PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

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

Dear Stakeholders,

It is both my privilege and a responsibility to present Bank Muamalat's performance for the financial year ended 31 December 2025. FY2025 was a year in which our commitment to creating Better Lives, Together was demonstrated by real, measurable progress.

STEPPING UP EXECUTION

FY2025 was the year Bank Muamalat moved from building foundations to proving the value they can provide. For several years previously, we have restructured the portfolio, ensured prudent underwriting, invested in digital capabilities, and built the internal disciplines that sustainable earnings require. This year, that work translated into results. Profit Before Tax of RM307.1 million, more than double the RM129.3 million achieved in FY2024, is the clearest evidence that our direction is correct and our execution is strengthening.

The performance was broad-based, with revenue growing across every meaningful income line. Retail Banking delivered disciplined asset growth alongside record performances in Ar-Rahnu, Auto Financing, and Credit Card as a result of both the quality of the portfolio and the strength of customer demand



DATUK KHAIRUL KAMARUDIN
President & Chief Executive Officer

in these segments. In Commercial Banking, targeted sector engagement and guarantee-backed programmes translated into meaningful SME and leasing portfolio growth.

Corporate Banking staged a striking turnaround as PBT rose to RM166.5 million, powered by the recovery of legacy non-performing financing and the deepening of primary banking relationships with key clients. Treasury rounded out the picture with strong fixed income returns, growing revenue by 15.1% year-on-year.

Alongside the revenue improvement, we kept significantly more of what we earned by optimising costs while simultaneously launching our digital banking platform, improving our capital position, and growing the financing portfolio in a disciplined, quality-first manner.

While I am proud of our achievements, I am also clear-eyed about where our performance can be improved, and what the next chapter demands of us.

Note: Detailed reviews of each business segment are set out in the Segmental Performance Reports on pages 52 to 87 of this Annual Report.

CHALLENGES AND OUR RESPONSE

Let me first address the significant challenges faced in FY2025.

The most persistent pressure was the higher cost of funds and margin compression on deposits felt across the sector. This required prudent and active management of our portfolio mix. Our response was validated by revenue still growing meaningfully despite the competitive environment.

The second challenge was competitive intensity, as digital-only banks and larger conventional and Islamic institutions continued to press on both the funding and customer acquisition fronts. Our response was to close the digital capability gap through ATLAS, reposition the Bank as a hybrid physical and digital institution serving all segments, and invest in retail deposit growth as the strategic anchor for funding stability. We chose to compete on service quality, product design, and the distinctive Islamic lifestyle proposition that ATLAS delivers, rather than on deposit pricing alone.

The third was accelerating internal capability across digital, data analytics, AI, and Shariah-technology integration. Our response was to improve the Bank's systems and talent pool. On the systems side, we took early steps this year to lay the groundwork for the more advanced analytics and AI capabilities we plan to scale in the next strategic cycle. On the talent side, this year's investments, including the newly launched Muamalat Young Leaders Programme (MyLEAP) and Future Skills Framework, build on the Digital Academy to further reduce our dependence on a competitive external talent market and strengthen the skills we need from within.

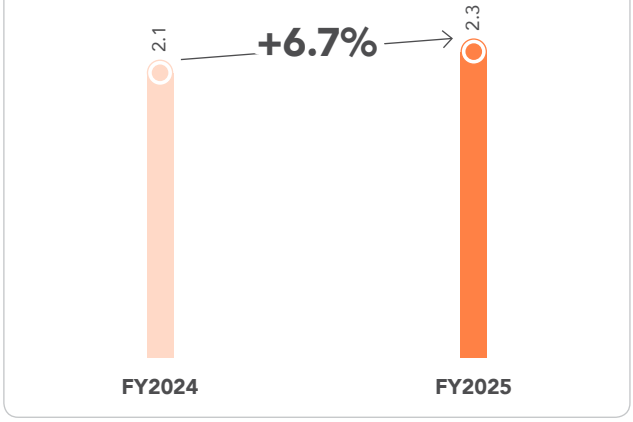
As for customer protection, we continue to strengthen our security posture through the introduction of Personal Cyber Takaful, ongoing anti-phishing and anti-scam education campaigns, and enhanced fraud monitoring across customer-facing platforms.

THE YEAR'S FINANCIAL PERFORMANCE

Our response to the year's challenges helped shape robust financial results.

