

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW



Dear Stakeholders,

I am privileged to lead the AmBank Group as the new Group Chief Executive Officer. We concluded our Focus 8 strategy successfully this year and I would like to highlight some of the key financial outcomes below:

- Delivered improved earnings;
- Reduced our expense ratio further;
- Increased our return on equity (ROE), and meeting our 10% ROE target;
- Restored our capital position;
- Increased our dividend payout and reverted to our historical payout level.

We have a refreshed strategy – “Winning Together” – where we will continue to build on our strengths and capitalise on emerging opportunities. I am excited to be leading AmBank Group in our next phase of growth.

JAMIE LING

Group Chief Executive Officer

FY2024 and Outlook: A Year of Resilience and Achievements

2023 was marked by increased global geopolitical tensions, coupled with greater financial market volatilities following several high-profile bank failures in the US and Europe.

AmBank Group approached the year with optimism amid these dynamics, viewing uncertainties as opportunities.

- Overall, the total income for the year was similar to last year. While net interest margin (NIM) compression had an adverse effect on our net interest income (NII), this was largely offset by a stronger performance in our fee income.
- We kept tight control over expenses, ensuring that operating profit before provisions remained at similar levels to last year. We incurred additional overlay reserves on vulnerable credit exposures identified as well as some restructuring charges.
- Despite a tougher operating environment, we achieved a 9% increase in PATMI to RM1.87 billion; delivered a 10% ROE and declared a 23% increase in annual dividends per share.

We expect global financial markets to remain volatile, centred around inflation outlook and monetary policy directions on interest rates globally. External demand drivers have improved despite ongoing geopolitical tensions and conflicts. In Malaysia, we anticipate a 4% to 5% Gross Domestic Product (GDP) growth in 2024, supported by resilient domestic demand and improving labour markets driving consumption. We also expect increased tourism activities to boost the economy and the spillover effects of the technology upcycle to drive foreign direct investment into our country.

Reconstructing Our Strategy and Organising for Success

We have reviewed our current strategy and the salient aspects of that review are summarised below:



Strategy Reconstruct

F1	PATH TO ROE OF \geq 10%	▶	3 financial goals to significantly improve total shareholder's return – improve dividend payout, CTI, and ROA
F2	SHARPENING SEGMENT PLAY	▶	Focus on better returning segments, SME and Mid Corp to lead lending growth
F3	HOLISTIC CVP LEVERAGING A COLLABORATIVE CULTURE & PARTNERSHIPS	▶	Ways of working as a competitive edge
F4	PUSHING CAPITAL-LIGHT REVENUE	▶	Build out Priority & SME wealth, Asset Management and develop supply chain solutions
F5	RAMPING UP THE NEXT WAVE OF DIGITAL INITIATIVES	▶	Digitalisation to improve process efficiency & develop productivity tools as part of Operational Excellence agenda
F6	FUTURE-PROOFING THE WORKFORCE	▶	The Future of Work – Acquire & develop new skills and capabilities
F7	INTEGRATION OF ESG CONSIDERATIONS	▶	Sustainability as our legitimacy to operate and reinforce the Brand
F8	THE DIGITAL BANK	▶	Fintech initiatives to develop embedded financial services reach for the mass market

Group Chief Executive Officer’s Review



1 We have 3 strategy pillars that underpin the Group’s operational resilience

Pillar #1: Digitalisation

New technologies continue to augment the way we work, live, and conduct banking transactions. At AmBank Group, we see technology as a strong enabler with the potential to unlock value for our businesses. Our approach focuses on enhancing our operations and expanding our virtual presence.

To enhance our operations, we have incorporated automation into 147 processes using 132 Robotic Process Automation (RPA) robots. This not only leads to significant cost savings but also improves our environmental impact. With a shift to paperless forms and processes, we reduced the use of over 6 million A4 papers.

Our digitalisation efforts also focus on improving customer experience. We continually enhance the features and capabilities of our online platforms to offer a seamless and secure banking experience. AmOnline, continues to grow with approximately 1.8 million registered users. We added 230,000 new users, with an average of 188 million transactions per month. This growth extends to our business customers as well, with more than 46,700 users onboarded onto AmAccess Biz. Overall transaction volumes grew 31.5% year-on-year.

Our digital transformation efforts have been recognised with several awards from the Malaysian Technology Excellence Award 2023:

- ▶ **Best Bank for Digital Transformation – Malaysia 2023**
- ▶ **Most User-Friendly Mobile Banking Solutions – Malaysia 2023**
- ▶ **Mobile Banking & Payment Initiative of the Year – Malaysia**

We are exploring partnerships to build our digital ecosystem further. For example, our collaboration with Merchantrade Asia has led to the creation of a hybrid e-wallet, the first of its kind with the largest wallet size of RM50,000. Additionally, our collaboration with Axiata Boost enables digital solutions for retail merchants and underserved micro-businesses, positioning AmBank Group as a transaction banking leader in the Application Programming Interface (API) in Malaysia.

