



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

Bank Muamalat made dynamic strides in 2021 amidst a challenging environment of stiff competition and low profit rates. Nevertheless, the Group recorded its highest profit before zakat and taxation ("PBZT") since its establishment, coupled with lowest gross impaired financing ratio and improved cost income ratio.

All these point to solid business fundamentals that continue to anchor the Bank whilst we intensify our focus towards building future-ready capabilities and furthering the betterment of society.

**Khairul Kamarudin**

President & Chief Executive Officer



# PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

**Our mission to deliver value to our stakeholders drove our performance for the year. For our shareholders, we delivered sterling 48.6% PBZT growth that enabled higher Return on Equity ("ROE") of 9.5% compared to 6.8% in FY2020.**

It has been a dynamic year of strategic gains. Beyond fulfilling the Bank's mandate and supporting national interests, several significant achievements that solidified Bank Muamalat's reputation were garnered in FY2021. A key highlight was the launch of iTEKAD Mawaddah in August 2021. This was a testament of the Bank's continuous efforts to offer initial capital and structured training to micro enterprises impacted by the pandemic. Following this, Bank Muamalat's SJKP SMART Mortgage scheme, introduced to help eligible groups own their first home, attained a Special Award for Promoting the Housing Credit Guarantee Scheme 2020-2021 by Syarikat Jaminan Kredit Perumahan ("SJKP") Berhad.

The Bank also achieved the "Best Bank Sukuk" award under the "Best Deals by Country" category at the Asset Triple A Islamic Finance Award 2021 in recognition for its role as the joint lead manager for Malaysia's landmark Sukuk deal issued by the largest local Development Financial Institution. On top of that, MARC Ratings upgrade of the Bank's financial institution ratings to A+/MARC-1 and the Bank's Islamic Senior Notes Programme (Senior Sukuk) of up to RM2.0 billion to A+IS reflect growing confidence in Bank Muamalat. These improved credit metrics were achieved on the back of healthy capitalisation levels, reflecting continued improvement in the Bank's financial performance, with asset quality and profitability metrics in line with peers in the same rating band.

## DELIVERING VALUE TO OUR STAKEHOLDERS

Our mission to deliver value to our stakeholders drove our performance for the year. For our **Shareholders**, we delivered sterling PBZT growth that enabled higher Return on Equity ("ROE") of 9.5% compared to 6.8% in FY2020.

More information in Analysis of Financial Performance on page 27



**9.5%**

Return on Equity ("ROE")  
(FY2020: 6.8%)



**A+/MARC-1**

Financial Institution MARC Rating



**"Best Bank Sukuk"**

award Asset Triple A Islamic Finance  
Award 2021



## PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT



➤ **RM256.6 million**  
Pre-tax profit



➤ **0.83%**  
Gross impaired financing ratio



➤ **7.5%**  
Annual increase of total deposits



To assist **Customers** during the pandemic, the Bank offered a six-month payment moratorium in FY2021 to small and medium enterprises ("SMEs"), in line with national efforts to buoy the domestic economy.

Catalysed by the need to prioritise safety and convenience during the pandemic, the Bank also introduced more online services and focused on improving the existing internet banking platform and mobile apps services. In November 2021, the Online Deposits Account ("ODA") application was introduced through the Muamalat Application Platform ("MAP") to enable customers to open accounts without being physically present at the Bank's branches.

For our **Employees**, Bank Muamalat prioritised their safety and health during the pandemic through the provision of free vaccines and booster shots for those who had not completed their vaccination. To support flexible work arrangements during the year, a new cloud-based human resources system called MyHR was established to provide a user friendly platform that allows all employees to access and manage their training progression as well as other details like payroll information, benefits and leave entitlements. This gives employees greater

autonomy over workplace commitments from remote locations. Skills and capabilities training sessions have also been offered through e-learning and e-training that can be assessed from any location at anytime. In addition, employees now benefit from a structured career development plan framework and various apprenticeship programmes introduced in 2021.

