

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

السلام عليكم ورحمة الله وبركاته

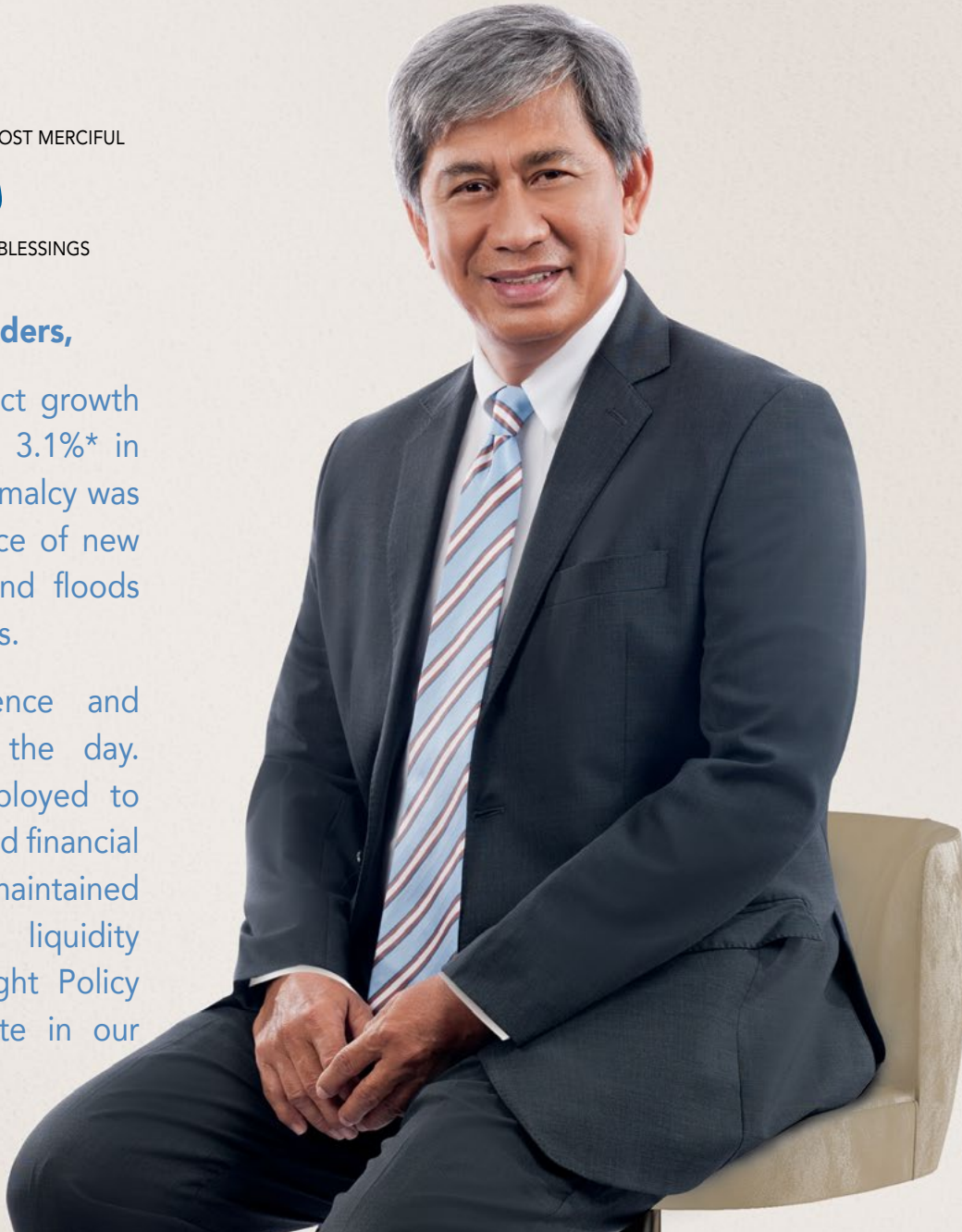
PEACE BE UPON YOU AND MERCY OF ALLAH AND HIS BLESSINGS

Dear Shareholders and Stakeholders,

Malaysia's gross domestic product growth remained below expectations at 3.1%* in 2021 as hopes for a return to normalcy was further delayed by the emergence of new COVID variants, and the year-end floods that impacted lives and livelihoods.

