

Azman Hashim on the banking industry's changing climate

STORIES BY **ADELINE PAUL RAJ**

A banker for more than six decades now, Tan Sri Azman Hashim has seen the industry go through some of its toughest times, from the 1997/98 Asian financial crisis (AFC) and consequent consolidation of 54 banks to 10 (now just eight) to the current Covid-19 pandemic, to name a few. But to him, none — not even the coronavirus crisis — was as crippling as the AFC.

"Today, with the Covid-19 crisis, despite all the unexpected challenges we're facing, you can see that the banks are still healthy, in good condition, because our fundamentals are sound and we are handling the bad debts well enough," says the 82-year-old chairman and major shareholder of AMMB Holdings Bhd, commending the industry's resilience.

In an exclusive interview with *The Edge* via Zoom, Azman — speaking in his capacity as chairman of the Asian Institute of Chartered Bankers (AICB) — gives his views on the changes in and the challenges facing the industry, in particular how bankers have a critical role to play in managing climate-related risks.

The Edge: Issues related to climate change/sustainability are a growing theme in *Corporate Malaysia*. In your view, is the banking sector embracing the changes that need to come fast enough, or are we behind?

Tan Sri Azman Hashim: Sustainability and climate change [issues] are coming into the world at the same time — I think we're not ahead, we're not behind, [we're all facing these at the] same time. For the banks, it is a requirement [that we address these issues], and we've got regulators monitoring us. They actually follow us very closely. And of course, the financial institutions watch each other and what the world is doing.

It's not a black and white issue, you know. World leaders are trying to strike a balance between commitment [to sustainability and climate issues] and the economy, while CEOs have to consider business and profitability as well. We have to get a balance. I see that the Australian prime minister is not going to the big UN climate conference [COP26 in Scotland] ... that's probably going to be an issue, given that the country is the biggest exporter of coal. But anyway, in the case of banks in Malaysia, we are committed. In fact, some of us are pushing very hard.

Tan Sri, climate change issues were not something that you and your generation of bankers were thinking about. But for the current and new breed of bankers, these issues will be crucial.

Correct. That's why these are now embedded in our curriculum at AICB. The subject of sustainability, green financing, ESG, these are all there, because we have to keep relevant. The new breed of bankers coming up, I think they will be very familiar with this. This is something that they will be dealing with for a long time in the future.

Some may argue that your generation contributed to, or even accelerated, climate change because you were funding companies that we today consider controversial.

I think we are not the culprits. To me, Malaysia is still one of those countries that are



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Snapshot of AICB

The Asian Institute of Chartered Bankers, the sole professional body for Malaysia's banking industry, has over 32,000 members. Today, a total of 511 bankers have completed its Chartered Banker programme — its flagship qualification — representing a 49.6% increase compared with 2019. In addition, there are more than 900 bankers at various stages of progression in the programme.

AICB is the only institute in Southeast Asia that is allowed by the Chartered Banker Institute UK to award the "chartered banker" status. The body is governed by a council of representatives from Bank Negara Malaysia, the Association of Banks in Malaysia and the Malaysian Investment Banking Association.

contributing towards reducing, not accelerating. It's the big economies like the US and China that are huge polluters. And Europe, they've chopped their trees, and now [they say] we cannot chop ours. There is [hypocrisy]. These countries, they've chopped down the trees, they've grown into big economies, and then now they tell us, 'Okay, you better not do what we've been doing'.

And in terms of funding ... hey, who are the backers, the funders, the investors of all the huge oil and coal companies out there? Not us.

But during your time, when you were running the bank, these environmental-type issues were never part of the consideration when you all were granting loans, right?

Well, in those days, it wasn't such an issue, you know. Now, of course, it's a concern. When you look at the lending proposition — and it's not only here, but all over the world — you have to consider a balance. The big global banks ... they can't just chop off their huge polluting clients because they'll be chopping off revenue as well. So they work with them, advise them on ways to invest in new tech or to diversify. They find a balance. Efforts like these are being made here as well. This is the right thing to do, not just [chop the client]. So, this will take time, but that should be the way.

Is climate change something that personally concerns you?

Yes, of course, because you worry about your children and grandchildren. I can feel the change in temperature from when I was young and now. It has gone up by a few degrees. And it's happening all over the world. And whatever is happening in the world is affecting us also. So, it worries me, personally.

