

Business Review

Islamic Banking



EQHWAN MOKHZANEE MUHAMMAD
Chief Executive Officer

WHO WE ARE AND WHAT WE DO

AmBank Islamic provides a comprehensive array of Shariah-compliant banking products and services encompassing both retail and non-retail products, including investment, treasury, and trade solutions. Anchored by our commitment to value-based intermediation (VBI), we not only facilitate credit but also champion purpose-driven banking practices that ensure sustainable financial outcomes for our shareholders and contribute positively to our customers and the broader community.

Aligned with the strategic vision of AmBank Group, our focus remains on existing market segments while expanding our reach into niche markets where Islamic banking is increasingly preferred. By adhering to growth strategies, we aim to enhance income and profitability, delivering sustainable returns to our shareholders while maintaining optimal capital and funding structures.

OUR KEY FOCUS AREAS

Sharpening our segment play through three strategic focus areas:

01 Mass Segment

Offer a broad range of Shariah-compliant financial solutions designed to meet the needs of our diverse customer base.

02 Small and Medium Enterprises (SMEs)

Provide business solutions through comprehensive products and services offerings that are tailored to fuel and empower Malaysian SMEs' growth.

03 Affluent Segment

Provide sophisticated Shariah-based investment solutions that meet the unique investment needs of affluent customers while ensuring ethical outcomes.

HIGHLIGHTS OF 2024

BUSINESS HIGHLIGHTS

In FY2024, AmBank Islamic continued to uphold our mission of purpose-driven banking, steadfastly providing Shariah-compliant solutions to our diverse customer base.

Expanding the Mass Segment

Offered a diverse range of key products, including Auto Financing-i, Personal Financing-i tailored primarily for the employees in the public sector, financing for investments in Amanah Saham Bumiputera (ASB) unit trust, Mortgages-i and AmWafeeq Savings Account-i, catering to a broad customer base with accessible, Shariah-compliant financial options.



Supporting SMEs

Recognised with the **Best Islamic SME Bank award for 2023** by The Asset Triple A and Alpha Southeast Asia, we continue to bolster the growth and prosperity of SMEs, reflecting our commitment to this crucial economic sector.



Catering to Affluent Segments

Delivered wealth management services, encompassing the distribution of Islamic unit trusts, Takaful products, and other Shariah-compliant investment products, **allowing our customers to achieve their long-term financial goals while ensuring ethical outcomes.**



SUSTAINABILITY HIGHLIGHTS

Sustainability and Shariah compliance are intertwined in our business, driving us to offer financial solutions that allow mutual growth by upholding ethical standards and supporting community development.

Improving Our Sustainability Efforts

AmBank Islamic's CEO contributed to the sustainability of the financial ecosystem by serving as:

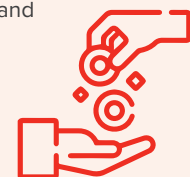
- Co-Chairman of the Risk Management Sub-Committee (SC1) of the BNM and Securities Commission Malaysia-led Joint Committee on Climate Change (JC3).
- Chairman of the Steering Committee of the Financial Industry Collective Outreach (FINCO).
- Member of the VBI Community of Practitioners.



Improving Our Sustainability Efforts

In 2024, we distributed **RM1,747,040** in business zakat:

- **RM498,000** was allocated to state zakat collection centres, benefiting various *asnaf* groups and enhancing their socio-economic status.
- The remaining **RM1,249,040** was allocated among **1,222** end recipients categorised under various initiatives, including the iTEKAD 2.0 programme, educational support and autism aid, assistance for medical centres, and contributions to several charity associations and homes.



For more information, please refer to page 115 of AmBank Group's Sustainability Report 2024.

