



ABOUT THIS REPORT



Bank Islam is one of Malaysia's nine Islamic banking players committed as an early adopter of Bank Negara Malaysia's Value-based Intermediation initiative. This is aimed at moving the Islamic financial industry to the next level of growth by strengthening the impact of Islamic banking institutions in generating positive and sustainable impact to the economy, community and environment by relying on Shariah in determining underlying values, moral compass and priorities.

Our 2017 annual report is an integrated report that allows us to demonstrate our commitment to realise value for our stakeholders and provide details of our opportunities and challenges in doing so, as well as our strategies for the future.



REALISING VALUES

www.bankislam.com.my/home/corporate-info/annual-reports/

This year's Integrated Annual Report's theme of Realising Values conveys the importance we continue to place on our core values, Islamic values and the real value we intend to generate for our economy and society. Key to our progress as an organisation is the ability to create and deliver value to our multitude of stakeholders – customers, employees, regulators, shareholders, vendors, suppliers, communities. In 2017, we have begun to prioritise greater stakeholder engagement to better understand what they value, so we can generate real benefits for them, and create positive impact to our business.

OUR COMMITMENT TO INTEGRATED REPORTING

We are committed to the principles of integrated reporting as it aligns with our long-term value creation and the role we play as an Islamic bank in society, and makes corporate reporting more transparent and meaningful for our stakeholders. We are mindful that there is more we need to do to truly claim to be an integrated report. Our journey has just begun and together with us, our subsidiaries too have taken the initial step towards developing an integrated reporting mindset.



As part of our efforts to create greater accessibility through technology, and in line with environmental efforts to go paperless, scan this QR Code with your smartphone to view this integrated annual report online.



Get it

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Run it

Run the QR Code Reader app and point your camera at the QR Code



Access it

Access information and updated news about Bank Islam

COMPLIANCE AND ASSURANCE

Our report complies to Malaysian Financial Reporting Standards and reporting requirements under the Companies Act 2016. The annual financial statements for the financial year ended 31 December 2017 are audited by KPMG Malaysia.



SCOPE

All information included in this report refers to the year ended 31 December 2017, unless otherwise stated. The content of this report is the result of extensive engagement with our Board of Directors and Management Team as well as initial feedback from our stakeholder engagement efforts. A significant component of this stakeholder engagement is the materiality assessment which identifies the material matters that are most likely to impact our business. For more information on the material matters refer to page 28 of this report.



DRIVERS

The Bank is committed to four common underpinning thrusts of Value-based Intermediation as established by Bank Negara Malaysia for Islamic banking institutions:

ENTREPRENEURIAL MINDSET:

Greater involvement in facilitating entrepreneurial activities through holistic offerings.

BEST CONDUCT:

Adoption of practices that improve offerings, processes and treatment towards stakeholders.

COMMUNITY

EMPOWERMENT:Through provision of financial solutions that create positive

impact with a balanced consideration between commercial and social aspects.

GOOD SELF-GOVERNANCE:

Inculcating organisational discipline and ensuring meaningful participation of all stakeholders in the governance framework.

These thrusts are incorporated in the following material matters of our parent company, BIMB Holdings Berhad, upon which our strategies are solidly anchored.



RESPONSIBLE FINANCE

Developing ethical products and services that bring positive economic, social and environmental benefits



RESPONSIBLE EMPLOYER

Growing our employees to become valuable assets and be the best they can be



INCLUSIVE GROWTH

Ensuring that all layers of community grow along with us through inclusive financial offerings



ETHICAL PRACTICE & REPORTING

Ensuring that our practices are governed by our core values, and that social and environmental considerations are consistently our top priorities More information on these drivers can be found on Our Value Creation

CONTENTS



16 CHAIRMAN'S OVERVIEW



32 CEO'S REFLECTION ON 2017



12 OUR FINANCIAL HIGHLIGHTS

01

OUR PURPOSE



- 6 About Us
- 7 Our Vision, Mission & Core Values
- 8 Our Employee Value Proposition
- 10 Our Organisation Chart
- 12 Our Financial Highlights
 - Financing by Contract
 - Financing by Segment of Business Units
- 16 Chairman's Overview

02

OUR VALUE CREATION



- 22 Our Business Model
- 24 How We Create Value
- 26 Engaging Our Stakeholders
- 28 Our Material Matters



MANAGEMENT DISCUSSION & ANALYSIS



GOVERNANCE & RISK MANANGEMENT



- 32 CEO's Reflection on 2017
- 38 Review of Business Operations
 - Consumer Banking
 - Commercial Banking
 - Corporate Banking
 - Capital Market
 - Treasury
 - Deposits & Cash Management
- 50 Our 2017 Priorities
 - Shareholder
 - Industry
 - Customers
 - Employees
 - Environment
 - Communities

108 Ethics, Integrity & Trust

- 110 Statement on Corporate Governance
 - Shariah Supervisory Council
 - Audit and Accountability
 - Risk Management
 - Compliance Culture

04

OUR CORPORATE FRAMEWORK



106 FINANCIAL STATEMENTS



- 76 Corporate Infomation
- 78 Shareholding Structure
- 79 Shareholder's Information
- 80 Subsidiaries' Information
- 82 Profile of Board of Directors
- 92 Profile of Shariah Supervisory Council
- 97 Profile of CEO
- 98 Management Committee
- 100 Profile of Management Committee
- 103 Profile of Regional Managers
- 105 Profile of Heads of Subsidiaries

144 Financial Statements

259 Pillar 3 Disclosure

07

DIRECTORY



315 Directory & Branch Network

BANK ISLAM'S AWARDS & ACCOLADES

We achieved a holistic array of awards that reflect the Bank's focus on delivering value in all aspects of our business.





 VOTED TOP 3 MOST POPULAR GRADUATE EMPLOYER

in Banking and Financial Services Sector 2017

 RANKED TOP 20 IN MALAYSIA'S 100 LEADING GRADUATE EMPLOYERS 2017

for the fourth consecutive years, putting us amongst the country's top recruiters

BEST SUSTAINABILITY

at the Islamic Business & Finance South East Asia Awards 2017

BEST ADVERTISING CAMPAIGN

at the Islamic Business & Finance South East Asia Awards 2017

MOST OUTSTANDING ISLAMIC RETAIL BANK

at the KLIFF Islamic Finance Awards 2017

 COMPANY OF THE YEAR AWARD (BANKING CATEGORY – GLC)

at the CSR Malaysia Awards 2017

 LARGEST PAYMENT VOLUME – ISLAMIC DEBIT CARD AWARD

by Visa Malaysia Bank Awards

 HIGHEST PAYMENT VOLUME GROWTH – DEBIT CO-BRAND CARD AWARD

by Visa Malaysia Bank Awards

BEST ISLAMIC ESG BANK

by The Assets Asian Awards 2017

BEST ISLAMIC FINTECH DEAL

by The Assets Asian Awards 2017

BEST CUSTOMER EXPERIENCE (DIRECTDEBIT)

at the Malaysian e-Payments Excellence Awards 2017 by MyClear

 HIGHLY COMMENDED AWARD FOR BEST NEW PRODUCT, SERVICE OR INNOVATION LAUNCH

at the Retail Banker International Asia Trailblazer Awards 2017 by Retail Banker International











ABOUT US



In 1983, we took a bold step to become the first Islamic bank in Malaysia. Since then, we have been growing as a full-fledged Islamic banking institution with more than four million customers nationwide at present. In addition, we have been recognised as the source of Islamic banking reference and guidance, with the responsibility to grow the industry and bringing further advancement to the Islamic financial system.

Right from the start, Bank Islam has lived up to its name by offering pure Shariah-compliant solutions. Through our continuous innovations, we offer a diversified range of solutions that meet our customers' financial needs. Our structured operations and capable people are dedicated to delivering exceptional banking experience to our customers and supporting them in the moments that matter most. We provide the widest network of dedicated Islamic banking channels with 147 branches and more than 1,100 self-service terminals nationwide.

Our effort to expand our market presence is intensified by our endeavour to build our digital banking capability. We develop strategies and platforms related to Financial Technology ("FinTech") that will enable us to better connect with our customers, ushering in a new era of banking experience and service excellence. Our continuous digital innovations help us to promote the idea of inclusive growth as we aim at creating more economic opportunities within our business and the communities we operate in, supporting our ongoing efforts to develop the **real economy**.

