

C. BUSINESS REVIEW

# AmBank Islamic



**EQHWAN MOKHZANEE BIN MUHAMMAD**  
Chief Executive Officer  
AmBank Islamic Berhad

The Bank achieved a total income of RM1,029.5 million, an increase of 12.0% compared to the previous year. Profit before impairment was RM744.5 million, which was 20.0% higher than the previous financial year.

AmBank Islamic Berhad (AmBank Islamic) supported the various measures by the Government of Malaysia and Bank Negara Malaysia (BNM) to help people and businesses cope during the pandemic. We implemented various assistance programmes, including financing to impacted small and medium-sized enterprise (SME) customers at favourable terms and the six-month moratorium for individuals and SMEs. We believe that our success is intrinsically connected to the long-term prosperity of the environment and societies we serve.

### ABOUT US

AmBank Islamic offers a comprehensive range of Shariah-compliant retail and non-retail banking products and services, including investment, treasury, and trade solutions. Our primary role as a credit intermediary is evolving as we advance toward our value-based intermediation (VBI) aspiration of being a purpose-based organisation whilst being mindful of financial returns to our shareholders.

We continue to serve our existing market segments, including retail, SME, corporate and institutional customers, and concurrently add further value to AmBank Group by penetrating niche market segments which naturally gravitate towards Islamic banking.

## KEY INITIATIVES & OUTCOMES

### Key Initiatives

#### Empowering SMEs

- The Bank continued to support SMEs via the provision of financing.
- We also organised Halal Quest, as part of AmBankBiz RACE programme, which entailed capacity-building sessions to equip participants with relevant knowledge to venture into the Halal market and for attaining Halal certification.

#### Mass Segments Market

- Amongst the Bank's key products which were targeted to the mass segment:
  - > ASB Financing-i
  - > AmWafeeq Savings Account-i
  - > Auto Financing-i
  - > Mortgage-i

#### Affluent Segment

- The Bank offered wealth management solutions such as Islamic unit trusts, takaful and other Shariah-compliant investment products to our affluent customers.
- The Bank also launched the AmSignature Credit Card-i, which offered attractive cashback to cardholders.

#### e-Commerce Financing-i

- The Bank launched the e-Commerce Financing-i, a new financing scheme for businesses that are involved in buying/selling of goods and services or transferring of funds/data digitally.

### Outcomes

Financing to SMEs increased from RM6.6 billion to RM7.1 billion.

Islamic retail banking recorded a 17.8% growth in financing and 20.4% growth in CASA.

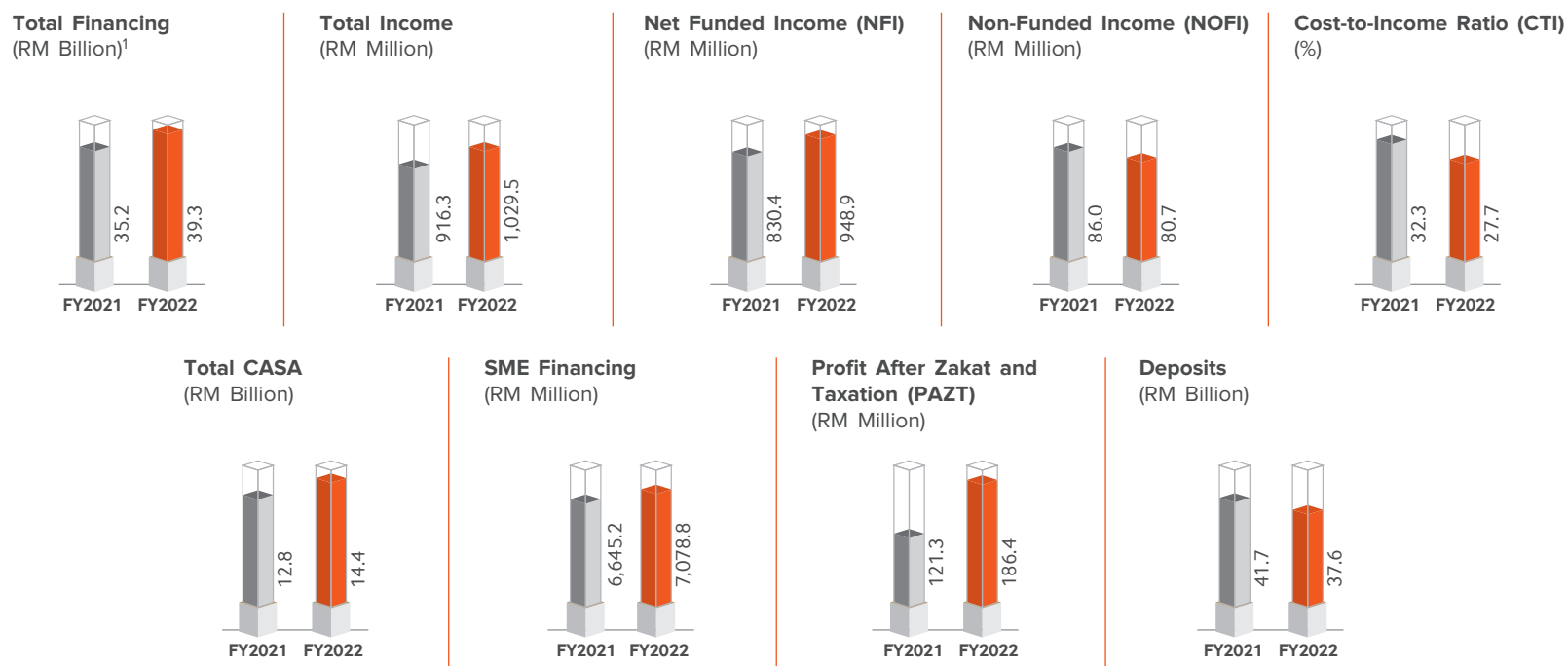
RM536.7 million of Islamic unit trusts outstanding as at 31 March 2022.

