

CHAIRMAN'S STATEMENT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

PEACE BE UPON YOU AND MERCY OF ALLAH AND HIS BLESSINGS

Dear valued stakeholders,

It is my privilege as the Chairman of Bank Muamalat Malaysia Berhad ("the Bank") to present our annual report for the financial year ("FY") 2022. In fulfilling our role as one of the leading Islamic financial institutions in the country, we remain steadfast in providing comprehensive banking and financial products and services based on Maqasid Al-Shariah to our valued customers. Alhamdulillah, with the right strategies and our resolution to achieve better lives together, the Bank has managed to achieve a record-breaking profit before tax of RM306.7 million for the financial year ending on 31 December 2022.

At Bank Muamalat, our commitment extends beyond financial transactions. As an Islamic bank, we envision a future where we are synonymous with excellence, integrity, and innovation that are fully Shariah-compliant. We aspire to be the preferred Islamic financial services provider while embracing responsibility for the holistic development of our communities. This vision calls us to continually refine our offerings to resonate with our customers' preferences. Our mission is to not only grow but to become a transformative force, fostering economic growth, empowerment, sustainability, and social responsibility. In this journey, Bank Muamalat aims to shape a future where finance becomes a powerful instrument for the greater good.

Beyond our core banking activities, we remain committed towards the development of our nation through corporate and social responsibility initiatives. In 2022, we intensified our efforts to alleviate the financial burdens borne by our customers affected by the floods earlier in the year. We also took various steps to help people understand finance better and share the inclusive advantages of Islamic finance with everyone while staying committed to our core principle of making Islamic Banking accessible to all.



RM306.7 mil

(FY2021: RM256.6mil)

PROFIT BEFORE TAX



0.85%

(FY2021: 0.83%)

GROSS IMPAIRED RATIO



TAN SRI TAJUDDIN ATAN
Chairman

CHAIRMAN'S STATEMENT

Throughout the past year, the Bank continued to support the national and Bank Negara Malaysia agendas. We consider it a privilege to have been among the six banks that supported the Housing Credit Guarantee Scheme (Malay: Skim Jaminan Kredit Perumahan) announced in Budget 2022. This initiative aimed to assist first-time homebuyers without fixed incomes or pay slips, including those engaged in gig work, freelance endeavors, self-employed businesses, trade, and small entrepreneurship. We also extended our support to the tourism sector through our participation in the PENJANA Tourism Financing Facility by Bank Negara Malaysia.

2022: A YEAR OF DEVELOPMENTS AND CHALLENGES

In 2022, the global economy experienced a notable shift in its growth trajectory as the global gross domestic product ("GDP") slowed down to 3.5% from 6.1% in 2021 caused mainly by the Russian-Ukraine war and slowdown in China. Global inflation also soared higher for the year, climbing to 8.7% from 4.7% in the previous year, resulting in central banks worldwide raising their policy rates to counteract the rising inflation. These measures aimed to strike a balance between controlling inflation and sustaining economic growth.

Amidst these global challenges, Malaysia managed to display remarkable resilience in its economic performance. The Malaysian GDP grew markedly by 8.7%, the highest growth rate in over two decades. This impressive growth was primarily fueled by the recovery in both private and public sectors following the full reopening of the economy after pandemic-related restrictions were lifted.

Within the banking sector, Malaysian banks experienced a significant shift in 2022 when Bank Negara Malaysia decided to raise the overnight policy rate ("OPR") to 2.75% from a record low of 1.75% in 2021. While banks continued to face persistent margin compression, this move had a positive impact on banks' margins though it may have been partially offset by the higher cost of funding that banks had to contend with due to intensified deposit competition.

OUR FINANCIAL PERFORMANCE

In the face of the challenges that characterized the year 2022, we are grateful to report that the Bank achieved a record-breaking profit before tax of RM306.7 million for the fiscal year ending on 31 December 2022. This achievement reflects a notable increase of 19.5% from the RM256.6 million recorded in the same period of the previous year.

We also recorded a return on equity of 10.9% and a return on assets of 1.04%. Although our cost-to-income ratio was slightly higher at 52.5% compared to 51.6% recorded in FY2021, it remained in line with the Bank's business growth. Through our

constant efforts in strengthening the Bank's asset quality and ensuring prudent practices in risk and compliance culture, we managed to maintain a stable gross impaired ratio of 0.85% in FY2022 (0.83% in FY2021), below the industry's impairment level of 1.72%.

Our focus on improving our business performance is driven by an acknowledgment of our responsibility to continuously deliver sustainable returns and create incremental value for our shareholders. While retail banking remains the main contributor to business growth, we will continue to innovate products and services to build better momentum for growth in the upcoming years.

OUR ISLAMIC FINANCIAL SOLUTIONS

Our business growth will continue to be supported by more innovative products and solutions, designed to meet customers' diversified needs. In terms of Islamic product development, the Bank has expanded its product offerings to go beyond the current focus on Tawarruq. In line with our aspiration to enable Islamic banking for all, we aim to elevate fundamental products into holistic financial solutions that result in wealth creation not only for retail customers but also for corporate clients.