Through our strict adherence to Shariah rules and principles, we have earned a reputation as an ethical and trustworthy banking institution. Our commitment to upholding strong

corporate governance has ensured that we consistently make the right decisions in looking after the best interest of our stakeholders.

Being a fully Shariah-compliant organisation, our ingrained values and principles have instilled upon us a sense of responsibility in ensuring the well-being of the society and natural environment. Through our community engagement programmes, we have been instrumental in uplifting the lives of needy communities as well as preserving our precious natural ecosystem.

Today, Bank Islam is taking another step forward as we assume our responsibility to strengthen the role and impact of Islamic finance. By adopting the principles of **Value-based Intermediation ("VBI")** as advocated by Bank Negara Malaysia, we commit ourselves to becoming a responsible financial institution that is dedicated to upholding the shared values of integrity, inclusivity and sustainability. As we embark on this journey, Bank Islam is building a sustainable future that promotes inclusive economic and social progress for our stakeholders, and at the same time offers a better, faster and fairer service for the benefit of all.

OUR

VISION, MISSION & CORE VALUES

INTEGRATED ANNUAL REPORT



"Global Leader" is defined as being the ultimate guidance and source of reference for innovative Shariah-based products and services



MISSION STATEMENT

- To continually develop and innovate universally accepted financial solutions in line with Shariah principles
- To provide a reasonable and sustainable return to shareholders
- To provide a conducive working environment and to become an Employer of Choice for top talents in the market
- To deliver comprehensive financial solutions of global standards using state-of-the-art technology
- To be a responsible and prudent corporate citizen



OUR **EMPLOYEE VALUE PROPOSITION**





WORKING WITH THOUGHT LEADERS OF ISLAMIC FINANCE



MAXIMISING POTENTIAL



BEYOND WORK AND LIFE



LIVING THE UNIVERSALLY ACCEPTED GOOD VALUES

What it means to be here...

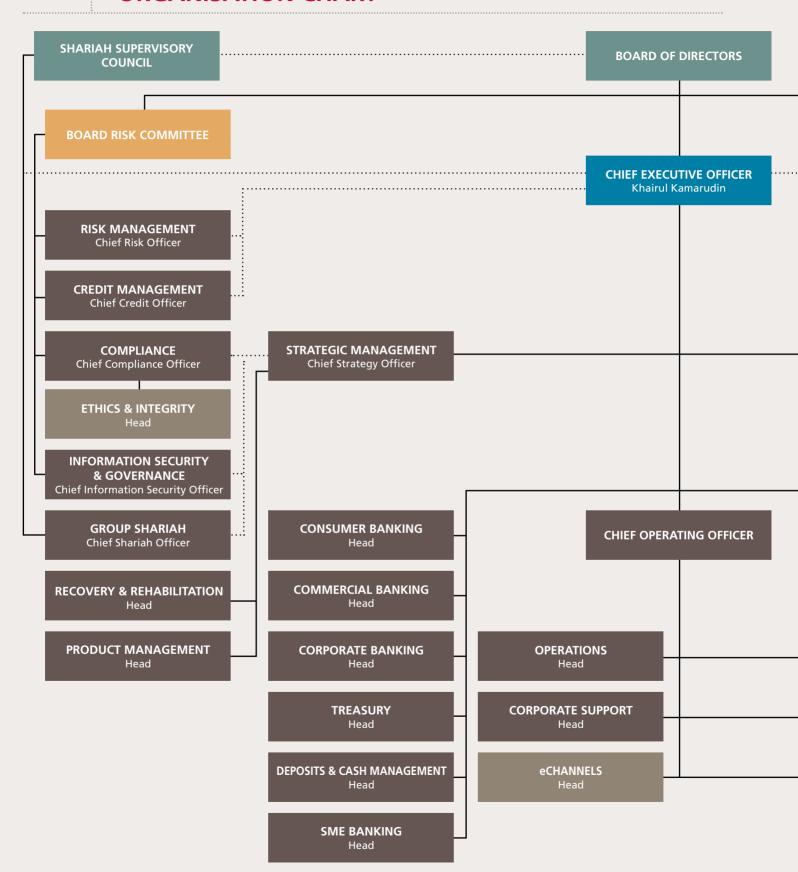
Working in Bank Islam means working with the best minds in the industry. We are the pioneer and acknowledged leader of Islamic finance which continue to meet the needs for Shariah-compliant financial solutions. It provides great opportunities for idea sharing and knowledge development.

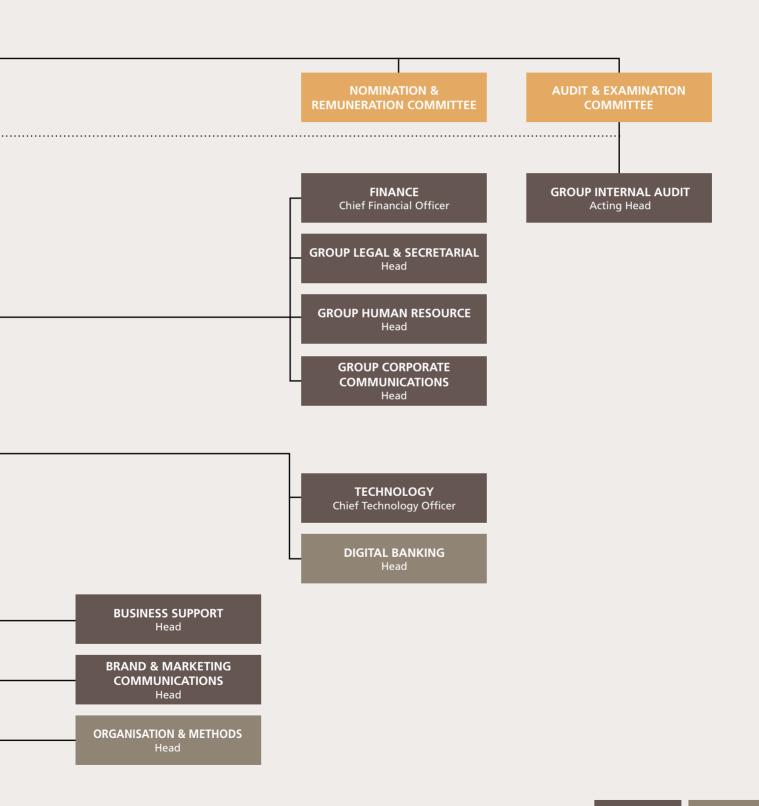
We bring out the best in our people through a lifelong and multi-faceted learning approach. We provide a platform which allows employees to explore, develop and fulfil their ambitions, both personally and professionally. We go beyond the norm to ensure the holistic development of our people.

We believe in a balanced approach to work and life, allowing our employees to grow and benefit both professionally and spiritually. As we grow our businesses, we believe in giving back to society through various initiatives as this would enable the community to develop further. We also recognise the importance of contributing back to the ecosystem we operate in.

At Bank Islam, we believe in living the universally accepted good values. You will discover a workplace that thrives on professionalism, integrity, mutual respect and care for each other. We also believe in being inclusive in propagating and practicing these good values.

