

ANNUAL REPORT
2020

SHAPING
SUSTAINABLE
FUTURES



SHAPING SUSTAINABLE FUTURES

This design reflects the Bank's positioning as a people-oriented bank that goes the extra mile in understanding and serving our stakeholders better. The images highlight the smiles we bring to our diverse customer base through our continuous commitment to stay at the top of our game. Corporate coloured bars highlight the corporate strengths and dynamism that outline our way forward. The digital lines embedded within depict the increased engagements and enhanced relationships we are building through digitalisation as we focus on shaping sustainable futures for ourselves and for our stakeholders.



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ABOUT THIS REPORT



REPORTING FRAMEWORK

This Annual Report 2020 (“AR2020”) covers the period from 1 January 2020 to 31 December 2020, in alignment with the reporting period of our parent company, DRB-HICOM Berhad.

We have developed this AR2020 with an aim to provide a balanced and comprehensive reporting of the Bank’s financial and non-financial performance, benchmarked against our strategy and our delivery of long-term value. This report also includes our outlook for the short, medium and long-term to ensure our stakeholders receive a holistic view of our performance to assist in their decision-making.

SCOPE AND BOUNDARIES

This report discloses the performance of Bank Muamalat and its subsidiaries, located in Malaysia. In developing this report, we have adhered to the requirements of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements and Sustainability Reporting Guide (Second Edition), the Malaysian Code on Corporate Governance, Bank Negara Malaysia’s Policy Documents and Guidelines, the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”), the Companies Act 2016, the International Integrated Reporting Council’s (“IIRC”) Integrated Reporting Framework and the Global Reporting Initiative’s (“GRI”) Sustainability Reporting Standards.

Unless otherwise stated, information disclosed in this report is as at 31 December 2020.

NAVIGATION ICONS

In line with the Framework, we have reported on our value creation activities in relation to the Six Capitals. For ease of reference, the following navigation icons are used to represent each capital and will appear throughout this report as the capitals are discussed:



Financial Capital



Manufactured Capital



Human Capital



Intellectual Capital



Social & Relationship Capital



Natural Capital

AT A GLANCE



Gross Impaired Financing of **1.07%**
Lowest since the Bank's establishment



CASA ratio at **36.1%**
Higher than industry (banking system) of **30.3%**



Total assets **RM25.7 billion**
Grew **12.6%** over a period of 3 years



Mobile apps new subscription increased by **59.2%**
compared to **54.0%** in previous year



Introduced **Jariah Fund**, a social welfare crowdfunding
platform to **generate a sustainable
impact** on the economy



Introduced **Muamalat Application
Platform ("MAP")**, a financing application platform that
allows customer to apply for **financing online** and track
their financial journey **anytime and anywhere**

ABOUT BANK MUAMALAT

As a value-driven Islamic bank, Bank Muamalat aims to contribute to a sustainable financial ecosystem through strategies that balance business objectives with a focus on economic, environment and social benefits.



VISION

To become the preferred Islamic financial provider



MISSION

To ethically deliver best value to stakeholders, society and environment

OUR VALUES



CARE



RESPECT



INTEGRITY



INNOVATIVE



SERVICE ORIENTED

Bank Muamalat is one of three (3) independent full-fledged Islamic financial institutions in Malaysia. The Bank's origins dated back to 1 October 1999 when the Islamic banking assets and liabilities of three (3) local banks were merged, namely Bank Bumiputra Malaysia Berhad, Bank of Commerce (Malaysia) Berhad and BBMB Kewangan Berhad, were merged. As at 20 September, the Bank ranks 10th out of 16 Islamic banks in the country in terms of asset size. The Bank has two (2) shareholders, DRB-HICOM and Khazanah Nasional Berhad, each holding 70% and 30% equity respectively.

Bank Muamalat's network spans across 67 branches nationwide through which the Bank provides a wide range of Islamic banking products and services to Malaysians and foreigners, offering wholesale and retail banking services namely savings, current and foreign currency deposits, investment accounts, foreign exchange trading, working capital financing, trade financing, project and contract financing, venture capital and Islamic capital market services. As a pioneering Islamic bank in the country, Bank Muamalat is supported by highly qualified Shariah scholars with extensive experience in Islamic jurisprudence. This group provides counsel on issues pertaining to Shariah products and services, including activities to raise Islamic capital.

The Bank is a member of the Global Alliance for Banking on Values ("GABV"), an independent network of banks and banking cooperatives worldwide that operate under the Principles of Sustainable Banking. GABV focuses on returns to the real economy and acts as a financial intermediary to support social and environmental impacts. Bank Muamalat is the first Islamic bank in Malaysia and Southeast Asia to be accepted as a member of the alliance.

WHAT DIFFERENTIATES BANK MUAMALAT?

- 1** A Bank that is continuously committed in delivering positive impact to the community

 *More details in our Sustainability Report on pages 84 to 105.*
- 2** Continuously striving to improve client satisfaction, especially in digital platform offerings

 *More details in Customer Service and Digital Banking segments of our Sustainability Report on pages 89 and 90 respectively.*
- 3** Knowledgeable and widely experienced management team

 *Read the profiles of our Senior Management on pages 121 to 125.*
- 4** A value-driven financial institution that aspires to be an ethical Islamic bank supported by strong shared values

 *More details in Sustainability Report from page 80, and in our Shariah Committee Statement on page 137.*
- 5** Holistic and sound enterprise risk management practices

 *More details in Mitigating Principal Risks and Statement of Risk Management on pages 44 and 142 respectively.*
- 6** Good governance and strong leadership

 *More details in Committed to Strong Governance on page 126.*

CORPORATE STRUCTURE

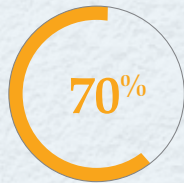


SHAREHOLDING STRUCTURE TIMELINE

1999 (Inception)



Bumiputra Commerce



KHAZANAH NASIONAL

February 2004 -
September 2008

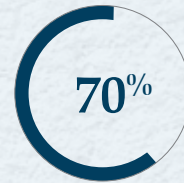


Bukhary Capital Sdn Bhd

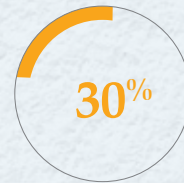


KHAZANAH NASIONAL

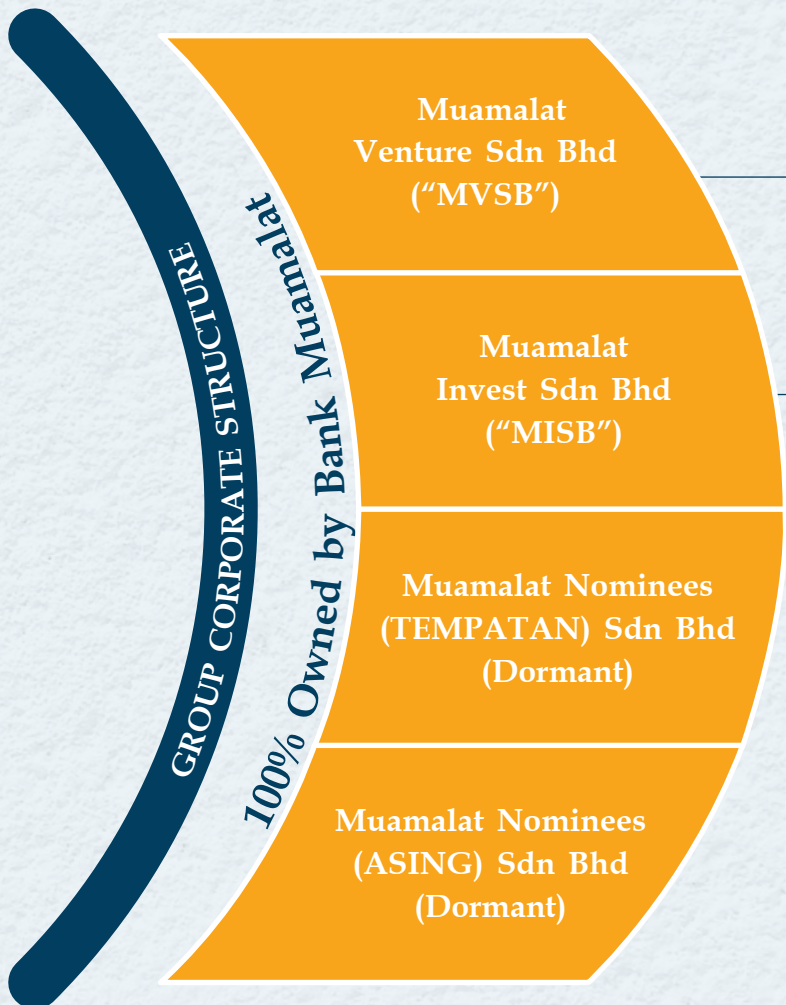
Since
October 2008



DRB-HICOM



KHAZANAH NASIONAL



Muamalat Venture Sdn Bhd ("MVSB") - operating at Bank Muamalat Head Office

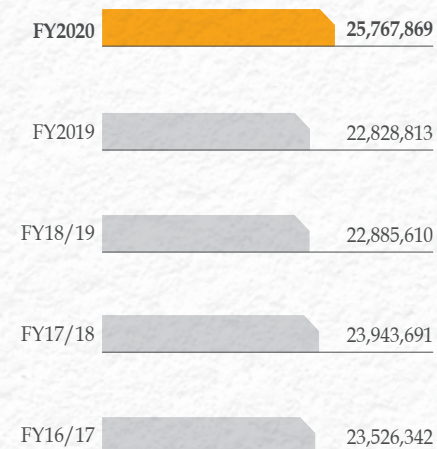
- Engaged in private equity and venture capital activities.
- Investments in "alternative" asset class, offering diversification and absolute return.
- Focus on medium to long-term funding to companies, i.e. equity and mezzanine facilities for growth, mid and late-stage opportunities.

Muamalat Invest Sdn Bhd ("MISB") - operating at Bank Muamalat Head Office

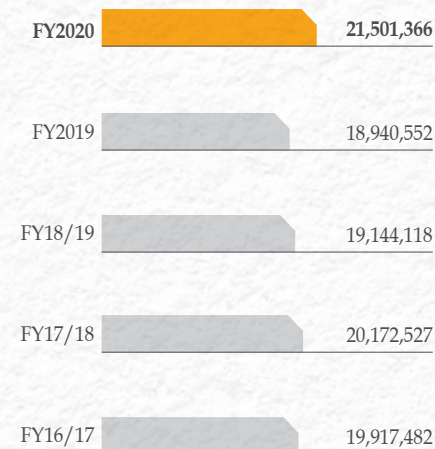
- Licenced Fund Management company, since 2006.
- Accorded Islamic Fund Management licence in September 2010.
- Offers wholesale funds for sophisticated investors and management of discretionary mandates.
- Obtained Capital Market Services License ("CMSL") in March 2019 for dealing in securities (restricted to unit trust), enabling to manufacture, sell and manage retail unit trust funds.

5-YEAR FINANCIAL HIGHLIGHTS

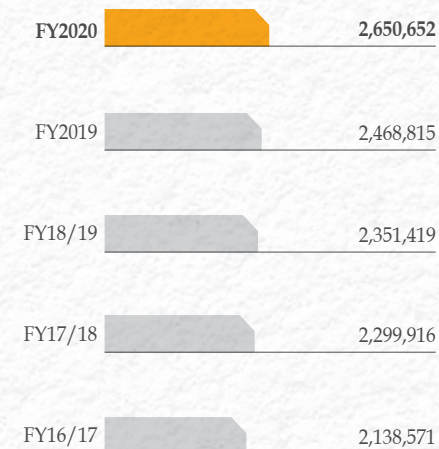
TOTAL ASSETS (RM'000)



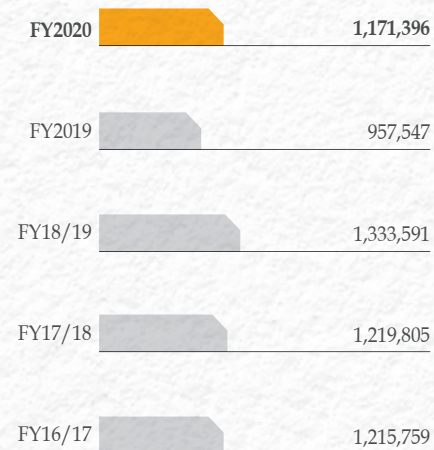
TOTAL DEPOSITS FROM CUSTOMERS (RM'000)



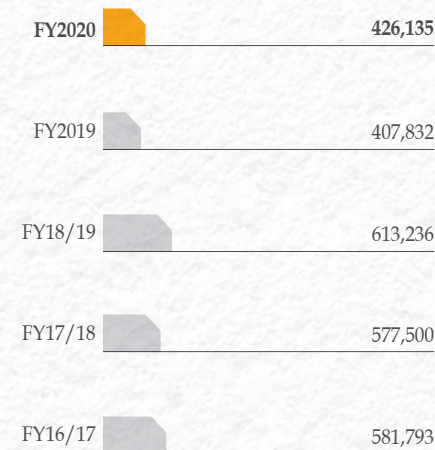
SHAREHOLDERS EQUITY (RM'000)



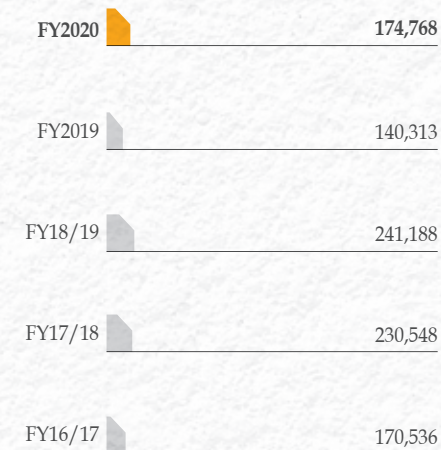
OPERATING REVENUE (RM'000)



INCOME ATTRIBUTABLE TO DEPOSITORS (RM'000)



PROFIT BEFORE TAX AND ZAKAT (RM'000)



OUR FINANCIAL HIGHLIGHTS (FY16/17 TO FY2020) - GROUP

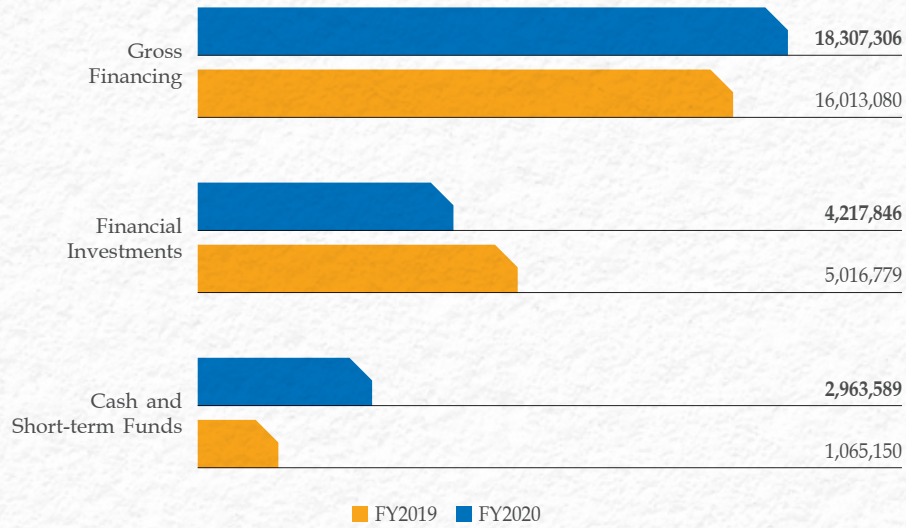
	FY16/17	FY17/18	FY18/19	FY2019	FY2020
Operating Result (RM'000)					
Operating Revenue	1,215,759	1,219,805	1,333,591	957,547	1,171,396
Income attributable to depositors	581,793	577,500	613,236	407,832	426,135
Profit before tax and zakat	170,536	230,548	241,188	140,313	174,768
Profit after tax and zakat	149,907	181,625	179,494	98,806	172,857
Key Statements of Financial Position (RM'000)					
Total Assets	23,526,342	23,943,691	22,885,610	22,828,813	25,767,869
Financial Investments	6,471,174	6,624,563	5,700,141	5,016,779	4,217,846
Total Financing of Customers	14,918,272	14,687,846	15,330,895	15,861,238	18,115,817
of which: Gross Impaired Financing	351,920	285,416	221,216	209,166	194,711
Total Deposits from Customers	19,917,482	20,172,527	19,144,118	18,940,552	21,501,366
of which: CASA	4,225,851	5,006,151	5,343,192	5,895,877	7,756,200
Shareholders Equity	2,138,571	2,299,916	2,351,419	2,468,815	2,650,652
of which: Share Capital	1,195,000	1,195,000	1,195,000	1,195,000	1,195,000
Financial Ratios (%)					
Return on Equity - Before Tax and Zakat	8.25%	10.39%	10.37%	7.76%	6.83%
Return on Equity - After Tax and Zakat	7.25%	8.18%	7.72%	5.47%	6.75%
Return on Assets - Before Tax and Zakat	0.74%	0.97%	1.03%	0.82%	0.72%
Return on Asset - After Tax and Zakat	0.65%	0.77%	0.77%	0.58%	0.71%
Cost Income Ratio	55.3%	61.4%	56.5%	59.8%	54.7%
Capital Ratio	16.7%	18.4%	18.6%	18.7%	18.0%
Gross Impaired Financing Ratio	2.31%	1.92%	1.43%	1.31%	1.07%
CASA Composition to Total Deposits	21.2%	24.8%	27.9%	31.1%	36.1%

Note:

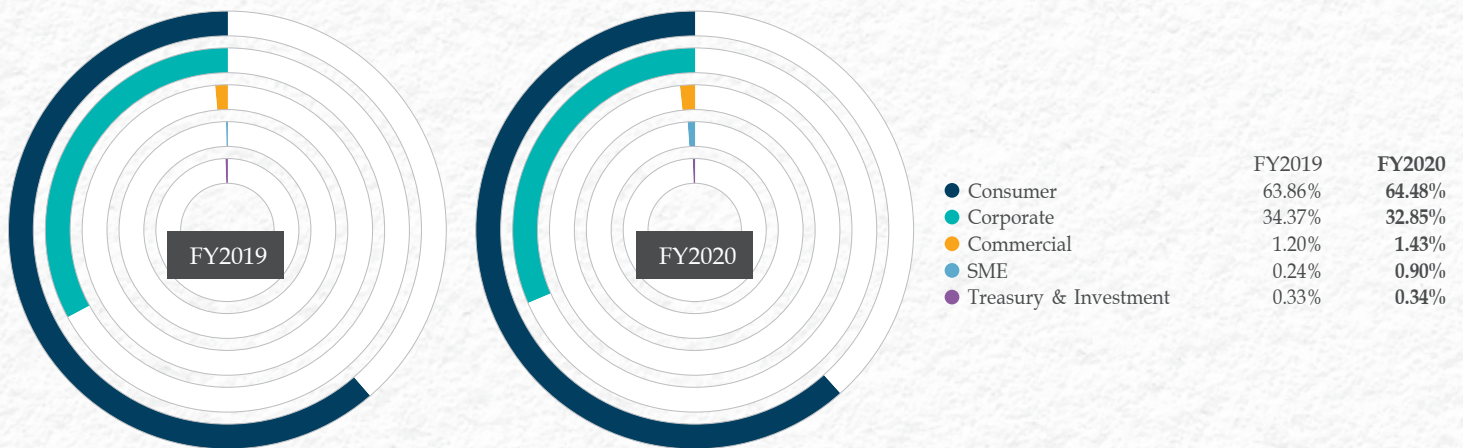
1. FY16/17 refers to financial year from April 2016 to March 2017
2. FY17/18 refers to financial year from April 2017 to March 2018
3. FY18/19 refers to financial year from April 2018 to March 2019
4. FY2019 refers to financial period from April 2019 to December 2019
5. FY2020 refers to financial year from January 2020 to December 2020

ASSETS PERFORMANCE

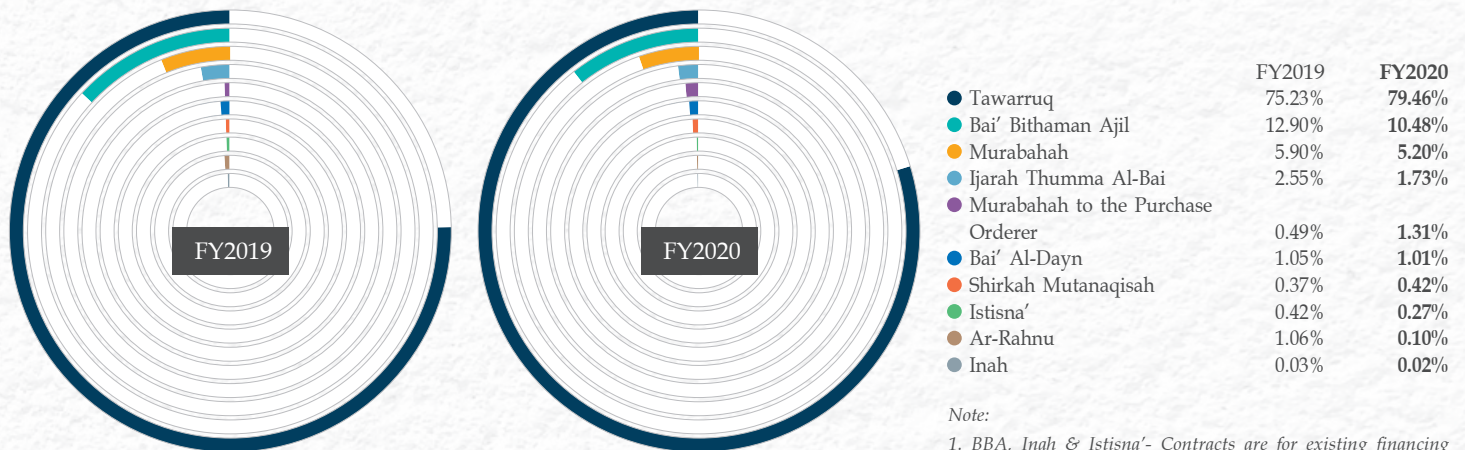
ASSET PORTFOLIO (RM'000)



FINANCING BY BUSINESS SEGMENT



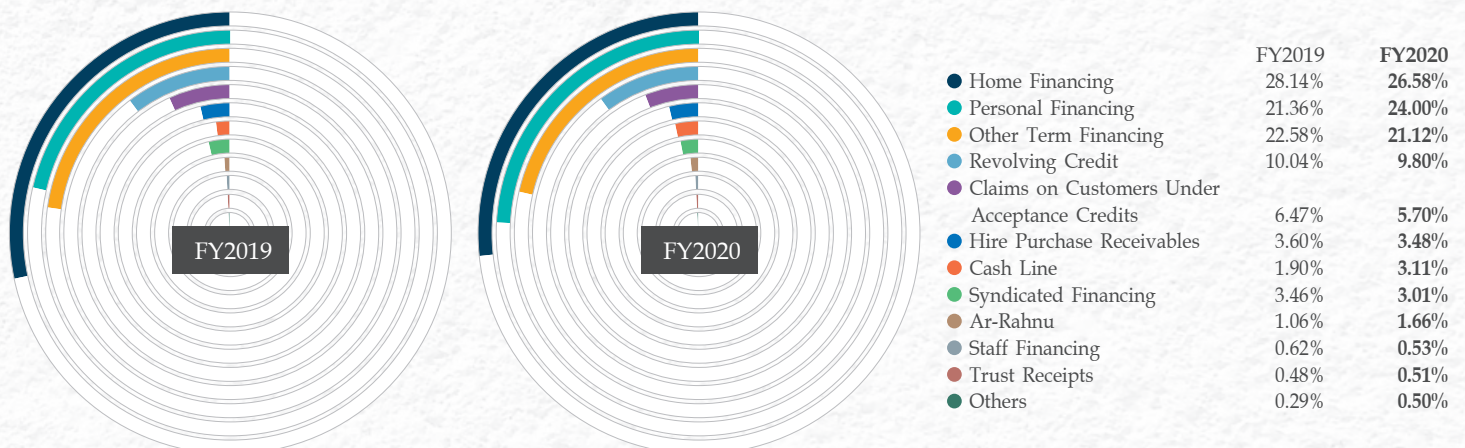
FINANCING BY ISLAMIC CONTRACT



Note:

1. BBA, Inah & Istisna' - Contracts are for existing financing yet to mature.
2. Ar-Rahnu (Qard) - Transition of Shariah contract from Qard to Tawarruq (w.e.f. February 2020).
3. AITAB - Transition of Shariah contract from AITAB to Murabahah to Purchase Orderer (w.e.f. April 2019).

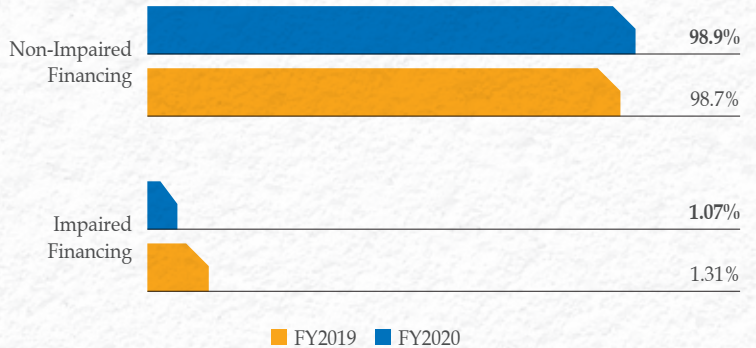
FINANCING BY PRODUCT



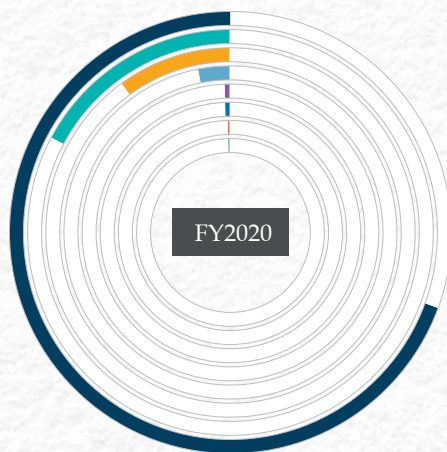
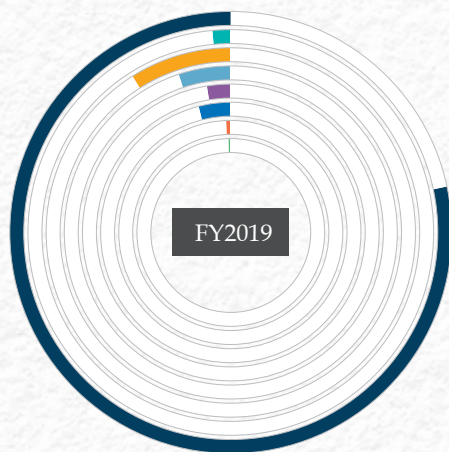
ASSETS PERFORMANCE

ASSET QUALITY

	FY2019	FY2020
Gross Impaired Financing (RM Million)	209.2	194.7
Gross Impaired Financing Ratio	1.31%	1.07%
Financing Loss Reserve Ratio	75.50%	101.30%
Collective Assessment Ratio	0.80%	0.90%

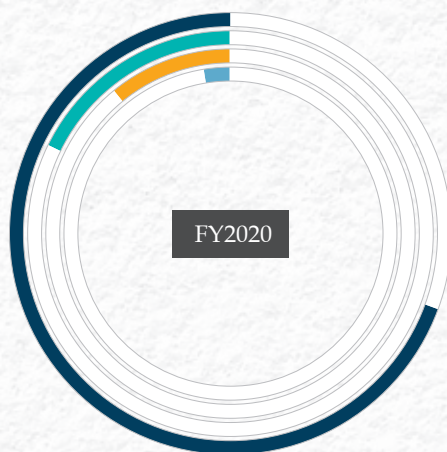
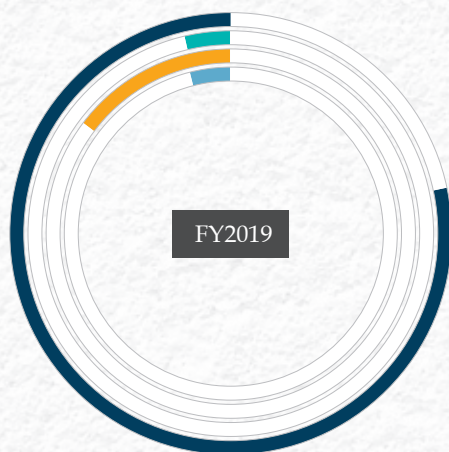


IMPAIRED FINANCING BY SECTOR



	FY2019	FY2020
Household	78.20%	69.25%
Manufacturing	1.34%	17.04%
Real Estate	8.83%	9.77%
Wholesale and Retail and Restaurant	4.96%	2.91%
Construction	2.28%	0.43%
Transport, Storage and Communication	3.74%	0.30%
Finance, Takaful and Business Services	0.46%	0.21%
Community, Social and Personal Service	0.19%	0.09%

IMPAIRED FINANCING BY BUSINESS SEGMENT

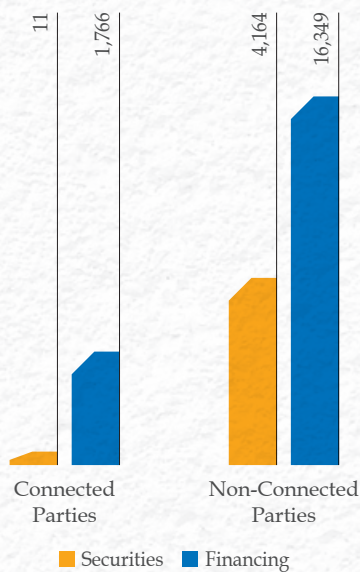


	FY2019	FY2020
Consumer	78.20%	69.23%
Corporate	3.44%	17.67%
Commercial	14.63%	10.79%
SME	3.73%	2.31%

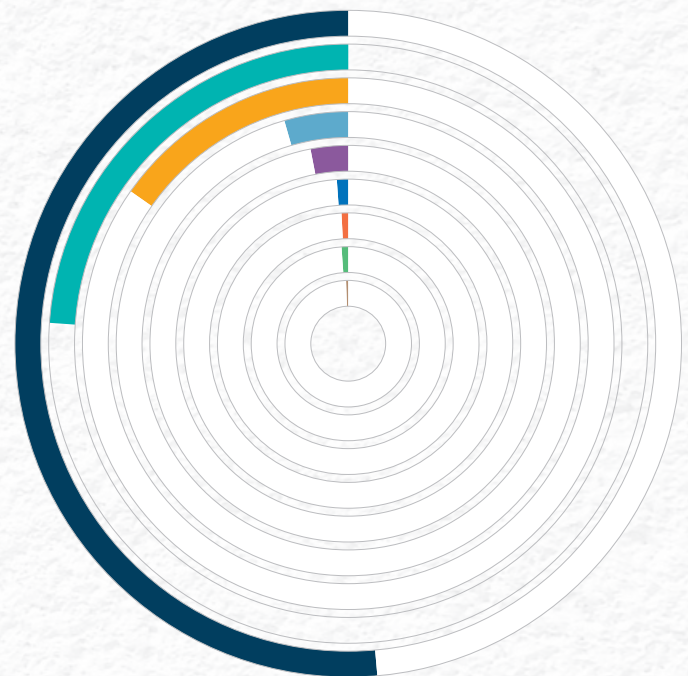
CONNECTED PARTIES

As at end of FY2020, connected parties exposures accounted for 6.7% (RM1.78 billion) of the total credit exposures of RM26.7 billion. The amount stood at 60.9% against the Bank Muamalat’s capital base of RM2.9 billion. Both measurements were well below the threshold limit set by Bank Negara Malaysia.

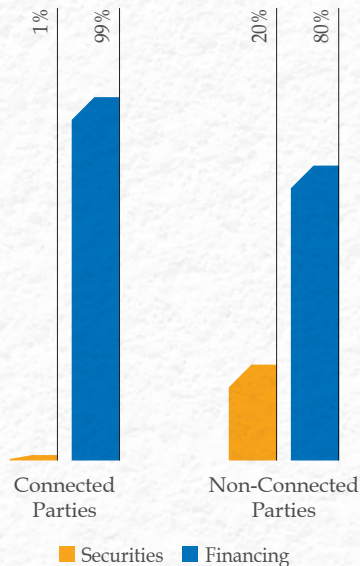
CONNECTED PARTIES VS NON-CONNECTED PARTIES EXPOSURE BY FINANCIAL INSTRUMENT AS AT DECEMBER 2020 (RM MILLION)



CONNECTED PARTIES EXPOSURE BY SECTOR AS AT DECEMBER 2020 (%)



CONNECTED PARTIES VS NON-CONNECTED PARTIES EXPOSURE BY FINANCIAL INSTRUMENT AS AT DECEMBER 2020 (%)



Finance, Takaful and Business Services	51.3%
Wholesale, Retail and Restaurant	23.8%
Manufacturing	15.2%
Agriculture, Hunting, Forestry and Fishing	4.2%
Real Estate Activities	3.0%
Electricity, Gas and Water	0.9%
Transport, Storage and Communication	0.7%
Others	0.7%
Community, Social and Personal Service	0.2%



SHAPING BETTER CUSTOMER EXPERIENCES





Bank Muamalat is actively reshaping customer experience by enhancing our infrastructure for more efficient service deliverables; and through investments in digital platforms to make transacting easier from anywhere and at anytime.

CHAIRMAN'S STATEMENT



DEAR VALUED SHAREHOLDERS,

2020 will go down in history as a year that disrupted the world, with its profound impact on the global economy and societal norms. Countries around the globe scrambled to curb the COVID-19 pandemic, by closing borders and imposing movement restrictions. New norms emerged and digitalisation was rapidly adopted to sustain economic activities.

At home, Bank Negara Malaysia in its 4th Quarterly Report revealed that the economy experienced its biggest contraction since the 1998 Asian Financial Crisis, shrinking by 5.6% in 2020. To cushion Malaysians from the economic fallout triggered by the pandemic, the Ministry of Finance in its Economic Outlook 2021 Report, disclosed that the Government disbursed several stimulus packages valued over RM300 billion, comprising fiscal and non-fiscal measures.

Alhamdulillah, adequate liquidity buffers provided banks with sufficient room to withstand the external shock and pull through the crisis. Looking beyond the initial impact of the COVID-19 crisis, Bank Muamalat will continue to support the country's economic recovery, focus on its stakeholders' needs, build resilience and enhance digitalisation efforts.

DATUK SERI TAJUDDIN ATAN
CHAIRMAN

Subdued internal and external environments impacted the Bank's performance. Financing growth for the first half of the year was stunted as business activities were disrupted due to the movement control order ("MCO"). It was further exacerbated by Bank Negara Malaysia's ("BNM") decision to reduce the overnight policy rates ("OPR") and the government's introduction of loan and financing moratorium.

As a result, in the first half of 2020, Bank Muamalat's pre-tax profit fell 76.5% year on year to RM28.6 million, mainly on the back of lower income from financing due to deferred payments during the moratorium period. Additionally, provisions of RM23.7 million were made as a pre-emptive measure in view of the potential weakening of asset quality due to the impact of the COVID-19 pandemic.

Despite a weaker performance in the first half of the year, Bank Muamalat managed to record a Profit Before Tax and Zakat ("PBTZ") of RM174.8 million for the financial year ended



RM174.8
Million

PBTZ recorded for FY2020

31 December 2020. On a period-to-period comparison, it was a decline of 23.7% compared to the previous 12 months PBTZ of RM229 million for the period ended 31 December 2019. Return on equity was 6.84% and return on asset was 0.72%. With prudent cost management in place, our cost-to-income ratio was also lower at 54.4% from 59.8% recorded in FY2019.



**Note: In 2019 Bank Muamalat changed its financial year-end to 31 December from its original 31 March, to synchronise with the financial year of its holding company, DRB-HICOM Berhad*



54.4%

FY2020's cost-to-income ratio was lower than the 59.8% recorded in FY2019.

Additional provisions of RM23.7 million were made as a pre-emptive measure in view of the potential weakening of asset quality due to the impact of the COVID-19 pandemic.

However, Bank Muamalat registered a commendable performance despite net margin compression due to the lower profit rate environment, modification losses arising from the moratorium, and business slowdown.

SHAPING OUR STRATEGIC RESPONSE

The Bank reassessed and reprioritised its RISE24 strategies to focus on efforts that improve readiness in responding to the impact of the pandemic. RISE24 is driven by seven (7) strategic focus areas ("SFAs") which is overarched by value-based principles and prudently centralised on the Bank's risk and compliance culture. Both defensive and offensive strategies were considered to protect assets and optimise operations while encouraging prudent risk-taking to maximise opportunities for growth.

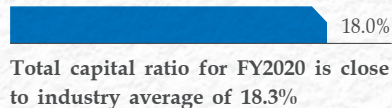
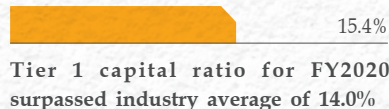
Among our priorities for FY2020 was to safeguard the well-being of our employees and remain focused on building capabilities and developing capacity to remain resilient in the current banking environment. The introduction of various digital apps and platforms during the year provided a safer means of banking and improved speed and convenience for an enhanced customer experience.

Efforts were redoubled to transform the credit risk management processes to manage the balance sheet and defend asset quality. This led to a strengthening of the Bank's asset

CHAIRMAN'S STATEMENT

Bank Muamalat also achieved a key milestone in its social finance efforts with the establishment of the Jariah Fund on 22 September 2020 in alignment with BNM's Value-Based Intermediation ("VBI") drive.

Total Capital Ratio (%)



quality as gross impaired ratio improved to 1.07% in FY2020 from 1.31% in FY2019, the lowest since the Bank's establishment. Capitalisation levels stayed strong with Tier 1 and total capital ratios at a healthy 15.4% and 18.0% (industry average: 14.0%; 18.3%). Additionally, the Bank is backed by its existing Basel III-compliant Subordinated Sukuk programme to support its capital position when required; a total of RM250 million has been issued as at end-September 2020.

Taking into consideration the Bank's sturdy capitalisation, which provides a strong loss absorption buffer against an anticipated rise in defaults in the wake of the pandemic, notwithstanding the extension of financial relief to affected customers; RAM Ratings has reaffirmed the Bank's financial institution ratings ("FIRs") at A2 Stable P1, and reaffirmed the A3/Stable rating of the Bank's RM1 billion Subordinated Sukuk Murabahah Programme (2016/2036).

SHAPING SOCIAL FINANCE

Bank Muamalat continued to support customers during this difficult time by offering financing moratorium as well as various payment assistance programmes.

In March 2020, the Bank provided assistance to individuals and businesses, in particular to Small and Medium Enterprises ("SMEs"), through a blanket six-month moratorium on financing facilities. Following that, an enhanced targeted payment assistance programme was

implemented to further assist both individual and business customers.

Bank Muamalat also achieved a key milestone in its social finance efforts with the establishment of the Jariah Fund on 22 September 2020 in alignment with BNM's Value-Based Intermediation ("VBI") drive. The Jariah Fund is a social welfare crowdfunding platform for charitable projects that aim to generate a sustainable impact on the economic growth of the ummah under the pillars of education, health and economic empowerment. In the first phase, beginning September 2020, Bank Muamalat worked with five (5) non-governmental organisations ("NGOs"), namely Yayasan Sejahtera, Yayasan Ikhlas, Yayasan Muslimin, The National Autism Society of Malaysia ("NASOM") and Malaysian Association for the Blind ("MAB") as charitable partners to monitor the selected campaigns posted on the platform. For its first phase, Bank Muamalat has collected RM40,415 in funds which will be channelled to selected beneficiaries through the selected community-based projects.

In serving the underserved, the Bank continues to provide financing for affordable homes to the lower-to-middle income earners, self-employed individuals and operators of small business entities. Through Smart Mortgage Solution programme, RM257 million was disbursed.

Bank Muamalat has also taken an active role in the industry to help champion the move towards sustainable practices, and was appointed to lead the development



The Bank's outstanding financing facilities was recognised as having a direct impact on the economic, social and environment which accounted for RM6.81 billion or 42% of our total outstanding financing in FY2020.

of the sectorial guide on energy efficiency. The Bank's outstanding financing facilities was recognised as having a direct impact on the economic, social and environment which accounted for RM6.81 billion or 42% of our total outstanding financing in FY2020.

SHAPING A DIGITAL FUTURE

Driven by the rapid development of digitisation, it is important for the Bank to leverage on the power of digital technology and incorporate it as part of its business DNA for greater economic efficiency.

During the year, Bank Muamalat collaborated with US-based Shariah compliant digital investment platform, Wahed Inc towards the realisation of Wahed Invest; a platform allowing investors to access Shariah compliant portfolios. The collaboration was a significant step on the Bank's journey

into digitalisation, offering innovative solutions for its customers, especially on robo-advisory.

In July 2020, Bank Muamalat pioneered the Ar-Rahnu online auction - a first for the Ar-Rahnu industry in Malaysia to provide easy access to unredeemed gold items, while at the same time helping reduce the impairment in its Ar-Rahnu portfolio. The Ar-Rahnu online auction is based on open tender system for public bidders. Surplus is returned to the customers if the sale price exceeds the remaining debt.

In October 2020, the Bank introduced the Muamalat Application Platform ("MAP") - a financing application platform that allows customers to apply financing online and track their financial journey anytime and anywhere.

These digital initiatives dynamically advance Bank Muamalat's future-readiness and business sustainability through the medium term.

SHAPING INTEGRITY, ACCOUNTABILITY AND TRANSPARENCY

The Board of Bank Muamalat continues to uphold strong corporate governance policies and practices to promote corporate integrity, accountability and transparency. Our commitment to good governance is reflected in the diversity of age and experience of our Board members. Four (4) out of our seven (7) board members, including the Chairman, are independent in line with the requirement by Bursa Malaysia's guidelines.

CHAIRMAN'S STATEMENT



The Bank introduced the Muamalat Application Platform (“MAP”), a financing application platform that allows customers to apply financing online and track their financial journey anytime and anywhere.

Our efforts are guided by Islamic Financial Services Act 2013, Companies Act 2016 and Policy Document on Shariah Governance, and are directed to ensure effective, inclusive and responsive risk and governance mechanism. On Shariah governance requirements, our Shariah Committee ensures that all banking activities are in line with Shariah principles. Following the issuance of the new Policy Document on Shariah Governance that was effective by 1 April 2020, the Shariah Committee updated our Shariah Governance framework to be in line with the new requirements.

In July 2020, at Board level, we have strengthened our Anti-Bribery and Corruption policy to address corporate liability issues as required by Section 17A of the Malaysian Anti-Corruption Commission Act. Additionally, a “No Gift” Policy has been adopted to avoid conflict of interest.

Last but not least, an Integrity and Governance unit has been established within the Bank as a dedicated function to oversee the Bank’s overall anti-corruption efforts and enhance integrity as well as promote good workplace conduct.

SHAPING STRONGER SAFEGUARDS

The Board has intensified the assessment and monitoring of risks, including thoroughly reviewing the risk assessment processes and risk appetite considerations in addressing the shifting market and regulatory developments.

In strengthening risk management, an Enterprise Risk Management (“ERM”) Framework was implemented as a more structured approach towards managing risks. It consists of a few framework documents that focus on operational, credit, market, model risk, technology and Shariah risk framework. Given the increased harnessing of technology and digital channels, we also established a Technology Risk Management Framework (“TRMF”), a structured approach of defining, evaluating, managing, monitoring and governing technology related risks in the Bank.

SHAPING FUTURE-READINESS

The International Monetary Fund (“IMF”) via its April 2021’s World Economic Outlook (“WEO”) Update projected the global economy to grow 6.0% in 2021 and 4.4% in 2022, reflecting the expectations of positive impacts of global COVID-19 vaccination programmes and additional policy support especially in large world economies.

On the domestic front, the Ministry of Finance Malaysia expects domestic economy to rebound between 6.5% and 7.5% in 2021, supported by improvements in overall global growth and international trade, hinging on the back of successful containment of the COVID-19 pandemic as well as sustained recovery in external demand.

The Bank will continue to deliver positive impact to the community, striving to improve client satisfaction and advance as an ethical Islamic bank supported by strong shared values, holistic risk management, and good governance.

Throughout 2021, the Bank will extend assistance to communities affected by the pandemic so that the most vulnerable gets a helping hand. Committed to BNM's VBI agenda, the Bank will continue to grow and develop initiatives that ensure adoption of more relevant practices, offerings and conduct that generate positive and sustainable impact.

Business growth will be accelerated via business transformation in the areas of consumer, commercial and corporate segments by focusing on better rated customers closely guided by the Bank's risk appetite statement ("RAS") and reassessed list of preferred and non-preferred sectors.

ACKNOWLEDGEMENTS & APPRECIATION

During the year, we welcome En. Johari Abdul Muid, who was appointed as an Independent, Non-Executive Director on 10 November 2020.

On behalf of the Board, I commend the Bank's management team and employees for their commitment and dedication throughout the challenging year. Our gratitude also goes to our shareholders, customers, business partners and bankers, as well as organisations with whom we collaborate with. And for their decisive stance in leading the nation through the pandemic, we would like to record our appreciation to the government and all frontliners.

Though industry growth experienced a slowdown in 2020, we emerged from the challenging year with new strengths and the long-term vision for Bank Muamalat still intact. The coming year will be equally challenging as the emergence of new strains continue to give rise to uncertainties. Therefore, it is critical that we apply the insights and collective knowledge gained during this past year in order for us to make a sustained recovery. However, the Board remains optimistic on our prospects moving forward supported by the Bank's sustainable financial and business expansion strategies.

Thank you.

DATUK SERI TAJUDDIN ATAN
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

Malaysia is currently stepping up its vaccination programme to achieve herd immunity. Indeed, it is a shining beacon of hope for a better year ahead, amidst the prospects of year 2020 that was blighted by weakened global and domestic economic landscapes, due to the widespread COVID-19 pandemic. Global supply chains were impacted, leaving trade, consumer and business sentiments muted. In Malaysia, nationwide lockdown measures caused widespread disruption to business activities, which hampered financing growth in the first half of the year. Although there was some recovery in the second half of the year, the low profit environment, led by three (3) consecutive cuts of overnight policy rate ("OPR") affected the yield curve and further compressed net margin profits.

KHAIRUL KAMARUDIN
CHIEF EXECUTIVE OFFICER



A CHALLENGING YEAR

It was a year that called for responsive action. Bank Muamalat Malaysia Berhad (Bank Muamalat or the Bank) stayed on track of its RISE24 strategic plan, and priorities shifted towards fortifying resilience in our operations. We also focused on bolstering support for our stakeholders.

This was a tough balancing act as the rising unemployment rate and inert economic growth challenged the Bank's management of asset quality and prompted higher allowance for impaired financings. At the same time, the shifts in credit and cashflow landscapes brought about by the blanket loan/financing moratorium implemented by Bank Negara Malaysia ("BNM") and payment assistance programmes gave rise to modification losses.