Pillar #2: Operational Excellence

Our goal is to deliver excellent customer experiences across all touchpoints. This drives our efforts to streamline customer onboarding processes across all channels, ensuring efficiency and user-friendliness. We are at an early stage to adopt Artificial Intelligence (AI) capabilities.

We have deployed these capabilities to assist with fraud detection, data extraction from bank statements, and onboarding assistance. By leveraging automation and RPA, we significantly reduce credit review turnaround times, AI-powered financial statement analysis and real-time market news further expedite process improvements.

Pillar #3: Sustainability

We view sustainability as our legitimacy to operate. Embracing sustainability helps us manage ESG risks and unlock opportunities. One example of how we achieve this is through our asset management business. AmFunds oversees 11 sustainable and responsible investment (SRI) qualified funds approved by the SC, the largest number of funds managed by any fund managers last year.



Our approach to sustainable financing is both proactive and pragmatic. We understand the urgency of the climate change agenda, with our commitment to be net zero by 2050. However, our transition must be balanced with Malaysia’s socio-economic realities, given our dependency on high-emitting sectors like oil and gas. In order to ensure a balanced and equitable transition, the National Energy Transition Roadmap (NETR) plays a vital role in steering Malaysia towards a lower carbon economy and we will adjust our own transition plans accordingly.

In FY2024, we measured our Scope 3 Financed Emissions to identify which sectors require the most attention for emission reduction. We will focus on engaging with sectors where emissions are most concentrated. We aim to engage customers in high-emission sectors first in the current year, to understand how we can support their transition plans. For example, we granted Uzma Berhad RM300 million financing to support its operational efficiency and sustainability agenda. This financing backs key contracts with PETRONAS, including hydraulic workover and plug and abandonment operations, as well as water injection facilities.

While we actively finance renewable energy projects like solar to expand the market for clean energy, we also continue to support hard-to-abate sectors. Our focus here is on helping these industries to become more efficient in reducing their carbon footprint, facilitating a gradual transition to a lower carbon economy.

2 Our 3 financial goals are aligned to deliver superior returns within existing financial resources and risk appetite:

Establishing the 3 financial goals sharpens our aim to deliver top quartile Total Shareholders' Return (TSR):

Goal #1 Improve dividend payout

- Increasing dividend payout from 40% today aims to place us at the top quartile of the dividend yield among our peers. We will assess and consider this carefully, balancing our need for prudential safeguards as well as retaining capital for future growth.

Goal #2 Lower CTI to 40%

- This requires a 10% productivity improvement from our CTI of 44.2% today. The operational excellence agenda we have embarked on will help deliver part of these productivity gains.

Goal #3 Improve ROA to 1.10% (ROE 11-12%)

- Our ROA is 0.97% and ROE at 10% today. To achieve this goal requires us to focus on better returning customer segments and products.

3 Clear segment participation strategies to integrate our strengths and capabilities across all lines of businesses:

SME and Mid Corp Segments to lead lending growth

The New Industrial Masterplan 2030 (NIMP 2030) is a blueprint to drive Malaysia's industrial capacity and resilience, fostering long-term, sustainable, and inclusive growth. Central to the success of NIMP 2030 are Mid Corporates and SMEs, which drive innovation and competitiveness in the manufacturing and services sectors.

The SME and Mid Corp segments will continue to be our growth engines. To enhance synergy and scale further, we will be merging Retail SME into our Business Banking line of business.

In September 2023, we launched the SME Amplify campaign to address the challenges faced by SMEs by providing easier access to financing and supporting our customers' growth journey. SME Amplify offers a comprehensive suite of solutions across multiple industries, acting as a centralised hub for SMEs to submit financing applications, to assist in payroll management, to provide payment acceptance solutions, among others.

In addition to financing solutions, we also offer end-to-end support to help SMEs scale up. Through AmBank BizCLUB, we provide education, training, development, networking opportunities, and media exposure as part of capacity building for SME entrepreneurs.

Wholesale Bank to originate and distribute loans, develop supply chain financing solutions and maintain commercial surplus

We are building our supply chain financing solutions capability in transaction banking to leverage the anchor corporate relationships in Wholesale Banking. This is at an early stage and if successful, it will be another avenue to acquire new SME customers that are part of the supply chain of the anchor relationship.

Retail Banking to be a more focused lender and to generate commercial surplus

We are repositioning our retail lending business. Identification of more profitable lending profiles and strengthening credit risk monitoring and evaluation processes to improve profitability is underway.

Integrate wealth management solutions for the investors segment

We will develop the wealth management business in a more integrated manner via our asset management, stockbroking services and priority banking, and private banking distribution channels.

Aspire to be Top 3 Investment Bank

We also play a pivotal role in developing and deepening the capital markets through successful IPOs and investment banking services. For instance, we served as the Principal Adviser, Sponsor, Lead Bookrunner, and Sole Underwriter for Alpha IVF Berhad's IPO, the largest IPO on the ACE Market of Bursa Malaysia.