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FINANCIAL HIGHLIGHTS

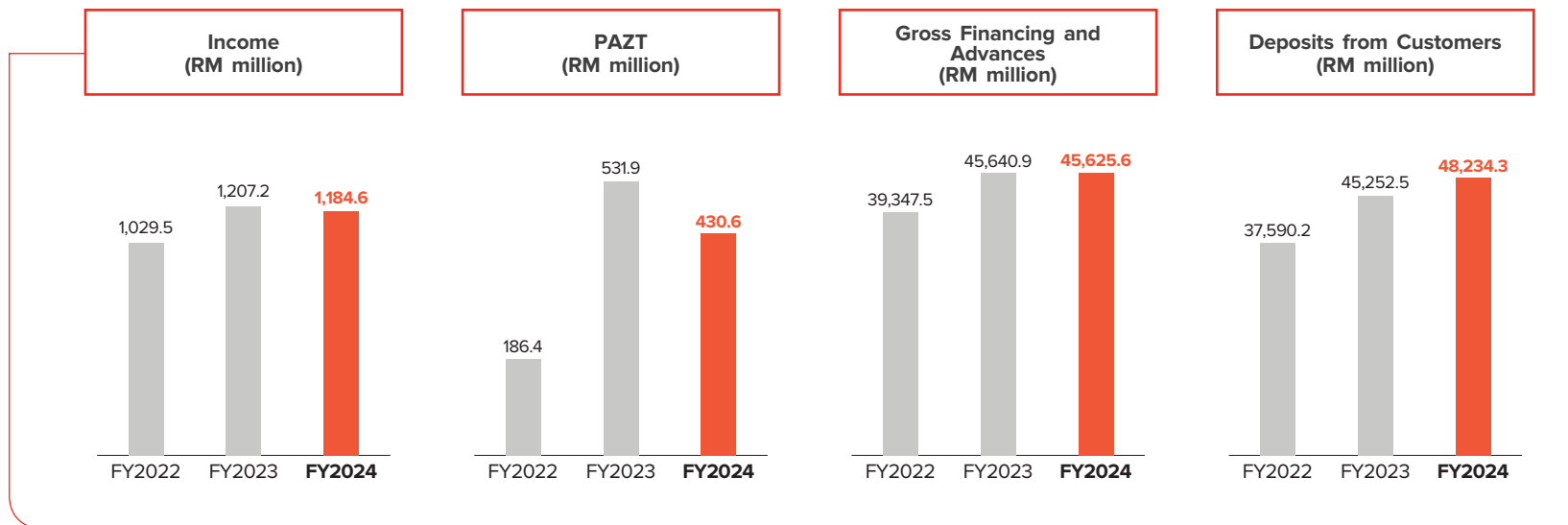
We focused on growing profitable products such as auto financing, personal financing, wealth management, and better penetration into the SME segment while managing the profitability of the mortgage portfolio.

Profit after zakat and taxation (PAZT) recorded at RM430.6 million, lower than RM531.9 million in FY2023 which was attributed to net funded margin (NFM) compression and relatively flat financing level.

3.3% increase in **current or savings account (CASA)** balances, driving CASA ratio to 38.1%, enhancing funding diversification.

Gross impaired financing (GIF) ratio of 1.44% compared to FY2023's **1.14%**, reflecting challenges faced by certain customer segments.

CET1 and TCR (with TA) remained at 13.0% and 17.7%, respectively.



BUSINESS PERFORMANCE REVIEW

Strategic Focus	KEY INITIATIVES	ACHIEVEMENTS
Mass Segment	<ul style="list-style-type: none"> Enhanced strategies and processes for Auto Financing-i. Offered Personal Financing-i, primarily tailored for employees in the public sector. Promoted AmWafeeq, an Islamic savings account, through the AmRewards 3.0 campaign with prizes totalling RM2.6 million. Supporting home ownership for our customers. 	<ul style="list-style-type: none"> 11% growth in the Auto Financing-i portfolio. 31% growth in the Personal Financing-i for the employees in the public sector. 16% of the total CASA balance was contributed by AmWafeeq-i. 16% growth in the Mortgages-i portfolio.
Small and Medium Enterprises (“SMEs”)	<ul style="list-style-type: none"> Support Malaysian SMEs to grow. Provided financing options including BNM’s Low Carbon Transition Fund (LCTF) and High Tech and Green Facility (HTG) to support SMEs to transition towards low carbon practices. Participated in BNM’s financing schemes like SME Automation and Digitalisation Facility (ADF), Agrofood Fund (AF), and All Economic Sectors (AES) Facility, which offer favourable financing rates to facilitate SMEs’ growth and development. 	<ul style="list-style-type: none"> 16% growth in financing to SMEs. Awarded “Best Islamic SME Bank Malaysia 2023” by The Asset Triple A (3rd consecutive year) and Alpha Southeast Asia (4th year).
Affluent Segment	<ul style="list-style-type: none"> Provided wealth management services to affluent customers by distributing Islamic unit trusts and other Shariah compliant investment products. Build deeper relationships with our target customers and continue to embed our presence across all financial needs. Enhanced lifestyle propositions where we offered privileges to our affluent customer base through personalised financial solutions (e.g. credit card-i offering under AmSignature Priority Banking (AmSPB) segment). 	<ul style="list-style-type: none"> A total of RM742 million asset under management (AUM) as at 31 March 2024. 18% growth in affluent segment customer base. Growth of 34% in credit card-i offerings for AmSPB customers.

