous recognitions and accolades:

- HR Excellence Awards 2019
- Malaysia Best Employer Brand Awards
- Malaysia's 100 Leading Graduate Brands Awards (Ranked 60)
- Malaysia Globally Recognised Employer Brand Awards

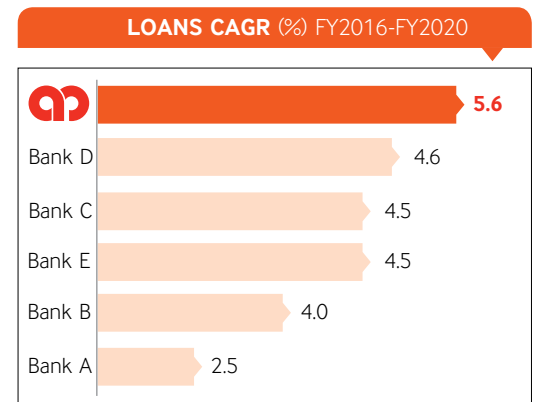
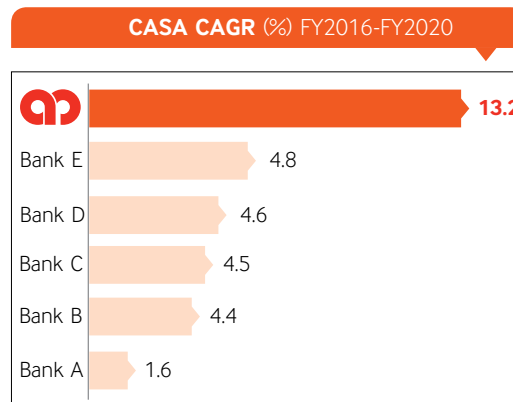
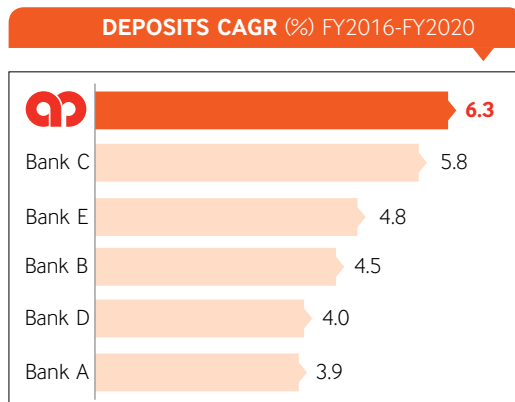
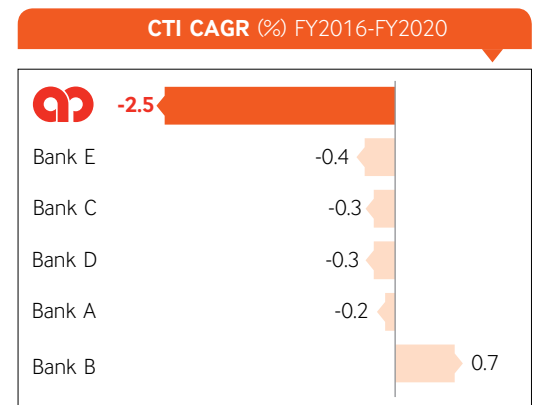
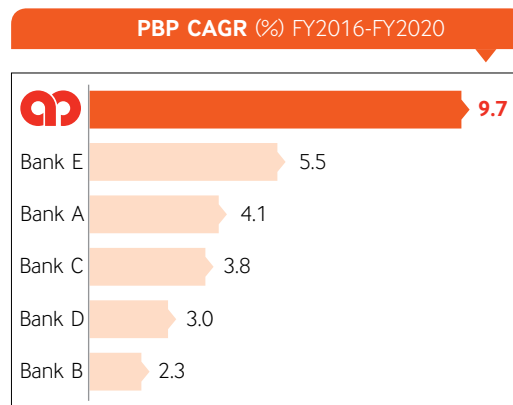
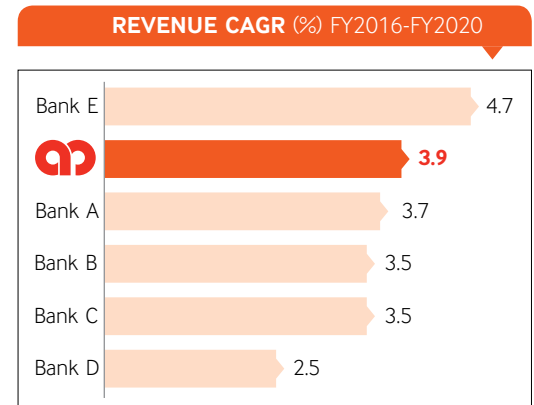
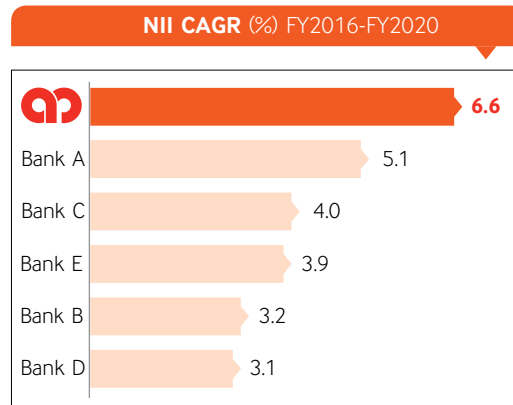


TOP 4 STRATEGY ACHIEVEMENTS

TOP 3 Growth Against Industry Peers

In FY2019, three years into the launch of the Top 4 Strategy, AmBank Group returned to emerge as one of the top three banks with the most assertive growth across key performance indicators. The Group has once again sustained our annual growth performance in FY2020, outperforming our peers in multiple performance metrics.

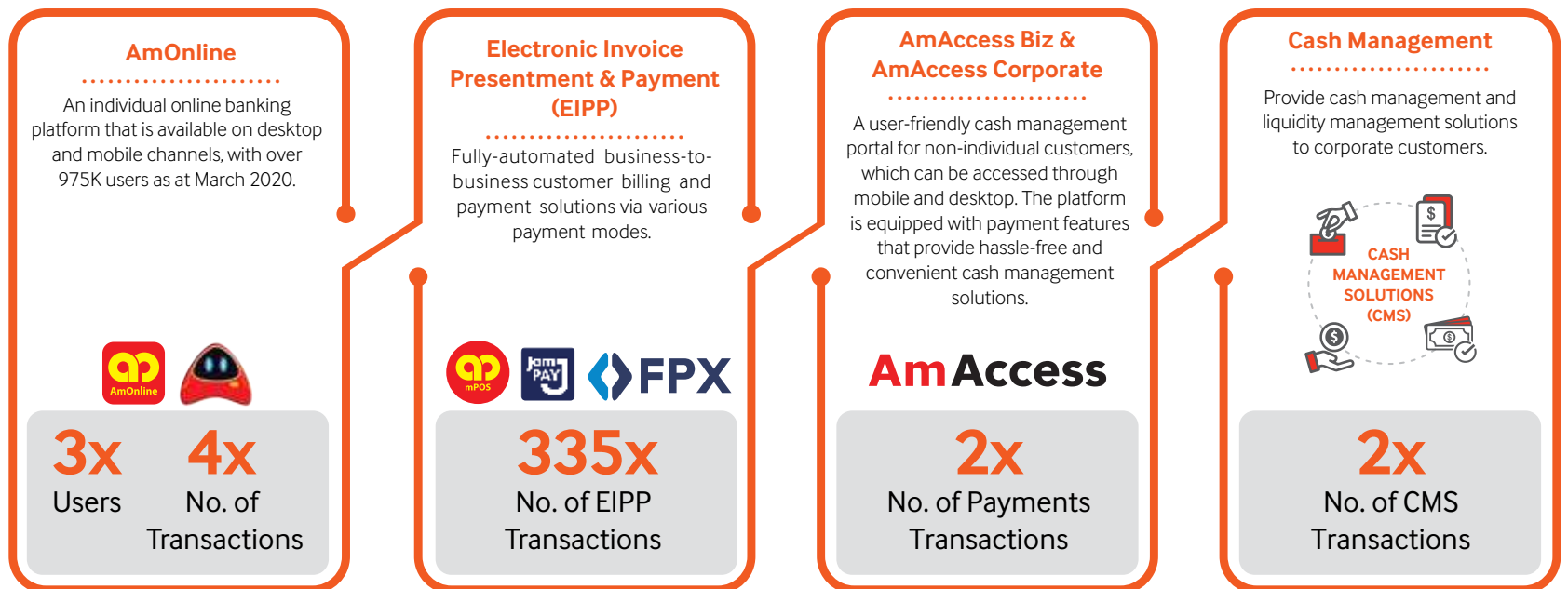
COMPARATIVE PERFORMANCE



ACCELERATING OUR BUSINESS THROUGH OPERATIONAL EFFICIENCY AND DIGITAL EMPOWERMENT

Our business performance was further propelled by the continued optimisation of our branch network, which was driven by an enhancement of our retail and non-retail digital capabilities, as well as the increased utilisation of automation and agile IT solutions. In the past four years, our business volume has increased multi-fold by over 100%, due to the digital solutions and offerings delivered to individual and non-individual customers e.g. Mid-Corporate, Large Corporate, Business and SME Banking Clients.

Business Volume Increased Multiple Times since FY2017



AmBank Group celebrates its Top JomPAY Billers with PayNet at the JomPAY Customer Appreciation Dinner.



AWARDS & RECOGNITION

AmBank Group's solid financial performance, robust operational governance, and innovation excellence have culminated in various recognitions and awards won throughout FY2020.

1. Awarded the Best SME Bank by numerous organisations for commitment in supporting the growth and development of SMEs in Malaysia:
 - (a) SME Bank of the Year – Malaysia from Asian Banking & Finance Awards 2019
 - (b) Best SME Bank in Malaysia from Alpha Southeast Asia Best Financial Institution Awards 2019
 - (c) Best SME Bank Malaysia 2019 from Global Banking & Finance Awards (2nd Consecutive Year)
 - (d) Best Islamic Finance SME Bank Malaysia 2019 from Alpha Southeast
2. Most Improved Retail Bank 2019 Award (Asian Banker Malaysia Awards 2019)
3. Best Spend Growth – Overall & Best Leverage of Mastercard Assets
4. Highest Payment Volume (PV) Growth for eCommerce Spend & Co-Brand Card by Visa
5. Most Improved Islamic Bank 2019 Award (Global Islamic Finance Awards)
6. Most Promising Islamic Bank Malaysia Award 2019 (Global Banking & Finance Review)
7. Best Islamic Banking CEO Malaysia 2019 (Global Banking & Finance Review)
8. Islamic Banker of the Year 2019 (Global Islamic Finance Awards)
9. Best FX Bank for Corporates and Financial Institutions (8th Consecutive Year) and Best FX Bank for Structured Products – Commodities, Credit, Equity, FX and Multi-Assets for FX & Treasury Segment at the Alpha Southeast Asia Awards 2019
10. Outstanding Contribution to JomPAY by PayNet (3rd Consecutive Year)
11. Most Innovative Mobile Banking App and Best Mobile Banking App (Global Business Outlook Awards 2019)
12. Best Retail Mobile Banking Experience and Best Wealth Management Experience (The Asset Triple A Awards 2020)
13. Best Automated Chatbot Initiative, Application, or Programme (The Asian Banker Malaysia Awards 2019)
14. Property & Casualty Insurer of the Year 2019 by Insurance Asia News
15. RAM Sustainability Award 2019
16. National Occupational Safety & Health Excellence Award 2019 – Financial Category (2nd Consecutive Year)
17. Malaysian Society for Occupational Safety & Health Award (MSOSH) 2019 – Gold Class 2 for Service Sector Category
18. Best Annual Report in Malaysia 2019 by Alpha Southeast Asia



L–R: Tay Ming Han, Senior Vice President, Portfolio Development, Business Banking, AmBank Group, Christopher Yap, Managing Director, Business Banking, AmBank Group, Dato' Sulaiman Mohd Tahir, Group Chief Executive Officer, AmBank Group and Eghwan Mokhzanee, Chief Executive Officer, AmBank Islamic Berhad with the four awards for Best SME Bank in Malaysia from the Asian Banking and Finance Awards, Alpha Southeast Asia Awards and Global Banking and Finance Awards.



AmBank Group won Best Annual Report and ranked second in the Best Senior Management Investor Relations Support and Best Strategic Corporate Social Responsibility categories at the Alpha Southeast Asia's 9th Annual Institutional Investor Awards for Corporates 2019.

CHARTING OUR PATH FORWARD...

Over the past few years, AmBank Group has successfully focused on common goals to recalibrate our business, transform the Bank, and turnaround our overall performance. With a shared strategic vision and a solid foundation in place, the next four years will focus on accelerating this momentum whilst simultaneously future-proofing the bank. The next phase of AmBank Group's strategy was developed by evaluating external factors influencing the banking landscape, the Group's internal strengths and capabilities, and evolving stakeholder expectations.



Future leaders of the bank, the Management team and Board of Directors coming together to establish the Group's path forward in a series of Visioning Workshops.

...WITH A RENEWED VISION, MISSION, AND STRATEGIC FOCUS



Wrapping up the Top 4 transformation journey with a renewed vision, mission and strategy at the 2019 Half-Yearly Management Offsite Meeting.

Vision

Growing Trust, Connecting People



THE EXTERNAL LENS

Growing Trust

Our success is underpinned by our loyal clients and customers who have been banking with us for generations, as well as those who we have onboarded along the way. We have been their trusted advisor and banker through generations, from cradle to IPO, and will continue to do so as we walk hand-in-hand in growing together.

Connecting People

As we advance in an evolving environment where a new norm presides, we believe that connecting people – anytime, anywhere – is key to moving forward. This means providing clients and customers access to our services 24/7 online, at the touch of a fingertip. Our vision moving forward is to also integrate our offerings with strategic partnerships across other industries, thus establishing a single platform where customers can access their everyday needs from a single touchpoint.



THE INTERNAL LENS

Growing Trust

There is great value in fostering a work environment of self-empowerment. In this environment, employees are deemed as our most valuable assets, while respect and trust are embodied as a basic principle in accelerating our progress towards becoming a digitally-enabled workforce. This conducive work culture helps to continuously increase cross-collaboration between Line of Business (LOBs) by harnessing the power of one bank across Retail Banking, Business Banking, Wholesale Banking, Investment Banking and Islamic Banking, while also cross-leveraging our strengths to bring the full suite of customer experience to our clients and customers.

Connecting People

As we move towards future-proofing the Group's capabilities and empowering our people, a culture of constant communication is key to our long-term success. Given the fast-paced changes faced by our clients and customers, where time equals money, we need to consistently remain in sync across various departments and personnel. In doing so, communication can flow accurately and speedily, enabled by our capabilities to accelerate and elevate touchpoints response internally.

AmBank Group has always been regarded as a 'family' to its employees. Deeply rooted as a caring employer since our establishment, we will continue to invest in activities, either through Kelab AmBank Group (KAG) and/or groupwide collaboration, that further create a supportive, nurturing and high-performing work environment.

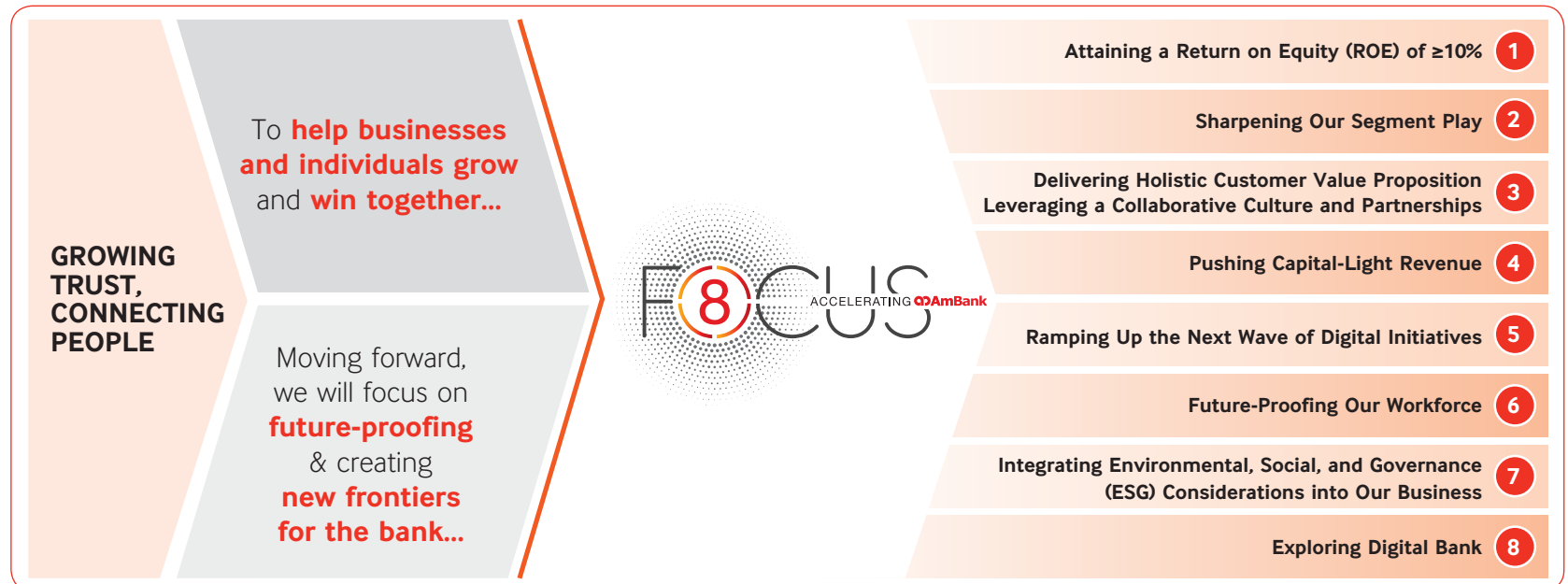
Mission

To Help Businesses and Individuals Grow and Win Together

We recognise that our future success is inextricably linked to the prosperity of our customers, business partners, investors, the economy, and the community as a whole. Our mission to help businesses and individuals across Malaysia grow and win together becomes particularly relevant amidst this challenging time. It is on this premise that the Focus 8 strategy was formed – paving the way for the Group to drive new and sustainable growth, so that we may continue to play an active role in supporting society by contributing to their future-readiness and resilience in the long run.