In boosting the Bank's capabilities and focus to meet the growing challenges of credit risk and technology needs within this new business environment, three (3) key management roles were created and filled during the year, namely Chief Credit Officer ("CCrO"), Chief Information Security Officer ("CISO") and Chief Strategy Officer ("CSO"). The appointments are also aimed at enhancing our focus on safeguarding our business resilience and ensuring business sustainability.

Maintaining Business Continuity and Sustainability

The Bank's Business Continuity Plan ("BCP") was activated to ensure our operations remained uninterrupted amidst the movement restrictions imposed. Measures such as free COVID-19 screening for all employees, work from home deployment for non-critical job functions, and the new normal of business protocols were quickly adopted at all the Bank's premises. We were mindful that the first course of action was to bolster our customers' financial resilience as this would have a cascading effect on our own business sustainability.

All financing payments were automatically deferred for a period of six (6) months for individual customers and small and medium enterprises ("SMEs") effective 1 April 2020 up until 30 September 2020. In addition, an extension of financing moratorium for customers who were affected, was introduced after September 2020 given the prolonged movement restrictions imposed.

These efforts were crucial in providing stability and support for our customers and easing their financial burdens during the period of uncertainty.

In defending the quality of our assets, the Bank focused on those in the vulnerable customer segments. A CCRo was appointed in July 2020, to oversee the credit portfolios of the Bank.

In addition, a higher compliance on risk underscored the Bank's business as part of our steadfast commitment to meet all compliance requirements and maintain the Bank's strong capital position. The Bank's risk appetite statement ("RAS") was reviewed together with our strategic, capital and business planning towards optimum alignment. We continued to strengthen the risk management process through enhanced operational risk controls and improved elevated risk analysis, supported by broader data analytics.

The use of our digital channels were enhanced as our physical branches operated with limited counter services and shorter operating hours. Retail internet banking and mobile apps have been upgraded and digital platforms expanded to ensure ease of banking transactions for customers. With the appointment of the CISO, cyber resilience was upgraded to strengthen data privacy and cyber security.



CHIEF EXECUTIVE OFFICER'S STATEMENT

Ensuring the welfare of employees and the community

The health and safety of our employees have been core concerns during this pandemic. We established new processes to minimise contact during this period with most meetings and discussions conducted virtually. We also embarked on the e-learning and e-training routes to ensure that that employees can continue developing and nurturing their potential from anywhere and at anytime.

The year also called for greater corporate social responsibility efforts to ensure the safety and wellbeing of our communities. As part of our effort to fight the pandemic, more than RM430,000 was donated to various associations, communities, hospitals and frontliners. Over RM30 million in waqf fund was collected in FY2020 of which RM16.5 million was disbursed under waqf projects for the healthcare, education and investment sectors.

During the month of Ramadhan, we contributed more than RM246,000 to orphanages and old folk homes to bring cheer and hope to those who need it the most.



The strategic achievements of the Bank are highlighted in more detail on page 25

FY2020 FINANCIAL PERFORMANCE



Note: In mid-2019, Bank Muamalat's financial year-end was shifted to 31 December from the original 31 March, in order to be aligned with the practice of our holding company, DRB-HICOM.

The Bank's total deposits grew by 13.5% to around RM2.6 billion as of end December 2020, partly contributed by the steady growth in current and savings accounts ("CASA"). This led to CASA ratio improving to 36.1% as compared to 31.1% a year earlier.

A commendable performance was achieved amidst the challenging operating environment in FY2020 brought on by the prolonged pandemic, and its resulting toll on livelihoods and economic activities. Among the key factors that impacted the Bank's financial performance were the lower margins and repricing gaps pursuant to the multiple cuts in overnight policy rate ("OPR") in FY2020 amounting to a total reduction of 125 basis points, higher provisioning for impaired and vulnerable assets, and modification loss adjustment arising from payment moratoriums granted on customers' financing facilities.

However, with prudent cost management in place, the Bank's cost-to-income ratio showed improvement at 54.4% from 59.8% in the last financial year. As a result, return on equity ("ROE") was 6.84% as compared to 7.76% in FY2019 and return on asset ("ROA") was 0.72% compared to 0.82% in preceding year.

Silver linings were that Bank Muamalat managed to successfully improve asset quality as Gross Impaired Financing ("GIF") was positioned at 1.07% as at December 2020 as compared to 1.31% registered in FY2019. The Bank's capital position was also maintained as Common Equity Tier-1 ratio and Total Capital Ratio remained stable and well above regulatory requirements at 15.49% and 17.96% respectively.



1.07%

Gross Impaired Financing (GIF) for FY2020 improved from 1.31% in FY2019

More than RM430,000 was donated to various associations, communities, hospitals and frontliners. Over RM30 million in waqf fund was collected in FY2020 of which RM16.5 million was disbursed under waqf projects for the healthcare, education and investment sectors.

DELIVERING ON OUR STRATEGY

The Bank has stayed on track of its RISE24 strategy that revolves around seven (7) strategic focus areas, with a total of 24 initiatives in place. Following the adverse impacts of the pandemic however, we recalibrated the RISE24 strategy in FY2020 to overcome the current and future challenges through initiatives that can deliver sustainable returns. The initiatives identified, and progress made on these initiatives are reported below:

Resetting Target Market

We aimed to identify new business areas, increase non-fund income, and expand our coverage as a whole to target wider and better-rated customer segments.



What we did

- Focused on better-rated customers. This included those categorised in the high income brackets and high income professionals.
- Followed our revised preferred and non-preferred sectors, with tourism and aviation now falling in the latter category.
- Focused on selective customers with good track record.
- Catalysed collaborations with government agencies, cooperatives and associations.



Achievements

- Since September 2020, through various campaigns launched to focus on better-rated customers, 36% out of total new personal financing of around 16,000 accounts comes from this targeted segment.
- Corporate financing packages were offered to selected companies in preferred sectors, such as oil and gas, healthcare and public utilities. These accounted for around 5,700 accounts for the year.
- Disbursed RM158.9 million of financing through collaboration with Syarikat Jaminan Kredit Perumahan (“SJKP”) and Skim Rumah Pertamaku (“SRP”) affordable home programmes to provide homes to low income earners, self-employed individuals and operators of small business entities.
- Through vigorous promotions and several campaigns, the Bank’s gold investment generated a total of RM8.1 million for FY2020 against RM1.7 million contribution in FY2019.
- Supported the government’s COVID-19 Special Relief Facility, a programme that provided collateral-free financing of up to RM1 million towards easing the burden of small and medium entrepreneurs (“SMEs”).
- Launched the SIRIM-Fraunhofer programme to enhance productivity and competitiveness of SMEs, especially in the manufacturing sector.



CHIEF EXECUTIVE OFFICER'S STATEMENT

Disciplined Balance Sheet Management

We aimed to optimise balance sheet expansion while maximising returns, and implemented an intensive recovery plan to improve asset quality.



What we did

- Continued to focus on current and savings account ("CASA") growth as source of low cost deposits.
- Collaborated with government agencies, associations and cooperatives.
- Continuous monitoring of market sentiments to assess availability of liquidity throughout the crisis to ensure ample demand and supply.
- Launched aggressive recovery plans especially for accounts in arrears.
- Performed Rescheduling and Restructuring of accounts that were affected by COVID-19 and MCO.



Achievements

- CASA recorded 31.5% y-o-y growth to register RM7.76 billion as at end of December 2020.
- Gross impaired financing ("GIF") improved from 1.31% in FY2019 to 1.07% in FY2020.



Digital Transformation

We aimed to create a digital economy through various collaborations and automate internal processes for smoother operations and services.



What we did

- Actively pursued collaborations on digital platforms.
- Enhanced structure and process flow for SME approvals.
- Provided ease of usage and simplify financing application process through digital innovation.
- Improved services and innovated products via digital platform.



Achievements

- Established an SME helpdesk at all branches with regional and branch managers appointed as contact points for SMEs. This has sped up SME financing approval to within three (3) days.
- Launched the Muamalat Application Platform ("MAP") in October 2020. This is a financing application platform that allows customers to apply for financing online as well as monitor and manage their finances anytime and from anywhere. Through MAP, more than 500 financing applications have been approved.
- Introduced the Ar-Rahnu online auction in July 2020 - a first of its kind in the Ar-Rahnu industry. The online auction uses an open tender system to public bidders where unredeemed gold items will be sold to the public and the surplus returned to customers if the sale price exceeds the remaining debt. A win-win solution that significantly reduced RM3.8 million of the Bank's Ar-Rahnu impairment in FY2020.
- Introduced e-Jamin, an online bail payment service to facilitate and expedite bail transactions for all courts. The e-Jamin channel contributed 50% of total *Wang Jaminan Mahkamah* collected for the year.
- Collaborated with US-based Shariah compliant digital investment platform, Wahed Inc. to gain a competitive edge in achieving the perfect balance in customer relationship management and wealth planning.
- The Bank's Trade Finance System was enhanced with integration to the core banking system.

Data Monetisation

Working towards optimising data analytics to generate income and ensure cost efficiency.



What we did

- Continuous implementation of the 3-year Data Management Roadmap plan towards developing an effective data management platform.
- Updated and enhanced policies on data governance and data quality.



Achievements

- The Bank has developed and established a robust Data Governance Structure.

Infrastructure

This is to enhance infrastructure for efficient service delivery and deliverables.



What we did

- Set up trade windows at regions.
- Upgraded Ar-Rahnu counters into Ar-Rahnu centres.



Achievements

- The Bank's trade-finance windows have been expanded and are now available across the Northern to Southern regions.
- Ar-Rahnu counters at 67 branches have been upgraded into Ar-Rahnu Centres.
- Established SME hubs at selected regions to intensify focus and efforts on attracting more SME portfolios.

Continuous Process Improvement and Shariah Innovation

Towards continuously improving our processes and products for a more competitive advantage and to elevate social finance.



What we did

- Developed/Implemented online account opening for existing customers through retail internet banking.
- Strengthened the functions of operational risk management.
- Continuously reviewed policies and processes to ensure smoother services.
- Expanded waqf and Zakat development in expanding social finance possibilities.



Achievements

- Appointment of a CCrO in July 2020 to oversee and review credit-related tasks including its policies and processes which will address any issue with overall credit portfolios, towards mitigating risks to credit and credit quality.
- Appointment of a CISO to oversee technology and cyber security aspects of the Bank, formulate the Technology Risk Management Framework ("TRMF") and Cyber Resilience Framework ("CRF"), and drive the implementation of bank-wide cyber security strategy.
- The Bank's Risk Appetite Statement has been enhanced to include considerations on economic sector concentration and liquidity coverage ratio.
- In September 2020, a crowdfunding platform, the Jariah Fund, was established to generate sustainable impact for underserved communities. As at December 2020, the platform collected RM40,415 in contributions from the public in support of the five (5) non-governmental organisations ("NGOs") selected by the Bank.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Talent Management

We continue to develop leaders and talent to support the growth of the Bank.



What we did

- Strengthened employee's performance and change in behaviour towards driving a high performance culture in the Bank.
- Appointed Regional or Branch Managers as SME contact points.
- Ensured ample training programmes to upskill and reskill our employees.



Achievements

- Provided online training programmes for employees that are accessible even outside of the office network.
- 16 online learning programmes were implemented in FY2020.

Towards a Sustainable Future

The year ahead holds promise for a more sustainable future, though perils are still at play. However, the Bank is confident that the efforts made to steer towards Value Based Intermediation and shape sustainability into every aspect of our operations, our culture and our mindset will stand us in good stead.

Moving ahead, the Bank will remain guided by the pillars of RISE24 strategy in becoming more competitive whilst espousing sustainable values; towards building a Strong Risk Culture, an ICT Driven Business, Shariah Innovations and staying steadfastly Earnings Oriented. Our seven (7) strategic areas are aligned to the current situation and provides a robust milestone to work towards. The Bank's priorities are to maintain resilient growth in the midst of the challenging economic landscape while still addressing the strategic focus areas as outlined in the business plan.

Internally, technology is our way forward in improving productivity through process automation, simplified end-to end processes and centralised documentations.

Given the continued economic uncertainties as Malaysia grapples with another wave of rising infections, the Bank sees a better growth for the retail investment business in FY2021 mainly in gold-related and Ar-Rahnu businesses. The low profit rate environment is seen as beneficial for retail consumers, and we foresee more growth in personal financing, auto financing and mortgage financing business. The plan is to accelerate business growth by focusing on better-rated customers based on the income pyramid strategy, introducing new innovative products, and staying agile in defending asset quality. This will be balanced with continued growth on low cost fund deposits in the form of current and savings accounts ("CASA") in view of the low profit rate environment and to fortify capital and liquidity conservation.

Technology and digital transformation continue to be key and will be driven by providing an effective digital solution that combats fraud, enhances customer experience and meets BNM's regulations. On this front, continued collaborations will be actively sought and leveraged towards realising a seamless digital channel and more digital solutions. Internally, technology is our way forward in improving productivity through process automation, simplified end-to-end processes and centralised documentations.

The Bank's risk and compliance culture will be further strengthened by implementing an effective compliance management programme for robust enforcement of regulatory requirements as well as managing legal and reputational risk through enhanced risk management processes.



The pillars of RISE24 strategy guide us forward in becoming more competitive whilst espousing sustainable values; towards building a Strong Risk Culture, an ICT Driven Business, Shariah Innovations and staying steadfastly Earnings Oriented.

All these improvements will run concurrently with our continued focus on developing leadership qualities and nurturing the talent within our workforce. In shaping our employees' performance, mindset and change in behaviour the Bank's "Brilliance Through Islah" programme will be used to provide an understanding and application of Shariah values into mobilising a high performance culture. Training classes, motivational sessions and intervention programmes will continue to be utilised for the development of employees' IQ and EQ.

APPRECIATION

As I look back on the year, the lasting image is that of the COVID-19 pandemic which has tragically infected millions of people across the globe. My heart goes out to those who have lost their loved ones. Meanwhile, let us salute the doctors, nurses and other civil servants who are at the front lines of the war against COVID-19.

The key to braving new challenges is to come together and forge supportive relationships. I take this opportunity to thank our ecosystem of stakeholders - the government,

regulators, customers and communities who have led the way forward, abided by the needs of society at this trying time and adopted to the new norms.

Our people have been the Bank's core drivers in navigating through this challenging year. My appreciation goes out to our dynamic management team and capable employees for striving towards our goals with utmost dedication and strong team spirit. They have been asked to deliver beyond their normal scopes this year and none has faltered.

I would also like to record my appreciation to our sterling Board of Directors for their strong leadership in anchoring us in good governance, as they propel us towards our aspirations of becoming a a better Bank in every way we can.

Thank you.

KHAIRUL KAMARUDIN
Chief Executive Officer

SHARIAH COMMITTEE CHAIRMAN'S STATEMENT



**In the Name of Allah,
The Most Gracious,
The Most Merciful**

**Assalamualaikum
Warahmatullahi
Wabarakatuh,**

Alhamdulillah,

**All Praise is Due to Allah
SWT, the Salutations and
Greetings to Our Prophet
Muhammad SAW and
His Entire Family and
Companions.**

**TN. HJ. AZIZI CHE SEMAN
CHAIRMAN, SHARIAH COMMITTEE**

Bank Muamalat's commitment to Shariah and the Islamic Shariah principles and guidelines is all encompassing. The Shariah Committee ("SC") of Bank Muamalat is entrusted to ensure that the Bank's aims and operations, business, affairs and activities are in compliance with Shariah principles and guidelines. Every product and service offered by the Bank must be endorsed by the Shariah Committee prior to its offer to a customer.

Within the SC, we aspire to strengthen Shariah governance and integrate it within the Bank's core strength so that all stakeholders are assured that every income received by the Bank is legitimate (halal); and benefit from high impact Shariah research that leads to greater Shariah innovation in the Bank's products and services.

Towards continuous elevation of Shariah governance, transparency and integrity, several key agenda items were successfully completed during the course of the year. These included updating the Bank's internal Shariah Governance Policy with new clauses, Standard Operating Procedures ("SOPs") and documentation, guidelines and mechanisms, in order to conform to BNM's new Policy Document on Shariah Governance ("PDSG") which came into effect on 1 April 2020.

The SC also completed the development of the Maqasid Shariah Framework and embedded this within the Shariah Governance Policy. Another highlight was the formulation of the Shariah Committee Charter in order to enhance roles and responsibilities of the SC.

When faced with the year's challenging operating environment, the Committee took to heart the words of Rasulullah SAW when asked what type of earning was best. The reply, **"A man's work with his hand and every business transaction which is approved,"** (Rafi' ibn Khadij, Mishkat al Masabih, Hadith no. 2783) guided our steadfast commitment to meet, discuss, deliberate and provide resolutions on the issues of the day, within the constraints of time and social distancing we faced in FY2020.

The main focus for the year was the application of financing moratorium from a Shariah perspective; approvals on the reschedule and restructure approach for customers who opt for moratorium payment assistance; and approval on new products and services initiated by the Bank. The new SOPs required also led to an increasing number of daily advisory issues that had to be resolved.

In FY2020, the SC endorsed the following new products and services:

- Ar-Rahnu Tawarruq
- Jariah Fund
- Wahed Invest Islamic Digital
- Islamic Multi Currency Trade Financing ("MCTF-i")
- Danajamin Prihatin Guarantee Scheme ("DPGS")
- EasiGold Account Mobile Application
- Collateralised Personal Financing-i Programme and MCash Facility

In compliance with SOPs and mindful of the need for swift responses, most meetings were conducted via online platforms with several sign-offs by committee also done virtually. There were several issues of disruptions due to breaking line or limited access to an online platform, but all in all a total of 11 Shariah Committee meetings were successfully held in FY2020.

Rasulullah SAW reported: The seeking of knowledge is obligatory for every Muslim.

(Ibn Majah and Bayhaqi in Shu'ab al-Iman; Anas Ibn Malik in Al Tirmidhi, hadith 74).

Moving further into a new balance of VBI banking, the SC will continue to play a vital role in several of the Bank's aspirations that require innovative ways in which to optimise wakaf and zakat funds in helping to uplift the bottom 40% income segment (B40) of our population. The SC will also work to provide research papers via the Shariah Division on proposing new initiatives and product structures specifically to help B40 and asnaf (zakat eligible) categories. Our activities will always include system enhancements to improve online communication platforms and reduce human intervention and error, as we continue to ensure the Bank maintains robust processes and policies on Shariah compliance.

APPRECIATION & ACKNOWLEDGEMENTS

Allah SWT says, "And if Allah touches you with affliction, none can remove it but He: But if He bestows upon you a favor, remember that He is the Possessor of every power to do all that He wills." Al-An'am

I take this opportunity to acknowledge the hard work and commitment of members of the SC who have been unwavering in giving their best to fortify Shariah governance and innovation for the good of all. We would like to express our gratitude to YM Engku Ahmad Fadzil Engku Ali who ended his tenure on 31 March for his contributions to the Bank's Shariah journey during the year under review. More members will soon join the SC as we aim to strengthen our composition in order to effectively journey forth in achieving the Bank's goals.

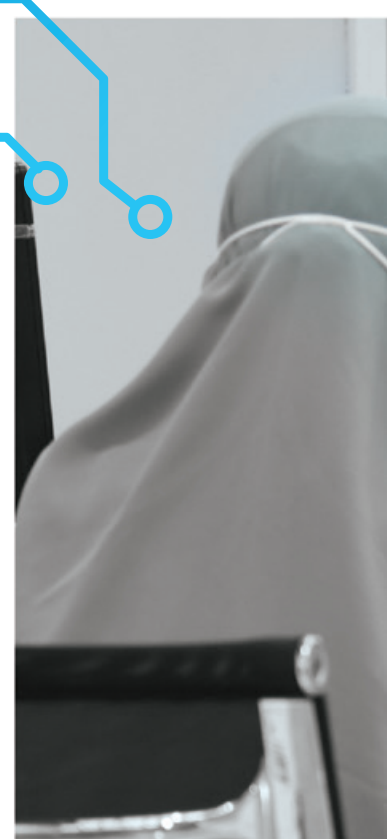
In-sya'-Allah, with steadfast purpose and sincere intentions, the SC can grow the possibilities of Shariah-led financing for Bank Muamalat towards abundant benefits for our stakeholders.

Thank you and regards,

TN. HJ. AZIZI CHE SEMAN
Chairman, Shariah Committee



SHAPING THE POTENTIAL OF OUR EMPLOYEES





Bank Muamalat is actively pursuing a High Performance Culture through Shariah values under the “Brilliance through Islah” training series that motivates, trains and focuses on IQ and EQ development. This is part of the Bank’s comprehensive training and e-Learning initiatives which have now been made accessible to our staff everywhere and anytime through online platforms.

INDUSTRY AND MARKET OVERVIEW

GLOBAL

2020 Review

The Year 2020 brought a barrage of unforeseen challenges. Global economies reeled from the unprecedented impact of the Novel Coronavirus (“COVID-19”) pandemic. Lockdown measures that were imposed globally brought key economic sectors, to a near-standstill while national healthcare systems were pushed to their limits. Economic volatility was further exacerbated by an oil price war which saw Brent crude price sliding to USD9.12 per barrel in April 2020. In addition, political conflict in several major countries led to further uncertainties.

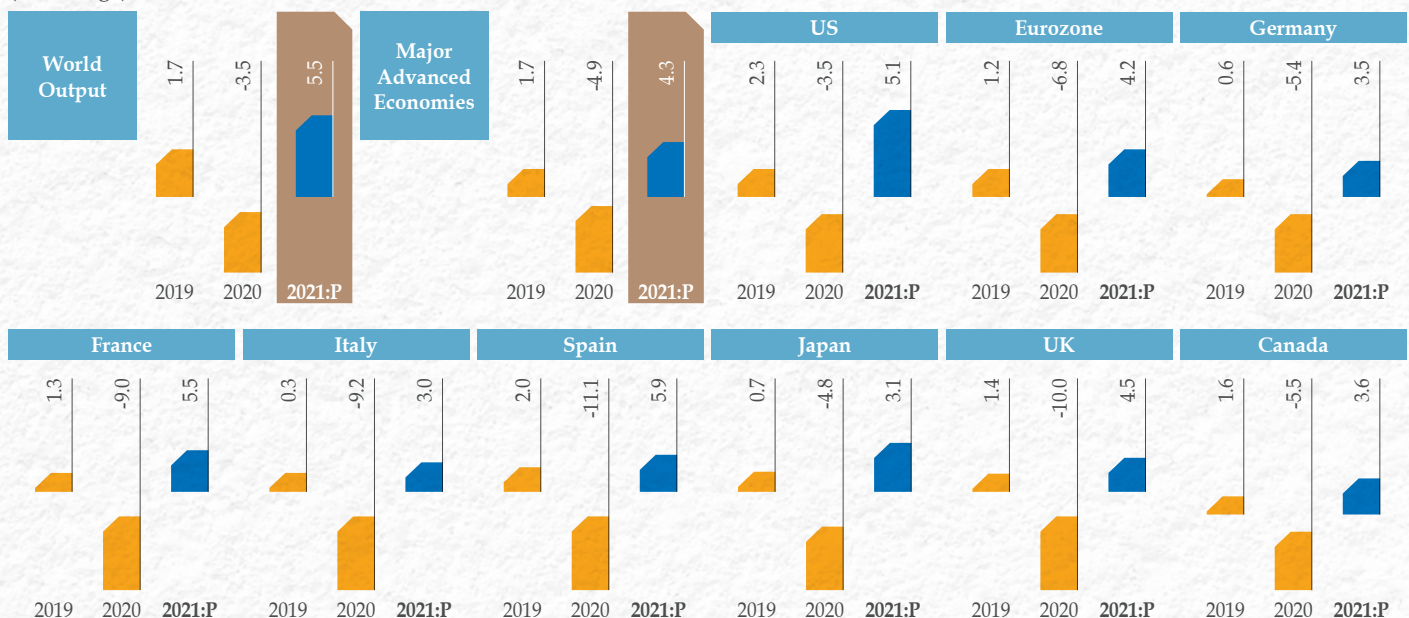
In essence, the global economy was climbing out from the depths to which it had plummeted during the lockdowns and movement restriction periods to contain the COVID-19 pandemic in April 2020. However, as the pandemic continues to spread, many countries have slowed re-opening their borders and some are re-instating partial lockdowns to protect susceptible populations. While recovery in China has been faster than expected, the global economy’s long ascent back to pre-pandemic levels of activity remains prone to setbacks.

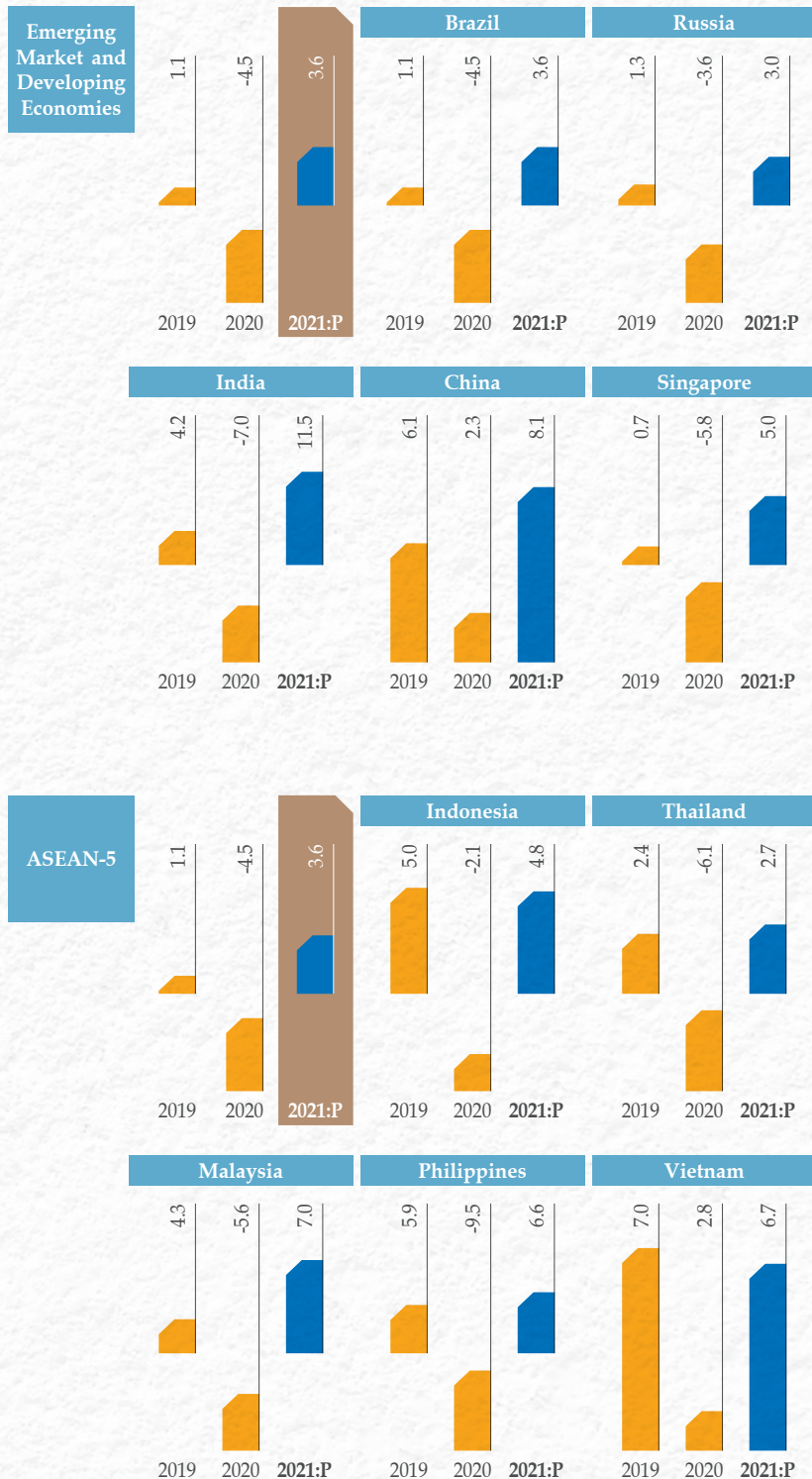
Global economic growth contraction for 2020 is estimated at -3.5% year-on-year (“y-o-y”), i.e. 0.9 percentage points higher than projected in the previous International Monetary Fund (“IMF”) forecast, reflecting a stronger-than-expected

momentum in the second half of 2020. However, governments will have to consider providing more fiscal stimulus to ensure economic activities continue to pick up. In the United States, there are growing expectations for a new government stimulus package because the labour market recovery has weakened, raising concern over sustainability of growth for personal consumption expenditures. The US Federal Reserve is expected to keep its low interest rate policy through the next few years and will allow inflation to go higher so that the recovery in the labour market and the economy will be more entrenched. The European Central Bank also reiterated its readiness to provide more monetary stimulus should pandemic resurgences derail the region’s economic recovery. Countries that continue to struggle with the pandemic are expected to maintain an expansionary policy stance to cushion the impact of the ongoing health crisis on the real economy.

Central banks in certain countries will start to normalise its policy interest rates to address the gradual rise in inflationary pressures while keeping an accommodative stance to sustain economic recovery. Maintaining interest rates at low levels for too long may spur the risk of overheating an economy due to the abundant liquidity. This could create the risk of an asset bubble and rapid growth in indebtedness. Pursuant to that, some major central banks such as the People’s Bank of China is expected to address these emerging risks to avoid another potential crisis in the future.

Global Real GDP (% change)





Outlook for 2021

Recent vaccine approvals and vaccination programme have raised hopes of a global turnaround in 2021, although renewed waves and new variants of the virus pose concerns. Amid the uncertainty, the global economy is projected to grow 5.5% y-o-y in 2021. The 2021 forecast is revised upward 0.3 percentage point relative to the previous IMF forecast, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies.

The US economy is expected to record positive growth in 2021, mainly driven by the sustained recovery in personal consumption expenditures. The improving economic environment will also entice businesses to increase its fixed investment as well as hiring. This in turn will provide support for consumer spending due to improved labour market conditions and possible fiscal stimulus to be injected by the new US administration. A more concerted effort from the US government and the availability of vaccines will be crucial to effectively control the pandemic spread and restore confidence on the US economy. However, improvements in the US labour market will be gradual and it will take time for the unemployment rate to return to pre-pandemic levels of around 3.5% (latest: 6.7% in November 2020).

Meanwhile, given the recent signs of China's successful containment of the COVID-19 infections, its economy is expected to grow relatively better than other economies. Projected growth is 8.1% y-o-y in 2021, driven by growing domestic spending, which will be in line with its government's aspiration to build a stronger and sustained source of growth from within the country. Its consumption activity has recovered and retail sales growth rebounded to positive in recent months. The recovery in exports will also contribute to sustained expansion in China's manufacturing and trade-related activities next year. Nevertheless, the rapid increase in COVID-19 cases in India, Europe and the US will be a cause of concern for China's trade outlook if the situations remain unchecked. Other downside risks that could affect China's economic stability include the high level of debts among the state-owned enterprises ("SOEs") and the risk of overheating in the property market.

INDUSTRY AND MARKET OVERVIEW

MALAYSIA

2020 Review

Malaysia's gross domestic product ("GDP") declined by 3.4% y-o-y in the fourth quarter of 2020, following the reinstatement of social distancing measures to contain the surge of virus infections. 2020's full year GDP contraction stood at 5.6% y-o-y. The government introduced a nationwide movement control order ("MCO") commencing 18 March 2020 to curb the spread of the virus. The most severely hit economic sectors from these restrictions were manufacturing, tourism and construction.

The MCO led Malaysia to record the worst performance in terms of GDP growth among ASEAN-5 countries in the second quarter of 2020. However, as Malaysia eased restrictions by stages, the recovery was much faster in the third quarter, exceeding the performances of Singapore, Indonesia and Philippines.

Weaker consumer spending due to the physical movement restrictions have had a spillover effect on the services industry, particularly consumer-related sub-sectors such as retail trade, restaurants, hotels, travel, education and recreation services. International border closures also added to this impact. Nevertheless, the risk to consumption was cushioned by growing online purchases as Malaysians adjusted to the 'new normal', facilitated by the availability of e-commerce platforms, home delivery services and online financial services.

In a bid to provide assistance to the most affected consumer and business segments, the Malaysian government implemented the necessary expansionary fiscal and monetary policies, with RM38 billion direct fiscal injection from the RM305 billion economic stimulus packages announced in FY2020, which include PRIHATIN, PRIHATIN SME+, PENJANA and KITA PRIHATIN.

Following the announcement of the expansionary 2021 budget, Fitch Ratings lowered its sovereign credit rating on Malaysia by one notch to BBB+ due to the negative impact of the pandemic on its fiscal position and political risks.

Malaysia GDP by Demand and Sectors (% change)

	2019	2020	2021:P
Real GDP	4.3	(5.6)	7.0**
By Demand:			
Domestic Demand	3.3	(5.1)	6.5
Private Consumption Expenditure	7.6	(4.3)	5.7
Government Consumption Expenditure	2.0	4.1	4.0
Gross Fixed Capital Formation	(2.1)	(14.5)	9.6
External Demand:			
Exports of Goods and Services	(1.3)	(8.8)	7.3
Imports of Goods and Services	(2.5)	(8.3)	9.4

Source:

**Overview of World Economic Outlook Projections by IMF
Oxford Economics

Outlook for 2021

The ongoing COVID-19 pandemic will remain as the biggest threat to the economic recovery process followed by other issues such as rising protectionism, geopolitical tension, political instability and volatility in commodity prices. Generally, Malaysia's GDP growth is projected to return to positive in 2021, with the Malaysian government forecast of 6.5% to 7.5% y-o-y, while the IMF, the World Bank and Bloomberg median forecast GDP growths of 7.0%, 5.6% to 6.7% and 5.5%, respectively. The expectation was generally based on the prospect of the successful containment of the virus in the country and also by its key trading partners, including China, Singapore and the US.

The latest resurgence in cases in the months of January and February 2021 has forced another round of lockdown restrictions, albeit viewed to be less stringent than what was previously imposed and most economic activities are allowed to continue operating within a strictly controlled environment.

As economic activities resume and sentiments improve, private consumption and private investment are expected to rebound in 2021. The improving domestic demand trend is expected to become more evident in 2021, arising from improving labour market, benign inflation, and numerous pro-consumption initiatives announced by the government in its various economic stimulus packages. These initiatives will encourage more spending moving forward as it raises the Rakyat's disposable income.

Meanwhile, an increase in both domestic and global demands will raise local production, which would push for business expansions or encourage the opening of new businesses. Soft loan/financing funds, grants and other financial aid for entrepreneurs on top of Micro Franchise Development programmes introduced by the government through its various stimulus packages, will be positive for new investment activities.

A gradual return in global activities as countries emerged from COVID-19 shocks will result in more trade flows in 2021. The robust performance of China's economy added support to this expectation as the country is Malaysia's largest trading partner. As such, China's economic recovery would translate into continuous increase in demand for Malaysia's export products.

BANKING SECTOR REVIEW & OUTLOOK

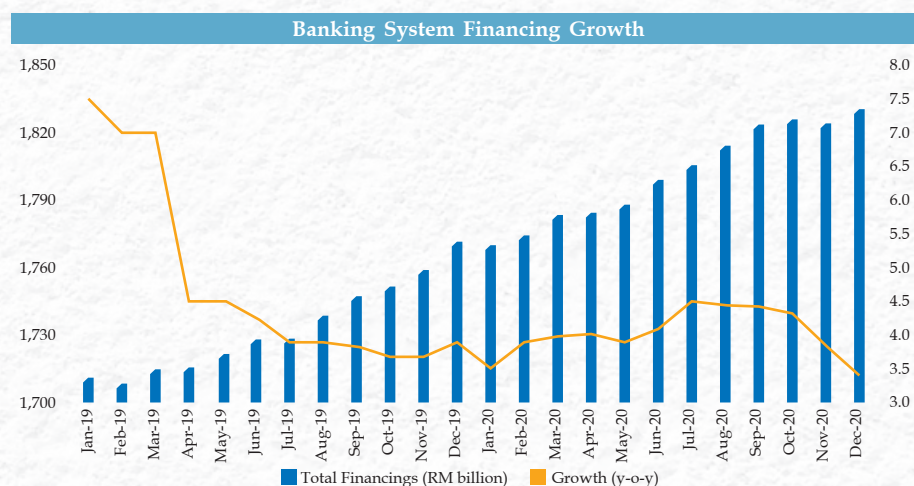
2020 Review

As with the majority of economic sectors, banks were not spared the impact of the COVID-19 pandemic. The MCO implemented on 18th March 2020 led to a halt in economic activities and raised the risk of banks' asset quality deteriorating rapidly. Fortunately, the government and Bank Negara Malaysia ("BNM") stepped in with a swift policy action via stimulus measures to provide support to the economy and businesses, and indirectly to banks. The blanket loan/financing moratorium gave breathing space to those adversely affected, including the banks. Banks were also allowed to not categorise restructured and rescheduled accounts as impaired, thus cushioning the banks' asset quality from deteriorating extensively.

The banking sector's performance in the fourth quarter of 2020 was unsurprisingly weak due to elevated provisions across almost all the banks, with aggregate sector earnings for the quarter plunging 33% y-o-y as net provisions more than tripled over the same period. The sector's net credit costs jumped by 131 basis points ("bps") as additional overlays and buffers were set aside. Delinquencies, mainly from the retail/consumer segment, had also risen following the automatic moratorium's expiry in October 2020. Up until February 2021, around 13% of the banks' financings were under financial assistance, of which 9% were covered through Stage 1 and Stage 2 provisions stock. Given the ongoing market uncertainty, credit costs are expected to moderate from 2020 highs but still elevated at around 60 bps.

Following the aggregate 125 bps policy rate reductions by BNM up until July 2020, a strong margin recovery was observed across the industry. Reported net interest margin ("NIM") recovered by an average of 13 bps on quarterly basis, as fixed deposits were re-priced and current account and savings account ("CASA") deposit balances stayed high.

Muted growths of circa 2.5% y-o-y and 0.7% quarter on quarter ("q-o-q") were recorded for financings in the last quarter of 2020. The availability of Targeted Payment/Repayment Assistance ("TPA TRA") programmes to the retail/consumer segment enabled most banks to avoid potential non-performing loans financings ("NPL/NPF") shocks after the automatic moratoriums ended in October 2020. Nevertheless, delinquencies did increase, particularly for customers on reduced installments. On a q-o-q basis, absolute gross impaired loans ("GIL") rose by 4.0% for the banking system, most of which originated from the more retail-centric banks.









Outlook for 2021

A vaccine-induced recovery in 2021 remains intact and provides overall positive sentiment for almost all economic sectors, including the banking sector. The financial performance of the banking sector is closely tied to the economic performance, being its backbone. Economic activities create demand for financial services such as productive financings for businesses, consumptive financings and transactional deposits.

The banking sector is projected to be among the direct beneficiaries of the positive rebound in the country's GDP growth in 2021. In general, forecasts for Year 2021 include: (i) provisions and financing impairments to start tapering by the third quarter of 2021; (ii) better growth from net interest income ("NII") coming from robust financings growth and low cost of fund; and (iii) operating expenditure ("OPEX") continues to be well contained. For FY2021, earnings of banks are projected to expand by circa 19.0% y-o-y from the expectation of 24.0% y-o-y contraction in FY2020.

Amid the anticipated improved economic environment, demand for financings in 2021 is expected to accelerate, leading to higher financings growth especially in the second half of 2021. Consumer demand should remain resilient, supported by the extensions of automotive sales tax exemption until June 2021 and Home Ownership Campaign until May 2021. Besides that, the business segment would also drive financings growth in 2021 to fund for the expected increase and recovery of business activities. As such, financings growth for FY2021 is forecast at 5.0% y-o-y (against 3.4% y-o-y in FY2020).

STAKEHOLDER ENGAGEMENT

Stakeholder Group	Engagement Platform	Stakeholders Expectations
 Shareholders & Investors	<ol style="list-style-type: none"> 1. Annual reports 2. Sustainability statements 3. Quarterly financial announcements 4. Online communications (e-mail, corporate website, social media) 5. Meetings and discussions (upon request) 	<ol style="list-style-type: none"> 1. Sustainable financial returns with prudent cost management 2. Proactive management of asset quality and credit risks from exposure to sectors affected by the pandemic 3. Sound balance sheet management 4. Sustainable and long-term business strategy 5. Integration of VBI elements in business operations 6. Ethical and responsible business conduct 7. Strong and experienced directors and management 8. Transparent reporting and disclosures 9. Initiatives to mitigate effects of the pandemic
 Customers	<ol style="list-style-type: none"> 1. Digital touchpoints: internet banking, digital apps 2. Online communications (e-mails, corporate website, social media) 3. Sales & Customer Service Centres 4. Call centres 5. Customer networking events 6. Representatives at branches 7. Printed materials 8. Customers survey 	<ol style="list-style-type: none"> 1. Innovative financial solutions in products and services offered 2. Convenient, continuous and safe access to banking services during the pandemic 3. Value-for-banking products and services that are both competitive and transparent 4. Secured and safe environment to conduct banking activities especially through digital channels with strict customers data protection 5. Excellent customer service
 Business Partners	<ol style="list-style-type: none"> 1. Online communications (e-mail, corporate website, social media) 2. Formal & informal engagements 3. E-Procurement system 	<ol style="list-style-type: none"> 1. Convenient access to procurement systems 2. Fair and equal evaluation of vendors and their proposals 3. Communicate fair conditions that satisfy both suppliers and the Bank's needs 4. Communicate new policies, guidelines or strategies to ensure optimal performance 5. Transparent reporting and disclosures to ensure smooth collaboration with potential partners
 Regulatory Agencies & Statutory Bodies	<ol style="list-style-type: none"> 1. Regular updates and reporting to regulators 2. Actively participate in regulatory forums, briefings, meetings, conferences and consultation papers 	<ol style="list-style-type: none"> 1. Compliance with all legal and regulatory requirements 2. Good corporate governance 3. Transparent reporting and disclosures 4. Active participation and contribution to industry and regulatory working group
 Local Community	<ol style="list-style-type: none"> 1. Community engagement activities 2. Online communications (e-mails, corporate website, social media) 3. Digital touchpoints: mobile apps, internet banking, SMS blasts) 4. Live forums like Fadhillat Muamalat 5. Printed materials 	<ol style="list-style-type: none"> 1. Financial and VBI literacy awareness 2. Bank-led efforts in tackling common social, economic and environmental issues 3. Providing feasible and convenient access to advisory on suitable financial solutions 4. Social responsibility role in building a resilient and thriving community
 Employees	<ol style="list-style-type: none"> 1. Bank's internal portal and e-mails 2. Employee dialogue sessions with CEO 3. Annual engagement survey 4. Social and recreational activities 5. Regular employee engagement events and programmes 6. Meetings and roadshows 	<ol style="list-style-type: none"> 1. Fair remuneration, recognition and effective performance management 2. Balanced work-life environment 3. Various opportunities for career development and advancement 4. An empowering environment that embraces diversity and enables employees to deliver quality work output 5. A safe, healthy and conducive workplace supported by flexible work practices

Response from Bank to these Expectations	Relevant Material Matters
<ol style="list-style-type: none"> 1. Implementation of our 5-year strategic plan for long-term sustainable growth 2. Re-prioritisation of strategies to adapt to the vulnerable market landscape due to the pandemic 3. Activation of business continuity plan to ensure uninterrupted services 4. Transparency in corporate reporting and disclosures through multiple platforms 5. Realignment of risk appetite and financing strategies to curb impact to the Bank due to the pandemic 6. Appointment of directors and senior management with vast experience and knowledge 7. Continuous integration of VBI practices in products and services 8. Timely response to concerns raised 	<ol style="list-style-type: none"> 1. Economic performance 2. Responsible financing 3. Digital banking 4. Energy consumption and environmental impact 5. Ethics and integrity
<ol style="list-style-type: none"> 1. Innovate offerings to address customers' financial needs 2. Extend financial relief assistance 3. Implement strict SOPs to ensure customers' safety at branches 4. Enhance touchpoints, physical or digital, to maximise customers' satisfaction 5. Drive service excellence via skilful and trained customer services personnel 6. Improve processes to deliver operational excellence 7. Enhance end-to-end cyber response and simulation plans to ensure cyber resilience 8. Continuously strengthen IT security 9. Continuous awareness via online communication and digital touchpoints to educate customers and employees on potential fraud and scams 	<ol style="list-style-type: none"> 1. Economic performance 2. Digital banking 3. Ethics and integrity 4. Entrepreneur development 5. Responsible financing 6. Financial inclusion 7. Customer experience
<ol style="list-style-type: none"> 1. Support local vendors 2. Conduct vendor site visits and offline review to ensure responsible practices maintained 3. Conduct engagement sessions to ensure vendors' understanding on the procedures, processes, guidelines, expectations of deliverables and quality 4. Conduct engagement sessions to ensure fair practices and vendor outsourcing is transparent 	<ol style="list-style-type: none"> 1. Procurement practices 2. Economic performance 3. Digital banking 4. Ethics and integrity
<ol style="list-style-type: none"> 1. Continuous updates on our system and processes to meet current compliance and risk requirements 2. Effective compliance delivery, risk management and governance to meet regulatory requirements 3. Integrate Value-Based Intermediation ("VBI") elements into risk management practices 4. Timely and transparent reporting to regulatory agencies and statutory bodies 	<ol style="list-style-type: none"> 1. Economic performance 2. Responsible financing 3. Ethics and integrity 4. Energy consumption and environmental impact
<ol style="list-style-type: none"> 1. Collaboration with various state religious councils and continuous engagement with government agencies 2. Engage with communities by conducting community programmes to cater to their needs 3. Promote access to advisory on suitable financial solutions via digitalisation 4. Extend financial relief assistance 5. Launched Jariah Fund, a social welfare crowdfunding platform 	<ol style="list-style-type: none"> 1. Community development 2. Energy consumption and environmental impact
<ol style="list-style-type: none"> 1. Enhance delegation of tasks and address the need to improve employees' performance 2. Strengthen online learning and career development programmes to equip employees with essential skills for them to be at par with their peers in the industry 3. Salary benchmarking exercise against market practice 4. Conduct employee engagement and employee satisfaction surveys 5. Implement strict SOPs to ensure employee's safety at workplace 6. Introduce split operations to ensure ease of working and curb the spread of pandemic at the workplace 	<ol style="list-style-type: none"> 1. Employment 2. Diversity and equal opportunity 3. Training and education 4. Ethics and integrity

OUR MATERIAL MATTERS

WE HAVE IDENTIFIED OUR MATERIAL MATTERS BY IDENTIFYING, EVALUATING AND PRIORITISING RELEVANT THEMES WHICH IMPACT OUR DELIVERY OF VALUE OVER THE SHORT, MEDIUM AND LONG TERM.

HOW WE DETERMINE OUR MATERIAL ISSUES

We view the materiality determination process as a business tool that facilitates integrated thinking.



Identification

In defining our material issues, we have reviewed previous material matters, engaged with our stakeholders on their expectations, concerns and needs, as well as assessed issues relevant to industry best practices such as the Global Reporting Initiative (“GRI”) Standards and the Integrated Reporting <IR> Framework.