This will be combined with improved service delivery to broaden its reach and improve client accessibility via digital touchpoints, as well as ensure all our products and services are Shariah-compliant.

OUR DIGITALIZATION JOURNEY

While pursuing near-term growth, the Bank is also committed to driving medium-and long-term growth through its digitalization journey, empowering the Bank to remain competitive and adapt to the evolving needs of the customers' needs and preferences. Anchored in the Bank's strategy, various initiatives on digital innovation and process automation continue to be implemented to ensure ease of access, usage, and smoother banking experience for the customers.

In this regard, our digitalization endeavors at the Bank included continuous enhancement of our existing digital channels – particularly our i-Muamalat Mobile App, Muamalat Application Platform (MAP), and Online Deposit Account (ODA) platform – allowing customers from all walks of life to open accounts, perform banking transactions, and apply for financing remotely. These channels offer not only seamless banking services but also a more secure banking experience. Automated processes and workflows have also been adopted within our banking operations to drive efficiencies and streamline the human capital management processes. These include the implementation of Robotic Process Automation in selected sales and operational processes.

As digitalization introduces a new realm of risks with the growing threat of financial crimes, we approach these challenges with more proactive risk management and compliance practices. Adequate frameworks have been established to ensure they safeguard not only our systems but also our customers' data. These concerted efforts to ensure heightened governance on technological innovations show that our aim is not merely to embrace digitalization but to do so with integrity, safeguarding the financial well-being and trust of those we serve.

Moving forward, our plans will be focused on strengthening and enhancing our technological capabilities so as to deliver more excellent customer experience, enable rapid business growth, ensure compliance and optimal infrastructure capabilities, and address cybersecurity.

OUR INVESTMENTS IN OUR EMPLOYEES

We recognize that our employees are our greatest asset, for they are the backbone of all our successes. Therefore, we are committed to investing in their development and well-being. We continuously provide our employees with training and development opportunities to develop their skills and knowledge. In 2022, the Bank invested more than RM3 million in employee development and training on technical, leadership, and management skills. In addition, we have also organized mental health awareness talks at our headquarters and provided gym memberships at sports and recreation clubs to our people in advocating for healthy work-life balance.

Besides, we are committed to building a diverse and inclusive workforce as we believe that diversity fosters creativity and innovation, which are crucial to our success. From time to time, we provide career development opportunities, including job rotations and promotions, to enable and empower our people to reach their full potential, and we have also been offering competitive benefits and rewards, such as staff financing and medical takaful, to attract and retain the best talents in the industry.



RM18.8mil
**WAQF FUNDS DISBURSED
 FOR HEALTHCARE,
 EDUCATION AND
 INVESTMENT SECTORS**



CHAIRMAN'S STATEMENT



In 2022, a total of RM13.3 billion or 54.7% of the Bank's total outstanding financing was recognized as having a direct impact on the economy, environment, and society.



OUR COMMITMENT TO SUSTAINABILITY

As part of our commitment to sustainability, the Bank will continue to implement measures and offer products and services that are environmentally and socially responsible, while also ensuring good governance practices. In 2022, a total of RM13.3 billion or 54.7% of the Bank's total outstanding financing was recognized as having a direct impact on the economy, environment, and society.

The Bank has been actively supportive of Bank Negara Malaysia's sustainability agenda and has actively promoted our capabilities by being a part of the team that contributed to the Value-Based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) sectoral guide, released in February 2022. This reflects our ongoing dedication to sustainability as we continue to advance industry knowledge in the agriculture sector through the third cohort of the sectoral guide.

We also recognize the increasing focus on climate change. As part of our commitment, we have adopted the Climate Change and Principle-based Taxonomy (CCPT). It underscores our endeavor to steer the Bank's transition towards a low-carbon economy, aligning our operations with global efforts to address climate change for a sustainable world.

In 2022, the Bank's commitment to social finance manifested through diverse initiatives. This included our support for affordable housing financing, as evidenced by our continued backing of schemes like the Housing Credit Guarantee Scheme and My First Home Scheme. We have also launched the iFAST Barakah Environmental, Social, and Governance (ESG) Focus Portfolio, a balanced Shariah portfolio with no less than 40% exposure in Shariah-compliant ESG funds. These products and services are carefully crafted to align with our dedication to inclusiveness, fairness, and impartiality, ensuring they benefit all rungs of society.

Additionally, we have expanded our existing iTEKAD program by collaborating with the Pahang state government on the i-PUSH program called iTEKAD Mahabbah. This initiative aims to uplift

the Asnaf and B40 micro-entrepreneur groups by providing them with financial assistance, training, and halal certification support. Collectively, the iTEKAD program has reached more than 700 recipients in FY2022.

Our dedication to waqf funds remained steadfast, with over RM33 million collected in 2022. Of this amount, RM18.8 million was disbursed for healthcare, education, and investment projects. These efforts further underscore our dedication to community development and our mission to contribute positively to the well-being of our society.