Total revenue increased 6.7% to RM2.291 billion, reflecting stronger income generation across the Bank's core businesses. Financing income rose 5.5% to RM1.8 billion on the back of disciplined portfolio expansion across retail and business banking. Investment income grew 16.4% to RM291.1 million capitalising on favourable market conditions and an optimised fixed income portfolio. Fee and commission-based activities also improved, reflecting stronger transaction volumes and advisory contributions.

Total Revenue (RM Billion)



This top-line strength was matched by the drop in impairment charges as portfolio quality strengthened and disciplined risk management took hold. Prudent cost management kept overheads in check even as business activity grew. Together, these three drivers delivered a performance that reflects the Bank's underlying strengths.

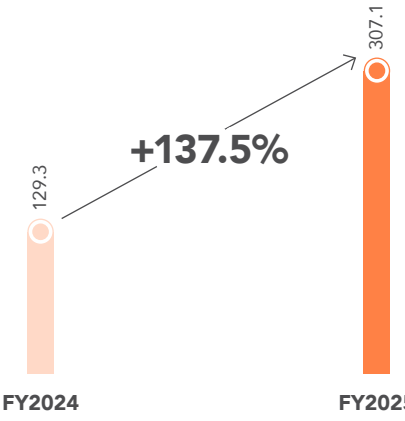
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Of all the metrics in FY2025, the improvement in Return on Equity to 6.23% from 2.48% previously, is the one I find most encouraging. The stronger ROE tells us that the strategic investments and transformation initiatives of recent years are beginning to translate into tangible shareholder value.

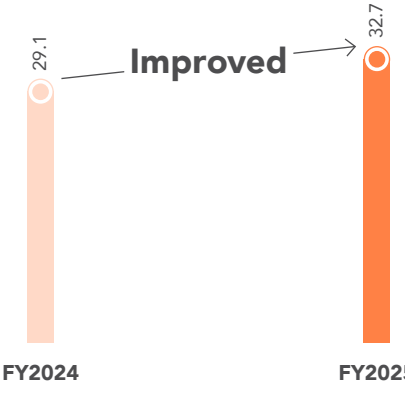
Importantly, this was achieved against a genuinely challenging backdrop, including the OPR reduction in July 2025, continued margin pressure, and intense competition across the sector, which saw net income margin moderating to 2.02% from 2.06%.

Improving margin resilience remains a focused management priority, and the continued progress on funding mix and CASA acquisition positions us well to defend and progressively improve this metric.

Profit Before Tax (RM Million)



CASA Ratio (%)



QUALITY OF OUR BALANCE SHEET

But these income gains are only half the story. Equally important is the strength of the balance sheet that underpins them.

Total assets increased by RM2.0 billion to RM45.67 billion, with gross financing expanding RM1.5 billion to RM34.1 billion. This growth was deliberate and selective. We focused on segments with better risk-adjusted returns while moderating exposure in lower-yield or higher risk areas. These included retail home financing, personal financing, vehicle financing, and Ar-Rahnu.

Liquidity buffers were further reinforced during the year, with cash and short-term funds rising by RM472.4 million and financial investments growing by RM395.2 million. We also introduced new Term Investment Account products to diversify funding sources while offering stable returns to depositors. The overall effect is a balance sheet that is more liquid, better capitalised, and less dependent on wholesale or volatile funding sources than it was at the start of the RISE26+ cycle.

CASA acquisition was one of FY2025's most significant strategic achievements. The CASA ratio improved to 32.7% from 29.1%, underpinned by the soft launch of ATLAS in June 2025, the introduction of the iBiz Muamalat mobile application for business customers, deposit mobilisation campaigns including Save2Win and the Term Investment Account-i programme, and a sustained focus on branch-level CASA accountability. A stronger CASA ratio matters beyond the headline number. It improves funding stability, lowers the cost of funds (which fell from 3.26% to 3.18%) and strengthens balance sheet resilience over time.

Capital strengthened through earnings retention. CET1 rose from 11.0% to 12.3% and Tier-1 capital improved to 13.7%, providing headroom for growth and regulatory compliance across the next strategic cycle. Our capital strategy remains growth-supportive but disciplined as we continue to balance business expansion, optimise risk-weighted assets, and create shareholder value.

STRATEGIC EXECUTION OF RISE26+

FY2025 marked the fourth year of RISE26+, our five-year business plan. Our four primary focus areas for the year were portfolio rebalancing for optimised performance, expansion of income through new growth engines, strategic cost management, and operational finesse in the service of customer experience.