OUR ORGANISATION CHART





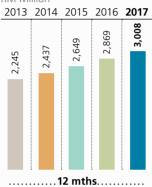
OUR FINANCIAL HIGHLIGHTS

GROUP FINANCIAL YEAR ENDED 31 DECEMBER

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2017	2016	2015	2014	2013
Operating Results (RM'000)					
Total Revenue	3,008,181	2,868,781	2,649,396	2,436,826	2,245,105
Income attributable to depositors and investment account holders	1,208,337	1,108,024	1,031,693	851,126	779,465
Profit before Zakat and Tax	767,053	720,412	685,661	702,751	677,283
Profit after Zakat and Tax	566,118	530,962	507,262	510,502	485,726
			-		
Key Statements of Financial Position Items (RM'000)					
Total Assets	57,742,914	55,676,697	49,763,719	45,820,682	42,811,371
Total Financing	42,113,420	39,189,274	34,294,690	29,524,571	23,740,948
of which:					
Gross Impaired Financing	398,277	389,445	381,270	344,539	285,302
Securities	9,633,608	10,589,824	10,421,041	11,219,044	13,697,143
Deposits from Customers	46,192,910	45,940,414	43,556,350	41,010,332	37,245,002
of which:					
Current and Savings Deposits ("CASA")	15,472,127	14,133,576	15,256,290	15,626,738	14,562,601
Investment Accounts of Customers	4,260,185	3,812,261	676,105	_	-
Subordinated Sukuk Murabahah	1,006,486	704,393	704,380	_	-
Shareholders' Equity	4,959,704	4,385,466	4,032,568	3,729,590	3,326,835
of which:					
Share Capital	2,869,498	2,404,384	2,363,283	2,319,907	2,298,165
RATIO ANALYSIS					
Return on Assets	1.35%	1.37%	1.43%	1.59%	1.69%
Return on Equity	16.42%	17.12%	17.67%	19.92%	21.07%
Cost Income Ratio	57.26%	52.82%	52.67%	52.13%	54.54%
Capital Adequacy Ratio	16.44%	15.52%	15.32%	13.36%	14.06%
Gross Impaired Financing Ratio	0.93%	0.98%	1.09%	1.14%	1.18%
Financing to Available Fund Ratio - excluding Investment Accounts of Customers	81.41%	77.31%	77.46%	73.42%	65.09%
Earnings per Share	23 sen	22 sen	22 sen	22 sen	22 sen

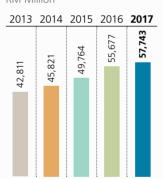
TOTAL **REVENUE**

RM Million



TOTAL **ASSETS**

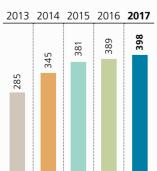
RM Million



GROSS IMPAIRED

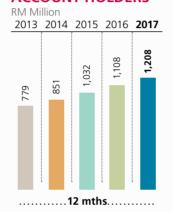
FINANCING

RM Million



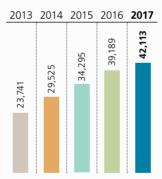
INCOME ATTRIBUTABLE TO **DEPOSITORS AND**

INVESTMENT ACCOUNT HOLDERS



TOTAL FINANCING

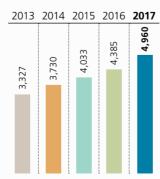
RM Million



SHAREHOLDERS'

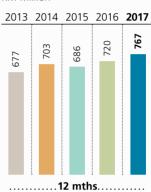
EQUITY

RM Million



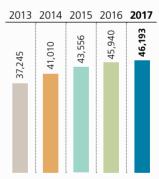
PROFIT BEFORE ZAKAT AND TAX

RM Million



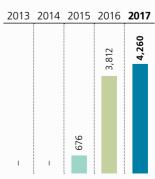
DEPOSITS FROM CUSTOMERS

RM Million

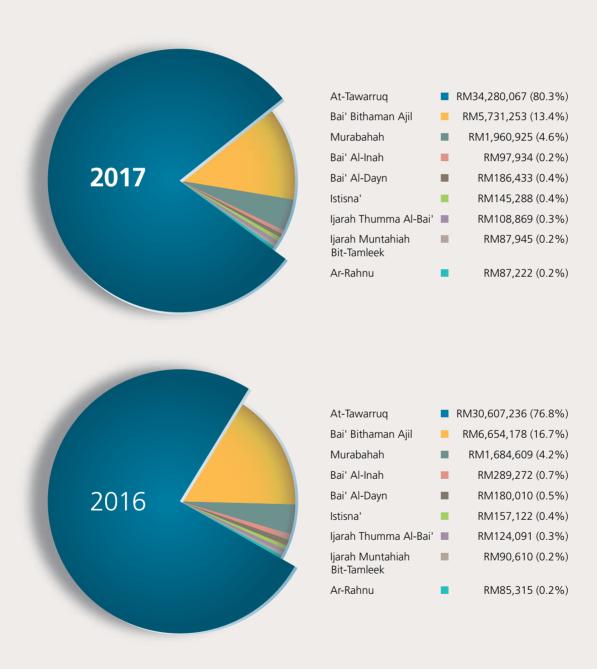


INVESTMENT ACCOUNTS OF CUSTOMERS

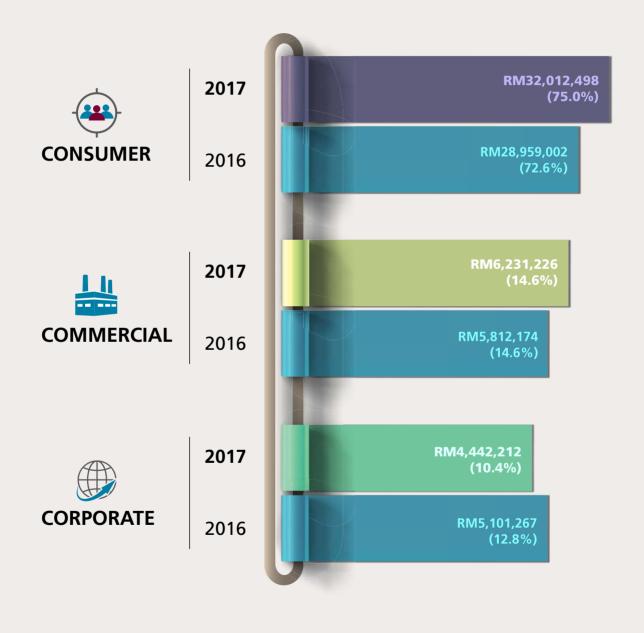
RM Million



FINANCING BY CONTRACT (RM'000)



FINANCING BY SEGMENT OF BUSINESS UNITS (RM'000)



CHAIRMAN'S **OVERVIEW**







DEAR VALUED SHAREHOLDERS,

REALISING VALUE IS A THEME THAT HAS ALWAYS REVERBERATED THROUGH MANY ASPECTS OF BANK BUSINESS. BUT IN 2017, IT TOOK ON PARTICULAR SIGNIFICANCE AS THE BANK ISLAM GROUP ("BANK ISLAM" OR "THE BANK") BECAME AN EARLY ADOPTER OF THE BANK NEGARA MALAYSIA-LED VALUE-BASED INTERMEDIATION ("VBI") INITIATIVE WHICH CALLS FOR A REFINED BUSINESS MODEL THAT FOCUSES ON THE IMPACT OF OUR BANKING BUSINESS TO VARIOUS STAKEHOLDERS. TODAY. VBI IS AT THE HEART OF OUR BUSINESS OPERATIONS TO DELIVER A SUSTAINABLE PERFORMANCE WITH A STRATEGIC FOCUS TO SUPPORT ECONOMIC, SOCIAL AND ENVIRONMENTAL DEVELOPMENT.

The Bank has initiated the development of adequate processes, methodologies and tools to identify and monitor the positive impact of our financing products. This requires a paradigm shift in our business practices particularly in our screening process that not only considers Shariah aspects but takes into account the consequences of our financing to today's society, and subsequently our future generation. This is to realise the elements of *Maqasid Al-Shariah* (Objectives of Shariah) which form part of *Dharuriyyat* (Essential).

Under the concept of VBI, the Bank continues to embrace the client-centred culture that preserves long-term relationships with our customers. During the year, Bank Islam enhanced its infrastructure and delivery system to improve customer experience. Moving forward, Bank Islam will also encourage greater transparency among our clients in disclosing their business impact on community wellbeing, sustainable environment and economic growth.

It is a timely and vital move as while the Malaysian Islamic banking industry is growing, annual growth rate has reduced from double-digit to single-digit expansion, which signals the need for Islamic banks in Malaysia to explore new opportunities for sustained growth. Through VBI's focus on enhanced stakeholder relationships, greater windows of opportunities for business growth can be harnessed.

CHAIRMAN'S **OVERVIEW**

(cont'd)

VALUE EARNED

The year saw the changing of guard within our organisation amidst continued challenges for the banking industry at large. Alhamdulillah, I am pleased to report that the Bank remained strong, ending the year 2017 with commendable 6.5% increase in Profit Before Zakat and Tax ("PBZT") to RM767.1 million and dividend payout of RM282.5 million, which was approximately 50% of Profit After Zakat and Tax ("PAZT"). Our pre-tax Return on Equity ("ROE") of 16.4% and Return on Asset ("ROA") of 1.4% remain as one of the highest in the industry. This is the result of our continued execution of the 3D (Defensive Strategy, Deposit Drive and Digitalisation) strategy that has been put in place.



