

AmBank Islamic

“The COVID-19 pandemic is impacting societies at their core. This unprecedented situation in recent history presents a new set of challenges for companies and individuals around the world. AmBank Islamic Berhad (AmBank Islamic) fully supports the various measures by the Government of Malaysia and BNM including the stimulus packages to help people and businesses cope with the near-term challenges. In supporting these initiatives, we have implemented various assistance programmes, which include financing to impacted SME customers at favourable terms and the automatic 6-month moratorium to individuals and SMEs. Rest assured of our belief that our success and ability to remain profitable and relevant is intrinsically dependent on the long-term prosperity of the environment and societies which we serve.”

EQHWAN MOKHZANEE BIN MUHAMMAD
Chief Executive Officer
AmBank Islamic Berhad



TOTAL FINANCING

RM 36.2 BILLION

RM32.3 BILLION IN FY2020



TOTAL INCOME

RM 916.3 MILLION

RM883.8 MILLION IN FY2020



NET FUNDED INCOME (NFI)

RM830.4 MILLION

RM767.5 MILLION IN FY2020

ABOUT US

At AmBank Islamic, we offer 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 towards 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.

We continue to serve our existing market segments, including retail, SME, corporate and institutional customers. Concurrently, we deliver added value to the Group by offering Islamic-centric solutions and penetrating niche market segments that naturally gravitate towards Islamic banking. AmBank Islamic is poised to further improve its income and profitability through its growth strategies.

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KEY INITIATIVES & OUTCOMES

Key Initiatives	Outcomes
<p>Niche Market Segments</p> <ul style="list-style-type: none"> Offered the following solutions and targeted niche segments to drive CASA balances: <ul style="list-style-type: none"> AmWafeeq-i savings account JomPAY Virtual Account Educational institutions Public bodies 	<ul style="list-style-type: none"> Recorded a 20.2% growth in CASA balances. Contributed to RM32.6 million or 3.7% growth in total income. Achieved a RM3.9 billion or 12.2% growth in total financing, with net funded margin recorded at 1.80%.
<p>Income Diversification</p> <ul style="list-style-type: none"> Diversified income base by growing our fixed income securities book. 	
<p>Business Customers</p> <ul style="list-style-type: none"> Implemented capacity-building initiatives and deepening of wallet share to reinforce our relationships with SME and mid-corp customers. 	

OUR PERFORMANCE

Whilst the COVID-19 pandemic had far-reaching ramifications for financial institutions, we managed to record an increase in income by 3.7% to RM916.3 million and financing growth of 12.2%, which were attributable to our strategies in relation to income diversification and management of funding costs. This commendable performance is on the back of day one modification loss from the support given to customers through inter alia the automatic six-month moratorium, repayment assistance and targeted repayment schemes, albeit mitigated by the support given by the Government and BNM. We continued to demonstrate discipline and efficiency in cost management, which resulted in operating expenses falling by 3.8%, and consequently an improved cost-to-income ratio from 34.8% to 32.3%.

The COVID-19 pandemic and the fluidity of the imminent outlook have necessitated the need to adopt a prudent approach to our credit portfolio by recognising a significantly higher net impairment charge of RM502.9 million (FY2020: RM154.9 million). Whilst our underlying business continued to record commendable growth with profit before impairment of RM620.7 million, due to the anticipatory forward-looking overlay adjustments for potential financing delinquency upon expiry of the repayment assistance schemes, as well as from our exposure to the aviation and oil & gas sectors, our profit after zakat and taxation (PAZT) decreased by 63.7% to RM121.3 million.



NON-FUNDED INCOME (NOFI)

RM86.0 MILLION

RM116.3 MILLION IN FY2020



COST-TO-INCOME RATIO (CTI)

32.3%

34.8% IN FY2020



TOTAL CASA

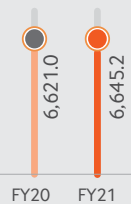
RM12.8 BILLION

RM10.6 BILLION IN FY2020

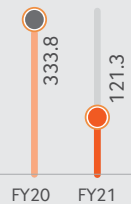
Credit Card Outstanding Balance (RM Million)



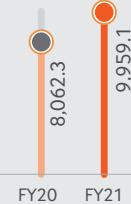
SME Financing (RM Million)



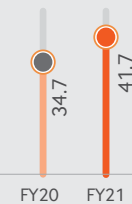
Profit After Zakat and Taxation (PAZT) (RM Million)



Mortgage (RM Million)



Deposits (RM Billion)





AWARDS & RECOGNITION

- **Global Banking & Finance (GBAF)**
 - Islamic Banking CEO of the Year Malaysia 2021 (3rd consecutive year)
 - Best Islamic Corporate Bank Malaysia 2020
 - Best Islamic SME Bank Malaysia 2020
- **Alpha Southeast Asia**
 - Best Islamic SME Bank in Malaysia 2020 (2nd consecutive year)
- **The Asset Triple A**
 - Best Bank Capital Sukuk Malaysia (Role: Shariah Adviser)
 - Best Non-Bank Financial Institutions (NBFI) Sukuk Malaysia (Role: Shariah Adviser)

