

## PRESIDENT & CHIEF EXECUTIVE OFFICER'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,

**It has been a transformative year for Bank Muamalat. Our theme, 'Better Lives, Together,' is a testament to our dedication to forge positive relationships with shareholders, customers, employees, regulators, and communities. In line with our aspirations for 2023, our management and staff prioritised stakeholder value, showcased resilience and innovation in every aspect of operations. This commitment is driven by our role as an Islamic Bank, guided by Maqasid Shariah principles.**

**Our purpose-driven RISE26+ strategy underpins our vision to help people and businesses achieve their ambitions while building a more sustainable and inclusive business. As we move forward together, we pave the road to success. Our efforts culminated in Bank Muamalat being recognised as the Most Improved Islamic Retail Bank in Malaysia at the Islamic Retail Banking Awards (IRBA). This accolade reflects our unwavering financial stability, community-centric focus, and commitment to sustainable growth, all rooted in our Islamic principles.**

**KHAIRUL KAMARUDIN**  
President & Chief Executive Officer

### MACRO LANDSCAPE

The global macroeconomic landscape in 2023 presented numerous challenges. Bank Negara Malaysia's Economic and Monetary Review 2023 highlighted the impacts of higher interest rates and inflation, slowing global growth to 3.1%. Geopolitical tensions, including the Ukraine-Russia war and unrest in Gaza, further exacerbated market volatility.

Weakened external demand and commodity production disruptions led to rising living costs. However, supportive government policies and initiatives from the Madani Economy framework anchored the nation's domestic demand. This, together with a resurgence in tourism activities led to a 3.6% GDP growth in FY2023.

Meanwhile, the banking sector continued to face pressures from increased competition for deposits and ongoing regulatory changes. The rise in the overnight policy rate (OPR) to 3% contributed to the overall challenges in maintaining net profit margins across the industry. Additionally, the introduction of digital banks, following the issuance of five digital banking licenses in 2022, further intensified competition within the sector.

**CASA deposits grew by 14.1% or RM1.3 billion, enhancing the Bank's CASA ratio to 31.2%.**

### REALISING 'BETTER LIVES, TOGETHER'

Alhamdulillah, Bank Muamalat's core commitment to serving all stakeholders and realising 'Better Lives, Together' led to a host of FY2023 achievements.

#### Delivering Sustainable Value to Shareholders

Our good balance sheet management bolsters investor confidence and fosters long-term investments. Diligent resource management has resulted in resilient financial performance that consistently delivers sustainable shareholder returns through profitability.

Despite the volatile macroeconomic environment and new regulatory priorities, Bank Muamalat achieved a commendable Profit Before Tax and Zakat (PBTZ) of RM295.6 million for the fiscal year. This financial performance was accentuated by several encouraging industry accolades and awards as we continue on our journey to be the strongest Islamic bank by 2026.

Through steadfast adherence to RISE26+ strategic initiatives, total revenue grew by 33.2% to RM1.8 billion, underpinned by a 30.3% increase in financing income and a growth of 7.1% in net income. The robust growth in revenue reflected the Bank's focus on expanding financing activities, driving total gross financing to increase by 17.7%, or RM4.3 billion. This growth was mainly fuelled by the household sector, particularly financing for residential property purchases and personal financing. The household sector contributed around 71.2% of total financing in FY2023. Affordable housing financing guaranteed by Syarikat Jaminan Kredit Perumahan Berhad (SJKP) played a crucial role, earning Bank Muamalat the Anugerah Prestasi Terbaik 2022-2023 award.

The Bank's efforts to secure and maintain a strong deposit base paid off, as total deposits and investment account of customers increased by 24.1%, or RM6.4 billion. Current Account and Savings Account (CASA) deposits grew by 14.0% or RM1.3 billion, which enhanced the Bank's CASA ratio to 31.2%. This growth in deposits indicates strengthened customer trust and a customer-centric product range.

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Despite intense competition in the market for deposits leading to a compression of the net profit margin from 2.66% to 2.22%, we were able to manage operating and credit costs prudently. Total operating expenses increased by RM42 million or 9.3% to RM494.8 million, driven mainly by higher personnel expenses. Despite this rise, the Bank maintained operational efficiency, ensuring that expense growth did not outpace revenue growth.

Our total assets recorded double-digit growth for the year at 23.9%, outperforming the industry average of 5.12%, largely driven by financing growth. Effective risk management practices and improved credit quality within our financing portfolio contributed to this growth. Despite the increasing trend of credit cost across the banking industry, Bank Muamalat recorded RM7.8 million or 18.9% lower allowance for impairment losses on financing. Our Gross Impairment Financing (GIF) ratio was 0.93%, well below the industry level of 1.69%, reflecting our commitment to helping customers manage their finances better.