For a more detailed analysis of our Financials, please refer to pages 159 to 258.



VALUE REALISED

The Bank's focus on holistic value delivery continued to be recognised by the industry. At the "Islamic Business & Finance South East Asia Awards 2017", Bank Islam was recognised for "Best Sustainability". It was also named "Most Outstanding Islamic Retail Bank" at the Kuala Lumpur Islamic Finance Forum ("KLIFF") Islamic Finance Awards 2017.

Continuing to make waves in the cards business, the Bank received the "Largest Payment Volume – Islamic Debit Card Award" and the "Highest Payment Volume Growth – Debit Co-Brand Card Award" by Visa Malaysia Bank Awards. This was followed by the "Best Customer Experience (DirectDebit) in Malaysian e-Payments Excellence Awards 2017" by MyClear.

Premised on our innovative e-Donation service, Bank Islam won the "Highly Commended Award for Best New Product, Service or Innovation Launch" at the Retail Banker International Asia Trailblazer Awards 2017 and "The Asset Triple A Digital Awards" by The Asset Asian Awards for the Best Retail Emerging Digital Technologies. We also clinched the "Best Islamic FinTech Deal" and the "Best Islamic ESG Bank" at The Assets Asian Awards 2017, a testament to our success in entering new frontiers. On the Corporate Responsibility ("CR") front, the impact of our AMAL programmes gained us prestige as "Company of the Year Award (Banking Category – GLC)" at the CSR Malaysia Awards 2017.

Finally, we were proud to be voted "Top 3 Most Popular Graduate Employer in Banking and Financial Services Sector", ahead of many leading financial institutions and ranked "Top 20 in Malaysia's 100 Leading Graduate Employers 2017" both for the fourth consecutive year, making us amongst the country's top recruiters. This has been the result of the Bank's focus on enhancing staff welfare and benefits as well as talent enrichment initiatives. These include the creation of Staff Ihtimam Fund, which aims at helping our staff or dependants of deceased employees, who are faced with personal hardship. A host of other benefits such as 90-day paid maternity leave, seven days paternity leave and early release for expectant female employees have also been approved in 2017 in our quest to make the Bank a company our employees are proud to work for.

PRESERVING VALUES

As an Islamic bank, trust in our commitment for the greater good is the value-added advantage many seek in our business. It builds trust among our stakeholders that we practice Zero-Tolerance policy on corruption and unethical practices.

Our culture centres on observing strict Shariah-compliant practices in all we do, be it our business activities or operations. The Bank follows through the culture of integrity, transparency and good governance in our practice. During the year, initiatives to strengthen our corporate and conduct culture include enhancement of our whistle-blowing policy and establishment of a dedicated Ethics & Integrity department.



The Bank's efforts to promote awareness of the compliance culture are continuous so as to ensure customers' data protection and combat money laundering. The Bank consistently carries out education and awareness on compliance through its compulsory e-Learning courses for all employees on subject matters, such as, Anti-Money Laundering and Counter-Financing of Terrorism Awareness and Information Secrecy and Data Protection. All these initiatives embed the ownership and responsibility of risk and compliance across all businesses, support units and branches.



For more information on our Ethics, Integrity & Trust, please refer to pages 108 to 143.

ADVANCING ON VALUE CREATION

We intend to continue our efforts in serving the real economy through greater participation in the SME (small and medium-sized enterprise) sector that could potentially create greater multiplier effects to the economy and job opportunities. One of the strategies is to provide financing to the supply chain while working closely with existing corporate clienteles.

As part of the Bank's strategic agenda for social finance, the Bank has established Sadaqa House, an initiative to promote economic development in the underserved sectors through a crowdfunding platform. Through Sadaqa House, the public can contribute to realising social finance projects for sectors such as healthcare, education and other social ventures.



For more information on our Value Creation, please refer to pages 22 to 29.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to record my utmost gratitude to Dato' Sri Zukri Samat who retired on 9 June 2017. Since his appointment in 2006 to help turn around the Bank's prospects then, Dato' Sri Zukri has been pivotal in the Bank's successful transformation and series of pioneering milestones thereafter. He has instituted a strong culture of integrity among the workforce through his exemplary leadership and conduct.

The Board warmly welcomes Encik Khairul Kamarudin who took over the reins of management on 14 June 2017. As the Bank's former Deputy Chief Executive Officer, he was part of the succession plan that has been put in place. Encik Khairul joined Bank Islam in 2005 and played a vital role in transforming the Bank's business. The Board has high confidence in his leadership to continue executing the strategy formulated to propel Bank Islam to greater heights.



We would like to welcome two of our new Board of Directors Dato' Sri Khazali Ahmad and Encik Azizan Ahmad who assumed their roles effective 2 January 2018. Also, to Dato' Dr Haji Anhar Haji Opir who was appointed as a member of our Shariah Supervisory Council ("SSC") in April 2017. We look forward to their contributions and the benefit of their wisdom. Our sincere appreciation to Ustaz Dr Muhammad Syafii Antonio, member of the SSC and Encik Muhammad Zahid Abdul Aziz, subject matter expert of SSC who have resigned from the Council in March 2017 for their invaluable contribution to the Bank.

I also take this opportunity to thank the Malaysian government and regulatory authorities, in particular BNM and the Securities Commission, for consistently thinking ahead and putting in place strong sustainable frameworks and infrastructure for the Islamic finance industry. It is through their efforts that Malaysia continues to enjoy a global lead in Islamic finance.

My gratitude extends to my fellow directors, the members of the Bank's Shariah Council and to our diligent and hardworking employees as well, for their contribution to the Bank's growth. Finally, on behalf of the Board, I sincerely thank our shareholders and diverse stakeholders for their strong support and loyalty.

Datuk Zamani Abdul Ghani

Chairman

Khairul: New leadership to focus on digitalisation

Best blier is currently sorting a fit produlate to head its new digital division. according to CEO

The Malaysian Reserve
03 Aug 2017



for sold.

N ground, Runk bilanti-dip-ited platform calcox for sold-98DEO talest-out of the IR mil-lion calments. House, Chainal-separch En Spout in garre coun-ther next note years with the

nes-digital product in 2018.

Kilatival uchied that Sonis-foliate is equing to narrow the Julianisia arrort gap with Mirchaels labour (Sul, with the

tify the right test to Jaine in growing and humanos. The task, Khatratif approintment as think hidden's trave CDO cases into affect to Jaine M, and will specified a period of their posts. The time is which consect by EMM their language little, while Malacolar's polyme from heard Landings Tolking Hill San a 12-7%, controlling while in 1884.

BANK ISLAM'S MEDIA HIGHLIGHTS

It was a year of change in leadership but uninterrupted growth as we stayed on track of set strategies and continued to focus on making a real impact.



Bank Islam sumbang buku kepada perpustakaan awam

ork Mars) meruperuninden deru zeiter (MST,000 embelian buku rajuk-ungan bikus, uanak di-



Deposit Bank Islam cecah RM45.9 billion



Bank Islam sasar peroleh RM70 juta IAP

Bank Islam lancar Program Prihatin



Khairul berupaya teruskan kecemerlangan Bank Islam



Utusan, Angkasa, Bank Islam rai anak yatim

Bank Islam serah hadiah



Khairul kini CEO baharu Bank Islam

bala BIMB catat prestasi lebih tinggi



Zakat fund worth

RM92,000 given out

Bank Islam bantu mangsa banjir

New houses for 10 families in Negri

BIMB leads Malaysia's Islamic banking sector

FAS, Bank Islam

Jalin kerjasama

Bank Islam buka lebih 63,000 akaun Al-Awfar

Bank Islam-Utusan anjur anugerah patuh syariah



Bank Islam belanja RM5.5j bantu bina, baiki rumah

BIMB Invest targets RM100m BIMB-Arabesque Malaysia fund

BIMB builds momentum with higher profit in IQ

Bank Islam menang anugerah

Kad keahlian untuk profesor

Bank Islam buka cawangan ke-147





Kad Debit-i Bank Islam Visa MHC dilancar



Bank Islam serah zakat pemiagaan RM2 juta



Bank Islam perkukuh perbankan digital

Collabora

Kosmo 30 Aug 2017

OUR BUSINESS MODEL

KEY INPUTS



FINANCIAL CAPITAL

- RM4.86 bil Common Equity Tier-1 Capital
- RM1.4 bil Tier-2 Capital
- RM5 bil total equity
- RM46.2 bil total deposits
- RM4.3 bil in investment accounts (IA)



INTELLECTUAL CAPITAL

- Pioneering & leading Islamic finance and banking institution
- Robust risk management and governance framework
- · Strong brand franchise
- Product innovations Waqf House Financing, Investment Account (IA), ESG-compliant funds
- Service innovations TAP, IAP (leading IAP provider), Sadaga House
- Strategic partnerships Petronas, PTPTN, LTH, STMB, Arabesque, Cognizant, Amanah Ikhtiar Malaysia, Universities etc.



