

MESSAGE FROM OUR CHAIRMAN

WE ARE FORGING AHEAD, PUSHING THROUGH CHALLENGES AND CAPITALISING ON OPPORTUNITIES, TO DELIVER A STRONG PERFORMANCE.

Dear Stakeholders,

It gives me great honour to present AmBank Group's Integrated Annual Report 2023. We highlight the Bank's value creation efforts and how we have managed our risks and made the best of our opportunities. Despite operating under challenging conditions in FY2023, the Group delivered a strong set of results through the disciplined execution of our strategy. We continue to pursue our commitment to good governance and social responsibility.

OUR OPERATING ENVIRONMENT

The global economy saw a steady recovery from the pandemic in FY2023 as countries lifted restrictions and reopened borders. Inflationary pressures rose in tandem with improved business sentiment and consumer demand. Higher energy and raw material prices persisted, coupled with the geopolitical tensions from the ongoing Russia-Ukraine conflict that weighed on growth prospects and sentiment.

With inflation reaching multi-decade highs in many economies, central banks around the world responded with a series of rapid interest rate hikes. Overall, the International Monetary Fund (IMF) estimated that global Gross Domestic Product (GDP) growth slowed to 3.4% in 2022 from 6.3% in 2021, while global headline inflation had risen to 8.7% compared to 4.7% in 2021.

Domestically, the Malaysian economy experienced a strong recovery in 2022, driven by robust domestic demand and external trade. The strong growth also led to higher inflation and as a response, BNM adjusted the Overnight Policy Rate (OPR) upwards four times throughout 2022, from 1.75% to 2.75% with a further 0.25% rise in May 2023 to 3.0%. This effectively brought the OPR back to pre-pandemic levels which BNM positioned as a pre-emptive move to keep inflation in check.

In the domestic banking sector, outstanding loans grew by 5.7% in 2022, with total loans reaching RM2.02 trillion. The banking industry continued to be well capitalised. Asset quality remained stable and the industry recorded a decrease in its annualised credit cost, indicating an improvement in business conditions.



MESSAGE FROM OUR CHAIRMAN

OVERVIEW

The Group remained focused on strengthening our resilience and enhancing our ability to create sustained value. Our Focus 8 strategy continues to be the driving force that has enabled us to push through challenges and capitalise on opportunities to deliver our targets. We continue to lead across a range of key financial and performance metrics. These achievements enabled us to return more value to our stakeholders, including a higher dividend payout ratio for FY2023 as a result of higher profits. We also achieved our Return on Equity (ROE) target of 10%.

For more information on our strategic progress, refer to Our Strategy on page 38.



We are also making further progress in our ESG agenda. We are actively embedding ESG considerations in our businesses and also driving advocacy through our participation as the only bank in BNM's Greening Value Chain (GVC) programme. This multi-stakeholder programme is aimed at assisting SMEs to manage their carbon emissions as the urgency surrounding climate action becomes more pronounced. With SMEs being a core segment for the Group, our participation will enable 5,000 SMEs to kickstart their emissions management journey, while we facilitate the financing required to implement low-carbon practices.

In addition, as a supporter of the TCFD, we are building capabilities internally in several areas to manage climate-related risks. This includes establishing climate change parameters to facilitate TCFD-recommended disclosures, incorporating climate change risk considerations into scenario analysis and stress testing and evaluating appropriate methods and standards in setting targets.

For more information on our climate actions, refer to Mitigating ESG & Climate-Related Risks in AmBank Group's Sustainability Report 2023 on pages 36 to 40.

TAN SRI MD NOR BIN MD YUSOF

Chairman
AmBank Group

We have also committed further capital to take our digital capabilities to the next level, cognisant of the digital future that banking is firmly evolving towards. The launch of the five-year Intelligence Driven Bank roadmap, which is backed by an investment of approximately RM250 million, is expected to improve efficiency and our ability to generate new sources of revenue through better insights. We are also striving to penetrate the underserved markets, including those in the gig economy, which we believe can be best served by leveraging digital capabilities. In this context, we continue to build on our cross-industry partnerships to create innovative, customer-centric and accessible offerings and to deliver them digitally as part of our financial inclusion agenda.

For more information on our digital initiatives, refer to Our Strategy Focus 5 on pages 42 and 43.

DIVIDENDS

In recognition of our shareholders who have stood with us during the most difficult of times, we declared a final dividend of 12.3 sen per share, bringing the total dividend for FY2023 to 18.3 sen. This translates to a dividend payout ratio of 35% (FY2022: 11%).



Total dividend payout of 18.3 sen/ share, a **dividend payout ratio of 35%**

MESSAGE FROM OUR CHAIRMAN

A SOCIALLY RESPONSIBLE BANK

In addition to our efforts to achieve financial and business performance targets, we prioritise the creation of positive impacts through actions that uplift communities, especially to assist the most vulnerable segments of society. Through our AmCare programmes, we encourage AmBankers to volunteer their time in service of others by actively engaging with local communities in areas where we operate. To demonstrate our full support for AmCare, the Group has recently amended its annual leave policy to include three days of paid volunteering leave for employees who wish to participate in charitable work or sustainability-related projects.

A key programme that we support is the Financial Industry Collective Outreach (FINCO), a collaborative initiative pioneered by all financial institutions in Malaysia and supported by BNM. The main goal of the FINCO programme is to provide underprivileged children and youth with the guidance and educational tools they need to achieve their life goals. I am pleased to note that we have contributed significantly, especially in the volunteering of our employees' time to help students better understand the world around them. In FY2023, the Group also participated in career fairs, workshops and financial literacy talks and organised a pitching session for social enterprise ideas.