As at 31 March 2022, RM21.1 million of financing was approved for businesses which engaged in e-commerce.

## OUR PERFORMANCE

The Bank achieved a total income of RM1,029.5 million, an increase of 12.0% compared to the previous year. Profit before impairment was RM744.5 million, which was 20.0% higher than the previous financial year. The Bank's profit after zakat and taxation of RM186.4 million was higher by 54.0% compared to the previous financial year, notwithstanding the prudent risk management undertaken by the Bank in order to build adequate buffers to absorb possible adverse shocks caused by the long-term impact of the COVID-19 pandemic and the uncertainty of the current economic situation. Given the highly challenging environment, the Bank had undertaken additional proactive measures to recalibrate its business strategies and continued to place great emphasis on productivity enhancements. This can be seen with further year-on-year reductions in operating costs with cost to income ratio of 27.7% (32.3% in FY2021). Despite the challenging economic environment, the Bank's capital positions continue to be healthy with Common Equity Tier 1 (CET 1)/Tier 1 and Total Capital ratios of 12.5% and 17.3%, respectively. Asset quality continued to improve, with gross impaired financing ratio (GIF) falling by 14 basis points year-on-year to 1.60%. The Bank has gradually built up our impairment allowances to be prudent and stepped up proactive provisioning.

The Bank recorded financing growth of 11.7%. This was attributable to the Bank's strategy in growing the more profitable products such as financing for Amanah Saham Bumiputera (ASB) investments, wealth management, transaction banking and better penetration into the SME segment while managing the mortgage and auto financing portfolios. At the same time, the Bank continued to focus on growing its current and savings account (CASA) which grew by 13.7%, resulting in a CASA ratio of 38.4%.



**Note:**

<sup>1</sup> During the current financial year, the Bank conducted a review on the classification of its unrated bonds and sukuk and reclassified the instruments from financing and advances to financial investments at amortised cost to align the presentation of its debt securities as financial investments. The reclassification resulted in changes to the comparative financial information to conform with the current year's presentation.

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AWARDS & RECOGNITION

- **The Asset Triple A Islamic Finance Awards**
  - > Best Islamic SME Bank Malaysia 2021
  - > Best Corporate Hybrid Sukuk 2021 (Shariah Adviser)
- **Alpha Southeast Asia**
  - > Best Islamic Finance SME Bank Malaysia 2019, 2020 and 2021
- **Global Banking & Finance Review**
  - > Best Islamic Bank Malaysia 2022
  - > Best Islamic SME Bank Malaysia 2020, 2021 and 2022
  - > Best Islamic Corporate Bank Malaysia 2020, 2021 and 2022
  - > Best Islamic Banking Chief Executive Officer (CEO) Malaysia 2019, 2020 and 2021
- **Global Islamic Finance Awards**
  - > Best Islamic Wholesale Banking Solutions Award 2021
  - > GIFA CEO of the Year 2021

COVID-19 IMPACT & RESPONSE

COVID-19 Impact

Lockdowns and movement restrictions negatively impacted businesses, resulting in income reductions, pay cuts, termination, and employee resignations.