INFRASTRUCTURAL CAPITAL

- 147 branches and online platforms
- **5** BDC outlets
- 9 Ar-Rahnu outlets
- 1,117 self-service terminals
- RM132.3 mil investment in IT infrastructure
- RM3.6 mil investment in mobile banking



HUMAN CAPITAL

- Attractive Employee Value Proposition
- **4,568** employees
- RM12.8 mil invested in talent enrichment
- Structured succession planning
- Competitive employee benefits



SOCIAL & RELATIONSHIP CAPITAL

- More than 4.3 mil customers
- RM5.6 mil invested in community and corporate responsibility projects
- RM12.9 mil paid out in zakat
- AMAL programmes and initiatives Flagship for CR activities
- Sadaqa House Flagship for social finance
- Participation in **SL1M** programme
- 416 man-hours spent for CR



NATURAL CAPITAL

- Environment Impact Screening for credit evaluation
- Green Financing portfolio
- Launched first ESG- & Shariah-Compliant Fund
- Energy-saving measure
- Paperless initiative

OPERATING ENVIRONMENT

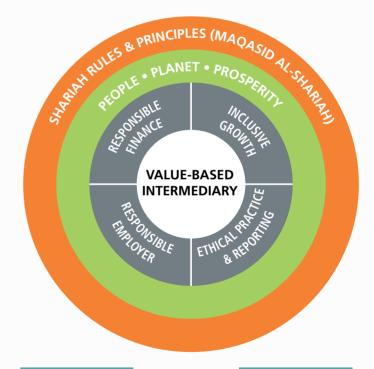
ECONOMIC CONDITIONS

REGULATORY CHANGES

OUR BUSINESS

GOVERNANCE

RISK AND OPPORTUNITIES



PERFORMANCE

FUTURE OUTLOOK COMPETITIVE LANDSCAPE

DIGITAL TREND

3D BUSINESS STRATEGY

- DEPOSIT DRIVE
- DEFENSIVE STRATEGY
- DIGITALISATION

PRODUCTS & SERVICES

- Deposit & Investment Accounts
- Consumer Financing
- Business and SME Financing
- Asset-based Financing
- Project and Infrastructure Financing
- Trade Finance
- Wealth Management & BancaTakaful
- Treasury Services
- Cash Management Solutions
- Credit & Debit Cards
- Ar-Rahnu

KEY OUTPUTS

CUSTOMERS

- RM1.1 bil profits paid to depositors
- RM0.1 bil profits paid to investment account holders
- RM4.3 bil in new personal financing
- RM3.2 bil in new home financing
- RM2.9 bil in new business financing
- RM335.8 mil in new vehicle financing
- **589,415** TAP subscribers
- **889,645** registered online users with more than **RM6.9** bil in transactions
- 281,958 PTPTN student accounts
- RM6.1 bil in transactions for LTH Uniteller Service

EMPLOYEES

- RM509.6 mil paid in remuneration to employees
- 97.07% retention rate
- More than 164,000 employee training hours
- **301** employees promoted in 2017
- **216** employees obtained professional certificates in 2017
- Workforce diversity

COMMUNITY

- Total of **RM523.6 mil** financing under Green Financing portfolio
- Total ESG-compliant fund size of RM400 mil, the largest Islamic global equity fund in Malaysia (November 2015 – February 2016)
- RM184.6 mil paid in corporate taxes (RM48.3 mil paid out in GST)
- 477 SL1M participants trained since 2014
- 190 SL1M trainees absorbed since 2014
- More than 23,000 individuals benefitted from CR and zakat activities and programmes
- **2,185** IPTA students benefitted from zakat distribution

REGULATORS

- Driving Value-based Intermediary initiatives
- Commitment to growing Investment Account (including via IAP)
- Support industry-wide digital agenda
- Maintain composite risk rating
- **RM4.3 mil** paid to PIDM for deposits protection
- Ingrained compliance culture amongst staff

SHAREHOLDERS

- 16.42% return on equity
- 1.35% return on asset
- 16.44% total capital ratio
- RM266.5 mil of dividends paid to shareholders
- Won **10 awards** in 2017

VENDORS & SUPPLIERS

- Total premium of RM247.8 mil paid to BANCA partners
- More than **1,000** registered suppliers
- Approximately RM500 mil paid to vendors and business partners

KEY OUTCOMES

(For more detail, please refer to our Management Discussion & Analysis)

HOW WE CREATE VALUE

BANK ISLAM WAS INITIALLY ESTABLISHED FOR THE MUSLIM POPULATION IN MALAYSIA, CATERING TO THEIR NEEDS FOR SHARIAH-COMPLIANT BANKING PRODUCTS AND SERVICES. WE HAVE SINCE EXPANDED OUR SCOPE THAT REFLECTS OUR COMMITMENT TO STRENGTHENING THE ISLAMIC FINANCIAL INDUSTRY, AND OUR BELIEF THAT WE CAN BE A POWERFUL FORCE OF GOOD FOR THE SOCIETY BY DELIVERING ON THE TRUST PLACED ON US AS A RESPONSIBLE FINANCIAL ENTITY.

WHAT WE DO	HOW WE CREATE VALUE FOR OUR STAKEHOLDERS	STAKEHOLDERS IMPACTED
We provide savings, investment and other forms of client specific products.	We fulfil our customers' need for pure and complete Islamic financial solutions, while safeguarding their investments and wealth, in addition to providing growing returns.	Customers
We provide several access points and methods of banking to facilitate options and to improve customer experience.	We have the country's largest network of dedicated Islamic banking channels, and our continuous efforts to provide new facilities to provide a convenient and secure way for our customers to access our banking products and services.	Customers
We strive to introduce new channels of operation, adopting latest advances in technology.	Our drive for digitalisation will enable us to offer a whole new customer experience as well as increase our financial inclusivity efforts to better serve the underserved community.	Customers
We share market-leading knowledge on Islamic finance with the industry and public to ensure increased understanding.	We play a major role in driving further advancement of the industry, contributing to the country's development as a global Islamic financial centre.	Government and Regulators Customers Industry Peers
We provide technical assistance in the setting-up of Islamic financial institutions globally.	Financial and banking institutions around the world have been seeking our advices and consultations on Islamic financial structure and processes.	Industry Peers
We invest in our people with training and development programmes to attract, cultivate and retain.	Our development programmes and work culture initiatives create highly capable and motivated employees, and also imbue them with values that are aligned with the Bank's culture and enable them to contribute positively to the progress of the society, industry and nation.	Customers Employees

WHAT WE DO	HOW WE CREATE VALUE FOR OUR STAKEHOLDERS	STAKEHOLDERS IMPACTED
We implement initiatives to grow internal talent for upward mobility.	We provide opportunities for our employees to gain professional certifications and develop their careers.	Customers Employees
We manage and execute all our client interactions with the highest degree of professionalism, ethics and transparency.	We earn the trust of our stakeholders by looking after their best interest and ensure that their issues are addressed and resolved in the right manner.	Customers Government and Regulators Local Communities
We champion ESG principles in our customer screening.	We take great responsibility in ensuring we do not conduct any business dealings with corporations or entities that are involved in activities that are harmful to the society and environment.	Government and Regulators Local Communities
We embark in activities hat benefit marginalised communities.	We strengthen the society by contributing towards socio- economic progress, building financial resilience and social cohesion, as well as contributing to environmental wellbeing.	Local Communities
Ve have an increasing green inancing portfolio to ensure ufficient financial support to he renewable energy market.	We look after the wellbeing of our precious natural resources by providing support to companies or projects that generate benefits to the people through the implementation of environmental-friendly solutions and green technology.	Government and Regulators Local Communities
We adopt sustainable practices as far as possible both internally and externally.	We strengthen our resolve towards sustainability with our commitment to create long-term value for our stakeholders, contributing to the growth of our organisation, our people, the economies and the communities we operate in.	Government and Regulators Employees Customers Local Communities

ENGAGING OUR STAKEHOLDERS

OUR STAKEHOLDERS ARE IMPORTANT AS THEY ARE FUNDAMENTAL TO OUR EXISTENCE AND PURPOSE AS A BANKING INSTITUTION TODAY. WE ENGAGE WITH OUR STAKEHOLDERS ON A REGULAR BASIS AND THROUGH VARIOUS CHANNELS, AND HAVE ALWAYS STRIVE TO ADDRESS THEIR CONCERNS. WE ENDEAVOUR TO GAIN AN UNDERSTANDING ON THEIR NEEDS AND SEEK TO BALANCE THEM WITH OUR OWN GOALS AND PURPOSE. BY GETTING OUR BALANCE RIGHT, WE ADDRESS OUR MATERIAL MATTERS AND CONTRIBUTE SIGNIFICANTLY TO THE BETTERMENT OF THE SOCIETY.