CHALLENGES AND MITIGATION

CHALLENGES	MITIGATION
<p>Potential Defaults</p> <p>Economic downturns affect customers’ capacity to fulfil payment commitments.</p>	<ul style="list-style-type: none"> Overseeing customer onboarding in line with strategies and risk appetite. Implementing prudent credit underwriting standards and proactive collection strategies. Monitoring asset portfolio and composition. Engaging major underperforming customers to mitigate impairment risks.
<p>Cybersecurity</p> <p>The rise in digitalisation and online activity exposes our critical data and operations to cyber threats.</p>	<ul style="list-style-type: none"> Implementing the Cyber Resilience Policy to reinforce cybersecurity with a multi-layered approach, fortifying our capacity to prevent and rebound from cyber-attacks and disruptions to business operations and services. The Security Incident Response Team to swiftly address and recover from cyber risk incidents, covering identification, protection, detection, response, and recovery measures.
<p>Shariah Risks</p> <p>Shariah non-compliance (SNC) necessitates income purification and poses a potential threat to our business if it remains unabated.</p>	<ul style="list-style-type: none"> Complying with the BNM Shariah Governance Framework, including: <ul style="list-style-type: none"> 1st Line of Defence: Shariah Management Department serves followed by the; 2nd Line of Defence: Shariah Risk Management and Shariah Review, 3rd Line of Defence: Shariah Audit. Implementing policies, guidance, and control measures to mitigate SNC risks, including comprehensive training and awareness programmes.

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THE ASSET TRIPLE A

- Best Islamic SME Bank Malaysia 2021, 2022 and 2023.
- Islamic Banker of the Year 2023.
- Best Sustainability Sukuk – Transport 2023 (Shariah Adviser).
- Best Securitisation Sukuk 2023 (Shariah Adviser).
- Renewable Energy Deal of the Year 2023 (Financier).
- Transport Deal of the Year 2023 (Shariah Adviser).



ALPHA SOUTHEAST ASIA

Best Islamic Finance SME

Bank Malaysia 2019, 2020, 2021 and 2023.



GLOBAL ISLAMIC FINANCE AWARDS (“GIFA”)

Best Islamic Wholesale

Banking Solutions Award 2021 and 2023.



GIFA **CEO of the Year** 2021, 2022 and 2023.



GLOBAL BUSINESS REVIEW MAGAZINE AWARD

Best Islamic Bank Malaysia 2022 and 2023.



Best Islamic Banking CEO of the Year Malaysia 2023.



Best Islamic CSR Bank Malaysia 2023.



OUTLOOK

In FY2025, AmBank Islamic is set to refine its strategy with a focus on expanding into key areas such as the mass market segment, profitability growth of large financing, green and agrifood sectors.

For the mass market segment, our strategy would be tailored to fit the demographic landscape of our customer base. Our approach will target customers at various life stages, such as graduates and young professionals.

AmBank Islamic would lead and steer the Group’s focus on the green and agrifood sectors, targeting value chain segments that are increasingly leaning towards sustainable practices.

Concurrently, we will enhance our funding structure by implementing sustainable funding initiatives and launching targeted deposit programmes that support our overall strategic objectives.