More information in the **SOCIAL** section of our Sustainability Statement from pages 95 to 98



To ensure ongoing compliance to requirements set by **Regulators**, the Bank continuously reviews and enhances compliance and risk management practices. These include monitoring tools, systems and processes towards effective compliance delivery, risk management and governance.

Value-based intermediation and sustainability elements have also been integrated in the Bank's credit scorecard and business strategy, as part of our commitment to Bank Negara Malaysia's ("BNM") value-based intermediation principles. As at 31 December 2021, 31% of the Bank's new disbursement for retail financing for the year is classified under value-based financing.

More information in **Responsible Financing** on page 86 and **Ethics and Integrity** on page 88



As an Islamic financial institution, giving back to the **Community** is an intrinsic role of the Bank. During the year, the Bank collaborated and engaged with various state religious councils and government agencies. Our investment in the community has grown through the expansion of the Jariah Fund, a welfare crowdfunding platform that has launched 16 programmes under the pillars of education, economic empowerment and healthcare. Through our Wakaf Muamalat,

a collaboration between Bank Muamalat and State Islamic Religious Councils, we have collected more than RM32 million in wakaf funds of which RM18.6 million has been disbursed to fund a variety of wakaf projects. Under the Muamalat Prihatin programme, contributions worth RM20,000 have been channelled to households most affected by the pandemic. The contributions comprised food packs and necessities to 100 affected families all over Malaysia. In response to the plight of flood victims, Bank Muamalat has also donated RM10,000 to the Pahang state government to assist in rebuilding livelihoods of affected businesses, families and individuals.

More information in Community Development on page 99



## ANALYSIS OF FINANCIAL PERFORMANCE

Bank Muamalat's record breaking 46.8% improvement in PBZT and 7.0% y-o-y growth in total assets were largely driven by increased total income, strong financing growth and improved asset quality. With the higher profitability recorded for the year, return on equity ("ROE") was 9.5% compared to 6.8% in FY2020, and return on asset was 0.96% compared to 0.72% in FY2020. Cost-to-income ratio has also improved to 50.1% from 54.4% in the last financial year, as a result of lower overhead expenses.

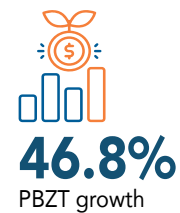
The higher pre-tax profit of RM256.6 million (FY2020: RM174.8 million) was attributed to a larger financing base and higher net financing income. The Bank's financing base grew by 14.5% year-on-year ("Y-o-Y") to RM20.9 billion, anchored by personal

financing which registered a 27.2% Y-o-Y increase to RM6.3 billion. The household sector brought in 67.3% of the total financing by the Bank, while the remaining was contributed by financing non-retail customers.

Meanwhile, asset growth benefitted from a 14.5% Y-o-Y increase in total gross financing to customers, which rose to RM20.9 billion in FY2021 from RM18.2 billion in FY2020, mainly from the consumer banking segment. Quality of assets was robust with gross impaired financing ratio standing at 0.83% in 2021, lower than the industry average of 1.25%.

Total deposits increased by 7.5% which translated to around RM1.6 billion growth in FY2021. Retail deposit franchise remained modest with individual deposits accounting for 11.1% of total funding while the proportion of current and savings account deposits declined marginally to 35.3% from 36.1% in FY2020.

Liquidity coverage ratio and net stable funding ratio stood at 133.2% and 109.3%, well above the required minimum regulatory levels, while Common Equity Tier 1 ratio and total capital ratio remained stable at 13.7% and 17.4% respectively, providing a buffer against any potential weakening of asset quality once the extended relief assistance ceases.





## PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

**The Bank's RISE24 strategic direction was recalibrated to ensure that performance resilience and sustainable growth can be achieved on all relevant fronts, and that priorities were refined to suit the needs of our customers.**

### SURMOUNTING THE YEAR'S CHALLENGES

The significant improvements in financial performance were attained amidst a challenging operating environment.