Tan Sri, you've had six decades of experience as a banker and seen pretty much all the challenges the industry has faced. Tell us what it was like coming up against a challenge like Covid-19, which nobody could have anticipated. Has this been the biggest challenge you've seen the banking industry come up against? No. I think the worst was still the [1997/98]

Asian financial crisis, as far as affecting the industry is concerned. Unlike this pandemic, which is worldwide and affects everybody, the AFC affected only a few countries in this region, and Malaysia was one of them. And what happened at the same time was that we were attacked by [currency manipulators]. Our currency was dead low, our stock market crashed, all asset values went down, properties went down. Therefore, it hit the private sector very badly. There was no liquidity, the interest rate was high at 24% ... how to survive? So for that short period, many people went bankrupt, companies went bankrupt. And of course, the banks all got hit because of that. We [AmBank] were one of those badly hit.

But the good thing was that we recovered very fast because while we were in trouble, the rest of the world wasn't. The world economy was still growing well and our export markets were strong. So, we crashed and then we recovered very quickly. But for the financial industry, I think that period was the worst.

Today, with the Covid-19 crisis, despite all the unexpected challenges we're facing, you can see that the banks are still healthy, in good condition, because our fundamentals are sound and we are handling the bad debts well enough. So, this is not the worst challenge.

In terms of the disruptions, though, branches being shut, staff working from home ...

Yes, but the industry has adapted very well, I think. During the pandemic, we had about 80% of the staff working from home and

found that we didn't really lose much business as people turned to digital channels. It has probably introduced a lot of efficiencies into the banking system. Therefore, quite a number of banks are looking at reducing their number of branches. These are the [realisations] that have come up because of this pandemic. But we cannot talk about reducing staff, closing branches at this time. In fact, we still keep paying bonuses and all.

But for you, personally, Tan Sri, what was your key lesson from the pandemic?

The pandemic is an equaliser, in the sense that nobody is invincible. Anyone can get infected and anyone can die. So, look at your life and appreciate what is valuable, what is worth looking at every day. But I must say, I've been doing that probably all my life, but more so now with the pandemic. I enjoy the simple things in life ... the greenery, the birds, the bees, flowers, the moonlight, sunsets. Family, good health, good friends ... these are the things that are important and you value them.

In terms of business, the pandemic has introduced many nice things like virtual meetings, which I find very convenient. People like me, who are 'dinosaurs', have got used to these digital things!

So, you've become more digitally savvy?

Yes. [But] at board meetings, I'm still the only one who's looking at paper while all my fellow directors are on their iPads. I'm still the dinosaur in there! (laughs)

Has the pandemic changed the way you feel about your shareholdings in AMMB Holdings, RCE Capital or Amcorp Properties? Are you more keen to hold on to some than others?

Yes, but all those three, I am very much involved in. It keeps me going, it gets me active. And I've been active all my life, so I can't see myself slowing down now in any of those. By the way, at Amcorp Properties, we have invested in clean energy with a few hydro dams and a solar farm in Segamat. So, we are moving in that direction as well. Of course, that is partly business and partly contributing to the environment.

Tan Sri, what were your thoughts on AMMB's RM2.83 billion global settlement (in relation to 1MDB)?

I had better not talk about that because it's a very sensitive thing. There are pros and cons, but it's good that it's settled, and we move on.

What are your thoughts on the current banking situation in Malaysia and the issue on the moratorium for the B50 segment?

The banking sector has been very good, very cooperative and generous in a way, trying to help during this pandemic. The blanket moratorium that banks offered last year ... we were the only ones that did it in this region, and it was costly also. Now, of course, there is some noise [with the B50 moratorium].

Banks actually don't have an issue with continuing to help specific people who are in trouble. But [when you have to offer it] across the board, you're not helping the right people. Many people who don't need it [still take it]. I think special groups of people, if they show themselves to be having difficulties, the banks will help. On top of that, the banks on their own are helping out in other ways ... donating medical equipment, medicine, hospital beds.

This sense of contributing, helping out, is there, but it must be reasonable as you must remember that we also have a responsibility to make a profit for stakeholders. With those profits, we pay taxes to the government and dividends to shareholders. My personal feeling is that the banks are really very responsible. Actually, I'm very proud of them.

What practical advice do you have for young bankers today?

They must remember that banking is a very honourable profession [as] it contributes to the well-being of the country. And of course, as chartered bankers, we want to be even more professional. So bear that in mind, it's something to be quite proud of, too.

But it's a fast-changing industry and the future is digital. Young people today, they are not like me, they are already in that digital mindset. So, I think they will be very comfortable with this. They should look forward to it. It's a very exciting future. ■