FY2021-FY2024: THE FOCUS 8 STRATEGY

As we continue our final push for FY2020, we are excited to unveil AmBank Group's FY2021-FY2024 Strategy Blueprint: **Focus 8**. Underlying this new strategy, we have refined our strategic vision to **Growing Trust, Connecting People**. The essence of this theme is derived from several aspects as we readopt a slightly refined mission (i) **To help businesses and individuals grow and win together**, while introducing a new element of (ii) **Future-proofing and creating new frontiers for the bank**.



The Focus 8 Strategy is made up of eight focus areas:

- 

Rethinking Our Strategies and Priorities to Chart the Path Towards Attaining a Return on Equity (ROE) of ≥10%



Ramping Up the Next Wave of Digital Initiatives Leveraging on AmBank Group Digital and Capacity-Building in the Organisation
The Group will further develop digital and data analytics capabilities to extend our reach beyond geographical boundaries. We will focus on embedding digitalisation into our corporate DNA, as well as nurturing a strong pool of in-house digital talents with expertise across analytics, artificial intelligence, and automation.
- 

Sharpening Our Segment Play Focusing on Retail, SME, and Islamic Banking and Putting Excellent Customer Service at the Forefront of What We Do
With SMEs as the backbone of the economy, we will continue to expand and invest heavily in this segment by reimagining how micro, small and medium enterprises could be better served in the markets. Similarly, we see tremendous opportunity in the Islamic banking space as demand for socially responsible and ethical investments continues to grow.



Retaining, Reskilling and Upskilling Talents to Future-Proof Our Workforce
Beyond delivering exceptional employee experiences, we seek to prepare our workforce to excel in future roles and opportunities through retaining, reskilling and upskilling initiatives.
- 

Delivering Holistic Customer Value Propositions Leveraging on Collaborative Culture and Partnerships Established Internally and Externally
We will adopt a "customer-first" approach groupwide, focusing on adding value for our customers and delivering a seamless experience that transcends beyond their financial needs. A major focus moving forward is to build digital connections with cross-industry partners and combine our strengths to enhance the customer experience.



Integrating Environmental, Social, and Governance Considerations into Our Business Decisions and Direction as Part of Our Pledge Towards Responsible Banking
- 

Pushing Capital-Light Revenue Through the Creation of Differentiated Products



Exploring Digital Bank as a New Option

The Focus 8 strategy will be underpinned by strategic initiatives driven at the Group and divisional levels. With our customer-focused strategy, renewed ambitions and digital strength, AmBank Group is well-placed to move forward with our strategic plans to continue to support our customers, help businesses and individuals prosper, and deliver long-term sustainable success.



Performance Review by Group Chief Financial Officer

“FY2020 results reflected the outcomes of our Top 4 Strategy, evidenced by strong revenue growth, improved operational efficiency and solid balance sheet. The Group’s total income crossed the RM4 billion mark to RM4.2 billion.”

JAMIE LING

Group Chief Financial Officer
AmBank Group

We continued to make good progress against a challenging operating landscape. Our key performance highlights are summarised below:

FY2020 KEY PERFORMANCE HIGHLIGHTS



Stepping Up Revenue Growth

Total income grew 7.8% to RM4,227.2 million. Our revenue growth was broad-based, with all divisions recording higher revenue year-on-year (YoY). This is a testament to our strategy execution in transforming the bank and attaining above-market growth.



Continue to Improve Operational Efficiencies

As we continue to drive operational efficiency and paced our investments, overall expenses were down 1.1% YoY which contributed to delivering a cost-to-income (CTI) ratio of 49.9%, and achieving our FY2020 target. Our Business Efficiency Transformation (BET) programme delivered a gross cost reduction of RM103 million during the year and cumulatively over the last three years delivered a total gross cost savings of RM380 million, above our target of RM300 million.

With income growth and expense management, we delivered a profit before provision (PBP) of RM2,119.0 million, an increase of 18.3% YoY.



Good Balance Sheet Growth

The Group’s gross loans and financing and deposits from customers expanded by 5.3% and 5.7% respectively, outperforming the industry’s growth for the same period. Our current account and savings account (CASA) balances also increased by 15.9%, driving higher CASA mix at 25.5% (FY2019: 23.3%).



Sound Capital and Liquidity Metrics

While we are navigating the ongoing economic uncertainties and challenges posed by the COVID-19 pandemic, we have continued to improve the resiliency of our balance sheet. The Group’s Common Equity Tier 1 (CET1) ratio and total capital ratio have strengthened to 12.4% and 15.8% respectively. The Group remains highly liquid, with a liquidity coverage ratio (LCR) of 158.2% and net stable funding ratio (NSFR) of all banking subsidiaries above 100% as at 31 March 2020.



Dividends

The Group declared a final dividend of 7.3 sen per share, bringing the total dividend for the year to 13.3 sen and payout ratio of 30%. This year's payout is a reflection of a more cautious outlook, in light of the economic impact of the COVID-19 pandemic in the near-term.



Subsequent Events

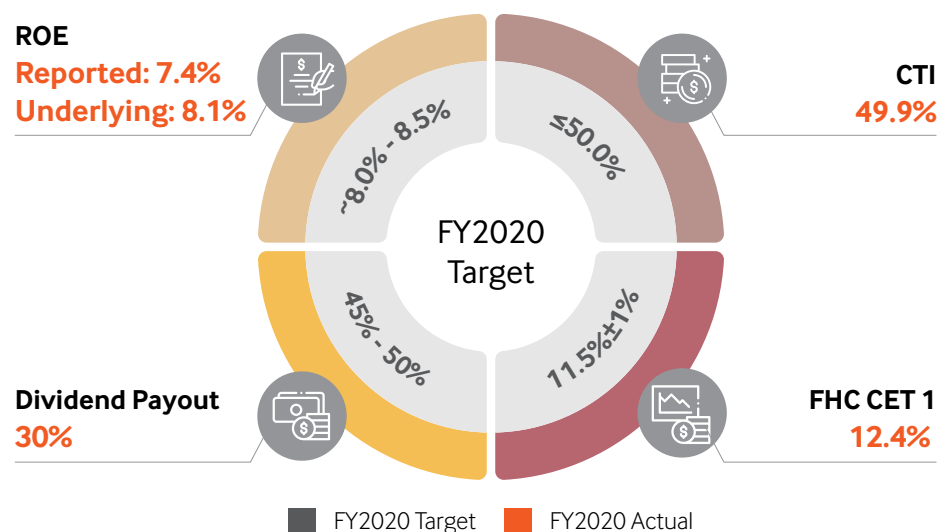
On 25 March 2020, Bank Negara Malaysia (BNM) announced that with effect from 1 April 2020, banking institutions are required to provide an automatic deferment of all loan/financing repayments (except for credit card balances) for a period of 6 months. This is one of the measures implemented by BNM to assist individuals, small and medium enterprises (SME) and corporations to manage the impact of the COVID-19 pandemic. The 6-month moratorium granted to eligible borrowers is applicable to performing loans, denominated in Ringgit Malaysia, that have not been in arrears for more than 90 days as at 1 April 2020. The financial impact arising from this moratorium will be a modification to the contractual cash flows of loans, advances and financing of the Group which will result in a recognition of a modification loss to be recognised in the profit and loss in the next financial year. The Group's current financial year results ended 31 March 2020 is not impacted from the 6-month moratorium as the effective date is after the end of the Group's reporting period. The Group is currently monitoring and assessing the impact of this modification which is expected to be finalised in the first quarter of the financial year ending 31 March 2021.

OUR FINANCIAL AGENDA AND FINANCIAL TARGETS FOR FY2020

Financial Agenda

- Revenue Growth – To increase penetration in targeted products and segments, grow CASA, improve cost of funds and net interest margin, and accelerate digital partnerships.
- BET300 – To achieve a cost-to-income ratio of 50% or lower by FY2020 and deliver gross cost savings of RM300 million over three years.
- Capital Accretive Growth – To strengthen our capital position and deliver sustainable dividend payout.

Financial Targets



Performance Review by Group Chief Financial Officer

	FY2020 Financials				Strong revenue and PBP out turn Macro provisions of RM167 million taken in Q4FY20
Profitability (RM Million)	Income	4,227 <i>FY2019: 3,922</i>	▲	8%	Good income growth underpinned by net interest income and trading & fee income
	Expenses	2,108 <i>FY2019: 2,131</i>	▼	1%	Continue to optimise operational efficiency
	PBP	2,119 <i>FY2019: 1,792</i>	▲	18%	Positive JAWS of 9%, CTI of 49.9%
	Impairment/(Recovery)	336 <i>FY2019: (304)</i>	▲	>100%	Credit costs include RM167 million macro provisions taken in March 2020
	PATMI	1,341 <i>FY2019: 1,505</i>	▼	11%	Underlying net profit up 15% (excluding RM167 million macro provisions and net gains on retail debt sale of RM285 million in Q4FY2019)
	ROE	7.4% <i>FY2019: 8.8%</i>	▼	>100bps	Underlying ROE 8.1%, underlying ROTE at 9.4%
Assets & Liabilities (RM Billion)	Gross Loans	107.2 <i>FY2019: 101.8</i>	▲	5%	Broad-based loans growth, excluding auto loans up 9%
	Deposits	113.0 <i>FY2019: 106.9</i>	▲	6%	Actively managing cost of funds, CASA up 16%
Capital & Liquidity	FHC CET1*	12.4% <i>FY2019: 11.9%</i>	▲	55bps	Improved CET1 (regulatory reserve of 1.0% retained)
	FHC LCR	158% <i>FY2019: 193%</i>	▼	>100bps	Highly liquid
	Dividend per share	13.3 sen <i>FY2019: 20.0 sen</i>	▼	6.7 sen	Dividend payout of 30%

* After deducting proposed final dividend

UNDERLYING NET PROFIT UP 15.4% DRIVEN BY STRONG REVENUE AND PROFIT BEFORE PROVISIONS OUT TURN

FY2020 results reflected the outcomes of our Top 4 Strategy, evidenced by strong revenue growth, improved operational efficiency and a solid balance sheet. The Group's total income crossed the RM4.0 billion mark to RM4.2 billion. Net interest income rose 7.5% YoY to RM2,773.9 million, underpinned by broad-based lending growth of 5.3% and deposit growth of 5.7%. Net interest margin (NIM) improved 5 bps from 1.89% to 1.94%, despite three OPR reductions during the financial year. This was mainly attributed to active liquidity management and pricing discipline on term deposits as we managed cost of funds effectively. The Group was able to mitigate the impact of lower interest rates through investment in fixed income securities.

Non-interest income grew by 8.3% YoY to RM1,453.2 million, bolstered by strong fixed income securities trading gains, higher investment banking and fund management fee income. During the year, our Group Treasury and Markets captured the trading opportunities spurred by low interest rates and heightened market volatilities, and deal closures in the second half of 2019 was positive for our investment banking.

The Group's expense growth was well-managed, down 1.1% to RM2,108.2 million. This was attributable to the Group's BET300 efficiency programme and cost discipline, allowing the Group to continue investing in people, infrastructure and digital capabilities. This further improvement in efficiency resulted in a lower CTI ratio of 49.9% and positive JAWS of 9%.

As a result of strong revenue growth and improved cost efficiency, the Group's profit before provision posted a double-digit growth of 18.3% to RM2,119.0 million, our highest level since FY2015.

The Group recorded a net impairment charge of RM336.1 million in FY2020, compared to a net recovery of RM303.8 million in FY2019. Included in the net recovery in FY2019 was a gain from the retail NPL sale of RM285.0 million, which did not repeat in this financial year. Given the heightened uncertainties in the economic outlook, the Group took an additional forward-looking provision of RM167.3 million in the final quarter of the year to reflect the future economic uncertainties as additional prudence. Overall, the Group's net credit cost stood at 30bps.

Reported PATMI decreased by 10.9% to RM1,340.7 million, impacted by the forward-looking provision. However, underlying PATMI was up 15.4%, after adjusting for the gain on the retail debt sale of RM285.0 million in FY2019 and macro provision of RM167.3 million made this financial year. The Group's return on equity (ROE) decreased to 7.4% while underlying ROE was 8.1%.

DIVERSIFIED BALANCE SHEET GROWTH

Our gross loans and financing base expanded 5.3% YoY to RM107.2 billion, with diversified growth in all segments and most products. Excluding auto finance, the Group's gross loans grew 8.7% in FY2020. Mortgage loans were a key driver of loans growth, increasing RM2.4 billion or 7.0% during the year. In addition, loans in Wholesale Banking grew 6.2%, with Large Corporate segment up 3.7% and Mid-Corporate segments grew 9.5%. Business Banking loans grew strongly at 12.9%, and Retail SME grew by 34.8%. Lending to SME customers accounted for 19.2% of the Group's gross loans outstanding.

During the year, the Group's deposits from customers grew in line with gross loans and financing, with a loan-to-deposit ratio at 94.9%. Customer deposits increased by 5.7% YoY, with CASA up 15.9%. We improved our CASA mix to 25.5% from 23.3% a year ago, largely driven by enhanced cash management and wealth management solutions. The Group has recorded consistent loans and deposit growth, both growing at compound annual growth rate (CAGR) of 6% between FY2017 and FY2020, surpassing the CAGR growth rates of our peers of 4% on loans and 3% on deposits for the same period.

EXERCISING CREDIT VIGILANCE AGAINST WEAKER MACROECONOMIC OUTLOOK

As at 31 March 2020, the Group's gross impaired loan (GIL) ratio was 1.73%, up 14bps from the previous year while loan loss coverage ratio, inclusive of a regulatory reserve of RM387.5 million, stood at 93.4% (FY2019: 114.0%). The Group's credit portfolio quality remained sound with 87% of total gross loans classified under Stage 1 and 56% with "strong to exceptionally strong" risk grades.

The Group continues to closely monitor the impact of the COVID-19 pandemic on our credit portfolios during BNM's loan moratorium period. Approximately RM65 billion, or 61% of the Group's total loans in the retail and SME segments, are under BNM's repayment moratorium until 1 October 2020.

WELL-CAPITALISED AND HIGHLY LIQUID

The Group is on a stronger footing to navigate the economic uncertainties and challenges, with our CET1 ratio and total capital ratio at 12.4% (+55bps YoY) and 15.8% (+37bps YoY) respectively. Based on the stress testing scenarios conducted, the Group has sufficient loss absorption capacity to maintain capital ratios above both internal capital targets and regulatory requirements.

The Group has maintained sound liquidity ratios, with LCR at 158.2% and NSFR above 100% for all banking entities, all above prudential requirements.



Our gross loans and financing expanded **5.3% YoY to RM107.2 billion** with diversified growth in all segments and most products.

PROSPECTS FOR FY2021

We exited FY2020 with solid fundamentals and have executed well on our Top 4 Strategy. However, the operating environment will be challenging in FY2021 as the impact of COVID-19 and disruptions from the Movement Control Order (MCO) have yet to fully unfold. Responding to the COVID-19 pandemic, our focus in FY2021 entails the following:

- Exercise credit vigilance;
- Proactively supporting our customers;
- Maintain sound capital and liquidity positions;
- Continue our cost discipline and prioritise investments against a slower growth prospects;
- Supporting our employees and communities.

JAMIE LING

Group Chief Financial Officer
AmBank Group

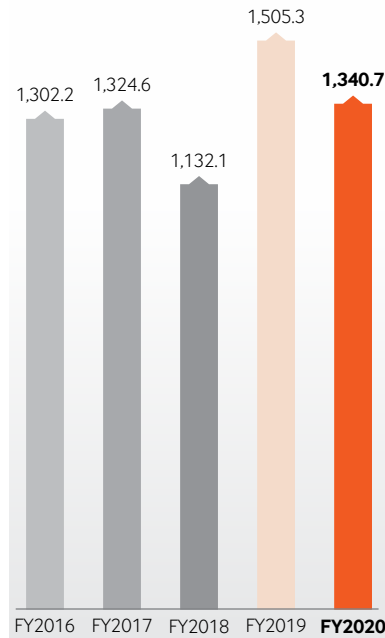
Performance Review

GROUP FINANCIAL HIGHLIGHTS

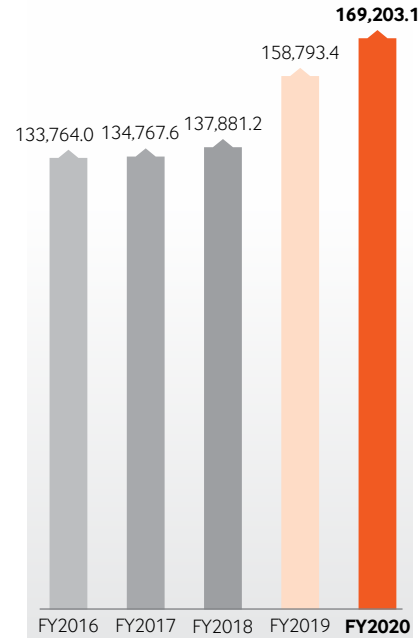
OPERATING REVENUE (RM Million)



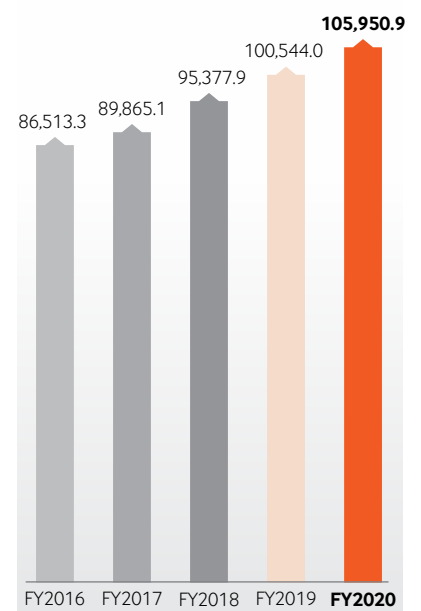
PROFIT ATTRIBUTABLE TO SHAREHOLDERS (RM Million)



