

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

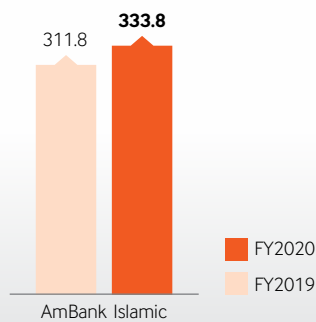
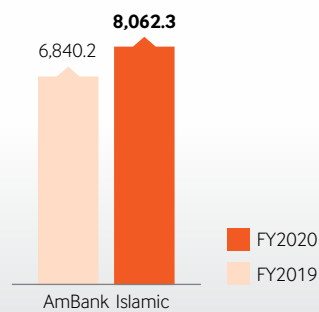
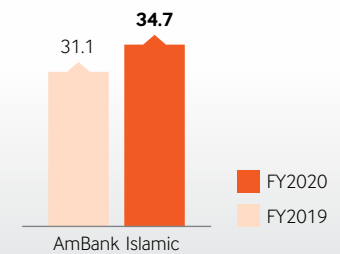
RM8,968.6 Million in FY2019

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.