Evaluation





Our senior management has evaluated the identified material matters internally, guided by standards such as Bursa Malaysia Securities Berhad’s Main Market Listing Requirements and the International Integrated Reporting Council (“IIRC”) framework, as well as externally by measuring the matters across its impact on our business and relevance to our stakeholders.







Prioritise





We prioritised our material matters based on its importance to our business and our stakeholders.

The following provides information on our material matters, how we have responded to the matters, the relevant stakeholders impacted and the sections in this Report which disclose our response to the matters:

	What it Means to the Bank	Discussed in
 Ethics and Integrity	<ul style="list-style-type: none"> • Compliance with all applicable laws and regulations by BNM, CCM and other relevant local authorities; IFSA, AMLA, PDPA etc • Compliance with the capital adequacy and liquidity guidelines as stipulated by Basel III • Value Based Banking practices that are aligned with VBI principles • Enshrining a commitment of ethical conduct and behaviour throughout the organisation, from directors to officers 	<ul style="list-style-type: none"> • AR: Stakeholder Engagement • AR: Delivering our Strategy • SR: Procurement Practices • SR: Ethics & Integrity
 Economic Performance	<ul style="list-style-type: none"> • Ensuring the Bank's strategic direction, operational activities and business create direct economic value to the society; and are aligned to Malaysia's Economic Plan 	<ul style="list-style-type: none"> • AR: Segmental Performance • AR: Business Model • SR: Responsible Financing • SR: Entrepreneur Development • SR: Economic Performance
 Entrepreneur Development & Responsible Financing	<ul style="list-style-type: none"> • Strategy, initiatives and efforts to help the underserved segments that drive the economy (i.e SMEs, MSMEs, Entrepreneurs) • Financing that satisfies the ESG criteria • Financing that do not support unethical activity 	<ul style="list-style-type: none"> • AR: Business Model • AR: Stakeholder Engagement • AR: Delivering our Strategy • AR: Segmental Performance • SR: Responsible Financing • SR: Entrepreneur Development • SR: Economic Performance
 Procurement Practices	<ul style="list-style-type: none"> • Covers the practice of buying goods and services; including processing of a demand, receipt and payment approval • Ensuring a stable, fair and sustained supply chain through SOP, initiatives, evaluation criteria and vendor on-boarding process • Efforts in social procurement to ensure future vendors/ Bank's supply chain will not abuse local and international human rights 	<ul style="list-style-type: none"> • AR: Stakeholder Engagement • SR: Procurement Practices • SR: Ethics & Integrity

OUR MATERIAL MATTERS

	What it Means to the Bank	Discussed in
 Digital Banking	<ul style="list-style-type: none"> • Exploring digital transformation and building internal capability for greater customer experience, accessibility and efficiency • Technological development and digitisation of financial services to assist customers in their banking needs and to also expand our customer base, from various medium of communication 	<ul style="list-style-type: none"> • AR: Business Model • AR: Stakeholder Engagement • AR: Delivering our Strategy • SR: Digital Banking • SR: Customer Experience • SR: Financial Inclusion
 Energy Consumption & Environmental Impact	<ul style="list-style-type: none"> • Optimising energy consumed in various forms (such as fuel, electricity and water) for the Bank's operations • Monitoring efficient management of natural resources • Conducting activities (for the community and the Bank) to help improve the environment 	<ul style="list-style-type: none"> • AR: Business Model • AR: Stakeholder Engagement • SR: Energy Consumption & Environmental Impact
 Community Development	<ul style="list-style-type: none"> • Empowering communities through development programmes that create positive impact 	<ul style="list-style-type: none"> • AR: Stakeholder Engagement • AR: Business Model • AR: Segmental Performance • SR: Community Development • SR: Responsible Financing • SR: Procurement Practices
 Customer Experience	<ul style="list-style-type: none"> • Customer service performance and initiatives taken by the organisation to improve service delivery whilst maintaining compliance with existing laws and regulations regarding customer confidentiality • Creating an enjoyable, reliable and memorable customer journey whilst managing the right balance between digital and traditional approach 	<ul style="list-style-type: none"> • AR: Business Model • AR: Delivering our Strategy • AR: Stakeholder Engagement • SR: Digital Banking • SR: Customer Experience • SR: Financial Inclusion

	What it Means to the Bank	Discussed in
 Diversity and Equal Opportunity	<ul style="list-style-type: none"> • Ensuring diversity within the Bank to gain access to a larger pool of potential candidates and also create an environment of equality and social stability which subsequently supports economic development • Ensure employees are treated equally and given fair treatment based on individual merit • Protect employees from comments or actions of discrimination and harassment on the grounds of race, colour, sex, religion and political opinion 	<ul style="list-style-type: none"> • AR: Business Model • AR: Stakeholder Engagement • SR: Employment • SR: Diversity & Equal Opportunity
 Training & Education	<ul style="list-style-type: none"> • Improve human capital through education and information dissemination • Ensure ability to perform by attaining a required level of knowledge or skill • Expand the knowledge base of employees towards better organisational development 	<ul style="list-style-type: none"> • AR: Delivering Our Strategy • SR: Employment • SR: Training & Education
 Employment	<ul style="list-style-type: none"> • Covers the Bank's approach to hiring, recruitment, retention and related practices, as well as: • Ensuring the wellbeing of employees • Providing rewards and recognition based on merit and contribution • Improve the Bank's ability to attract and retain talent 	<ul style="list-style-type: none"> • AR: Business Model • SR: Employment • SR: Training & Education • SR: Diversity & Equal Opportunity
 Financial Inclusion	<ul style="list-style-type: none"> • Creating effective touchpoints to communicate with customers, potential customers and businesses and provide access to useful and affordable products. 	<ul style="list-style-type: none"> • SR: Financial Inclusion • SR: Community Development






Note : Annual Report ("AR") and Sustainability Report ("SR")

MITIGATING PRINCIPAL RISKS

At Bank Muamalat, formulation and implementation of sound risk strategies go hand-in-hand with building and executing our business and sustainability strategies. Continuous risk identification, analysis and mitigation have been and shall remain as key components of risk management. While good and efficient risk management is critical in ensuring business resiliency, survival and success, prudent risk management provides the buoys and anchors to tide through periods of volatility and high uncertainties. In addition, mindful risk management cascades positive impact and value for all stakeholders..

Type of Risk	Credit Risk	Market Risk	Rate of Return Risk	Liquidity Risk
Description and Impact of the risk on BMMB	<p>The risk of financial loss if a customer or counterparty fails to meet its obligations. It is the primary source of risk to the Bank.</p> <p><i>This risk may impact the Bank's profitability, liquidity, asset quality and reputation.</i></p>	<p>The risk of losses in on- and off-balance sheet positions resulting from movements in market rates, foreign exchange rates, equity and commodity prices, which may adversely impact earnings and capital positions.</p> <p><i>The risk may present an impact on the Bank's profitability, liquidity and capital.</i></p>	<p>The risk of variability of assets and liabilities arising from volatility of market benchmark rates, impacting portfolios both in the trading and banking books. Such changes may adversely affect both earnings and economic value.</p> <p><i>The Bank's capital, liquidity and profitability may be impacted by the risk.</i></p>	<p>The risk of inability to fund any obligation on time as they fall due, whether due to increase in asset or demand for funds from depositors. This ability has a serious implication on reputation and continued existence.</p> <p><i>The risk could impact the Bank's capital, liquidity, profitability, liquidity and reputation.</i></p>
How we manage or mitigate the risk	<ul style="list-style-type: none"> Enhance key risk indicators to monitor emerging credit risk and provide early warning signals Ongoing review, enhancements and monitoring of risk appetite. Enhance and tighten risk acceptance criteria Periodic review on credit ratings/scoring Ongoing monitoring on collaterals, guarantees and risk limits Conduct periodic stress testing and scenario analysis Diversify into new market segments for consumer financing Streamline and enhance credit risk policies 	<ul style="list-style-type: none"> Develop hedging strategies against adverse price movements Enhance monitoring in market risk limits Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals Diversification in pricing strategy Conduct periodic stress testing and scenario analysis 	<ul style="list-style-type: none"> Develop hedging strategies against adverse price movements Enhance monitoring in market risk limits Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals Diversification in pricing strategy Conduct periodic stress testing and scenario analysis Enhance risk strategies and monitoring in Asset and Liabilities Management 	<ul style="list-style-type: none"> Enhance liquidity limits and strategy to manage and optimise liquidity position Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals Enhance Liquidity Contingency Funding Plan to manage liquidity crisis Ongoing monitoring of liquidity crisis early warning signals Diversification in pricing strategy Conduct periodic stress testing and scenario analysis
Link to Material Matter and/or Strategy	<ul style="list-style-type: none"> Ethics & Integrity Economic Performance Entrepreneur Development & Responsible Financing Customer Experience Financial Inclusion Digital Banking 	<ul style="list-style-type: none"> Ethics & Integrity Economic Performance Financial Inclusion Digital Banking 	<ul style="list-style-type: none"> Ethics & Integrity Economic Performance Financial Inclusion 	<ul style="list-style-type: none"> Ethics & Integrity Economic Performance Financial Inclusion Digital Banking

We strive to manage our risks by thoroughly understanding the positions and concerns of our stakeholders in determining issues that are material to the business. Here, we outline the principal risks within our operating environment and define the ways in which they could affect Bank Muamalat as well as key developments of those risks for FY2020.

 Operational Risk	 Shariah Non-Compliance Risk	 Technology and Cybersecurity Risk	 Strategic Risk	 Reputational Risk
<p>The risk of loss resulting from inadequate or failed internal processes, people and system or from various external events. The effect may extend beyond financial losses and may result in legal and reputational risk impacts.</p> <p><i>This risk could also create an impact on the Bank's profitability and ability to meet regulatory requirements as well as disrupt the Bank's business.</i></p>	<p>The risk that arises from failure to comply with the Shariah rules and principles as determined by the Shariah Committee ("SC") of the Bank and relevant Shariah regulatory councils or committees.</p> <p><i>This risk creates regulatory, profitability and reputation impacts.</i></p>	<p>Risk arising from failure of IT systems, applications, platforms or infrastructure, which could result in financial loss, disruptions to the technical infrastructure and operations, or reputational harm.</p> <p>Cybersecurity risk is the probability of exposure or loss resulting from a cyber attack or data breach.</p> <p><i>This risk could impact the Bank's profitability, disrupt the Bank's business and have reputation impacts.</i></p>	<p>The risk of unexpected adverse developments in the Bank's performance stemming from fundamental strategic and business decisions and their execution.</p> <p><i>The risk may present impacts to the Bank's profitability, capital and reputation.</i></p>	<p>The risk of loss arising from negative perception of the Banks's image by conduct or business practice which adversely impact profitability, operations or shareholder value.</p> <p><i>The Bank's reputation, liquidity, capital and profitability may be impacted by this risk.</i></p>
<ul style="list-style-type: none"> Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals Ongoing review and validation of operational risk tools, i.e. Risk & Control Self-Assessment ("RCSA"), Key Risk Indicators ("KRI") and Incident Management & Data Collection ("IMDC") Ongoing management of bank-wide operational risks and monitoring of risk ratings Ongoing management of business continuity strategy and plan Ongoing management and monitoring of outsourcing arrangements and mitigation strategy Conduct periodic stress testing and scenario analysis 	<ul style="list-style-type: none"> Ongoing Shariah review Continuous monitoring & reporting of Shariah non-compliances Enhance monitoring and tracking of shariah non-compliance risk exposures via risk tools, i.e. Key Risk Indicators, Risk Control Self-Assessment and Incident Management and Data Collection. Conduct periodic stress testing and scenario analysis 	<ul style="list-style-type: none"> Establish and operationalise Technology Risk Management Framework ("TRMF") and Cyber Resilience Framework ("CRF") Develop and execute IT strategies in alignment with business requirements and adherence to BNM's Risk Management in Technology ("RMIT") policy Monitor technology and cyber security risks and strategise key initiatives and capabilities that improves the overall technology and cyber posture Improve cyber resilience maturity level and ensure sustainability of cyber security controls 	<ul style="list-style-type: none"> Ongoing review, enhancement and monitoring of the business strategies, risk appetite and capital planning process Conduct periodic stress testing and scenario analysis 	<ul style="list-style-type: none"> Ongoing monitoring of Bank's risk rating Perform competitive analysis on industry and market benchmark Conduct periodic stress testing and scenario analysis Build and protect goodwill
<ul style="list-style-type: none"> Ethics & Integrity Economic Performance Procurement Practices Training & Education Customer Experience Financial Inclusion Digital Banking 	<ul style="list-style-type: none"> Ethics & Integrity Economic Performance Customer Experience Financial Inclusion 	<ul style="list-style-type: none"> Ethics & Integrity Economic Performance Financial Inclusion Customer Experience Digital Banking 	<ul style="list-style-type: none"> Ethics & Integrity Economic Performance Customer Experience Financial Inclusion Digital Banking 	<ul style="list-style-type: none"> Ethics & Integrity Economic Performance Customer Experience Financial Inclusion Community Development Employment Training & Education Diversity & Equal Opportunity Procurement Practices Digital Banking

OUR VALUE CREATION MODEL

Through the use of our robust capitals, prudent strategy and resource allocation, the management of risk and strong corporate

OUR CAPITAL INPUTS



Financial Capital

Financial capital is defined as the pool of funds available to the Bank.

- Shareholders' equity: RM2.65 billion
- Deposits from customers: RM21.50 billion



Manufactured Capital

Manufactured capital includes the Bank's infrastructure, i.e. physical branches, data centres and equipment and digital technology that facilitates the Bank's services to customers.

- 67 branches and Ar-Rahnu outlets
- 22 3-in-1 terminals
- 136 ATMs
- 71 2-in-1 terminals
- i-Muamalat Mobile Apps
- Retail and Corporate Internet Banking
- QR Payment for Merchants
- Muamalat Application Platform ("MAP")
- Ar-Rahnu Online Auction



Human Capital

This capital covers the skills and experience of all the Bank's employees which enable the Bank to deliver its strategy, products and services to create value for stakeholders.

- Number of employees: 2,304 (FY2019: 1,904)



Intellectual Capital

This capital describes the Bank's brand and reputation management, as well as investments in technological platforms

Includes Risk Management & Compliance Culture and Framework



Social & Relationship Capital

This capital describes the relationships built between communities, stakeholders and other relevant stakeholder groups.

- More than 659,000 customers (FY2019: 640,000 customers)
- Embracing value-based financing to meet VBI as well as EES practices



Natural Capital

This capital covers how we consume and manage natural resources, primarily energy and paper. It also includes financing of activities that manage environmental impact well

VALUE-BASED PRINCIPLES

1

Resetting Target Markets

2

Disciplined Balance Sheet Management

3

Digital Transformation

4

Data Monetisation

5

Infrastructure

6

Continuous Process Improvement & Shariah Innovation

7

Talent Management

THE VALUE CREATION PROCESS IS DRIVEN BY EES PRACTICES AND



CARE






RESPECT



INTEGRITY

governance - the Bank's business model continues to deliver value for its stakeholders.

	Financial Capital	Manufactured Capital	Human Capital	Intellectual Capital	Social & Relationship Capital	Natural Capital
 <p>Value Creation Process</p>	<ul style="list-style-type: none"> Boost deposits for various target markets especially on low cost or sticky deposits Sustained long term business growth and profitability focusing on new strategic focus areas Continue to focus on financing growth using the key areas targeted approach Improve asset quality with close monitoring of potential new impaired financing Drive productivity as well as efficiency through digital transformation and operational excellence 	<ul style="list-style-type: none"> Continuous improvement in mobile apps and internet banking to increase customer experience while using our banking services Launched Muamalat Application Platform ("MAP") in October 2020 that allows customers to apply for financing online 	<ul style="list-style-type: none"> Continued focus on employee engagement programmes Certification programmes to enhance employees' standards of excellence as well as business mastery to enhance business acumen Continuous knowledge sharing, engagement, mentoring and talent development Introduce web and mobile supported e-training & e-learning Revision of flexible working hours to ensure employee well-being 	<ul style="list-style-type: none"> Continuous strategic partnership with local Islamic state councils in managing Wakaf Muamalat Continuous engagement with digital platform players Continuous marketing on social media to ensure wider outreach 	<ul style="list-style-type: none"> Financial planning advisory for selective local communities Regular engagements with suppliers and vendors Introduced Jariah Fund, a social welfare crowdfunding platform to generate a sustainable impact on the economy 	<ul style="list-style-type: none"> Completed replacement of LED bulbs for HQ VBI consideration is included in credit decision making especially for the non-retail segment
 <p>FY2020 Outcomes</p>	<ul style="list-style-type: none"> RM426.1 million profit paid to depositors Profit before tax was RM175.0 million Common Equity Tier I at 15.49% CASA grew by 31.6% y-o-y CASA to total deposits ratio was 36.1% Return on Equity at 6.84% Lowest gross impairment ratio of 1.07% 	<ul style="list-style-type: none"> Mobile apps subscriber increased by 32.3% Penetration rates of digital based platform has seen a rise in the number of active customers: <ol style="list-style-type: none"> Retail Internet banking - FY2020: 56.4% (FY2019: 48.3%) Mobile banking - FY2020: 21.4% (FY2019: 13.8%) More than 500 accounts that applied through MAP have been approved 	<ul style="list-style-type: none"> Diversity of workforce - Employee: Male: 1,001 (49.2%); Female: 1,033 (50.8%) Average training hours per employee: 58.4 hours 	<ul style="list-style-type: none"> MoU with Wahed Investment for digital investment channels 	<ul style="list-style-type: none"> RM1.4 billion financing asset through <i>pembinaan pengurusan kewangan</i> Achieved 91% complaints resolution within 2 working days Customer satisfaction increased to 84% as compared to 81% in the preceding financial year RM6.81 billion financing outstanding that positively impacts the economy, society and environment Jariah Fund collected RM40,415.00 for a total of 11 on-going projects 	<ul style="list-style-type: none"> Financing for preserving natural environment was RM228 million for FY2020
 <p>Trade-Offs</p>	<ul style="list-style-type: none"> A clear trade-off for this capital can be seen through our commitment in our long-term investment to ensure the Bank's sustainable growth though this is somehow moderated with our cost optimisation especially for our investments in digitalisation and process improvement. 	<ul style="list-style-type: none"> Our investment in digital banking platforms as well as physical services are essential to us as we believe building continuous relationships with the customers and making their transactions easier will help us grow and sustain our business thus improving all our capitals in the long term. 	<ul style="list-style-type: none"> Investment in the form of Financial capital was expended on programmes and trainings for functional, social and leadership development. 	<ul style="list-style-type: none"> An essential amount of investment has been expended on intellectual capital through our financial and human capital to drive productivity and efficiency. 	<ul style="list-style-type: none"> The Bank supports the local community through Financial, Human and Manufactured capital. The Bank views this as an essential trade-off as the resources used will lead to wider reach, better networking, improved brand awareness and opportunities to serve a diverse community. 	<ul style="list-style-type: none"> As part of our effort to promote VBI compliant practices and optimise our resources to ensure marginal impact to the environment, investment in the form of financial capital has been expended to ensure more efficient technologies and environmental awareness in our operations.

ANCHORED BY THE BANK'S GOVERNANCE, RISK & COMPLIANCE



INNOVATIVE



SERVICE ORIENTED

OUR STRATEGIC DIRECTION

FY2020 marks the first year of the Bank's 5-year strategic business plan, RISE24. However, the COVID-19 pandemic brought about unprecedented challenges that somewhat derailed our strategic priorities. As a champion of Value-Based Intermediation ("VBI"), Bank Muamalat's responsibility towards sustaining communities was also brought to the fore during the year. As a result, after the first three (3) months of implementation, the Bank's ongoing RISE24 was re-evaluated and revised.

The 24 strategies under the seven (7) Strategic Focus Areas ("SFAs") have been re-assessed and prioritised to better deal with the market turbulence caused by the pandemic. Strategies that have been prioritised include expansion into better-rated customer segments; increasing contribution of non-funded income; automating internal process; and increasing collaboration and partnership for digitalisation. Meanwhile, a few strategies have been put on hold, including establishment of sales centre and dedicated sales hubs. This is because in the new normal, physical visits to branches are restricted and online transactions are paving the way ahead.

By April 2020, the Bank completed refinements to the strategies set in RISE24 to create a revised plan for FY2020 focused on surviving pandemic conditions, adapting to a new business normal, and staying competitive.

Surviving Pandemic Challenges

- Priority is placed on defending the quality of financing assets, intensifying the recovery plan and optimising liquidity in capital management. Initiatives launched during FY2020 included:
 - i. **Revising the Bank's preferred and non-preferred sectors list according to the current market situation** to reduce risk of financing default in badly impacted sectors whilst increasing financing exposure in high potential sectors.
 - ii. **Embarking on an aggressive recovery plan** through proactive rescheduling and restructuring of accounts, in addition to close monitoring of customers in COVID-19 affected sectors.
 - iii. **Improving funding strategy to mitigate liquidity risk.** This was done by intensifying deposit taking activities by offering competitive rates, attractive campaigns, and the increased use of digital solutions such as DuitNow, internet banking and QR Pay for deposit sourcing.

Adapting to the New Normal

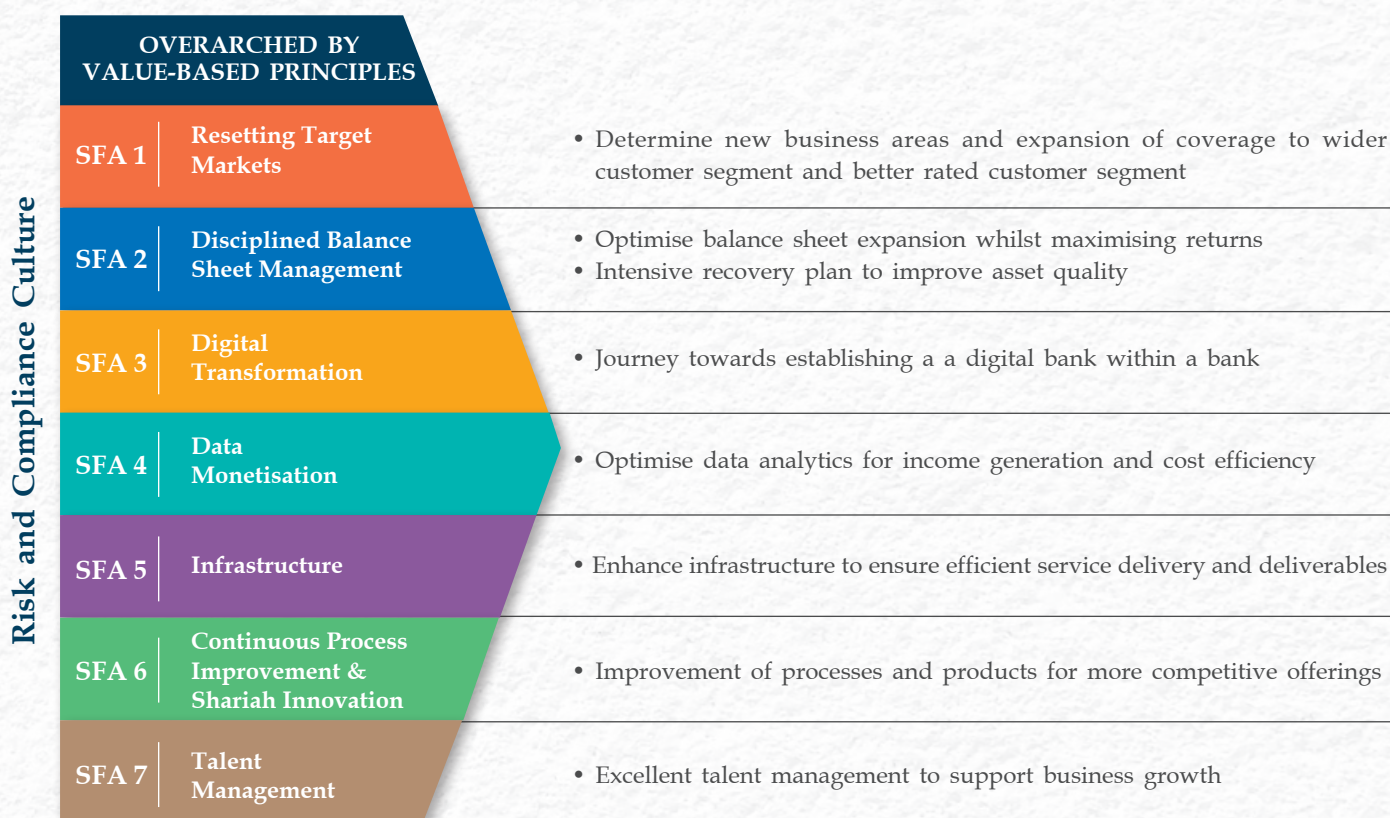
- There was an urgent need to gear up to navigate the new normal of social distancing, new ways of doing business and catalyse the use of technology to overcome physical limitations. Initiatives launched during FY2020 included:
 - i. **Innovating new ways of doing business** by increasing digital solution offerings; intensifying promotion and sales activities through social media and tele-sales; encouraging online interaction with customers; and conducting transactions by appointment for Ar-Rahnu business.
 - ii. **Introducing work from home ("WFH") measures** to reduce risk of infection among our staff. To this end, employees were divided into different teams to ensure business continuity, while ensuring recommended safe social distancing limits were maintained at the workplace.
 - iii. **Introducing web and mobile supported e-Training and e-Learning** which are accessible to our staff everywhere and anytime. This ensures staff are continuously kept informed and updated with latest industry knowledge and practices.

Staying Competitive

- Launching an offensive action plan to secure a competitive advantage. This encompasses cost advantage, differentiation advantage and resource advantage. Initiatives launched during FY2020 included:
 - i. **Introducing engaging digital-based platforms** that benefit customers. These include:
 - a) Muamalat Application Platform ("MAP"), an online financing application that expedites banking transactions and enhances customer experience by eliminating multiple visits to branch.
 - b) Ar-Rahnu Online Auction, a platform for public bidders to bid for unredeemed gold items.
 - c) e-Jamin, a digital bail payment solution that provides bailors the convenience of expedient and efficient payment to ensure the quick release of those in remand.
 - d) AWARIS Online Will Writing Platform, a comprehensive digital planning solution that keeps financial, wealth and legacy records on one platform and practices.

- ii. **Growing SME business aggressively** by offering support to SMEs that are highly affected by the pandemic. This was done on two (2) fronts. First, by responsibly channelling financing available under the government's stimulus packages. This was followed by enhancing the structure and process flow for the Bank's SME financing to ensure fast approval and disbursement of funds.
- iii. **Catalysing a cost conscious culture by deploying a Cost Saving Initiative ("CSI") Task Force.** This task force is led by the CEO's Office with the CEO as Project Sponsor and members seconded from different departments including Finance, Business Process Management, Procurement, Security & Administration Services, and Human Capital. Whilst the Bank focuses and deploys efforts to sustain the business, the CSI Task Force will look into ways to manage cost wisely by:
 - a. Planning and identifying initiatives and key areas emerging from the implementation of CSI.
 - b. Executing and monitoring the implementation of the work plan and the development of strategies and tasks identified in the work plan.
 - c. Monitoring and tracking the initiatives raised and discussed until they are completed.

SUMMARY OF BANK MUAMALAT'S RISE24 STRATEGIC BUSINESS PLAN 2020-2024

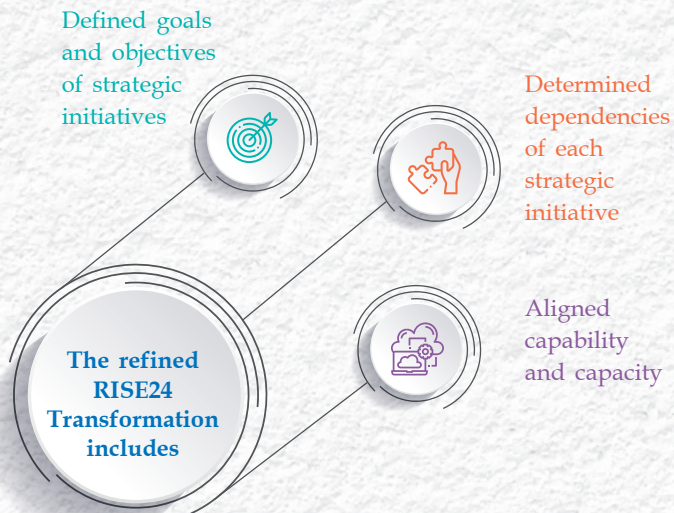


SFA - Strategic Focus Area

Following the revision of RISE24 due to COVID-19, efforts have been subsequently made to enhance its implementation and refine the strategic initiatives towards transformational results.

OUR STRATEGIC DIRECTION

The FY2021 RISE24 Transformation Goals



The Bank's response to the refined RISE24 includes a new governance structure which enables more efficient facilitation of information and decision-making within individual business units, and is governed through the Transformation Steering Committee ("TSC") and Transformation Management Office ("TMO"). By integrating efforts and initiatives towards the anticipated aspiration, the Bank intends to break the 'silo' mindset and elevate a sense of shared purpose.

Each strategy is made highly implementable with defined goals and objectives. Every strategic initiative now has a determined dependency and is aligned to capability and capacity. TMO provides strong support, governance and constant communication towards the successful implementation of each.

The refined RISE24 Transformation is driven by the following 5 strategic priorities which have been aligned to the 7 SFAs, where possible:

- i Accelerate Business Growth (SFA1, SFA2, SFA5)
- ii Technology Transformation (SFA3, SFA4)
- iii Institutionalise Risk & Compliance
- iv Drive Efficiency (SFA2, SFA6)
- v Develop Leaders/People (SFA7)

These 5 strategic priorities will be cascaded down for development of the Annual Business Plan FY2021 which will relay the objectives for all business and support units in mapping their business plans for 2021. This ensures that the efforts and initiatives by all units for the year are geared towards the same goals.

CONSUMER BANKING

REVENUE
RM **619.7**
Million

21% Increase
Year-on-Year

CONTRIBUTION
TO BANK'S
REVENUE

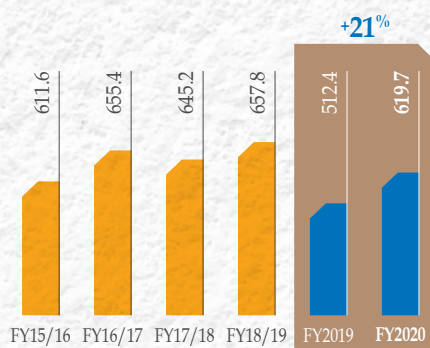
53%

Challenges:

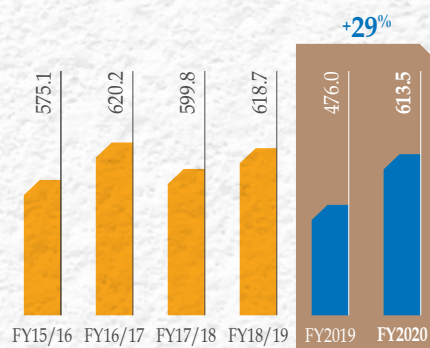
In 2020, global and domestic economies softened as restrictions in economic sectors put the brakes on businesses throughout the year. The imposed Movement Control Order ("MCO") disrupted business operations from March to December 2020. The banking sector was further impacted by Overnight Policy Rate ("OPR") cuts and a blanket moratorium on financing payments implemented by Bank Negara

Malaysia ("BNM") from March to September 2020 to alleviate the financial burden of those affected by the COVID-19 pandemic. On 7 July 2020, the OPR dropped 25 basis points to 1.75% the lowest level since it was implemented in 2004 and this was maintained through the end of December 2020, resulting in an industry-wide reduction in financing income for FY2020.

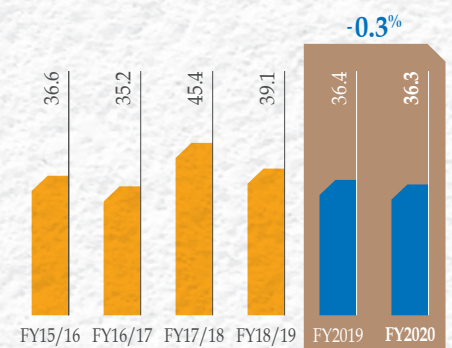
Revenue (RM Million)



Financing Income (RM Million)



Fee Based Income (RM Million)



Note:

1. FY15/16 refers to financial year from April 2015 to March 2016
2. FY16/17 refers to financial year from April 2016 to March 2017
3. FY17/18 refers to financial year from April 2017 to March 2018
4. FY18/19 refers to financial year from April 2018 to March 2019
5. FY2019 refers to financial period from April 2019 to December 2019
6. FY2020 refers to financial year from January 2020 to December 2020

CONSUMER BANKING



1.14%

**Consumer Banking's impaired
financing ratio for FY2020**
(FY2019: 1.60%)

Performance Review

Despite the business disruptions faced, Consumer Banking closed the financial year with revenue of RM619.7 million, a 21% increase from RM512.4 million in FY2019, mainly driven by robust financing income growth of 29% to RM613.5 million. This accounted for 69.8% of the Bank's total financing income during FY2020. The segment remained the key player contributing 53% of total Bank revenue for FY2020.

Fee and commission income decreased by 0.3% or RM0.1 million mainly due to shorter banking hours and closure of certain branches during the MCO. Making steadfast progress on its asset quality journey by focusing on higher-rated customer segments and improving the payment monitoring process, Consumer Banking's impaired financing ratio reduced from 1.60% to 1.14% in FY2020.

In line with the Bank's VBI commitment, the Division also provided much needed financial assistance to customers, which included reassessing customers' debt classification and repayment structures, in addition to relief initiatives that cushioned their financial burdens. These were provided over and above BNM's introduced measures such as the automatic financing moratorium for businesses and individuals to ease cash flow strains during the crisis.

MOVING FORWARD

After a year of uncertainty, and in response to the pandemic, the Bank aims to accelerate business growth and deliver seamless customer experiences by leveraging on a digital platform. The Bank also targets to enhance the use of digital self-service channels to enable customer engagement at a lesser cost than via branch and phone-based approaches. The Bank will introduce digital products and services for all financing, deposits and wealth products to heighten its competitive edge. For faster and wider coverage, a digital app and service driven approach will lead the way forward.

Greater emphasis on customer centricity will also require the Bank to match products with customer demographics, build strong business relationships, and offer excellent personalised service and consultancy. In meeting customers' needs and expectations, and identifying customers of good credit, we intend to provide tailor-made products and services by harnessing big data analytics capabilities. This customer-oriented approach will help the Bank to introduce flexible and modular product packages whereby customers can manage and optimise their accounts or financing services at their convenience.

Through VBI, we commit to deliver more products and services to generate a positive and sustainable impact to the economy, community and environment. The Bank also aims to deliver long-term value for our stakeholders through balance sheet strengths. This entails a strong source of capital, funding and liquidity position with a diversified business model.

Currently, we are at the phase whereby banking is used as a platform for traditional products such as financing, current and savings accounts, credit cards, retail investments and money market accounts. Hence, in the next five (5) years, we target to make banking cashless, ubiquitous, and a part of consumers' day-to-day lifestyles. In the short-term, this entails leveraging on customer-centric IT strategy and Application Programming Interfaces ("APIs"), analytics, cloud and micro service enablers. In the long term, we will ensure that banking evolves into plug-and-play services with the adoption of API and the move to open banking (i.e. Integrating MAP On-The-Go with external business partners).

All possible opportunities will be assessed from every angle for our journey forward, in our commitment to enhance performance and deliver greater value for the next financial year.

In the next five (5) years, we target to make banking cashless, ubiquitous, and a part of consumers' day-to-day lifestyles. In the short-term, this entails leveraging on customer-centric IT strategy and Application Programming Interfaces ("APIs"), analytics, cloud and micro service enablers. In the long term, we will ensure that banking evolves into plug-and-play services with the adoption of API and the move to open banking.

CONSUMER FINANCING

Consumer Financing manages the following financing portfolios:

Mortgage Financing

Personal Financing

Vehicle Financing

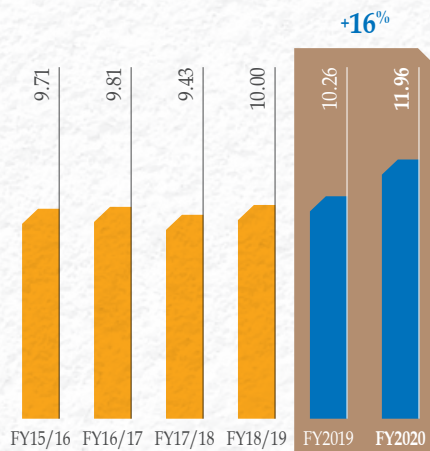
ASB Financing

Ar-Rahnu Financing

Small & Medium Enterprises ("SME") Financing

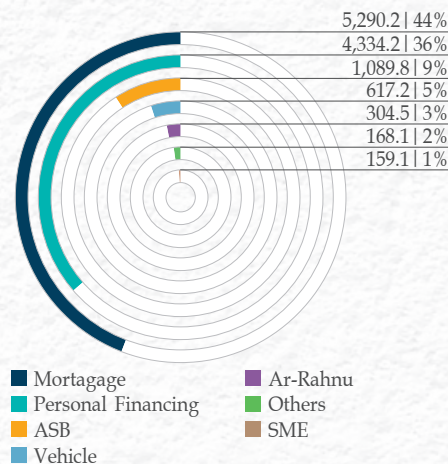


Financing Asset Outstanding (RM Billion)



For FY2020, Consumer Banking continues to be the major contributor to the Bank's asset portfolios with total assets of RM11.96 billion, of which the Mortgage Financing leads at 44% with a substantial portion of Consumer Banking financing assets, followed by Personal Financing with a 36% share. Total financing outstanding grew at

Financing Outstanding By Product



a healthy pace of 16.5% or RM1,698.7 million to RM11.96 billion as at December 2020, as Consumer Banking kept pace with changing market conditions and launched enhanced financing products, product features and services catering to new customer expectations.

The Muamalat Application Platform ("MAP"), launched in October 2020, was one such inspired offering during the year that was introduced in tandem with the non-face-to-face requirement for business interactions as COVID-19 preventive measures kicked in. It was introduced to facilitate online applications so that customers could apply for financing without having to visit the branch. Once the MAP project was enhanced with consumer financing products, more financing applications were generated through this platform. Within three (3) months of activation, at end-December 2020, a total of 344 applications amounting to RM53.27 million were recorded through MAP. For 2021, the Bank expects MAP to contribute about 30% or RM1.82 billion of total Consumer Financing applications.

Consumer Banking continues to be the major contributor to the Bank's asset portfolios with total assets of RM11.96 billion, of which the Mortgage Financing leads at 44% with a substantial portion of Consumer Banking financing assets, followed by Personal Financing with a 36% share.

CONSUMER BANKING

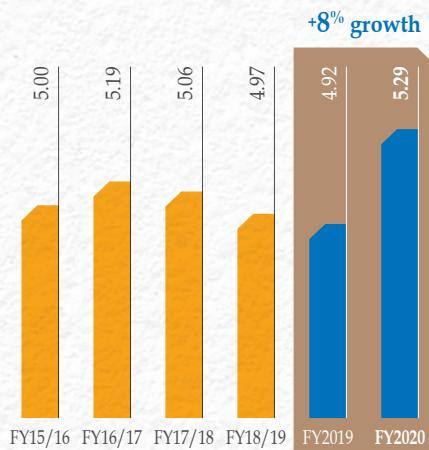
Mortgage Financing



FOR FY2020,
MORTGAGE
FINANCING
REPRESENTED

**44% OR RM5.3 BILLION OF
CONSUMER BANKING'S
TOTAL FINANCING ASSETS.**

Mortgage Financing Outstanding
(RM Billion)



BNM's reduction of the OPR during the year indirectly helped customers pay less for their financing with lower profit rates, which translated into more disposable income. Within the property segment, the customer sentiment on financing also improved due to several Government incentives for property such as exemption on stamp duty and 100% margin of financing for first time buyers.

As a whole, Consumer Banking continued to cater to broader-based residential property financing market through the Bank's signature SMART House scheme and SMART Solution package. However, there was added vigilance on boosting asset quality through an intensified focus on customers from the Top 20% and

Middle 40% (T20 & M40) income groups through enhanced approaches and features in its SMART Mortgage Flexi (Tawarruq) launched in July 2020. At the same time, Consumer Banking actively pursued overwhelming public response to Skim Rumah Pertamaku ("SRP") and Skim Jaminan Kredit Perumahan ("SJKP") through affordable home financing opportunities for the Below 40% (B40) income segment.

In view of the limitations posed by the MCO, marketing efforts were concentrated on increased collaborations with business partners, solicitors and developers; in addition to increased e-marketing of promotions through channels such as Loan Street, i-property, iMoney, mudah.my, Facebook, Twitter and Instagram. Towards increasing branding awareness in the real estate market, Consumer Banking will further enhance and diversify mortgage financing products to be more competitive as well as offer more attractive campaigns to customers. The SMART Mortgage Solution, SJKP and SRP packages are among the top products in mortgage financing that have been able to penetrate the larger real estate market.

Performance Review

The introduction of new product packages and features, coupled with good response to the SJKP and SRP Home Schemes boosted total new mortgage financing sales of RM1.47 billion in FY2020. As a result, the year-on-year ("y-o-y") total for new approvals grew by more than 100%. Landed properties dominated 79% of the property type followed by flats or apartments at 11%. The Bank has extended financing amounting to RM291.87 million to the affordable home financing segment as at end of 2020.

Personal Financing

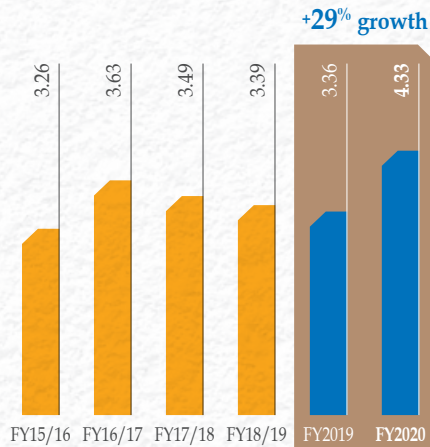


FOR FY2020,
PERSONAL
FINANCING
REPRESENTED

**36% OR RM4.3 BILLION OF
CONSUMER BANKING'S
TOTAL FINANCING ASSETS.**

It was a dynamic year for Personal Financing as total personal financing assets grew by 29% y-o-y. Adopting to new norms, Consumer Banking had leveraged on MAP's borderless banking capabilities to offer Personal Financing-i to targeted staff of Government agencies, statutory bodies, Government-linked corporations ("GLCs"), large corporations and pensioners. On December 2020, Consumer Banking had also launched the Employee Empanelment Programme ("EEP") and registered 115 companies as part of the Bank's strategic initiative to select professional customer segments for increased asset quality. Through EEP, the Bank was able to identify customers according to salary scale and offer customised benefits through product enhancements. These included financing limit of up to RM400,000 (for Personal Financing Cash-i product); standardised Debt Service Ratio ("DSR") and Net Disposable Income ("NDI"); the offering of promotional rates; as well as packaging the best investment platform. Other marketing initiatives embarked on were the organisation of financial talks and collaboration with selected state organisations across the country, as well as social media engagements during the MCO period.

Personal Financing Outstanding (RM Billion)



The ventures were supported by the diversification of the personal financing portfolio in November 2019 to Personal Financing Cash-i Muamalat offering financing amounts up to RM300,000. The product comprises Cash-i Muamalat (for Government and Panel Employer), Cash-i Muamalat Pro (for Professional Programme), Cash-i Muamalat Prestige (for the Mass Affluent) and Collateralised Cash-i Muamalat (based on secured financing). These products are differentiated by eligibility criteria such as monthly income and professions.

Performance Review

Total Personal Financing outstanding stood at RM4.3 billion, a 29% increase from FY2019. Total new disbursement of Personal Financing-i reached RM1.5 billion driven by the right selection of market segment, aggressive marketing through social media, and the attractive product features offered under Personal Financing Cash-i Muamalat.

In line with BNM's prudent measures, the Bank categorised its personal financing under the following financial planning product segments:

Pembiayaan Pengurusan Kewangan ("PPK")

**RM1,301.4 million/
30.0%** (34,572 accounts)

Pembiayaan Peribadi Pesara ("3P")

**RM1,537.0 million/
35.5%** (28,982 accounts)

Pembiayaan Persediaan Persaraan ("3PS")

**RM730.9 million/
16.9%** (9,575 accounts)

Personal Financing Cash ("Cash-i")

**RM745.9 million/
17.2%** (5,497 accounts)



Vehicle Financing



FOR FY2020,
VEHICLE FINANCING
REPRESENTED 5% OR
RM617.2 MILLION

OF CONSUMER BANKING'S
TOTAL FINANCING ASSETS.

Prolonged sluggish growth and the resultant economic downturn had significant negative impact on the automotive industry outlook throughout 2020. The enforcement of the MCO saw a drastic drop in vehicle production and sales volumes. Fortunately, the sales trend increased in June 2020 and beyond as demand for new cars increased following the introduction of the Sales Tax exemption on sales of new completely-knocked-down ("CKD") and completely-built-up ("CBU") cars.

Nevertheless, Consumer Banking was cautious of the knock-on impact of business closures and worked to re-strategise its approach to respond with agility to new opportunities and attract customers from higher income brackets. In response to 2020 market trends, the Bank approved special financing packages for Proton X50 and Proton X70 models with revised profit rates and financing margins of up to 100%. The Bank also offered better rates and financing margins of up to 100% for selected Honda models to improve the non-national car segment.

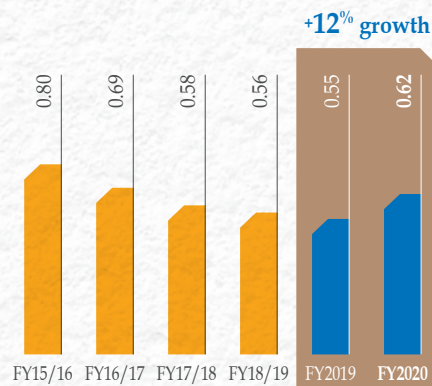
The automotive industry is expected to remain challenging in the year ahead in view of the cautious consumer sentiment and business confidence. The prolonged pandemic and the resulting

CONSUMER BANKING

economic impact will reduce consumer demand for vehicles as non-essential high maintenance spending is deferred. As the market shrinks, competition among auto vehicle financiers will intensify and further exert pressure on pricing, resulting in continued profit margin squeeze.

For 2021, Consumer Banking intends to remain agile to opportunities, while focusing on customers in the T20/M40 segment with salary above RM5,000. New special packages for national and selected popular models of non-national cars, covering both new and reconditioned cars, will be introduced in order to attract this customer profile. Moving forward, the Division shall strive to enhance its penetration rate in targetted growth segments such as new passenger vehicles, light commercial vehicles, and big-bike motorcycles.

Vehicle Financing Outstanding
(RM Billion)



Performance Review

Despite the knock-on effects of the pandemic, vehicle financing sales performance in FY2020 was better than expected, recording a 50% y-o-y growth from FY2019. National cars

accounted for 87% of the total vehicle financing assets as a result of the Bank's special financing packages for the popular Proton X50 and Proton X70 models.