The concentration of effort on high-yield financing segments, alongside a deliberate push to expand savings and current account balances, produced the improved funding mix and margin profile we targeted. Investment income growth of 16.4% reflects the Bank's success in capturing returns from the fixed income portfolio while managing duration and repricing risk. The fee-based income contribution also grew, at 10.0%, which is the early evidence of the diversification we have been building towards.

Cost discipline was equally evident as overheads were kept firmly in check despite higher underlying business activity. The result was a cost to income ratio improvement from 58.7% to 55.2%. We aspire to progressively bring the CIR lower each year as the revenue base scales and the automation investments of recent years begin to generate productivity returns.

ACROSS THE FIVE STRATEGIC ASPIRATIONS

RISE26+ is anchored by five strategic aspirations, and FY2025 saw genuine progress against each.

On Sustainable Shareholders' Return, the discipline described above – in our financing mix, funding base and cost structure – was itself the year's clearest expression of this aspiration; the priority ahead is scaling fee-based income further and broadening the revenue base beyond financing margin.

Progress on Islamic Bank for All was most visible in the breadth of our digital and social finance agenda: the public availability of ATLAS from June 2025 introduced Islamic lifestyle features, such as prayer time tracking, a Zikir Counter, Kiblat direction and a mosque locator, that go meaningfully beyond what a conventional banking application offers. Expanding penetration among underserved segments and strengthening our positioning within an increasingly competitive Islamic banking landscape remain active priorities into 2026.

In advancing Next Generation Banking, the most complex aspiration to execute, we made genuine progress across technology delivery, cultural shift and customer behaviour change. The focus now shifts to generating revenue from the digital platform by deepening relationships with acquired customers through cross-selling, transactions and broader product uptake.

On High Performing Organisation, the launch of the Muamalat Digital Academy in December 2025 was a defining moment, representing a structural commitment to building the digital, data and leadership capabilities our institution requires for its next chapter. We also reinforced our cybersecurity posture and governance frameworks, and continued to broaden succession depth across critical functions. Embedding a consistent digital mindset across all divisions is the cultural imperative for 2026, and the Academy provides the institutional mechanism to drive that change.

Under Value-Based Intermediation (VBI) and Sustainability, the majority of the Bank's financing book is now VBI-aligned. This signals genuine integration into how the Bank does business. The next step in this journey is to embed sustainability considerations more deeply into credit risk assessment and product pricing, and this has been firmly placed within the scope of our 2026 priorities.



51%
of total gross financing is aligned to VBI.



ATLAS acquired
15,569
customers, of whom **61%** were new-to-bank



Contributed
RM3.8
million in iTEKAD Grants for **829 participants**

RM1.3
million in waqf funding for **18 projects**

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OUR DIGITAL TRANSFORMATION JOURNEY

The Bank's digital transformation made meaningful operational progress in FY2025.

ATLAS became available on iOS and Android in June 2025. Within its first six months of operation, the platform acquired 15,569 customers, of whom 61% were new-to-bank. This was validation that ATLAS is extending the Bank's reach beyond its traditional customer base. Total deposits on the platform reached RM28 million and 35% of customers came through referral initiatives, including the internal ATLAS Pioneers Referral Programme. Account opening takes approximately two minutes, placing it among the fastest onboarding experiences in the Malaysian market.

Beyond ATLAS, the iBiz Muamalat application brought business customers a mobile banking experience designed specifically for SME and corporate needs. Visa Direct went live in October 2025, improving real-time payment experience and cross-border payment convenience. An AI voicebot was deployed for recovery and collections in August 2025, improving operational efficiency where speed of contact matters significantly.

The next phase of the digital agenda operates at the enterprise level. Real-time credit decisioning, advanced analytics and personalisation, API ecosystem connectivity, and the full digitalisation of SME and wealth journeys are the capabilities that will define the Bank's competitive position in the years ahead. Converting digital customer acquisition into primary banking relationships is the commercial objective that follows platform launch, and it is where management's focus will increasingly be directed.

OUR PEOPLE

Our 2,464 employees are the foundation of everything we achieved in FY2025. The investment in their development is substantial, reflecting a deliberate shift from attendance-based training towards certification-driven, role-relevant upskilling tied to our transformation priorities. A growing number of employees are now professionally certified through strategic collaborations with the Asian Institute of Chartered Bankers (AICB) and Islamic Banking and Finance Institute Malaysia (IBFIM), equipping our talent with recognised, industry-grade qualifications in digital and technology skills, Islamic finance, and risk, compliance and governance.

