

MEDIA RELEASE

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BANK ISLAM NET PROFIT RISES 12.5% TO RM553.1 MILLION IN FY2023

Declares an all-cash second interim dividend of 4.22 sen per share

HIGHLIGHTS

- The Group's Net Profit rose 12.5% y-o-y to register at RM553.1 million
- Net Return on Equity (ROE) at 7.8%, and Earnings per Share (EPS) of 24.57 sen
- Financing grew by 3.0% y-o-y to RM66.8 billion, while total deposits and investment accounts increased by 1.2% y-o-y to RM76.1 billion
- Healthy Current and Saving Accounts and Transactional Investment Accounts (CASATIA) composition at 39.9%
- Strong capital position with a Total Capital Ratio of 19.9%
- Declares an all-cash second interim dividend of 4.22 sen per share, bringing the total annual dividend to 16.81 sen per share

KUALA LUMPUR, Wednesday, [28 February 2024]: Bank Islam Malaysia Berhad (Bank Islam or the Group) registered a net profit of RM553.1 million for the financial year ended 31 December 2023 (FY2023), an improvement of 12.5% over the previous year. Accordingly, EPS and net ROE for the Group have improved to 24.57 sen and 7.8%, respectively, for FY2023.

The Group's net income rose 7.2% to RM2.48 billion (RM2,477.2 million) compared to RM2.31 billion (RM2,309.9 million) last year. Higher non-fund-based income, which surged by RM175.5 million or 75.9%, resulting from higher net gain from foreign exchange transactions and higher investment income, is attributed to the growth recorded.

Nevertheless, the increase was offset by a marginally decreased net fund-based income of 0.4% or RM8.3 million as the net income margin was lower by 16 bps to 2.12% for FY2023 (FY2022: 2.28%) due to higher cost of funds despite the growth in financing. Higher overheads and expansion of net allowance for impairment on financing and advances offset the Group's net income increase.

The Board of Directors is pleased to declare an all-cash second interim single-tier dividend of 4.22 sen per share, bringing the total annual dividend to 16.81 sen per share.

The Group's total assets grew by 1.2% year-on-year (y-o-y) to stand at RM91.0 billion at the end of December 2023, spurred by financing and investment securities growth and was offset by lower cash and short-term funds.

Financing grew 3.0% y-o-y to RM66.8 billion, while customer deposits and investment accounts stood at RM76.1 billion, with a y-o-y increase of RM0.9 billion or 1.2%. The growth was mainly attributable to the robust y-o-y growth of 9.8% or RM2.7 billion in total CASATIA, which stands at RM30.4 billion. This composition made a healthy level of 39.9% of total customer deposits and investment accounts. The Group's Total Capital Ratio remained strong at 19.9%.

Bank Islam maintains robust capital and liquidity positions, underscoring the continued strength of the Group's growth momentum and fundamentals.

As of 31 December 2023, the gross impaired financing ratio improved to 0.92% compared to 1.27% at the end of December 2022, which is better than the industry average of 1.65%.

Bank Islam Group Chief Executive Officer, Dato' Mohd Muazzam Mohamed, explains that in 2023, Bank Islam prioritised strengthening its fundamentals amid economic uncertainties, focusing on balance sheet discipline.

Furthermore, the Group has identified pockets of opportunities in its growth areas while ensuring infrastructure readiness in order to serve the customer better.

"We have improved Bank Islam's funding profile by focusing on expanding our deposit base among the retail and small and medium enterprises (SME) segments, enhancing transaction banking and payments capabilities. We launched the Ihsan Sustainability Investment Account Fund (ISIA) and provided investors access to primarily debt-based ESG assets," said Dato' Mohd Muazzam.

ISIA is the first of its kind to showcase the ability of Islamic Finance to make available products that will foster a Nature Positive Economy and ensure inclusive growth across society.

He explains that Bank Islam's commitment to responsible asset growth has led to increased client acquisition, particularly in the ESG sector, yielding positive returns despite a lower asset growth last year.

Outlook

Bank Islam reinforces its core strengths while promoting community empowerment and sustainability. Strategic partnerships, advisory products, and innovative solutions through Group Retail Banking and Group Institutional Banking are vital focuses. Dato' Mohd Muazzam outlines the strategic objectives for 2024, emphasising growth, asset quality, liquidity and funding management, and profitability to lead Malaysia's Islamic banking sector.

"The attention is on customer-centricity and sustainable financing through green initiatives with goals including increasing non-fund-based income, targeting optimum financing growth above the industry, and maintaining robust asset quality. The Bank will harness its capabilities further in wealth management while maintaining its competitiveness within the retail space. Emphasis on CASATIA growth through

partnerships and promoting cashless communities with a continued focus on the retail and small and medium enterprises (SME)," he said.

"In 2024, Bank Islam's client solutions will evolve beyond traditional financing to assist in boosting client's financial standing and value creation with options including listing and private equity fundraising," he said.

Bank Islam recently participated in the UN Global Compact Malaysia and Brunei (UNGCMYB) as part of its pledge towards sustainability.

"It is a significant milestone towards promoting sustainable business practices and aligning our strategies and operations with the Ten Principles of human rights, labour, environment, and anti-corruption.

"By our participation, Bank Islam aims to raise our UNSDG ambition and engage with other members of UNGCMYB to foster collaboration and innovation, thus enabling us to share best practices and learn from others, as well as attracting environmentally conscious customers and partners to drive the business further," Dato' Mohd Muazzam explains.

In advancing its sustainability commitments, the Group has surpassed its target for Shariah-ESG assets, achieving RM4 billion in 2023 – two years ahead of its original goal of 2025. As of the end of 2023, its Shariah-ESG assets stand at RM4.5 billion.

On the digital channel front, the growth of Bank Islam Internet Banking (IB) and GO by Bank Islam mobile banking app users is expected to rise in 2024. With registered users exceeding two million, Bank Islam is bolstering system reliability and crafting a better customer experience by unveiling more innovative offerings and features to provide its customers with a seamless and safe banking experience.

Social finance is positioned as an enabler of social development in Malaysia, complementing public sector finance and commercially driven financial solutions to fortify social resilience and foster inclusive development.

As a leading Islamic financial institution advocating social finance, Dato' Mohd Muazzam adds that Bank Islam will continue to provide opportunities and increase the upward mobility of the unserved and underserved segment, particularly the asnaf and B40-owned micro-enterprises through the offering of iTEKAD microfinance programmes (iTEKAD).

"Since its launch in 2020, a total of RM20 million in financing has helped almost 1,200 beneficiaries, including more than 200 individuals, under our iTEKAD and funding escalator programme. In 2024, the Bank will continue its effort and expand its focus on developing social enterprises in Malaysia. The initiative will provide opportunities for social entrepreneurs to enhance their skills and capabilities through our comprehensive iTEKAD programme," he said.

Bank Islam is the first Islamic bank publicly listed on the Main Market of Bursa Malaysia. Established in July 1983, the bank has 135 branches and over 900 self-service terminals across Malaysia. As a pure-play Islamic bank, Bank Islam provides retail banking and corporate financial solutions that strictly adhere to Shariah rules and principles. The bank is committed to sustainable prosperity and ESG values and is an official UN Global Compact Malaysia and Brunei participant. Bank Islam's core subsidiaries, BIMB Investment and BIMB Securities offer Islamic financial services, including investment and stockbroking. For more information on the Group's products and services, please visit www.bankislam.com.

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