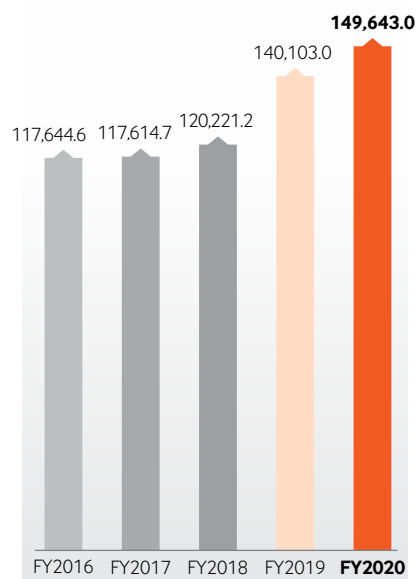
TOTAL ASSETS (RM Million)



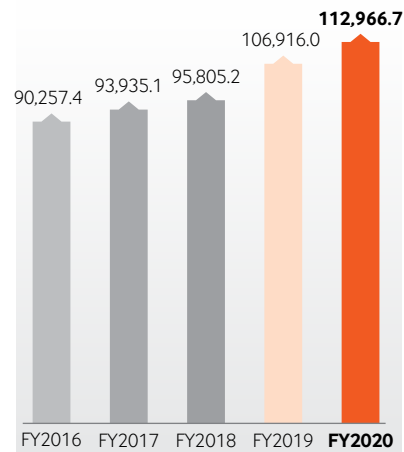
LOANS, ADVANCES AND FINANCING (NET) (RM Million)



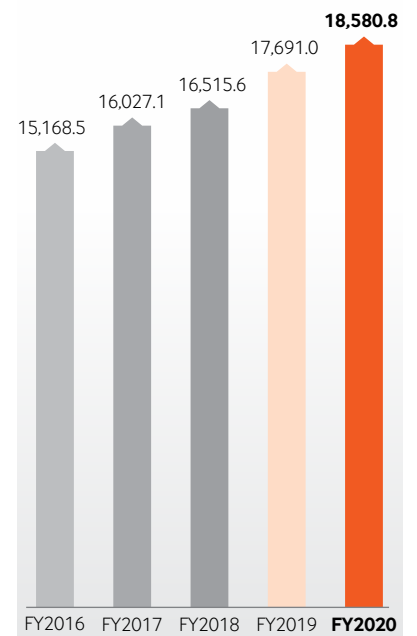
TOTAL LIABILITIES (RM Million)



CUSTOMER DEPOSITS (RM Million)



SHAREHOLDERS' EQUITY (RM Million)



FIVE-YEAR GROUP FINANCIAL SUMMARY

	FINANCIAL YEAR ENDED 31 MARCH				
	FY2016	FY2017 ³	FY2018	FY2019	FY2020
1. REVENUE (RM MILLION)					
i. Operating Revenue	8,416.0	8,285.8	8,576.7	9,119.9	9,324.6
ii. Operating Profit Before Impairment Losses	1,521.5	1,605.1	1,558.4	1,791.5	2,119.0
iii. (Allowances)/Writeback of Allowances for Impairment on Loans, Advances and Financing	164.1	173.5	1.1	301.3	(322.6)
iv. Profit Before Taxation and Zakat	1,731.0	1,801.2	1,542.7	2,095.4	1,782.9
v. Profit Attributable to Shareholders	1,302.2	1,324.6	1,132.1	1,505.3	1,340.7
2. BALANCE SHEET (RM MILLION)					
Assets					
i. Total Assets ⁵	133,764.0	134,767.6	137,881.2	158,793.4	169,203.1
ii. Loans, Advances and Financing (net)	86,513.3	89,865.1	95,377.9	100,544.0	105,950.9
Liabilities and Shareholders' Equity					
i. Total Liabilities ⁵	117,644.6	117,614.7	120,221.2	140,103.0	149,643.0
ii. Customer Deposits	90,257.4	93,935.1	95,805.2	106,916.0	112,966.7
iii. Paid-Up Share Capital ¹	3,014.2	5,551.6	5,551.6	5,751.6	5,851.6
iv. Shareholders' Equity	15,168.5	16,027.1	16,515.6	17,691.0	18,580.8
Commitments and Contingencies	125,037.1	134,563.3	143,672.5	131,016.8	133,474.7
3. PER SHARE (SEN)					
i. Basic Net Earnings	43.3	44.1	37.6	50.0	44.6
ii. Fully Diluted Net Earnings	43.3	44.0	37.6	50.0	44.6
iii. Net Assets	503.2	531.7	547.9	586.9	618.0
iv. Single Tier/Gross Dividend	15.5	17.6	15.0	20.0	13.3
4. FINANCIAL RATIOS (%)					
i. Post-Tax Return on Average Shareholders' Equity ²	8.8	8.5	7.0	8.8	7.4
ii. Post-Tax Return on Average Total Assets	1.1	1.1	0.9	1.1	0.9
iii. Loans to Deposits ⁴	96.4	95.3	98.1	91.1	89.8
iv. Cost to Income	58.8	57.4	60.8	54.3	49.9
5. SHARE PRICE (RM)					
i. High	6.50	4.99	5.62	4.61	4.55
ii. Low	4.27	3.90	3.88	3.45	2.90
iii. As at 31 March	4.60	4.65	3.89	4.56	3.00

¹ Paid-up share capital prior to 31 March 2017 is excluding share premium account.

² Adjusted for non-controlling interests.

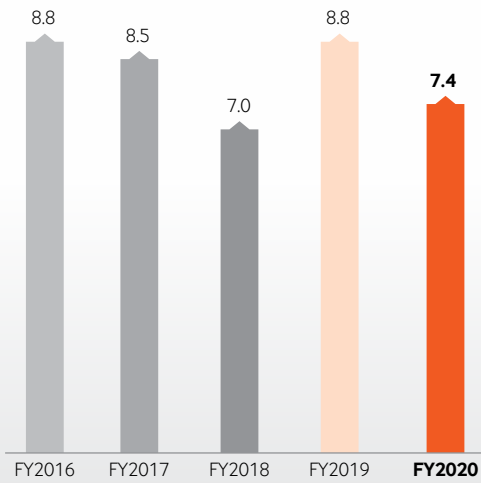
³ After adjusting for restatement pursuant to clarification provided in Bank Negara Malaysia circular on Classification and Regulatory treatment for structured products under the Financial Services Act 2013 and Islamic Financial Services Act 2013 that have been applied retrospectively for one financial year.

⁴ Loans to Deposits is gross loans divided by deposits from customers and financial institutions excluding interbank borrowings.

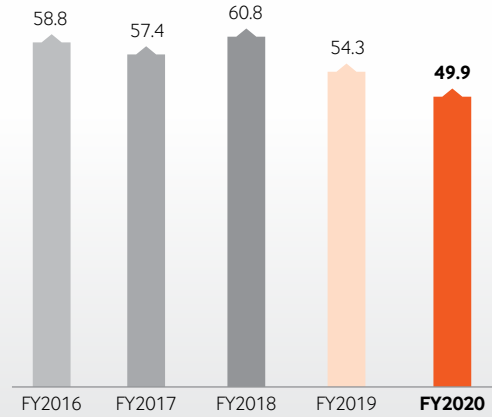
⁵ The Group adopted MFRS 16 Leases for the first time since 1 April 2019. In its transition, the Group has elected to apply the simplified transition approach whereby the comparative amounts were not restated with the right-of-use assets in Total assets and lease liabilities in Total liabilities.

FINANCIAL INDICATORS

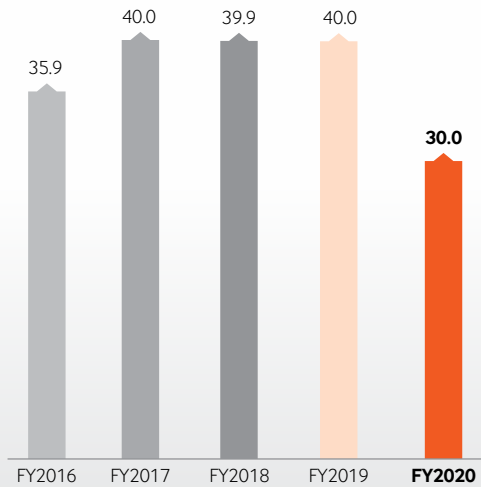
RETURN ON EQUITY (%)



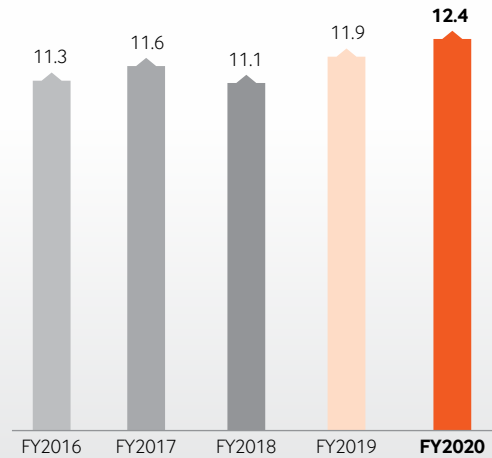
COST-TO-INCOME (%)



DIVIDEND PAYOUT (%)

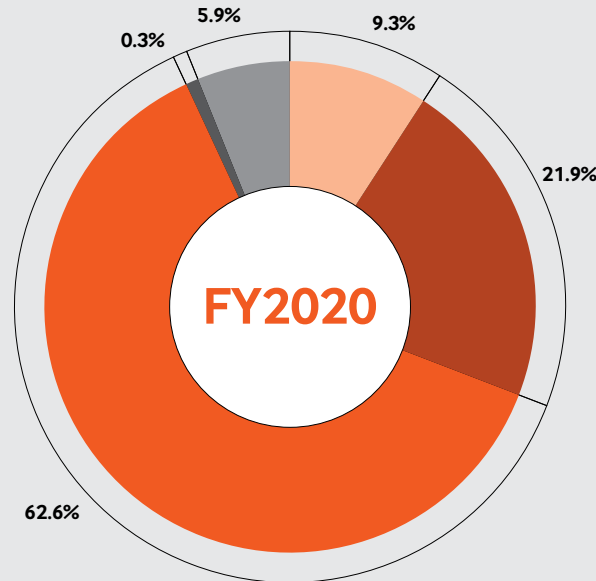
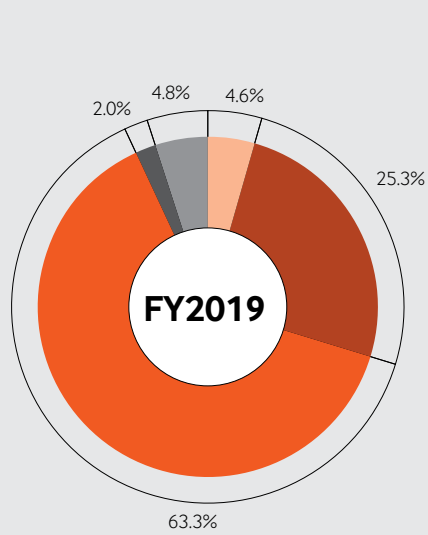


CET 1* (%)



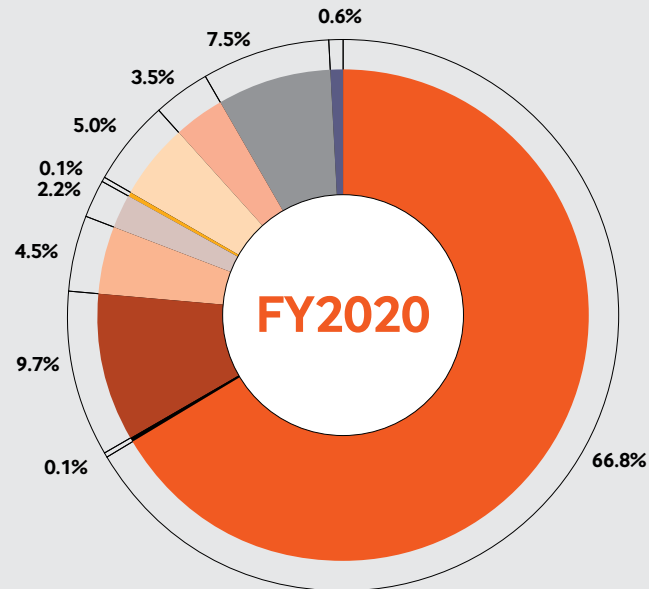
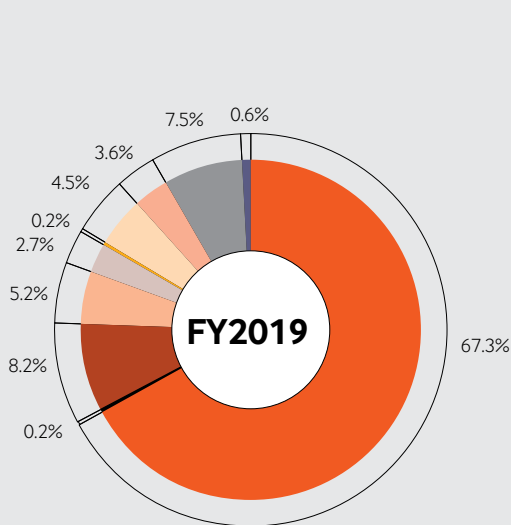
* Proforma aggregated for FY2016 and FY2017; Financial Holding Company Basis (FHC) for FY2018 onwards

SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION



Total Assets
100%

- Loans, Advances and Financing
- Investments in Securities
- Cash and Balances with Banks and Securities Purchased under Resale Agreements
- Statutory Deposits with BNM
- Other Assets



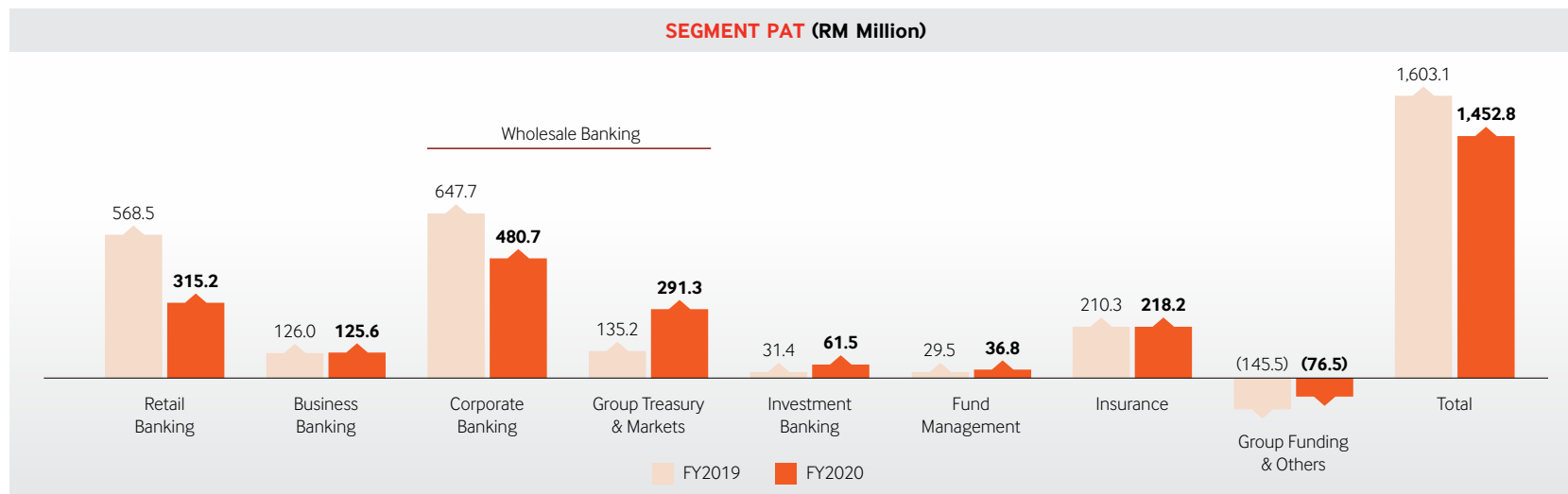
Total Liabilities and Equity
100%

- Deposits from Customers
- Investment Accounts of Customers
- Deposits and Placements of Banks and Other Financial Institutions and Securities Sold under Repurchase Agreements
- Term Funding and Other Borrowed Funds
- Debt Capital
- Redeemable Cumulative Convertible Preference Share
- Other Liabilities
- Share Capital
- Reserves
- Non-Controlling Interests

SEGMENTAL ANALYSIS

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

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they third party transactions and are eliminated on consolidation under Group Funding and Others.



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.

Total income of RM1,466.3 million, up 1.2% year-on-year (YoY). NII rose 2.8%, offset by lower Noll (-6.1%) mainly attributable to lower Cards merchant fees. Retail Banking recorded a net impairment charge of RM187.1 million (FY2019: Net recoveries of RM139.0 million). PAT decreased 44.6% to RM315.2 million, mainly due to non-repeat of RM285.0 million gain from retail debt sale. Gross loans grew 3.6% YoY from mortgages, retail SME and cards. Customer deposits decreased by 11.8%, largely from fixed deposits; CASA balances were up by 13.6%.

BUSINESS BANKING

Business Banking focuses on the small and medium sized enterprises segment, which comprises of 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.

Income grew 13.4% to RM366.3 million. NII increased 13.7%, in line with gross loans. Noll rose by 12.6% from higher loans related fee income, bancassurance commission and foreign exchange sales. Net impairment charge stood at RM57.0 million, as compared to RM30.7 million a year ago. PAT was flat at RM125.6 million, impacted by higher impairment. Gross loans increased 12.9% to RM11.2 billion. Customer deposits also recorded a double digit growth of 23.3% YoY to RM7.2 billion.

WHOLESALE BANKING

Wholesale Banking comprises of 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 provides full range of products and services relating to treasury activities, including foreign exchange, derivatives, fixed income and structured warrants.

Income stepped up by 14.9% YoY to RM1,237.0 million. NII increased by 10.8% on the back of higher loans base and treasury assets as well as improved margin. Noll grew 25.2% underpinned by robust Markets trading gain. Profit after tax (PAT) of RM772.0 million was marginally lower by 1.4% YoY, largely attributed to higher operating expenses and lower net recoveries. Gross loans grew 6.2% YoY to RM35.6 billion whilst customer deposits grew 22.5% YoY to RM60.0 billion.

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 increased by RM30.1 million attributed to higher net income from Debt Capital Market and Private Banking, partly offset by higher other operating expenses and lower writeback of impairment.