The re-introduction of restrictions and containment measures on most economic sectors meant that financial institutions had to face the impact of economic slowdown on customers. In responding to these challenges, the Bank focused on more stable and critical industries as well as tapped into government programmes established to ease the financial burdens of customers.

Net profit margin was further compressed following three occasions of overnight policy rate ("OPR") reductions. By the end of 2021, the OPR had reduced to 1.75% from 2.75% in Jan 2020. Although the reduction intended to provide a more accommodative environment, it affected the yield curve. In response to this challenge, the banking sector focused on the growth of both non-fund based income activities and better rated customers for retail and business segments.

Competitiveness in the industry brought about the urgent need for cyber resilience and robust online engagement channels. Ease, speed and accessibility of communication have become increasingly important, and today's digital solutions need to be supported by robust data privacy and cyber security practices.

In meeting the challenges of the day, the Bank's RISE24 strategic direction was recalibrated to ensure that performance resilience and sustainable growth can be achieved on all relevant fronts, and that priorities were refined to suit the needs of our customers.

The main objectives for the year were to transform the Bank's retail and business banking, achieve operational excellence and process improvements, as well as to institutionalise risk and compliance practices. These were achieved through the implementation of the seven strategic focus areas of RISE24.



**109.3%**

Net stable funding ratio





**50.1%**

Cost-to-income ratio









## EXECUTING RISE24 AND ACHIEVEMENTS

	Objective	What We Did	Achievements
<b>Resetting Target Market</b> 	<p>Identify new business areas, increase non-fund income, and expand our coverage as a whole to target wider and better-rated customer segments.</p>	<ul style="list-style-type: none"> <li>• Targeted better rated customers from high income brackets and high income professionals.</li> <li>• Drove growth in Islamic wealth management.</li> <li>• Catalysed collaborations with government agencies, cooperatives and associations.</li> <li>• Realigned customer segments with suitable product packaging and embarked on vigorous promotions and several campaigns.</li> </ul>	<ul style="list-style-type: none"> <li>• Focused on better rated customers, especially on the high income and affluent customer segment. About 39% of the Bank's total new customers come from this segment.</li> <li>• Increased financing guaranteed by the Syarikat Jaminan Kredit Perumahan ("SJKP") and Skim Rumah Pertamaku ("SRP") programmes to provide home financing to low income earners, self-employed individuals and operators of small business entities. Through SJKP, RM125.1 million has been disbursed while under SRP, RM190.2 million was disbursed.</li> <li>• Increased wealth management income from Bancatakaful, unit trusts and investment in gold through intensive marketing efforts. These generated 41.0% growth in fee-based income compared to the previous year.</li> </ul>
<b>Disciplined Balance Sheet Management</b> 	<p>Implement intensive recovery effort to improve asset quality and optimise balance sheet composition to balance between meeting liquidity requirements and managing profitability.</p>	<ul style="list-style-type: none"> <li>• Focused on retail deposits growth as the source of low cost deposits.</li> <li>• Continuously assessed availability of liquidity throughout the crisis by monitoring market sentiments, to determine demand and supply.</li> <li>• Implemented an aggressive recovery plan especially for accounts in arrears.</li> </ul>	<ul style="list-style-type: none"> <li>• The Bank's current and savings account ("CASA") contributed to 35.3% of total deposits, amounting to RM8.2 billion. This is a 7.5% growth from FY2020.</li> <li>• Gross impaired financing ("GIF") improved from 1.07% in FY2020 to 0.83% in FY2021.</li> </ul>



## PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

	Objective	What We Did	Achievements
<b>Digital Transformation</b> 	<p>Create a digital economy through various collaborations and automate internal processes towards operational excellence and process improvements.</p>	<ul style="list-style-type: none"> <li>Upgraded our retail internet banking and mobile apps.</li> <li>Introduced digital platform and online services to ensure ease of banking transactions for customers.</li> <li>Began to expand Robotic Process Automation ("RPA") as part of the commitment to continuously improve and automate the Bank's operational service, especially in processing tasks that are repetitive and time consuming in nature.</li> </ul>	<ul style="list-style-type: none"> <li>Good progress was made on digital on-boarding via the Muamalat Application Platform ("MAP"). There was overwhelming response with more than 10,000 applications received via MAP as at December 2021.</li> <li>Introduced Online Deposit Account ("ODA") application to reduce waiting time. When opening deposit accounts using ODA, customers' info are pre-filled ahead of their visit to the branch for faster account opening.</li> <li>Collaborated with Amanah Warisan Berhad ("AWARIS") to introduce Digital Will Writing service. The various legacy planning services offered include Islamic will writing, declaration of Hibah, unit trusts and estate administration.</li> </ul>
<b>Data Monetisation</b> 	<p>Optimise data analytics to generate income and ensure cost efficiency.</p>	<ul style="list-style-type: none"> <li>Continuously implemented the 3-year Data Management Roadmap plan towards developing an effective data management platform.</li> <li>Updated and enhanced policies on data governance and data quality.</li> </ul>	<ul style="list-style-type: none"> <li>Commission of Big Data Analytics platform - Data Lake, Data Warehouse.</li> <li>Establishment of Data Governance Framework.</li> <li>Established CISO office to enhance regulatory and cybersecurity compliance via Technology Risk Management Framework ("TRMF") and Cyber Resilience Framework ("CRF").</li> </ul>
<b>Infrastructure</b> 	<p>Enhance infrastructure for efficient service delivery and deliverables.</p>	<ul style="list-style-type: none"> <li>Enhancement of IT infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>Established operations helpdesk for effective communication with branches.</li> </ul>

	Objective	What We Did	Achievements
<b>Continuous Process Improvement and Shariah Innovation</b> 	<p>Improve our processes and products to provide more competitive advantage.</p>	<ul style="list-style-type: none"> <li>Enhanced the Bank's risk appetite statement ("RAS") by further formulating and reviewing it to be in tandem with the strategic, capital and business planning. This is aimed at aligning risk appetite with the Bank's strategies and financial resources.</li> <li>Strengthened compliance measures for AML/CFT as well as embedded a strong compliance culture.</li> <li>Expanded the Robotic Process Automation ("RPA") pilot that was implemented in the preceding year as part of the commitment to continuously improve and automate operational services, especially in processing tasks that are repetitive and time consuming in nature.</li> </ul>	<ul style="list-style-type: none"> <li>Improved end-to-end consumer product processes for home financing and personal financing products. This has reduced the turnaround time to process the applications.</li> </ul>
<b>Talent Management</b> 	<p>Develop leaders and talent that support the growth of the Bank.</p>	<ul style="list-style-type: none"> <li>Strengthened employees' performance and change in behaviour towards driving high performance culture in the Bank.</li> <li>Ensured ample training programmes for upskilling and reskilling employees.</li> </ul>	<ul style="list-style-type: none"> <li>Launched a remotely accessible HR system that allows employees to manage their training and access their details like payroll information, benefits and leave entitlement.</li> <li>Employees participated in a total of 153,367 training hours during the year as compared to 135,843 training hours in FY2020.</li> </ul>
<b>Value-Based Financing (overarching the SFAs)</b> 	<p>Expand financing that is considered to be value-based.</p>	<ul style="list-style-type: none"> <li>Increased penetration on the Government initiatives, especially on the B50 segment.</li> <li>Accelerated financing programmes on education, debt restructuring and the health sector.</li> <li>Explored financing on environment preservation like financing of the hybrid cars.</li> </ul>	<ul style="list-style-type: none"> <li>Disbursement linked to VBI objectives made up 31% of new disbursement for retail financing for the year.</li> </ul>





## PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT



**RISE26+ elucidates five aspirations in transforming Bank Muamalat to be the Islamic bank for all in the future.**

### ADVANCING WITH RISE26+

Underpinned by RISE24, Bank Muamalat's outlook for the future has been curated via a new 5-Year Strategic Business Plan called RISE26+, which is to be implemented from 2022 to 2026, and developed based on the latest government policies, regulatory requirements, market intelligence and burgeoning business opportunities.