COVID-19 IMPACT & RESPONSE

COVID-19 Impact	Our Response	Outcomes
<p>Lockdowns and movement restrictions negatively impacted businesses, resulting in income reductions, pay cuts, termination, and employees' resignations.</p>	<ul style="list-style-type: none"> • Offered six-month automatic payment deferment for financing facilities to all eligible individual and SME customers until 30 September 2020. • Provided an option to customers with credit card facilities to convert their outstanding balances into term financing. • Continued to offer the Repayment Assistance and Targeted Repayment Assistance Programmes to ease the cash flow constraints of our customers. 	<ul style="list-style-type: none"> • Eased customers' cash flow constraints to mitigate the risk of customer default.
<p>Supply-and-demand shocks due to economic lockdowns severely affected SME customers' business continuity and cash flow.</p>	<ul style="list-style-type: none"> • Launched the Financial Relief Programme, which provides financing of up to RM1.0 million to impacted SME customers under Special Relief Facility, an initiative by BNM. • Introduced a moratorium or payment holiday of up to six months to ensure viable businesses continue to operate. 	<ul style="list-style-type: none"> • Approved additional financing to AmBank SME customers at favourable terms.
<p>Corporate customers were severely impacted and required assistance in payment moratorium and/or financial assistance to stay afloat.</p>	<ul style="list-style-type: none"> • Regularly engaged with corporate customers to assist those who are facing financial constraints. • Deployed more resources in managing rescheduling and restructuring (R&R) requests. 	<ul style="list-style-type: none"> • Effectively structured tailored R&R plans to suit customers' respective financial commitments.

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KEY RISKS & MITIGATION

Key Risks	Mitigation Strategies	Results
<p>Potential Defaults Poor economic conditions impact customers' ability to meet their payment obligations.</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. 	<p>Improved gross impaired financing ratio from 1.90% in FY2020 to 1.69% in FY2021.</p>
<p>Cybersecurity Increasing digitalisation and online use expose our critical data and business to cyber-attacks.</p>	<ul style="list-style-type: none"> • Implement the Cyber Resilience Policy to enhance cybersecurity 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. 	<p>Zero successful cyber-attack incidents recorded.</p>
<p>Shariah Risks Shariah non-compliance (SNC) results in the purification of income and could impact our business if it remains unabated.</p>	<ul style="list-style-type: none"> • Align with the BNM Shariah Governance Framework (SGF), in which the Shariah Management Department acts as the 1st line of defence, Shariah Risk Management and Shariah Review functions act as the 2nd line of defence, and Shariah Audit function acts as the 3rd line of defence. • Implement the necessary policies, guidance and control measures to mitigate SNC risks, including training and awareness programmes. 	<p>One SNC event involving the use of insurance coverage for Industrial Hire Purchase-i facilities. There were no SNC income ramifications.</p> <p>In relation to the SNC income of approximately RM353,000, this pertains to the extension of Cash Line-i facilities without Aqad. The discovery was prompted by a similar SNC event that took place in the financial year ended 31 March 2020, and was part of the Bank's conscious effort to proactively identify any other potential SNC events involving Cash Line-i facilities. Given that this SNC event is similar to the one SNC incident which occurred in the financial year ended 31 March 2020, both SNC events are grouped as a single SNC event that was deemed to occur in the financial year ended 31 March 2020.</p>

PROSPECTS & OUTLOOK

The current COVID-19 pandemic is a reminder that financial institutions are exposed to financial risks stemming from potential disruption to the global supply chain and customers' operations. We expect the market to remain volatile as the economy gradually recovers from this global health and economic crisis. As we navigate through the post-pandemic climate, we will accelerate our journey towards becoming a sustainable organisation by incorporating VBI-related principles. We will enhance our capabilities to overlay environmental and social risk grades into our credit evaluation process, in particular incorporating climate change considerations in decision-making. Social finance would assist community empowerment on a sustainable basis and this can be driven by our financing products and our efforts in re-thinking zakat mobilisation. Simultaneously, we will manage credit risks through continuous customer engagements, to support them during these trying times.

Recognising behavioural changes and the emergence of new opportunities arising from COVID-19, we will also reinforce the digitalisation agenda. In doing so, we aim to improve customer experience and end-to-end solutions, including in supporting the e-commerce segment. Furthermore, we will drive business growth by identifying and supporting industries and/or customers not severely impacted by COVID-19, deepen wallet share with existing customers. We will improve the targeting of the affluent segment by reinforcing our Islamic wealth management proposition.