STAKEHOLDERS

HOW WE ENGAGE

SUBJECTS ADDRESSED

EMPLOYEES

- Internal communication channels including Bank Islam online portal and email
- Internal activities including Bank Islam's sports carnival and knowledge-sharing sessions
- Public engagement activities including CR-related Initiatives
- Staff training and development programmes
- Townhall sessions

- Career planning and advancement
- Employees' personal development for fulfilling life and spiritual needs
- Essential knowledge on the organisation including company's policies and guideline

CUSTOMERS



- · Customers service and feedback channels
- Branch networks
- Customers survey and focus groups
- Roadshows and exhibitions

- Products and services viability
- Service delivery effectiveness
- Customer service quality

GOVERNMENT & REGULATORS



- Ongoing industry meetings and interactions
- Government-led initiatives and programmes participation
- Conferences and dialogues

- · Products and services rollout
- Financial regulations update
- Supporting national agenda especially on the propagation and advancement of Islamic banking and finance industry

LOCAL COMMUNITIES



- Engagements with NGOs and charity organisations
- Engagements with the underserved communities
- CR-related events and activities
- Financial education and knowledge
- Leveraging organisation's capacity and facility in addressing economic and social issues

STAKEHOLDERS

HOW WE ENGAGE

SUBJECTS ADDRESSED

INDUSTRY PEERS



- Ongoing industry discussions and interactions
- Conferences and events
- Strategic partnership

- Industry trends
- Business collaborations

INVESTORS



- Investor Relations channels
- Annual General Meetings
- Ongoing meetings and interactions
- Financial performance and corporate strategy
- Governance and compliance
- Corporate leadership

ANALYSTS & FUND MANAGERS



- · Analysts briefings
- Ongoing meetings
- Seminars

- Organisation's key details including performance, strategy & business direction
- Key prospects & perspectives of the Islamic financial industry

SUPPLIERS/VENDORS



- Engagements with suppliers & vendors
- Business integrity

MEDIA



- Media releases
- Media conferences
- Interviews
- Media-specific events
- Formal and informal briefings

- Products and services
- Corporate strategy and business direction
- Understanding of Islamic banking and financial industry
- Awareness on key corporate and industry issues
- Awareness on key social issues close to the organisation's heart

OUR MATERIAL MATTERS

OUR ADHERENCE TO THE SHARIAH RULES AND PRINCIPLES IS EMBEDDED WITHIN ALL ASPECTS OF OUR BUSINESS AND OPERATIONS. IT IS INDICATIVE OF OUR PURPOSE, AND OUR COMMITMENT TOWARDS MAQASID AL-SHARIAH, OR THE OBJECTIVES OF THE ISLAMIC LAW, WHICH IS TO PROVIDE BENEFIT TO THE SOCIETY AS A WHOLE THROUGH OUR RANGE OF PRODUCTS AND SERVICES.

Our material matters are indicative of our stakeholder engagement activities, which identify the environmental, social and governance's issues, as well as our ability to create values that address those issues. By giving priority to those issues, we are also aligned with the United Nation's Sustainability Development Goals, which aim to improve the wellbeing of the global communities and our planet by addressing the major challenges faced by the world today. We strive to make a positive difference for our stakeholders, and grow together with them through our commitment to elevate the Bank's financial and social performance in a responsible manner.

KEY MATTERS

HIGHLIGHTS OF WHAT WE DO & WHAT WE OFFER

IMPORTANT TO THESE STAKEHOLDERS

SUSTAINABLE DEVELOPMENT GOALS

Responsible Finance

We bring to the market products or services that effectively provide economic prosperity and social benefits to the community, and positive impact to the environment, in addition to contributing to our business growth.

 Commitment to better management of environmental impact through Green Financing initiative, which focuses on

financing for renewable energy

providers as well as other green

- technology application projects.
 Focus on financing projects that provide the infrastructure for sustainable waste and water management.
- Collaboration with Arabesque through BIMB Investment in offering a range of ESG and Shariah-compliant fund products.
- Continuous focus on supporting affordable home financing initiatives.

(Please refer to our Management Discussion and Analysis section of this report for more details)

- Customers
- Government and Regulators
- Local Communities (Please refer to our Management Discussion and Analysis section of this report for more details)









Inclusive Growth

We continuously strive to create equal opportunities across all segments of the society, through our business drives or social initiatives, for community empowerment.

- Partnership with Cognizant to further develop digitalised banking solutions and their applications, bringing greater accessibility to the underserved population for banking and financial facilities.
- Initiate the establishment of SME banking as a commitment to growing real economy.
- Customers
- Local Communities
- Government and Regulators







KEY MATTERS

HIGHLIGHTS OF WHAT WE DO & WHAT WE OFFER

IMPORTANT TO THESE STAKEHOLDERS

SUSTAINABLE DEVELOPMENT GOALS

Inclusive Growth (con't)

- Continuous focus on TAP service as a platform to support financial inclusivity initiatives, and optimise beneficial partnerships with public service organisations.
- Continuous focus on Investment Account Platform as a platform for driving new investing opportunities and solution, as well as promoting an all encompassing growth in key areas including economic, social and environmental.

(Please refer to our Management Discussion and Analysis section of this report for more details)





Responsible Employer

We place importance on growing our employees to become valuable assets to the company and be the best they can be.

- Continuous focus on employees' capability and capacity building initiatives, including in-house training courses and certification programmes in collaboration with external organisations, including:
 - Bank Islam IBFIM certification
 - Bank Islam USIM certification
 - Future Leaders programme

(Please refer to our Management Discussion and Analysis section of this report for more details)

Employees

Ethical Practice and Reporting

We practice good governance, and are continuously guided by our core values and principles to ensure that we always do the right thing by our stakeholders.

- Strongly guided by Shariah rules and principles across all operating units.
- Common set of policies and governance framework as applicable to financial institutions.
- Commitment to living out values for sustained progress of the community and company.
- Establishment of Ethics & Integrity department.

(Please refer to our Management Discussion and Analysis section of this report for more details)

- Customers
- Government and Regulators
- Local Communities







BANK ISLAM'S KEY HIGHLIGHTS

The Bank has made real progress towards becoming a high performing business entity. In 2017, we were ranked among the top three best performers in the banking industry by Focus Malaysia, a weekly business publication, on the back of commendable financial results within a challenging market environment.





Current and Savings ("CASA")

33.5% Industry 26.5%



Customer Deposits

RM 46.2 billion from 2016 +RM45.9 billion



Gross Impaired Financing Ratio of

0.93%

compared to 0.98% in 2016



Total Number of Branches

147



Self-Service Terminals

1,157



Ar-Rahnu Outlets

9



Bureau de Change

5



Total Number of Employees

4,568



Profit Before Zakat & Tax

RM 767.1 million +6.5%





RM42.1 billion

+7.5%

CEO'S REFLECTION ON 2017



RETURN ON ASSET

1.4%



RETURN ON EOUITY

16.4%

DEAR STAKEHOLDERS,

In 2017, the Bank Islam group continued its progress towards becoming a highperforming business entity, grounded in ethics and integrity, and focused on Triple Bottom Line reporting of People, Prosperity. Alhamdulillah, Planet and we once again registered commendable financial results with 4.9% growth in revenue and 6.5% increase in Profit before Zakat and Tax ("PBZT") through our 3D strategy for the year. On our sustainability journey, we displayed stellar commitment to our core values of being an Islamic Banking Leader that is Dynamic, Professional, Trustworthy and Caring. We continue to be holistically recognised by the industry with a host of awards and are ranked among the top three best performers in the banking industry by the respected business publication, Focus Malaysia.