Ar-Rahnu (Pawn Broking-i)



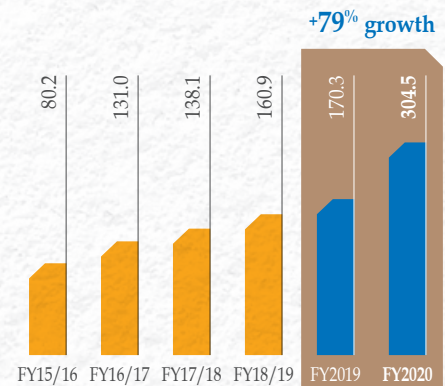
FOR FY2020, AR-RAHNU REPRESENTED 3% OR RM304.5 MILLION OF CONSUMER BANKING'S TOTAL FINANCING ASSETS.

Gold price fell sharply on the news of the discovery of the COVID-19 vaccine. This usually indicates an escalating demand for jewelry or physical gold and slowdown in Ar-Rahnu services, however, the Bank's Ar-Rahnu business remained stable throughout the year as a result of lingering caution in consumer sentiments within the current economic outlook. Thus, Ar-Rahnu remained a popular alternative option to resolve short-term cash flow problems, and gained increasing attention from the micro and small and medium enterprises ("SME") industry.

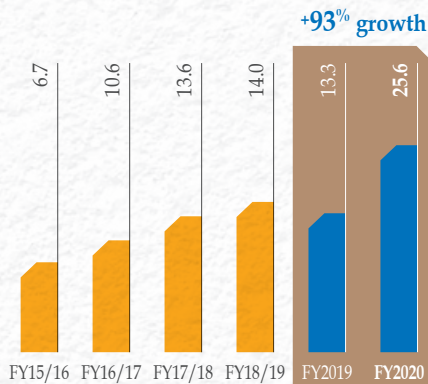
All new Muamalat Ar-Rahnu transactions from February 2020 onwards have been using Tawarruq concept, which is in line with BNM's direction for all Islamic Banks to improve the existing Qard principle to other suitable Shariah's financing principles. Pursuant to that, the Bank took the initiative to change the existing Shariah principle for Ar-Rahnu from Qard to Tawarruq. Since then, Ar-Rahnu income has been categorised as financing, instead of fee-based income.

The Ar-Rahnu's cash reward campaign was intensively marketed through the Bank's branches from August until December 2020, while awareness on Ar-Rahnu was built through social media campaigns, internal marketing, and the Ar-Rahnu Telesales Campaign. To maintain interest and enhance online engagements throughout the MCO period, Ar-Rahnu calculators were placed on the Bank's website; Ar-Rahnu e-Bidding was initiated in December 2020; and gold items were displayed on the Ar-Rahnu Auction website. The Division also continued to promote and encourage Ar-Rahnu customers with the launch of Pawn Muamalat Gold-i ("MG-i") account in order to provide Ar-Rahnu facility to MG-i account customers. The gold products accepted under Pawn Broking-i Ar-Rahnu are jewelries, gold bars, gold coin, and gold accounts. As at December 2020, the Bank's Ar-Rahnu business is operated at all of our 67 branches nationwide.

Ar-Rahnu Marhun Outstanding
(RM Million)



Ar-Rahnu Income (RM Million)



Performance Review

Ar-Rahnu's recorded revenue of RM25.6 million supported by financing assets amounting to RM304.5 million, which represented 3% of the Bank's total assets in FY2020. Ar-Rahnu achieved a total disbursement of RM571.2 million with the highest monthly disbursement of RM75.9 million in August 2020.

Amanah Saham Bumiputra ("ASB") Financing



FOR FY2020, ASB FINANCING REPRESENTED 9% OR RM1.1 BILLION

OF CONSUMER BANKING'S TOTAL FINANCING ASSETS.

The Bank's Amanah Saham Nasional Berhad ("ASNB") business continued to grow in FY2020, despite the reduction in quota from RM350 million to RM100 million by Permodalan Nasional Berhad ("PNB"). In order to get additional ASB quota, the Division needed to meet the sales target of ASNB Variable funds as per ASNB requirement. Marketing efforts were intensified through public roadshows, direct sales, corporate presentations and

referrals from branches. In addition, the Division employed bulk sign up by Army personnel as a key strategy to induce take-up of the scheme. As a result, total ASB assets stood at RM1.1 billion, a 4% increase y-o-y from the previous corresponding period.

Based on the downward trend of dividend payout over the past years, the Division foresees a change in customers' demand for investment in ASNB products. ASNB on the other hand is expecting agent banks to offer competitive financing rates to customers in view of the lower dividends declared. The challenge would be to convince the public that investment in ASNB products through financing is still worthwhile. As long as the returns are above deposit rates, the Division remains optimistic that the challenges can be overcome.

The Bank's SME Banking segment, previously under Business Banking Division, is now under the purview of Consumer Banking Division starting May 2020, and is expected to play a significant role in supporting the objectives of the national entrepreneurship agenda towards enabling SMEs in contributing 50% to the GDP by the year 2030. The Bank's SME portfolio was established with RM39.4 million in 2019 and grew to RM159.1 million in FY2020.

SME FINANCING

Small and Medium Enterprises ("SME") Financing



FOR FY2020, SME FINANCING REPRESENTED 1% OR RM159.1 MILLION

OF CONSUMER BANKING'S TOTAL FINANCING ASSETS.

The Bank's SME Banking segment, previously under Business Banking Division, is now under the purview of Consumer Banking Division starting May 2020, and is expected to play a significant role in supporting the objectives of the national entrepreneurship agenda towards enabling SMEs in contributing 50% to the GDP by the year 2030. The Bank's SME portfolio was established with RM39.4 million in 2019 and grew to RM159.1 million in FY2020.

Currently, SMEs and Micro Enterprises employ some two-thirds of the country's total workforce and contribute to 40% of the economy. In order to build resilience in this crucial sector during the economic slowdown, the Malaysian Government had issued stimulus packages worth USD64 billion, with bulk of the incentives aimed at helping SMEs in managing their cashflows, retain employees and gain access to financing. SME Financing supported this national agenda with the introduction of Working Capital Guarantee Scheme ("WCGS"), which is guaranteed by Syarikat Jaminan Pembiayaan Perniagaan ("SJPP") for financing up to RM1.0 million, with up to 80% coverage for SME and 90% for Micro Enterprises. The Bank's branches also marketed the special rates offered to SMEs and Micro Enterprises through the BNM's PENJANA Tourism Financing Programme whereby the

CONSUMER BANKING

maximum amount of financing is RM300,000 per SME and RM75,000 per Micro Enterprise, inclusive of financing to related companies that have common shareholders.

SMEs in Malaysia, particularly those in the retail, tourism and distribution trade, are worried over the impact of the economic slowdown to their businesses. It is foreseen that growth for the year as a whole will be supported by household spending, factored in by continued income and employment growth. In facing these challenges, SMEs are rigorously tapping opportunities offered by digital technologies to boost product visibility, market penetration and expand market share through online retail and trading.

Depending on the duration and spread of the COVID-19 outbreak as well as policy responses by authorities amid uncertainties in global economic and financial conditions, a prolonged pandemic situation caused by COVID-19 viruses may impact many SMEs and their ability to service financing payments. SME Financing continues to take steps to remain observant of potential risks and stay relevant by understanding consumer needs and market dynamics.



RM159.1

Million

The Bank's SME portfolio in FY2020
(FY2019: RM39.4 Million)



Strategies Moving Forward For Consumer Financing

- Continued focus on better-rated customers segment (salary above RM5,000, T20/M40 and high income professionals) to improve customer profile.
- Plan demographic-based product offers; creative product packaging and product bundling to meet customer's needs and expectations.
- Enhance customer engagement through a robust digitalisation platform and upgraded digital self-service channels to ensure customers can bank from anywhere with no hassle.
- Harness word-of-mouth recommendations by employees to their friends or family members whenever they find the products offered are far better than the others.
- Introduce flexible and modular product packages whereby customers can manage and optimise their financing services at their convenience.
- Generate positive and sustainable impact to the economy, community and environment with SMART Mortgage Solution, Skim Jaminan Kredit Perumahan ("SJKP"), Skim Rumah Pertamaku ("SRP"), Satu Anggota Satu Rumah ("SASaR"), Auto Grad Scheme, Hybrid Car Financing, Pembiayaan Pengurusan Kewangan ("PPK") and ASB financing.



Bank Muamalat worked to prevent brand attrition by focusing on the distinct and strong proposition of value-based banking and introduced a number of new products and campaigns which helped grow Current and Savings Accounts (“CASA”) during the year, with further growth expected in 2021.

DEPOSIT & PAYMENT SERVICES

FOR FY2020, THE
BANK'S DEPOSIT &
PAYMENT SERVICES
RECORDED
RM **21.4** BILLION
IN TOTAL
DEPOSITS

It was a year of unpredicted deposit performance. With BNM's marked reduction in the Overnight Policy Rate (“OPR”), the Banks' deposit position as well as demand from market were affected as retail customers switched to other investment instruments to maximise their profit and income. Corporate clients trended towards spending their revenue rather than saving their profits to ensure the sustainability of their business during

the trying period. On the Government front, budget allocations focused on reviving the economy and assisting Malaysians in facing the pandemic, as well as ensuring the well-being of the people and the sustainability of the businesses and nation's economy, led to an increase in Government expenditure. This affected the growth of our deposits as the Government is a major contributor to the development of deposits at Bank Muamalat. With the implementation of the MCO and establishment of new business norms, the Bank's deposit business was further impacted due to restrictions in customers visiting our branches.

In order to surmount these challenges and compete with competitor banks that could allocate a large budget towards their marketing campaigns, the Bank's Deposit & Payment Services implemented a new strategy to penetrate State Governments as well as its agencies, GLCs, the SME sector and corporate entities via creative product bundling to grow the deposit base.

Bank Muamalat worked to prevent brand attrition by focusing on the distinct and strong proposition of value-based banking and introduced a number of new products and campaigns which helped grow Current and Savings Accounts (“CASA”) during the year, with further growth expected in 2021.

These included the launch of ‘Save & Win More Kaw Kaw’ campaign in August 2020 to encourage customers to save and stand a chance to win the grand prize of RM1 million in cash and over 900 attractive prizes. Another programme called Muamalat Enrich was launched in October 2020 to attract the retiree segment in Malaysia to cultivate the habit of saving for life after retirement, while enjoying the chance to win rewards offered in “Save & Win More Kaw Kaw” campaign. Hence, despite a year of unprecedented challenges and uncertainty, the Bank's deposit

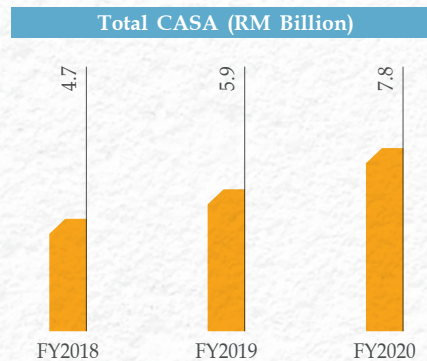
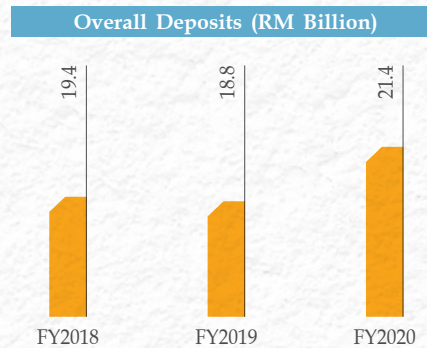
CONSUMER BANKING

takings remained strong, contributed by new deposits acquired from New to Bank (“NTB”) and Existing to Bank (“ETB”) customers, while retaining the existing funds.

These deposit strategies will remain intact for the following financial years. The Bank is committed to create outstanding deposit value propositions that meet target market requirements through continuous innovative deposit campaigns, creative marketing productions, new and improvised financial technology (“fintech”) development and market penetration while minimising deposit attrition. CASA will be the main focus of deposit growth, and is targeted to reach more than 50% growth in five (5) years’ time, as the catalyst for driving the Bank’s overall deposit position.

Performance Review

The Bank’s CASA recorded growth of 31%, with increase in outstanding balance at RM5.9 billion in FY2019 to RM7.8 billion in FY2020. CASA growth continues to be the main focus for cheaper cost of funds, as well as for managing the Bank’s liquidity requirement. Current Account (“CA”) grew by 33%, from RM4.4 billion in 2019 to RM5.9 billion in FY2020. The growth resulted from acquisition of new collection accounts, as well as the support from our existing top corporate depositors. Savings Account (“SA”) recorded a growth of 28%, from RM1.5 billion in FY2019 to RM1.9 billion in FY2020. The increase in savings is partly due to the announced moratorium for financing payments as well as financial assistance from the Government during the year. These targeted affected groups, giving customers an opportunity to have more financial access, without withdrawing their existing savings.



The COVID-19 pandemic has also accelerated the Bank’s digital transformation to remain relevant among customers, overcome the limitations of the new norms, and contribute to retail deposit growth. During the year, the Bank’s digital banking platforms, through Retail Internet Banking (“RIB”) and Mobile Banking (“MOB”) recorded 372,149 users and 141,315 users respectively. The number of RIB and MOB subscribers from FY2019 to FY2020 increased by 62,508 users and 52,528 users respectively. This translates into 20% and 59% increase, as the pandemic environment is moving consumers to interact more digitally with their banks. The Bank’s DuitNow QR platform (“DuitNow”) was also optimised during the year to provide seamless and cashless payment solutions to the public. The initiative began with the development of e-Donation transactions via DuitNow for nearly 700

mosques nationwide. Next, e-Wakaf via DuitNow was launched in collaboration with four (4) State Wakaf Management bodies. Meanwhile, e-Zakat through DuitNow, in collaboration with seven (7) State Islamic Religious Councils, was launched in April 2020. Subsequently, e-Qurban through DuitNow was launched in July 2020 to enable electronic transactions for qurban purposes, in collaboration with 20 selected mosques and Non-Governmental Organisations.

Going further, in October 2020, the Bank engaged in a strategic collaboration campaign with EzCab Sdn Bhd (“EzCab”) to accept cashless payments through Bank Muamalat’s DuitNow QR platform for e-hailing taxi customers. To date, Bank Muamalat has a network of nearly 5,000 QR retailers that have migrated to our DuitNow QR platform.

Strategies Moving Forward For Deposits & Payment Services

- Enhance a seamless customer experience that is cashless, ubiquitous, and a part of consumer’s day-to-day lifestyles.
- Fortify the current digitalisation platform to ensure customers can bank from anywhere with no hassle.
- Introduce digital products and services for all deposit products to heighten competitive edge; and leverage on faster and wider coverage.
- Introduce flexible and modular product packages whereby customer can manage and optimise their accounts at their convenience.
- Greater emphasis on customer centricity towards matching product with customer demographics, building strong business relationships, and offering excellent personalised service and consultancy.

RETAIL INVESTMENT

FOR FY2020,
RETAIL INVESTMENT
CONTRIBUTED
RM **24.75** MILLION
FEE-BASED INCOME
TO OVERALL BANK'S
REVENUE

In November 2020, the Bank, in a strategic approach to reclassify its Wealth Management business, renamed it as Retail Investment. This change is to differentiate itself from major wealth management players in the industry and enable the Bank to re-brand its financial services offerings to the public. The Bank redefines investment to go beyond traditional offerings. In line with our goal to be the Premier Holistic Islamic Wealth Management Lifetime Solutions Provider, the Bank's holistic and all-encompassing approach helps guide investments from the first stage of wealth creation to the end, with the goal of finding everlasting barakah through wealth distribution and purification.



Retail Investment offers a “one stop” complete Wealth Management ecosystem with a comprehensive range of financial and non-financial solutions towards fulfilling its mission to:

- Provide a unique proposition to satisfy customers' personal and financial well being.
- Maximise stakeholders' wealth through multiple channels of distribution and innovative product dynamics, in line with Maqasid Shariah.
- Establish trustworthy, professional and value-based advisory services that adhere to Shariah, Risk & Compliance parameters.
- Improve quality of life and preserve financial security of across generations.
- Embark on value-based initiatives to create financial access to all levels of society. For instance, online gold transactions at minimal entry point of RM10.

Invest in Wealth Creation

1

Focus is on building wealth/establishing an emergency fund/financing for purchase of a 1st home/launching of a retirement plan

Invest in Wealth Accumulation

2

Attention towards career development and starting a family/upgrading career skills/improving earnings prospects/increasing takaful protection for the breadwinner/accelerating retirement savings

Invest in Wealth Purification

5

Individual is at the active retirement stage and looks towards spiritual needs and purification of assets



Invest in Wealth Protection

3

Centers around the individual's peak earning years as career prospects level off. Emphasis shifts towards retirement planning and preparation






Invest in Wealth Distribution

4

Individual is at the active/passive retirement stage, characterised by a conscious need to distribute the wealth assets to heirs and beneficiaries

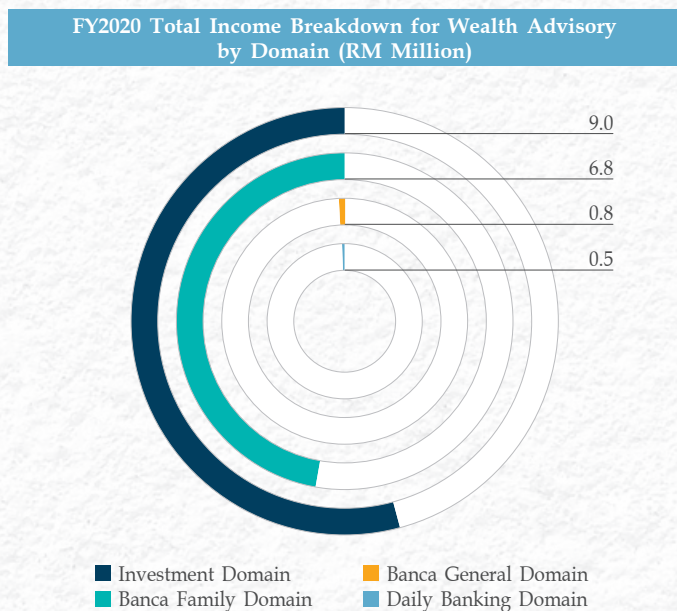
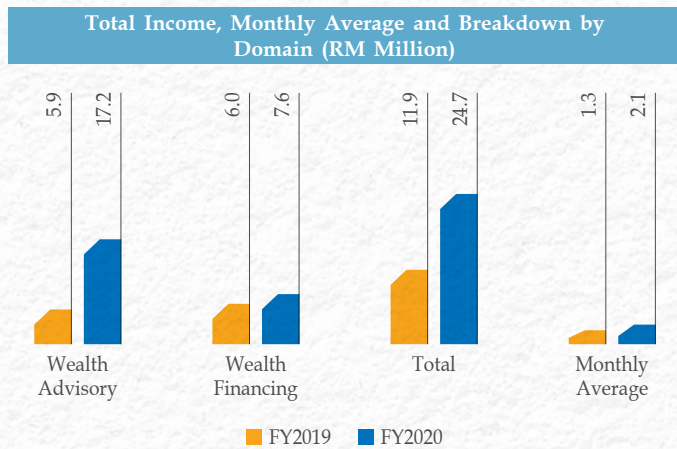
CONSUMER BANKING

Islamic Financial Planning stages for Islamic Wealth Management products:

	<p>Wealth Creation</p> <ul style="list-style-type: none"> Building and establishing funds 	<ul style="list-style-type: none"> Islamic UNIT TRUST (138 funds from 26 Fund Houses) PRIVATE RETIREMENT SCHEME (4 Fund Houses) MUAMALAT MUTUAL-i POWER COMBO MUAMALAT Gold-i M-KASIH AMAL
	<p>Wealth Accumulation</p> <ul style="list-style-type: none"> Improving earning prospects and asset holdings 	<ul style="list-style-type: none"> Islamic UNIT TRUST (138 funds from 26 Fund Houses) PRIVATE RETIREMENT SCHEME (4 Fund Houses) MUAMALAT MUTUAL-i POWER COMBO MUAMALAT GOLD-i M-KASIH AMAL
	<p>Wealth Protection</p> <ul style="list-style-type: none"> Protecting your assets and loved ones from unexpected crisis 	<ul style="list-style-type: none"> FAMILY TAKAFUL: M-Kasih AMAL Hibah, Critical Illness, Medical Card GENERAL TAKAFUL: M-Kasih Protect, Motor, Home Content, House Owner
	<p>Wealth Distribution</p> <ul style="list-style-type: none"> Distribute assets to heirs and beneficiaries for your peace of mind 	<ul style="list-style-type: none"> ISLAMIC ESTATE PLANNING: (Trust Deed, Islamic Estate Administration Planning, <i>Wasiat</i>, Declaration of Jointly Acquired Asset) WASIAT: Basic & Comprehensive
	<p>Wealth Purification</p> <ul style="list-style-type: none"> Spending a portion of your wealth for charity as well as spiritual aspirations to attain everlasting barakah 	<ul style="list-style-type: none"> M-JANNAH BADAL HAJJ AL QURAN CLASSES EZ-ZAKAT GOLD-i (Effective January 2021)

Performance Review

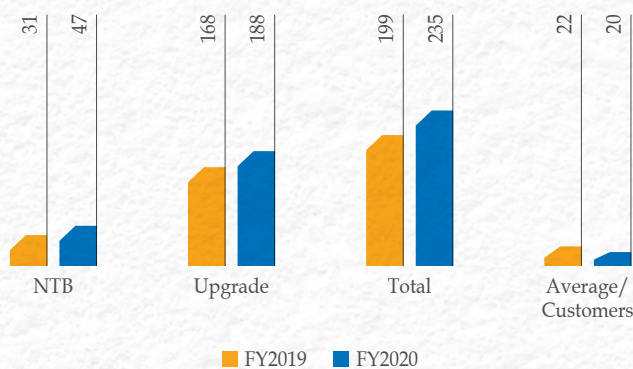
For FY2020, Retail Investment’s income showed an impressive 108% increase as compared to the previous year notwithstanding the worldwide economic uncertainty and pandemic. The year’s monthly income reflected an average increase of 56% month-on-month (“m-o-m”), when compared to FY2019.



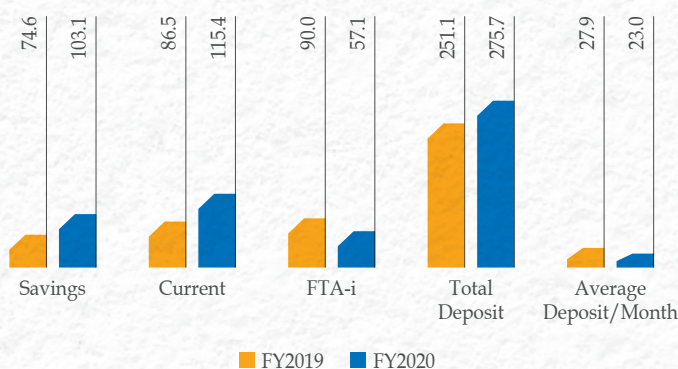
Muamalat Beyond Premier Banking

Total Premier Banking customers grew by 18% y-o-y to 235 newly registered members, representing an average new customer acquisition of 20 Premier Banking members per month. Total deposits grew by 9.7% to RM275 million with an average monthly deposit of RM23 million.

Number of Premier Banking Customers



Premier Banking Deposits by Category (RM Million)



Wealth Creation/Accumulation:

Gold Investment

Since its introduction in 2017, Muamalat Gold-i Account ("MG-i") has grown in great strides and was the highlight for Retail Investment in FY2020 as the Bank reinforced the importance of gold investment in times of economic uncertainty. The year recorded the best performance to date, as illustrated in the graphs attached. Total gold sold amounted to RM183.3 million or 697 kilograms. This represents an increase of 348% over the previous year. Average monthly

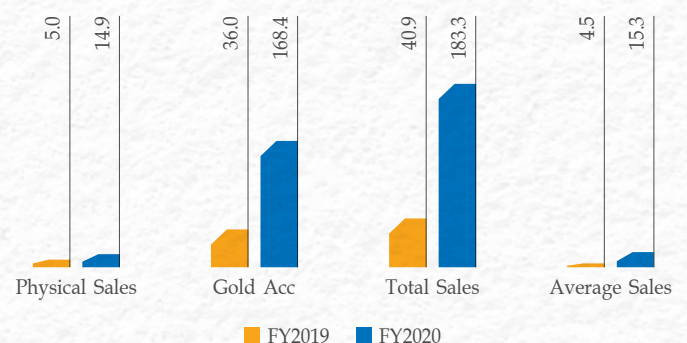
sales also registered impressive figures, with FY2020 recording RM15.2 million as compared to RM4.5 million in FY2019.

In enhancing our Gold Investment services towards greater inclusivity and value to the community, the Bank has designed for this alternative investment to be affordable to all levels of income earners. Retail Investment's gold system allows for 24-hour transactions; purchase of gold at a minimum of RM10; and the convenience of transacting gold online, which enables customers to perform their gold transactions from the safety of their own home or offices. Additionally, pawning and collateralising is allowed for not just physical gold, but also gold account over the counter. This supported customers in need and enabled them to better manage their financial planning during the period when unemployment was at its peak.

In total, Gold-generated income amounted to RM8.1 million for FY2020, an outstanding growth of 356% from RM1.7 million in FY2019. The growth is attributed to the strong promotion by the Bank through several creative campaigns namely Zam Zam Alakazam 2 Campaign, Premier Banking Gold Campaign and Gegar 10 Campaign.

Muamalat Gold-i Account has, since its introduction, become the mainstay gold product favoured by customers compared to physical gold, and has contributed 92% to the Bank's total gold sales.

Total Gold Sales & Monthly Average (RM Million)



Unit Trust

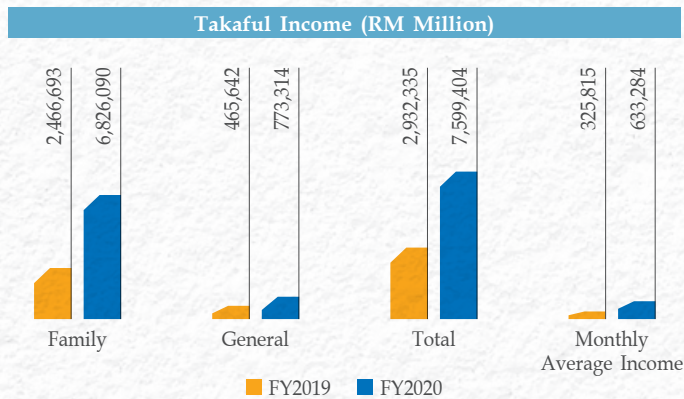
Unit Trust recorded a modest increase in total sales for FY2020 as the pandemic and uncertain economic conditions caused investors to adopt a cautious view and be wary of the equity markets and instead seek refuge in precious metal. Assets Under Management ("AUM") for FY2020 stood at RM61.3 million, a modest increase from FY2019 of RM57.7 million.

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Wealth Protection

In August 2020, the Bank formed a strategic business relationship with Takaful Ikhlas Berhad to provide Family and General Takaful. Overall performance for the year showed a marked improvement amidst a depressed market. Family Takaful was the major contributor with over RM6.8 million, or approximately 90% of total income.

Family Takaful improved more than 176% due to strong Personal Financing and Home Financing applications after the moratorium in the third quarter of FY2020 while income for General Takaful recorded an increase of over 66% y-o-y with the main contribution coming from Fire Houseowner policies which contributed over 90% towards the total income.



Non-Financial Products

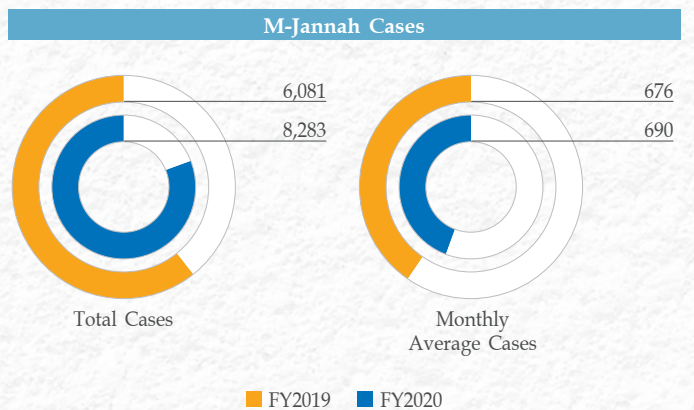
At Bank Muamalat, profitability is not the driving principle. As an Islamic Bank, we aspire to serve the community; and as part of our Value-Based Intermediation (“VBI”) commitment, we seek to deliver value-based initiatives that offer our stakeholders benefits beyond profits. To this end, while we work to add value proposition to customers through our financial solutions and services, Retail Investment’s non-financial products are designed towards uplifting lives and providing added security and peace of mind.

M-Jannah

Our M-Jannah offering affordable funeral management services to the community, distraught families and those who may not have the requisite knowledge and experience pertaining to funeral arrangements. The digital innovation in Islamic Estate Planning by our business partners contributes towards reduced costs and allows for online registration and self-management of the will, making it more attractive to the community at large.

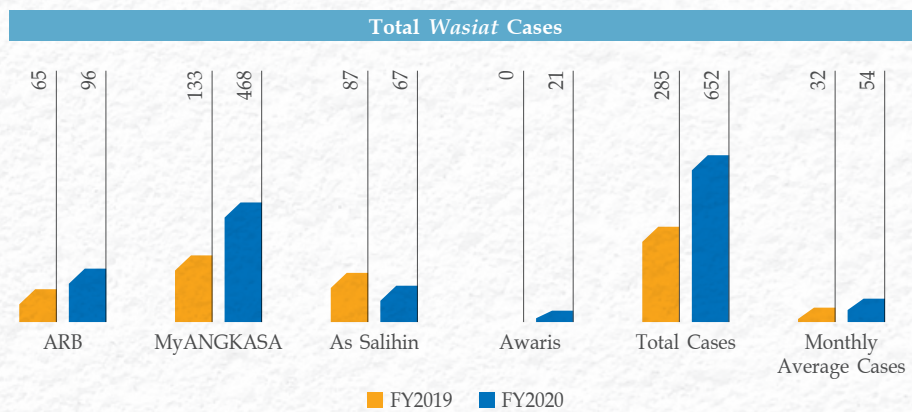
M-Jannah is a popular funeral management service provided by the Bank with the aim of providing peace of mind to bereaved families when a death occurs. Retail Investment and its business partner, Bumijez, embarked on a digital journey to circumvent movement restrictions during the pandemic by providing online renewal services. The new QR code feature is slated to be launched in FY2021 to further provide convenience to our customers.

Total sales performance for FY2020 was recorded at RM1.07 million, registering an improvement of 69% y-o-y. Total cases also registered a growth of 36% against FY2019, registering 8,283 cases during the year under review.



Islamic Estate Planning

Islamic Estate Planning has been a focus of Retail Investment during the year to highlight the importance of having a *wasiat*, and we onboarded an additional business partner to provide more choices to our customers. MyAngkasa and Awaris allow for digital registration with no additional costs for *wasiat* updates. This is in line with our outlook towards digitalisation and providing affordable solutions to our customers. Total cases increased over 121% from the previous year to 631 cases reflecting an average of 53 cases a month as opposed to 32 cases a month in FY2019.



Strategies Moving Forward For Retail Investment

- Provide an efficient digital-based platform that satisfies customer experience
- Maintain focus and further develop gold as our “hero” product
- Explore collaboration with other gold vendors and suppliers to enhance product offerings and expand the digital platform
- Develop online gold account capabilities to cater to gold account transfer, conversion from account to physical and setting of periodic purchases
- Embark on QR code capabilities for M-Jannah’s new registration
- Create new innovative Islamic Wealth products that meet customers’ needs while providing great value proposition
- Provide easier and faster access to Islamic Wealth Management products through advancements in internet and digital banking
- Reach out beyond our customer base by providing a borderless digital platform that is predisposed towards the new generation of customers
- Maintain a strong Islamic identity in line with the Bank’s values and Maqasid Shariah principles of preserving Religion, Life, Intellect, Lineage, and Property

BUSINESS BANKING



BUSINESS BANKING

Challenges abounded during the MCO-stricken 2020 as cash flow disruptions hit businesses, impacting some of the Bank's corporate and commercial clients in FY2020. The Bank extended payment assistance via the national moratorium and indulgence of time on principal payment to affected customers; and a total of RM155 million worth of scheduled settlements, out of a total RM374 million, were deferred as per customer's request, during the year under review. The change of the Bank's financial reporting year from 31 March to 31 December which happened in FY2019 led to Business Banking entering the competitive fray with other banks in securing working capital facilities (i.e. Trade, MRF and MCash facilities) utilisation from customers for year-end assets.

The situation called for more agile and aggressive marketing in order to meet set targets. Business Banking rose to the occasion with daily tracking of the

facilities and competitive pricing to secure utilisation from customers while relying on our signature consultative approach to understand our clientele's specific needs and tailor our products competitively to suit their business requirements. As a result, the Division achieved total financial growth of 7.8% y-o-y, securing RM449 million for FY2020. By end-December 2020, Business Banking was managing in excess of RM6.1 billion in assets, with over 97% coming from the Corporate segment, and 3% from the Commercial segment.

Both segments, in line with the Bank's requirements and in view of the challenging business environment, placed emphasis on good quality assets with good payment capability in order to maintain Non-Performing Assets while growing the Division's profit. New account acquisition plans were executed towards preferred-rated customers and preferred sectors. This was complemented by target marketing on low utilisation rate

customers to increase revenue and boost assets. In preserving existing asset quality from further deterioration, we worked closely with the Bank's Early Care and Remedial Team to curb further deterioration on asset quality and tailored-payment assistance to customers to prevent defaults.

The Bank also prioritised a Triple Bottom Line ("TBL") approach consistent with its focus on values-based banking. Aligned to this, the Division's exposure on TBL activities in FY2020 increased by 6.08% to RM3,278.2 million, from RM3,088.3 million in FY2019. On this front, the financing extended to Preserving Natural Environment segment accounted for the highest growth; increased by 32.15% to RM227.7 million in FY2020 from RM172.3 million FY2019.

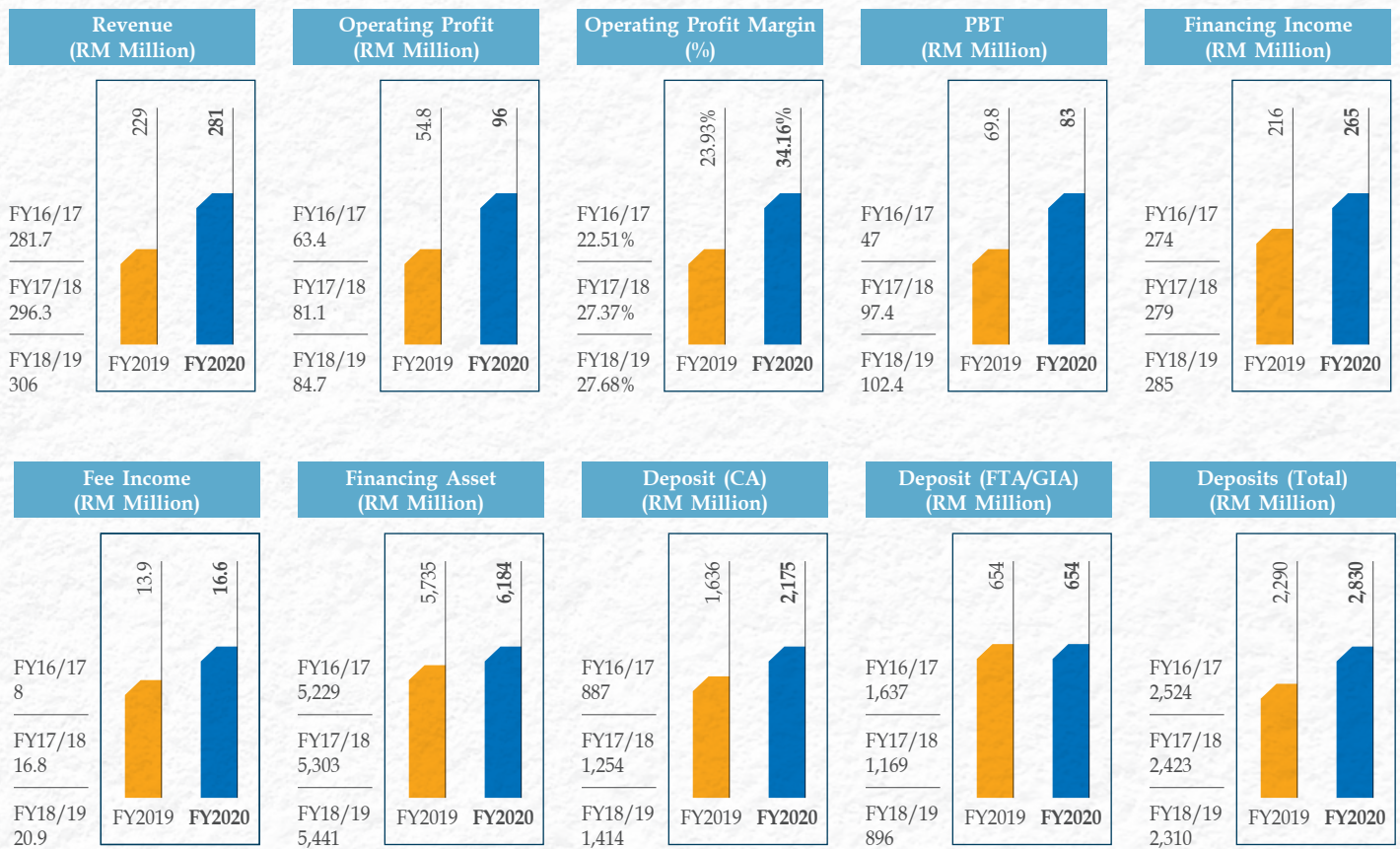
Working towards greater efficiency in improving customer experience, we pooled our manpower resources to expedite the documentation process during the year, swiftly ensuring approvals on RM1,152 million new corporate financing and RM288 million commercial financing.

Through agility, responsiveness and greater efficiency, Business Banking achieved a commendable RM264.9 million in financing income, RM16.6 million in fee income, and total financing of RM1,137.0 million for Trade Finance for the year. All new deals for fee income met the set Business Customer Ratings ("BCR") of 1 to 6; and were under preferred sectors. BCR is a credit risk grading given to existing or potential customer applying for business financing. The Division also enhanced product holding per customer from 1:1 to 1:2.7 reflecting improved yield enhancement for fee income products.

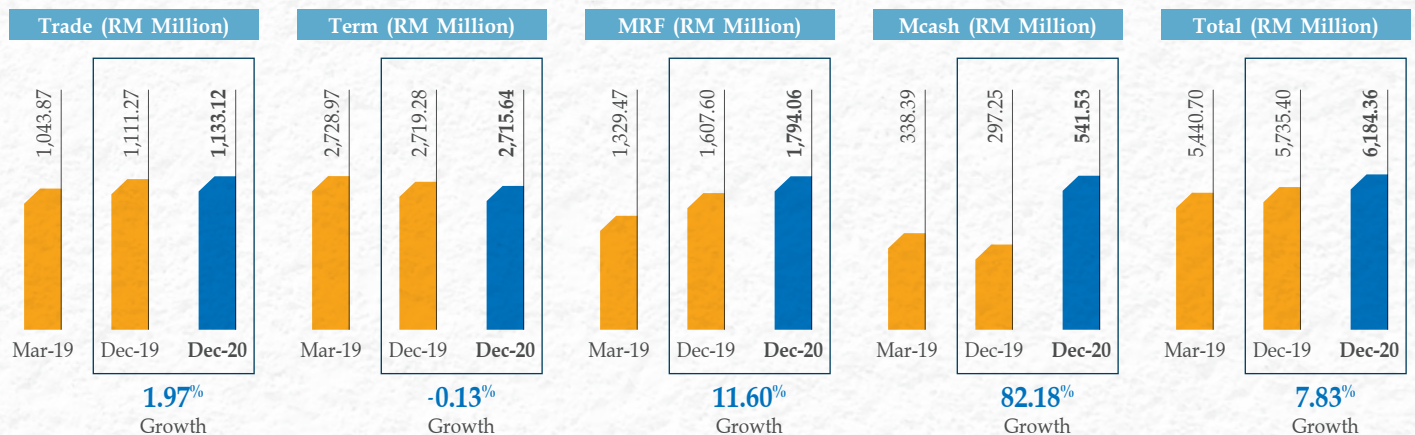
Performance Review

As a whole for the year, the Division registered revenue of RM281 million and pre-tax profit of RM83 million. The Division's assets grew 7.83% in FY2020 mainly driven by an increase in MCash which rose to RM541.53 million from RM297.25 million as well as a 11.60% growth in our Muamalat Revolving Financing ("MRF") to reach RM1.79 billion.

Revenue & Profitability

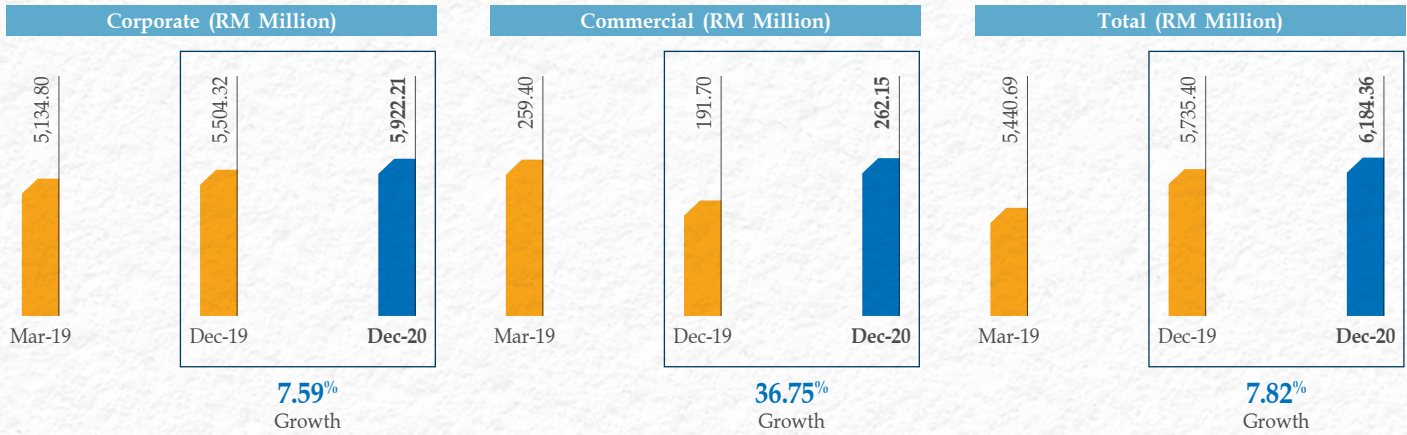


Assets by Product

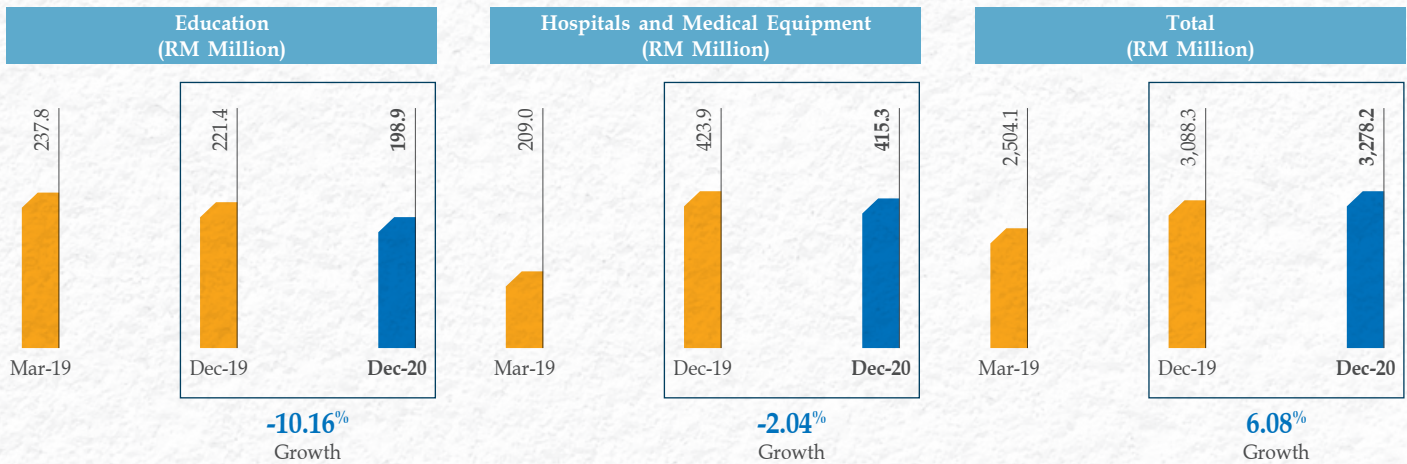
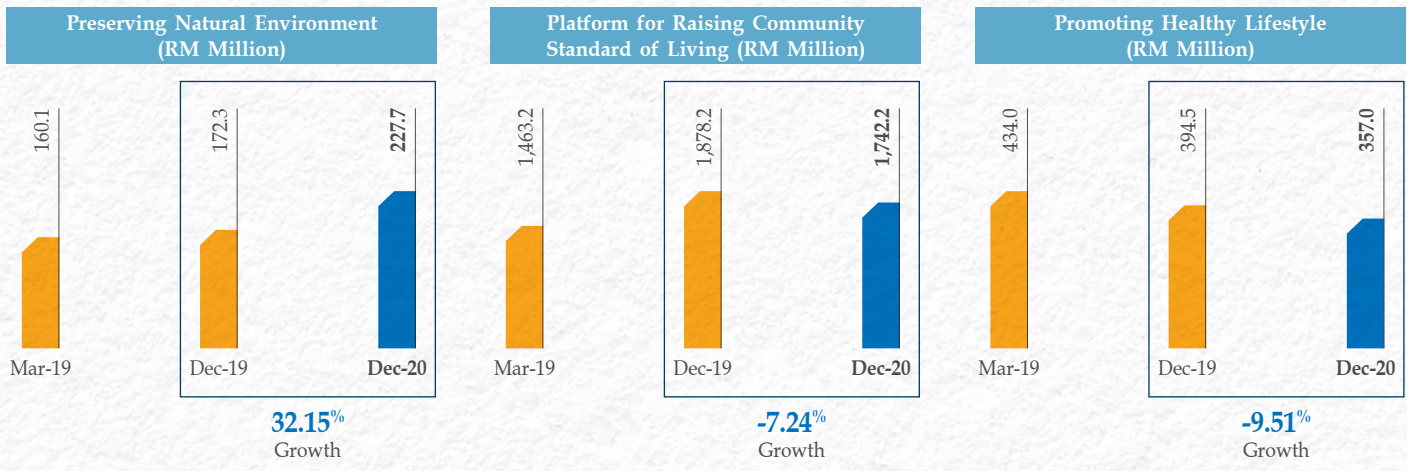


BUSINESS BANKING

Assets by Segment



Triple Bottom Line ("TBL") Sector





During the year, we continued to focus on retaining our good customer portfolio while strategically growing targeted customers to ensure we maintain asset quality. The growth is guided by the Bank's preferred sectors as per our risk appetite statements and sectors as endorsed by the Bank.