Financial inclusion and capacity building are also matters we are deeply interested in with a focus on underserved communities, business start-ups, e-commerce and micro-SMEs (MSMEs). For example, over the last seven years, we have partnered with the Credit Guarantee Corporation (CGC) to disburse loans and financing amounting to more than RM3 billion to over 4,000 MSMEs. More recent financing facilities under these Portfolio Guarantee programmes have been targeted towards MSMEs involved in e-commerce, which is a segment with vast growth potential. In addition, we support several BNM programmes such as iTEKAD, which is a social finance programme to assist low-income microentrepreneurs to improve their financial management and business acumen skills.



We also support homeownership for lower income communities by participating in affordable home financing schemes such as Perumahan Rakyat 1Malaysia – Skim Pembayaran Fleksibel (PR1MA SPEF), Skim Rumah Pertamaku (SRP) and BNM Affordable Homes Schemes 1 and 2. Through these programmes, the Group hopes to contribute to the long-term prosperity of Malaysia and promote financial inclusion.

COMMITMENT TO STRONG GOVERNANCE

The Board remained committed to upholding good governance and the highest standards of integrity in discharging our oversight duties of the Group's affairs. We have in place robust governance frameworks and strive to ensure that these frameworks remain relevant amid a changing landscape.

We constantly push for greater levels of transparency, responsibility and accountability, cognisant of the fact that governance is a key contributor to the value creation process.

What is clearly becoming more important even within the governance context is the ESG agenda. This requires oversight to ensure that initiatives succeed, and that risks and opportunities are well managed. This year, we have embarked on a roadmap to implement BNM's CRMSA which will come into force by the end of 2024. This will enhance the Board's oversight on sustainability matters including climate risks and opportunities. We also ensure accountability of our sustainability performance by assigning sustainability-related KPIs to the Group CEO and all his direct reports.

We also established the Operational Excellence Taskforce with mentorship provided by the Board members. The Taskforce will focus on business improvement opportunities by leveraging technology to strengthen the Bank's ability to withstand and manage compliance and operational risks.

We have also established the Digital Taskforce to provide direction and oversight of the Group's internal and external digital initiatives as well as shaping the Group's digital strategy. The Taskforce was established with the objective of sharpening focus on accelerating digitalisation of the Group's existing operations, branches and touchpoints, leveraging robotics and automation, as well as capturing new segments of growth.

AWARDS

In the year under review, the Group received several recognitions and awards that were a result of our dedication to excellence and continuous efforts to make a positive impact in various areas.

Firstly, we were honoured with the MSWG-ASEAN Corporate Governance Award 2021. We received the Excellence Award for CG Disclosure (Top 10), which recognised our outstanding performance in overall corporate governance disclosures. Additionally, we achieved the Industry Excellence Award for CG Disclosure, placing us among the top four companies in this category. Our commitment to corporate governance excellence was further acknowledged through the 2021 ASEAN Corporate Governance Scorecard (ACGS) by the ASEAN Capital Market Forum (ACMF). We were ranked in the top 6% of all ASEAN companies in the ASEAN Asset Class PLCs, with a score above 97.5 points.

MESSAGE FROM OUR CHAIRMAN



The Group also demonstrated its commitment to responsible reporting and communication through the Annual Report Competition (ARC) Awards held in New York. We received the Silver Award in the category of SPECIALISED Annual Report & CSR: Non-Traditional Format. This global award validates our approach to presenting our annual report and showcasing our corporate social responsibility initiatives effectively.

Our focus on ESG matters was acknowledged through The Edge ESG Awards where we were honoured with four gold and two silver awards in the Best Impact Funds Category for our Climate Tech & Positive Change Funds. These awards recognise our asset management's sustainable investment initiatives and approach in making a positive impact on the environment.

Furthermore, AmBank received two awards at the FINCO Volunteerism Awards 2022. We were recognised as the overall financial institution with the most volunteers in the banking sector, having volunteered 90 times in FINCO programmes throughout 2022. Additionally, one of our employees received the Most Engaging Volunteer award for his exceptional facilitation skills and approachability in engaging with students during the storytelling sessions.

Lastly, our commitment to energy management was acknowledged with the Energy Management Gold Standard Certification for Menara AmBank in May 2022. This certification highlights our efforts to reduce energy consumption and promote environmentally friendly practices in our operations.

OUTLOOK & PROSPECTS

Looking ahead, the global economic outlook remains uncertain, especially with the potential for a global recession as business investments and consumer sentiments signal an impending economic slowdown. However, the end of

China's zero-COVID policy and a strong job market in the US may help prevent a full-blown recession. The IMF projects global GDP growth to moderate to 2.8% in 2023.

On the domestic front, Malaysia's economic growth is projected at 4.5% in 2023, with continued support from private consumption and the recovery of the tourism sector and ongoing investments, coupled with accommodative monetary policy.

ACKNOWLEDGEMENTS

In closing, I would like to extend my appreciation to my esteemed fellow Board members, for your tireless dedication and steadfast guidance. Your wisdom and vision have been instrumental in steering our Company towards a brighter future. To the Senior Management team, I would like to express my gratitude for your steady hand in navigating the challenges we have experienced over the years.

To our shareholders and investors, I wish to thank you for your belief in our Company. Your continued confidence empowers us to deliver sustainable and long-term value, and we remain steadfast in our commitment to fulfilling your expectations. To our valued customers, your trust in our services fuels our drive to exceed your expectations and provide you with exceptional experiences and outcomes.

Lastly, to our dedicated employees and their families, I would also like to convey my profound appreciation. You are the heartbeat of our organisation, and your unwavering dedication and hard work are the foundation of our achievements.

Together, we have achieved remarkable milestones, and I am filled with anticipation for what lies ahead. Let us continue working hand in hand, united in purpose, to surpass our goals and shape a future that we can all be proud of.