

Business Review

Islamic Banking



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Chief Executive Officer

» OUR BUSINESS IDENTITY

AmBank Islamic is the Islamic banking arm of AmBank Group, offering a full spectrum of Shariah-compliant retail and non-retail financial solutions, including investment, treasury, and trade-related products. Our core mandate as a credit intermediary is guided by the principles of Value-Based Intermediation (VBI), a key driver in our journey towards becoming a purpose-driven financial institution.

Our approach to risk management integrates ESG and climate-related risks into decision-making processes, guided by the Group's Sustainability Framework, Group's Enterprise Risk Management Framework, and Net Zero Transition Plan.

For more information on the Group's Sustainability Framework and climate risk management, see pages 15 and 46 to 57 of the Sustainability Report 2025.

Aligned with AMMB Group's overall strategy, AmBank Islamic continues to deepen our presence in existing market segments while capturing growth opportunities in niche areas that naturally align with Islamic banking values. This dual focus enables the Group to drive higher income generation and long-term profitability. Our strategic aspirations remain rooted in creating stakeholder value through consistent returns, sound capital and funding positions, Shariah compliance, and unwavering integrity.

» BUSINESS ENVIRONMENT

The Islamic banking landscape is witnessing a growing need for purpose-led strategies across the financial services ecosystem. Interest in Shariah-compliant financial instruments continue to rise, as individuals and businesses seek ethical and inclusive finance.

Malaysia's progressive Islamic finance landscape — supported by Bank Negara Malaysia (BNM)'s strong advocacy of VBI — has reinforced industry resilience and accelerated the shift towards more responsible banking practices. Demand for green financing is gaining momentum, particularly in renewable energy, underpinned by the national climate agenda and global ESG trends.

AmBank Islamic actively supports the climate transition business for AmBank Group, driving efforts to inter alia engage customers in climate-sensitive sectors. This involves understanding their Net Zero commitments and transition plans, and advocating sustainable, transition and green financing. These efforts directly support the Group's decarbonisation pathway and overall climate objectives under the Group's Net Zero aspirations.

» OUR KEY FOCUS AREAS

Our solutions are catered for core customer groups which are summarised below:

Small and Medium Enterprises (SMEs)	Mass Segment	Affluent Segment	Corporate and Institutional
Support Malaysian SMEs to fund their growth and transition their operations towards sustainable practices and reduce carbon emissions.	Offer accessible, Shariah-compliant financing solutions to mass-market customers to meet their diverse needs.	Provide wealth management services to affluent customers by distributing Islamic unit trusts, Takaful products, and other Shariah-compliant investment products.	Offer Corporate Banking and Treasury & Markets solutions primarily to corporates, governments and institutional customers.

» HIGHLIGHTS AND MILESTONES

Our Year in Numbers

AmBank Islamic's FY2025 financial performance remained resilient, driven by proactive asset quality management, improved net funded margin (NFM), and continued focus on growing profitable customer segments despite lower financing growth compared to the preceding financial year. The slower financing growth was attributed to a moderation in mortgage growth, a reduction in financing for the purchase of Amanah Saham Bumiputera (ASB) unit trusts, and softer business financing growth in a highly competitive environment.

Achieved a Profit After Zakat and Taxation (PAZT) of RM559.3 million, surpassing FY2024's RM430.6 million, driven by improved NFM and better recoveries.

Maintained strong capital buffers with Common Equity Tier 1 (CET1)/Tier 1, and Total Capital Ratios at 14.81% and 19.44% respectively, after deducting proposed dividends.¹

Asset quality remained sound, with a Gross Impaired Financing (GIF) ratio of 1.32% (FY2024: 1.44%).

Current and Savings Account (CASA) ratio stood at 39.2%, reflecting the Bank's continued efforts to attract stable and cost-efficient deposits.

¹ With effect 1 August 2024, the capital ratios of AmBank Islamic are computed based on Foundation Internal Ratings Based (FIRB) Approach.

Our Impact Beyond Numbers

In FY2025, we continued to deepen our social finance contributions through initiatives that are aimed at economic empowerment of underserved groups.

Total business zakat allocation:
RM4.4 million channelled across various initiatives.

Zakat distribution to state zakat collection centres: RM1.1 million

Cash assistance to university students:
RM0.8 million benefitting 2,544 students from ten public and private universities.

Financial aid to medical centres:
RM0.4 million benefitting 16 *asnaf* patients from two entities for dialysis and payment arrears of medical treatments.

Support to Islamic development organisations: RM0.2 million benefitting 487 recipients across three Islamic development organisations.

Community assistance distribution:
RM0.4 million to eight community assistance entities covering braille book printing, food packs, and basic needs for 485 *asnaf fakir/ miskin* from Orang Asli communities and charity homes.

iTEKAD 3.0 Programme: A programme which encompasses seed capital, capacity building, and microfinancing support whereby AmBank Islamic empowered 103 *asnaf* and 90 B40 micro-entrepreneurs with a total allocation of RM2.8 million through five implementation partners.

For more information on AmBank Islamic's iTEKAD programme, see pages 107 and 165 of the Sustainability Report 2025.