Corporate Sectors

The Corporate segment expanded 7.59% to RM5.92 billion for FY2020, driven mainly by manufacturing, agriculture and construction sectors. During the year, we continued to focus on retaining our good customer portfolio while strategically growing targeted customers to ensure we maintain asset quality. The growth is guided by the Bank's preferred sectors as per our risk appetite statements and sectors as endorsed by the Bank. We also focused on penetrating new target markets, especially mid-tier corporate customers.

Commercial Sectors

Our Commercial segment registered a 36.75% surge in asset growth from RM191.70 million in FY2019 to RM262.15 in FY2020 as we continued to grow the cooperative portfolio under the financial and insurance/takaful activities sector and wholesale and trading sectors to preserve our asset quality as part of our efforts to mitigate the risk of these accounts turning into non-performing accounts, which is crucial in the current challenging banking environment. We believe in offering tailored products for customers based on their segments, and practice filtration of customers based on our risk appetite statements. We enhanced customers' asset quality by partly securing the financing with guaranteed schemes.

Anticipated Risks & Prospects

Business Banking Division faced a high scheduled payment of RM283 million in year 2021 that may cause potential risk to our growth, but this will be mitigated by quick response to customers' complaints and requirements to cement relationships and build loyalty. Through improved swift and customised services, we will work to minimise the risk of competition from other financial institutions, in terms of rates, product offerings and services.

We are mindful that the possible prolonged adverse economic conditions might result in deferred CAPEX and OPEX requirements of target customers and this could lead to monthly unscheduled settlements. In such uncertain conditions, we have to respond swiftly, as lengthy on-boarding processes could result in customers favouring other financial institutions.

To mitigate this risk, measures include constant engagement with customers to ensure reutilisation by offering special pricing to good-rated customers; packaging holistic product solutions that fulfil customised requirements encompassing financing, deposits and possibly takaful products; and finally to reengineer the on-boarding process to ensure faster turnaround time.

BUSINESS BANKING

Strategies Moving Forward For Business Banking

The Division's focus for the short term will be to balance growth between corporate and commercial segments and defend assets by managing the monthly attrition rate, while acquiring new customers in high potential segments especially potential beneficiaries and the supply chains benefiting from National Budget 2021. Towards preserving asset quality, the Division will adopt a 'Do It Right for the First Time' mindset by pre-identifying the Risk Acceptance parameters of targeted customers during origination. At the same time, the Commercial segment aims to improve impaired ratios for Commercial Banking by focusing on structured programme financing and secured financing portfolio, while expanding Programme Financing backed by Government guarantee schemes.

Towards the longer term, we are committed towards:

1. Product innovations that will drive fund-based income, fee income and CASA, such as:
 - Holistic product offerings covering both financing and deposits catering to the requirements of target customers by focusing on capex, contract and/or project financing packages.
 - Financing Programmes that cater to the broader ecosystem of targeted segments, such as their vendors, suppliers and sub-contractors.
 - Diversification of income streams through collaboration with Takaful operators for fee-based income.
 - Customised new products to suit business requirements.
2. Increased operational efficiencies via the following initiatives:
 - Expansion of infrastructure and channel capabilities.
 - Expanding business presence in high GDP contributing States nationwide.
 - Optimising the Bank's branch network to promote Business Banking products.
 - Improving turnaround time of business processes by continuing to reengineer the process of origination, assessment and approval.
 - Leveraging on Data Management and Analytics to increase every customer's product holding via cross selling activities and product bundling.
3. Developing leaders and expanding our talent pool for business sustainability, through:
 - Hiring the best from the industry.
 - Building a competent and capable internal team to accelerate business growth.



TREASURY AND CAPITAL MARKETS

REVENUE
RM **262** Million
22.9% Increase
Year-on-Year

CONTRIBUTION
TO BANK'S TOTAL
FUNDING
49.2%

TREASURY AND CAPITAL MARKETS

Challenges

As the spread of coronavirus adversely impacted the world, markets grappled with the changed health, economic and business landscapes. In Malaysia, the Government-imposed lockdown in March 2020 stalled the country's economic activities and led to business operation diversifications. The Bank's Treasury and Capital Markets ("TCM") operations were forced to split into teams working from three (3) separate locations namely Bank Muamalat's Head Office, the Bank's Disaster Recovery Centre and working from home to ensure business continuity and non-disruption of operations.

The TCM Division diligently performed its role in ensuring sufficient liquidity throughout the period despite the lockdown restrictions and limitations. For the year, TCM's profitability and funding strategies centered around

meeting overall regulatory liquidity requirements such as short term Liquidity Coverage Ratio ("LCR") and longer term Net Stable Funding Ratio ("NSFR") while taking into consideration bank counterparties, infrastructure and market outlooks.

On monetary policy, BNM's proactive measures saw robust OPR rate cuts of 125 bps from 3.00% to 1.75% and Statutory Reserve Requirement ("SRR") from 3.00% to 2.00% respectively with Government securities instruments used to meet the SRR minimum ratio. The Ministry of Finance introduced a series of economic stimulus packages during the year to help combat the downward spiral of the economy. Stimulus packages worth RM305 billion and a direct fiscal injection of RM55 billion were announced to provide immediate assistance to lessen the burden of those affected by the pandemic.

Performance Review

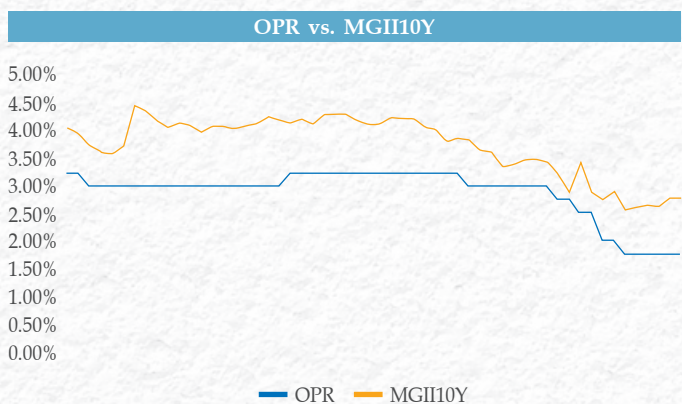
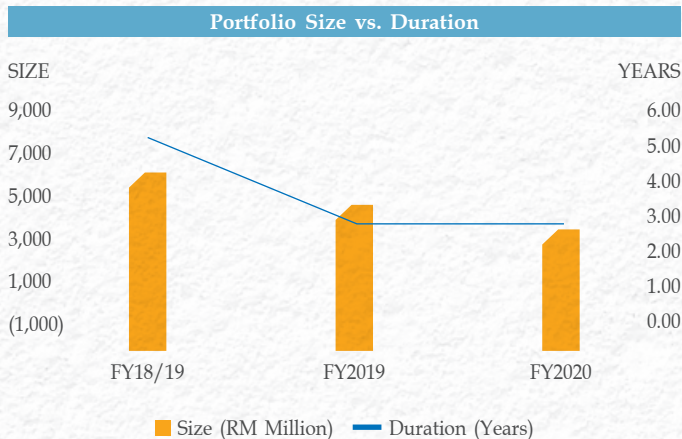
Notwithstanding, the TCM Division, through its strategic planning and anticipation of market direction, was able to optimise its high-quality liquid assets (HQLA) and recorded a gross income of RM270 million, inclusive of a capital gain on securities of RM57.5 million.

Throughout the year, the Money Market funding desk proactively managed the Bank's cash flow, improving overall funding cost by reclassification of institutional clients from branches to TCM for better customer service experience and to optimise the Bank's liquidity ratio. TCM's total funding reduced by 114 bps from 3.12% to 2.16% with LCR and NSFR positioned at 115.87% and 107.96% at the end of FY2020 respectively. As at end of the year, TCM provided 49.24% of the Bank's total funding of RM21.40 billion.

TREASURY AND CAPITAL MARKETS

Foreign exchange was the mainstay of TCM's fee income through consistent engagement with clientele despite the pandemic. The bulk of TCM clients are from Government, while links have also been established with the automotive and commodities sector through Bai Al-Sarf and Wa'd contracts, bringing in a total foreign exchange ("FX") volume of RM5.70 billion during the year.

Non-Ringgit depositors onshore and offshore (Labuan branch) helped cushion the Bank's liquidity through active FX Swap markets as an alternative to meet the Bank's overall funding.



Anticipated Risks and Prospects

For financial year 2021, TCM is optimistic that growth prospects are set to improve as fiscal support have stepped up sharply; economies have adapted to social distancing; and the vaccination roll out is gathering momentum. From a negative growth of 5.60% for 2020, Malaysia is expected to record a gross domestic product of 6.50% to 7.50% in 2021 as the economy rebounds from its worst contraction since the Asian Financial crisis in 1997.

Amidst the expected market recovery, the Division aims to accelerate the process of building HQLA while remaining vigilant against risk factors.

Strategies Moving Forward For Treasury And Capital Markets

Going forward, TCM aims to improve its overall process by streamlining regulatory and compliance procedures, improving its foreign exchange infrastructure and eco-system, improving interbank funding credit facility via Sale and Buy Back Agreement ("SBBA") and Collateralised Commodity Murabahah ("CCM"), and expanding its client base with a better run-off for a stable pool of depositors and by tapping foreign exchange business.

The Division anticipates that Government securities supply will grow as fiscal deficit is expected to widen from 5.4% to 6.0% for year 2021. Foreign participation on Government securities will be closely watched by market players as a conduit to support the economy. The result of FTSE Russel index and Malaysia rating will be among the factors that will influence the yield curve going forward.



RM57.5

Million

Capital gain on securities for FY2020

INVESTMENT BANKING

Challenges

Investment Banking (“IB”) focuses on Islamic Capital Markets deals as well as managing the Bank’s private equity investments via our private equity arm, Muamalat Venture Sdn Bhd (“MVS”).

Capital Markets presented continued challenges during the year, due to the pandemic-led contractions in economies and the limited flow of new deals. However, Bank Muamalat’s IB team managed to turn in a commendable performance contributed from the conclusion of two (2) Sukuk deals, namely for an Islamic Financial Institutions and a State Agency Corporation in the agricultural sector.

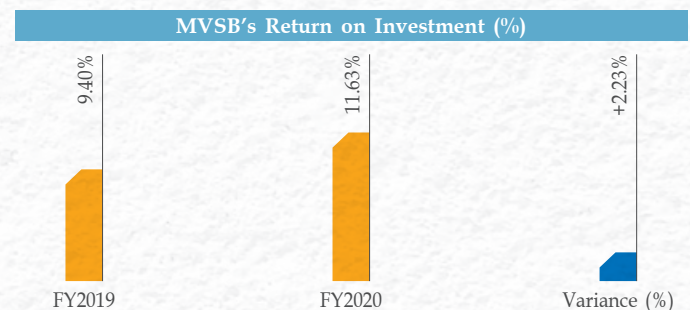
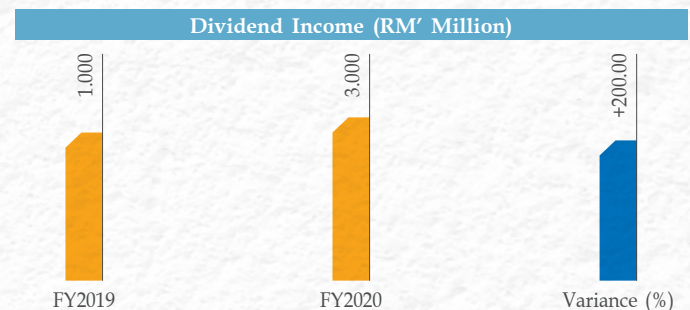
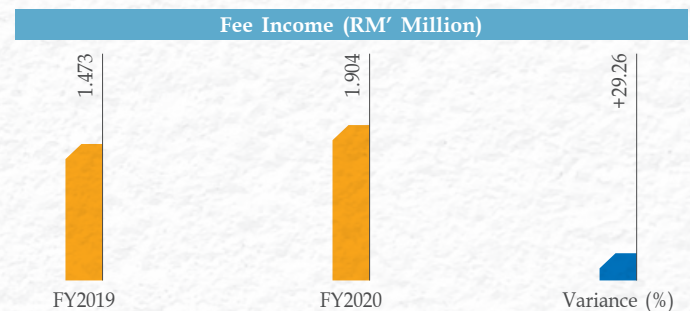
The details of the transactions are as follows:

Transaction	Role
Sukuk Wakalah Programme of up to RM10.0 billion by Imtiaz Sukuk II Berhad	Joint Lead Manager
Sukuk Wakalah Programme of up to RM650.0 million by Perbadanan Kemajuan Pertanian Negeri Pahang	Joint Lead Manager

IB registered RM1.9 million in fee income, comprising arranger fees, Wakalah fees, agency fees and management fees derived from Investment Banking activities. The fee income for FY2020 increased by 29.26% as compared to the previous year.

Fortifying financial access in the challenging year, IB continued to prioritise serving the underserved communities as part of the Bank’s commitment to Value-Based Intermediation. IB continued its investment partnership with Permodalan Kelantan Berhad via MVS, in the operation of Ar-Rahnu branches that provide instant and easy cash in rural parts of Kelantan and Sabah. The venture generates sustainable returns to the Bank and allows us to promote fair and transparent products and services to underserved communities.

Performance Review



During the year under review, IB registered RM1.9 million in fee income, comprising arranger fees, Wakalah fees, agency fees and management fees derived from Investment Banking activities. The fee income for FY2020 increased by 29.26% as compared to the previous year.

TREASURY AND CAPITAL MARKETS



RM1.9 Million

Fee income for FY2020 from Investment Banking activities. (Increased by 29.26% as compared to FY2019)

The persistent market instability and uncertainty may also lead to volatility in income. Despite the difficult environment, there are opportunities to secure Sukuk mandates as potential Sukuk issuers explore fund raising exercises in the current low profit rate environment.

Meanwhile, the dividend income which represents annual dividend paid by MVSB tripled to RM3.0 million in FY2020 as compared to RM1.0 million in FY2019. This was driven by higher profit contribution from the Musyarakah investment undertaken by MVSB. As a result of this profit increase, MVSB registered a higher return on investment (ROI) as compared to FY2019.

Strategies Moving Forward For Investment Banking

With the slowing domestic and global economies, there will likely be intense competition due to the scarcity of Capital Market deals. To address these risks, IB intends to focus on its key corporate relationships to establish deal flows. The persistent market instability and uncertainty may also lead to volatility in income. Despite the difficult environment, there are opportunities to secure Sukuk mandates as potential Sukuk issuers explore fund raising exercises in the current low profit rate environment. IB also sees continued opportunities to collaborate with other banks for larger capital market deals, as these banks seek to share balance sheet exposure to minimise risk.

The operating landscape in 2021 is expected to remain challenging as economic recovery is projected to be gradual and uneven amid COVID-19 containment measures. IB's strategy in the face of uncertainties and downside risks is to exercise greater prudence and to remain vigilant. Going forward, continued focus on key corporate relationships with potential issuers and other financial institutions will pave the way for deal flows in Debt Capital Markets.



SUBSIDIARIES

REVENUE
 RM **4.8** Million
24.9% Increase
 Year-on-Year ("y-o-y")

**ASSETS UNDER
 MANAGEMENT**
RM2.3
 Billion

MUAMALAT INVEST SDN BHD ("MISB")

Muamalat Invest Sdn Bhd is the Bank's Islamic Fund Management arm established in 2006. Licenced in 2010, MISB focuses on institutional and high net worth investors for its capital market products and has been providing full Shariah-compliant investment management services which include management of discretionary and non-discretionary mandates for asset classes; covering equity and sukuk; and provision of wholesale and retail fund products for investments in various asset classes, i.e. Islamic money market instruments, equities and sukuk. MISB's business is currently contributed largely by institutional clients in retail and wholesale money market funds, wholesale sukuk and private mandates. MISB has also expanded its business into the retail space.

Having successfully secured the Capital Market Services Licence ("CMSL") for dealing in securities (restricted to unit trust) in 2019, MISB launched its maiden retail unit trust fund, namely Muamalat Invest Islamic Equity Fund ("MIIEF"), in September 2019 to appeal to retail investors with aggressive risk profile and who have longer investment horizon. MIIEF may invest up to 95% of its net asset

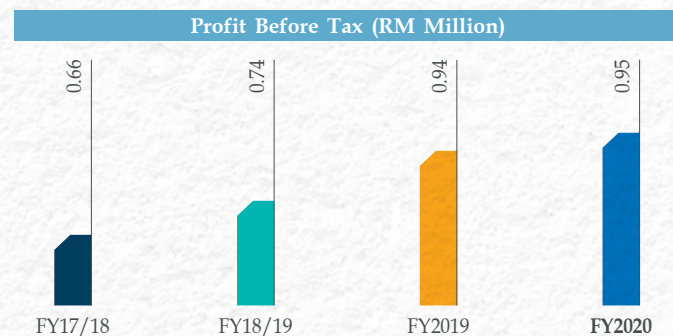
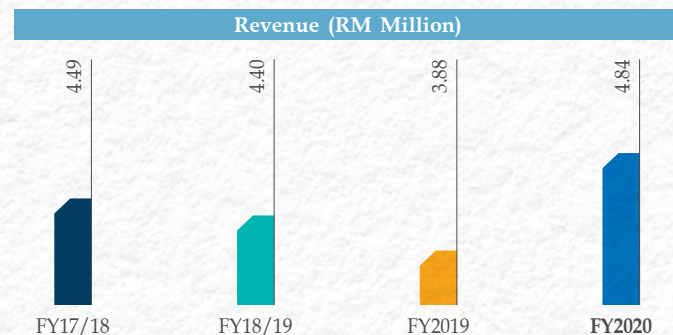
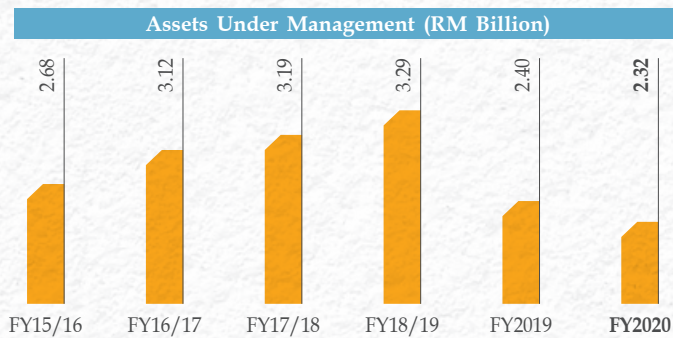
value in domestic Shariah-compliant equities and up to 30% of its net asset value in domestic Shariah-compliant fixed income instruments. MIIEF aims to achieve capital appreciation over the medium to long term period.

In October 2020, MISB launched its retail money market fund, namely Muamalat Invest i-Institutional Money Market Fund ("MINTMMF"). MINTMMF invests in low risk and liquid Ringgit denominated Islamic deposits and Islamic money market instruments issued by financial institutions.

SUBSIDIARIES

Performance Review

For FY2020, MISB recorded a total revenue of RM4.8 million and profit after tax of RM0.9 million. Shareholders' funds of MISB improved by 6%, contributed by profit after tax derived for the year. MISB's profit for the year was driven principally by higher performance fees earned from both equity and sukuk mandates, as the mandates generated higher-than-benchmark returns for its clients, arising from opportunities capitalised in both the equity and sukuk markets during the year. As at the end of FY2020, MISB recorded RM2.3 billion in Assets Under Management ("AUM").



Strategies Moving Forward For MISB

MISB is mindful of key determinants of equity market in the year 2021, such as:

COVID-19 & Vaccines

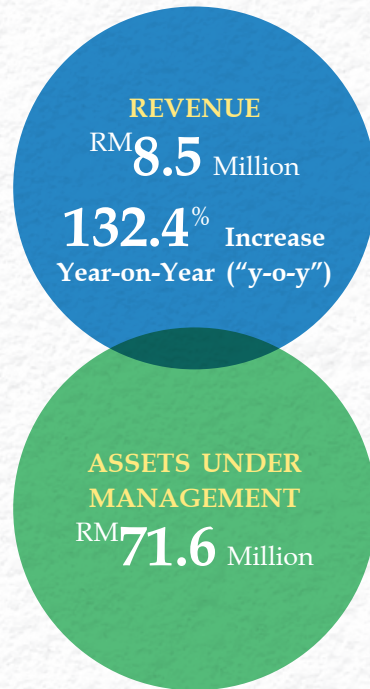
The outlook going forward is largely determined by the risk of further resurgence of COVID-19 infections which could lead to weaker business, employment and income conditions. The progress of vaccination distribution and efficacy of vaccinations are other variables that need to be monitored and responded to with agility. While the discovery of the COVID-19 vaccines provides positivity on recovery prospects, which also catapulted world equity markets; recent spikes and virus mutation could dampen the whole recovery timeline.

General Election

Uncertainties on the political front is rife as Malaysia heads towards the next general election (GE). The Government will remain pressured especially after the nation ends its state of emergency on 1 August 2021. These factors are expected to cause market jitters as the Prime Minister seeks a fresh mandate soonest possible. Based on past GE trends, the domestic equity market tends to react post-election as compared to its historical price actions especially before GE-13; where market reacts pre-election on promises and goodies. Thus, pre-election rally might be subdued as the market awaits the result of the election and stage a potential relief rally or election sell-off afterwards.

MISB is working closely with selected foreign and local fund houses to collaborate in launching unit trust funds that embed VBI principles into its investment strategies encompassing ESG, SRI, SDG, Waqaf, and Green Investment, among others. VBI aims to reorient Islamic finance business models towards realising the objectives of Shariah that generate positive and sustainable impact to the economy, community and environment through practices, processes, offerings and conduct. This is also part of MISB's strategy in venturing into the retail market space.

Muamalat Venture Sdn Bhd ("MVSB")



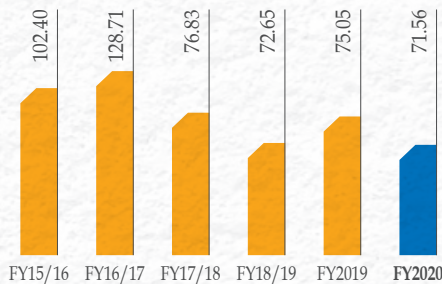
MVSB is an Islamic venture capital management company which invests in high-growth companies, mezzanine and pre-IPO companies.

MVSB is currently focused on a Musyarakah venture with Permodalan Kelantan Berhad (PKB Musyarakah Investment), which accounts for more than 90% of its Assets Under Management ("AUM") of RM71.6 million as at 31 December 2020. The decrease in AUM was due to annual capital buyback by joint venture partner of PKB Musyarakah Investment.

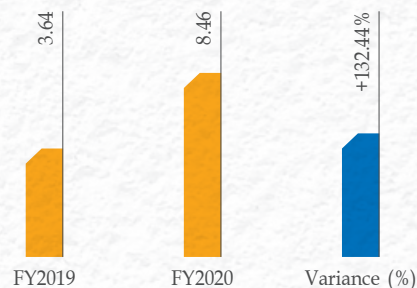
In line with VBI concept, MVSB continues to serve the underserved communities through its investment partnership with PKB in operating Ar-Rahnu branches in Kelantan and Sabah. The venture generates sustainable returns to MVSB and allows us to promote fair and transparent products and services to underserved communities especially during the MCO period.

Performance Review

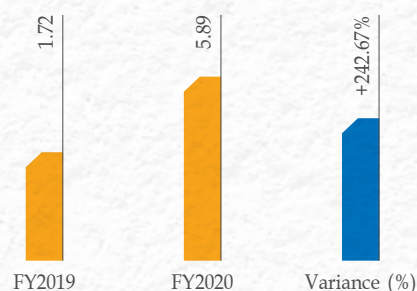
Assets Under Management (RM Million)



Income (RM Million)



Profit Before Tax (RM Million)



In FY2020, MVSB registered profit before tax of RM5.9 million mainly contributed by increase in profit contribution from the Musyarakah investment.

Strategies Moving Forward For MVSB

The slowing domestic and global economies due to COVID-19 pandemic will continue to have a negative impact on the performance of companies across various sectors. This in turn will affect investors' return on investment which will add to the volatility of investment performance. To address these risks, MVSB intends to focus on constant engagement with its investee companies and make strategic preparations to manage possible negative impacts of an economic slowdown, and ride on investment opportunities which can generate stable recurring income while mitigating the inherent risk.

With recovery only expected later in 2021, focus will be placed on exercising greater prudence and remaining vigilant in the face of changing outcomes and downside risks. Efforts will be directed towards enhancing the existing portfolio, while keeping an eye out for viable, potential investments and opportunities to build an Islamic private equity portfolio.



SHAPING A MORE INCLUSIVE FUTURE FOR ALL





Beyond reaching out to underserved segments, Bank Muamalat is committed to empowering communities through Social Finance initiatives such as Wakaf Muamalat, Tabung Mawaddah and the Jariah Fund. These channel zakat and wakaf funds to selected projects in education, health, and investment, as well as charitable activities to Asnaf recipients.

OUR SUSTAINABILITY APPROACH



BANKING ON VALUES AMID THE PANDEMIC:

OUR ECONOMIC,
ENVIRONMENTAL AND
SOCIAL PERFORMANCE
AND IMPACT.

OUR SUSTAINABILITY APPROACH

As an Islamic financial Institution

Our approach to sustainability is anchored in adherence to Maqasid Al Shariah - the preservation of order, achievement of benefit and prevention of harm or corruption, establishment of equality among people, causing the law to be revered, obeyed and effective as well as enabling the ummah to become powerful, respected and confident. This shapes our mission to ethically deliver the best value to stakeholders, society and the environment.

As part of BNM's VBI Community of Practitioners and a member of the GABV

As a financial institution committed to Bank Negara Malaysia's direction towards Value-Based Intermediation ("VBI") and a member of the Global Alliance for Banking on Values ("GABV"), we want to ensure that banking is a healthy and productive system of society and develop a positive, viable alternative to the current banking system.

We are mindful of the interdependence of finance with the real economy, social cohesion and our natural eco-system. We nurture our connection to the communities we serve and are accountable for the risks we take and create for the people who use our products and services. Our focus on inclusion puts basic banking products in service of a greater number of people, rather than highly sophisticated products in the hands of a few. We are also highly aware of the externalities produced by our banking activities by the projects and clients we finance.

As a responsible organisation

Bank Muamalat supports the United Nations Sustainable Development Goals (“SDGs”) in our business and sustainable practices. We have identified six (6) SDGs that are most aligned with our material issues and our sustainability efforts in FY2020. The Bank recognises the need to progressively take active steps to ensure our continuous commitment to contribute to the global development under the 17 SDGs. In this Report, we refer to the respective SDGs and how we have contributed to promote them in our sustainability initiatives under the respective material EES topics.

Based on our Mission and role as a responsible financial institution, we have categorised our sustainability activities according to the Economic, Environmental and Social (“EES”) domains. These activities are further elaborated and reflected by our Material Matters as identified through our materiality assessment and stakeholder engagement:



ECONOMY

- Economic Performance
- Entrepreneur Development
- Responsible Financing
- Procurement Practices
- Ethics & Integrity
- Customer Experience
- Digital Banking



ENVIRONMENTAL

- Energy Consumption & Environmental Impact



SOCIAL

- Employment
- Diversity & Equal Opportunity
- Training & Education
- Community Development
- Financial Inclusion

**Global Alliance for Banking on Values (“GABV”) is an independent network of banks using finance to deliver sustainable economic, social and environmental development; with a focus on helping individuals fulfil their potential and build stronger communities. It comprises 66 financial institutions and 16 strategic partners operating in countries across Asia, Africa, Australia, Latin America, North America and Europe. Collectively it serves more than 70 million customers, holds over \$200 billion USD of combined assets under management, and is supported by more than 77,000 co-workers.*

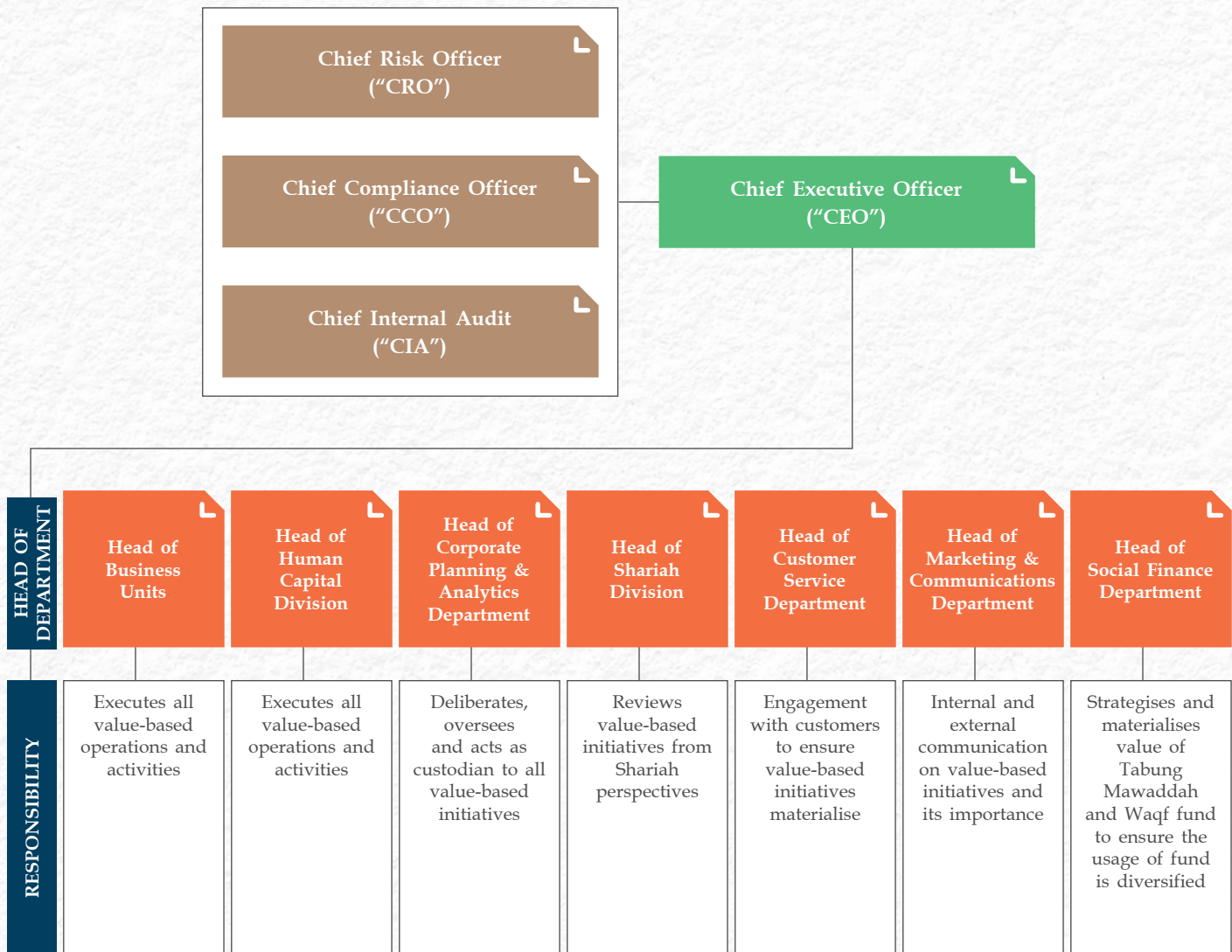
**Value-Based intermediation (“VBI”) aims to deliver the intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders' sustainable returns and long-term interests. The VBI Community of Practitioners or “CoP” is a collaborative platform for industry players to strategically advance industry-wide implementation of VBI agenda. CoP was initially founded by five (5) Islamic banks namely Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad, Bank Pertanian Malaysia Berhad (Agrobank), CIMB Islamic Bank Berhad and HSBC Amanah Malaysia Berhad. Today, in 2021, 14 banks are in the CoP.*

OUR SUSTAINABILITY APPROACH

SUSTAINABILITY GOVERNANCE

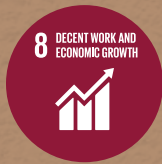
Our sustainability practices are overseen by our Value-Based Committee, which are accountable for ensuring the Bank adopts a sustainable business strategy. This is then crystallised through our leadership team and translated into Value-Based Initiatives, which our respective Heads of Department are responsible for implementing.

Sustainability Governance Structure



Sustainability pillars

Our approach to sustainability is guided by our sense of purpose; to create values for the long term; and manage our business in a balanced and responsible way. We do this through our three (3) sustainability pillars. Aligning to our role to deliver banking solutions, we have identified the relevant UN SDGs where we can contribute to the sustainability of the EES aspects in Malaysia. The Sustainability Goals adopted by Bank Muamalat in measuring our sustainability performance, are as follows:



ECONOMY

We are aligned to national goals and work to support the Malaysian government's and regulators' programmes towards enhancing national growth and development. We provide opportunities for local suppliers and adhere to corporate governance standards as well as codes of conducts aligned to Islamic values. We also pay our fair share of taxes and make economic contributions to the communities wherein we operate. We incorporate responsible financing in our lending practices, and conduct our business in a fair and responsible manner. This includes taking a proactive stance to combat bribery, corruption, protect customer data and prevent financial crime.



ENVIRONMENTAL

We consider the impact our business operations has on the environment and society and continue to improve management of utilities, fuel and paper. In optimising our influence on the value chain, we support vendors that adopt sustainable practices, as well as companies that contribute to environmental-related preservation activities and adhere to environmental related regulations.



SOCIAL

Having good social impact is a core focus for Bank Muamalat. We advance financial inclusion for customers and contribute to the community. Understanding the greater impact we can have on the lives of our employees and their families, we seek to be a workplace of choice that prioritises welfare initiatives, develops potential and upholds fairness and integrity.



ECONOMIC

SDG 8.1

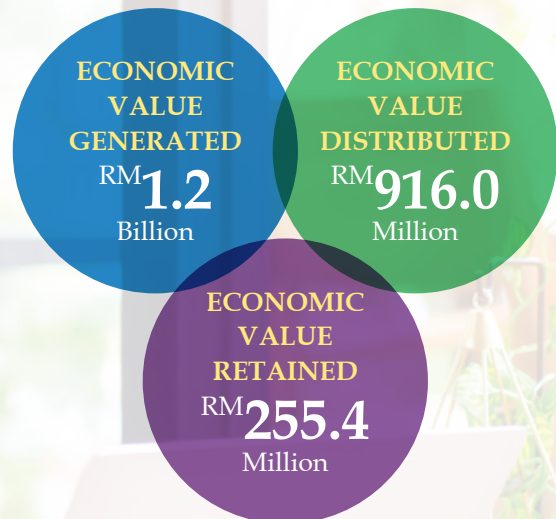
Sustaining per capita economic growth in accordance with national circumstances

SDG 16.5

Substantially reducing corruption and bribery in all their forms

ECONOMIC PERFORMANCE

FY2020 was a difficult year due to COVID-19, which resulted in significant economic slowdown as markets went into lockdown globally. Bank Muamalat's economic values generated, retained and distributed by the Company for the year ended 31 December 2020 are as follows:



Notes:

- (a) Refers to the revenues and other income generated by the Bank
- (b) Refers to operating costs, employee wages and payments to providers of capital
- (c) Refers to Economic Value Generated minus Economic Value Distributed



Further details of our financial performance can be found under the Financial Statement section on pages 169 to 181.

ENTREPRENEUR DEVELOPMENT

The Bank's financing strategy is in alignment with the Government's agenda to boost micro, small and medium entrepreneurs ("SMEs"), with the goal of meeting Budget 2020's target for SMEs to contribute 50% to GDP by 2030. SME financing has grown into a full-fledged department focused on providing supportive financial solutions to help SMEs thrive and bring positive economic multipliers within local communities such as more employment and raising the standard of living. For SMEs, the Bank focuses on structured growth based on collaborations with identified parties and government agencies to leverage on partly secured guarantees. In addition, we have engaged in direct collaborations with several organisations such as GRAB, TNB and PUSRAWI in supporting their vendors and business partners through financing facilities.

The facilities made available to SMEs during the year, ranged from Special Relief Fund, SJPP Financing Programme, Penjana Tourism Fund, Targeted Relief & Recovery Facility ("TRRF"), and Vendor Financing Programme ("VFP").

RM56.8 million was approved for TRRF which was directed towards Malaysian SMEs in services sector affected by the reintroduction of COVID-19 containment measures since June 2020. RM25.5 million has been disbursed at end-December 2020. Having secured approval to launch Vendor Financing Programmes ("VFP") totalling RM600 million, the Bank subsequently inked MoU agreements with Petronas and PERNISMA for the above VFPs, wherein the target is to serve 1,552 Petronas vendors involved in direct supply and services to Petronas Group; and 658 members of PERNISMA who are TNB's Bumiputra vendors. RM5.5 million worth of approvals have been secured, with RM5 million disbursed under the programme by end-December 2020.

The Bank launched two (2) more entrepreneur targeted programmes during the year, namely the Commercial Property Financing ("CPF") and KLINIK PUSRAWI Licensing programme which will be opened for applications from customers in the second quarter of 2021.

Recognising the Bank's commitment to the SME market, several SME-related organisations invited Bank Muamalat as a panel participant for their webinars in order to offer advice on financial management. This opened up opportunities

to market financing solutions to their members. A total of RM121 million in financing was approved for seven (7) co-operatives in FY2020.

We also continued to empower entrepreneurs through knowledge transfer sessions targeted to improve their 'bankability'. Due to the pandemic and MCO measures in place throughout most of the year, these sessions were marketed via social media and the actual knowledge transfer sessions were conducted online to targeted co-operative members. This paves the way for more product-related social media marketing as we commit to increase our customer base for entrepreneur development related programmes.

RESPONSIBLE FINANCING

The Bank is mindful of the responsible role we can play to improve the overall quality of lives of the broader community through our products, advisory services and relief measures.

Relief Measures & Debt Management

In response to significant economic disruption wreaked by the COVID-19 outbreak, the Bank offered financial relief measures to alleviate customers' financial constraints. These included up to six (6) months moratorium for the monthly instalment of financing, as well as accommodating requests by customers to restructure and reschedule their financing.

We also proactively engage customers with financial hardship under the debt management programme spearheaded by Agensi Kaunseling and Pengurusan Kredit ("AKPK"), whereby customers are given the opportunity to regain control of their finances with personalised payment plans. In special circumstances should customers encounter payment difficulties owing to natural disasters, the Bank also provides a temporary reprieve for them by granting a moratorium on financing payment.

Our commitment to Debt Management and Financial Planning extends towards educational initiatives in our effort to raise the level of financial literacy among society. The Bank has organised a series of briefings, talks and seminars via collaborations with organisations, government bodies, associations and NGOs; to highlight the importance of managing personal finances prudently. These educational sessions also served to inculcate good saving habits.

ECONOMIC

Uplifting the Community

As a Bank with a community focus, Bank Muamalat strives to make affordable financing more accessible to the underserved lower income groups and vulnerable sectors. This is done by actively channelling government funds and through our own financing solutions.

Efforts to uplift the community through these financing solutions are detailed in our Financial Inclusion initiatives on page 102.

Responsible Financing Policy Document

During the year under review, the Bank completed the review of our Responsible Financing Policy Document which is in line with our practice of responsible financing. We frequently reviewed our policies to ensure any policy changes from regulators were implemented in a transparent and prudent manner. Our employees were made aware of any policy change through the issuance of circulars upon release of new guidelines from regulators, and training sessions.

Enhanced Credit Assessment

To facilitate a more objective credit assessment, the Bank has an internal statistical-based credit scoring system which enables credit officers to better quantify the risk involved, hence helping to determine the creditworthiness of financing applicants. The Bank also conducts regular training to continually develop employees' ability to make insightful credit judgement amid the rapidly evolving credit management environment.

Financing within VBI parameters

The Bank ensures that new financing extended is within the VBI parameters towards positive EES outcomes. We intensify our focus on companies that act to enhance our environment and contribute to the wellbeing of communities.

Total VBI financing in FY2020 constituted about RM6,813.4 million or 37.2% of total financing.

During the year, our total exposure of business financing aligned with VBI has increased by 6.15% to RM3.28 billion from RM3.09 billion, accounting for 53% of total non-retail financing. All financing disbursed were in accordance with Shariah Governance and Shariah Risk Management policies.

The VBI-aligned portfolio consists of the following sectors:

**RM227.7
Million**

Preserving Natural Environment

**RM198.9
Million**

Education

**RM1,742.2
Million**

Platform for Raising Community Standard of Living

**RM415.3
Million**

Hospitals & Medical Provider

**RM357.0
Million**

Promoting Healthy Lifestyles

**RM337.1
Million**

SMEs

**RM1,301
Million**

Financing for underserved communities i.e. army personnel and pensioners

**RM1,144
Million**

Financing for lower income groups to own their first home

**RM1,090
Million**

Wealth financing towards improving quality of life and preserving financial security

On the retail financing front, alignment to VBI has catalysed initiatives towards inclusive financing, affordable housing and dynamic wealth creation products which are in line with Maqasid Shariah, delivering unique proposition to satisfy our customers' personal and financial wellbeing. These financial and non-financial products are offered through expanded and enhanced distribution channels to optimise access and reach to underserved communities.

As at 31 December 2020, total retail financing directed towards the following purposes totalled RM3,535 million. This encompasses RM1,301 million worth of financing directed to army personnel and pensioners; RM1,144 million financing towards helping lower income groups own their first home and RM1,090 million worth of wealth financing products targeted towards improving the quality of life and preserving financial security of the society across generations.

Staff Financing

Bank Muamalat offers our employees financial support through various financing and advances as part of employee benefits and to support their attainment of a comfortable, conducive and joyful family-oriented life.

Through the Staff Sundry Financing (“SSF”) and Staff Structured Personal Financing (“SSPF”) employees are able to service house and car financing, and Staff Bicycle Financing was also introduced to support healthy lifestyle choices. All employees of Bank Muamalat are entitled to the benefits of staff financing at competitive rates.

Besides that, the Bank offers a Festival Advance based on Qard before major festive celebrations to enable employees in managerial positions and below, earning relatively lower income, to prepare for the celebrations.

In FY2020, a total of RM4.9 million staff financing was approved for 133 employees, and RM1.04 million in festival advance was approved for 274 employees.

PROCUREMENT PRACTICES

Fair Treatment of Vendors

The Bank’s procurement practices are consistently evaluated to ensure fair dealings and transparency in the process. The Bank’s Regulatory Advisory & Compliance Division (“RACD”) has been maintained as a member of the tender committee (for Non-IT related only) to ensure that all regulations are being adhered to in terms of Fair Treatment of Financial Consumers (“FTFC”) & Outsourcing. In the interest of vendor relations, we have improved our turnaround time for invoice processing as well as being transparent in the evaluation of awards.

Prioritising Sustainable Practices

To ensure our sustainable policies are adopted within the procurement process, employees are trained to meticulously evaluate the vendors to ensure their business practices are aligned with our values. Prior to their appointment, we undertake a thorough evaluation of prospective vendors, and prioritise local vendors who practice sustainability aspects. These include vendors that empower communities such as

people with disabilities and single mothers, local vendors who may have operations in rural areas, and vendors who adopt environmental initiatives.

We are proud to declare that all vendors engaged with in FY2020 were local. The Bank has also proactively engaged with vendors to better understand their business processes and evaluate initiatives that are aligned with VBI.

During the year, the following instances demonstrated the Bank’s proactive favouring of VBI aligned vendors:

- Employed Koputra Property Care (“KPC”) as our cleaning services company, whereby KPC was favoured for employing cleaners with disabilities.
- For Raya packets, we employed vendors that use recycled paper and environmentally friendly ink for printing.

Annual Vendor Performance Review

For every vendor selected, an annual vendor performance review is conducted. We achieved a 100% review in FY2020 and poor performing vendors were informed of their service gaps so that they can improve on performance.

ETHICS & INTEGRITY

Standing Against Corruption

The Bank adopts the anti-bribery and corruption management process pursuant to the Guidelines on Adequate Procedure of Section 17A Corporate Liability (Amendment 2018) MACC Act 2009. The Guidelines lay out the principles through the acronym of “T.R.U.S.T.” (T - Top Level Commitment, R - Risk Assessment, U - Undertake Control Measures, S - Systematic Review, Monitoring and Enforcement, T - Training and Communication) that can be applied by the Bank to ensure that the Bank has a defence in the event an offence is committed. For each of the principles, the Guidelines provide a list of recommended initiatives and the following are among the initiatives executed by the Bank in FY2020:

- Management Commitment pledges and statements in combating corruption via Bank Muamalat’s official website and Internal Communication Portal (“ICP”)

ECONOMIC

- Attestation of “*Akujanji Bebas Rasuah*” by all employees of the Bank
- Establishment of an Integrity & Governance Unit to initiate integrity and governance engagements via (integrity.governance@muamalat.com.my)
- Implementation of Corruption Risk Assessment (“CRA”); Gift & Entertainment Policy; Anti-Bribery & Corruption Policy; and Vendor Code of Conduct
- Publication and distribution of Anti-Bribery & Corruption Handbook
- Anti-Bribery and Corruption (“ABC”) Training & Awareness Session for employees, the Management and Board of Directors
- Rolling out of Anti-Bribery & Corruption Talk Session
- Anti-Bribery & Corruption Training “*Tumbuk Rusuk*” virtual training by external provider for all employees
- Virtual training and induction for new hires and Consumer Financing Executives (“CFE”)
- Ensuring continuous awareness via desktop alerts and screensaver reminders

Enhancing Whistleblowing

The Bank expects the highest standard of integrity from all our employees and vendors. We take a serious view of any wrongdoing by any of our employees, managers, directors, and vendors, particularly on their obligations to the Bank’s interest. We believe instilling integrity among employees, building an ethical work environment and promoting ethical engagement with other parties will help curb corruption, abuse of power, and malpractice from occurring within the Bank.

↗ Our Whistleblowing Policy is available on the Bank Muamalat’s corporate website at https://www.muamalat.com.my/downloads/privacy-policy/BMMB_whistleblower_V2.pdf

To this end, we have established a Whistleblowing Policy to guide all employees, suppliers, vendors, associated stakeholders, and customers to voice their concerns when they become aware of any potential wrongdoings for us to take swift and effective actions to maintain the support and trust of the employees and stakeholders. The Policy provides clarity on the oversight and responsibilities of the whistleblowing process, protection, and confidentiality afforded to whistleblowers.