As a result, we maintained strong capital ratios, with the Common Equity Tier I (CET I), Tier I, and Total Capital Ratios at 11.40%, 12.85%, and 17.34%, respectively. These were bolstered by the issuance of Tier-I Perpetual Sukuk amounting to RM350 million during the year. The successful inaugural issuance of RM350 million Additional Tier 1 Sukuk Wakalah, in which the Bank also acted as the Joint Principal Adviser/Joint Lead Arranger & Joint Lead Manager, gathered wide investor interest, earning the Regulatory Deal of the Year at the Islamic Finance News (IFN) Deals of the Year 2023.

Our non-funded income ratio increased by 7.9% in FY2023, up from 6.2% in the previous year while our return on equity, based on profit before tax recorded at 9.35%. We achieved this while upholding high standards of transparency, corporate governance, compliance, and risk management.

Effective risk management practices and improved credit quality within our financing portfolio contributed to double digit growth of total assets.

**Total revenue**  
**RM1.8 billion**  
 (↑ 33.2%)

**Total financing income**  
**RM1.4 billion**  
 (↑ 30.3%)

**Total deposits and investment account**  
**RM33.0 billion**  
 (↑ 24.1%)

### Serving Customers Better

As the rising cost of living was a key concern during the year, the Bank provided necessary support through initiatives that reflected our commitment to societal wellbeing and our adherence to Islamic values. We extended rescheduling and restructuring (R&R) assistance to offer customers relief from financial challenges and help them regain control of their finances.

To incentivise deposits, a Sijil Simpanan Islamik (SSI) campaign with substantial prizes up to RM1 million, was introduced.

These proactive actions taken helped the Bank sustain growth within the increasingly competitive environment as the Bank gained a substantial deposit increase of RM6.5 billion in FY2023.

Addressing the challenges brought by rapid digitalisation, we expanded our distribution channels and partners to transform the way we serve and interact with our customers. Digitisation was accelerated to increase efficiency and responsiveness, provide our customers with better banking solutions, and ensure that customers can interact with us how and when they want.

At the forefront of our operations, we made significant strides in enhancing internet banking and mobile banking services. These include the rollout of DuitNow QR for retail payments at all POS Malaysia outlets and improvements to the Mobile Application Platform (MAP), driving a 49.87% growth in MAP applications in FY2023.

For business clients, the launch of real-time cross-border payments through VISA B2B Connect Platform exemplified our commitment to efficient and effective financial solutions. This real-time cross-border payments and settlements platform simplifies and streamlines cross-border business-to-business payments, providing swifter and more reliable transfers at a lower cost.

In parallel with greater innovation, we invested in keeping our customers safe through secure banking transactions as financial crimes surged globally during the year, with online scams in Malaysia reportedly causing RM1.2 billion in losses. Our proactive response was to expedite more robust security measures, in line with Bank Negara Malaysia's directives, including moving from SMS one-time-password (OTP) to more secure forms of authentication for online transactions and account changes. This was followed in June 2023 with an i-MSecure feature to approve and reject transactions directly from smartphones securely. A kill switch was also introduced, enabling users to block access to their online banking accounts in case of suspicious activities, along with a cooling-off period for new enrolments of online banking services and secured devices. This commitment to providing a secure and seamless banking experience continues to be a core priority.

### Empowering Our People

Central to our success are our employees. We are committed to building an inclusive and sustainable organisation where our colleagues can perform the best that they can. Within the Bank, we remain committed to creating a workplace that values and supports employees from all backgrounds while providing a balance between work, health, spiritual, and development needs. Diversity, creativity, and inclusion are deemed essential in cultivating a culture of innovation and excellence.

Towards greater employee engagement and satisfaction, an Employee Engagement Survey was conducted among 90% of employees in December 2023. Significant investments have also been made towards establishing comprehensive career development frameworks and apprenticeship programmes to nurture a dynamic talent pool. Training was prioritised, with an average of 52 training hours per staff member in FY2023, surpassing the targeted 40 hours.

On this front, Bank Muamalat was recognised at the 6th TALENTBANK Graduates' Choice Award (GCA) 2023 for an unwavering commitment to attracting and retaining top graduate talent.



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### Driving Nation-Building Goals

We are committed to Malaysia's climate change goals, aligning with the National Energy Transition Roadmap (NETR) 2023 and Bank Negara Malaysia's Climate Change and Principle Based Taxonomy (CCPT) guidelines. During the year, Bank Muamalat actively participated in the Joint Committee on Climate Change (JC3) and developed a Climate Risk Management Framework in line with the Climate Risk Management and Scenario Analysis Policy requirements.