Economic and Industry Overview

Global growth picked up pace in 2017 with advanced economies recording decent growth and continuing to grow sustainably in 2018. The latest International Monetary Fund ("IMF") forecast showed that the world's Gross Domestic Product ("GDP") is expected to record 3.7% growth in 2018 from an estimated 3.6% expansion in 2017.

In Malaysia, real GDP grew at a stronger rate of 5.9% in 2017, as compared with 4.2% in 2016, reflected mainly in stronger exports and healthy domestic demand for the year. The private sector was the main driver for Malaysia's economy, with both private consumption and private investment growing at high single-digit growth rates of more than 7%. On top of that, the local manufacturing sector, which accounts for more than 20% of Malaysia's total GDP, grew at an average growth rate of about 6% underpinned by strong demand for local electrical & electronic ("E&E") products given the rise in the global technology sector.

Inflation rate has increased significantly to 3.7% in 2017 from 2.1% in the preceding year. This caused a weakening in consumer sentiments. The Consumer Sentiment Index fell to 77.1 points in the third quarter of 2017, remaining below the 100-point threshold for more than two years.

Early in the year, indications pointed to a moderation in loan growth, however the banking sector saw encouraging average growth for total loans applied and approved during 2017 which stood at 5.6% and 10.6% respectively. Loan approved posted three consecutive quarters of positive growth rate after experiencing four continuous quarters of contraction in 2016 as banks increased lending due to the stronger than expected GDP for Malaysia.



CEO'S REFLECTION ON 2017

(cont'd)

BNM has raised the Overnight Policy Rate ("OPR") by 25 basis points to 3.25% on 25 January 2018. The decision was widely anticipated by economists and represents a vote of confidence on the state of Malaysia's economic growth. Consequently, the banking sector should benefit from such move via improving net income margin amidst healthy financing activities.

Stepping into 2018, consumer spending is likely to further improve underpinned by the cut in personal income tax and several measures proposed during Budget 2018 as these measures are likely to increase the average household disposable income. On top of that, the impending 14th General Election has resulted in a pick-up in government spending and led to higher local consumption as well as acceleration in construction and infrastructure projects.

Our in-house forecast indicates that economic growth should accelerate to 5.5% in 2018 premised on continued growth in consumer spending and international trade. Meanwhile, inflation rate is expected to remain high at about 3.0% as opposed to the long-term average of 2.8% in view of elevated levels of fuel prices and other goods and services. On the exchange rate, we foresee the MYR/USD would linger between RM3.85 and RM3.95 by the end of 2018 following the announcement of the US tax reform bill which could result in higher US economic growth.

Bank Islam is well positioned to benefit from the improving economic environment, in terms of asset quality and profitability. Additionally, the proliferation of smart technology within the current landscape also presents the opportunity for Bank Islam to gain the right economies of scale which would be value accretive in the long run.

A "3D" FOCUS ON GROWING PROSPERITY

Anticipating continued competition for deposits and moderation in financing growth in 2017, Bank Islam had taken on a holistic "3D" approach to grow its core businesses organically while maintaining a prudent position. Growth was focused on driving Deposits, staying Defensive with the right balance between asset growth and asset quality, and Digitalising operations.

Overall results were commendable with many Key Performance Indicators ("KPIs") achieved. Revenue surpassed the RM3 billion mark and despite the higher deposit and overhead costs, PBZT for the financial year ended 31 December 2017 increased by RM46.6 million or 6.5% from the previous year to hit RM767.1 million.

Deposit Drive

Bank Islam's focus on Current and Savings ("CASA") accounts and low-cost deposits supported growth of the Bank's customer deposits and investment accounts which grew to RM46.2 billion and RM4.3 billion as at 31 December 2017 in a highly competitive marketplace. This was a year-on-year increase of RM0.25 billion and RM0.45 billion respectively. CASA ratio stood at 33.5%. This met the set target of 5% CASA growth. Overall, the capital position of the Bank continued to be healthy as reflected by its Common Equity Tier-1 of 12.7% and Total Capital Ratio of 16.4%. These ensured its reaffirmation of AA3/Stable/P1 financial institution ratings by RAM Ratings in 2017.







Our focus on driving deposits was vital as regulatory capital requirement increased from 8.625% in 2016 to 9.25% in 2017 and is expected to go even higher in 2018. In addition, once Malaysia Financial Reporting Standards 9 ("MFRS 9") comes into effect in 2018, we will have to make financing provisions for any new financing extended, including undrawn facilities, in anticipation of expected losses rather than the current practice of incurred losses.

Defensive Strategy

The Bank stayed cautious and selective with its asset growth. Our financing thrust continued to be focused on secured and term financing with House Financing and Personal Financing making up over 68% of the Bank's total financing portfolio. These delivered a 14.6% and 9.9% growth respectively and were the main contributors to the Bank's revenue for the year. All financing were underscored by prudent underwriting standards, and the stringent focus on secured asset saw asset quality improving despite the expansion in financing portfolio.

Financing growth was 7.5% which surpassed industry performance of 4.3%. Total assets grew by 3.7% compared with industry growth of 4.3%, while Return on Equity ("ROE") was 16.4% surpassing both our target of 15% and industry average of 14%. Financing to available fund ratio increased to 81.4% in the run up to Net Stable Funding Ratio ("NSFR") readiness. We were pleased to see the financing mix between consumer to business meet our set target of 75:25. Return on Assets ("ROA") sustained at 1.4%. Asset quality remained resilient with gross impaired financing ratio of 0.93% compared to 0.98% registered the year before. The strong asset quality is a result of the Bank's continued vigilance in proactive account monitoring and prudent underwriting standards. The Bank also took a cautious stance by implementing measures in its approval processes as well as put in efforts towards effective recovery. Additionally, the Bank's Net Income Margin was also highest in the industry at 2.60%.

Staying defensive also meant retaining our strongest assets - our talent. During the year, we continued to invest in talent development and career planning initiatives under the "Growing our Own Timber" programme. We also continued to build capability and capacity while further developing our brand as a leader in Islamic banking that continues to be ranked Top 3 Most Popular Graduate Employer in the Banking and Financial Services Sector and Top 20 Graduate Employer for 2017, putting us amongst the country's top recruiters.



More details under Our 2017 Priorities Report on page 50 to 73.

Digitalisation

Digitalisation continues to be a crucial part of our strategy as it catalyses our performance in all areas of operations. When correctly harnessed with solid business insights and foresight, it can substantially enhance customer experience, while improving productivity and lowering costs significantly.

Bank Islam has geared up its digitalisation initiatives in 2017 by establishing a Digital Banking Division to lead the Bank towards meaningful achievements.

On 2 August 2017, the Bank took another big leap towards digitalisation with its strategic collaboration with Cognizant, a leading global business and technology consulting firm based in US, to lay the foundation of digital banking platform across the Bank's entire network. This will enable the Bank to apply digital technology to our products and services, bring greater accessibility to our customers, as well as simplify and improve customers' banking experience.

CEO'S REFLECTION ON 2017

(cont'd)

EMBARKING ON OUR NEXT LEVEL OF GROWTH

With the anticipated improved global and domestic economic environments, there should be greater business opportunities that may require larger financing facilities within the near future. We will continue to tap on the domestic market requirement particularly focusing on value-based business activities that require funding.

Our country is in the midst of an economic makeover, with the upcoming implementation of The National Transformation 2050 ("TN50") roadmap. TN50 is a futuristic vision for our country, with particular focus on digital economy, and how it can create numerous opportunities for our local entrepreneurs. For Malaysia to move forward, we have to be prepared for the future marketplace of ideas and anticipate future growth potentials where the focus should be on moulding our thinking process to be more creative and innovative, especially in the areas of value creation.