RISE26+ elucidates five aspirations in transforming Bank Muamalat to be the Islamic bank for all in the future. Through this plan, Bank Muamalat commits to deliver sustainable shareholders' returns directed by a clear set of targets in the next five years. The Bank also aims to be an Islamic bank for all by further diversifying the customer base via new market growth, penetrating niche segments and broadening geographical reach. Further, the Bank intends to realise next generation capabilities and agile banking by accelerating digitalisation across all businesses and operations. In transforming the Bank into a high performing organisation, we empower our employees by adopting a new desired culture that involves enhanced digital skills, prudent risk consciousness and values-driven decision making. A greater emphasis on broadening and deepening our sustainability efforts will underscore all these efforts as the Bank aspires to continue to promote VBI and sustainability by institutionalising and contributing to social finance and community empowerment.

After weathering the pandemic on a strong footing and with positive momentum, we are confident of progressing on these aspirations. This will be achieved via eight strategic thrusts, namely: Accelerate Business Growth, Enable Islamic Banking For All, Drive Sustainability, Customer Centricity, Innovation, Operational Efficiency, Strengthening our Foundation, and High Performing Organisation.



In accelerating business growth, the Bank's portfolio of financial solutions has been further diversified under Retail, Corporate Banking, Treasury & Capital Market, Transaction Banking, Commercial and SME. In every category, the Bank will continue to focus on better-rated customers with products catering to targeted demographic profiles. At the same time growth will be anchored on low cost fund deposits in the form of CASA. Better financial solutions within the Bank's retail, commercial and SME banking products and services will be the way forward in enabling Islamic banking for all by attracting a more diverse customer base with product customisation, excellent services and reasonable pricing. Through enhanced access, quality, efficiency and customisability of our products and services, there will be continued focus to reach out and cater to unserved and the underserved markets.

Digitalisation and simplification of processes that elevate customers' experience, spearhead the thrust on customer centricity.

The Bank's standing in the digital economy will be reinforced through strategic collaborations. Enhanced innovation is also being explored by introducing Artificial Intelligence capabilities, enhancing data analytics and providing effective digital solutions that meet BNM's regulatory requirements. Improvements in operational efficiency will be achieved by leveraging on technology for more efficient service delivery via enhancement of the Bank's customer touchpoints. Improvements in productivity are being targeted through simplified and centralised documentation, as well as process automation. By leveraging on technology to do more with less, improvements in cost and turnaround time can also be reaped.

The above strategic initiatives will be accompanied by fortified capital and balance sheet management, as well as improved liquidity, in strengthening the Bank's financial foundation. Robust enforcement of regulatory requirements as well as managing legal and reputational risk will continue to be supported by effective compliance and risk management programmes.

Finally, workforce optimisation and talent development will be a core priority as we focus on reassigning manpower to revenue generating functions providing comprehensive training and on the job-learning, as well as retaining performing employees by motivating them via monetary and non-monetary incentives. The overall workforce strategy will be aligned with the high performing organisation aspirations of RISE26+.

## CLOSING REMARKS

Looking ahead, I am optimistic that Malaysia's high COVID-19 vaccination rate and the speedy roll-out of booster doses have paved the way for the return to normalcy in fiscal year 2022.

Our onward journey is clear. We are committed to new and ongoing support solutions to nurture and develop a more sustainable future for the Bank and our stakeholders. In order to elevate the Bank's performance levels, we will continue to work closely with our customers to further understand their needs.

I would like to acknowledge the sound guidance of the Chairman and the Board, the clear directions and support set out by the government and regulators, and the strength and dedication of our management team and employees. These are the drivers of our journey ahead.

Together, Bank Muamalat's continued commitment to grow value for all stakeholders will chart new milestones as we work towards the vision to become the preferred Islamic financial services provider in Malaysia.

Thank you.

### **Khairul Kamarudin**

President & Chief Executive Officer  
Bank Muamalat Malaysia Berhad