SEGMENTAL ANALYSIS

FUND MANAGEMENT

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

PAT increased by 24.6% from higher management fee, offset by higher other operating expenses.

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.

General Insurance income was relatively flat YoY at RM594.1 million as higher net earned premium and investment income were offset by increase in claims and commission. Operating expenses fell 3.2% to RM338.1 million. Profit after tax increased by 15.2% to

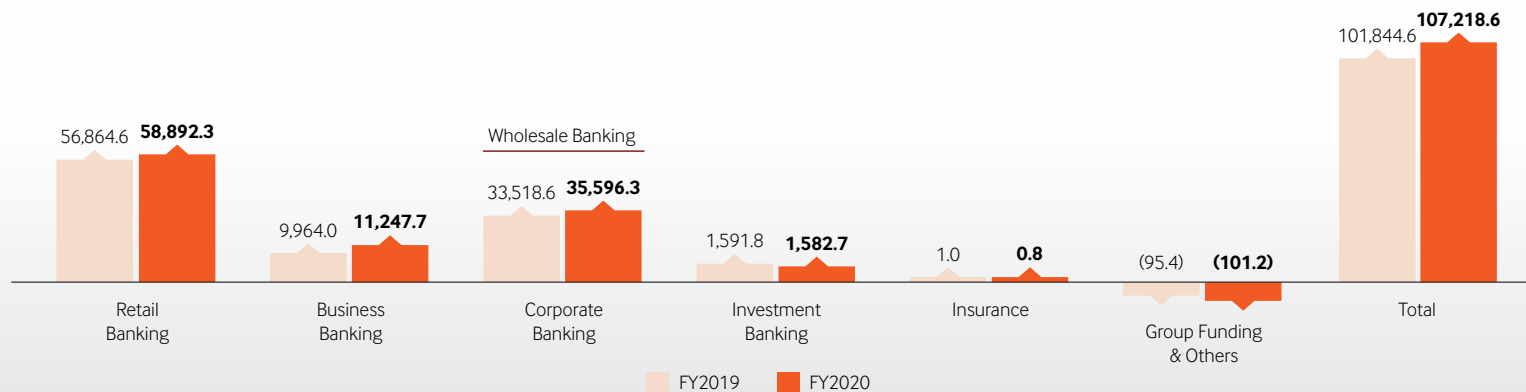
RM228.1 million. The Life Insurance and Family Takaful businesses recorded a loss after tax of RM9.9 million compared to a PAT of RM12.3 million last year mainly due to lower investment income, higher claims and reserving. The Group has equity accounted the results of the Life insurance and Family Takaful business to reflect the Group's effective equity interests in the joint ventures.

GROUP FUNDING AND OTHERS

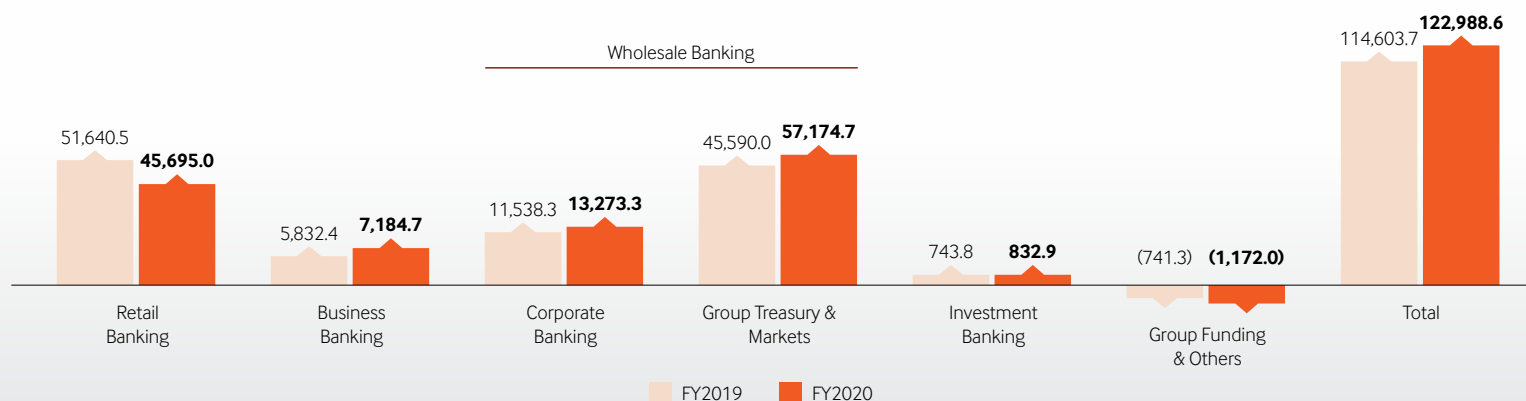
Group Funding and Others comprises of activities to maintain the liquidity of the Group as well as support operations of its main business units and non-core operations of the Group.

PAT closed at a loss of RM76.5 million, from a loss of RM145.5 million a year ago. This is attributed to higher income, driven by the lower cost of funding from a net repayment medium term funding, as well as lower operating expenses. Profit before provision for this segment was a loss of RM2.3 million (FY2019: loss of RM127.0 million). The forward looking provision of RM167.3 million taken as additional prudence was recorded in this segment as a reflection of the economic uncertainties arising from the COVID-19 pandemic.

GROSS LOANS (RM Million)



DEPOSITS (RM Million)



GROUP QUARTERLY FINANCIAL PERFORMANCE

ALL IN RM MILLION UNLESS STATED OTHERWISE	FY2020			
	Q1	Q2	Q3	Q4
Operating Revenue	2,390.4	2,349.3	2,370.1	2,214.8
Net Interest Income	468.3	472.9	504.9	492.5
Net Income from Islamic Banking	230.0	246.1	213.4	330.1
Net Income from Insurance Business	121.2	112.5	105.1	101.9
Other Operating Income	232.4	245.4	276.0	77.6
Share in Results of Associates and Joint Ventures	12.8	(8.0)	5.2	(13.1)
Other Operating Expenses	(528.6)	(526.2)	(552.3)	(501.1)
Impairment and Provisions	32.4	(109.1)	(56.9)	(202.5)
Profit Before Taxation and Zakat	568.5	433.6	495.4	285.4
Profit Attributable to Equity Holders of the Company	391.5	319.6	382.1	247.5
Earnings Per Share (Sen)	13.0	10.6	12.7	8.3
Dividend Per Share (Sen)	–	6.0	–	7.3

ALL IN RM MILLION UNLESS STATED OTHERWISE	FY2019			
	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	–	5.0	–	15.0

KEY INTEREST BEARING ASSETS AND LIABILITIES

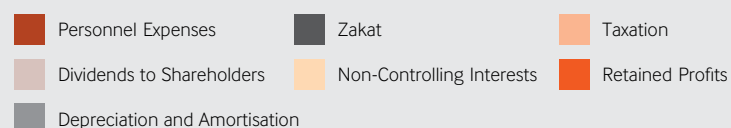
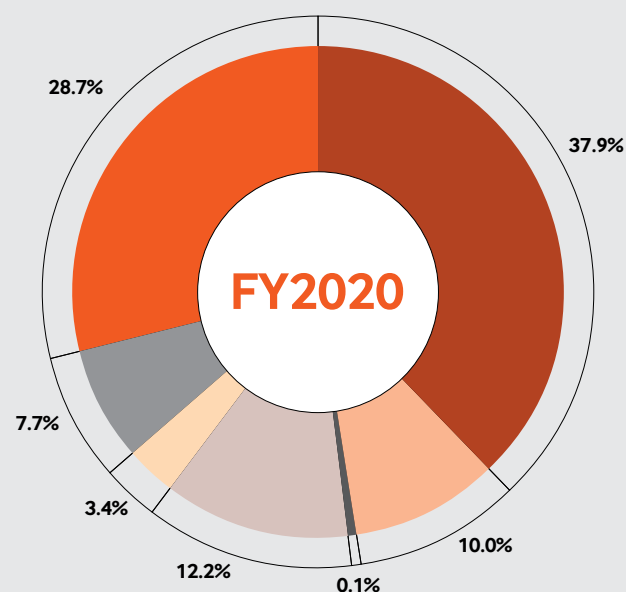
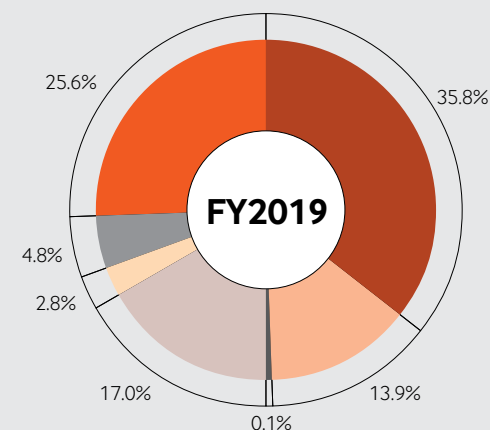
	FY2019			FY2020		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
	RM Million	%	RM Million	RM Million	%	RM Million
INTEREST EARNING ASSETS						
Short-Term Funds, Deposits and Placements with Banks and Other Financial Institutions	5,272	3.30%	174	5,239	2.37%	124
Financial Assets at Fair Value Through Profit or Loss	15,461	3.83%	592	14,295	3.55%	507
Financial Investments at Fair Value Through Other Comprehensive Income	10,377	4.75%	493	16,903	4.01%	678
Financial Investments at Amortised Cost	4,912	4.39%	216	5,034	4.34%	218
Loans, Advances and Financing	99,215	5.40%	5,358	102,598	5.20%	5,339
INTEREST BEARING LIABILITIES						
Deposits from Customers ¹	101,786	3.28%	3,340	104,346	3.03%	3,159
Deposits and Placements of Banks and Other Financial Institutions	7,009	3.37%	236	9,513	2.83%	270
Recourse Obligation on Loans and Financing Sold to Cagamas Berhad	4,469	4.27%	191	4,548	4.00%	182
Term Funding, Debt Capital and Other Borrowed Funds	10,507	4.83%	508	12,349	4.01%	495

¹ Deposits from customers includes Investment accounts of customers

STATEMENT OF VALUE ADDED

VALUE ADDED	FY2019 RM Million	FY2020 RM Million
Net Interest Income	1,724.3	1,938.6
Net Income from Islamic Banking	951.9	1,019.6
Income from Insurance Business	1,374.8	1,428.7
Other Operating Income	773.2	831.4
Share in Results of Associates and Joint Ventures	20.4	(3.1)
Insurance Claims and Commissions	(922.3)	(988.0)
Operating Expenses excluding Personnel and Depreciation and Amortisation	(701.2)	(614.2)
Writeback of Allowance/(Allowance) for Impairment on Loans, Advances and Financing	301.3	(322.6)
Other Impairment and Provisions	2.5	(13.5)
Value Added Available for Distribution	3,524.9	3,276.9

DISTRIBUTION OF VALUE ADDED	FY2019 RM Million	FY2020 RM Million
To Employees:		
Personnel Expenses	1,260.5	1,241.0
To the Government:		
Taxation	489.9	327.0
To State Collection Centres and Community:		
Zakat	2.4	3.0
To Providers of Capital:		
Dividends to Shareholders	602.8	400.9
Non-Controlling Interests	97.8	112.1
To Reinvest to the Group:		
Depreciation and Amortisation	169.1	253.0
Retained Profits	902.4	939.9
	3,524.9	3,276.9



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.

EFFECTIVE CAPITAL MANAGEMENT IS ESSENTIAL TO THE SUSTAINABILITY OF THE GROUP AND INVOLVES:

Meeting Regulatory Capital Requirements at all Times

Supporting the Group's Risk Appetite, Business Growth and Strategic Objectives

Maintaining Good Credit Ratings from Local and International Rating Agencies

Annually, the Group prepared the annual capital plan that covers a horizon of three years which establishes:

- Internal Capital Targets for the Group and entities that provide an adequate buffer above the minimum regulatory requirements.
- Capital projections to forecast capital demand for regulatory requirements that could support the Group's risk appetite, business growth and strategic objectives.

The annual capital plan is approved by the Board of Directors for implementation at the beginning of the financial year, followed by quarterly updates on the capital management to inform the Board of Directors on the latest progress of capital initiatives planned.

Key Initiatives

The Group manages its capital position proactively by building sufficient capital buffers in view of forthcoming capital requirements. Tools that are employed to achieve this include:

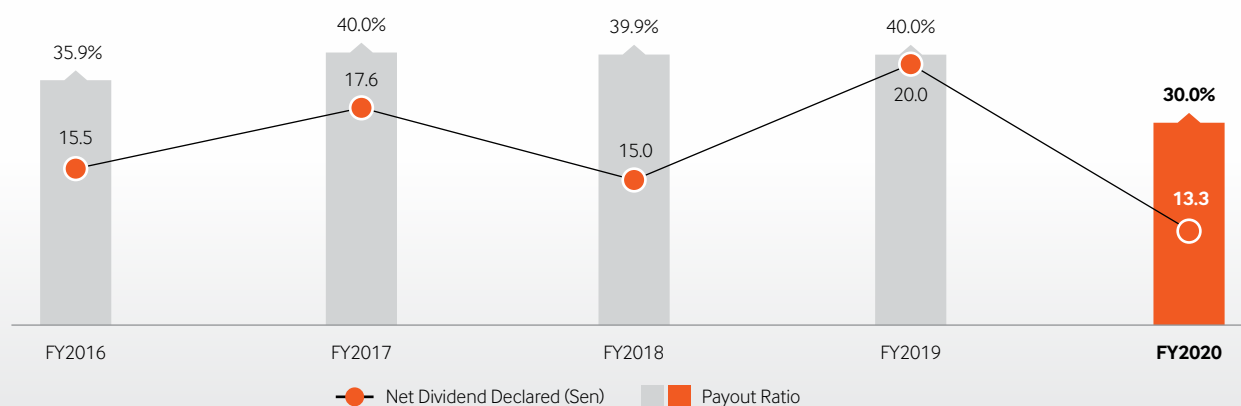
- Optimisation of Cost of Debt Capital via Redemption of Non-Basel III Compliant Capital Instruments
- Establishment of Basel III Compliant AT1 Programme and On-Going Issuance of Tier 2 Sub-Debt Instruments
- Risk-Weighted Assets Optimisation
- Group-Wide Stress Testing and Impact Assessment

During the financial year, the Group had redeemed a total of RM485 million capital instruments as outlined below:

- RM300 Million Innovative Tier 1 Capital Securities Redeemed on 19 August 2019;
- RM185 Million Innovative Tier 1 Capital Securities Redeemed on 30 September 2019.

DIVIDENDS FOR 2020

For the financial year ended 31 March 2020 (FY2020), a final dividend of 7.3 sen on 3,014,184,844 ordinary shares was approved by the Board of Directors on 6 May 2020 and Bank Negara Malaysia on 26 June 2020. With the interim dividend of 6 sen per share paid on 27 December 2019, the total dividends for FY2020 amounted to 13.3 sen per share, leading to a full year dividend payout ratio of 30.0%.



CREDIT RATING

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.

Rating Agency	Rating Classification	Rating Accorded
The Company		
RAM Rating Services Berhad	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 Berhad	Long-Term Financial Institution Rating	AA2
	Short-Term Financial Institution Rating	P1
	Outlook	Stable
AmBank Islamic Berhad		
RAM Rating Services Berhad	Long-Term Financial Institution Rating	AA2
	Short-Term Financial Institution Rating	P1
	Outlook	Stable
AmInvestment Bank Berhad		
RAM Rating Services Berhad	Long-Term Financial Institution Rating	AA2
	Short-Term Financial Institution Rating	P1
	Outlook	Stable

[^] S&P affirmed AmBank (M) Berhad's rating at BBB+, A-2 but revised the outlook from Stable to Negative on 29 June 2020.

