CHAIRMAN'S STATEMENT: ACCELERATING ASPIRATIONS. ADVANCING TOGETHER.

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

The operating landscape in FY2025 demanded heightened resilience and agility across the banking fraternity. Externally, the environment was unsettled: US tariff measures reshaped trade flows, geopolitical tensions kept risk managers alert, and a domestic monetary policy shift required careful management of margins across the sector. Domestically, Malaysia held firm. The economy grew by 5.2%* for the year, surpassing official forecasts, and the fundamentals that underpin banking confidence, namely stable employment, domestic consumption, and continued government-led investment, remained broadly intact.

Against this backdrop, the Board is satisfied that Bank Muamalat ended the year in a materially stronger position than at the start. This gives the Board confidence that Bank Muamalat is well placed to continue serving its customers even better, and to strengthen its position as the preferred Islamic bank for the Malaysian public.

Our theme for this Annual Report, '*Accelerating Aspirations. Advancing Together*,' reflects our dual commitment to driving commercial excellence through digital and strategic velocity, while remaining steadfastly anchored to the values of Amanah and mutual progress. We have laid the foundations, and they are now bearing fruit.

Receiving the IRBA Excellence Award for Islamic Retail Banking in FY2025 is a testament of our progress. This award affirms that the Bank's retail-first strategy is gaining external credibility and momentum – a confirmation that the Bank's efforts are on the right track. The task ahead is to build on them with greater discipline, sharper focus, and a clearer sense of the institution we intend to become.

THE OPERATING ENVIRONMENT

The market environment of FY2025 presented mixed signals that, on balance, came down on the side of opportunity. Globally, Islamic finance assets exceeded USD 4.5 trillion, with Malaysia retaining approximately 24% of global market share, and institutional interest in values-based finance continued to grow, providing long-run tailwinds for Bank Muamalat. Malaysia's economy performed above expectations, as the 13th Malaysia Plan and the MADANI Economy Framework continued to direct public investment into infrastructure, human capital, and digital connectivity, each of which creates conditions favourable for banking activity. Bank Negara Malaysia's timely and considered measure to reduce the Overnight Policy Rate by 25 basis points to 2.75% on 9 July 2025 also helped ease the financial burden on Malaysian customers and businesses.

Bank Muamalat's strategy throughout the year was one of deliberate balance: pursue growth in segments where fundamentals are sound, and tighten scrutiny where external vulnerabilities could translate into credit deterioration. The Bank continued to manage its margins prudently through



disciplined asset pricing and funding mix optimisation, ensuring we remain well placed to support our customers while maintaining a sound financial footing. A sharper eye was also kept on the potential effects of a global trade slowdown on the corporate and SME credit base. Stress tests were applied across diverse scenarios, capital buffers and liquidity positions were confirmed as adequate, and early warning systems were kept under active review.



TAN SRI TAJUDDIN ATAN, FCB
Chairman

PERFORMANCE – THE BOARD'S VIEW

Bank Muamalat delivered a profit before tax of RM307.1 million in FY2025, more than double the RM129.3 million reported in FY2024. Return on equity improved substantially. The financing portfolio grew. The cost of credit declined. Capital adequacy ratios strengthened, with the Common Equity Tier-1 ratio closing the year at 12.273%, well above regulatory minimums and above the level at the outset of the RISE26+ plan.

The Board is grateful for these achievements, and equally mindful of sustaining them to continue serving the public and our customers even better in the years ahead.

What gives us genuine confidence is the improvement in the quality of earnings, reflected by a stronger CASA ratio, better cost-to-income discipline, and a financing portfolio that continues to grow with more deliberate risk selection than in the initial years of RISE26+. These are encouraging signs of a business that is improving in the right direction.

The Bank's credit ratings were affirmed by RAM at A2/Stable/P1 and MARC at A+/Stable/MARC-1 during the year. These affirmations provide external corroboration of the Bank's financial resilience and the effectiveness of its risk management practices.