Against this backdrop, resilience and recovery were the order of the day. Financial tools were swiftly deployed to cushion shocks to the economy and financial system. The banking sector maintained accommodative monetary and liquidity conditions, keeping the Overnight Policy Rate ("OPR") at the lowest rate in our history.

Tan Sri Tajuddin Atan
Chairman



CHAIRMAN'S STATEMENT

As disclosed in the Ministry of Finance's 2022 Economic Outlook report, the government implemented assistance and economic stimulus packages totalling RM225 billion during the year to benefit over 20 million people and 2.4 million businesses.

For Bank Muamalat Malaysia Berhad ("Bank Muamalat" or "the Bank"), our role was to support the nation's transition through, and out of, the economic crisis, by stepping up response to the government's call for banks to support and assist customers in their time of need. The Bank supported various deferment and assisted payment schemes such as Pakej Perlindungan Rakyat Dan Pemulihan Ekonomi ("PEMULIH"), Targeted Payment Assistance,

and the Financial Management and Resilience Programme ("URUS"), as well as extended a six-month moratorium on financing facilities for our retail customers and to boost the business resilience of small and medium enterprises ("SMEs").

Staying responsive to the needs and requests of our customers, the Bank also improved service delivery, nurtured people potential and strengthened operational capabilities. At the same time, the Bank's strategic plan for the future was reviewed in light of the broader forces of change shaping the economic and financial landscape ahead.

*Source: Department of Statistics, Malaysia



PBZT

RM256.6 million

(FY2020: RM174.8 million)



Total assets

RM27.6 billion

(FY2020: RM25.8 billion)



Total gross financing

RM20.9 billion

(FY2020: RM18.2 billion)



CHAIRMAN'S STATEMENT

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Common Equity

Tier-1 Ratio : **13.7%**
(FY2020: 15.5%)

Total Capital Ratio: **17.4%**
(FY2020: 18.0%)

Gross Impaired Financing Ratio: **0.83%**
(FY2020: 1.1%)

The going was tough in 2021 with continued tightening of COVID-19 lockdowns, but Alhamdulillah, it has also made us tougher. The Bank has made strong strides on several fronts during the year under review.

Across all operations, there is a heightened focus on digitalisation and technology as we work to uplift the banking experience to meet the needs of a new generation.

Amplifying efforts to ensure operational continuity, we are undertaking a comprehensive approach to risk mitigation and compliance practices, ensuring that the right framework and controls are in place to protect the business and boost sustainable returns.

Last but not least, our commitment to uplift the community continues to grow as the Jariah Fund, the Bank's social crowdfunding platform for charitable projects, was further expanded in 2021, benefitting more than 100 beneficiaries in the areas of education, health and economic empowerment.

Financial Review

I am proud to report that our performance for the year was underscored by a record 46.8% y-o-y increase in profit before zakat and taxation ("PBZT").

The stellar performance was largely driven by increased total income, strong financing growth and improved asset quality, which were achieved through steadfast commitment to the Bank's RISE24 strategic plan. The five-year plan focuses on positioning the Bank for a new era of banking by accelerating digitalisation, expanding our customer base, and improving service efficiency. The Bank Muamalat Application Platform ("MAP") was a key initiative of these strategic drivers and has recorded growing popularity since its introduction in October 2020, allowing customers to apply for financing online and track their financial journey at their own convenience. A total of 10,117 financing applications were submitted through MAP in 2021, with a total ticket size of RM1.28 billion.

As a result, together with intensive sales efforts, the Bank's total assets grew 7.0% to RM27.6 billion, as compared to RM25.8 billion in the previous financial year. This was largely contributed by the 14.5% growth or RM2.6 billion increase in total gross financing to customers, from RM18.2 billion to RM20.9 billion, as of 31 December 2021, mainly from the retail banking segment.



Muamalat Application Platform:

Total of **10,117** financing applications
Total ticket size of

RM1.28 billion



Good management of the balance sheet was also evident. The stable Common Equity Tier-1 Ratio and Total Capital Ratio, which closed well above regulatory requirements at 13.7% and 17.4%, respectively, reflected financial resilience. Gross Impaired Financing Ratio also improved to 0.83% in FY2021 from 1.1% in FY2020, the lowest since the Bank's establishment, on the back of stronger asset quality and a prudent risk and compliance culture.