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 is 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 FY2020

Loans are the largest component of the Group's assets and are generally funded by core customer deposits. Our core customer deposits increased by RM6.1 billion from RM106.9 billion in FY2019 to RM113.0 billion in FY2020, an 5.7% 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



2019

22 August 2019

Announcement of Unaudited Consolidated Results
for the Financial First Quarter Ended 30 June 2019

5 July 2019

Payment of Final Single-Tier Dividend of 15.0 sen per Share
for the Financial Year Ended 31 March 2019

29 November 2019

Announcement of Unaudited Consolidated Results
for the Financial Half Year Ended 30 September 2019

27 December 2019

Payment of Interim Single Tier Dividend of 6.0 sen per Share
for the Financial Year Ended 31 March 2020



2020

27 February 2020

Announcement of Unaudited Consolidated Results
for the Financial Third Quarter Ended 31 December 2019

29 June 2020

Announcement of Audited Consolidated Results
for the Financial Year Ended 31 March 2020

27 July 2020

Notice of 29th Annual General Meeting

27 August 2020

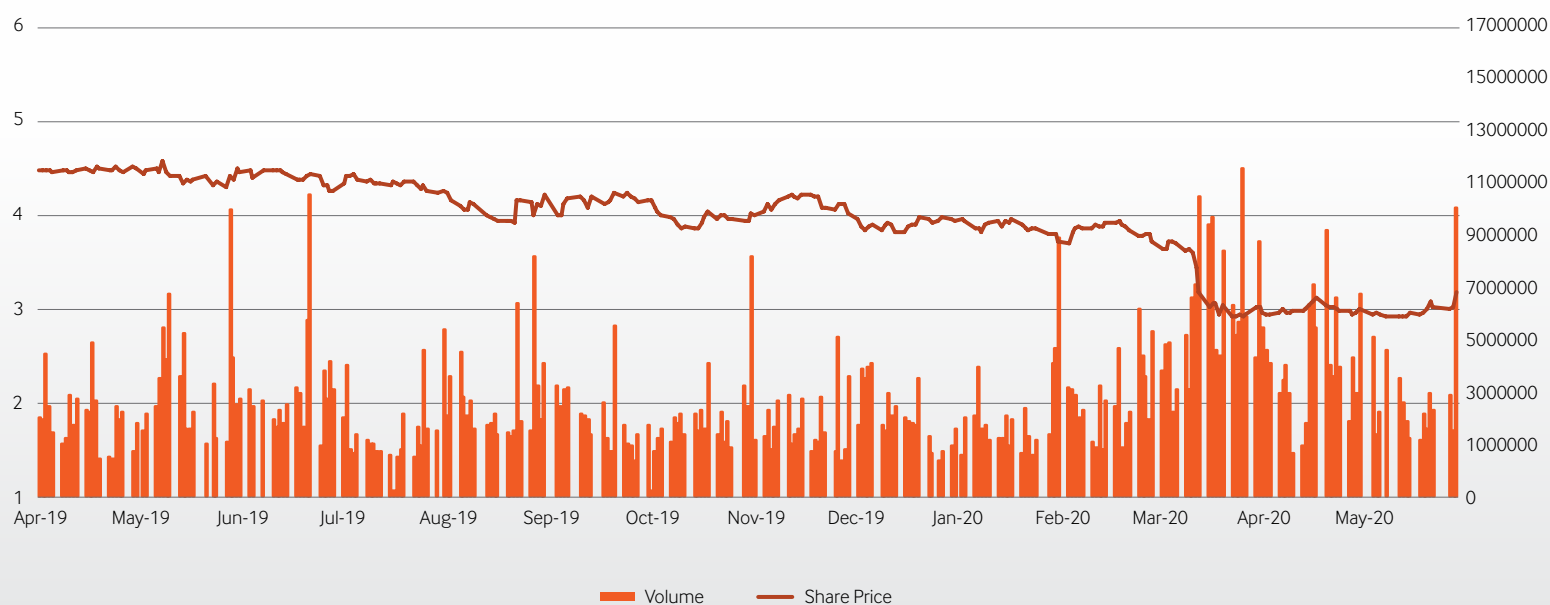
29th Annual General Meeting

INVESTOR RELATIONS

The investor relations landscape has evolved over the years and now forms an integral part of AmBank Group's corporate governance initiatives. At AmBank Group, we uphold regular and proactive communication with our shareholders and the wider investment community including investors, fund managers, equity and fixed-income analysts and credit rating agencies. Shareholders engagement has taken a centre stage in recent years as shareholders are exerting more influence than ever on how Boards and Management teams operate. Additionally, the investment community is increasingly emphasising on long-term sustainability and value creation of the investee companies, on top of delivering satisfactory financial performance. We believe that effective shareholders engagement and investor relations can lead to improved strategy and policies formulation, more sustainable business practices, and promote greater transparency and accountability. Our communications with the investment community is governed by our investor relations policy to ensure consistency, clarity, fairness and timeliness of information disseminated. We subscribe to the philosophy that good investor relations practices strengthen investors' confidence in us and allows them to make informed investment decisions. We have a dedicated Investor Relations team (IR team) to support our Group Chief Executive Officer and Group Chief Financial Officer in their investor engagement activities, focusing on achieving effective two-way communications and fostering relationships with the investment community in order to better understand their expectations and requirements.

SHARE PRICE AND VOLUME (1 April 2019 – 29 May 2020)

Last closing price	RM3.17
Highest closing price	RM4.55
Lowest closing price	RM2.90
Average daily volume	2,802,391



CORPORATE WEBSITE

The IR section under AmBank Group's corporate website is updated regularly with corporate governance and investor-related information such as corporate profile, Board of Directors, annual reports, quarterly financial results, investor presentations, news releases, credit ratings, notices and minutes of AGM and EGM, etc. as well as our investor relations calendar. Investors and stakeholders can also reach out to the AmBank Group IR team via email at ir@ambankgroup.com should they require further information or assistance on investor-related matters.

Wholesale Banking

“Wholesale Banking continues to deliver strong performance with an income growth of 15% year-on-year (YoY). Through efficient and effective capital management, we have managed to enhance our return on capital employed (ROCE) to a stellar 15%. We continue to focus on customer experience by developing bespoke Cash Management solutions for our clients. As a result, our Current Account Savings Account (CASA) base has recorded a double-digit increase of 14% YoY. In addition, despite the challenging landscape, Group Treasury and Markets (GTM) has managed to deliver impressive results with higher growth in investment, treasury solutions and trading income.”



RAJA TEH MAIMUNAH RAJA ABDUL AZIZ

Managing Director, Wholesale Banking
AmBank Group

ABOUT US

AmBank Group’s Wholesale Banking team comprises of three main divisions: Corporate Banking, Transaction Banking and Group Treasury and Markets (GTM). Our client coverage teams manage client relationships across mid-sized and large corporations from a wide range of economic sectors and industries. Coupled with our business solutions teams, we are able to provide clients with an extensive repertoire to help meet their diverse financial services needs, encompassing cash management, trade solutions, financing, foreign exchange (FX), remittances, investments, treasury, debt and equity capital markets solutions, amongst others.

Wholesale Banking

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.

Transaction Banking

Delivers cash management solutions, trade products and remittances to corporate clients.

Group Treasury and Markets (GTM)

Manages liquidity for the banking group, as well as offers financial markets solutions to a broad range of clients across all asset class. The sales and trading activities cover fixed income, interest rates, foreign exchange, money market, equity, commodities and derivatives.

OUR PERFORMANCE

Wholesale Banking registered an income of RM1,237 million, up 15% YoY and contributing to circa 29% of the total Group's revenue. Net interest income (NII) grew 11% YoY, underpinned by higher loan base and treasury assets with improved margin. Non-interest income (NOII) growth of 25% YoY was mainly boosted by robust trading and investment income from GTM. Transaction Banking remains focused on building operating accounts via cash management solutions to secure sticky CASA and trade assets. As a result, gross loans increased by 6.0% YoY while deposits experienced a double-digit growth of 22% YoY. GTM delivered another year of strong performance with an income growth of 81% YoY, remaining undeterred by the volatile market environment due to tight risk management and the precise execution of their strategy. Wholesale Banking contributed to 58% of total Group PATMI.

Total Income
RM1,237.0
 Million in FY2020

RM1,076.2 Million in FY2019

Net Interest Income (NII)
RM849.6
 Million in FY2020

RM766.9 Million in FY2019

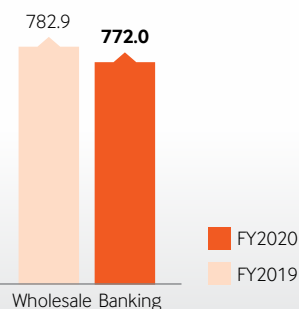
Non-Interest Income (NOII)
RM387.4
 Million in FY2020

RM309.3 Million in FY2019

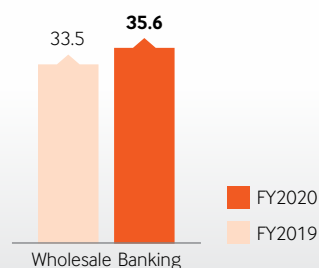
Cost-to-Income Ratio (CTI)
24.5%
 in FY2020

26.3% in FY2019

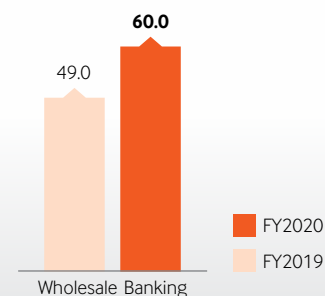
Profit After Tax (PAT) (RM Million)



Gross Loans (RM Billion)



Deposits From Customers (RM Billion)



AWARDS & RECOGNITION



ETF Awards 2019

The Highest Traded Volume from Bursa by the ETF Awards 2019

Alpha South-East Asia Awards 2019

- Best FX Bank for Corporates and Financial Institutions (8th Consecutive Year)
- Best FX Bank for Structured Products: Commodities, Credit, Equity, FX and Multi-Assets for FX and Treasury Segment

Malaysian e-Payment Excellence Award (MEEA) 2019

Outstanding Contributions to JomPAY

Wells Fargo & Company

Wells Fargo Operational Excellence Award 2019

State Government of Selangor

Appreciation Award for Driving the Cashless Economy Agenda & Developing a Digital Ecosystem in Selangor 2019

Sabah Credit Corporation

Strategic Partner Award in Sabah Pay 2020

KEY INITIATIVES & OUTCOMES

Key Initiatives

Outcomes

LUNO

- Appointed as the primary banker for LUNO, the first regulatory-approved cryptocurrency exchange in Malaysia.
- Invested in developing infrastructure according to regulatory requirements that allow for transaction monitoring and customised reconciliation. This facilitates the seamless operations of the LUNO exchange.

- Customer funds for LUNO are maintained in an AmBank Trust Account as per Securities Commission (SC) requirements.
- LUNO customers are able to seamlessly top up their LUNO wallet and withdraw funds through online or mobile banking.

Rakuten Trade

- The first bank to offer a B2B DuitNow Application Programming Interface (API) solution.
- Partnered with Rakuten Trade, Malaysia's first full-fledged online equity broker, to enable the online acquisition and onboarding of new customers.
- Delivered a bespoke solution by offering connectivity directly to PayNet via AmBank's API to provide real-time customer verification as part of Rakuten Trade's customer onboarding process.

- Seamless customer experience for the existing customer acquisition process.

Hengyuan Refining Company Bhd

- Hengyuan Refining Company Berhad (HRC), formerly known as Shell Refining Company (Federation of Malaysia) Berhad, one of the oldest refinery in Malaysia.
- Offered Supply Chain Financing on Receivables Purchase, in which the Bank was able to assist HRC to discount its receivables on a limited recourse basis.

- Enable HRC to monetise its receivable to improve its liquidity position.

Bespoke Financing Solutions

- Provided comprehensive financing solutions to corporate clients, including debt financing and syndicated loans.

- RM1.2 Billion Syndicated Commodity Murabahah Term Financing-i for Serba Dinamik Holdings Berhad.
- RM620.0 Million Syndicated Term Financing-i for TSSA Harta Sdn Bhd.
- RM10.0 Billion Sukuk Wakalah Issuance for MBSB Bank Berhad.
- RM1.5 Billion Syndicated Sukuk Murabahah Programme for Tanjung Pinang Development Sdn Bhd.

CHALLENGES & RISKS



PROSPECTS & OUTLOOK

In the upcoming financial year, the financial market will have to navigate the economic challenges brought by existing challenges, such as trade war and political changes, as well as the unprecedented economic impact of COVID-19. Customers are expected to face a disruption in cash flow due to slow business demand, thus impacting growth and asset quality. To ease the financial burden of our customers, Wholesale Banking will review the Restructured & Rescheduled (R&R) loans of borrowers, extending beyond the six-month moratorium period.

Over the next two years, Wholesale Banking will work to mitigate the financial impact of COVID-19 by focusing on key areas of growth. We will prioritise on further developing our FX franchise by leveraging the Group's coverage and distribution footprint, whilst enhancing our cash management capabilities through digital collection and payment solutions. We will also recalibrate our assets by focusing on ROCE as well as provide infrastructure support to e-money players. Furthermore, we will continue to refine our suite of products and services, both conventional and Shariah, to meet the needs of our increasingly sophisticated clientele amidst the evolving market.

**SEOHAN SOO**

Chief Executive Officer*
AmInvestment Bank Berhad

AmInvestment Bank

“AmInvestment Bank’s FY2020 priorities were to contribute to the Group’s overall Top 4 Strategy, in which we continued to excel in areas such as Corporate Finance and Capital Markets whilst showing marked improvements in Fund Management and Private Banking. Our licensed professionals have decades of investment banking experience, and are committed to giving our clients the best possible advice and the highest standards of deal execution. We believe that providing such value-added services will enable us to build a sustainable business, with repeat mandates from discerning clients.”

ABOUT US

AmInvestment Bank offers the full range of integrated solutions and services, encompassing corporate finance and M&A advisory, equity capital markets, debt and Sukuk capital markets, as well as fund management, private banking and stockbroking services. The services provided cover both conventional and Islamic financing. Over the years, AmInvestment Bank has achieved a solid, award-winning track record in the debt, equity and Islamic capital markets sectors.

AmInvestment Bank

Capital Markets Group (CMG)

Provides innovative and customised debt and capital financing solutions through proven capabilities in fixed income, derivatives, credit solutions, and advisory services – covering both conventional and Islamic financing – that meet and exceed expectations of our clients.

Corporate Finance (CF)

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

Equity Capital Markets (ECM)

Leverages on AmInvestment Bank’s established distribution network and close relationships with fund managers, retail investors and research analysts; providing timely market intelligence in the origination of primary market transactions and the structuring and managing of the marketing and distribution of both primary and secondary equity offerings.

Equity Markets (EM)

Acts as the stockbroking arm of the Group. Products and services offered include share trading, securities borrowing and lending, share margin financing and foreign investment services that cater to both institutional and retail clients. Also, the AmEquities trading portal and application offers clients online trading capabilities.

Fund Management (AmInvest)

Manages unit trust funds, exchange-traded funds, wholesale funds, institutional and corporate mandates, private retirement and pension funds; specialising in active Asian bonds. Our expertise encompasses both conventional and Shariah-Compliant funds.

Private Banking (AmPrivate)

Provides high net-worth clients with investment solutions, both discretionary and non-discretionary, to fit their risk profile (both in Malaysian Ringgit and foreign currencies).

* Resigned effective 1 July 2020

OUR PERFORMANCE

Overall, AmInvestment Bank's profit after tax (PAT) increased by RM37.4 million to RM98.3 million. The growth is mainly attributed to a higher net income from sizeable deals, which more than offset the increase in operating expenses and a lower write-back of impairment.

For CMG, with over 15 years in the Top 3 of Bloomberg's Malaysia Bonds League Table, this financial year was no different. CMG ended FY2020 in the Top 3, beating other banking group peers with much larger balance sheets. This enviable track record is down to close collaboration with our client coverage colleagues, deep-seated relationships with clients, and an unwavering commitment to providing innovative market-driven solutions.

The alignment of CF's strategy with Wholesale Banking Coverage (WBC) and Business Banking (BB) helped drive strategic dialogue with the bank's corporate and SME clients. Close collaboration between CF and WBC & BB enabled the team to deliver high-quality advice and win advisory mandates from our clients.

ECM contributed to AmInvestment Bank's growth through equity fundraising activities by primarily focusing on mid-cap sized companies listed on Bursa Malaysia. It was another milestone year as ECM led Bloomberg's Primary Placement League Table 2019 by successfully raising more than RM700 million. Further, in September 2019, ECM (as Principal Advisor and Sole Placement Agent) launched and executed a primary placement via Accelerated Book-Building for and on behalf of Guan Chong Berhad (GCB), raising just under RM100 million. The deal won The Edge Malaysia's Best Share Placement in 2019 as ECM helped change the market's perception of GCB as a traditional commodity player, achieved the targeted price-earnings ratio, and received an overwhelming response from investors.

FY2020 was a challenging year for EM, with lower total traded value on Bursa Malaysia during the period under review. Foreign investors were net sellers of Malaysian equities, which contributed to the overall decline in the FBM KLCI Index. However, we are seeing a revival of interest amongst retail investors and this bodes well for the Malaysian equities market.

For Fund Management, our engine of growth has been our ability to deepen our institutional and retail channel relationships, improving our position in terms of inflows from investors in both segments. Meanwhile, our investment team continuously strive to maintain top-tier fund performance across all asset classes. As such, AmInvest achieved another record in terms of assets under management (AUM) as we closed the year with a fund size of RM42.1 billion, up 4.0% from a year ago. Our total AUM has been growing steadily and consistently at a Cumulative Annualised Growth Rate (CAGR) of 4.0% over the past three years. Furthermore, the AUM of our exchange-traded funds (ETFs) grew 5.2% over the year to RM1.6 billion, dominating the market with a market share of 78.5% and making AmInvest the largest ETF provider in the country. We also achieved growth in our unit trust market share, which rose from 8.2% to 8.4%.

Finally, AmPrivate's Revenue grew 48.7% YoY with improved performance in both discretionary and non-discretionary mandates. Additionally, AmPrivate's PAT significantly increased by >100% from higher management fees. Our discretionary mandate portfolio out-performed the MSCI Asia Ex-Japan index, delivering a 20% return amidst challenging global environments during the calendar period.

Total Income
RM305.4 Million in FY2020

RM242.4 Million in FY2019

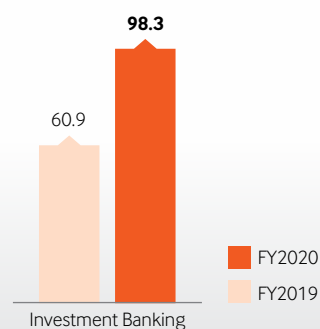
Total Expenses
RM186.7 Million in FY2020

RM173.8 Million in FY2019

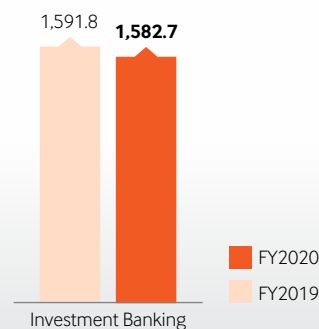
Cost-to-Income Ratio (CTI)
61.1% in FY2020

71.7% in FY2019

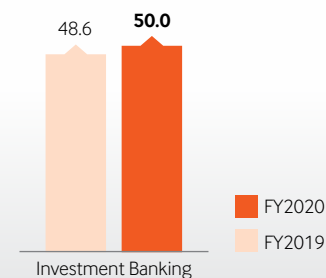
PAT (RM Million)



Gross Loans (RM Million)



Assets Under Management (AUM) (RM Billion)



AWARDS & RECOGNITION



AmInvestment Bank has garnered more than 30 awards in 2019 alone, including the following:

Capital Markets Group

- The Asset Triple A Islamic Finance Awards 2019
 - Best Islamic Loan Adviser – Malaysia (2nd Consecutive Year)
- The Asset Triple A Asia Infrastructure Awards 2019
 - Project Finance House of the Year – Malaysia (5th Consecutive Year)
- RAM League Awards 2019
 - Lead Manager Award 2018 by Number of Issues (Joint 2nd Place)
 - Lead Manager Award (Sukuk) 2018 by Number of Issues (Joint 2nd Place)

Corporate Finance (CF) and Equity Capital Markets (ECM)

- The Edge Malaysia Awards 2019
 - Best Share Placement 2019 for Guan Chong Berhad (RM92.4 Million Private Placement)
 - Best M&A deal (Notable Mention) 2019 for Can One Berhad (RM1.53 Billion takeover of Kian Joo Can Factory Berhad)

- Alpha South-East Asia Awards 2019
 - Best Equity Deal and IPO in Malaysia 2019 for Leong Hup International Berhad (RM1.19 Billion IPO)
- Bloomberg 2019 – Ranked No. 1 in Primary Placement League Table with 29.8% Market Share
- Best Small to Mid-Cap Corporate Finance House in Malaysia by Alpha Southeast Asia Best Financial Institutions Awards 2020

Fund Management (AmInvest)

- EPF External Fund Managers Award 2019 – Best Global Sukuk Fund Manager 2019
- Refinitiv Lipper Fund Awards 2020 Winner, Malaysia – Best Bond Group, Malaysia Pension
- Asia Asset Management, 2020 Best of the Best Awards – Best Pension Fund Manager, Malaysia (2nd Consecutive Year)

KEY INITIATIVES & OUTCOMES

Key Initiatives

Capital Markets Group (CMG)

- Provided a wide range of innovative and integrated financing solutions via the Malaysian debt capital markets, serving a clientele across a diverse range of industries.
- Acted as a Principal Advisor/Lead Arranger for major Sukuk and Syndicated Financing deals, including:
 - RM10.0 Billion Sukuk Wakalah Issuance for MBSB Bank Berhad.
 - RM1.5 Billion Unrated Sukuk for Tanjung Pinang Development Sdn Bhd.
 - RM1.0 Billion Perpetual Sukuk for WCT Holdings Berhad.
 - RM1.20 Billion Syndicated Commodity Murabahah Term Financing-i for Serba Dinamik Holdings Berhad.
 - RM620.0 Million Syndicated Term Financing-i for TSSA Harta Sdn Bhd.