GOVERNANCE IN ACTION

Good governance is the bedrock of our operations, setting the conditions for management to execute well and ensuring that the structure is sound enough to absorb setbacks when they arise.

Several specific governance developments in FY2025 warrant mention. We completed the annual Board Effectiveness Evaluation with an external, independent assessor for the first time, providing a more objective lens on the Board's own performance, composition, and working practices.

We also approved strengthened frameworks across technology risk, cyber resilience, remuneration, and compliance risk management. These are the governance foundations that keep the Bank as a whole resilient, well managed, and credible as a regulated institution.

RM307.1 million
FY2025 Profit Before Tax

* Source: Bank Negara Malaysia (BNM), Economic and Monetary Review 2025, released 31 March 2026. Available at: www.bnm.gov.my

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The Board Technology Committee deepened its engagement with the Bank's digital agenda during the year. With ATLAS, Bank Muamalat's digital banking app launched in June 2025, the Bank's technology ambitions are becoming a reality. The Committee's oversight shifted accordingly to monitoring execution, customer uptake, and the technology risk posture of a live digital product. Separately, the Board endorsed the Bank's Cyber Security Strategic Plan and reviewed the Technology Risk Management Framework to ensure alignment with BNM's Risk Management in Technology requirements.

The Board's skills matrix is reviewed annually against the strategic capabilities the Bank will require over the next three to five years. As we prepare for the post-RISE26+ period, the Board notes that priority areas include digital banking and financial technology, Islamic finance innovation, and sustainable finance. These represent the terrain on which Bank Muamalat will compete for the next decade, and we must be equipped to oversee that competition with understanding and rigour.

Three changes to Board composition took place during the year. Tan Sri Che Khalib Mohamad Noh and Encik Ainol Roznain Yaacob both retired from the Board in August and September 2025 respectively, having made substantial contributions to the institution during their tenures. Dato' Suhana Dewi Selamat was appointed to the Board with effect from 1 October 2025. Her appointment strengthens the Board's expertise in areas relevant to the Bank's next strategic chapter, and reflects the Board's commitment to diversity of perspective.

RISK OVERSIGHT AND PREPAREDNESS

Our principal risk preoccupations in FY2025 were credit quality, technology and cyber risk, and the management of rate sensitivity following the OPR change. On credit quality, we reviewed the financing portfolio regularly through the Board Risk and Compliance Committee, with particular attention to sectors exposed to external trade pressures and to the pace of impaired financing resolution. The Board continues to monitor the Bank's gross impaired financing ratio closely to keep it at a healthy level.

On technology and cyber risk, the Board recognises that its duty of oversight grows in lockstep with our digital ambitions. As more of our customer interaction and transaction processing migrates to digital channels, the consequences of a cyber incident become more severe and the expectations of regulators and customers more demanding. The Board was pleased that no material cyber incidents were reported during the year, and remains mindful of the broader industry-wide rise in financial scams and fraud. The Bank's investments in fraud monitoring, customer protection, and cyber resilience remain a continuing priority for the Board.

We also note the growing importance of artificial intelligence within banking, and have begun engaging with management on the governance principles that should govern its adoption. AI brings genuine operational opportunity, but it also introduces model risk and data governance considerations. The Board's position is that adoption must be deliberate, governed, and explainable.

SHARIAH GOVERNANCE AND AMANAH

On Shariah governance, the Board is pleased to report that Bank Muamalat recorded no Shariah non-compliance events in FY2025, as in the prior year. This is not a passive outcome; it reflects the structured, year-round engagement between the Shariah Committee, Management, and the Board. The Shariah Committee's role is not limited to product endorsement. It engages on strategic decisions, advises on operational matters, and provides an independent perspective that keeps Islamic principles central to how the Bank conducts itself. The Term Investment Account, introduced during the year, received Shariah Committee validation as part of a thorough product development process.

