

CHAIRMAN'S STATEMENT



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

DEAR STAKEHOLDERS,

With utmost faith and gratitude to Allah, I present a summary of Bank Muamalat's performance for the financial year ended 31 December 2023.

It was a progressive year of transformation for Bank Muamalat notwithstanding the volatile economic environment and a competitive operating landscape. Within this challenging environment, the Bank demonstrated steadfast commitment to our mission of "Better Lives, Together", and determination towards becoming the strongest Islamic bank in Malaysia by 2026.

TAN SRI TAJUDDIN ATAN, FCB
Chairman

A YEAR OF PROGRESS

The Bank's strong performance in 2024 marks the third consecutive year of sustained progress and growth. We take pride in the steadfast investments in technology, people, process and training that have made this possible. I commend the teamwork and unity displayed by our board members, management and employees as the key drivers elevating Bank Muamalat as a preferred provider of Islamic financial products and services. In this journey, the Bank has also fostered positive and sustainable impacts that extend beyond financial metrics.

Alhamdulillah, these efforts were recognised and celebrated as the Bank emerged as the Most Improved Islamic Retail Bank in Malaysia 2023 at the Islamic Retail Banking Awards (IRBA). Further, our President & Chief Executive Officer (PCEO), Encik Khairul Kamarudin, was honoured as IRBA's CEO of the Year 2023. I take this opportunity to congratulate him and his team for their hard work and dedication in achieving this prestigious industry recognition.

RESILIENT GROWTH

Anchored on clear goals and purposefulness, the Bank resiliently grew financing and deposits, achieving a Profit Before Tax (PBT) of RM295.6 million and a robust Return on Equity (ROE) of 9.35% for our shareholders.



Profit before tax:
RM295.6
million

(RM306.7 million in FY2022)



ROE:
9.35%
(10.9% in FY2022)



VBI financing:
RM14,792
million

or 52.2% of total financing outstanding



Key drivers of the year's growth include deepening customer relationships and expanding our customer base; managing our balance sheet and asset quality to maintain a consistently low gross impaired financing ratio; implementing comprehensive risk mitigation strategies to protect and enhance returns; upholding the highest standards of transparency, accountability, and integrity; and demonstrating unwavering dedication and resilience in executing our strategic vision.

We also remain inspired and resolute to create more value to all our stakeholders by pioneering new possibilities, improving services to our customers, contributing to socio-economic prosperity, and creating growth opportunities for the Bank Muamalat family.

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PIONEERING NEW POSSIBILITIES

Our performance in FY2023 was accentuated by significant strides in digital transformation and innovative product offerings. The notable highlight was the launch of Malaysia's first VISA B2B platform to facilitate seamless bank-to-bank cross-border transactions. This integration of Visa B2B Connect into the Bank Muamalat Business Platform (iBiz) revolutionises cross-border business payment, offering ministries, agencies, companies and businesses an unprecedented opportunity for global expansion and success. It exemplifies the impact Islamic banks can make in leading industry innovation.

With this move, Bank Muamalat joins an esteemed group of financial institutions across 109 countries worldwide, demonstrating its commitment to support the government's endeavours to stimulate economic growth, foster international trade, and promote financial inclusion within the country.

IMPROVING DIGITAL CAPABILITIES

In pioneering new milestones in Islamic finance services, the Bank has also made concerted efforts towards improved service delivery and efficiency, as well as expanded customer digital touch points. These include back-office processes through Robotic Process Automation; enabled digital account opening and customer onboarding; expanded wealth management and takaful offerings to digital channels; and refreshed our Retail Internet Banking and Mobile Banking digital platforms for improved user experience.

In tandem with improved service delivery, cybersecurity measures were launched to ensure a secure and seamless banking experience, alongside a more robust Enterprise Risk Management.

The progress made on these fronts fuel Bank Muamalat's plan to introduce its own Digital Bank in the near future. The Digital Bank will leverage on the new Digital Core Banking and Digital Front End to offer Straight Through Processing (STP), comprehensive marketplace, and AI-driven recommendations that can assist customers in making well-informed financial decisions.

B40 customers have benefitted from our partnership with SJKP and SRP with a total of RM1.06 billion in house financing being approved.