Outcomes

- 1st Subordinated Sukuk Issuance by an Insurance/Takaful Holding Company.
- Largest Single Tranche Personal Financing Securitisation year-to-date (YTD) 2019.
- Largest A3-Rated Tier 2 Capital Issuance in Malaysia.
- Top 3 MYR Corporate Bonds/Sukuk Issuer for 17 Consecutive Years.

KEY INITIATIVES & OUTCOMES

Key Initiatives

Outcomes

Corporate Finance (CF)

- Close collaboration with client relationship teams to offer end-to-end financial solutions for our corporate clients.

- Strive to become the trusted Business Advisor of choice for clients via proactive idea generation and active strategic dialogues with key decision-makers to identify opportunities.

- RM1.0 Billion IPO – Leong Hup International Berhad.
- RM128 Million primary placement – Eastern & Oriental Berhad.
- RM1.5 Billion – Can One Berhad's takeover of Kian Joo Can Factory Berhad.
- RM1.6 Billion – YTL Cement Berhad's takeover of Lafarge Malaysia Berhad.
- RM0.7 Billion – GSB Group Berhad's acquisition of property development assets.

Equity Capital Markets (ECM)

- Focused on mid-capital sized companies listed on Bursa Malaysia. Notable transactions include:
 - RM92 million for Guan Chong Berhad (Primary Placement).
 - RM184 million for ATA IMS Berhad (Primary & Secondary Placements).

- Ranked No. 1 in Bloomberg's Primary Placement League Table 2019 by raising over RM700 Million.
- Winner of The Edge Malaysia's Best Share Placement 2019 for the Guan Chong Berhad transaction.

Equity Markets (EM)

- Invested in digitalisation to improve customer experience and reduce operating costs.
- Rolled out Bank Branch Broking with Retail Bank.
- Established a Prime Brokerage unit to service ultra-high net-worth clients.
- Grew the share margin financing book to counter declines in share trading volumes.

- E-Account Opening Form launched in Jan 2020, which includes tri-lingual features for our online share trading portal, AmEquities; e-contract notes and e-statements.
- Over 1,000 new accounts opened via the Bank Branch Broking initiative.
- More than RM6.0 Million in total revenue in the maiden year of operations for Prime Brokerage.
- Double-digit growth in share margin net interest income in FY2020.

Fund Management (AmInvest)

- Rolled out three new unit trust funds:
 1. Global Bond Fund – AmIncome Bond.
 2. Mixed Asset Fund – Income and Growth.
 3. Closed-ended Bond Fund – AmFlexi Maturity.
- Embarked on a Consolidation and Overhaul Exercise on our Fund Offerings.

- New fund flows contributed to the growth in our overall Assets Under Management (AUM) to RM42.1 billion fund size, an increase of RM1.6 billion in total which represents a 4.0% growth in AUM from a year ago.
- The consolidation and overhaul exercise effectively managed the overlaps in some of the funds' investment value propositions to our investors, ensuring that our fund themes remain relevant in the longer term.

Private Banking (AmPrivate)

- Focused on growing revenue and customer base, as well as increasing Private Client Managers' productivity and presence.
- Engaged with emerging and second-generation High Net-Worth Clients.

- Achieved total revenue growth YoY of 48.7% and improved Private Client Manager productivity.

CHALLENGES & RISKS

Challenges/Risks	Mitigation Strategies	Results
Investments Climate Dwindling interest and declining importance of Bursa Malaysia amongst foreign investors.	<ul style="list-style-type: none"> Focus on the higher-margin retail investor segment which currently makes up between 20%-25% of the total turnover value on Bursa Malaysia. 	<ul style="list-style-type: none"> Overall improvement in our retail market share.
Brokerage Compression Stockbroking industry inevitably moving towards a zero-brokerage scenario due to technology advancement and competition.	<ul style="list-style-type: none"> Invest in digital capabilities to lower operating costs, improve customer experience and minimise trading errors. 	<ul style="list-style-type: none"> Enhanced functionalities and features on <i>AmEquities</i> portal, such as portfolio management.
Fee Compression Increased competition may lead to fee compression for advisory revenues.	<ul style="list-style-type: none"> Collaborate with client relationship teams, offering financing to execute the deals. Provision of comprehensive one-stop financial solutions to defend key client relationships. 	<ul style="list-style-type: none"> Ranked Top 3 by deal value amongst Malaysian advisors in Bloomberg M&A League Table 2019.
Competition Continue to face intense competition amongst banks as deal activities remain low.	<ul style="list-style-type: none"> Focus on niche customer segments and leverage on AmBank Group's competitive strengths. 	<ul style="list-style-type: none"> Growth in Mid-Corp and SME customer base.

PROSPECTS & OUTLOOK

The upcoming financial year will be significantly impacted by a global economic crisis driven by the COVID-19 pandemic and plunging oil prices. With the extended lock-down globally, economic activities are at a stand-still as market outlook remains uncertain and negative. Bank Negara Malaysia (BNM) has since revised the GDP forecast growth to -2.0% to +0.5% in 2020, compared to a 4.9% GDP growth in 2019. The economic downturn will most likely lead to further policy rate easing, which will impact net interest income and non-interest income of investment bank due to a less vibrant capital market. In line with the subdued economic outlook, the banking system loans growth is expected to be flat in 2020. We foresee margin compression for banks stemming from further interest rate cuts, deposits competition and slower loans growth. Origination business will also be significantly impacted, with a substantial decline in business and cash flow of corporate clients leading to potential rating downgrade and debt restructuring.

The COVID-19 pandemic is also adversely affecting the sentiment of Malaysia's investors. Broking and wealth management income will be challenging with the market turning more cautious on investing. We expect markets to remain volatile in FY2021 due to the global health crisis, with a potential increase in margin calls for share margin financing in light of the declining Kuala Lumpur Composite Index. Wealth management income for Fund Management and Private Banking could come under pressure with declining assets value (both bonds and equity) and lower AUM. We also expect equity fundraising volume to remain subdued as evidenced by most of the major deals being put on hold. However, private banking is expected to continue on its growth phase as High Net-Worth clients increasingly seek guidance on investment opportunities in local and foreign currencies.

The economic impact of the pandemic is expected to taper by the end of the second quarter of FY2021, with normalisation of both the global and domestic economy to take place in the second half of 2020. Economic recovery is supported by the Malaysian Government's announcement of two stimulus packages that aim to boost growth and offers support in areas like liquidity, consumption and employment. BNM also announced a moratorium to defer loan repayments as well as initiatives to restructure and reschedule financing, which should help alleviate the cash flow pressures of individual and SME borrowers. We anticipate no major impact from the moratorium to our financial statements as the Group's overall collateral coverage ratio remains healthy.

These easing monetary policies provide AmInvestment Bank with opportunities in fixed-income and low-risk assets offerings. We are looking to expand our higher-margin funds to boost revenue while we embark on our technology and digital journey. With a steady interest in the marketplace, we will also delve deeper into Islamic funds and mandates, while also collaborating with external parties in terms of distribution and joint promotions. We also foresee opportunities for business consolidation from mergers and acquisitions (M&A) advisory and refinancing exercise planned for in the second half of FY2021.

**AARON LOO**

Managing Director, Retail Banking
AmBank Group

Retail Banking

“In FY2020, we continued to execute our strategy of building our business centred around high-value segments, namely affluent individuals and small and medium-sized enterprises (SMEs). We strengthened our Priority Banking proposition, which has allowed us to grow our Priority Banking client base significantly where we now offer a wider range of wealth management products and services including foreign currency products, retail bonds and investment-link products. We have also grown our retail SME franchise significantly, with Current Account Savings Account (CASA) growing 13.6% and loans 34.8% YoY.”

ABOUT US

Retail Banking provides integrated value propositions to both individuals and small businesses from the Bank and our strategic partners. We have put in place differentiated value propositions designed to best serve specific segments such as Priority Banking, mass affluent and SME clients. These value propositions are delivered nationwide through physical channels represented by our 170 branches as well as nine Priority Banking Centres and digital channels via AmOnline and AmAccessBiz. In addition, we have 1,090 self-service terminals consisting of 641 Auto Teller Machines (ATMs), 33 Cash Deposit Machines (CDMs), 210 Cash Recycler Machines (CRMs), 206 Cheque Deposit Machines (CDMs).

Business Review

– Retail Banking

OUR PERFORMANCE

Retail Banking continues to focus on growing our market share of mass affluent, affluent and small business customers by providing relevant and timely solutions that meet the needs of our clients delivered through our physical and digital channels. We have put together a solid team of relationship managers and specialists supported by strategic partners to assist our clients. Furthermore, we have invested in and deployed award-winning digital channels to support clients that prefer to engage with us through non face-to-face channels, and have dramatically improved branch and contact centre service levels.

We were able to hold our income steady YoY despite margin compression as a result of multiple reductions in the overnight policy rate during our financial year. Our PAT reduced by RM253.3 million mainly due to the impact of our debt sale held last year that resulted in a one-off gain in FY2019 of RM285.0 million. Furthermore, our recoveries were reduced YoY as the debt sale had depleted the total recoveries base.

Our total deposits declined primarily due to our active management of high cost-fixed deposits, which was offset by CASA growth of RM1.5 billion. This resulted in our total funding cost declining which helped mitigate against the margin compression seen.

Profit After Tax (PAT)

RM315.2 Million in FY2020

RM568.5 Million in FY2019

Profit Before Provision (PBP)

RM601.4 Million in FY2020

RM608.3 Million in FY2019

Cost-to-Income Ratio (CTI)

59% in FY2020

58% in FY2019

Mortgage

RM36,498 Million in FY2020

RM34,122 Million in FY2019

Credit Card Outstanding Balance

RM2,599 Million in FY2020

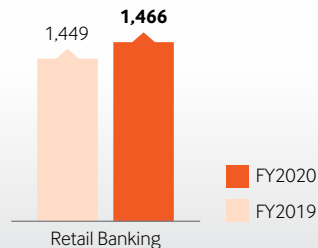
RM2,514 Million in FY2019

Retail SME

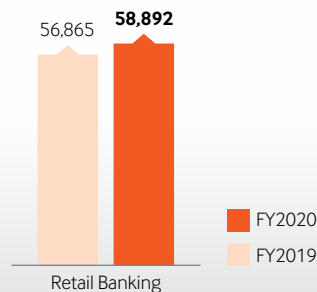
RM3,602 Million in FY2020

RM2,673 Million in FY2019

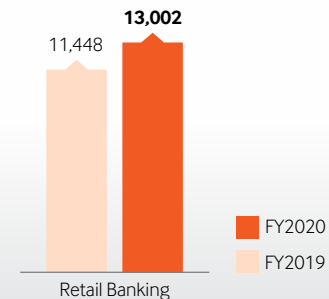
Income (RM Million)



Gross Loans (RM Million)



Current Account Savings Account (CASA) (RM Million)



AWARDS & RECOGNITION



Malaysia e-Payments Excellence Awards 2019 (by PayNet – Payments Network Malaysia)

- Outstanding Contribution to MyDebit
- Outstanding Contribution to JomPAY

Asian Banker Award 2019 – Most Improved Bank

AKPK Best Implementation Award 2018/2019

MasterCard

- Best Overall Spend Growth
- Best Leverage of Mastercard Assets

Visa

- Highest Payment Volume (PV) Growth for eCommerce Spend
- Highest Payment Volume (PV) Growth for Co-Brand Card

AmDigital – Global Business Outlook:

- Best Mobile Banking App
- Most Innovative Mobile Banking App

KEY INITIATIVES & OUTCOMES

Key Initiatives

Outcomes

Priority Banking

- Opened nine Priority Banking Centres and refreshed the priority banking value propositions.

- 13.6% growth in CASA YoY.
- 34% increase in Wealth Penetration in FY2020.
- 57% growth in Investment AUM compared to the corresponding previous period.

Digital Banking

- Launched AMY™, AmOnline's Virtual Assistance that offers proactive and personalised assistance to customers through a self-guided chat interface.

- 70% growth of registered users, increasing our AmOnline users from 575K to 977K.

Driving SME Banking

- Established the SME-in-a-Box platform that delivers more value to SMEs through cross products propositions in a bundled package.
- Entered into a strategic collaboration with Maxis to provide connectivity and e-Commerce solutions for SME-in-a-Box, which opens up opportunities of new target base for acquisition and growth.
- Continue to provide SMEs with collateral-free working capital facilities and comprehensive insurance solutions for businesses. This includes attractive premiums, 6-month payment deferments, low merchant terminal rates, preferential term deposit rates, preferential forex rates, amongst several other benefits.

- SME clients are provided with integrated value propositions at attractive rates for deposits, loans, Bancassurance amongst others.

- Allows SME customers access to comprehensive financing and digital solutions that leverage the potential of e-Commerce, particularly in these challenging times.

Developing Our People

- Conducted a High-Performance Culture (HPC) training module that aims to change mindsets, improve competencies and build entrepreneurial skills amongst the sales channels.

- 15 Branch Managers participated in the 'Retail Banking Branch Manager Excellence Programme' to equip them with the knowledge and skillset to motivate, lead and coach frontliners to achieve the KPIs that are set.

- Introduced a comprehensive people development programme that strengthens service-oriented culture towards building service excellence and customer-focused service skills.

- 87 Regional Directors and Branch Managers enrolled to receive the Asian Institute of Chartered Bankers (AICB) certification.

- 41 Relationship Managers and 9 Priority Segment Managers attended the 'Empowering Signature Bankers in Sales Excellence Training', improving their communication and counselling skills, with focus on acquiring and nurturing Priority Banking customers.

- 50 Team Leaders from Customer Care and Service Operation Manager attended the 'Building Service Excellence through Stakeholders Engagement Training', which aims to change our customer service team into a more Service Mindset to drive team performance.

- 18 Assistant Branch Managers (ABM) participated in the 'Service Leadership Training for Branches' to strengthen our service-oriented culture towards building service excellence and customer-focused service skills.

Customer Value Proposition

- Established AmOnline as a new platform that digitally supports the mass affluent channel across all core product transactions and services, including onboarding approvals and fulfilments, payments, loyalty rewards and financial management.

- Over 977,000 registered users for AmOnline, an upsurge of 38% from a year ago.
- 52% of Call Centre service requests deflected due to AmOnline, allowing the team to better focus on customer service issues.

Operational Optimisation

- Introduced the Post Market Stabilisation Scheme that enables process enhancement and the consolidation of roles and responsibilities.

- 21% reduction in the total headcount for Retail Banking.

CHALLENGES & RISKS

Challenges/Risks	Mitigation Strategies	Results
<p>Hire Purchase (HP) Contraction The year-on-year contraction of the segment's HP business impacts our financial performance.</p>	<ul style="list-style-type: none"> • Re-engage with car dealers to rebuild relationships. • Launch new product packages with attractive prices for targeted segments such as government servants. 	<ul style="list-style-type: none"> • Significant increase in sales volume for HP.
<p>Margin Compression The reduction in the Overnight Policy Rate (OPR) results in a margin compression, affecting total revenue contribution.</p>	<ul style="list-style-type: none"> • Accelerate the growth of fixed-rate loans (e.g. HP). • Drive fee income through Priority Banking to mitigate the impact on revenue from interest income. 	<ul style="list-style-type: none"> • Maintained a flat income YoY despite the OPR cuts that occurred.
<p>Customer Experience A high number of complaints from clients on our service levels impact customer attraction and retention.</p>	<ul style="list-style-type: none"> • Revamp our approach in creating a service culture at customer touchpoints. 	<ul style="list-style-type: none"> • Considerable drop in customer complaints • Positive acknowledgement of customer service by independent parties.

PROSPECTS & OUTLOOK

In the year ahead, Retail Banking will remain cautiously optimistic as we continue to navigate margin compressions, high customer expectations, and most significantly, the economic impact of the COVID-19 pandemic. Business and supply chain disruptions will cause cash flow challenges to customers, which affects our growth and assets. As such, we remain committed to easing the financial burdens of both individual and business customers, delivering financial solutions that allow them to financially recover alongside the economy. At the same time, we will continue to innovate the business to stay ahead of the competition. Our focus will remain in digitalisation, in which we provide tailored products and services to provide customers with a personalised banking experience.


CHRISTOPHER YAP HUEY WEN

 Managing Director, Business Banking
 AmBank Group

Business Banking

“Business Banking focuses on the small and medium-sized enterprises (SMEs), comprising of Enterprise Banking and Commercial Banking. Over the last year, together with Wholesale Banking and Retail Banking, we have onboarded more than 15,000 new SME accounts. SMEs are a key client segment for AmBank Group, and the potential for growth in the SME market is tremendous. Over the years, AmBank Group has grown its SME loan balances from approximately RM15 billion in 2017 to more than RM20 billion in 2019.”