The Bank is wholly committed to ensuring strict confidentiality and protection of any whistleblower’s identity from any form of reprisal due to the disclosure. In providing further assurance, since 2010, the Bank has established a Muamalat Ethics Line - a dedicated whistleblowing channel managed by an independent third party for employees, vendors, and customers to raise any concerns related to corruption, bribery, fraud or any misconducts. It provides all stakeholders an easy access to lodge whistleblowing reports via three (3) easy methods:



E-mail

muamalat_ethicsline@kpmg.com.my



Hotline (Toll free)

1800 88 8131



Letter

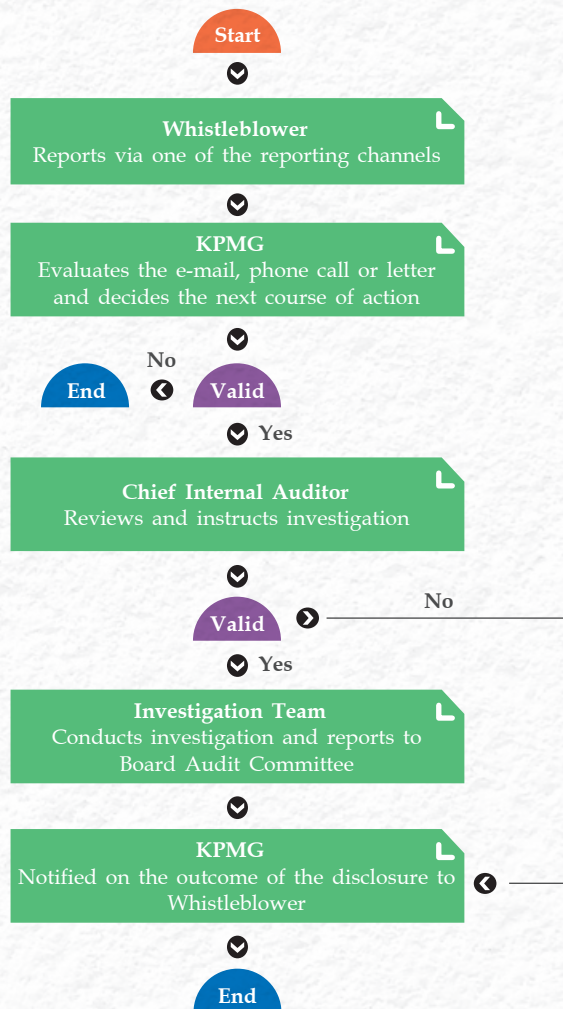
Muamalat Ethics Line, P.O. Box 8595,
Pejabat Pos Kelana Jaya,
46793 Petaling Jaya



بنك معاملات
Bank Muamalat

These independently managed channels encourage employees and members of the public to come forward and champion an ethical environment and professional workforce, without fear of leaks, loss of anonymity or reprisals.

Bank Muamalat's Whistleblowing Process Flow



Other Enforcement Authorities

Polis Diraja Malaysia ("PDRM")
rmp.gov.my

Suruhanjaya Pencegah Rasuah Malaysia ("SPRM")
<https://www.sprm.gov.my/>

Bank Negara Malaysia ("BNM")
Bank Negara Malaysia | Central Bank of Malaysia
<https://www.bnm.gov.my>

CUSTOMER EXPERIENCE

Annual Mystery Shopper and Mystery Call Programme

To understand our customer experience at branches and via the Bank's contact centre, we conduct an annual Mystery Shopper Programme to ensure continuous efforts in delivering good service. Each year, through findings attained via this programme, we find ways to improve our weaknesses. Due to the MCO, the annual Mystery Shopper Programme was conducted through Mystery Call for Contact Centre for FY2020. Instead of a Mystery Shopper visit to the branches, Mystery Calls were made to Bank Muamalat's Contact Centre covering peak and non-peak hours. A total of 40 survey calls were made in four (4) months for the purpose of evaluating the performance of Call Centre Executives. The engagement was then rated and scored according to three (3) key areas of assessment, namely, Accessibility; Call Management; and Competency. The results were shared with all relevant departments and employees to ensure continuous delivery excellence.

For FY2020, the average score for the contact centre increased 2.98% from 81.18% in FY2019 to 84.16% in FY2020.

Waiting Time at Branches

As our branches still serve as our main customer touchpoint, we seek to continuously improve waiting time at our branches while strengthening our digital presence to reduce the need for our customers to visit the branch. Daily and monthly monitoring of branch performance are conducted and counter services monitored through the Queue Management System ("QMS") to measure performance against the standard target of 80% of customers to be served within 10 minutes.

For FY2020, the target of customers being served within 10 minutes rose 6% to 74% from 68% in FY2019. Our QMS Reports are automatically directed to respective branches so that the management of services can be rectified promptly.

Complaints & Feedback Management

One of key contributors to customer satisfaction is how well and how fast feedback is managed and resolved. To evaluate our customers' experience, we measure the number of calls and complaints received and resolved, as well as the time taken to resolve them.

ECONOMIC

We received 621,095 calls to our Customer Service Centre in FY2020, almost double of the 325,679 received the year before. Majority of the calls (47%) were in relation to internet banking due to the upsurge in online banking transactions during the year. Total answered calls improved to 90.7% as compared to 87.3% in FY2019. Call abandonment rate lowered to 9% in FY2020 as compared to 12.7% in FY2019. There was also a 16.32% increase in monthly average complaints received as compared to FY2019, which totalled 2,648 complaints.

In an effort to exceed industry standards of resolving cases within 14 days, we have targeted to resolve cases within two (2) working days and in FY2020 we are proud to have achieved this turnaround time ("TAT") on all feedback resolution and 91% of complaints. All cases were resolved fairly and on a timely basis.

The involvement of the Bank's Senior Management ("MANCO") in relation to customers' feedbacks and complaints has been a key strength on this front as it elevates customer satisfaction as a significant agenda for the Bank. MANCO is involved in the review of performance and effectiveness of feedback handling to ensure due process is undertaken, and identify areas where the Bank has fallen short in delivering a fair outcome to our customers.

Customer Data Protection

With increased digitalisation, the Bank is mindful of the need to be vigilant against new cyber threats and ensure customer data privacy. To ensure robust cyber security controls are in place, and information within the Bank is protected, the Bank has undertaken these initiatives:

- Advanced Security Operation Centre ("ASOC") which monitors the bank network and endpoint security posture through various sensors such as Firewall, Network IPS, server logs and endpoint malware security plus threat intelligence feed and phishing/brand monitoring.
- Symantec software DLP solution which filters electronic data in/out from workstation/PC/Laptop plus Hard Disk encryption for laptops provided to staff by BMMB.
- Enhanced or amended monthly Cyber Security Dashboard Reporting for Management and Board of Directors.
- Enhanced annual Penetration Testing and Vulnerability Assessment.

DIGITAL BANKING

Digital Banking Solutions

We continue to advance digital banking capabilities in FY2020, driven by the pandemic environment which catalysed more online transactions and engagements. Investments on this front are empowering our customers to take charge of their financial wellbeing according to their own risk appetite.

Several new initiatives were introduced for FY2020 towards becoming a digitalised bank, among which was the introduction of the Muamalat Application Platform ("MAP") for online applications of our financing products. Through MAP, financing applications are faster, easier and more accessible, eliminating the need for multiple visits to branch. As at end FY2020, a total of 516 financing applications have been approved via MAP. The data analytics employed in MAP has also improved processes, as the Bank can easily and efficiently monitor the figures achieved by the sales team via MAP's admin dashboard. This allows for better deliverables, and faster approvals and disbursements.

The development of eKYC solution, partnering with our sister company POS Malaysia, for customer on-boarding was embedded in MAP during the year. With the introduction of eKYC capabilities, the Bank is able to promote our products to new market segments, and increase deposit revenue.

In July 2020, another digital initiative was successfully realised when the Ar-Rahnu Online Auction System was rolled out as a solution towards improving the impairment rate of Ar-Rahnu business. The system has already proven to significantly reduce impairment from RM6.1 million in April 2020, to RM2.3 million by end-December 2020. Phase 2 of this project is the launch of the mobile app which will be completed by 2021.

The establishment of Jariah Fund in September 2020 as part of Social Financing, was the final digital banking initiative unveiled in FY2020. This is an industry-first social welfare crowdfunding platform to help those in need and promote sustainable impact to uplift the socioeconomic status of marginalised communities. The platform eases the donation drive through its transparent features by providing current updates of the amount collected and the state of the intended beneficiaries. It has also enabled the Bank to segregate and equally distribute the funds collected to intended receivers more efficiently.

As at 31 December 2021, the Jariah Fund has collected a resounding RM40,415.00 for a total of 11 on-going projects in collaboration with five (5) partners, namely, the National Autism Society of Malaysia (“NASOM”), Yayasan Ikhlas, Yayasan Muslimin, Yayasan Sejahtera and Malaysian Association for the Blind (“MAB”).

Data Governance & Security

In a world that is increasingly data driven, the Bank is investing in initiatives to strengthen the governance structure and develop methodologies with regard to data management particularly on data accuracy and data integrity. This will facilitate data integration efforts and enhance data integrity towards contributing to the accuracy of business intelligence, enterprise reporting and analytics applications. Through a future of improved data integrity and reduced data errors, the following benefits can be harnessed:

Employees

With enhanced integration of data from reliable data sources, employees can access customer data and profiles faster for improved productivity and better analysis.

Regulatory Bodies

The increased capabilities and efficiency in submitting big data as per regulatory requirements presents an opportunity for regulators to enhance their understanding of both the institutions they regulate and the credit exposures of individual obligors across institutions.

Customers

Customers will feel more assured as their loyalty and trust is fortified when they know that data is more protected, in line with regulations, and that the Bank is able to monitor data breaches better.

Currently, the Bank is implementing the initiatives under the Data Management Roadmap that spans from 2019 to 2022, for development of an effective data management platform (i.e. data governance framework and infrastructure), capacity building on data analytics and improve quality of data for the Bank.

The Roadmap focuses on three (3) areas; Governance, Technology and Infrastructure, and Operations and Training; to address issues related to data management within the organisation.

To date, the Bank has developed and established the following:

- Data Governance Structure such as the establishment of a Data Management Committee, Data Ownership, and re-organisation of Data Management Division (“DAMD”)
- Policies on Data Governance and Data Quality
- Data Warehouse (i.e. development of Data Lake and Data Warehouse)
- Awareness & Training related to Data Governance, Data Visualisation, Data Warehouse and Data Quality

The following initiatives are in progress:

Data Management Phase 2 (Targeted to be completed by 2021)

- Review and improvement on the current Data Governance Structure.
- Enhancement on Policy on Data Management.
- Review on Data Dictionary and Data Classification.

Data Lake & Data Warehouse Project (Targeted to be completed by 2021)

- Continued development of a bank-wide project for Centralised Repository Platform, which includes Data Lake (foundation for big data), Quality tools, Enterprise Data Warehouse (“EDW”), and Business Intelligent tools solution to ensure a single source of information.

Data Quality Solution Project (Targeted to be completed by 2022)

- Development of data quality tool to acquire accurate, reliable and timely data in order to meet internal and external reporting requirements, and for analysis purposes.

ENVIRONMENTAL



SDG 12.2

Sustainable management and use of natural resources

SDG 12.5

Substantially reduce waste generation

SDG 12.6

Encourage companies to adopt sustainable practices and sustainable reporting

BUILDING ENVIRONMENTAL AWARENESS AND SUSTAINABLE ECOSYSTEMS

A monthly Environmental Awareness programme has been introduced at Bank Muamalat in line with growing awareness of our impact on the environment and affect positive behavioural and culture change towards our natural environment across the Bank. As part of this programme, monthly digital bulletins on environmental issues are e-mailed to all Bank employees. A Recycling Station, supported by posters on recycling, has also been set up at the cafeteria to encourage Bank employees to adopt a more sustainable lifestyle and reduce waste. The project was completed in March 2021 and the weight of recycled items is being monitored to better gauge the impact delivered through this initiative.

By leading the change and slowly making these alternatives the norm, we hope to bring improvement to the level of awareness, understanding and appreciation of sustainability practices at the Bank.

This mindfulness has pushed Bank Muamalat a step forward in engaging with vendors that adopt environmental initiatives and sustainable practices. We believe that just by making an informed decision to prioritise sustainable initiatives, the final aim of VBI can be realised.

In FY2020, to print Raya packets, the Bank employed vendors that use recycled paper and environmental-friendly ink; and in choosing corporate gifts for VIPs, we opted for upcycled gifts created by the Biji-Biji Initiative, a social enterprise that seeks to popularise sustainable living by reusing waste creatively. These reflect how a simple switch in small areas can start to make a difference in living up to the ideals of VBI. Through these choices, the support provided to the sustainable ecosystem will also have a cascading impact on encouraging businesses to champion green practices.



The Bank's sustainable corporate gifts include the Angsana Pouch Bag from Biji-Biji, which is innovated from tarpaulin banners that are commonly hung around as promotional items; and the Saga Clutch Bag, produced from rejected car seat belts.

Accompanying these small initiatives, a more VBI aligned direction in our business is leading to increased total exposure to financing aligned with Preserving the Natural Environment. This is done through an extended credit assessment that delves into VBI aspects of the projects. We currently direct this financing towards companies that contribute to environment preservation activities through indicators such as certification in Good Manufacturing Practice ("GMP"), Malaysia Sustainable Palm Oil ("MSPO"), and Good Agriculture Practice ("GAP"), among others;

as well as companies that adhere to environmental-related regulations. Financing on this front has increased from RM172.3 million in FY2019 to RM227.7 million in FY2020.

ENERGY AND RESOURCE MANAGEMENT

At the workplace, we continue to advocate resource and energy efficiency as well as sustainable infrastructure, processes and systems towards achieving sustainable business goals. The inception of the Cost Saving Initiative ("CSI") Taskforce in the last quarter of 2019 has intensified focus on energy and resource management. Multiple initiatives to reduce cost and at the same time better manage the Bank's consumption of energy, water, fuel and stationery supplies have since been implemented. The initiatives target infrastructural changes as well as behavioural mindfulness by employees. The following cost saving initiatives were kicked off during the year under review:



Reduce Utilities Cost

Initiatives Implemented:

- Lights off at offices and toilets during lunch break
- Installation of LED lightbulbs
- Effective chiller management whilst maintaining the cooling at HQ office
- Control usage of split air-conditioners
- Switch off power usage of desktop (during lunch and after office hours)
- Reduce air conditioning temperature by 1 Celsius
- Scheduled maintenance for water pipes and water tanks
- Lowering water pressure/system
- Reminders to conserve water and turn off taps

TOTAL SAVINGS FOR FY2020

RM **577,000**

ENVIRONMENTAL



Reduce Stationery & Printing Costs

Initiatives Implemented:

- Encourage reduction of stationery use
- Minimise printing through increased digitalisation
- Replacement of MPV (Multi-purpose Voucher) utilisation with A4 paper for selected transactions posted by PSC (Payment Settlement Centre)
- Relocation of photocopier machines to a centralised location

TOTAL SAVINGS FOR FY2020

RM1.34 Million



Fuel, Mileage & Travelling

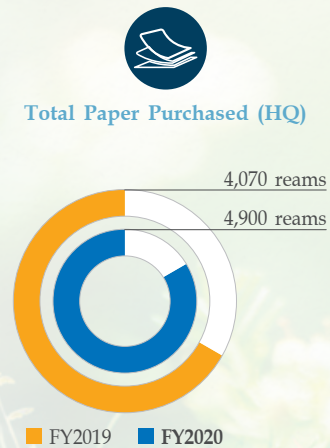
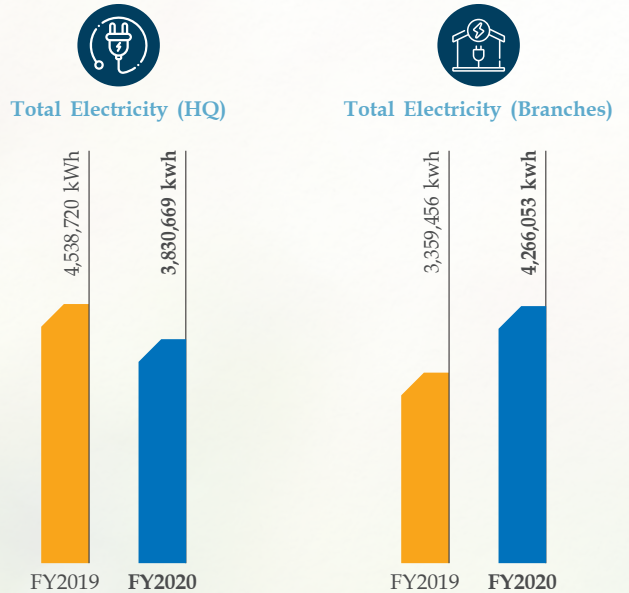
Initiatives Implemented:

- Online training for employees at branches
- Minimise travel by Branch representatives

TOTAL SAVINGS FOR FY2020

RM2.09 Million

The following data discloses our utilities, paper and fuel consumption in FY2020:



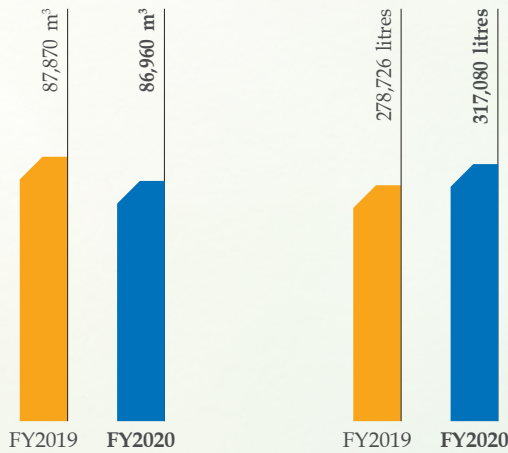
In FY2020, there was an overall reduction in paper used by most departments in the Bank. However, there was also an increase in A4-size papers purchased due to the implementation of the moratorium that involved processing of customers' applications. The increase in overall business also contributed to the need for more A4 papers. We are confident that the Bank's plan to digitise all processes will contribute to greater savings in the future.



Water (HQ)



Petrol Consumption



Petrol consumption in FY2020 increased due to an increase in petrol cards issued and headcounts. However, there was reduction in terms of individual usage. In 2019, per person usage was 218.8 litres, however, in FY2020, this reduced to 174.3 litres per person.

Multiple initiatives to reduce cost and at the same time better manage the Bank's consumption of energy, water, fuel and stationery supplies have since been implemented.



SOCIAL



SDG 4.4

Increasing the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

SDG 8.6

Reducing the proportion of youth not in employment, education or training

SDG 8.8

Promoting safe and secure working environments for all workers

SDG 10.2

Empowering and promoting inclusion of all, irrespective of age, sex, disability, race and ethnicity

Our success over the years is anchored on the relationships we build with our employees and partners, and by the mutual trust and respect we foster for those who are most impacted by how we operate.

EMPLOYMENT



2,034

Total Number of Employees



1,013

Total Number of HQ Employees



1,021

Total Number of Branches Employees

Our success over the years is anchored on the relationships we build with our employees and partners, and by the mutual trust and respect we foster for those who are most impacted by how we operate. Our approach to manage the well-being of our people is embedded in robust employment policies to ensure the right working conditions and experience. Our Company's Core Values and the Code of Conduct guide the desired attitudes and practices of our people to help create a great workplace for everyone. We offer competitive compensation and benefits, aligned to industry best practices, to allow us to attract and retain the best talent. Benefits provided to full-time employees, include:

	Senior Management	Managerial	Executive	Non-Executive
Group Term Takaful ¹	√	√	√	√
Healthcare ²	√	√	√	√
Disability and Invalidity Coverage ³	√	√	√	√
Parental Leave ⁴	√	√	√	√
Retirement Provision ⁵	√	√	√	√
Stock ownership	n/a	n/a	n/a	n/a
Compassionate Leave ⁶	√	√	√	√
Other Types of Leave ⁷	√	√	√	√
Flexible Work Arrangement ⁸	√	√	√	√
Other Allowances ⁹	√	√	√	√
Membership with Professional Bodies ¹⁰	√	√	n/a	n/a
Staff Financing ¹¹	√	√	√	√

1. Includes Group Term Takaful and Critical Illness (only applicable to Senior Management and managerial employees)

2. Includes Medical benefits, Dental benefits, Optical benefits, Executive Health Screening and Child Delivery charges

3. Includes Group Personal Accident, SOCSO, Employee Insurance Scheme ("EIS")

4. Includes Maternity Leave and Paternity Leave

5. Includes EPF Top Up Plan, early retirement and Pre-retirement Leave (only applicable to executives and non-executives)

6. Includes death of family members, natural disaster and immediate family being hospitalised

7. Includes Annual Leave, Sick Leave, Hospitalisation Leave, Prolonged Illness Leave, Marriage Leave, Hajj Leave and Examination Leave

8. Includes Staggered Work Hours and Reduced Work Hours

9. Includes Warm Clothing Allowance for travelling to temperate countries, Acting/Relief Allowance, Regional Allowance (only applicable to East Malaysia), Outstation Duty Allowance

10. Includes professional membership (only applicable to Senior Management and managerial employees)

11. Includes Staff Sundry Financing, Staff Structured Personal Financing, Staff Bicycle Financing, Staff Vehicle Financing, Muamalat Car Scheme (VP and above) and Staff House Financing

SOCIAL

Ensuring Workplace Safety and Employee Wellbeing

Despite the challenges brought by the COVID-19 pandemic, Bank Muamalat consistently maintained a safe and conducive work culture as well as delivered on our social responsibilities to our communities under a new normal environment. The year saw the Bank ensuring the safety and welfare of 2,034 employees, coming through in their time of need during the imposed Movement Control Order ("MCO").

Intensified focus was directed towards ensuring a safe and sanitised workplace for employees. This was a priority in ensuring uninterrupted operations and delivery of reliable services to our stakeholders throughout the pandemic. Work from home measures were swiftly adopted to ensure safe social distancing could be easily adopted at workplaces. The clear communication and guidance on standard operating procedures ("SOPs") provided during the year to keep the virus from spreading proved effective as the Bank's infectivity rate was kept below 0.5% among the employees in FY2020.

During this period, healthcare benefits were extended to include coverage for COVID-19 testing as well. Employees categorised as close contact (P2) or Person under Surveillance ("PUS") could get tested at private facilities with all costs borne by the Bank. For COVID-positive (P1) cases, the Bank included coverage of swab tests at private facilities for the spouse and children of infected employees.

Other new healthcare benefits introduced included providing all employees the opportunity to be treated at their preferred medical facilities, and the ease to have long term medication delivered to their preferred address. To this end, we worked with e-Farma, a third party administrator, to facilitate employees who are under Long Term Medication to obtain their prescription and medication online, ensuring that they could continue receiving their medication without having to visit the clinics or hospitals, thus minimising their exposure to public places during the pandemic period.

Prudent Cost Management

Despite rising medical costs, the Bank managed to reduce employees' medical costs through smart management of medical benefits. In FY2020, we reduced medical costs by RM2 million (13.32%) as compared to FY2019, even as the national medical inflation rose to 15%.

The following were some of the initiatives introduced to contain medical costs in FY2020:

The Bank's medical costs decreased by 13.32% even as the national medical inflation rose to 15%.

Channelling of employees under Long Term Medication to subscribe to e-Farma

A total of 182 employees and 40 eligible dependents were subscribed to e-Farma by 31 December 2020. This led to a total savings of RM256,776.29; averaging RM1,410.86 per employee.

Introduction of Pay & Claim GP visits for managerial employees

Average cost per visit from March to December 2020 was lower for managerial employees. With the non-credit terms of Pay and Claim, their average of RM84 per visit proved to be 16% and 27% lower respectively from Executive (RM100) and Non-executive (RM115) employees. Based on the total number of 2,553 managerial visits in FY2020, and comparing the RM84 average cost to the RM108 average of non-managerial staff, a savings of RM61,272 (22.2%) was achieved from managerial employees.

Providing incentives to encourage employees to utilise their personal medical coverage

Employees were encouraged to use their own tactful coverage or their spouse's medical benefits instead of utilising coverage provided by the Bank. In return, the Bank pays cash rewards to the employees. It is thus a win-win initiative that sees the Bank benefiting from cost savings, while employees enjoy extra cash for other expenses.

For FY2020:

Total Claims	: 19
Total Invoice	: RM149,001.31
Total Cash Reward	: RM14,700.00 (9.87%)
Total Cost Saving	: RM134,301.31 (90.13%)

Facilitating the utilisation of PERKESO benefits, such as physiotherapy, to support affected managerial employees with medical conditions, as part of the Bank's Return to Work Programme ("RTW")

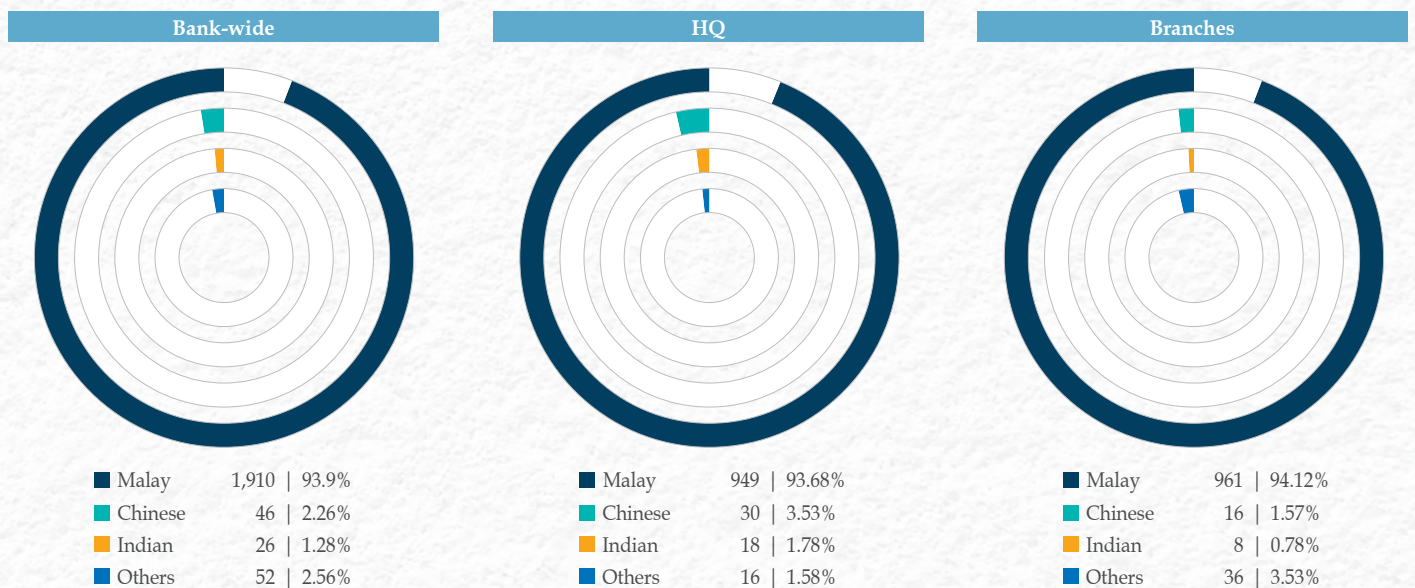
The Bank identified 61 employees who required initial assessment based on their SOCSO claims submission, medical cost and diagnosis. Four (4) employees have been assessed and approved to join the RTW Programme.

This resulted in total savings of approximately RM117,444. Before the RTW programme the average cost of RM25,092 per month was fully borne by the Bank. This reduced to RM15,305 per month or RM9,787 (39%) lower, as part of the cost was absorbed by PERKESO by utilising their readily available benefits, such as physiotherapy.

DIVERSITY & EQUAL OPPORTUNITY

Through the Bank's Code of Conduct, policies and SOPs, we strive to develop and promote a culture of diversity and equality throughout our organisation. We continue to ensure no single employee is treated differently to one another by providing them with equal opportunities to fulfil their potential. For FY2020, the breakdown of our employees by minority group according to working location and employee category was as follows:

Employees by Minority Group (%)



SOCIAL

In terms of employee category, we recorded the following by age and minority groups:



735

Total Number of Managerial Level Employees



1,209

Total Number of Executive Level Employees



90

Total Number of Non-Executive Level Employees

Employee Category by Age Group (%)

Managerial



≤30	20	2.72%
31-50	589	80.14%
>50	126	17.14%

Executive



≤30	402	33.25%
31-50	744	61.54%
>50	63	6.12%

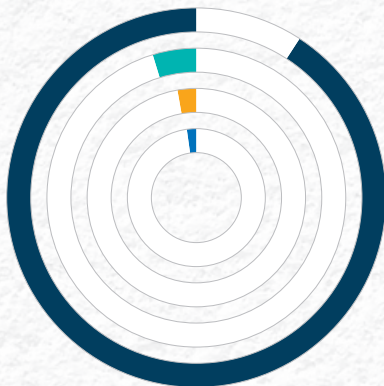
Non-Executive



≤30	6	6.67%
31-50	61	67.78%
>50	13	14.44%

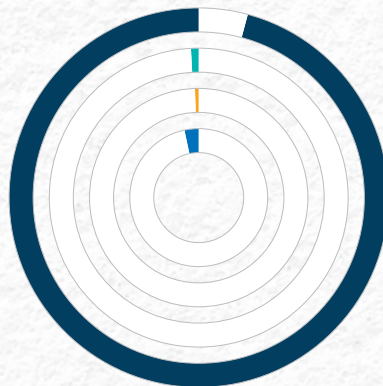
Employees by Minority Group (%)

Managerial



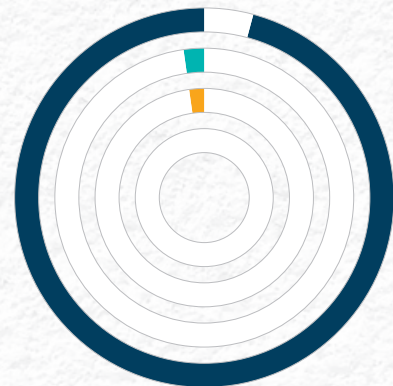
Malay	667	90.75%
Chinese	34	4.63%
Indian	19	2.59%
Others	15	2.04%

Executive



Malay	1,157	95.70%
Chinese	10	0.83%
Indian	5	0.49%
Others	37	3.06%

Non-Executive



Malay	86	95.56%
Chinese	2	2.22%
Indian	2	2.22%
Others	0	0.00%

Efficient preventive and remedial actions are taken against any matter categorised under “Diversity and Equal Opportunity”. We are happy to report that for FY2020, there were no issues or reports concerning equality from internal and/or external stakeholders.

TRAINING & EDUCATION

Training is a core priority at the Bank as it directly impacts productivity and quality of work. As a financial institution, regular training is required to fulfil recommendations by regulatory bodies, adhere to required compliances and to ensure employees in the financial industry are well trained and well versed with all financial acts. For employees, a rigorous training programme leads to increased job satisfaction and morale, and capabilities. It also enhances motivation to seek greater efficiencies in processes and adopt new technologies and methods.

All our 2,034 staff participated in a total of 118,796 training hours during the year. On average, there was a 22% increase of staff trained in FY2020 from FY2019, with the average percentage of participation for all categories of programmes rising by 48%. This was due to the online medium used during the year which has allowed for greater accessibility and convenience. Average training hours also decreased by 15.4 hours due to the shorter duration of online trainings. The total number of programmes decreased to 67 from 78 the previous year, as there were less external programmes due to the pandemic.

To overcome the challenges of MCO and social distancing during the year, the Bank provided a series of online training programmes for employees that were accessible even by non-office

network. This ensured uninterrupted training as employees could participate in the session from wherever they are, at their own convenience.

A total of 16 Online Learning programmes were conducted during the year, focusing on training modules that encompassed Regulatory Compliance, Shariah Knowledge, Consumer Product Training, the Executive Learning programme and several induction programmes.

Shariah Knowledge

Towards enhancing workforce capability, this internally-implemented course provided an understanding and application of Shariah values into mobilising a High Performance Culture under the Brilliance through Islah (“BTI”) concept. The training series included intervention programmes to focus on Intelligence Quotient (“IQ”) and Emotional Quotient (“EQ”) development. A BTI motivation session for employees was conducted in October 2020 followed by bi-monthly sessions that cater to 30 employees at a time due to the need for social distancing. The objective is to re-calibrate employees’ self-actualisation in relation to their commitment to their employer from the perspective of Shariah and ethical demands for maximum delivery of given expectations.

Talent Development & Succession Planning

The Executive Leadership-MBA programme which commenced in November 2020, was offered to 10 identified talents in managerial roles from Business and Support functions, to further groom and develop them as part of the Bank’s succession planning and talent retention strategy.

Through this programme, the Bank’s identification of successors for Key and Critical positions is achieved. A total of 21 talents for key positions and 14 for critical positions have been identified to date. This ensures a sustainable talent pool for future leadership positions and the ability to have uninterrupted transition of key and critical functions when a position is vacated. Further development programmes are to be based on dual career track of Specialist and Generalist functions.

Fit-for-Role Exercise

Fit-for-Role exercise was conducted for frontliners and head office personnel to ensure they had the knowledge, skills and capabilities to serve stakeholders with efficiency and excellence. The exercise, conducted by a panel of interviewers from Consumer Banking Division, Banking Operations Department, Human Capital Division, Risk Management Division and Regulatory Advisory & Compliance Division; assessed the personnels’ IQ and EQ competencies as well as made observations on their personal interactions. Based on their level of knowledge and soft skills, the exercise highlighted gaps in the current structured development programmes for these roles. While non-fit candidates are recommended for redeployment to more suitable positions, talents are identified for future career advancement.

The assessment exercise for head office personnel was completed in October 2020, while assistant branch managers underwent the assessment in November 2020, and branch managers were assessed from February to March 2021.

SOCIAL



As a whole, in FY2020 over RM292 million for 2,768 accounts was disbursed for the purchase of affordable homes through these home financing products and home ownership schemes.

costs. During the year, the Bank also introduced a new home financing package, namely SMART Mortgage Solution and SMART Home Package towards the same objectives. As a whole, in FY2020 over RM292 million for 2,768 accounts was disbursed for the purchase of affordable homes through these home financing products and home ownership schemes.

Other Retail Financing

On the personal financing front, we provide accessible solutions for low income groups with an added focus on debt management, cash flow improvements and prudent investments. In FY2020, financing amounting to over RM750 million was disbursed to 10,133 individuals through these personal financing products.

The Bank also created a Graduate Scheme which enabled fresh graduates to own cars. This saw the disbursement of RM12.48 million for 267 accounts in FY2020.

ASB Financing was also made accessible to underserved low income community and new recruits in the Armed Forces, which resulted in RM63.02 million financing for 1,275 accounts during the year.

FINANCIAL INCLUSION

Bank Muamalat's commitment to financial inclusion is aligned with the national agenda of easing access to financial services for every segment of the society to enhance their financial capability. This is in line with Bank Negara Malaysia's Policy on Lending/Financing to the Priority Sector. We make affordable financing more accessible for customers to achieve life goals such as owning homes, motor vehicles and helping sustain their cash flow; as well as help entrepreneurs build resilient businesses through access to financial support.

Affordable Home Financing

Supporting of Bank Negara Malaysia's ("BNM") initiatives to assist first time house buyers to own a home, we actively market Skim Rumah Pertamaku ("SRP") and Skim Jaminan Kredit Perumahan ("SJKP"), in providing home financing to low income earners, self-employed individuals and operators of small business entities. The new scheme offers first time buyers of houses (priced up to RM300,000 mortgages for SJKP and RM500,000 mortgages for SRP) with attractive key features such as margin of financing of up to 110% and waiver of ancillary

Vulnerable SME Retail Sectors

Given the challenging economic issues of the year, Bank Muamalat also extended financing to small medium entrepreneurs (“SMEs”) under programmes backed by Government guarantee schemes, towards ensuring their business sustainability and resilience, and mitigating any cascading effects of supply chain disruptions, unemployment and loss of income within affected communities. These were supported by Entrepreneur Development programmes as reported on page 85 (under Economic).

Providing support to vulnerable business sectors, the Bank disbursed RM25.50 million of the BNM SME Retail Fund to 91 accounts during the year.

COMMUNITY DEVELOPMENT

Contributing to Industry Knowledge and Leadership

As part of BNM’s VBI Community of Practitioners, Bank Muamalat is actively involved in the VBI Financing and Investment Impact Assessment Framework (“VBIAF”) Sectoral Guide Working Group, and led as project manager for the VBIAF Sectoral Guide on Energy Efficiency. This sectorial guide is created to rigorously evaluate companies that are promoting energy efficiency projects and activities. On 10 September 2020, the Bank provided a briefing on the document via a virtual Townhall Session organised by IBFIM, attended by almost 1,000 participants.

Currently, Bank Muamalat is also involved in the second cohort for VBIAF Sectoral Guides on Construction. The consultation document is expected to be completed by the end of 2021.

Empowering Communities through Social Finance

The Bank’s Social Finance Department (“SFD”) manages zakat and wakaf funds and other related initiatives for charitable purposes.

Wakaf Muamalat is a collaboration between Bank Muamalat and State Islamic Religious Councils in the co-management of cash waqf fund via a joint management committee (“JMC”). Since its inception in 2012, Wakaf Muamalat through its JMC has approved 113 projects in education, health, and investment nationwide. Members of the public can donate through direct deductions of their bank accounts to their selected wakaf institution. Despite the tough year, contributions to Wakaf Muamalat amounted to RM30.7 million. As at the FY2020, the JMC has approved RM25.3 million for projects and RM16.5 million has been disbursed.

SFD also manages Tabung Mawaddah, an internal charitable fund contributed by zakat and alms (sadaqah) sourced by the Bank and our employees. Tabung Mawaddah is dedicated to aid and implement charitable activities to eight (8) categories of Asnaf recipients (Fakir, Miskin, Amil, Muallaf, Riqab, Gharimin, Fisabillah and Musafir) and to needful employees in the event of death, accidents, natural disasters, and other such unfortunate situations. In FY2020, a total of RM2.07 million was contributed to these recipients.

In FY2020, Tabung Mawaddah embarked on a digital journey with the launch of a crowdfunding platform known as Jariah Fund. Through this platform, Tabung Mawaddah collaborates with selected non-governmental organisations (“NGOs”)

to identify beneficiaries in need of funds and create crowdfunding campaigns to help them. Besides that, the public can also access our Jariah Crowdfund website and choose the preferred charity work that they want to contribute to. As at FY2020, Jariah Fund has collected RM40,415 through seven (7) crowdfunding campaigns.

Contributing to the Fight Against COVID-19

This year due to the pandemic, all our yearly programmes were postponed and we concentrated on efforts to assist the government, medical community and those most affected by the outbreak. Bank Muamalat contributed a total of RM434,914 in donation to support Tabung Negara, Tabung Negeri Selangor Darul Ehsan, frontliners, hospitals, NGOs and affected communities such as the homeless, tertiary students far from home, and our customers.

Funds were used to purchase necessities and essential needs for hospitals and frontliners; supply food and necessities to institutions and frontline communities; and help ease the burdens of those affected.

Bank Muamalat contributed a total of RM434,914 in donation to support Tabung Negara, Tabung Negeri Selangor Darul Ehsan, frontliners, hospitals, NGOs and affected communities such as the homeless, tertiary students far from home, and our customers.

SOCIAL



Donation to Tabung Bencana Negara (RM100,000) and Tabung Negeri Selangor Darul Ehsan (RM10,000)

These contributions were to help the government and state government to purchase essential items for frontliners and rental of other items such as tents, tables and chairs, in managing the pandemic.

Donation to Angkatan Tentera Malaysia ("ATM"), Polis Diraja Malaysia ("PDRM") and Malaysian Red Crescent Society frontliners (RM120,000)

These contributions helped purchase essential items for ATM, PDRM and RESPONMALAYSIA - COVID 19 frontliners, such as personal protective equipment ("PPE"), face masks and gloves.

Donation to Hospitals (RM55,000)

Donations of PPE, masks and gloves were supplied to Hospital UiTM, Hospital Kuala Pilah, Hospital Sultanah Bahiyah Kedah, Hospital Pulau Pinang, Hospital Queen Elizabeth Sabah, Hospital Umum Sarawak, Hospital Raja Perempuan Zainab II Kelantan and Hospital Sultanah Aminah Johor.

Donation to AIBIM (RM5,000)

We donated through AIBIM to buy essentials for Hospital Sg. Buloh and Hospital Kuala Lumpur.

Donation of Face Shields in Collaboration with Biji-Biji Initiatives (RM5,000)

This was in support of Biji-Biji's initiative to distribute face masks to RELA frontliners at affected areas.

Donation to the Homeless (RM40,750)

Distribution of personal hygiene items to 500 homeless individuals through collaboration with DBKL and SOGO. The programmes were run at the following community centres:

- Pusat Komuniti Ampang Hilir
- Pusat Komuniti Sentul Perdana
- Pusat Komuniti Desa Tasik Setiawangsa
- Pusat Komuniti Bukit Bandaraya
- Pusat Komuniti Bukit Damansara

Donation to Universities (RM34,164)

Food was distributed to university students stranded at hostels during the MCO. The recipient universities were UKM, USIM, UIA GOMBAK, UIA KUANTAN, UITM, UPM, UPNM, UTM KL & UPSI.

Bantuan Erat (RM65,000)

Besides the six-month automatic moratorium, we also provided our badly affected customers with essential items worth RM100 each, as part of the Bank's social obligation to assist our clients in time of need. Every Bank Muamalat branch distributed this Bantuan Erat to 10 needy customers.

OUR BOARD DIVERSITY

INFORMATION AS AT 31 MAY 2021

A FOCUSED BOARD



DATUK SERI TAJUDDIN ATAN
Independent
Non-Executive Chairman

BNRC
BVC



DATO' SRI CHE KHALIB MOHAMAD NOH
Non-Independent
Non-Executive Director

BNRC
BAC



IWAN RASHMAN GULAMOYDEEN
Non-Independent
Non-Executive Director

BRMC
BNRC
BAC
BVC
BCC



GHAZALI HAJI DARMAN
Independent
Non-Executive Director

BRMC
BNRC
BAC
BVC



JOHARI ABDUL MUID
Independent
Non-Executive Director

LEGEND

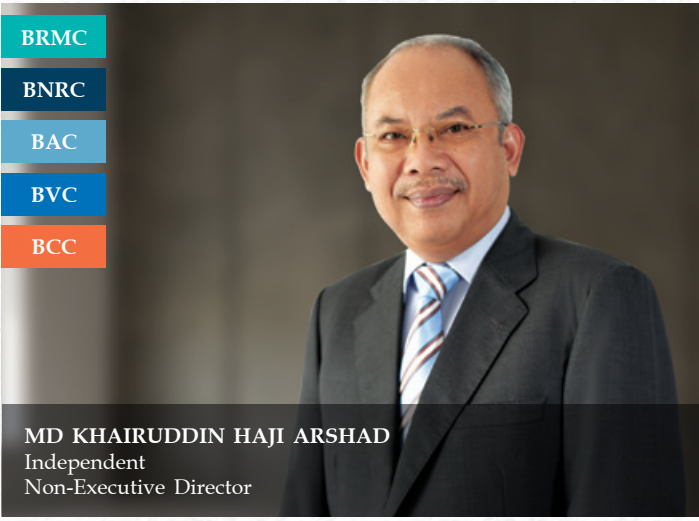
BRMC Board Risk Management Committee

BAC Board Audit Committee

BNRC Board Nomination & Remuneration Committee



DATO' IBRAHIM TAIB
Non-Independent
Non-Executive Director



MD KHAIRUDDIN HAJI ARSHAD
Independent
Non-Executive Director

BVC Board Veto Committee

BCC Board Compliance Committee

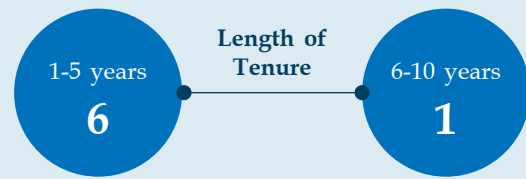
Board Diversity

The diversity and skills of the Board ensure that Bank Muamalat is steered to deliver growth to all our stakeholders.



**Ratio of Non-Independent Directors:
Independent Directors**

- Independent Non-Executive Directors 3
- Non-Independent Non-Executive Directors 3
- Independent Non-Executive Chairman 1



Key Features Of Our Board

- The Board comprises over 50% Independent Directors
- The Chairman is an Independent Non-Executive Director
- The roles of the Chairman and the Chief Executive Officer are distinct

BOARD OF DIRECTORS' PROFILE

DATUK SERI TAJUDDIN ATAN

62, Male, Malaysian

Independent Non-Executive,
Appointed on 6 May 2020

Chairman of Bank Muamalat,
Appointed on 3 June 2020



Qualifications

- Bachelor of Science (Agribusiness) degree from University Putra Malaysia
- Master of Business Administration from Ohio University
- Honorary Doctorate in Finance by Universiti Putra Malaysia
- Fellow Chartered Banker recognised by Asian Institute of Chartered Bankers ("AICB")

Expertise

- Banking and capital markets (domestic and international)

Experience

- Chief Executive Officer, Bursa Malaysia Berhad (2011 - 2019)
- Managing Director, RHB Bank Berhad and Group Managing Director of RHB Capital Berhad (2009 - 2011)
- President/Group Managing Director, Bank Pembangunan Malaysia Berhad (2007 - 2009)
- Chief Executive Officer, Bank Simpanan Nasional (2004 - 2007)
- Managing Director, Chase Perdana Berhad (2001 - 2004)

Other Directorships & Memberships

- Chairman, MMC Corporation Berhad
- Chairman, Honda Malaysia Sdn Bhd
- Chairman, Asian Institute of Chartered Bankers ("AICB") Disciplinary Panel
- Director, Cagamas Berhad
- Commission Member of Malaysian Communications and Multimedia Commission ("MCMC")

DATO' SRI
CHE KHALIB
 MOHAMAD NOH

56, Male, Malaysian

Non-Independent Non-Executive Director,
 Appointed on 27 August 2012

Member:

- Board Nomination & Remuneration Committee
- Board Veto Committee



Qualifications

- Member of the Malaysian Institute of Accountants (CA, M)
- Fellow of the Association of Chartered Certified Accountants, United Kingdom (FCCA, UK)

Expertise

- Accounting & Finance

Experience

- Group Managing Director of MMC Corporation Berhad (2013 - Current)
- Chief Operating Officer of Finance, Strategy & Planning, DRB-HICOM Berhad (2012 - 2013)
- President and Chief Executive Officer of Tenaga Nasional Bhd (2004 - 2012)
- Managing Director and CEO, KUB Malaysia Berhad (2002 - 2004)
- Chief Executive Officer, Ranhill Utilities Berhad (1999 - 2002)

Other Directorships & Memberships

- Present
 Director: Gas Malaysia Berhad, Malakoff Corporation Berhad, Johor Port Berhad, MMC Engineering Group Berhad, NCB Holdings Bhd, Aliran Ihsan Resources Berhad, Kontena Nasional Berhad, Northport (Malaysia) Berhad and several private limited companies.
- Past
 Director: Khazanah Nasional Berhad, United Engineers Malaysia Group, Bank Industri & Teknologi Malaysia Berhad.