CONTRIBUTING TO SOCIO-ECONOMIC PROSPERITY

Together with digital transformation, Bank Muamalat continues to uphold our standing as a contributor to natural growth and a leader in social finance. Living up to our commitment of "Better Lives, Together", the Bank mindfully ensures that actions today pave the way for a more prosperous and resilient future for all. Our proactive initiatives, partnerships, and innovative financing solutions drive our dedication to driving positive change and fostering inclusive economic prosperity.

Supporting the vital role that small and medium-sized enterprises (SMEs) play in driving economic growth, Bank Muamalat has forged strategic partnerships with government agencies and private sector organisations to facilitate greater access to capital for SMEs through government guaranteed schemes, empowering them to grow and contribute to the national economy.

B40 customers were empowered through collaborative financing schemes, facilitating home ownership and entrepreneurship. Partnerships with Skim Jaminan Kredit Perumahan (SJKP) and Skim Rumah Pertamaku (SRP) resulted in RM1.06 billion in house financing approvals, while initiatives like iTEKAD Mawaddah and iPUSH expanded support to budding entrepreneurs, reflecting our dedication to inclusive growth. Under the iPUSH programme, RM14 million funds were raised. For iTEKAD Mawaddah, 11 new entrepreneurs were onboarded with RM32,044 working capital and over RM62,000 of seed capital provided.

Our commitment to sustainability was further demonstrated through our Special Electric Vehicle campaign and other Value-Based Intermediation (VBI) financing initiatives. As of the year under review, VBI financing accounted for RM14.79 billion, translating to 52.2% of our total financing outstanding. This financing supports projects that align with our sustainability goals, including education, environmental preservation, and healthcare. By prioritising these sectors, we are able to drive positive social and environmental outcomes alongside economic growth.



Our Enterprise Risk Management (ERM) Framework has also been aligned with our sustainability goals. By integrating ERM with the Bank's strategy and activities, we ensured that sustainability considerations are embedded into our decision-making processes. This holistic approach allows us to proactively manage risks and seize opportunities related to sustainability.

CONTRIBUTING TO CLIMATE RESILIENCE GOALS

Climate change is also a growing concern. To this end, the Bank become a member of the Joint Committee on Climate Change (JC3) during the year. This is a collaborative platform dedicated to building climate resilience within the Malaysian financial sector. Through JC3, we engage in collective actions aimed at mitigating climate risks and promoting sustainable finance.

In addition, a comprehensive Climate Risk Management Framework has been developed in line with Bank Negara Malaysia's (BNM) Climate Change and Principle-Based Taxonomy Guidance, outlining the Bank's approach to managing climate risks across business activities and operations. By integrating climate considerations into our risk management processes, we enhance our resilience and ability to contribute to a sustainable future by ensuring that we are well-equipped to navigate the challenges posed by climate change.

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CREATING GROWTH OPPORTUNITIES

With business transformation in place, a culture transformation roadmap was developed during the year to guide our team towards high performance. This focuses on embedding values of integrity, employee development, and teamwork into every aspect of our operations from strategic decision-making to daily interactions. By embedding our values, we create a thriving environment where our employees can excel and our stakeholders can trust in our commitment to excellence. More than just a set of values, we intend to embed this culture as a way of life at the Bank in how we conduct business, interact with clients, and support our communities.

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During the year, we nurtured our employees professional growth and well-being by investing over RM5 million in extensive training and development opportunities which include leadership training, skill-building workshops, and career advancement opportunities. Beyond that, inspired by our "One Team" belief, we began to promote a collaborative work environment where cross-functional teamwork is encouraged. The Board and Management actively fostered open communication and knowledge-sharing across departments and levels. This collaborative spirit drove innovation and ensured that diverse perspectives were considered in decision-making processes, leading to more robust outcomes.

We also continued to prioritise work-life balance through flexible working arrangements, and offered a variety of health and wellness programmes to support our employees' physical and mental well-being. These efforts not only enhance job satisfaction but also ensure our employees' enjoy better lives.