ABOUT US

AmBank Group’s Business Banking aims to nurture and grow Malaysia’s entrepreneurs. Since our establishment in 2017, we have widened our reach to SMEs via 26 Enterprise Banking Centres and 18 Commercial Banking Centres nationwide. We utilise and adopt a high-touch relationship model combined with a structured lending programme for a holistic understanding of our customers’ needs. Our areas of services include Commercial Banking, Enterprise Banking, Business Wealth, and Bancassurance. We also deliver tailor-made solutions and cash management tools that help our business customers operate efficiently and seamlessly.

OUR PERFORMANCE

In the last year, we achieved a 13% growth in revenue, with a pricing discipline on high-yielding lending products as well as enhancing our business advisory capabilities and solutions for Forex and Cash Management, Bancassurance and Corporate Finance Advisory. We have achieved a Cumulative Average Growth Rate of 24% for loans and 30% for deposits from FY2017 to FY2020, with loans growth of 13% and deposit growth of 23% YoY.

Total Income
RM366.3 Million in FY2020

RM323.0 Million in FY2019

Net Interest Income (NII)
RM277.5 Million in FY2020

RM244.1 Million in FY2019

Non-Interest Income (NOII)
RM88.8 Million in FY2020

RM78.9 Million in FY2019

OUR PERFORMANCE

Cost-to-Income Ratio (CTI)

39.7% in FY2020

39.4% in FY2019

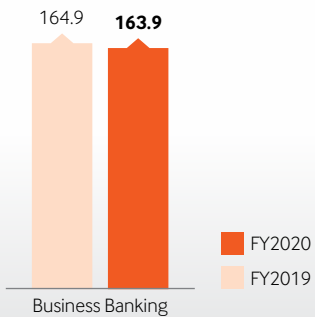
Bancassurance – Life Insurance
Total Production Premium**RM39.9** Million in FY2020

RM37.3 Million in FY2019

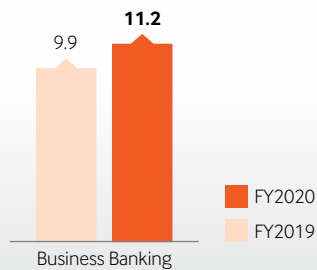
Bancassurance – General Insurance
Total Gross Written Premium**RM20.4** Million in FY2020

RM16.6 Million in FY2019

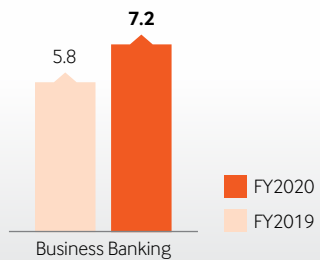
Profit Before Tax (PBT) (RM Million)



Gross Loans (RM Billion)



Deposits (RM Billion)



AWARDS & RECOGNITION



- Global Banking and Finance Review UK – Best SME Bank Malaysia 2019
- Alpha Southeast Asia – Best SME Bank Malaysia 2019
- Asian Banking and Finance – SME Bank of the Year 2019
- Best SME Bank in Malaysia – Alpha Southeast Asia Best Financial Institutions Awards 2020

KEY INITIATIVES & OUTCOMES

Key Initiatives

Innovative Business Solutions

- Launched AmAce, a loan origination system that reduces turnaround time and delivers an enhanced experience to our business customers.
- Developed innovative lending solutions that allow the Group to offer banking products based on pre-determined criteria and customer needs.

Strategic Partnerships

- Introduced the AmBank BizM.A.T.E programme to establish strategic collaborations with market leaders across various industries such as Microsoft, DiGi, ABSS.
- Through these partnerships, we have expanded our products and services to help our SME customers grow.

Outcomes

- Documentation and Disbursement capabilities have been built into AmACE. AmBank Group is now on the next wave of development to cover discretionary non-retail lending in addition to program lending in AmACE.

- The AmBank BizM.A.T.E programme has expanded the numbers of essential industry offerings for SMEs to 18 partners. The partners are categorised as below:
 1. Accounting & HR Solutions – four partners
 2. Payment & Marketing Solutions – five partners
 3. Communications & Internet – three partners
 4. Operations & Administration – four partners
 5. Logistics & Workspace – two partners

KEY INITIATIVES & OUTCOMES

Key Initiatives	Outcomes
Sectoral Strengthening <ul style="list-style-type: none"> AmBank BizCLUB continues to provide SMEs with solutions beyond banking and financing that will help them scale, go international and reduce failure rates. Conducted five BizCONFERENCE Beyond Financing sessions in 2019 which covered topics such as the Internet of Things, the Halal Industry, Digital Marketing & Branding and Green Business. Organised our first "Road to IPO" session which aims to help high potential SMEs explore opportunities to become listed companies. 	<ul style="list-style-type: none"> Over 5,000 SMEs in AmBank BizClub's database. 1,000 SMEs attended the Beyond Financing Series, CEO Chat and Road to IPO sessions.

CHALLENGES & RISKS

Challenges/Risks	Mitigation Strategies	Results
Operational Inefficiencies Manual submissions and approvals increase error margins and delivery times.	<ul style="list-style-type: none"> Improve operational efficiency through innovative systems (e.g. AmACE System) that address manual tasks related to the loan origination process. 	<ul style="list-style-type: none"> Enhanced functionalities on AmACE system, such as documentation and disbursement capabilities.
Crowded SME Space Aggressive competition in the SME sector has brought some challenges to our market share.	<ul style="list-style-type: none"> Forge new mutually beneficial partnerships to develop innovative products and value-added services. 	<ul style="list-style-type: none"> The AmBank BizCLUB platform provides SMEs with education and networking opportunities. Established strategic collaborations with market leaders across industries such as Microsoft, DiGi, Maxis and ABSS.
Margin Compression Increased competition and lower sales lead to margin compression for products and services.	<ul style="list-style-type: none"> Continuously focus on high-yielding products. Collaborate with AmInvestment Bank to help SMEs transition into public-listed companies. 	<ul style="list-style-type: none"> SMEs are given the opportunity to receive some guidance and advice on alternative financing to expand their business, which includes potential financing to Mergers & Acquisitions for larger SMEs.
Credit Risk (COVID-19) The global pandemic impacts borrowers' financial ability in maintaining their loan contracts.	<ul style="list-style-type: none"> Periodic review of loan portfolios by Relationship Managers. 	<ul style="list-style-type: none"> Effective monitoring and management of each borrower's financial health.

PROSPECTS & OUTLOOK

The upcoming financial year will be significantly shaped by the COVID-19 pandemic. SMEs today need to digitalise and innovate, resulting in a shift towards a 'new normal'. With this change, Business Banking will be introducing various new initiatives and opportunities to help SMEs accelerate their digital strategy, which includes establishing an online community that allows SMEs to trade with each other. We will also continue to bring awareness, provide knowledge and networking opportunities in areas such as Industry 4.0, Digitalisation and Halal Certification, which are important components for SMEs to future-proof their business. In terms of mitigating the immediate economic setbacks of COVID-19, our Relationship Managers will continue to conduct monthly portfolio reviews on borrowers and regularly engage with customers, thus determining their financial health and cash flow to identify key focus areas.

Business Banking will also continue to enhance our product offerings and lending programmes to help our customers' business. Our FY2021 focus is to leverage on strategic collaborations and deliver improved services to business customers, as well as innovative products and financial solutions for the entire business eco-system. We will also continue to upgrade our AmACE system for the improved automation of credit processes, such as introducing new features and methods to serve our customers. We will also focus on the end-to-end digitalisation of processes in order to further enhance our efficiency and customer experience.

AmBank Islamic

“Given the challenging global economic outlook in 2020, AmBank Islamic Berhad (AmBank Islamic) is cautiously optimistic with the business outlook in FY2021. In FY2020, we accelerated selected businesses such as Amanah Saham Bumiputera (ASB) and home financing, wealth management and bancatakaful. We consistently nurture our relationship with our middle corporate (Mid-Corp) customers, which resulted in a 22% growth in financing to this segment. AmBank Islamic also provided several capacity-building platforms for small and medium-sized enterprises (SMEs) to grow via networking and knowledge-building events. In addition, the access to financing for start-up businesses was provided through our SME Biz Start-up-i Programme. The Best Islamic Finance SME Bank Malaysia 2019 Award won is a testament to our role in supporting the growth of Malaysia’s SMEs. The trading in fixed income securities bolstered our non-funded income (NOFI) by 34.6% in FY2020.”



EHQWAN MOKHZANEE BIN MUHAMMAD

Chief Executive Officer
AmBank Islamic Berhad

ABOUT US

AmBank Islamic is the primary Islamic banking arm of AmBank Group, which offers a comprehensive range of Shariah-Compliant retail and non-retail banking products and services that include 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 shareholders.

OUR PERFORMANCE

The growth of our net funded income (NFI) was driven by the improvement in the net funded margin (NFM) to 1.93% and the growth of our total financing book by 10%, primarily from ASB and home financing, as well as financing to SME, corporate and institutional customers. Meanwhile, the recalibrated strategies for fixed-income securities, ancillary income from non-retail customers, wealth management and bancatakaful yielded positive results, with a 34.6% increase in total NOFI for AmBank Islamic.

Financing to SMEs grew by 10.4% in FY2020 and constitute approximately 20% of our financing book. Our focus on the Mid-Corp segment and provision of trade finance facilities had strengthened our income base, with our trade finance portfolio increasing from RM2.2 billion in FY2019 to RM2.4 billion in FY2020.

AmBank Islamic recorded a further improvement in our financial performance where the total income grew by 7.8% to RM883.8 million. Profit after zakat and tax (PAZT) was 7.1% higher at RM333.8 million due to a higher total income and better cost management, as evidenced by a better cost-to-income ratio of 34.8%. However, the stellar performance in our underlying business in FY2020 was dampened by the anticipatory forward-looking expected credit loss of RM58.3 million, due to the uncertainty arising from the COVID-19 pandemic and depressed oil prices.

OUR PERFORMANCE

Total Financing
RM32.3
 Billion in FY2020

RM29.3 Billion in FY2019

Income
RM883.8
 Million in FY2020

RM820.1 Million in FY2019

NFI
RM767.5
 Million in FY2020

RM733.7 Million in FY2019

NOFI
RM116.3
 Million in FY2020

RM86.4 Million in FY2019

Cost-to-Income Ratio
34.8% in FY2020

38.7% in FY2019

CASA
RM10,577.5
 Million in FY2020

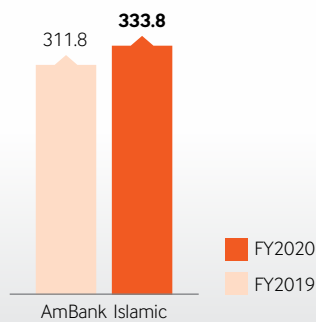
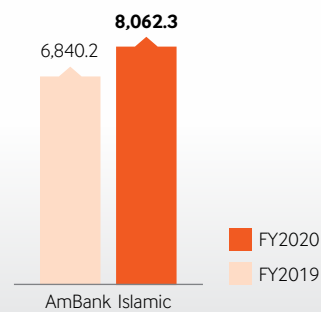
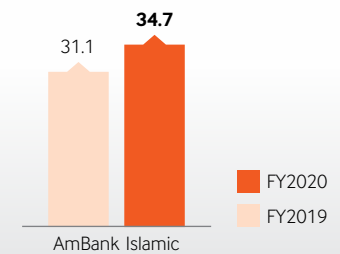
RM8,968.6 Million in FY2019

Credit Card Outstanding Balance
RM504.5
 Million in FY2020

RM533.1 Million in FY2019

SME
RM6,408.3
 Million in FY2020

RM5,802.0 Million in FY2019

Profit After Tax and Zakat (PATZ) (RM Million)

Mortgage (RM Million)

Deposits (RM Billion)

AWARDS & RECOGNITION

Global Banking & Finance Awards (GBAF)

- Most Promising Islamic Bank Malaysia 2019 – AmBank Islamic Berhad
- Best Islamic Banking CEO Malaysia 2019 – Eqhwan Mokhzanee

Alpha Southeast Asia

- Best Islamic Finance SME Bank Malaysia – AmBank Islamic Berhad

Global Islamic Finance Awards (GIFA)

- Most Improved Islamic Bank 2019 – AmBank Islamic Berhad
- Islamic Banker of the Year 2019 – Eqhwan Mokhzanee

KEY INITIATIVES & OUTCOMES

Key Initiatives	Outcomes
VBI & Sustainability Agenda	
<ul style="list-style-type: none"> Spearheaded AmBank Group's sustainability agenda, the details of which are elaborated in the Sustainability Report on pages 135 to 205. 	<ul style="list-style-type: none"> The CEO of AmBank Islamic is the Chairman of the industry-level VBI Working Group on Sectoral Guide Development for palm oil, renewable energy and energy efficiency.
<ul style="list-style-type: none"> SMEs and Start-up Businesses: <ul style="list-style-type: none"> AmBiz Series: Provided platforms for SMEs to network and build their business capacity. This included the AmBank Biz Conference – Halal Chapter, which provided insights to SMEs in relation to the Halal sector. SME Biz Start Up-i: A programme for start-up businesses with financing of up to RM300,000. Collaborated with CGC and SJPP to widen access to financing to SMEs. 	<ul style="list-style-type: none"> RM600 million or 10.4% growth in financing to SMEs. RM44.0 million of financing disbursed by AmBank Islamic to start-up businesses. RM26.0 million of loans/financing disbursed by AmBank Group for green-related businesses.
Accelerating Growth Drivers	
<ul style="list-style-type: none"> Enhanced wealth management services, including will writing in collaboration with Amanah Raya Berhad. 	<ul style="list-style-type: none"> Fee income from Wealth Management.
<ul style="list-style-type: none"> Investments and trading of fixed-income securities to diversify and grow our income. 	<ul style="list-style-type: none"> Income from Group Treasury and Markets (GTM).
<ul style="list-style-type: none"> Continue to engage with Mid-Corp customers to expand wallet share from deposits and ancillary income. 	<ul style="list-style-type: none"> RM3.0 billion or 10% growth in total financing.
Funding Diversification	
<ul style="list-style-type: none"> Launched the AmJutawan campaign to garner savings accounts from individual customers. The campaign leverages the AmWafeeq savings account and offers prizes totalling up to RM2.5 million. 	<ul style="list-style-type: none"> 17.9% growth in CASA, resulting in CASA ratio of 30.5%.
<ul style="list-style-type: none"> Offered JomPAY and Virtual Account solutions to manage collections for our customers and grow non-retail deposits. 	<ul style="list-style-type: none"> 11.3% growth in total deposits.

CHALLENGES & RISKS

Challenges/Risks	Mitigation Strategies	Results
<p>Credit Risk in View of the Economic Outlook In light of the COVID-19 pandemic, the banking sector could face deteriorating asset quality.</p>	<ul style="list-style-type: none"> • Manage and monitor the onboarding of customers vis-à-vis strategies and risk appetite. • Implement prudent credit underwriting standards and proactive collection strategies. • Monitor asset portfolio and composition. • Proactively engage major underperforming customers to avoid impairment. 	<ul style="list-style-type: none"> • Stable GIF ratio of 1.9%.
<p>Cyber Security Risks Potential malware attacks and data breaches disrupt business operations and expose the bank to financial and non-financial implications.</p>	<ul style="list-style-type: none"> • Implement the Cyber Resilience Policy to enhance cyber security through a multi-layered approach that builds our ability to prevent and recover from cyber-attacks and events that disrupt business operations and services. • Establish a Security Incident Response Team to identify, protect, detect, respond and recover from cyber risk incidents. 	<ul style="list-style-type: none"> • No successful cyber-attack cases.
<p>Shariah Risks Shariah non-compliances (SNC) result in the purification of income and could impact our business if remain unabated.</p>	<ul style="list-style-type: none"> • In line with BNM Shariah Governance Framework (SGF), establish the Shariah Research & Advisory, Shariah Risk Management, and Shariah Review functions to act as the second line of defence against SNCs, with the Shariah Audit function acting as the third line of defence. • Implement the necessary governance, policies, guidance and control measures to mitigate SNC risks. 	<ul style="list-style-type: none"> • Four Shariah Non-Compliant Incidents (Transactional in Nature).

PROSPECTS & OUTLOOK

The COVID-19 pandemic has exacerbated existing economic and geopolitical challenges. Customers are expected to face cash flow challenges due to a slowing demand and supply chain disruptions, which will impact growth and asset quality. As part of our VBI journey, AmBank Islamic is committed to supporting our people and customers during these challenging times. Hence, we have institutionalised our own initiatives and are participating in various government-led initiatives, including BNM's 6-month payment deferment initiative. Despite the uncertainties, our dedicated people, loyal customers, and capital and liquidity buffers will stand us in good stead to weather the storm, and we look forward to seeking further opportunities upon an economic upturn.

**DEREK LLEWELLYN ROBERTS**

Chief Executive Officer
AmGeneral Insurance Berhad

AmGeneral

“During the financial year, AmGeneral set out concrete approaches to achieve the targets for the Top 4 Strategy, and has since delivered multiple products to continually address fast-changing customer needs. Throughout the journey, we have seen many positive developments while focusing on existing and new distributors for a quality business to deliver both growth and profitability in the motor segment. We have also designed and implemented Voice of Customer capability to drive customer retention performance and advocacy, leading to an 18% improvement in our overall Net Promoter Score (NPS) from 32 points in FY2019 to 38 points in FY2020. We have achieved exceptional claims track record by creating a first-class customer experience and effective management of claims costs by owning the supply chain with our Vehicle Accident Management (VAM) model.”