OUR COMMITMENT TO GOVERNANCE, INTEGRITY, AND RISK MANAGEMENT

The Bank places significant importance on promoting a culture of good corporate governance that upholds the values of integrity, ethics, and transparency in all aspects of our operations. Hence, the Board of Directors ("the Board") is entrusted to direct and oversee the business and affairs of the Bank to ensure it always operates in accordance with the principles of good governance. The Board periodically reviews and approves the overall strategies and applicable policies and frameworks to make sure the Bank is moving in the right direction based on its vision and objectives, and that all the latest and relevant policies and procedures are properly incorporated into the operations for compliance purposes. While being vigilant on the regulatory changes and updates, the Bank continues to respond promptly to the opportunities and challenges brought forth by those changes to ensure our highest commitment to compliance, governance practices, and risk management.

We also have instituted internal control systems in place for effective risk management. Our mature internal control systems and comprehensive risk management frameworks and policies allow the Bank to appropriately manage and mitigate significant risks arising from changes in the business environment.

On top of this, we also foster a culture of transparency and accountability by ensuring the information that is communicated for decision-making is relevant and clear.



Lastly, the Bank adopts a zero-tolerance policy toward any conduct that constitutes malpractice, including breach of ethics, conflict of interest, bribery & corruption, money laundering, terrorism financing, and fraudulent acts. We have formulated and adopted the Anti-Bribery and Corruption Policy across the Bank and continuously enhance relevant aspects of the policies to ensure the Bank adopts all kinds of approaches against all forms of bribery and corruption. We have also institutionalized Corruption Risk Assessment to identify potential issues and threats associated with integrity and anti-corruption-related governance.

OUR STRATEGIC PLANS FOR THE FUTURE – HIGH-PERFORMING ISLAMIC BANK FOR ALL

Moving forward, we will continue to leverage our 5-Year Strategic Plan, RISE26+, to adapt to the changing post-pandemic business landscape from 2022 to 2026, building upon its predecessor, RISE24. Aligning with this plan, the Board's priorities for FY2023 will be on business growth and transformation with continuous emphasis on enhancing risk, compliance, and governance practices. Our primary aim is to ensure sustainable returns for our stakeholders by strategically positioning the Bank for growth. In achieving this, we will adopt defensive and offensive strategies to protect assets, optimize operations, expand our customer base, and improve the customer experience through tailored products, digital innovations, excellent service, and competitive pricing. To future-proof our business, driving digitalization and innovation in Islamic banking, as well as emphasizing process automation, improved digital customer experiences, and enhanced security with innovative technologies, are paramount.

In addition, we are committed to building a high-performance organization through a culture transformation framework that promotes excellence, invests in employee development, and instills our core beliefs. We have been and will continue to communicate the goals of RISE26+ throughout the organization and implement an interactive performance management system to motivate employees. We have also established the Human Capital Strategic Plan that enhances our Human Resources structure to attract and retain top talent.

Moreover, we will continue to adhere to Shariah principles, integrate ESG considerations, support social finance, and ensure regulatory compliance, including climate risk management guidelines from Bank Negara Malaysia. Our commitment to social financing and community empowerment is also reflected in our 'Islamic Bank for All' objective, emphasizing supporting the community at large and personalizing customer experiences.

CLOSING REMARKS

Prophet Muhammad (peace and blessings be upon him) said, "He who does not thank people, does not thank Allah" (Ahmad, Tirmidhi). As we conclude this fiscal year, it is only right that we begin the next with a sense of gratitude and hope. I would like to take a moment to thank the Board members, dedicated Management team, partners and all hardworking staffs for their unwavering efforts, support and commitments to make this success possible.

My utmost appreciation also goes to Mr. Iwan Rashman Gulamoydeen for his invaluable contributions to the Bank, before he stepped down from his role in 2022. I wish him all the best in his future endeavors. At the same time, I am delighted to welcome Mr. Ainol Roznain Yaacob, who joined the Bank on 1 October 2022.

Looking ahead, we must acknowledge that the road may be fraught with challenges and uncertainties. However, it is my firm belief that, with the resilience and determination that characterize our institution, we will be well-positioned to navigate these challenges. Our commitment to excellence & integrity, track record of adaptability, and our sincere dedication to our customers, shareholders, & society at large will continue to guide us forward, Insha-Allah.

Finally, I wish to express my gratitude to the Government and Bank Negara Malaysia for laying down the foundation of our journey to continue to serve the economy of our dear country especially in Islamic finance. Their continued dedication, support and collaborative efforts in creating a conducive and thriving banking environment have indeed propelled our Bank towards new domains of success, in the service of our communities and our country. Together, we will not only face the challenges of the future but also seize the opportunities that lie ahead, further cementing our position as a leading force in the financial market.

Thank you all, and may Allah SWT bless us with continued success.

Wabillahi taufiq walhidayah wassalamu'alaikum wa rahmatullahi wa barakatuh.

Tan Sri Tajuddin Atan
Chairman