EMBEDDING A CULTURE OF GOVERNANCE AND INTEGRITY

In fostering the highest standards of conduct in all our operations, the Board and Management lead by example. Rigorous policies and procedures have been established to ensure that our commitment to integrity and ethical conduct is unwavering. In addition, regular training sessions on ethics and compliance reinforce these standards, ensuring that every employee understands and adheres to our code of conduct.



Significantly, in alignment with the National Anti-Corruption Plan (NACP), we have launched our Organisational Anti-Corruption Plan (OACP) for 2023-2025. This comprehensive plan positions the Bank as a leader in ethical practices and robust governance by fostering a culture of integrity within the Bank. Developed in accordance with the mandatory initiatives prescribed in the NACP, our OACP sets forth a clear framework for addressing critical strategic issues related to integrity and anti-corruption governance. This alignment ensures that our efforts are consistent with national standards and best practices.

As we move forward, we remain dedicated to upholding these principles and continuously improving our governance practices to meet the evolving expectations of our stakeholders.

FUTURE OUTLOOK AND STRATEGIC PRIORITIES

As we navigate the challenges and opportunities ahead, our focus remains on building a leading Islamic financial institution that upholds the highest standards of integrity and transparency. The Board has outlined key strategic priorities to drive optimal profitability, strategic capital allocation, robust risk management, enhanced customer service, and a steadfast focus on governance and compliance.

In order to ensure sustainable growth in an environment of increased uncertainty, we aim to protect our assets and optimise operations while maximising growth opportunities. Staying adaptable, continuing to invest in technology, and maintaining a focus on prudent regulation will be key factors going forward.

Customer outreach is key in ensuring our services are accessible to all customers, in line with our aspiration under the RISE26+ initiative to enable Islamic banking for all. Customer experience will continue to be enhanced through innovation and digital transformation. This inclusive approach will help us reach a broader customer base and meet diverse financial needs of the customers.

Focusing on sustainable returns, we aim to prioritise long-term returns for our shareholders and stakeholders, ensuring that our growth strategies align with broader economic and sustainability goals. This will be supported by robust risk management practices and risk mitigation processes across all business lines to navigate uncertainties and protect our financial health. To maintain stability and resilient growth, we aim to reduce the impact of over-concentration in any single sector by strategically balancing our retail and non-retail portfolios. This strategic allocation will enable us to optimise our portfolio performance and capitalise on market opportunities.

Furthering our digital banking strategy, we will seek strategic partnerships to enhance our digital offerings.

ACKNOWLEDGEMENTS

Our performance in FY2023 celebrates resilience, innovation, and commitment to creating value for all stakeholders. This wonderful mission embraces the Prophet's concern of helping others as enshrined in the hadith:

"A Muslim is a brother of another Muslim, so he should not oppress him, nor should he hand him over to an oppressor. Whoever fulfilled the needs of his brother, Allah will fulfill his needs; whoever brought his (Muslim) brother out of a discomfort, Allah will bring him out of the discomforts of the Day of Resurrection, and whoever screened a Muslim, Allah will screen him on the Day of Resurrection ."

[Sahih Al-Bukhari 2442]

Once again, I commend the dedication and teamwork exhibited by our board, management and employees in delivering on this mission while navigating challenges and achieving new milestones.

The Board and I extend our steadfast gratitude for the investments made by the Malaysian government and regulatory authorities in growing opportunities for the Islamic finance industry. The Bank's positive evolution and growth over the years must be credited to the support and constant guidance from BNM and our Shariah committee.

In conclusion, I also extend my gratitude to all stakeholders, particularly our customers, for your continued trust and support. Towards becoming the strongest Islamic financial bank, we intend to strive for further distinction in all fronts of performance.

As we embrace new opportunities and challenges in the coming year, let us remain committed to excellence, transparency, and accountability. I look forward to future milestones achieved upon the unwavering commitment and resilience of our employees, and the trust of our stakeholders.

Thank you for your unwavering support and dedication. May Allah SWT bless us with compassion and guide us towards uplifting more Malaysians in the coming year.

Wabillahi taufiq walhidayah wassalamu'alaikum wa rahmatullahi wa barakatuh

To Allah we surrender

TAN SRI TAJUDDIN ATAN, FCB

Chairman