BOARD OF DIRECTORS' PROFILE

DATO' IBRAHIM TAIB

67, Male, Malaysian

Non-Independent Non-Executive Director,
Appointed on 29 March 2018

Chairman:

- Board Compliance Committee

Member:

- Board Risk Management Committee



Qualifications

- Bachelor of Laws (Honours) degree from the University of Malaya
- Master of Laws from the University of London

Expertise

- Legal & Judicial

Experience

- Deputy Chief Executive Officer (Operations), Employees Provident Fund (1992 - 2014)
- Judge in the Sessions Court, Kota Bharu (1992 - 1992)
- Deputy Public Prosecutor for Selangor, Attorney-General's Chambers (1989 - 1992)
- Legal Advisor, Ministry of Human Resources (1986 - 1989)
- Legal Advisor with the Road Transport Department (1982 - 1986)
- Magistrate in the Magistrate Court (1978 - 1982)

Other Directorships & Memberships

- Present
Director: DRB-HICOM Berhad
- Past
Nominee Director (EPF): DRB-HICOM Berhad

IWAN
RASHMAN
GULAMOYDEEN

42, Male, Malaysian

Non-Independent Non-Executive Director,
Appointed on 1 September 2019

Member:

- Board Nomination & Remuneration Committee
- Board Audit Committees



Qualifications

- Bachelor of Laws (LLB) degree from the University of Tasmania
- Admitted to the Malaysian Bar in 2001

Expertise

- Governance, Legal, Risk Management

Experience

- Director with the Legal team, Khazanah Nasional Berhad (2010 - current)
- Risk Management Unit, Khazanah Nasional Berhad (2007 - 2010)
- Enforcement & Listing Division, Securities Commission (2002 - 2007)
- Worked on several iconic IPO exercises, including Astro Malaysia Holdings Bhd and IHH Healthcare Bhd

BOARD OF DIRECTORS' PROFILE

GHAZALI HAJI DARMAN

57, Male, Malaysian

Independent Non-Executive Director,
Appointed on 4 January 2017

Chairman:

- Board Audit Committee

Member:

- Board Nomination & Remuneration Committee
- Board Veto Committee
- Board Compliance Committee
- Board Risk Management Committee



Qualifications

- Bachelor of Arts in Accounting from the University of Canberra, Australia

Expertise

- ICT, IT Security, Finance and Governance

Experience

- Programme Director for large scale IT implementation at public and private sectors
- Adviser to Outsourcing Malaysia, (a chapter of PIKOM, Malaysia's national ICT industry association) (2014 - 2015)
- Commissioner, PT Praisindo Teknologi, Jakarta (2012 - 2015)
- Global Head of Domain for Transportation and System Integration, DHL IT Services (2006 - 2010)
- Partner, Accenture (1986 - 2006)

Other Directorships & Memberships

- Present
 - Putrajaya Holdings Sdn Bhd
- Past
 - Director, Bursa Malaysia Berhad
 - Director, Accenture Solutions Sdn Bhd
 - Director, Accenture Sdn Bhd

MD
KHAIRUDDIN
 HAJI ARSHAD

55, Male, Malaysian

Independent Non-Executive Director,
 Appointed on 10 September 2019

Chairman:

- Board Risk Management Committee
- Board Nomination & Remuneration Committee

Member:

- Board Audit Committee
- Board Veto Committee
- Board Compliance Committees



Qualifications

- Bachelor's Degree in Accounting from the International Islamic University, Malaysia
- Attended the Oxford Advanced Management and Leadership Program and ICLIF Global Leadership Development Program

Expertise

- Islamic Banking and Finance

Experience

- Chief Operating Officer, Bank Rakyat (2015 - 2017)
- Chief Risk Officer, Bank Rakyat (2013 - 2015)
- Chief Operating Officer, Perbadanan Insurans Deposit Malaysia (2010 - 2013)
- General Manager of Insurance, Risk Assessment and Monitoring, Perbadanan Insurans Deposit Malaysia (2005 - 2009)
- Manager, Bank Negara Malaysia (1999 - 2005)

Other Directorships & Memberships

- Past
 - Member: Malaysian Accounting Standards Board
 - Chairman: International Association of Deposit Insurers ("IADI") Committee on Islamic Deposit Insurance

BOARD OF DIRECTORS' PROFILE

JOHARI ABDUL MUID

64, Male, Malaysian

Independent Non-Executive Director,
Appointed on 10 November 2020

Chairman:

- Board Veto Committee

Member:

- Board Nomination & Remuneration Committee
- Board Audit Committee
- Board Risk Management Committee



Qualifications

- Fellow of the Chartered Institute Management Accounting (“CIMA”)

Expertise

- Corporate and financial industry encompassing banking, capital markets and social security

Experience

- Chief Executive Officer and Managing Director, RHB Bank Berhad (2011 - 2013)
- Deputy Chief Executive Officer, Employees Provident Fund (2004 - 2011)
- Chief Investment Officer, Valuecap Sdn Bhd (2003 - 2004)
- Senior Vice President-Institutional Sales, CIMB Securities Sdn Bhd (1994 - 2003)
- Head-Treasury Division, Commerce International Merchant Bankers Bhd (1983 - 1994)

Other Directorships & Memberships

- Present
 - Director: Protect Health Corporation Berhad, Nomura Asset Management Malaysia Berhad, Nomura Islamic Assets Management Malaysia Berhad
- Past
 - Director: Al Rajhi Banking & Investment Corporation (Malaysia) Bhd, Bursa Malaysia Berhad, Malaysia Debt Ventures Berhad, RHB Capital Berhad, RHB Investment Berhad, RHB Islamic Berhad, and Iskandar Investment Berhad
 - Member: Investment Panel of Kumpulan Wang Amanah Pencen

SHARIAH COMMITTEE PROFILE

The Shariah Committee has the responsibility to provide objective and sound advice to the Bank to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah. This includes:

- Providing a decision or advice to the Bank on the application of any rulings of the Shariah Advisory Council of Bank Negara Malaysia (“SAC”) or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;
- Providing a decision or advice on matters which require a reference to be made to the SAC;
- Providing a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;
- Deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
- Endorsing a rectification measure to address a Shariah non-compliance event.

TN. HAJI AZIZI CHE SEMAN

48, Male, Malaysian

Chairman, Shariah Committee
Joined: 1 April 2005



Other Current Positions

- Senior Lecturer, Islamic Studies Academy, University of Malaya
- Shariah Advisor, Association of Islamic Banking Institutions Malaysia (“AIBIM”)
- Member, Shariah Committee, Agrobank

Qualifications

- Master in Economics, International Islamic University of Malaysia (“IIUM”)
- Bachelor in Shariah, University Malaya

Relevant Working Experience

- Lecturer, Islamic Studies Academy, University of Malaya

SHARIAH COMMITTEE PROFILE

DR. **MOHD SHAHID** MOHD NOH

38, Male, Malaysian

Alternate Chairman, Shariah Committee
Joined: 1 April 2019



Qualifications

- PhD in Faculty of Economy and Muamalat, Malaysia Islamic Science University
- Master in Business Administration (Muamalah), Selangor Islamic College University ("KUIS")
- Master in Islamic Financial Practice ("MIFP"), INCEIF
- Bachelor of Art in Qiraat Specialisation, Maahad Qiraat Shoubra Al-Azhar, Egypt

Relevant Work Experience

- Lecturer, Academy of Islamic Studies, University of Malaya

Other Current Positions

- Senior Lecturer, Academy of Islamic Studies, University of Malaya
- Imam, Masjid Al-Ghufran, Pinggir Taman Tun Dr. Ismail
- Director, Iqra Foundation (Training and Consultancy)

DR. **YUSRI** MOHAMAD

48, Male, Malaysian

Member, Shariah Committee
Joined: 1 April 2019



Qualification

- PhD in Islamic Jurisprudence, International Islamic University of Malaysia ("IIUM")
- Masters in Law (LLM), The School of Oriental and African Studies ("SOAS"), University of London
- Bachelor of Laws (LLB) (Shariah), IIUM
- Bachelor of Laws (LLB), IIUM
- Diploma in Shariah Law and Practice, IIUM

Relevant Experience

- Former Assistant Professor, Ahmad Ibrahim Kulliyah of Laws, IIUM
- Former President, Yayasan Dakwah Islamiah Malaysia ("YADIM")
- Former Shariah Committee, Kenanga Investment Bank Berhad
- Former Partner, Wajdi Mohamad Yusri & Co

Other Current Positions

- Member, Islamic Religious Council of the Federal Territory, Malaysia
- Member, Board of Director & Shariah Committee, Zurich Takaful Berhad

ASSOC. PROF. DR.
**MOHAMAD
SABRI
BIN HARON**

56, Male, Malaysian

Member, Shariah Committee
Joined: December 2003



Qualifications

- PhD in Islamic Law (Fiqh and Usul Fiqh) from University of Jordan
- Master in Comparative Law from International Islamic University of Malaysia
- Bachelor in Islamic Studies (al-Quran and al-Sunnah), Universiti Kebangsaan Malaysia
- Diploma in Islamic Studies, Kolej Sultan Zainal Abidin, Malaysia

Relevant Work Experience

- Former Senior Manager in Islamic Capital Market, Securities Commission

Other Current Positions

- Associate Professor, Pusat Citra Universiti, Universiti Kebangsaan Malaysia
- Senior Fellow, The Institute of Malaysian and International Studies ("IKMAS")
- Senior Fellow, The Institute of Islam Hadhari
- Chairman, Shariah Committee, Apex Investment Services Berhad (Islamic Fund)
- Chairman, Shariah Committee, Koperasi ANGKASA
- Member, Shariah Committee, Koperasi Pos Nasional ("KOPONAS")
- Member, Shariah Committee, Koperasi Universiti Kebangsaan Malaysia ("Koperasi UNIKEB")
- Sahibus Samahah Dato' Mufti Negeri Terengganu (seconded)

DR.
**WAN
MARHAINI
WAN AHMAD**

49, Female, Malaysian

Member, Shariah Committee
Joined: 1 April 2012



Qualifications

- PhD in Islamic Finance, University of Edinburgh, United Kingdom
- Master in Economics, International Islamic University of Malaysia
- Bachelor in Shariah, University of Malaya

Relevant Work Experience

- Former Member, Shariah Committee, EONCAP Islamic Bank
- Lecturer, Finance and Banking Department, University of Malaya

Other Current Positions

- Member, Shariah Committee
- Senior Lecturer, Finance and Banking Department, University of Malaya

SENIOR MANAGEMENT



KHAIRUL KAMARUDIN
Chief Executive Officer



**ZURY RAHIMEE ZAINAL
ABIDEN**
Head of Consumer Banking
Division



**NOR HAMIDAH ABU
BAKAR**
Head of Business Banking
Division



**AMIREZA MOHD
KHALID**
Acting Head of Treasury and
Capital Markets Division



AZIM SELVA ABDULLAH
Chief Risk Officer



**MOHAMED REZWAN
ABDULLAH ISMAIL**
Chief Credit Officer



**MOHAMAD MUHSIN
MOHD ANAS**
Chief Compliance Officer



**NOOR HAYATI ABU
YAZIZ**
Chief Internal Auditor



**MOHD IZUWAN
MAHYUDIN**
Head of Shariah Division



**MOHAMMAD FAIRUZ
MOHD RADI**
Chief Strategy Officer



HAFNI MOHD SAID
Head of Finance Division

SENIOR
MANAGEMENT

**MUHAMAD RADZUAN
AB RAHMAN**

**Acting Head of Operations
Division**



**AZLIZA ABDUL
RAHMAN**

Head of Human Capital Division



**Ts. MEGAT MOHAMMAD
FAISAL KHIR JOHARI**

Acting Chief Technology Officer



**NUR AZRINA ABDUL
SAMAD**

**Head of Group Legal & Secretarial
Division**

SENIOR MANAGEMENT PROFILE

**KHAIRUL
KAMARUDIN**

Chief Executive Officer

Joined: 7 February 2019
Appointed to present position:
1 November 2019

Key Responsibility

The public face of the Bank, responsible for the implementation and achievement of the Bank's current and future strategic direction set by the Board. Ensures delivery of strategic and operational key performance results and outcomes across the Bank. Accountable for developing new business opportunities and sustaining valuable relationships with stakeholders to ensure the Bank's continuous expansion and business growth

Qualifications

- Member, The Association of Chartered Islamic Finance Professionals, Malaysia
- LLB (Hons), Anglia Ruskin University, United Kingdom

Experience

- Deputy Chief Executive Officer, Bank Muamalat
- Chief Executive Officer, Bank Islam
- Chairman, BIMB Investment Management Berhad
- Pengurusan Danaharta Nasional Berhad
- PriceWaterHouseCoopers, Malaysia

**ZURY RAHIMEE
ZAINAL ABIDEN**

Head of Consumer
Banking Division

Joined: 22 April 2019

Key Responsibility

Planning, monitoring, coordinating, and managing Consumer Banking activities as well as overseeing the development and expansion of consumer financing assets, SME banking and fee-based activities. Embedding risk and compliance culture within the division while formulating and implementing strategic plans, new product research and development, staff up-skilling and performance management

Qualifications

- Bachelor's degree with Honours in Marketing from Institut Teknologi MARA (now known as UiTM)

Experience

- Head, Deposit & Cash Management Division, Bank Islam
- Assistant General Manager, Consumer Banking Division of Bank Islam

**NOR HAMIDAH
ABU BAKAR**

Head of Business Banking Division

Joined: 25 August 2010
Appointed to present position:
1 August 2015

Key Responsibility

Oversees Corporate Banking, Regional & Commercial Banking, Business Development & Strategic Liaisons, Investment Banking, Trade Finance, Musyarakah Property Investment, and Project Financing Monitoring

Qualifications

- Executive Masters in Management, Asia Metropolitan University, Malaysia
- Bachelor of Economics, International Islamic University, Malaysia ("IIUM")

Experience

- Corporate Banking Division, RHB Bank

SENIOR MANAGEMENT PROFILE

AMIREZA MOHD KHALID

Acting Head of Treasury and
Capital Markets Division

Joined: 16 April 2013
Appointed to present position:
18 September 2020

Key Responsibility

Manages and oversees the operations of Treasury and Capital Markets Division which encompasses Money Market, Foreign Exchange ("Forex") management, Fixed Income both trade and sales, and Forex Sales

Qualifications

- Active member and licensed dealer, Financial Market Association Malaysia
- Advanced Diploma in Accountancy, Institut Teknologi MARA (now known as UiTM)

Experience

- Head, Fixed Income, Bank Muamalat
- Senior dealer, Global Market Division, Maybank
- Treasury Division, Mayban Finance

AZIM SELVA ABDULLAH

Chief Risk Officer

Joined: 25 September 2014
Appointed to present position:
1 September 2017

Key Responsibility

A member of the Management Committee, Executive Risk Management Committee, Investment Committee, Management Audit Committee and Asset-Liability Committee ("ALCO"). Also a permanent invitee/ attendee of the Board Management, Board Risk Management Committee, Board Audit Committee and Credit Committee

Qualifications

- Admitted as an Advocate and Solicitor in both the High Courts of Malaya and New Zealand
- Masters in Law, University of Bristol, United Kingdom
- LLB (Hons) University of Leicester, England

Experience

- Senior Vice President, Management Office, Bank Muamalat
- Acting Head of Corporate Investment Banking Division, Bank Islam

MOHAMED REZWAN ABDULLAH ISMAIL

Chief Credit Officer

Joined: 15 July 2020

Key Responsibility

Manage credit risk in financing activities as well as portfolio management to ensure the Bank's risk taking activities are consistent with the Bank's risk appetite. Initiate, develop and implement appropriate financing and credit risk policies

Qualifications

- BA Accounting, Michigan State University

Experience

- Chief Risk & Compliance Officer, Lembaga Urusan Tabung Haji
- Director, Financial Conglomerates Supervision, Bank Negara Malaysia

MOHAMAD MUHSIN MOHD ANAS

Chief Compliance Officer

Joined: 15 May 2019

Key Responsibility

Oversee the Regulatory Advisory & Compliance Division, functioning as an independent party that reviews, evaluates and administer corrective action on compliance issues and concerns within the Bank

Qualifications

- Certified Anti-Money Laundering & Counter Financing of Terrorism Compliance Officer ("CAMCO"), AICB
- Bachelor of Science (Hons) in Accounting and Financial Analysis, The University of Warwick, UK

Experience

- Director, Internal Audit Department, Bank Negara Malaysia
- Deputy Director in Banking Supervision Department, Bank Negara Malaysia
- Project Manager in Bumiputra Rehabilitation Fund Unit, Bank Negara Malaysia
- Bank Supervisor, Bank Negara Malaysia

NOOR HAYATI ABU YAZIZ

Chief Internal Auditor

Joined: October 2010
Appointed to present position:
1 September 2016

Key Responsibility

Provide independent and objective assurance on the effectiveness of internal controls and governance, and consulting services and lead the overall direction and leadership of the internal audit function for the Bank

Qualifications

- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professional
- Certified System Investigator

- Bachelor in Finance, Michigan State University
- Diploma in Banking, Institut Teknologi MARA (now known as UiTM)

Experience

- Head of Business Process and Transformation, Bank Muamalat
- Head of Service Performance, CIMB Aviva
- Head of Operations, Insurance Centre of Excellence, HSBC

MOHD IZUWAN MAHYUDIN

Head of Shariah Division

Joined: 15 December 2008
Appointed to present position:
27 July 2020

Key Responsibility

Responsible for managing the Bank's Shariah Committee and performing the secretariat function. Provides Shariah advisory and consultancy function to the Board and Management. Provides expert inputs and materials on research, advisory and training development on all Shariah matters in the Bank

Qualifications

- Chartered Professional in Islamic Finance of the Chartered Institute of Islamic Finance
- Certified Training Professional by Financial Accreditation Agency
- Master of Shariah (with Distinction), University of Malaya

- Bachelor of Islamic Revealed Knowledge and Heritage (Fiqh & Usul Fiqh) degree, International Islamic University, Malaysia ("IIUM")
- Executive Diploma in Advance Management, DRB-Hicom University

Experience

- Secretary of Shariah Committee, Bank Muamalat
- Head of Advisory and Secretariat Section, Bank Muamalat
- Head of Shariah Compliance and Review Section, Bank Muamalat
- Head of Shariah Training and Awareness Section, Bank Muamalat
- Acting Head of Product Development and Innovation, Bank Muamalat

SENIOR MANAGEMENT PROFILE

MOHAMMAD FAIRUZ MOHD RADI

Chief Strategy Officer

Joined: 1 December 2020

Key Responsibility

Drive Corporate Strategy, Strategic Investment including Corporate Finance and Transformation for the Bank. Other roles include leading the Product Development, Customer Service and Business Process Re-engineering centralised functions for the Bank

Qualifications

- Master of Science in Technologies for Broadband Communication, University College London
- Bachelor of Science in Electrical Engineering, Pennsylvania State University, USA (Graduated with Dean's Honours List)

Experience

- Chief Strategy Officer for Sime Darby Property
- Head of Strategy for Community Financial Services (Consumer Banking), Maybank
- Chief Strategy Officer and Head of CEO's Office for Maybank Kim Eng

HAFNI MOHD SAID

Head of Finance Division

Joined: 1 June 2010
Appointed to present position:
10 October 2014

Key Responsibility

Manage the overall finance functions of Bank Muamalat and its subsidiary companies. Treasury Processing & Settlement Department, Data Management Department, and Procurement Department are also functions that report to Finance Division. In addition, Head of Finance Division assumes the roles of Head of Reporting and Chief Data Officer for Bank Muamalat.

Qualifications

- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals

- Master of Business Administration (Finance), Universiti Putra Malaysia
- Certified Credit Professional, Institute of Bankers Malaysia
- Bachelor of Commerce (Accounting), Dalhousie University, Halifax, Nova Scotia, Canada

Experience

- Head of Internal Audit Department, Bank Muamalat
- Head of Islamic Banking & Subsidiaries Audit Department, RHB Bank

MUHAMAD RADZUAN AB RAHMAN

Acting Head of Operations Division

Joined: 13 February 2006
Appointed to present position:
1 January 2021

Key Responsibility

Oversees daily bank-wide operations and implements goals for performance and growth within the scope of operations. Ensures that operations' strategies, plans and procedures are implemented in accordance with strategic business plans. Ensures continuous improvements of internal and external operational processes.

Qualifications

- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals
- Certified Credit Professional (Consumer), IBBM
- Master in Business Administration, National University of Malaysia

- Bachelor of Business Administration in Management, West Texas A&M University, USA

Experience

- Head of Credit Management Division, Bank Muamalat
- Head of Retail Approving Centre, Bank Muamalat
- Head of Financing Supervision and Rehabilitation, Bank Muamalat
- Credit Manager (Mortgage Approval Team Leader), Credit Approval Centre of Southern Bank

AZLIZA ABDUL RAHMAN

Head of Human Capital Division

Joined: 1 June 2016

Key Responsibility

Provides leadership and strategic direction on overall Human Capital functions specifically in the areas of succession planning, talent management, change management, organisational and performance management, training and development, rewards and remuneration

Qualifications

- Master of Arts in Human Resource Management, University of Hull, United Kingdom
- Advanced Diploma in Business Administration (Transport), Institut Teknologi MARA (now known as UiTM)

Experience

- Group Head of Human Capital, Kuala Lumpur Airport Services Group (now known as Pos Aviation Sdn Bhd), a subsidiary of DRB-HICOM
- General Manager of Human Capital, DRB-HICOM Group
- Assistant General Manager, HR & Administration, Uni Asia Life Assurance Berhad
- Head, Human Resources & Administration, Uni Asia Life Assurance Berhad

Ts. MEGAT MOHAMMAD FAISAL KHIR JOHARI

Acting Chief Technology Officer

Joined: 3 August 2020
Appointed to present position:
9 April 2021

Key Responsibility

Formulate appropriate policies for the effective implementation of technology risk management framework and cyber resilience framework and enforce compliance with these policies, frameworks and other technology-related regulatory requirements

Qualifications

- Professional Technologist in Cyber Security Technology, Malaysia Board of Technologist
- Bachelor of Commerce (Accountancy), The University of Queensland

Experience

- Chief Information Security Officer, Bank Muamalat
- Former Partner of Deloitte Risk Advisory and Deloitte Asia Pacific Risk Advisory Leader for Oil, Gas & Chemical

NUR AZRINA ABDUL SAMAD

Head of Group Legal & Secretarial Division

Joined: 16 February 2012
Appointed to present position:
24 August 2020

Key Responsibility

Supervise both Legal and Corporate Secretarial Departments, and render sound legal advice to the Bank and its subsidiaries. Safeguard the interests of the Bank in the management of legal risks, objectives and business plans. Manage secretarial matters

Qualifications

- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals
- Associate member of Malaysian Association of Company Secretaries
- Admitted to practice in the High Courts of Malaya
- MBA, University of New England, Australia
- LLB (Hons), International Islamic University, Malaysia ("IIUM")

Experience

- Head of Legal, SME Bank
- Head of Corporate Secretarial, Kuwait Finance House

COMMITTED TO STRONG GOVERNANCE

Bank Muamalat Malaysia Berhad (“Bank Muamalat”) is firmly committed to high standards of corporate governance and maintaining a sound framework for the control and management of the Group’s business.

The Board recognises the vital importance of a sound governance culture to the continued success of the Group. Our core values underpin our governance culture and emphasise the behaviours that will enable the Bank to continue to succeed in what we do. The governance framework is designed to ensure that the Board, led by the Chairman, is able to monitor the sustainability of the business model, performance against strategy and opportunities and threats as they arise. When reviewing performance against strategy, the Board looks to ensure it continues to align with the Group’s culture and delivers long-term success to the Group and its stakeholders.

OUR GOVERNANCE FRAMEWORK

Our governance framework takes guidance from: Companies Act 2016 (“CA 2016”), Islamic Financial Services Act 2013 (“IFSA 2013”), BNM Policy Document on Corporate Governance (“BNM CG”), Malaysian Code on Corporate Governance (“MCCG 2017”) and other relevant requirements as outlined under the respective guidelines by BNM.

 Please refer to the table on the side

The composition of the Board Committees, in particular the BNRC, BAC, BRMC and BVC complies with the following requirements of the BNM CG:

- Minimum of/at least three (3) Directors
- Chaired by an Independent Director
- Comprise a majority of Independent Directors
- The Chairman of the Board does not chair any of the Board Committees
- Comprise Directors who have the skills, knowledge and experience relevant to the responsibilities of the respective Board Committees

GOVERNANCE STRUCTURE



STRATEGY



Strategy



Capital and Finance

BOARD OF DIRECTORS

Source of Authority/Roles and Responsibilities specified in:

Board Nomination & Remuneration Committee (“BNRC”)

Provides a formal and transparent procedure for the appointment and remuneration of directors, CEO and members of Shariah Committee as well as assessment of effectiveness of the Board as a whole, Shariah Committee members and performance of CEO and key senior management officers.

The BNRC focuses on reviewing and recommending:

- The appointment and re-appointment of Independent and Non-Independent Non-Executive Directors.
- The appointment and re-appointment of Shariah Committee members
- The revised composition of the Board Committees.
- The new appointment/renewal/revision of the contract of service of Senior Management and their remunerations.

CHIEF EXECUTIVE OFFICER (“CEO”)

The key responsibilities of the CEO:
Managing day-to-day business operations in line with the strategy and key performance indicators set by the Board.

MANAGEMENT COMMITTEES

Management Committee helps the CEO

- Set performance targets

BOARD RESERVED MATTERS



Terms of Reference



Delegation of Authority



Appointments



Contracts and Transactions



Disclosures



Meetings



Legal



- Board Charter
- Bank's Constitution
- Terms of References of each of the Board Committee

- Companies Act 2016
- IFSA 2013
- BNM Policy Documents and other applicable regulatory requirements

BOARD COMMITTEES

- The annual Corporate Scorecard and KPI's for Senior Management and their respective performance and reward.
- The remuneration of the non-Executive Directors.

Board Audit Committee ("BAC")

Ensures the adequacy and integrity of system of internal controls and financial reporting, compliance with internal policies, procedures and external applicable rules and regulations.

Board Risk Management Committee ("BRMC")

Oversees Management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process is in place and functioning.

Board Veto Committee ("BVC")

Reviews financing and/or investment proposals approved by the Credit Committee ("CC") based on the limits determined by the Board. In the event of modification of the terms and conditions, the appeal has to be reverted to the Board Veto Committee.

Board Compliance Committee ("BCC")

Provides oversight and advice on the management of compliance risk; evaluate the effectiveness of the overall management of compliance risk with regard to the assessment of senior management and internal audit as well as the Regulatory Advisory and Compliance Division; recommends improvements needed to the Board; and assesses emerging AML/CFT concerns.

SHARIAH COMMITTEE ("SC")

Advises the Board and Management, including the Bank's subsidiaries and provides input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times. Endorses Shariah policies and procedures prepared by the Bank and ensures that the contents do not contain any elements which are not in line with Shariah. Ensures that the products of the Bank comply with Shariah principles.

Further details on Shariah Committee can be found on pages 137 to 141 of the Annual Report.



Limits of Authority Manual sets out authorisation limits for CEO, Management Committees, Management and matters requiring Board/Board Committee's review/ approval



- Develops the strategic direction of the Bank;
- Ensures that the Bank's strategies and corporate policies are effectively implemented;
- Ensures that the Board decisions are implemented and Board directions are responded to;
- Provides directions in the implementation of short and long-term business plans;

- Provides strong leadership that is, effectively communicating a vision, management philosophy and business strategy to the employees;
- Keeps the Board fully informed of all important aspects of the Bank's operations and ensuring sufficient information is distributed to Board members; and
- Ensures the day-to-day business affairs of the Bank are effectively managed.



- Monitor key objectives and commercial plans to help achieve the Group's targets
- Implement Group strategy
- Evaluate new business initiatives and opportunities

COMMITTED TO
STRONG GOVERNANCE

ATTENDANCE OF BOARD AND BOARD COMMITTEE MEETINGS DURING FY2020

Name of Directors	Board	BNRC
<i>Chairman/Independent Non-Executive Director</i> Tan Sri Dato' Dr Mohd Munir Abdul Majid (TSM) Datuk Seri Tajuddin Atan (DSTA)	6/6 ²³ 9/9 ²⁴	
<i>Non-Independent Non-Executive Director</i> Dato' Sri Che Khalib Mohamad Noh (DSCK) Dato' Ibrahim Taib (DIT) ● Iwan Rashman Gulamoydeen	13/14 14/14 14/14	13/13 13/13
<i>Independent Non-Executive Director</i> Ghazali Hj Darman (GD) ● Md Khairuddin Hj Arshad (KA) ●●● Johari Abdul Muid (JM) ● Dato' Hj Kamil Khalid Ariff (DKA) Dr Azura Othman (DAO) Dato' Haji Che Pee Samsudin (DCP)	14/14 14/14 4/4 ¹ 9/9 ² 9/9 ³ 2/2 ⁴	11/11 ⁵ 2/2 ⁶ 2/2 ⁷ 9/9 ⁸ 11/11 ⁹ 2/2 ¹⁰

● BNRC Chairman

● BRMC Chairman

● BCC Chairman

● BAC Chairman

● BVC Chairman

● BITC Chairman

¹ JM was appointed as Director on 10 November 2020² DKA resigned as Director on 28 September 2020³ DAO ceased to be Director on 30 September 2020⁴ DCP resigned as Director on 28 March 2020⁵ GD became member of BNRC on 30 March 2020⁶ KA became member and Chairman of BNRC on 15 October 2020⁷ JM became member of BNRC on 16 November 2020⁸ DKA ceased to be member of BNRC on 28 September 2020⁹ DAO ceased to be member and Chairman of BNRC on 30 September 2020¹⁰ DCP ceased to be member of BNRC on 28 March 2020¹¹ KA became member of BAC on 15 October 2020¹² JM became member of BAC on 16 November 2020¹³ DKA became member of BAC on 30 November 2011, and ceased to be member of BAC on 28 September 2020¹⁴ DAO ceased to be member and Chairman of BAC on 30 September 2020¹⁵ DCP ceased to be member and Chairman of BAC on 28 March 2020¹⁶ DIT ceased to be member of BRMC on 15 October 2020¹⁷ JM became member of BRMC on 16 November 2020¹⁸ GD became member of BRMC on 15 October 2020¹⁹ DAO ceased to be member of BRMC on 30 September 2020²⁰ DCP ceased to be member of BRMC on 28 March 2020²¹ JM became member and Chairman of BVC on 16 November 2020²² DKA resigned as member of BVC on 28 September 2020²³ TSM resigned as Director and Chairman on 3 June 2020²⁴ DSTA was appointed as Director on 6 May 2020

	BAC	BRMC	BVC	BCC	BITC This Committee was disbanded on October 2020
	13/13	8/8 ¹⁶	9/10	5/5	5/5
	13/13 2/2 ¹¹ 1/1 ¹² 9/9 ¹³ 11/11 ¹⁴ 2/2 ¹⁵	2/2 ¹⁷ 10/10 1/1 ¹⁸ 8/8 ¹⁹ 2/2 ²⁰	10/10 10/10 1/1 ²¹ 10/10 ²²	5/5 5/5	5/5 5/5

BOARD LEADERSHIP AND EFFECTIVENESS

BOARD CHARTER AND BOARD RESPONSIBILITIES

The Board Charter formalises the various roles and responsibilities of the Board, Board Committees and individual Director of the Bank with the aim of streamlining and enhancing corporate governance practices towards transparency, accountability and integrity in boardroom activities. **The Board Charter can be found on our website at <https://www.muamalat.com.my/Board-Directors/Board-Charter-v2.0.pdf>**

Specific responsibilities of the Board are delegated to the Board Committees. The Board Committees operating with their respective chairpersons and members to facilitate the Board's efficiencies in getting the specific attention, scope and in accordance with clearly defined Terms of Reference ("TOR") of each of the Committees. The Board as a whole retains collective responsibility for decisions on recommendations made by Committees.

ROLES AND RESPONSIBILITIES OF THE CHAIRMAN AND CEO

The roles of the Chairman and CEO are clearly separated, and the Chairman was not previously a CEO of the Bank. The Chairman is responsible for providing significant leadership to the Board to facilitate the Board in carrying out its responsibilities effectively while the CEO, is primarily responsible for the management of day-to-day business operations in line with the strategy and key performance indicators set by the Board.

The detailed roles and responsibilities of the Chairman and CEO can be found in the Board Charter.

BOARD RESERVED MATTERS

The following summarises the list of Matters Reserved for the Board's deliberation and decision:

- Strategic decisions which are, or may be significant, in terms of future profitability of the Bank.
- Decisions on significant/material matters on capital and finance.

- Adoption/changes to the Constitution or terms of reference of Board/Board Committees.
- Decision in relation to delegation of authority.
- Decision on appointments and removal of any member of the Board, or the company secretary, or the senior management, a director from the Chairmanship of the Board and external auditors or other professional advisors.
- Significant and/or connected party contracts and transactions or contract that involves conflict of Director's personal interest.
- Disclosure on financial information/reports for publication as well as presentation to Shareholders or disclosure on material information that may affect the image of the Bank.
- Policy governing the Board Meetings.
- Payment by the Bank arising out of legal dispute/legal settlement exceeding RM100,000.

Further details on Board Reserved Matters can be found in the Board Charter.

BOARD EFFECTIVENESS EVALUATION

The Board Effectiveness Evaluation ("BEE") is carried out annually as required by BNM Policy Document on Corporate Governance ("BNM PD on CG") and recommended by Malaysian Code on Corporate Governance ("MCCG") 2017. The Chairman of BNRC oversaw the overall evaluation process while the responses may be reviewed and analysed by the BNRC, before the assessment results tabled and communicated to the Board.

In line with the recommendation in the BNM PD on CG, the Board had appointed external independent third party to conduct the BEE for the year 2020. As required by the BNM PD on Shariah Governance, the 2020 BEE has also included assessment on Shariah Committee members.

The 2020 BEE questionnaires designed and embedded the following categories of the assessments:

- Board Assessment to assess amongst others, the Board's structure, size, composition (mix of skills, experience and competency), quality of information, deliberation and decision making including how Directors challenge matters discussed.
- Individual Directors' Assessment (including Independent Directors) to assess amongst others, the respective Directors' ability to critically challenge and ask the right questions, character and integrity in dealing with potential conflict of interest situations, commitment to serve the Bank with due diligence and integrity, critical and vigilant in offering alternative points of view, fit and properness and independence of the Independent Directors including level of independence in exercising his/her judgement and ability to act in the best interest of the Bank.
- Board Skill Set Assessment to assess amongst others, the Board's leadership and strategy, legal and regulatory requirements, banking and finance, corporate governance, Shariah governance, risk management and internal controls, accounting and financial reporting and operational management.
- Board Committee Effectiveness Assessment (including Shariah Committee) to assess amongst others, the Committee's Structure (size, composition and member classification), quality of information, deliberation and decision making including how members challenge matters discussed, accountability and responsibilities and effectiveness of the Board Committee including its terms of reference, processes and reporting line.
- Individual Board Committee Members' Assessment (including Shariah Committee) to assess amongst others, the Committees' dynamics and participation and Fit and Proper criteria.

INDUCTION AND SUCCESSION PLANNING

A proper on-boarding programme has been established to ease new Directors into their new role and to assist them in understanding the environment the Bank operates in, the Bank's business strategy and operations. On appointment to the Board, every Director will need to attend an induction programme which is tailored to the new Director's requirement.

The programme includes site visit to the nearest branch and meeting with Senior Management as appropriate, to enable them to have a full understanding of the nature of the Bank's businesses, current issues and challenges as well as the structure and management of the Bank. The said session will be organised as soon as practicable not later than three (3) months upon the appointment of the Director.

All new Directors are required to attend the programme or other similar sessions that may help him/her achieve the intended outcome once appointed. The Company Secretary also facilitates the induction of newly appointed Directors.

The BNRC is responsible for developing succession plans and identifying and recommending candidates for the Board to ensure that the Board is made up of Directors with appropriate skills, experience, expertise and diversity. The BNRC also oversees the appointment and succession planning for key Senior Management.

BOARD COMMITTEES

There are six (6) Board Committees established by the Board; the Board Audit Committee, Board Risk Management Committee, Board Nomination and Remuneration Committee, Board Compliance Committee, Board IT Committee (disbanded in October 2020) and Board Veto Committee. These Committees play a significant role in reviewing matters within their respective Terms of Reference and support the Board's discharge of its duties and responsibilities, and in keeping the Board efficient. Each of the Committees have specific Terms of Reference, scope and authority to review matters tabled before the Committee prior to decision-making by the Board as a whole. Membership of these Committees is reviewed as and when required, with specific emphasis on updates in governance requirements and efficiency of the Committees.

All Committees comprise a minimum of/at least three (3) Non-Executive Directors; a majority of whom are Independent; and comprise Directors who have the skills, knowledge and experience relevant to the responsibilities of the respective Board Committees.

Save for the Board Compliance Committee, all Committees are chaired by Independent Directors. The Chairman of the Board does not chair any of the Board Committees.

BOARD LEADERSHIP AND EFFECTIVENESS

APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

The Bank is governed by the BNM PD on CG in respect of the appointment of new Directors and the re-appointment of the existing Directors upon the expiry of their respective tenures of office as approved by BNM. All appointments and re-appointment of Directors are subject to the approval by BNM.

The primary responsibility of assessing the candidate for new appointment or existing Directors for re-appointment has been delegated to the BNRC. The BNRC also ensures that every candidate/Director satisfies the relevant requirements on the skills and core competencies of a director and are deemed fit and proper to be appointed/re-appointed as Director in accordance with the Fit and Proper criteria as prescribed by BNM. BNRC will next recommend the appointment of the candidate as Director for approval by the Board.

RE-ELECTION OF DIRECTORS AND TENURE OF INDEPENDENT DIRECTORS

In accordance with the Bank's Constitution, all Directors are subject to retirement by rotation at due intervals. The eligible Directors may offer themselves for re-election at the Annual General Meeting ("AGM"), a process that enables the Shareholders to vote them back into office.

Directors who are appointed as additional Directors or to fill casual vacancies during the year are subject to re-election by the Shareholders at the next AGM following their appointment.

The tenure of an Independent Director is capped at nine (9) years and the nine (9) years can either be a consecutive service of nine (9) years or a cumulative service of nine (9) years with intervals or upon expiry of the prevailing term as approved by BNM, whichever is the later date.

During the year 2020, the tenure of office of Dato' Kamil Khalid Ariff as Independent Director of the Bank ended on 28 September 2020 and he was not re-appointed as Director of the Bank given that his Independent tenure already reached nine (9) years.

BOARD PROCESS

The Board meets every month with additional meetings convened as and when urgent issues and/or important decisions are required to be made between the scheduled meetings. Scheduled Board meetings are structured with certain pre-set agendas.

At each meeting, the Board receives updates from the respective Chairmen/representatives of the Board Committees on matters that have been deliberated at the Board Committees, as well as on matters that require the Board's attention.

During the meeting held in 2020, the CEO and Head of Business, Operations, Support and Control functions gave an update on the Bank's business and operations, regulatory and compliance updates as well as a macro perspective on industry trends and developments.

As protocol, the Head of Finance Division presents the financial performance and significant financial highlights. Other Heads of Division and external advisers may be invited to attend the meeting to advise the Board on certain matters under discussion. Directors will have the opportunity to discuss specific areas with them and where relevant, challenge the ideas presented. All important deliberations, decisions and conclusions are recorded in the Board meetings' minutes.

Outside Board meetings, Board approvals for matters in the ordinary course of business can be obtained through written resolutions. Ad-hoc meetings are held when necessary. Directors have direct access to Senior Management and may request for additional information from them. Directors have access to the Company Secretary at all times. The Company Secretary attends all meetings, generally assisting Directors in the discharge of their duties and facilitates communication between the Board, the Board Committees and the Management.

MEETINGS AND ACCESS TO INFORMATION

Directors are given due notice of the proposed meetings, allowing Directors to lock in their timings, and for advance planning. The detailed Agendas and the detailed Board/Committee meeting materials were shared and uploaded electronically prior to Board/Board Committees meetings.

Working in the new normal requires agility in adopting digital channels and technology. These were implemented successfully during the year. Directors participated in Board and Committee meetings via virtual platforms such as Zoom or Teams during the MCO. Minutes of meetings, together with a summary of the action items were circulated to all members of the Board prior to meetings.

ETHICAL BUSINESS CONDUCT AND WHISTLE BLOWING

The Board promotes good corporate governance culture to ensure that the Bank conducts its business with integrity, in an ethical and transparent manner.

To this end, the Board has established the Code of Business Conduct ("CoBC"). The CoBC sets out the conduct expected of all Directors, employees and third parties doing business with the Bank. The CoBC outlines, inter alia, the Bank's procedures relating to non-discrimination, whistleblowing, the Bank's assets and properties, confidential information, personal data protection, insider trading, fraud, conflict of interests, bribery and anti-corruption. The Bank's Directors and employees affirm their commitment to the CoBC.

The CoBC has recently been enhanced to include fundamental principles on Competence, Integrity, Fairness, Confidentiality and Objectivity which shall be consistently applied across the Bank. This is to align the CoBC with the requirement of Professional Code for the financial services industry developed by FSPB; relevant points in mitigating rapid changes resulting from Industrial Revolution 4.0 (IT devices

utilisation, social media usages and cyber security); and new items from relevant Acts, regulatory requirements and Guidelines amongst others, the Adequate Procedures in relation to Corporate Liability sub-Section to subsection (5) of Section 17A, Malaysian Anti-Corruption Commission ("MACC") Act 2009.

The Bank has zero tolerance for any conduct that constitutes a wrongdoing or malpractice which may include any breach of ethics as described in the CoBC, conflict of interests, bribery and corruption, anti-money laundering/combating the financing terrorism, and/or any fraudulent act as may be described in the Bank's Anti Bribery Code system and other relevant documents.

In light of the requirements stipulated under the BNM PD on CG and the Companies Act 2016, the Bank's Whistleblowing Policy, established by the Board provides a secure reporting avenue via the Ethics Hotline for employees and third parties, who have knowledge or are aware of any improper conduct or unethical behaviour including suspected fraud, bribery, corruption and criminal activity.

Any malpractice or misconduct is raised to Internal Audit Division through the dedicated channels mentioned above. The whistle-blower's identity remains anonymous, ensuring protection from reprisal.

TRAINING AND DEVELOPMENT OF DIRECTORS

The Board ensures that its members have ongoing access to appropriate continuing education programmes and a reasonable budget has been allocated for the programme. Directors are encouraged to attend talks, briefings, workshops and utilise online learning tools, reading materials and trainings on areas that would benefit them in their roles and responsibilities.

All Directors of the Bank are required to register for the Director's Core Training Programme under the Financial Institutions Directors' Education Programme ("FIDE") within a year and Islamic Finance for Board within two (2) years upon his/her appointment.

BOARD LEADERSHIP AND EFFECTIVENESS

The Bank has zero tolerance for any conduct that constitutes a wrongdoing or malpractice which may include any breach of ethics as described in the CoBC, conflict of interests, bribery and corruption, anti-money laundering/combating the financing terrorism, and/or any fraudulent act as may be described in the Bank's Anti Bribery Code system and other relevant documents.

All present Board members have attended and completed the Director's Core Training Programme under FIDE within the period stipulated under the Director's Training Policy of the Bank. In line with the MCCG 2017 recommended practice, the Company Secretary facilitates the orientation of new Directors and assists in directors' training and development.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board has delegated to the BNRC the responsibility to oversee and recommend the structure of the remuneration policy and frameworks for the Directors and Senior Management. The Bank's Directors' Remuneration Policy has been developed to attract and retain Directors of the calibre needed to spearhead the Bank.

The remuneration structure for Non-Executive Directors takes into consideration the relevant factors including function, workload, responsibilities and time spent for the preparation for the Board and Board Committee meetings. It comprises fees, meeting allowance and benefits in kind. A premium is given to the Chairman of the Board and Chairmen of Board Committees in view of their additional role in guiding and managing the Board and Board Committees.

In line with good corporate governance practice, the Directors' Remuneration Policy/structure may be reviewed every three (3) years or as and when BNRC or the Board deems necessary.

The remuneration for Non-Executive Directors is subject to annual approval by the shareholders.

The CEO's Corporate Scorecard and CEO-1's Key Performance Indicators are reviewed and tracked by the BNRC on an annual basis.

The individual and aggregate emoluments received by the Directors of the Bank during the financial year ended 31 December 2020 are disclosed in Note 35(b) on pages 113 and 114 of the Annual Report.

EFFECTIVE RISK MANAGEMENT AND ACCOUNTABILITY

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board, supported by its committees, operates within a framework of prudent and effective controls in the interests of shareholders, customers and other stakeholders. The Group's Governance of Risk Management and Internal Controls ensures the safety and soundness of the Group and its key entities. This is achieved through a robust governance structure designed to deliver a well-managed business with effective decision-making, good procedures and strong controls.

The Group's Risk Management and Internal Controls comprises three (3) elements:

The Board and its committees:
How the business is managed.



Risk Management System:
How risks are identified, measured, managed, monitored and reported.



Internal Control System:
The controls behind the Corporate Governance Framework and the Risk Management System.

THE BOARD AND ITS COMMITTEES

BRMC is responsible for reviewing and setting the Group's overall risk strategy and risk appetite, and for approving the risk management policies. BAC reviews the effectiveness of the Internal Control System on an annual basis and carries out assurance on the Financial Control Framework on a quarterly basis. The Board reviewed the effectiveness of the Bank's risk management and internal control systems including financial, operational and compliance controls and concluded that they were appropriate and had operated effectively during the year.

RISK MANAGEMENT SYSTEM

- A common framework through which risk management and control is embedded.
- Consistent approach throughout the Group to identify, measure, manage, monitor and report risks.
- Consistent and comprehensive set of policies are maintained.
- Risk Management Policy establishes a framework of standard risk management processes.
- Risk Management System is underpinned by the 'Three (3) Lines of Defence' model.

INTERNAL CONTROL SYSTEM

The Group's Internal Control System sets out the processes and frameworks required to ensure effective and efficient delivery of the Group's strategic objectives and is designed to identify and mitigate, rather than eliminate, the potential risk of failure to achieve business objectives and can only provide reasonable not absolute assurance against material financial misstatement or loss. Implementation and maintenance of the Internal Control System is delegated to senior management. The Group has an effective Internal Control System which contains administrative and accounting procedures, an internal control framework, with appropriate validation, assurance and reporting arrangements at all levels of the Group, a delegated authority framework, and a compliance framework. The internal control system is underpinned by the three (3) lines of defence model.

For further details on Effective Risk Management and Accountability, please refer to Statement on Risk Management and Internal Control on pages 142 to 153 of the Annual Report.

EFFECTIVE RISK MANAGEMENT AND ACCOUNTABILITY

Board Audit Committee

Role

Ensures the adequacy and integrity of system of internal controls and financial reporting, compliance with internal policies, procedures and external applicable rules and regulations. The Chief Executive Officer and Chief Internal Auditor attend all BAC meetings as permanent invitees to facilitate deliberation of the issues discussed.