With attracting and retaining talent being a sector-wide challenge, the Muamalat Digital Academy represents our most consequential people investment of the year. It signals that the Bank is building a structured, digital-first learning ecosystem rather than responding reactively to capability gaps. Further, we are positioning Bank Muamalat as an institution where talent can work on genuinely meaningful transformation and contribute to national financial inclusion objectives as part of their day-to-day work.

The leadership pipeline is being actively deepened. We are running a structured set of leadership development programmes throughout the year, and intentionally broadening succession depth across critical functions to reduce over-reliance on individual role criticality. A clear positive signal is the increasing readiness of middle management talent to step into expanded leadership responsibilities as the organisation becomes more digitally driven. The workforce is balanced at 49% male and 51% female, and our commitment to equal opportunity and inclusivity in all its forms is reflected in our practices rather than just our policies.

Further details on our workforce, training and leadership development programmes can be found on pages 117 to 119 and 134 to 139 of the Sustainability Statement.

DELIVERING VALUE TO COMMUNITIES

The VBI and social finance commitments of Bank Muamalat are core to our identity. FY2025 saw several programmes deliver outcomes I am genuinely proud to account for.

iTEKAD continued to transform participants from aid recipients into income generators, in the spirit of Maqasid Al-Shariah, with expanded reach through i-PUSH and partnerships with Yayasan Hijrah Selangor and ANGKASA. Alongside this, our wider social finance ecosystem comprising Wakaf Muamalat, Tabung Mawaddah and the Jariah Fund digital crowdfunding platform, channelled ongoing support towards education, healthcare and economic empowerment.

VBI-aligned financing continued to grow as a share of our overall portfolio, with the strongest gains in financing that raises community standards of living. These movements reflect financing decisions that give deliberate weight to social impact alongside commercial return.

Further details on these programmes can be found on pages 109 to 110 and 119 to 121 of the Sustainability Statement.

PRIORITIES AND OUTLOOK FOR FY2026

As RISE26+ concludes, Bank Muamalat enters its next strategic cycle with a stronger earnings base, a live digital platform, improved capital, and a high-performing team with a proven track record of delivery. Our working base case for the Malaysian economy assumes 2026's gross domestic product (GDP) growth towards a 4.6% projection, with the OPR expected to remain broadly accommodative throughout the year subject to external developments.

Against this backdrop, a key priority for the year ahead is broadening the Bank's revenue base beyond financing margin. Fee-based income, advisory services, ecosystem monetisation, and sustainability-linked financing will all be areas of active focus as we build greater income resilience and move towards a more sustainable, capital-efficient growth profile.

Our posture in 2026 balances prudence with ambition.

On the prudent side, we will maintain capital and funding discipline, exploring further diversification through potential sukuk issuance while keeping adequate regulatory buffers.

On the ambitious side, we will pursue more aggressive digital investment, building on this year's progress to advance cloud migration, modern core banking architecture and specific AI use cases in credit decisioning, customer engagement and fraud detection.

Branches will continue their shift from transactional service points into advisory and sales-focused centres, with automation and straight-through processing extending across back-office functions, while the Muamalat Digital Academy remains our primary vehicle for building the capabilities, culture and succession depth our people need for the next chapter.

CLOSING REFLECTION

This year's theme of 'Accelerating Aspirations, Advancing Together' is not simply a tagline to us; it describes exactly what FY2025 asked of Bank Muamalat, and I believe we lived up to it in the ways that matter most. We strengthened the franchise commercially, deepened our digital capabilities, delivered meaningful community impact, and grew the Bank's confidence in its own ability to execute.

My personal commitment to every stakeholder is this. To our customers, we will continue improving digital experience, service turnaround, and the breadth of our Shariah-compliant solutions. To our employees, we will invest purposefully in skills, leadership, and a culture that rewards accountability and innovation. To our shareholders, we are focused on sustainable returns through disciplined growth. To our regulators, governance, proactive risk management, and operational resilience are foundational priorities. To our communities, we continue to strive to make Islamic banking a force for social mobility and real inclusion. These are commitments that we promise to stay true to as the Bank grows.

I end this review with a most sincere thank you to all our stakeholders. Your confidence and trust are both a privilege and a responsibility that we carry with sincerity into the year ahead.

DATUK KHAIRUL KAMARUDIN
President & Chief Executive Officer
Bank Muamalat Malaysia Berhad