ABOUT US

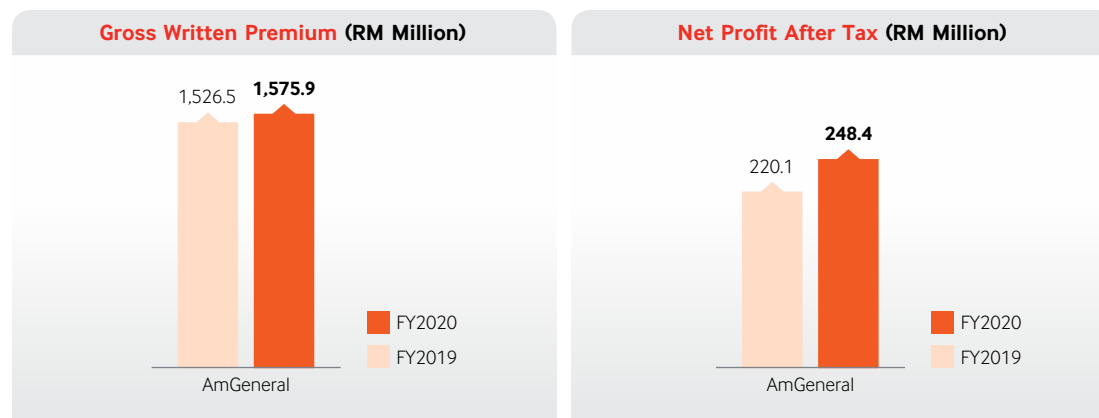
AmGeneral is one of Malaysia’s largest motor and leading general insurance companies in the market. Driven by a strong sales force and committed support from our agents and partners, we continue to deliver better-valued products and services. Under two retail brands, AmAssurance and Kurnia, we provide insurance to one in every seven cars in Malaysia. As such, AmGeneral is ranked Top 2 in Motor with a market share of 15% and Top 2 for overall general insurance. With over two million customers, AmGeneral generates business from a comprehensive range of general insurance solutions distributed through a network of 33 branches and counters, servicing over 6,200 agents and dealers, as well as through AmBank Group’s branches nationwide. AmGeneral uses its leadership position to understand and provide market-leading customer experiences, making Malaysia’s community safer and more resilient for the future.

OUR PERFORMANCE

AmGeneral observed a strong year, reporting a 3.2% increase in total annual premium income in FY2020, rising by 3.6% in our core motor business. Our performance bucks the industry trend, which saw premium income fall by 0.8% during the same period. Furthermore, we recorded a profit before tax of RM282.5 million, which is 6.2% higher than the RM266.0 million recorded in the previous year.

Towards the end of the financial year, the Government of Malaysia issued a Movement Control Order (MCO) starting 18 March 2020 that involved the closure of many parts of the economy which are deemed non-essential during the COVID-19 crisis. Whilst AmGeneral is one of the essential services that remained open, new business written and some renewals have been curtailed as car dealerships and intermediaries' offices were ordered to close. The full-year results were largely unaffected due to the timing but it is expected to have an effect in the coming financial year.

The key determinants of AmGeneral's continued success are our accountability and commitment towards our multiple stakeholders. These were reinforced by eight core enablers, namely Product & Pricing, Distribution, Claims, Digital, Brand, Customer, System & Process and People. In FY2020, AmGeneral placed significant focus on product development, digital offerings and customer engagement, ensuring customer satisfaction in all areas of our operations; from confirming a policy to renewing or making a claim. Our financial performance is also due to the implementation of system and process enhancements that accelerated business growth, especially during the phased Liberalisation period.



AWARDS & RECOGNITION



Insurance Asia News Awards for Excellence 2019

- Property & Casualty Insurer of the Year 2019 – Malaysia

Motordata Research Consortium (MRC)

- The Fastest Estimate Claim Approval Time for Own Damage Claims

KEY INITIATIVES & OUTCOMES

Key Initiatives

Outcomes

Liberalised 365 Suite for Motor & Non-Motor Products

- Launched a series of new and improved 'Better365' motor and fire products, which include:
 - i. Auto365 Comprehensive Plus – a major upgrade from your standard tariffed motor policy that features 7 new additional covers including key care and flood relief.
 - ii. Enhanced Auto365 Comprehensive Premier – provides the ultimate motor insurance that makes its all-risk features the perfect protection.
 - iii. Flexi SME365 – provides SME businesses with flexibility on the sum insured via the selection of nine essential covers that match their business needs, all through one premium, policy and stamp duty.
 - iv. AmStyle Guard – a unique lifestyle protection cover that combines Personal Accident and Burglary benefits into one plan.

- 5.1%* increase in overall motor premium growth and improvement in renewal ratios due to new motor products.

- Greatly improved turnaround time for processing due to the Digitalised Flexi SME product. This also enhanced the intermediary and customer experience, as insurance quotation generation, acceptance approval, and ePolicy issuance are all done via the digital platform.

Market-Leading Claims Services

- Established a dedicated claim assessment centre which uses in-house technology to significantly improve claims turnaround times. Customers can lodge claims using the 'One Touch' mobile phone application from the scene of an accident, as well as receive increased updates on repairs.
- Introduced an Express Claims process that has an extensive network of motor and windscreen workshops. This is supported by the only hyphenate claims lodgment approach in the industry, including free e-hailing options following an accident, document waivers, improved status updates and the longest warranty on workmanship in Malaysia.
- Launched roadside assistance through Kurnia Connect, which provides immediate assistance to accident victims and helps them through the end-to-end claims journey.

- Only three^ days required to approve customers' Own Damage claims, making it an industry leader in the claim approval process.

- Awarded 'The Fastest Estimate Claim Approval Time for Own Damage Claims' by Motordata Research Consortium (MRC).

Exclusive Partnerships & Digital Innovation

- Established strategic partnerships with top brands to reinforce our position as one of the most competitive and innovative insurers in the industry. The partnerships include Mercedes-Benz Malaysia; Grab Daily Insurance; BNM (Motor Product Open API); and One Touch.

- **Mercedes-Benz, Malaysia:** Awarded as one of the panel insurers to break into the luxury continental car market, improving our position on writing high-value preferred segments in Malaysia.

- **Grab Daily Insurance:** Became one of the insurance partners to deliver Grab Daily Insurance (GDI) launched on 12 July 2019.

- **Motor Product Open API:** Successfully completed the development of an open Application Programming Interface (API) on motor product features and services offered by AmGeneral. The API is utilised by aggregators to compare motor product features and services offered by all insurers in Malaysia.

- **One Touch App:** Improved road safety with the gamification of the One Touch app via the Drive Safe campaign. Users are granted points based on their average speed, maximum speed and distance travelled once they switch on the app. This strengthened our overall position for future partnerships in digital innovation.

* April 2019 to February 2020 to exclude effects of MCO

^ Based on MRC data as at March 2020

CHALLENGES & RISKS

Challenges/Risks	Mitigation Strategies	Results
<p>Strategic Risks The outbreak of COVID-19 has led to the weakening of local and global economic conditions, which affects consumer spending capabilities in purchasing motor vehicles and properties. This could potentially affect AmGeneral's ability in meeting our strategic objectives. Conditions such as this would also increase the risk of higher fraudulent insurance claims.</p>	<ul style="list-style-type: none"> Continue to improve our product offerings to provide the best prospective proposal to existing and potential customers. Enhance fraud detection and prevention measures to protect AmGeneral from the possible rise of fraudulent claims and inflated repair costs. Set up an Underwriting, Pricing & Product (UPPCo) Committee to ensure that underwriting, pricing and product review and development is well managed and governed. 	<ul style="list-style-type: none"> Competitive product pricing and attractive product features. Reduced leakages from fraudulent claims and inflated repair costs.
<p>Cyber Security Cyber threats expose the business and our customers to data breaches and financial loss.</p>	<ul style="list-style-type: none"> Implement necessary preventative measures as prescribed by AmBank Group and regulatory requirements to protect the integrity and privacy of AmGeneral and stakeholders' data. Actively participate in industry events that raise our people's awareness. 	<ul style="list-style-type: none"> Improved readiness in response to crises. Secure customer and company's data.
<p>Market Volatility The uncertainty in the economic outlook has given rise to volatilities in earnings from our investment book.</p>	<ul style="list-style-type: none"> Actively manage and revise our investment portfolio holdings to defend against market uncertainties. Work closely with AmFunds to ensure that our investment strategy is aligned with the desired levels of risk and rewards. Implement the Tactical Asset Allocation and Strategic Asset Allocation of the Company set within AmGeneral's risk appetite. 	<ul style="list-style-type: none"> Reduced earnings volatility. Optimised investment returns.

PROSPECTS & OUTLOOK

As the COVID-19 situation continues to progress and evolve, it is challenging at this juncture to predict the full extent and duration of its business and economic impact. The general insurance industry will continue to see prudent underwriting, with continued focus on growing profitable insurance portfolios such as retail, affinity partnerships, and small and medium industries in the non-motor segment. Due to the rise of disruptive innovations, consumer expectations will be higher on simplicity, intuitiveness, speed, safety and frictionless interactions. AmGeneral will continue to monitor the progress of the outbreak and measure its impact, if any, on our financial statements as they occur. Nevertheless, the impact to AmGeneral's business operations will be minimal as we have taken preventative measures to ensure the safety of stakeholders, leveraging on remote working arrangements and digital capabilities.

In FY2021, AmGeneral plans to realign our strategic initiatives to reap new growth opportunities and prepare for market volatilities, in anticipation of new government policies, regulatory changes, Liberalisation and Digitalisation. We have grouped the efforts and initiatives for FY2021 into the following eight strategic themes:

- Develop Motor products with differentiated levels, value and benefits, while Fire-based products focused on price competitiveness
- Deliver key initiatives to meet the unique needs of each distribution channel while delivering growth objectives
- Provide significant customer and cost benefits via Vehicle Accident Management (VAM) assessing and repairing model
- Enhance digital distribution platforms while still engaging and servicing our existing channels and customers in effective means
- Deploy retail brands to allow AmGeneral to respond and address new segments and value propositions
- Meet the changing needs of customers underpinned by digital enablement and developing winning capabilities for an evolving market
- Develop a high-performance culture to enable employees to successfully perform in accordance with business objectives

**RAMZI ALBERT TOUBASSY**

Chief Executive Officer
AmMetLife Insurance Berhad

AmMetLife

“The year under review was focused on improving our processes, people, products and solutions to better serve our customers’ needs. AmMetLife delivered customised solutions that provide keyman insurance coverage to AmBank Business Banking and Retail SME customers, while also accelerating the growth of Bancassurance Specialists through referral programmes to extend coverage for AmBank Group customers. Additionally, we implemented various digitalisation initiatives to transform customer experience and drive sales momentum. With regards to talent development, we launched the Young Entrepreneurs Scheme to attract new agents, which was supported by a revamped agency development programme that grooms agents into future agency leaders.”

ABOUT US

AmMetLife is a strategic partnership between AmBank Group and MetLife International Holdings LLC (MetLife). Established in 2014, AmMetLife combines the international expertise and financial strength of MetLife with the local strength and reach of AmBank Group, creating a customer-centric and modern life assurance solutions provider in Malaysia

At AmMetLife, we are focused on meeting our customers’ diverse needs with innovative solutions at different stages of their lives, making it easier and simpler for families and individuals to achieve financial security and pursue more from life. AmMetLife offers a comprehensive range of life insurance solutions to meet protection, medical and savings needs as well as credit-related insurance solutions, distributed through a network of nearly 200 AmBank Group and AmMetLife branch offices nationwide. Additionally, we leverage the strength of our authorised life insurance agents who provide comprehensive coverage and reach across Malaysia.

OUR PERFORMANCE

AmMetLife achieved a 7.0% growth in revenue for FY2020, primarily due to our focus in delivering the right solution to the right customer segments. Our financial growth was also supported by digitalisation initiatives that enhance customer service and operational excellence. The financial year was focused on revitalising and strongly differentiating the agency through a comprehensive suite of products that meet a diverse range of customer needs. Moreover, leveraging our Bancassurance potential while tapping into market opportunities in employee benefits also contributed to AmMetLife’s positive financial performance.

OUR PERFORMANCE

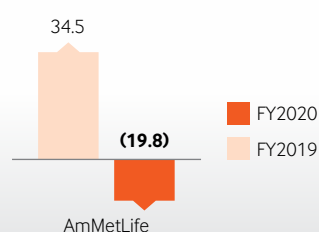
New Business Annual Premium Equivalent CAGR
RM162.2 Million in FY2020

RM151.5 Million in FY2019

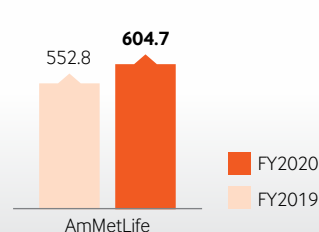
Management Expense Ratio
25% in FY2020

26.8% in FY2019

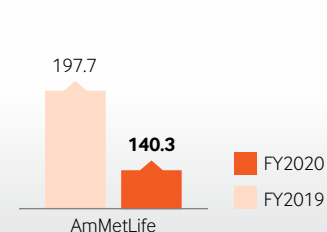
Profit/(Loss) After Tax (PAT) (RM Million)



Gross Written Premium (RM Million)



Total Income (RM Million)



AWARDS & RECOGNITION



2019 Silver Stevie Award

- Best New Product of the Year in Financial Services

American Malaysian Chamber of Commerce Certificate of Recognition

- Excellence in Corporate Social Responsibility

KEY INITIATIVES & OUTCOMES

Key Initiatives

Outcomes

Digitalisation & Automation

- Introduced iEASY, an agency point-of-sale tool that allows straight-through-processing of new businesses.
- Implemented a Robotic Process Automation that has saved the company 96% in man-hours.

- A faster approval process to better serve customers.

- Quicker service turn around time and enhanced accuracy.
- More efficient, effective and productive processes.

Customer Empowerment

- Introduced new self-service functionalities in our Customer Online Portal.

- More user-friendly features for enhanced customer experience.

PROSPECTS & OUTLOOK

With the ongoing uncertainty of the COVID-19 pandemic, AmMetLife foresees a more challenging business environment going forward. The health and well-being of our customers remain our highest priority. Despite the short-term challenges, the insurance outlook remains positive in catering to customers' needs. In FY2021, apart from extending hospitalisation and death coverage due to COVID-19, we will also review alternative requests to ease the financial burden of our customers. This includes enabling policyholders to restructure premium payments from annual to monthly mode; extension of grace period for payment of premiums; reducing/waiving the interest charges for policy loans and Automatic Premium Loans; and the deferment of insurance premiums for three months for affected customers.

In addition to navigating the challenging landscape of a global health crisis, AmMetLife will continue to prioritise efficiency, employee productivity and customer responsiveness. The key focus areas for the upcoming year include: recruit new agents and develop future Agency Managers; simplify enrolment and payment processes to increase insurance penetration to Malaysian households; service differentiation through Health & Wellness initiatives for Employee Benefits customers; digitalisation to elevate customer experience and improve proficiency; and increase 24/7 customer self-service functions in our Customer Portal.



AmMetLife Takaful

“In FY2020, AmMetLife Takaful generated RM125.5 million in revenue by fully optimising our Bancatakaful potential. This includes accelerating existing Bancatakaful arrangements with AmMetLife Specialist model (BAS) and harnessing business banking opportunities. We also developed alternative distribution channels by proactively seeking business opportunities with third-party banks, government bodies and other co-operations. Moreover, we differentiated our product portfolio, targeting Muslim-centric product propositions for all market segments.”

NOOR AZAM BIN MOHD YUSOF

Chief Executive Officer
AmMetLife Takaful Berhad

ABOUT US

Established on 9 January 2012, AmMetLife Takaful Berhad (Family Takaful) is licensed by BNM to conduct Family Takaful business in Malaysia, under the Takaful Act 1984. The company is a strategic collaboration between AmBank Group and MetLife International Holdings, in which we offer a comprehensive range of Takaful solutions distributed by our authorised Takaful agents and Bank Partners’ branches nationwide. AmMetLife Takaful aims to meet customers’ diverse needs through innovative solutions at different stages of their lives, making it easier and simpler for individuals to achieve financial security and pursue more from life.

OUR PERFORMANCE

During the financial year, AmMetLife Takaful achieved a significant 127.7% growth in total income, which is mainly attributed to a 94% increase in penetration of business, particularly credit-related business (e.g. Mortgage Reducing Term Takaful and Personal Financing Reducing Term Takaful). Another key driver of growth was the alignment of the Banca business strategy with AmMetLife Insurance, AmBank Group, and AmBank Islamic; as well as the commendable performance coming from the Malaysian Government’s Public Sector Housing Financing Board (LPPSA) where the Company provides coverage for LPPSA Mortgage Financing. Lastly, the reprioritising of resources in managing projects allowed us to better control and minimise costs for enhanced financial performance.

OUR PERFORMANCE

New Business Annual Contribution Growth YoY by Channel

Banca – 42%
Agency – 83%
Alternate – >100%
 in FY2020

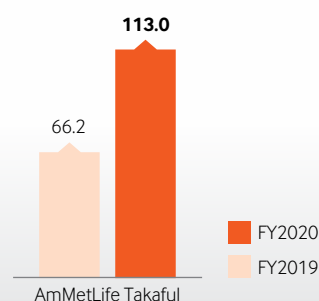
Banca – (33%)
 Agency – (10%)
 in FY2019

Management Expense Ratio

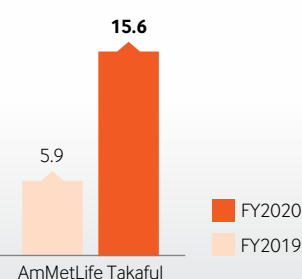
32% in FY2020

34% in FY2019

Gross Written Premium (RM Million)



Value of New Business (RM Million)



KEY INITIATIVES & OUTCOMES

Key Initiatives

Business Enhancements

- Streamlined business processes with AmBank Group and AmMetLife Insurance.
- Diversified business channels for alternative revenue streams.
- Focused on improving our Expense Ratio through the prudent management of expenses.

Compliance Culture

- Strengthened Compliance and Risk culture within the Takaful team through training and awareness programmes.

Outcomes

- Successfully launched BancaPOS and Single POS platform for the Agency force.
- Commendable result from LPPSA panelship to provide coverage of Mortgage Takaful.
- Improvement of Expense Ratio through prudent management.

- Lower non-compliances and better risk management amongst employees.

PROSPECTS & OUTLOOK

As we end the year in a profit position, AmMetLife Takaful has begun developing alternative channels for future growth. With most of the infrastructure for BancaPOS and an enhanced back-end system in place, we are well-positioned to generate greater income. In the upcoming year, we will prospect for strategic partnerships and collaborations with other financial institutions, corporations and government agencies to accelerate business growth.