Expanding Business Growth

A two-pronged approach has been established to catalyse business growth. This entails transforming the existing core business of Retail Banking and Corporate Banking whilst diversifying the Bank's income portfolio through the new growth engines of Transaction Banking and Commercial & SME Banking.

For all retail customers the Bank will continue to enhance product and service offerings. Various collaborations with government agencies, cooperatives and associations have been implemented and the Bank is enhancing fee income by targeting high income and affluent customers through the expansion of wealth management services. For Corporate Banking, rebalancing of portfolio is undertaken with more innovative long-term financing based product and solutions. For both segments, sharp shifts in consumer preference to do banking online are accelerating the Bank's digitalisation journey.

Transaction Banking together with Commercial and SME Banking are the new engines of growth and are being nurtured through strategic collaborations and engagements with governmental and industry-based agencies. For Transaction Banking, our focus is to grow our corporate clients by providing working capital, trade and supply chain solutions. A broader customer base is being developed as we explore new preference sectors by actively exploring more sectors for commercial and SME businesses.

Evolution of Islamic Products and Services

Business growth will be supported by more innovative products and solutions that cater to meeting customers' numerous needs. In terms of Islamic product development, the Bank's portfolio of Shariah contract and product offerings is set to grow beyond the current focus on Tawarruq. The goal is to elevate basic products into holistic financial solutions that result in wealth creation for retail and corporate clients.

This will be coupled with enhanced service delivery to increase outreach and create better customer accessibility through digital touchpoints.

Investing in Digital Innovation

Digital disruption is the new normal and is redefining the future of banking. While pursuing near-term growth, the Bank is equally committed to drive medium- to long-term growth by nurturing digital capabilities in line with the nation's development agenda as espoused in the National 4IR policy, and MyDIGITAL blueprint.

The importance of digital innovation and process automation are anchored in the Bank's strategy and various initiatives continue to be implemented to ensure the ease of access, usage and seamless banking experience as well as to further digitalise our customers' financial journey, especially in terms of mobile application and internet banking usage.

Making continuous progress on this front, we have fortified the Bank's MAP online services with the launch of an Online Deposit Account Application ("ODA") to enhance customers' safety, ease and convenience in submitting their application digitally before they visit branches.

Automated processes and workflows have also been adopted within our banking operations to drive efficiencies and streamline the human capital management process. In addition, the establishment of a cloud based integrated human capital management system now allows efficient access to data and information, remotely and instantly.

Moving forward, more innovation is in the pipeline. Bank Muamalat is charting a digital journey through partnerships to synergise and expand our digital offerings.

Towards becoming a High Performing Organisation

Fuelling the Bank's ambitions requires continued commitment to transform into a high-performing organisation. The Bank is investing in empowering employees to adopt a transformative culture that involves enhancing digital skills, sparking innovative mindsets, growing risk consciousness, and delivering positive impacts. Various trainings combined with upskilling and reskilling programmes have been implemented for the year to enhance productivity and capabilities, develop leadership qualities, promote career progressions and grow the Bank's talent pool.



CHAIRMAN'S STATEMENT

A significant step up has been the implementation of the Integrity and Governance Unit as a dedicated function to oversee the Bank's overall anti-corruption efforts and enhance integrity as well as promoting good workplace conduct.



2021 New Launches:

Online Deposit Account Application ("ODA")

iTEKAD Mawaddah

a Shariah innovation which is an equity based investment and the first of its kind in Malaysia

Committing to Sustainability

Besides the expansion into the digital arena, the Bank is building stakeholders' confidence and sustainable value through continued commitment to the adoption of Value-Based Intermediation ("VBI") initiatives which has led to a growing focus on green financing and social finance.

A total of RM11,045 million or 53% of the Bank's total outstanding financing in FY2021 was recognised as having a direct impact on the economy, society and the environment.

With the current changing landscape that focuses further on climate change, we are also looking at the adoption of Climate Change and Principle-based Taxonomy ("CCPT") as part of the Bank's role to manage customers' transition towards more sustainable practices in their business operations.

Another innovative breakthrough on the social finance front was the launch of iTEKAD Mawaddah – an equity based investment that incorporates the Shariah innovation of two-tier Mudarabah, the first of its kind in Malaysia. Through iTEKAD Mawaddah, the Bank will source funds from investors to invest in businesses owned by B40 (bottom 40% of the Malaysian household income category) individuals and micro-entrepreneurs. Targeted industries for this investment include food and beverage ("F&B"), agriculture and the gig economy.

