CHAIRMAN'S STATEMENT: SAFEGUARDING FUTURES, EMPOWERING LIVES

بسم الله الرحمن الرحيم

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

TAN SRI TAJUDDIN ATAN, FCB
Chairman

In 2024, Bank Muamalat celebrated its 25-year journey, reminding us that our enduring strength and resilience have always been rooted in a single, unwavering purpose: to uplift every Malaysian and shape better lives. As Chairman of Bank Muamalat, it is my privilege to reflect on this year and to share the Board's aspirations for the journey ahead.

2024 MACROECONOMICS AND REGULATION

The global macroeconomic environment in 2024 remained complex, marked by geopolitical uncertainties and evolving economic currents. Domestically, Malaysia's economy demonstrated commendable resilience, achieving a robust 5.1% growth, underpinned by strong domestic demand, healthy investments, and a rebound in exports. This positive momentum provided a supportive backdrop for the financial sector, even as it underwent significant transformation driven by heightened digital competition and accelerated digital payment adoption.

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From a governance and risk perspective, the Board closely monitored the proactive stance of Bank Negara Malaysia (BNM). The issuance of all prudential and market conduct policies, including updates aligned with Basel III reforms, underscored the imperative for agile and comprehensive compliance. Simultaneously, the escalating digital threat landscape made strengthening cybersecurity measures a paramount Board-level priority, necessitating enhancements to our cyber resilience framework, incident response protocols, and data privacy governance. These external factors to have influenced the Board's strategic oversight, reinforcing our commitment to both growth and robust safeguarding mechanisms.

These challenges prompted a proactive and focused response from both the Board and Management, leading to streamlined cost structures, enhanced capital allocation discipline, and reorientation of strategic initiatives.

Our contribution to national growth and development in Malaysia was exemplified by our continued support for the SME communities. A major achievement was our commitment to driving positive change through iTEKAD, and other social finance initiatives such as Waqf also continued to deliver tangible benefits to underserved segments. These efforts are core to our identity, reinforcing the Bank's position as a leader in responsible, inclusive finance.

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As a result, a robust profit before tax of RM129.3 million was recorded, and assets grew by a healthy 11.8% for the year as the Bank maintained stable liquidity, prudently managed credit exposures, and upheld its regulatory capital ratios.

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The progress we made was also externally validated through several prestigious recognitions in 2024:

- **Fastest Growing Digital Transformation Islamic Bank – Malaysia 2024:** Recognised by the International Finance Awards.
- **Global Recognition as CEO of the Year 2024 – Global Islamic Finance Awards (GIFA):** Honoured our President & Chief Executive Officer, Khairul Kamarudin, for his visionary leadership.
- **World Islamic Banking Excellence Award – World Muslim Leadership Forum (WMLF) 2024:** Presented in London, acknowledging our commitment to innovative and ethical banking solutions.

These achievements underscore the Bank's strong capacity to navigate challenges. They reflect our unwavering commitment to upholding stable fundamentals and making crucial foundational investments, thereby providing assurance of our ability to deliver a secure and progressive financial future for our stakeholders.

ROBUST STEWARDSHIP TOWARDS A BETTER FUTURE

The Board's stewardship in 2024 was defined by a relentless focus to ensure that the Bank's strategic agenda remains responsive to emerging trends – technological, regulatory, and societal – while upholding the Bank's vision which is to be the preferred Islamic financial services provider.

Prioritising strategic growth and digital advancement, the Board oversaw the rollout of initiatives aligned with the Bank's five-year business plan, RISE26+. These included a sharpened emphasis on customer-centric innovation, digital enablement, strengthening the retail segment positioning, and demonstrating management's readiness to adapt to evolving market dynamics. To this end, the soft launch of ATLAS, the Bank's digital banking app, during the year, was a significant step in its transformation journey as it pioneers enhanced digital accessibility and seamless banking experiences for our customers.

Key transformation initiatives were also initiated across credit, payment, and trade operations, many of which integrated automation and enhanced fraud mitigation. These steps were instrumental in improving service turnaround, managing operational risk, and safeguarding customer trust. These investments in critical infrastructure upgrades and automation in core operations are already improving efficiency, and are expected to drive greater scalability and customer satisfaction in the medium term.

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Recognising the rising digital threats, the Board provided strategic guidance in strengthening cybersecurity and data governance, reviewing and approving enhanced policies and frameworks.

GOVERNANCE IN ACTION

At the heart of the Board's oversight is the commitment to effective governance, which we view as paramount in ensuring sustained performance, prudent risk management, and value creation for all stakeholders. In 2024, our governance priorities were closely aligned with the challenges and opportunities presented by a dynamic digital and regulatory environment. Recognising the rising digital threats, the Board provided strategic guidance in strengthening cybersecurity and data governance, reviewing and approving enhanced policies and frameworks. This also extended to sustainability matters, ensuring ESG considerations were embedded into business decisions, aligned with national aspirations like the Financial Sector Blueprint 2022-2026.