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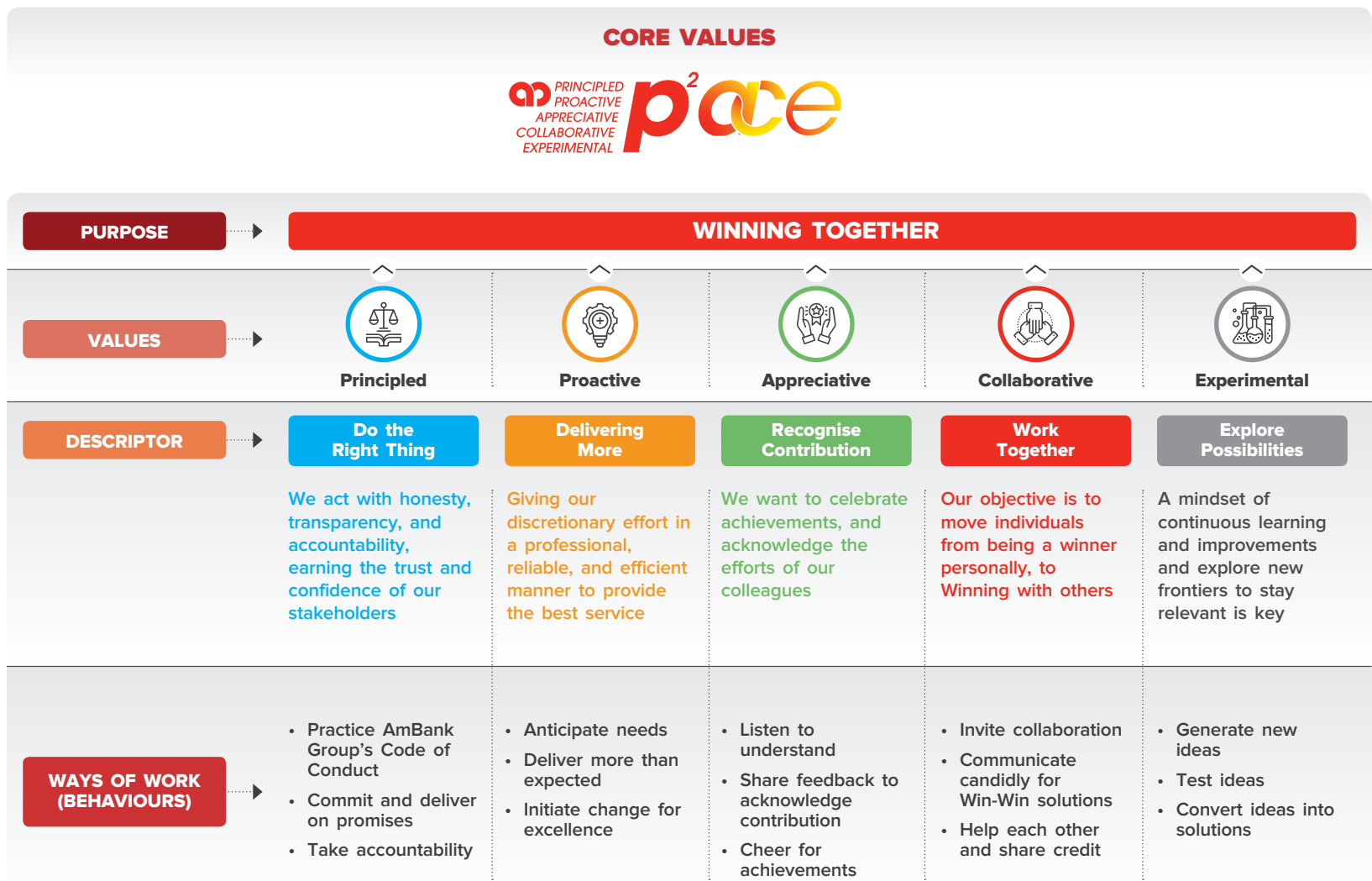
4 Build Fintech capabilities and upgrade existing technology stack

We have created a separate Chief Digital Officer role to lead the commercialisation of opportunities we see in the fintech arena. The initiatives include establishing the right partnerships externally and internally to develop new capabilities as part of the embedded financial services for the mass market.

5 Customers and employee experience are at the heart of strategy as our new ways of working

Our “win-win” mindset is central to our approach. When customers and our employees thrive, the Group thrives. We are committed to ensuring that every member of our workforce feels valued and believes that AmBank Group is the right place for them to have a successful career.

Living the corporate values is the foundation of the way we work. We have not changed our corporate values but have refreshed them to remind ourselves what behaviours we want to promote.



In summary, our **refreshed strategy** can be illustrated as follows:



While we have our forward plans for the next five years, our success is in the execution. I am confident that we can achieve this with a 'one bank' mindset.

In closing, I would like to extend my appreciation to the Board for their trust in me as well as my management team for their commitment. To all AmBankers, who have been the key to our success, your dedication is deeply appreciated. To our customers, investors, regulators, vendor partners, and community members, your continued trust in us will drive us forward to win together!

Thank you.

JAMIE LING
 Group Chief Executive Officer