BAC Focus Areas

- Review and recommend to the Board the unaudited interim financial statements as well as the audited financial statements for approval.
- Review internal audit reports on the Head Office and the branches of the Bank.
- Deliberate on significant matters highlighted by the Management or the External Auditor and review progress updates on the action plan.
- Review the investigation reports prepared within the Bank.
- Approve the External Auditors' and Internal Auditors' audit plans and review the progress accordingly.
- Evaluate the performance of the External Auditors and recommend their appointment to the Board.

Board Risk Management Committee

Role

Responsible to oversee Management's activities in managing all risks namely credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process is in place and functioning. The BRMC is assisted by the Chief Executive Officer, Chief Risk Officer, and Chief Compliance Officer who also attend the meeting as permanent invitees.

BRMC Focus Areas

- Review the risk management report covering market risk, credit risk, operational risk and Shariah non-compliance risk and emerging risk report.
- Review compliance report covering Anti-Money Laundering/Counter Financing of Terrorism AML/CFT, regulatory compliance and update on new policies and regulations.
- Review and recommend to the Board the risk appetite setting for the Bank to ensure it is in line with the corporate strategy and direction.
- Review and recommend to the Board the stress test scenario and its methodology.
- Review the implementation of the Internal Capital Adequacy Assessment Process ("ICAAP") for the Bank.
- Review and deliberate new product/services and product programmes proposed by the business units to ensure it is in line with the target risk profile and risk acceptance criteria for the Bank.
- Review and deliberate significant business and operating risk-related policies of the Bank.

RELATIONS WITH STAKEHOLDERS

Our stakeholders play an invaluable role in building the sustainability of our business. We regularly engage formally and informally with both our internal and external stakeholders through various touchpoints which aid us in understanding their expectations and concerns. Our corporate website provides easy access to comprehensive and updated information about us.

SHARIAH COMMITTEE STATEMENT

The Shariah Committee was established in accordance with the requirements of the Islamic Financial Services Act 2013, which prescribed the setting up of a Shariah body to ensure the Bank conducts its affairs in accordance with Shariah principles. Members of the Shariah Committee are scholars renowned for their knowledge and experience in Shariah and Fiqh Muamalat.

The Shariah Committee is guided by its Terms of Reference which sets out amongst others, the primary duties and responsibilities of the Shariah Committee, the authority and conduct of the Shariah Committee meetings. The Terms of Reference are governed by the Central Bank Act 2009, Islamic Financial Services Act 2013 (“IFSA”) and the Policy Document on Shariah Governance (“Laws and Regulations”).

Duties, Responsibilities & Accountability of the Shariah Committee are as follows:

i. Responsibility and accountability

The Shariah Committee is expected to understand that in the course of discharging the duties and responsibilities as a Shariah Committee, the members must be in accordance with Laws and Regulations in respect of duties and obligations of the Shariah Committee members, and responsible and accountable for all Shariah decisions, opinions and views provided by them.

ii. Advise to the Board and the Bank including the Bank’s subsidiaries

The Shariah Committee is expected to advise the Board and the Management, including the Bank’s subsidiaries, and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times.

iii. Endorse Shariah policies and procedures

The Shariah Committee is expected to endorse Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah.

iv. Endorse and validate relevant documentations

To ensure that the products of the Bank comply with Shariah principles, the Shariah Committee must approve:

- a. the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
- b. the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

v. Assess work carried out by Shariah review and Shariah audit

To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.

vi. Assist related parties on Shariah matters

The related parties of the Bank such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the Shariah Committee and the Shariah Committee is expected to provide the necessary assistance to the requesting party.

vii. Shariah Advisory Council, Bank Negara Malaysia

The Shariah Committee may advise the Bank to consult the Shariah Advisory Council of Bank Negara Malaysia (“SAC”) on Shariah matters that could not be resolved.

viii. Provide Written Shariah Opinions

The Shariah Committee is required to provide written Shariah opinions in circumstances where the Bank makes reference to the SAC for further deliberation, or where the Bank submits applications to the Bank for new product approval.

SHARIAH COMMITTEE STATEMENT

- ix. Provide the Bank with guidelines and advice on religious matters to ensure that the Bank's overall activities are in line with Shariah.
- x. Make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.
- xi. Report to the shareholders and the depositors that all the Bank's activities are in accordance with Shariah.
- xii. Provide Shariah advisory and consultancy services in all matters relating to the Bank's products, transactions and activities as well as other businesses involving the Bank.
- xiii. Scrutinise and endorse the annual financial report of the Bank.
- xiv. Provide training to the staff as well as notes or relevant materials for their reference.
- xv. Represent the Bank or attend any meetings with the SAC or other relevant bodies concerning any Shariah issues relating to the Bank.
- xvi. The Shariah Committee shall maintain the confidentiality of BMMB's internal information and shall be responsible for the safeguarding of confidential information. He or she should maintain all information in strict confidence, except when disclosure is authorised by the Bank or required by law.
- xvii. The Shariah Committee shall ensure the quality and consistency of the Shariah decisions.

Composition of Shariah Committee

According to Policy Document on Shariah Governance ("PDSG"), the composition of Shariah Committee at minimum must comprise at least five (5) members and the member must not accept any appointment in more than one licensed Islamic bank, one licensed takaful operator and one prescribed institution. Furthermore, a Shariah Committee member must not serve the same Islamic Financial Institutions ("IFI") for more than nine (9) years.

Currently, BMMB's Shariah Committee BMMB comprises five (5) members whose appointments are renewed every three (3) years. For this year, the Bank is proposing to replace two (2) of our SCs who have exceeded nine (9) years of tenure.

The Chairman of Shariah Committee must be a Shariah qualified person and meet all criteria as required under PDSG, and the appointment is subject to approval by BNM.

Besides the Chairman, there should be an alternate Chairman in the event where the Chairman of the Shariah Committee is unable to attend the meeting. The members shall elect one (1) member among themselves to become the alternate Chairman to preside over the meeting. The alternate Chairman shall be a member with qualified Shariah background.

A brief profile of each member of the Shariah Committee is presented on pages 115 to 117 of this Annual Report.

Appointment/Reappointment of Shariah Committee

The appointment/reappointment of the Shariah Committee members and Chairman of the Shariah Committee is subject to assessment and evaluation based on necessary conditions made by the Bank and met all requirements specified in the policies issued by BNM.

The Board shall, upon recommendation of its Nomination Committee, nominate the appointment of the members of the Shariah Committee.

Further written approval and endorsement from Bank Negara Malaysia must be obtained after approval from the Board at least three (3) months before it expects a proposed candidate to assume his/her responsibilities. In the case of reappointment, the application must be submitted three (3) months prior to the expiry of the Shariah Committee member's tenure.

Resignation and Termination of the Shariah Committee

Where a Shariah Committee member resigns or is disqualified pursuant to the relevant paragraphs in PDSD, Sections 33(2) and 34(1) of the IFSA impose obligations on the Bank and the Shariah Committee member to notify the BNM of that fact and its reason immediately or in any cases no later than fourteen (14) days of such circumstances.

For the purpose of the application for termination, the Bank must provide justifications as well as assessment on the performance of such member to BNM.

Negative List

The Shariah Committee member or his immediate family member must not:

- be an executive of the Bank during the tenure of his/her appointment or within the last two (2) years of his/her proposed appointment as a Shariah committee member;
- be a substantial shareholder, executive director or senior officer of the Bank or any of its affiliates; or
- have a significant business or other contractual relationship with the Bank or any of its affiliates within the last two (2) years.

Shariah Committee meetings

The Shariah Committee meetings shall be held at least once in every two (2) months. Meetings shall be held regularly to ensure that:

- the Shariah Committee is kept sufficiently in touch with the business of the Bank;
- The operations of the Bank are not adversely affected because of the difficulty in securing the Shariah Committee's approval for policy and decision.

For the period of January to December 2020, eleven (11) SC meetings were held, of which all Shariah decisions were disseminated for further action by relevant business units:

Meeting	Date
1 st Monthly SC Meeting 2020	30 January 2020
2 nd Monthly SC Meeting 2020	19 February 2020
1 st Special SC Meeting 2020	20 April 2020
3 rd Monthly SC Meeting 2020	15 May 2020
4 th Monthly SC Meeting 2020	23 July 2020
5 th Monthly SC Meeting 2020	19 August 2020
6 th Monthly SC Meeting 2020	29 September 2020
2 nd Special SC Meeting 2020	12 October 2020
7 th Monthly SC Meeting 2020	28 October 2020
3 rd Special SC Meeting 2020	23 November 2020
8 th Monthly SC Meeting 2020	9 December 2020
Total	11 meetings

The Shariah Committee member is expected to contribute and allocate adequate time and efforts to discharge his/her duties effectively. The Shariah Committee member must attend at least 75% of the Shariah Committee meetings held in each financial year. Where necessary, the participation of the Shariah Committee can be facilitated by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve confidentiality of the deliberations.

SHARIAH COMMITTEE STATEMENT

In respect of the quorum for Shariah Committee meetings, the Bank must ensure that there is a majority of Shariah qualified members to be present at each meeting. The Bank shall ensure that any decision of the Shariah Committee must be made on the basis of simple majority.

The Shariah Committee shall put on record in its report or statements directed to the Board, its concerns over any Shariah non-compliance issues.

For January to December 2020, Shariah Committee attendance for eleven (11) meetings held are as follows:

Shariah Committee Member	Attendance	%
Tn. Hj. Azizi Che Seman	11/11	100%
YM Engku Ahmad Fadzil Engku Ali*	2/2	100%
Prof. Madya Dr Mohamad Sabri Haron	11/11	100%
Dr. Wan Marhaini Wan Ahmad	10/11	90%
Dr. Mohd Shahid Mohd Noh	11/11	100%
Dr. Yusri Mohamad	11/11	100%

*Last date of service on 31 March 2020

It is concluded that all members of Shariah Committee complied with the attendance of not less than 75% of the meetings scheduled.

Training Programme for Shariah Committee

The Shariah Committee assumes the responsibility to further enhance the skills and knowledge on the relevant new laws and regulations as to keep abreast with developments in the financial services industry.

The training programmes attended by the Shariah Committee for the period of January to December 2020 include the following:

Shariah Committee Member	Training Programme
Tn. Hj. Azizi Che Seman	<ul style="list-style-type: none"> • Shariah Review Training by ISRA • Board Structured Training: Shariah Governance Policy • Muzakarah Cendekiawan Syariah Nusantara Ke-14 • 15th International Shariah Scholars Forum ("ISSF 2020") • Islamic Fintech Dialogue ("IFD") • Familiarisation Programme Series 1 - Investment fund & <i>Wasiat</i> • Familiarisation Programme Series 2 - SMART Mortgage Flexi, Muamalat Gold-i & Shariah Governance • Familiarisation Programme Series 3 - Rahn Tawarruq, Credit Card-i, Compounding Issue in Moratorium & SNCE Process Flow

Shariah Committee Member	Training Programme
Prof. Madya Dr Mohamad Sabri Haron	<ul style="list-style-type: none"> • Shariah Review Training by ISRA • Board Structured Training: Shariah Governance Policy • Muzakarah Cendekiawan Syariah Nusantara Ke-14 • 15th International Shariah Scholars Forum (“ISSF 2020”) • Islamic Fintech Dialogue (“IFD”) • Familiarisation Programme Series 1 - Investment fund & <i>Wasiat</i>
Dr. Wan Marhaini Wan Ahmad	<ul style="list-style-type: none"> • Shariah Review Training by ISRA • Board Structured Training: Shariah Governance Policy • Muzakarah Cendekiawan Syariah Nusantara Ke-14 • 15th International Shariah Scholars Forum (“ISSF 2020”) • Islamic Fintech Dialogue (“IFD”) • Familiarisation Programme Series 1 - Investment fund & <i>Wasiat</i>
Dr. Mohd Shahid Mohd Noh	<ul style="list-style-type: none"> • Shariah Review Training by ISRA • Board Structured Training: Shariah Governance Policy • Muzakarah Cendekiawan Syariah Nusantara Ke-14 • 15th International Shariah Scholars Forum (“ISSF 2020”) • Islamic Fintech Dialogue (“IFD”) • Familiarisation Programme Series 1 - Investment fund & <i>Wasiat</i> • Familiarisation Programme Series 2 - SMART Mortgage Flexi, Muamalat Gold-i & Shariah Governance • Familiarisation Programme Series 3 - Rahn Tawarruq, Credit Card-i, Compounding Issue in Moratorium & SNCE Process Flow
Dr. Yusri Mohamad	<ul style="list-style-type: none"> • Shariah Review Training by ISRA • Board Structured Training: Shariah Governance Policy • Muzakarah Cendekiawan Syariah Nusantara Ke-14 • 15th International Shariah Scholars Forum (“ISSF 2020”) • Islamic Fintech Dialogue (“IFD”) • Familiarisation Programme Series 1 - Investment fund & <i>Wasiat</i> • Familiarisation Programme Series 2 - SMART Mortgage Flexi, Muamalat Gold-i & Shariah Governance • Familiarisation Programme Series 3 - Rahn Tawarruq, Credit Card-i, Compounding Issue in Moratorium & SNCE Process Flow

In equipping the role of Shariah Committee, Shariah Division is to provide secretariat function, including inputs on banking operations and in-depth research on Shariah matters for Shariah Committee. These functions include coordinating meetings, compiling proposal papers, disseminating Shariah decisions to relevant stakeholders, engaging with relevant parties who seek further deliberations on issues from the Shariah Committee and provide all other secretariat support to the SC members.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board acknowledges its responsibility in ensuring that the senior management establishes and maintains an adequate and effective system of risk management and internal controls as well as reviewing its adequacy and effectiveness to keep pace with the changes in the Bank's activities and operating environment. Such system covers not only financial controls but also non-financial controls relating to governance, operations, risk management and compliance with applicable laws, regulations, rules, directives, guidelines as well as internal policies, processes and procedures.

The Board is of the view that the system of risk management and internal controls includes an established and ongoing process for identifying, evaluating, managing and reporting significant risks that may affect the achievement of the Bank's business objectives and strategies. The Board recognises that risks cannot be eliminated completely and as such, systems and processes have been put in place to provide reasonable and not absolute assurance against material misstatement of financial information or against any losses or fraud. For this purpose, the Board has ensured the establishment of key processes for reviewing the effectiveness, adequacy and integrity of Bank Muamalat's system of risk management and internal controls.

The Board is of the view that the internal control framework has been instituted throughout the Bank to safeguard the shareholder's investment, customers' interest and the Bank's assets. The control structure and process for financial, operational, risk

management and compliance elements which have been instituted throughout the Bank and its subsidiaries are updated and reviewed from time to time to suit the changes in the business environment. This ongoing process has been implemented to strengthen the Bank's internal controls and risk management system for the whole financial year under review.

Overview

The unprecedented COVID-19 pandemic has emphasised the continuous need for an effective risk management system in achieving operational and financial resiliency whilst persevering essential banking services to stakeholders and at the same time achieving the Bank's strategic objectives.

The Bank faced many challenges during the early onset of the pandemic including the lockdown of its headquarters during the Enhanced Movement Control Order imposed in April 2020. Nonetheless, pre-emptive business continuity measures undertaken to manage any such eventualities helped the Bank to steer through the critical months and ensure minimal interruptions to business operations and customer service while safeguarding the health and safety of its employees and customers.

Business impact assessments along with stress tests were rigorously performed during the year to ascertain impact to business operations, asset portfolios, revenue, liquidity and capital positions, thus enabling the Bank to take appropriate mitigation actions to avert adverse consequences and preserve its resiliency.

In managing technology and cyber resilience, steps have been taken to tighten and mitigate the risk of cyber-attacks on the Bank's IT network and digital platforms. Digital platforms have fast become the primary option for carrying out transactions in place of physical interaction and with the increased reliance on digital channels, the industry has seen greater cyber threats and malware attacks. Unsurprisingly, technology and cyber risk management has become a top agenda at the Bank's board and management level where key initiatives, risks and solutions are being reported and deliberated periodically.

Risk Management Framework

The Bank has embarked on a journey to implement Enterprise Risk Management ("ERM") to guide and streamline its risk management approaches and embed strategic management practices that focus on ongoing management of risks associated with strategic business objectives. A new ERM framework was developed and modelled after the ISO 31000:2018, an internationally accepted standards and guidelines on risk management, which is aimed at integrating sound risk management practices into all business activities and functions.

The ERM principles form the foundation for managing all types of risk and has been used in the establishment of the ERM framework and in streamlining of all other existing risk management frameworks, namely that of credit, market, operational and Shariah risks.

The Bank's risk governance and oversight structure outlines the accountabilities as well as roles and responsibilities for the management of risk. It provides a blueprint for the Board of Directors and Management to execute their responsibilities and includes a framework for the delegation of authority to the relevant committees and executive officers.

The Board provides oversight for overall risk governance and ensures that the Bank's strategic objectives are supported by sound risk strategy and an effective risk management framework. Thus, an appropriate risk management structure has been clearly defined and established to monitor and ensure that risk management strategies are properly executed and risk exposures are kept within the approved risk boundaries and controls.

In executing governance and oversight of risk, the Board would approve risk appetite statements recommended by the Management to guide the Bank's risk taking activities within the boundaries of its financial capacity and fiduciary obligations and set relevant tolerance levels, controls and monitoring mechanism to monitor and report risks. The Board oversees the risk management function through a governance structure which comprises board and management-level committees with distinct roles and responsibilities, accountabilities, and discretionary authorities.

The Board is supported by two (2) board-level committees with specific functions and responsibilities, namely the Board Risk Management Committee ("BRMC") and the Shariah Committee ("SC"). These committees, through the

authority delegated by the Board, monitor the execution and implementation of the Bank's strategies, policies and methodologies and ensure that these are kept in line with the Board's vision.

Board Level Committee

Oversees execution and implementation of the Bank's strategies, policies and methodologies in line with the Board's vision.

Reviews and recommends strategic and business plans, capital plans and risk appetite statements as recommended by the Management for the Board's approval.

Board Risk Management Committee ("BRMC")

- Ensures effective management of risk and enforcement of approved risk tolerances and limits.
- Reviewing and assessing the existing risk management framework for its continued efficacy and for ensuring that robust infrastructure and systems as well as resources are in place to monitor risk and capital effectively.

Shariah Committee ("SC")

- Independent from the Board.
- Understand Shariah issues in all activities assumed by the Bank.
- Serves as advisory to the Board and Management team on all Shariah matters.
- Shariah management and compliance are closely aligned to ensure an integrated and end-to-end compliance management.

As part of the oversight responsibilities, the Board monitors the Bank's financial performance and its execution of strategic and business plans and adherence to risk appetite limits. To facilitate effective oversight, the Management is responsible for tracking and reporting the Bank's performance based on agreed measurements as well as on any exceptions to the stipulated guidelines or limits.

The Management formulates and reviews the strategic and business plans and provides recommendations for the Board's decision. The strategic business plan takes into consideration the Bank's financial objectives and resources, in line with its risk appetite. Financial objectives for each business line are established by setting growth and return targets and allotting capital. The overall performance and risk-adjusted return of each business line are assessed against the set targets and indicators. The Bank closely monitors and evaluates the capital and operating limits given rapid changes in the business and economic environment as well as rising competitive pressures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board and Management are supported by functional and risk control units, which are guided and managed under a formal reporting hierarchy. Management-level risk committees are set up to oversee specific risks and perform risk control functions in the areas of asset and liability management, credit evaluation and investment, and operational risk. Risk Management Department (“RMD”) supports the above-mentioned Committees by performing the day-to-day risk management functions which are kept independent of business targets.

In FY2020, the Risk Management organisation structure was enhanced with the appointments of a Chief Credit Officer to specifically focus on the credit portfolios of the Bank and a Chief Information Security Officer (“CISO”) to oversee the overall policies and practices in relation to IT security. The CISO, who reports to the Chief Risk Officer (“CRO”), also supports in the oversight and management of technology-related risks.

The approach

To operationalise and integrate the risk governance and management structure at the bank-wide level, the Bank adopts a distributed function approach towards managing risk as depicted in the Three (3) Lines of Defence model as follows:

Three (3) Lines of Defence Model

All units have a specific responsibility for risk management under the above model.

First Line Defence Model Business Units

- Risks are directly undertaken and assumed in the day-to-day business activities and operations.
- As frontliners, responsible for carrying out the established processes for identifying, mitigating and managing risks within their respective environment aligned with the Bank’s strategic targets.

Second Line Defence Model Risk Management Control & Compliance

- Ensures independent oversight and management of all material risks undertaken by the Bank.
- Provides specialised resources for developing risk frameworks, policies, methodologies and tools for risk identification, measurement and control.
- Provides the control function, which monitors the risks by using various key indicators and reports, guided by established risk appetite and tolerance limits.

Third Line Defence Model Internal Audit

- Provides independent review and assurance on adequacy of risk management processes and effectiveness of the first two (2) lines of defence in fulfilling their mandates.

Risk Culture

As the Bank continues to enhance and strengthen its risk management practices, it reinforces and embeds a strong risk culture throughout the organisation. Continuous tone from the top messaging and communication on risk management have been implemented in order to promote a consistent and coherent risk culture. Focus has been on strengthening the first line of defence and having constant engagements with risk owners to ensure a uniform understanding and approach for managing risks, not just in handling business and conduct risks but also on the intricacies of credit, market, liquidity, operational, Shariah, technology and cyber risks.

Risk Appetite

The Bank’s risk appetite framework constitutes a formal governance structure and review process for the establishment of the risk appetite statements (“RAS”) and tolerance limits. It provides a common framework and comparable set of measures for the Board and Management to clearly indicate the level of risk the Bank is willing to accept and ensures that the Bank maintains an acceptable risk profile. It also serves as a foundation and reference for the Bank’s risk culture and provides guidance for business and risk-taking activities and decision making.

RAS is formulated and reviewed in conjunction with the strategic, capital and business planning and is aimed at aligning risk appetite with the Bank's strategies and financial resources. It incorporates key performance indicators, such as earnings volatility, liquidity and capital ratios, and strategic tolerance levels to facilitate ongoing monitoring and oversight.

During the year, the RAS had been enhanced in response to changes in the economic and operating environment, with focus on management of economic sector concentration and liquidity position.

Capital Management

The Bank's capital management framework outlines the governance and approach for managing capital. The Framework was developed according to the capital standards outlined in BNM's policies and guidelines and adopts forward-looking and risk-based approaches and principles derived from industry's best practices.

The objective of capital management is to ensure capital resources are effectively and efficiently utilised while in pursuit of business and strategic targets. Capital requirements are assessed with strategic business plans and pursuant to this, an annual capital plan is formulated to ensure sufficient capital level is maintained to meet business needs and support the risks associated with these activities.

The Bank applies the Standardised Approach for credit and market risks and the Basic Indicator Approach for operational risk to calculate and determine its capital position. Further to this, as prescribed under the BNM's Pillar 2 and capital adequacy assessment guidelines, other possible major risks not covered under the

above measurement approaches are also assessed to determine whether additional capital is required.

The capital position is closely monitored against the capital plan and internal targets to ensure that it is maintained within set targets or to trigger preemptive or remedial actions, if required. The Bank also conducts periodic stress tests to assess potential impact of internal and external factors on its capital position, review its capital management strategies, and ascertain adequacy of its capital buffer. These stress tests are performed at least twice in a year.

Capital management and planning is used to ensure that adequate capital buffer is held under normal and projected adverse conditions. The annual capital plan therefore addresses any capital issuance requirement, capital composition and maturity profile, and capital crisis contingency planning.

Credit Risk Management

Credit risk is the risk of a counterparty failing to perform its obligations. It is one of the major source of risk for the Bank as retail and wholesale financing portfolios as well as investment securities constitute the bulk of its financial assets.

The Bank's framework for managing credit risk comprises the policies, processes, measurement tools/methodologies, and an established reporting and monitoring structure. Credit underwriting standards and credit management policies and guidelines are documented and outlined in the Credit Risk Policy and Guideline to Credit Risk Policies. These documents also cover policies on approving authorities, pricing, credit risk rating, prudential limits, credit risk mitigations, credit review process, rehabilitation and restructuring, credit impairment, and financing loss provisioning. The policies are reviewed and updated regularly to ensure its continued relevance and effectiveness.

Credit risk management involves measurement, mitigation and management of credit risk exposures at every stage of the credit life cycle. At origination and onboarding, business units are guided by the credit underwriting standards, rating models, mitigation strategies, and pricing policy. Credit proposals are also subject to independent evaluation and risk assessment prior to approval. Credit limits are sanctioned under a well-defined approving authority structure to ensure credit decision making are undertaken under prudent and proper governance. These authority limits are approved by the Board and are subject to periodic review to ensure its effectiveness and compliance.

The Bank also continuously monitors the credit exposures from concentration risk perspective and ongoing compliance risk appetite and risk tolerance. Reports on trends and movements, limit exposures, and risk profiling are produced and deliberated at risk management committees on a monthly basis.

Exposures to delinquent and problematic financing assets are monitored and managed by an independent support unit that focuses and specialises on restructuring and recovery activities. Early warning triggers are used to identify potentially distressed accounts to initiate timely remedial actions. Such exposures are actively monitored to ensure delinquencies and defaults are kept within tolerable levels and that the level of provision are adequate.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

During the year, several initiatives were implemented to improve the management of credit risk. These include enhancements of credit risk reports to facilitate decision making process, continuous enhancements of the risk acceptance criteria, development and calibration of application and behavioral scorecards, revision to the internal prudential limits and strengthening of provisioning practices in light of the COVID-19 pandemic.

Market Risk & Asset-Liability Management

Market risk is defined as risk of losses in on and off-balance sheet positions resulting from movements in market rates, foreign exchange rates, and equity and commodity prices which may adversely impact earnings and capital positions.

The risk is inherent in the financial instruments held in the Bank's asset and liability portfolios. In the event of market stress, these risks could have a material impact on the Bank's financial performance due to changes in economic value based on varying market conditions where one of the primary risks would be changes in the levels of profit rates.

The risk of such adverse changes arising from fluctuations in profit rates is managed through our Asset-Liability Management ("ALM") strategies. ALM refers to the coordinated management of the Bank's balance sheet and its composition. The main focus of ALM is on the overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Bank.

The Bank's risk management framework addresses both market risk and asset-liability management, where market risk exposures are managed and controlled in order to optimise return on risk and maintain a balance sheet profile that is consistent with the approved strategic business plan and risk appetite statement.

The Framework covers key risk management practices such as risk identification, measurement, mitigation, monitoring and control, which are performed under a formal governance and oversight structure. An independent market risk control function is responsible for measuring risk exposures according to established policies and guidelines and reports to the Asset Liability Committee ("ALCO") on a monthly basis. Balance sheet and capital management issues and strategies are discussed at the ALCO and later escalated with recommended action plans to the respective risk management committees and Board.

The above market risk and ALM management process is governed by the Market Risk Management Framework and Trading Book and Banking Book Policy Statement.

Rate of Return Risk

Rate of return risk refers to the variability of assets and liabilities arising from volatility of market benchmark rates which impact portfolios both in the trading and banking books. Such changes may adversely affect both earnings and economic value.

The Bank uses various measurement tools and analyses to study the impact of market rate changes on earnings and balance sheet profile to manage the said exposure. These include earnings at risk, economic value of equity and repricing gap analysis. In addition, the value at risk approach is used to estimate the maximum potential loss of an investment portfolio over a specified time.

Risk tolerance limits are built along these sensitivity measurements to manage and mitigate the related risk exposures. The Bank actively manages the following rate of return risks:

Risk	Definition
Repricing Risk	Timing differences in maturity and repricing of the Bank's assets and liabilities
Yield Curve Risk	Unanticipated yield curve shifts that has adverse impact on the Bank's income and economic values
Basis Risk	Arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics
Optionality/Embedded Option Risk	The risk arising from options embedded in the Bank's assets, liabilities and off-balance sheet portfolio

Liquidity Risk

Liquidity risk is best described as the inability to fund any obligation on time as they fall due, whether due to increase in asset or demand for funds from the depositors. The Bank will incur liquidity risk if it is unable to create liquidity and this has serious implications on its reputation and continued existence.

The Bank's priority is to therefore manage and maintain a stable source of financial resources toward fulfilling the above expectation. Through active balance sheet management, the Bank ensures sufficient cash and liquid assets are made available to meet short and long-term obligations.

The primary focus of liquidity management is to assess all cash inflows against outflows to identify the potential for any net shortfall going forward. This includes funding requirements for off-balance sheet commitments.

The Bank pays particular attention to its ability to cover any shortfall in liquidity for up to a one-month period followed by a medium-term assessment of liquidity of up to one year. The measurement and limits used to monitor and manage liquidity risk are as prescribed under the BNM's liquidity framework, Liquidity Coverage Ratio and Net Stable Funding Ratio. To mitigate the risk, the Bank employs a funding diversification strategy and establishes a liquidity contingency plan.

For ongoing management and monitoring of liquidity and funding positions, the Bank establishes risk tolerance and limits within the applicable risk appetite metrics and provides monthly reporting of its asset, liability and liquidity positioning. The

Bank has also established a comprehensive liquidity crisis contingency framework with set triggers and management action plan.

To ensure its readiness in dealing with liquidity crisis, the Bank has set up a pre-crisis management framework with a built-in and structured crisis response mechanism, which allows for quick identification of potential liquidity crisis before it occurs. The process involves continuous monitoring of various indicators which act as early-warning signals of impending crisis situation in different severity levels and assessing the effectiveness of the liquidity crisis management through annual mock run and tests.

Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from various external events. It may occur anywhere within the organisation, including in third-party business processes, and is not limited to operation functions. The effects of operational risk may extend beyond financial losses and may result in legal and reputational risk impacts.

In view of growing challenges in the Bank's operating environment, management of operational risk has been focused on strengthening the first line of defence, which comprises the risk taking entities and process owners at the business and operation units. The operational risk management function within RMD provides support by developing risk management tools and mechanism and facilitating the first liners in risk identification, assessment, mitigation and monitoring as outlined under the Bank's operational risk management framework.

The operational risk function also conducts operational risk training and awareness programs for new recruits and risk agents and continuously engages the risk owners in deliberation and execution of risk management practices.

Business Continuity Management ("BCM")

The COVID-19 pandemic has demonstrated the importance of effective business continuity management to ensure uninterrupted business operations. The Bank's BCM, which entails enterprise-wide planning, coordination and mobilisation of key resources and processes under a broad spectrum of business disruptions arising from both internal and external events, has enabled the Bank to respond and continue to operate critical business functions under various and prolonged adverse conditions. The Bank's Business Continuity Plan ("BCP") has proven to be effective in managing all levels of business and support functions during the movement control order phases.

The BCP was prepared based on risk assessments and business impact analyses performed on identified potential threats to business functions. Business impact analyses are also used to identify critical business functions' recovery time objective and maximum tolerable downtime given the Bank's current resources and infrastructure. With the increasing use of technology to improve customer experience, the associated risks that come with it has to be carefully managed.

Shariah Risk Management

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Shariah non-compliance risk is defined as the risk that arises from failure to comply with the Shariah rules and principles as determined by the Shariah Committee (“SC”) of Bank Muamalat and other relevant Shariah regulatory councils or committees.

RMD’s Shariah risk management function plays an important role in the Bank’s integrated risk management framework and is aligned with the principles outlined in the BNM’s Policy Document on Shariah Governance.

The main responsibilities include formulation of policies and guidelines on Shariah risk management and executing the required governance and oversight processes. These include the approaches for identification and assessment of Shariah non-compliance risks in business activities, products and services, and assessment of the effectiveness of existing controls and mitigation plan. The unit also performs assessment of products, services and operating procedures from Shariah risk perspective and conducts training and awareness programmes on Shariah risk to promote a Shariah compliance risk culture.

The synergy within all other Shariah Risk organs continued to be enhanced during the year to effectively manage Shariah non-compliance risk. Two (2) main enhancements made during the year were to include Shariah Risk key risk indicators (“KRIs”) as part of the bank-wide KRIs and to perform periodic Shariah risk profiling to increase robustness in tracking of Shariah risk exposures across the Bank and its subsidiaries.

Technology and Cyber Risk Management

Technology enables virtually every activity in a bank and consumes a huge portion of capital investments and operational expenses. A bank’s performance depends on the reliability and security of its technology. The changing technology landscape requires banks to make strategic decisions on which technologies to adopt, and which to avoid. Banks face risk from misalignment between business and IT strategies, management decisions that increase the cost and complexity of the IT environment, and insufficient capabilities.

The effects and aftermath of the COVID-19 pandemic have resulted in:

- Increase in customer interaction via digital platforms – primary option for carrying out transactions. Increased reliance on digital channels.
- Increased adoption of digital solutions which has put tremendous pressure on technology infrastructure and resources.
- Disruption in the activity of key job functions which require technology and systems that are only available on-premise which may impact employee productivity
- Remote working conditions and adoption of digital channels have expanded the attack surface of banks’ IT network with cyber threats trying to exploit any remote access weaknesses.

Technology risk refers to risk arising from the use of information technology. These risks arise from failure of IT systems, applications, platforms or infrastructure which could result in financial loss, disruptions to the technical infrastructure and operations, or reputational harm to a bank. Cybersecurity risk is the probability of exposure or loss resulting from a cyber attack or data breach to a bank.

The Bank is committed to ensure that the BNM’s Risk Management in Technology (“RMiT”) Guideline is adhered to. During the year, the establishment and operationalisation of Technology Risk Management Framework and Cyber Resilience Framework for the Bank has helped to drive a practical and consistent operating model across all IT domains to identify, manage, and address risks. Other initiatives include the aim to improve its cyber resilience maturity level and ensure sustainability of its cyber security controls posture.

The Statement on Internal Control highlights the significant features of the internal control system of the Bank adopted by the Board throughout the financial year under review.

BOARD RESPONSIBILITY

The Board affirms its commitment to exercising the overall responsibility in ensuring the establishment of an adequate and effective internal control and risk management system within the Bank.

In discharging its responsibilities, the Board ensures the establishment of fundamental processes for reviewing the effectiveness, adequacy and integrity of the internal control system of the Bank. An adequate internal control system covers the financial controls and non-financial controls relating to governance, operations, risk management and compliance with applicable laws, regulations, rules, directives, guidelines, as well as internal policies, processes and procedures. An effective internal control system includes an established and ongoing process for identifying, evaluating, managing and reporting significant risks that may affect the achievement of the Bank's business objectives and strategies.

The Board acknowledges its responsibility to periodically review the adequacy and effectiveness of the internal control system in identifying, assessing and responding to risks and changes in the Bank's activities and operating environment that could keep the Bank from achieving its objectives.

MANAGEMENT RESPONSIBILITY

The Management is accountable to the Board and responsible for implementing the processes of identifying, evaluating, monitoring and reporting the effectiveness of the internal control system, taking appropriate and timely corrective actions as required during the financial year.

The Management has assured the Board that the Bank's internal control system is operating adequately and effectively in all material aspects.

BOARD AUDIT COMMITTEE

The Board Audit Committee ("BAC") is a Board-delegated committee established to provide structured, systematic and independent oversight of the Bank's governance, risk management, internal control system and financial reporting. This oversight mechanism serves to provide confidence in the integrity of these practices.

The BAC is guided by the Board Audit Committee Charter and the Terms of Reference in discharging its functions. The responsibilities of the BAC include providing the Board with independent and objective advice on the adequacy of the Management's arrangements on the Bank's values and ethics, governance, risk management, fraud, internal control system and compliance.

The BAC meets on a scheduled basis to review audit and investigation reports prepared by the internal auditors, external auditors and regulators. The BAC also reviews all Connected Party transactions and audit and non-audit related fees proposed by the external auditor. All significant and material lapses highlighted by the internal auditors, external auditors and regulators are reported to the BAC for review and deliberations during the financial year.

In addition, the Head of Division/Head of Department from the auditable units are required to facilitate the BAC during the deliberation of the audit reports and audit observations. The BAC deliberates on the outstanding audit observations to ensure that the Management undertakes necessary remedial actions within the committed timeline.

INTERNAL AUDIT

The internal audit activity of the Bank is governed by Bank Negara Malaysia Guidelines on Internal Audit Function of Licensed Institutions and the International Professional Practices Framework ("IPPF") formulated by the Institute of Internal Auditors. The IPPF provides the basis for the internal audit stakeholders such as the BAC, Senior Management and

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Regulators on how the Internal Audit Division (“IAD”) fulfils its mission and measure the effectiveness, performance and quality of internal audit activity.

Internal Audit activity helps the Bank to accomplish its goals by bringing an objective and disciplined approach to evaluate and improve the effectiveness of risk management, internal control system and governance processes. This function serves as an important source of advice for the BAC concerning areas of weaknesses or deficiencies in internal processes to facilitate appropriate remedial measures by the Bank.

Internal Audit Division

The Internal Audit activity of the Bank is under the purview of the Internal Audit Division (“IAD or Division”) which is currently headed by the Chief Internal Auditor (“CIA”).

The Division serves as an independent function within the Bank that carries out an independent assessment, consulting activities and provide objective assurance on the state of internal controls, risk management, and governance processes established within the Bank to the Board of Directors through the BAC.

IAD also serves to enhance and protect the Bank’s value by providing advice and insight on the internal processes in terms of efficiency, effectiveness, and business practicality to achieve the Bank’s vision and strategic objectives.

To establish and maintain the internal audit activity’s position within the Bank, IAD is guided by its Internal Audit Charter which defines the purpose, authority, responsibility, accountability, independence and objectivity as well as professionalism and ethical standards.

Additionally, the IAD is guided by the Internal Audit Manual, the Internal Audit Policy and the relevant Frameworks in effectively assessing and reporting the adequacy and effectiveness of the design and implementation of the Bank’s overall system of internal control, risk management and governance.

Independence

The independence of the IAD is effectively achieved with the CIA reports functionally to the BAC and is independent of the activities audited including management decisions on operational matters and internal control processes of other operating units within the Bank. The functional reporting line to the BAC provides the CIA with direct access to sensitive matters and enables sufficient organisational status. An administrative reporting to the CEO also provides the CIA with sufficient

organisational status, as well as the authority to perform duties without impediment and to address difficult issues with other Senior Management.

Annual Audit Plan

IAD formulated the Annual Audit Plan using a risk-based methodology, taking into consideration the bank-wide governance, risk and compliance as well as information and relevant initiatives completed by other lines of defence. The Annual Audit Plan and its revision will be reviewed and approved by the BAC annually.

The audit universe covered during the financial year includes, but is not limited to cybersecurity, data management, regulatory updates, third party reliance, human capital, governance, business continuity management, sustainability, processes, system and technology.

The results of the audit reviews conducted, including the audit observations, its risks, audit recommendations, Management’s responses and action plans are reported to the BAC regularly for review and deliberation. Rectification of outstanding audit observations performed by the Management is tracked and challenged by the Management Audit Committee and the BAC on monthly basis to ensure adequate and effective actions taken are within an appropriate and agreed timeline.

Competency

IAD continuously encourages auditors to uphold proficiency by obtaining relevant professional certifications, which is assessed annually through the Training Needs Analysis.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The other key elements incorporated by the Board that contributes to an effective internal controls system include:

Board Committees

Relevant Board Committees are established to assist the Board in executing its overall governance responsibilities and oversight function. The Board committees exercise its responsibilities delegated by the Board to deliberate on matters within the respective scope of responsibility. Each of the committees is guided by its terms of reference and their minutes of meetings are tabled to the Board. These Committees are authorised to examine all matters within the scope defined in their respective terms of reference and report their recommendations to the Board.

Organisation Structure

A formalised organisation structure that provides clear demarcation of reporting and responsibility is established for ensuring proper assignment of authorities, segregation of duties and accountability towards the Bank.

Business Plan and Budget

The Board deliberates and approves the Bank's annual business plan and budget. The budget approval process is an important internal control mechanism used by the Bank to ensure an agreed allocation of resources and that the operational managers are sufficiently guided in making business decisions.

A detailed budgeting process is established requiring all key operating divisions/departments in the Bank to prepare budgets and business plans annually for approval by the respective Boards. The Bank's budget and business plans as well as strategic initiatives are discussed by the Bank's senior management and the Board at an annual business planning and budgetary session.

Policies and Procedures

Policies, procedures and processes governing the Bank's businesses and operations are documented and approved by the Board for enforcement across the Bank. Policies and procedures serve as a day-to-day operational guide to ensure compliance with internal controls and the applicable laws and regulations. Regular reviews and updates are performed to the policies and procedures to ensure continuous improvements in operational efficiency taking cognisance of the changing industry profile on regulatory requirements, risks and internal control measures for mitigation, and new products and services.

Authority Limits

The Authority Limits stipulate the governing principles of decision making within the Bank that include appropriate escalation and reporting to the Board. The Authority Limits encompass both monetary and non-monetary limits for recommending and approving operational and management decision-making activities before its execution. The Bank has in place an Authority Limits Policy to guide the administration and delegation of authority across the Bank.

Whistle Blower Protection Policy

The Whistle Blower Protection Policy is established to provide an avenue for reporting any abuse or circumventing acts committed by any person against the processes and controls of the Bank. All staff have the opportunity and responsibility to disclose any misconduct or breach via the Whistle Blowing channel managed by a third party appointed by the Bank with the assurance that it shall be dealt with in confidentiality and that the whistle blower's identity is protected. All whistle blowing reports from the appointed third party will only be disclosed according to the matrix approved in the Policy.

Anti-Bribery and Corruption Policy

The Anti-Bribery and Corruption Policy is established during the financial year in line with the implementation of Section 17A Malaysian Anti-Corruption Commission Act 2009 effective June 2020. The Bank adopts a zero-tolerance approach against all forms of bribery and corruption in carrying out its daily operations. The Policy sets out the guiding principles for the directors and employees of the Bank in dealing with solicitation, bribery and other corrupt activities and issues in daily operations.

CONCLUSION

The Board, through the BAC, has satisfactorily performed its oversight role in ensuring there is a sound internal control system and regular review on the adequacy and integrity of the system within the Bank. An assurance on the effectiveness of risk management, control and governance process has been obtained from the Management and Auditors (internal and external).

The Board is of the view that the internal control system has been instituted throughout the Bank to safeguard the shareholder's investment, customers' interest and the Bank's assets. The Board recognises that risks cannot be eliminated completely and as such, the internal control system of the Bank is designed to provide reasonable assurance against the occurrence of any material misstatement, loss or fraud.

The control structure and process for financial, operational, risk management and compliance elements, which have been instituted throughout the Bank and its subsidiaries, are updated and reviewed from time to time to suit the changes in the business environment. This ongoing process has been implemented to strengthen the Bank's internal controls and risk management system for the financial year under review.

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STATEMENT ON COMPLIANCE

Regulatory compliance risk is defined as risk of failure by an organisation to comply with applicable legal and regulatory requirements, which could result in fine or penalty or imposition of enforcement action by the regulators. In managing such risk, Bank Muamalat acknowledges that, operating in highly regulated environment while pursuing business agenda to meet the regulatory and supervisory expectations requires the Bank to establish clear roles and responsibilities and embed strong compliance risk management practices throughout the Bank.

Effectively managing compliance risk would also maximise the Bank's opportunities in the competitive market place and strengthen Bank Muamalat's competitive edge by building trust and market positioning in a more timely and dynamic manner. Recognising these challenges, Bank Muamalat is continuously strengthening compliance culture across the Bank involving all level of staff and across all of its business activities.

The Board, Chief Executive Officer and Senior Management are responsible in setting the tone from the top outlining the Bank's overall compliance management programme consistent with the objectives of the regulations and for the betterment of the society as a whole. The Board through the Board Risk Management Committee and the Board Compliance Committee actively provides guidance and oversight on the overall compliance management agenda to ensure that all staff are cognizant of this agenda and at the same time having adequate safeguards properly embedded in the Bank's daily operations via policies, operational guidance, code of conduct and also standard operating procedures in line with regulatory requirements.

COMPLIANCE TRANSFORMATION PROGRAMME

The compliance management programme is monitored and implemented through a dedicated Compliance function established to manage Bank Muamalat's compliance risk including AMLA and Shariah-related matters. This is achieved via the Compliance Transformation Programme that cut across all Bank Muamalat's operations ensuring that regulatory compliance risk management is sufficiently integrated in the Bank's business activities.

During the year, various operational guidance and training programmes on key regulatory matters have been developed

and institutionalised to escalate achievement of industry best practices and elevate the staff understanding and competencies which emphasised on a number of focus areas such as anti-money laundering counter measures towards strengthening the Bank's efforts in fighting and preventing financial crime; fair treatment of financial consumer and responsible market conduct practices in ensuring customer protection; and in terms of safeguarding customer information and management of permitted disclosure requirements. Gaps analysis exercise on the regulatory documents continues to be conducted to enhance early detection of potential non-compliance issues and ultimately improve the compliance level in the Bank. Independent reviews are conducted to assess the adequacy and effective implementation of the regulatory requirements with the objectives to ensure material regulatory gaps are identified and adequately managed. This includes Shariah compliance and credit-related matters.

In managing the integrity and fraud risk within the Bank, the Anti-Bribery & Corruption Policy was formulated and adopted across the Bank. It represents the Bank's stance of zero tolerance to bribery and corruption practices and serves to protect the Bank from adverse integrity and reputation which will undermine the support and confidence of the stakeholders.

As an effort to ensure that the implementation of various compliance measures are robust and targeted the material business operations, the Bank is conducting Institutional Risk Assessment ("IRA") on annual basis covering Money Laundering & Terrorism Financing ("ML/TF") risks and Anti-Bribery & Corruption.

Acknowledging that robust and effective implementation is key, the Bank continues to enhance its compliance risk management capabilities across the business operations and process by strengthening the three (3) lines of defence. In this model, the business units are expected to be fully aware of the compliance risk in every business decision and embed sufficient control measures to manage their operations. At the second level of defence, structured compliance functions are established which are deemed as responsible for risk identification, development of framework, monitoring implementation and reporting of the Bank's overall compliance risk. Internal audit as independent party is responsible to review and evaluate the adequacy of the compliance framework and its effective implementation.

- Reports on material compliance indicators and incidence are discussed at the Board Compliance Committee, Executive Risk Management Committee, Shariah Committee and Compliance Working Committee for deliberation and adequate action taken.
- Establish channel for reporting of potential non-compliance incidence to Compliance function.
- Monthly DCO meeting and Project Working Committee were established as avenue to discuss compliance.
- Gap analysis is done on new regulatory requirements to identify regulatory compliance risk and necessary action plans to be taken to address the identified gaps.
- Analyse compliance incident reporting in Muamalat Operational Risk Solution ("MORiS").
- Monitor compliance issues raised by Internal Audit, Compliance Review, Regulators and External Auditors.



- Annual review plans are being established, (i.e. compliance review, Shariah review, AML review, Independent Credit Review) to facilitate on-going assurance of adequacy and effectiveness of control mechanism.
- Continuous system enhancement and risk profiling are carried out to ensure proper oversight on regulatory compliance including AMLA and Shariah-related matters.
- Compliance and Designated Compliance Officer ("DCO") in respective business units conduct the Compliance Risk Assessment ("CRA") on relevant regulatory guideline.
- Risk assessment/profiling of business units are conducted to identify higher risk or high impact areas for targeted resources.
- Adequate policies and procedures are established, revised and communicated as control mechanisms to ensure compliance risk is well managed.