We have also been proactive in meeting regulatory requirements to advance a more sustainable future for the nation. Actions taken include integrating value-based intermediation and sustainability elements into our credit scorecard and business strategy. In contributing to the industry's value based intermediation (VBI) and sustainability journey, the Bank's VBI financing asset over total financing grew to 52.2% in FY2023. This comprised financing assets categorised for the purpose of sustainable financing that provides positive economic, environment and social impacts.

Leveraging synergies to amplify our commitments, we further collaborated with Malakoff Corp Berhad to support sustainable energy solutions in Malaysia through financing programmes for renewable energy (RE), including solar photovoltaic systems, battery energy storage systems, and electric vehicle chargers. This collaboration aligns with Budget 2024's focus on boosting the local electric vehicle (EV) industry.

### Contributing to the Community

When it comes to socio-impact, Bank Muamalat has always been a community bank at heart. Since the Bank's establishment, we have actively engaged in various collaborations with state religious councils and government agencies, executing numerous corporate social responsibility (CSR) programmes that reflect our commitment to social justice, environmental stewardship, and community development. These initiatives align with our Maqasid Shariah principles, ensuring we uphold our ethical and moral obligations.

Highlights for the year include the Bank's Waqf commitment, which reached RM37.1 million in collections, with RM20.3 million disbursed to healthcare, education, and investment sectors. Through the charity arm, Tabung Mawaddah, the Bank mobilised funds for social, educational, and health-related matters, disbursing a total of RM2.2 million across more than 1,400 projects in 2023. During Ramadan, the Bank continued to contribute to annual CSR programmes, distributing over RM400,000 in aid to orphans, asnaf, tahfiz students, and welfare homes.

More significantly, the development of Islamic social finance instruments for small businesses, namely the Bank's iPUSH and iTEKAD programmes, provide commercial growth opportunities with cascading impacts on low-income communities. In our journey towards becoming Malaysia's leading Islamic Bank, these specially developed products that serve the underserved towards holistic societal growth will continue to be the Bank's core focus.

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### RIISING AS THE STRONGEST ISLAMIC BANK BY 2026

Delivering sustainable returns through diligent resource management, efficient management of balance sheet and operational excellence has charted new milestones on our RISE26+ journey. Moving forward, our strategic focus areas for upcoming growth emphasise sustainable profitability, operational excellence, customer centricity, and digital innovation. By optimising capital allocation and enhancing our digital offerings, we aim to maintain double-digit revenue growth and improve customer experiences.

Operationally, the focus will be on growing high-yield assets and accelerating core fee income by expanding outreach, optimising funding cost and launching attractive promotional campaigns. Effective management of Risk Weighted Assets (RWA) will drive financial stability, regulatory compliance, and operational efficiency. Rigorous capital planning, close monitoring and stress testing will be conducted to anticipate future capital needs under various economic scenarios.

We aim to ensure a sustainable net profit margin by investing in digital technologies that enhance operational efficiency and improve the customer experience. Towards uplifting customer experiences, we want to be a provider of seamless, user-friendly experiences across all devices with robust functionalities and real-time transactions. Proactive customer support will be further enhanced through multiple channels, including chatbots, live chat, phone, and social media, and expand our outreach through omni-channel touchpoints.



Our digital banking strategy includes launching digital products for the retail segment, executing strategic digital marketing campaigns, and developing unique selling propositions to differentiate ourselves from competitors. We will also seek strategic partnerships to enhance our digital offerings.

By pursuing these strategic initiatives, Bank Muamalat is poised to achieve its goal of becoming the top Islamic bank in Malaysia, delivering exceptional value to all stakeholders and realising our mission of 'Better Lives, Together'.

### IN HUMBLE GRATITUDE

As we move forward, we are committed to maintaining our growth trajectory and addressing new challenges. Our focus remains on delivering sustainable value to all stakeholders, driven by our Islamic principles and the Maqasid Shariah. We will continue to innovate, leveraging technology and strategic partnerships to enhance our offerings and expand our reach.

We are grateful for the trust and support of our stakeholders, and we look forward to achieving greater heights together.

I extend my deepest gratitude to our Board of Directors, whose guidance has been instrumental in our success. I also thank our management team and staff for their unwavering dedication and hard work. To our customers, shareholders, and partners, your continued support and trust are invaluable to us. Placing our trust in the Almighty, we are inspired by the Quran:

**"And rely upon Allah and sufficient is Allah as Disposer of affairs."  
(Al-Ahzab: 3)**

Insha-Allah, we will continue to strive for excellence, uphold our Islamic values, and work towards a brighter future for all.

With sincere gratitude,

### KHAIRUL KAMARUDIN

President & Chief Executive Officer