Upholding Governance, Integrity and Risk Management

At the Board of Directors' level, we continue to uphold strong corporate governance policies and practices to promote corporate integrity, accountability and transparency. Our efforts are guided by Islamic Financial Services Act 2013, Companies Act 2016 and Policy Document on Shariah Governance.

The Board's commitment to good governance is reflected in the diversity of age and experience of our members as we strive to bring on board directors with the right experience and fit with the Board's needs. We uphold women representation at Board level and, in line with Bank Negara Malaysia's guidelines, a majority of five out of eight of our board members are independent.

In 2021, the Board continued to closely monitor our risks, by conducting risk assessment on a more continuous basis and adjusting risk appetite, changing controls and strategising plans to address vulnerabilities in markets such as impacts of technological disruption, changes in customer sentiments and evolving regulatory requirements. We reviewed the risk assessment processes and risk appetite considerations in addressing the shifting market and regulatory developments. Enhancements to the Enterprise Risk Management ("ERM") Framework and product development processes related to outsourcing and other relevant regulatory requirement were also implemented during the year.

We also noted the new update in the Malaysian Code of Corporate Governance ("MCCG") that highlighted the integration of sustainability considerations into strategies were prudently aligned with our commitment to strengthen our sustainability.

A significant step up has been the implementation of the Integrity and Governance Unit as a dedicated function to oversee the Bank's overall anti-corruption efforts and enhance integrity as well as promote good workplace conduct.

The Journey Ahead

After weathering the pandemic on a strong footing, Bank Muamalat anticipates a better performance for 2022, arising from the positive momentum in 2021 and coupled with enhanced digital and technology capabilities. However, the past year has underscored the importance of being ready to respond swiftly and effectively to emerging risks.

In tandem with the new market developments and trends, revisions to the Bank's 5-Year Strategic Plan has been made to stay relevant and competitive in the industry. Building on the foundation of RISE24, the RISE26+ strategy plan has been formulated and will be executed from year 2022 until 2026.

Through RISE26+ the way forward will continue to encompass a commitment to deliver sustainable shareholder's return; enhance customer experience; ensure adequate risk, compliance and governance practices; future proof the business; cultivate high performance; and drive sustainability.

Aligned to these strategic objectives, the Board's priorities for FY2022 are centered on business growth and transformation. While risk, compliance and governance issues will continue to be a priority to enhance the Bank's overall operating condition, we will be driving business profit by raising the bar for better performance to improve the Bank's bottom line and top line numbers.

Stepping out of our comfort zone, we seek to drive performance and push the boundaries through innovation to meet the current needs

of all stakeholders. We intend to embed a transformative culture by aligning and optimising our resources in people, processes and technology to strengthen service delivery gaps and step up operational excellence.

At the core of this transformation journey are our employees. To become a high performing organisation, talent management and leadership development initiatives will continue to be implemented to enhance workforce productivity and capability in this new banking landscape.

GRATITUDE & APPRECIATION

The commendable growth we achieved amidst a challenging year was made possible by the efforts and commitment from the Board members, the management and the staff. Working towards a better tomorrow, they displayed sterling teamwork in the face of prolonged hardship and tough competition. It is a testament that we are indeed one team with one direction, with the capability to drive positive change in the Islamic banking industry landscape.

On behalf of the Board, I would like to thank the government and Bank Negara Malaysia ("BNM") for their continued commitment and collaborative efforts in instilling sustainable, value-based drivers within the industry. Our appreciation also extends to our stakeholders, customers, associates and partners, with whom we have forged a resilient ecosystem through mutual gains.

There were several changes in our Board's composition during the year. En Ghazali Haji Darman, who has served the Board since January 2017, retired. We have since welcomed two new members, En Mohd Razlan Mohamed and Puan Roshidah Abdullah who joined as new independent non-executive directors on 1 September 2021. They bring vast expertise and fresh perspectives for progressive growth.

Finally, my appreciation goes out to members of the Board for their invaluable support and counsel, as well as to the PCEO, Senior Management and staff of Bank Muamalat, for their exemplary hard work and team spirit in ensuring sustainable growth for all our stakeholders.

Thank you.

Tan Sri Tajuddin Atan
Chairman