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STRATEGIC PERFORMANCE REVIEW

Key Initiatives	Outcomes
SMEs	
Driving Access to Funding for SMEs	
Facilitated access to BNM's SME facilities such as the Automation and Digitalisation Facility (ADF), Agrofood Facility (AF), and All Economic Sectors Facility (AES), offering favourable financing rates to drive SME growth.	Approved a total of RM213.6 million for the three facilities. Syarikat Jaminan Pembiayaan Perniagaan (SJPP) provided partial guarantee for qualified customers for the aforesaid facilities while Credit Guarantee Corporation (CGC) supported SME financing mainly via the Portfolio Guarantee schemes with the Bank.
Scaling Green Financing for SMEs	
Enabled SME clients to transition towards low-carbon operations by offering targeted financing under BNM's Low Carbon Transition Fund (LCTF) and High Tech and Green Facility (HTG).	RM16.5 million of financing was approved under the LCTF, while RM51.5 million of financing was approved under the HTG, with the financing partially guaranteed by SJPP.
Mass Segment	
Expanding Inclusive Retail Offering	
Broadened product offerings to better serve the mass market, including: <ul style="list-style-type: none">• Auto Financing-i (AF-i) for the New National (NN) segment.• Home Financing-i under the Skim Jaminan Kredit Perumahan (SJKP) for underserved customers.• Depositors of AmWafeeq Savings Account-i stood a chance to win prizes of up to RM1.0 million under the AmRewards 4.0 campaign.	<ul style="list-style-type: none">• Increased our New National portfolio to 58.1% reflecting an improvement from 55.7% in FY2024.• Recorded RM442.8 million receivables for SJKP Home Financing-i.
Affluent Segment	
Accelerating Fund Growth	
<ul style="list-style-type: none">• Strengthened our wealth management offerings through proactive distribution of Islamic Unit Trusts, Takaful products and other Shariah-compliant investment solutions to drive fund inflows.	<ul style="list-style-type: none">• Achieved RM293.0 million in sales for Shariah Compliant Unit Trust sales.• Onboarded the Amlslamic Global Real Estate Investment Trust (REITs) fund to expand our Shariah-compliant investment offerings.
Corporate and Institutional Segment	
Improving Credit Quality	
Spearheaded the development of the Return on Assets (ROA) calculator, integrating ROA into credit writing assessment and embedding it within the existing Non-Retail Pricing Tool ("NRPT") platform/system.	Deployment of the ROA calculator is targeted in FY2026.

CHALLENGES AND MITIGATION

Challenges/ Opportunities	Mitigation Action and Results
Credit Risks Economic downturns impact customers' ability to fulfil their payment obligations.	<ul style="list-style-type: none">• Monitored portfolio composition and proactively engaged underperforming customers in line with credit strategy and risk appetite.• Applied prudent credit underwriting standards to maintain financing discipline.• Strengthened collection strategies to preserve asset quality and manage impairment risk resulting in improved Gross Impaired Financing (GIF) Ratio to 1.32% in FY2025 compared to 1.44% in FY2024.

» CHALLENGES AND MITIGATION (CONT'D.)

Challenges/Opportunities

Cybersecurity

Rising digitalisation increases exposure to cyber-attacks and data breaches.

Shariah Risks

Shariah non-compliance (SNC) incidents can lead to income purification and harm business continuity if unresolved.

Mitigation Action and Results

To reinforce our risk management capabilities, we:

- Established a dedicated Security Incident Response Team (SIRT) to manage the full cyber risk lifecycle — from identification to recovery.
- Implemented a Cyber Resilience Policy with a multi-layered defence approach.
- Deployed structured controls and testing mechanisms to bolster the Group's response to cyber threats.

These actions led to measurable improvements in cyber resilience and risk maturity:

- Scored "Above Average" in the Cyber Simulation Exercise conducted by BNM in July 2024.
- Achieved a 71% reduction in high-risk and 40% in medium-risk Vulnerability Assessment and Penetration Testing (VAPT) findings.
- Attained the minimum baseline requirements for Certification in Risk Management Assurance (CRMA) with a maturity score of 61.9%.
- Aligned governance practices with BNM's Shariah Governance Framework across three lines of defence through policies, controls and regular training, resulting in satisfactory compliance.
- Promoted organisation-wide awareness to minimise SNC incidents, reinforced by strong tone from the top to ensure continued adherence.



AWARDS AND RECOGNITION »

The Asset Triple A

- Best Islamic SME Bank Malaysia 2024 (4th consecutive win)
- Best Sukuk – Pharmaceutical 2024 (Shariah Adviser) for Duopharma Biotech RM364.0 million triple-tranche Wakalah sukuk

Global Banking and Finance Review (GBAF)

- Best Islamic Bank Malaysia 2024 (2nd win)
- Best Islamic SME Bank Malaysia 2024 (4th win)
- Best Islamic Banking CEO Malaysia 2024 (4th win)

Global Islamic Finance Awards (GIFA)

- Best Islamic Bank for SME Banking 2024 (2nd win)



Islamic Retail Banking Awards (IRBA)

- Best Islamic Prize Linked Account in Malaysia 2024 – AmWafeeq Savings Account-i



» OUTLOOK

Looking ahead to FY2026, AmBank Islamic will focus on delivering purposeful and sustainable growth by deepening our presence in priority segments and aligning capital allocation with long-term value creation. Our key focus areas are:

- **Mass Market:** Expand our reach in selected mass market segments to drive inclusive growth and scale.
- **Mortgage:** Position mortgage as a core acquisition product, enabling cross-selling opportunities across our suite of offerings.
- **Large Financing:** Optimise returns from large financing through targeted sector focus and disciplined credit execution.

- **Emerging Focus:** Captures emerging climate transition business via inter alia sustainable, transition & green financing.
- **Funding:** Manage and strengthen our funding proactively and sustainably.
- **Regional expansion:** Lead the growth of AMMB Group's business in the East Coast by capitalising the region's Shariah-aligned demographic to expand our footprint and better serve local communities.

This strategic direction reflects AmBank Islamic's commitment to delivering resilient performance, strengthening our role in the evolving financial ecosystem, and driving shared value for customers, communities, and shareholders.