Supply-and-demand shocks due to economic lockdowns severely affected SME customers' business continuity and cash flows.

Our Response

The Bank continued to provide repayment assistance packages in line with the initiatives by the government and Bank Negara Malaysia to assist affected customers:

- URUS – a programme for eligible B50 customers which provided a personalised financial plan that holistically takes into account financial circumstances and affordability to repay all financing obligations.
- PEMERKASA Plus – offered 3-month financing deferment or reduction in instalments for six months (PEMERKASA was then replaced by PEMULIH in July 2021).
- PEMULIH – entailed six-month moratorium, reduction of instalment by 50.0% and other packages, including to reschedule and restructure financing to suit the specific financial circumstances of customers (ended December 2021).

Extended the Repayment Assistance Programme to eligible SMEs, reducing instalments or payment holidays to alleviate cash flow challenges until 31 December 2021.

Outcomes

Eased customers' cash flow constraints to mitigate the risk of customer default and assisted customers to weather through the challenging period.

Approved additional financing to AmBank Islamic's SME customers at favourable terms.

HELPING STAKEHOLDERS DURING THE MALAYSIAN FLOODS

Following the devastating floods in December 2021, we provided targeted assistance to eligible customers struggling with the after-effects of the floods. Customers were offered a moratorium of up to six months for all financing facilities, including credit card facilities, with no late or penalty charges imposed during the moratorium period. Furthermore, AmBank Islamic has provided a helping hand to some of the AmBank Group employees affected by the flood through its zakat fund received from Majlis Agama Islam Wilayah Persekutuan. A total of RM44,000 zakat fund has been distributed to 26 staff who were severely affected by the natural disaster.

**RISKS & MITIGATION**

Key Risks	Mitigation Strategies	Outcomes
<p><b>Payment Defaults</b></p> <p>Poor economic conditions impact customers' ability to meet their payment obligations.</p>	<ul style="list-style-type: none"> <li>• Manage and monitor the onboarding of customers vis-à-vis strategies and risk appetite.</li> <li>• Implement prudent credit underwriting standards and proactive collection strategies.</li> <li>• Monitor asset portfolio and composition.</li> <li>• Proactively engage major underperforming customers to avoid impairment.</li> </ul>	<p>Improved gross impaired financing ratio of 1.6% in FY2022.</p>
<p><b>Cybersecurity</b></p> <p>Increasing digitalisation and online use expose our critical data and business to cyber-attacks.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Establish a Security Incident Response Team to identify, protect, detect, respond and recover from cyber risk incidents.</li> </ul>	<p>Zero successful cyber-attack incidents.</p>
<p><b>Shariah Risks</b></p> <p>Shariah non-compliances (SNC) results in income purification and could impact our business if it remains unabated.</p>	<ul style="list-style-type: none"> <li>• Align with the BNM Shariah Governance Framework (SGF). The Shariah Management Department acts as the 1st line of defence, the Shariah Risk Management and Shariah Review function as the 2nd line of defence, and the Shariah Audit function acts as the 3rd line of defence.</li> <li>• Implement the necessary policies, guidance and control measures to mitigate SNC risks, including training and awareness programmes.</li> </ul>	<p>Zero actual Shariah non-compliant (SNC) incidents and zero SNC income to be purified.</p>

**PROSPECTS & OUTLOOK**

With the economic recovery gaining momentum, we are poised to further improve our income and profitability through the effective execution of our growth strategies. The pandemic has accelerated the shift to digital adoption, and we will further reinforce our digitalisation programme to reach out to more customers and capture new business opportunities. We will move forward on our journey towards becoming a sustainable organisation through our VBI and Sustainability agenda, including by overlaying ESG considerations into our credit evaluation process, and incorporating climate change considerations into our decision-making process.