The Bank's commitment to Maqasid Al-Shariah goes beyond the technical requirements of Shariah compliance. The Board sees the higher objectives of Islamic law, protecting wealth, promoting justice, supporting well-being, as directly relevant to how a bank should behave in practice. The Board expects, and Management has delivered, financing decisions that give weight to social impact alongside commercial return. iTEKAD, Waqf programmes, and the Bank's continuing participation in financial inclusion initiatives are vital expressions of what it means to deliver value as an Islamic bank with genuine purpose.

Underlying all we do is a commitment to Amanah and integrity. Amanah, the quality of trustworthiness and the faithful discharge of responsibility, is not merely an Islamic virtue; it is the foundational obligation of anyone entrusted with the stewardship of a bank. Our depositors place their savings with us in trust. Our financing customers entrust us with their financial futures. Our regulators extend us a licence on the basis that we will conduct ourselves with integrity at all times. The Board's role is to ensure that this trust is honoured, in every decision, at every level of the institution.

WHAT COMES NEXT

Bank Muamalat entered the RISE26+ strategic cycle with a clear ambition: to reposition itself as the foremost, purpose-driven Islamic bank capable of competing on product quality, customer experience, and digital reach. The Board's assessment is that strong progress has been made across the plan's five aspirations.

The area of clearest progress is the digital agenda. The launch of ATLAS as Malaysia's first lifestyle-aligned Islamic digital banking platform was the most visible single milestone of the plan. ATLAS gives customers a single platform to manage their financial needs in a manner aligned with their Islamic lifestyle and values, bringing together everyday banking, savings, and financing in one convenient place. It represents a genuine strategic commitment and a real product in the market, not a concept. Building customer adoption and proving the business model over the next two to three years is the work that follows.

Profitability and capital efficiency must continue to improve. The cost-to-income ratio, though improving, reflects a cost base that has grown substantially with the technology investments of recent years; the task now is to generate the revenue growth that justifies those costs and begins to convert them into productivity gains. The Board also recognises that fee-based income streams require further development to reduce the Bank's dependence on financing margin.

The broad direction is clear. The defining ambition is to consolidate Bank Muamalat's identity as a purpose-driven Islamic bank that is commercially disciplined, digitally capable, and genuinely connected to the communities it serves.

APPRECIATION

On behalf of the Board, I take this opportunity to record our gratitude to the shareholders and investors who have maintained confidence in Bank Muamalat through a period that has required patience as well as faith in the institution's direction. Your continued support is not taken lightly.

To Bank Muamalat's customers, thank you for the trust you place in us with your financial lives, your savings, your businesses, and your ambitions. That trust is the only genuine measure of whether a bank is fulfilling its purpose, and we are conscious of it in every decision we make.

To our regulators, and in particular to Bank Negara Malaysia, thank you for the consistency and rigour of the regulatory framework within which we operate. Sound regulation is a precondition for good banking.

To the Management team and to every member of the Bank Muamalat family, the results this year are a reflection of your effort, your professionalism, and your commitment to the Bank's purpose. The Board recognises that behind every improved ratio and every satisfied customer is a person who showed up and did their work well. Thank you.

I also wish to express the Board's personal appreciation to Tan Sri Che Khalib Mohamad Noh and Encik Ainol Roznain Yaacob, who retired from the Board during the year. Their counsel, their experience, and their dedication to good governance strengthened this institution, and we wish them well in the chapters ahead. In their stead, we warmly welcome Dato' Suhana Dewi Selamat, and look forward to benefitting from her valuable insights and perspectives.

Moving forward, we remain guided by a sound framework, a fortified foundation, and a team that has demonstrated the capability to deliver. This gives us the confidence to pursue and achieve new milestones, as we continue our focus on delivering enduring value to all stakeholders.

Wabillahi taufiq walhidayah wassalamu'alaikum wa rahmatullahi wa barakatuh.

To Allah we surrender.

TAN SRI TAJUDDIN ATAN, FCB
Chairman
Bank Muamalat Malaysia Berhad