Advancing the Bank's digital journey, a dedicated Board Technology Committee was tasked with actively monitoring the progress of these digital initiatives, particularly within the IT strategic plan and RISE26+ transformation. The Committee will also review and recommend management's strategies, policies, and frameworks related to IT and digitalisation, including cybersecurity. Furthermore, the Board enforced stringent data classification and encryption standards, especially concerning customer sensitive information.

In addition, given the increasing reliance on external digital partners, the Board ensured that management enhanced due diligence and screening for all technology vendors, not only from a Shariah perspective but also on cost-effectiveness.

Throughout it all, we further fortified transparency and integrity, by undertaking an annual Board Effectiveness and Evaluation exercise to identify areas for improvement and optimise strengths. In line with regulatory expectations and the fast-evolving landscape of banking, Board members continuously enhance our knowledge and skills through structured development programmes. These programmes are designed to keep the Board abreast of emerging trends, regulatory changes, and strategic opportunities, thereby strengthening our ability to provide effective oversight and guidance. Proactive engagement with regulators was another key aspect of our commitment to good governance.

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RISK OVERSIGHT AND RESILIENCE

Through the Board Risk and Compliance Committee, the Board proactively reviewed management's horizon scanning activities, particularly on volatile market conditions, technological disruptions, and credit-related risks. A top-down, values-driven approach was taken to ensure identified risks were embedded within the Enterprise Risk Management (ERM) framework.

In response to shifting customer profiles and market dynamics, risk acceptance criteria (RACs) were tightened and the Risk Appetite Statement (RAS) enhanced to ensure alignment with the Bank's evolving portfolio mix, risk-bearing ability, and external operating conditions. Mindful of market volatility and increased competition, we placed strong emphasis on liquidity risk governance and steered several enhancements to the Bank's risk management framework, including the endorsement of the Bank's Liquidity Contingency Funding Plan (LCFP) and approving management's direction to pursue diversification in the Bank's funding and pricing strategy.

Cybersecurity was a key priority in view of rising technology and cybersecurity threats. To this end, the Board endorsed the establishment and operationalisation of the Technology Risk Management Framework (TRMF) and the Cyber Resilience Framework (CRF), which set the foundation for structured identification, assessment, mitigation, and governance of technology and cybersecurity risks, in line with BNM's Risk Management in Technology (RMiT) policy. Together with this, a Cybersecurity Strategic Plan was approved to support the Bank's digital transformation journey, aligning technology risk priorities with business growth requirements.

Acknowledging the evolving landscape of climate-driven events, social disruption and regulatory shifts, steps were also taken to incorporate sustainability into business continuity planning. Guided by international frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD), the Board works closely with management to refine ESG metrics and improve data quality, and all progress made on this front will be transparently communicated to stakeholders.

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SUSTAINING GROWTH AND PURPOSE

The banking industry will continue to be challenging, demanding strategic agility. Looking ahead, the Board has clear priorities and expectations for management to secure a digital future for Bank Muamalat and our stakeholders.

The Board's long-term vision positions Bank Muamalat as a strong Islamic bank within the Malaysian financial landscape, delivering sustainable and resilient returns to shareholders and stakeholders. We are committed to banking services that go beyond profit, supporting inclusive growth and helping to close the gap between the financial sectors and underserved groups, without compromising shareholder returns.

As an Islamic financial institution, Shariah principles are not merely observed, but actively leveraged to promote financial inclusion, socio-economic and sustainable development. In an increasingly volatile world, Bank Muamalat will focus on ensuring growth is sustainable and resilient, enhancing risk management frameworks and building financial buffers to withstand shocks without compromising our foundations.

The Board's key expectations moving forward encompass several critical areas. We expect management to drive strategic growth, diversification, and value creation by anticipating trends and seizing emerging opportunities.

A heightened focus will be placed on reinforcing robust risk governance and integrity, ensuring a deeply rooted risk culture and secure systems through proactive risk management, robust compliance, and a zero-tolerance approach to misconduct.

Furthermore, the Bank is committed to championing purposeful growth and sustainability, aligning our strategic direction with long-term goals particularly in social finance, ESG integration, and financial inclusion, thereby ensuring our growth is both profitable and responsible. Finally, there is a strong emphasis on building future-ready human capital and a resilient culture, through continuous investment in leadership development, comprehensive upskilling initiatives, and embedding a culture of accountability, agility, and collaboration.

APPRECIATION

The Board extends its deepest gratitude to our customers, shareholders, regulators, and indeed, to the entire Bank Muamalat team. Your trust, support, and dedication are the cornerstones of our success. We remain committed to our shared purpose, steadfast in our values, and confident in our ability to build a more secure and prosperous future for all. Rest assured that the prevailing theme for this year's Annual Report, **"Safeguarding Futures, Empowering Lives."** resonates deeply with our strategic intent going forward.

Wabillahi taufiq walhidayah wassalamu'alaikum wa rahmatullahi wa barakatuh.

To Allah we surrender.

TAN SRI TAJUDDIN ATAN, FCB
Chairman