OPPORTUNITIES AND RISKS

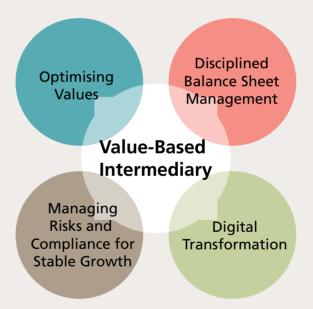
- 1. **Global growth acceleration** based on IMF projection, the global economy is expected to accelerate further from 3.6% in 2017 to 3.7% in 2018.
- 2. **Higher interest rate environment** globally, central banks are expected to increase their policy rate in view of improving economic growth and higher inflation rate.
- 3. **Improved risk appetite** asset class such as equities are expected to perform well in 2018 in view of better earnings prospects.
- 4. **Implementation of key infrastructure projects** rail related projects such as High-Speed Rail, East Coast Rail Line and Mass Rapid Transit will fuel construction sector activities.
- 5. **Proliferation of smart technology** this will shape the conduct of a business especially on customers' experience and productivity.

Nevertheless, we are mindful and take heed of emerging risks. For instance, higher cost of funding in supporting the growing business opportunities is inevitable, largely due to the constant change in financial regulatory framework to further tighten the capital requirements of the banking industry. There is also potential increase in cyber security threats such as data theft/leakage and malware due to higher reliance on digitalisation, software and systems. To this end, in 2017 our Information Technology ("IT") team has ensured that out of the 43 IT projects embarked on, 20 have focused on upgrading applications to meet regulatory requirements and 10 have been dedicated to IT risk and security projects.

Our Board has approved the 2018 Optimising Values business plan which charts the steps that we need to take to further improve our performance and compete in these challenging times. I am confident that this will chart our future as a bank that can consistently generate the best value for our stakeholders.

Advancing as a Value-based Intermediary

At the heart of Bank Islam's strategy, we aim to build on our strength as a Value-based Intermediary ("VBI") anchored by Consumer Banking as our core business. By buying into the VBI's principles, we are already committed to fulfilling the government's objective to create greater wealth for society in the real economy through the four key dimensions of Optimising Values, Disciplined Balance Sheet Management, Managing Risks and Compliance for Stable Growth and Digital Transformation. These are already intrinsically linked in the Bank's journey over the past years and have easily been adapted as natural next-step progressions in our strategy for 2018.



Optimising Values comprises Optimising Risk and Return, Optimising Resource and Productivity as well as Optimising Franchise Value. Disciplined Balance Sheet Management is about striking the right balance between profit margin, asset quality, impact of MFRS 9, funding mix, capital and growth. Managing Risks and Compliance for Stable Growth is well embedded in our Risk Appetite Statement where the Bank has zero-tolerance with respect to regulatory non-compliance. As the reputation of the Bank is its most valuable asset, there is no tolerance to any act that may bring disrepute to the Bank by its staff, its outsourcing partners or vendors. The Bank shall only make business decisions based on strong ethical values and integrity to propagate a culture based on VBI.

We are aligned with the government's aim to create more successful local entrepreneurs, by fostering further growth of the small and medium enterprises ("SME") marketplace through products and initiatives designed around their needs. To further put emphasis on the development of this particular sector, we are undertaking the following exercises:

- Establishment of SME Banking Division; and
- Conversion of the existing Automobile Financing Centres into SME Centres.

The newly-established SME Banking Division complements other businesses within our organisation, and represents the future of Bank Islam. By focusing on the economic aspect that is actually concerned with producing goods and services, thereby generating real income, we are committing ourselves to looking after the larger society; individuals, enterprises and communities. By doing that, we are contributing towards economic resiliency, social wellbeing and environmental regeneration, which are aligned with our belief in the Triple Bottom Line of People, Planet and Prosperity.

The Bank also remains resolute and steadfast on our Digital Transformation journey. Embracing technological change is key to delivering sustainable growth with driving customer advocacy remaining as the strategic priority. To support the government's commitment to the development of digital economy, we focus on utilising technological innovation to deliver better products and superior banking experience to our customers. Bank Islam also intends to combine the energy, continuous innovation and imagination of FinTech start-ups with its solid balance sheet, trust, customer service and banking expertise.

We are also committed to promoting a digital culture among our employees, to prepare them for the expected changes brought about by digitalisation. Digitalisation allows us to fully embrace the concept of financial inclusion. It enables us to introduce new, innovative products and deliver digital services that serve the needs of the largely untapped (and expanding) underserved market segment. It will also allow us to focus on today's and tomorrow's audience; the Millennials. As the digital generation who are already comfortable in using digital solutions to manage their everyday lives, a digitalised bank is naturally our next step in capturing their attention, and getting them to subscribe to our products and services. By going digital, we can truly serve everyone at any time and any place.

The focus on SME and retail marketplace will require us to develop and mobilise our existing sales force, as we make concerted efforts to generate new businesses in an increasingly digital marketplace.



We have thus embarked on promoting a #BetterFasterFairer culture across the organisation for us to constantly push the bar to get even better at what we do, faster in anticipating and responding to market conditions and fairer in attending to our stakeholders' needs.

We look forward to positive change by unlocking the conduct and values essential to cultivating the #BetterFasterFairer culture amongst our staff, and I would like to wholeheartedly thank the team for their commitment and willingness to grow in new ways. I truly believe, at Bank Islam, everyone seeks to understand how they can make a real difference to the community they live in. The world around us keeps changing compelling us to change as well. However, one thing remains unchanged; the purpose of our organisation must rise above that of any individuals, for the greater good of the wider community.

I am immensely grateful for the commitment and dedication of the Bank's Board, management and staff in embracing the challenge of change. I am energised and inspired by them as I look forward to the year 2018 with greater optimism. I would also like to thank my predecessor Dato' Sri Zukri Samat, who retired on 9 June 2017. He has placed the Bank on a solid foundation for sustainable growth, and I pledge to continue the legacy he has built.

Khairul Kamarudin

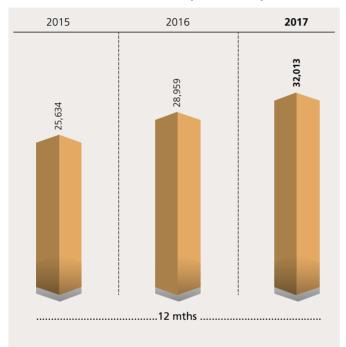
Chief Executive Officer

REVIEW OF BUSINESS OPERATIONS

CONSUMER BANKING

"A proven business model anchored by a strong risk management discipline, experienced credit team and high quality portfolio continued to support Bank Islam's Consumer Banking Division ("Consumer Banking") in achieving double-digit financing growth."

ASSET GROWTH (RM million)



New Financing	Total
Personal Financing	RM4.3 billion
House and Fixed Asset Financing	RM3.2 billion
Vehicle Financing	RM335.8 million

BUSINESS DIRECTION FOR THE YEAR

Consumer Banking is the core driver of Bank Islam's business, contributing over 75% of the Bank's financing portfolio in 2017. The Bank's innovative and sophisticated Islamic banking products and services are channelled to more than four million customers throughout a network of 147 branches, more than 1,100 self-service terminals ("SSTs"), about 400 Personal Financial Executives and an internet and mobile banking platform.

INCOME GROWTH (RM million)



During the year, rapidly escalating challenges required Consumer Banking to constantly evaluate and improve its business operations in order to keep up with the industry. House and Fixed Asset Financing ("HFA") was challenged by competitive pricing which lowered the profit margin. Rising property prices and lower disposable income also led to a downtrend in affordable buyers seeking financing. Changes in consumer spending pattern affected Personal Financing ("PF"). Regulators promoting lower charges for mobile transactions and fee waivers in promoting digital payment also impinged on the Division's fee-based income from mobile banking. However, proactive campaigns to increase the Bank's mobile banking subscriber base through collaboration with other products and service owners, managed to attract 40,000 new subscribers in 2017.

HFA was the top performer for Consumer Banking in 2017, recording growth of 14.6% attributed to package financing for government's home ownership programmes and closer engagement with developers for Perumahan Penjawat Awam 1Malaysia ("PPA1M")



and waqf land projects nationwide. In focusing on these projects, the Bank helped realise the value of Malaysia's affordable homes agenda in promoting home ownership to those of limited means.

PF growth was sustained at 9.9% after realigning towards more stable sectors with favourable volume. The Division enhanced 24-hour accessibility for PF through the establishment of the "Ezxcess" online hyperlink. This is a digital marketing initiative whereby potential customers could respond to online promotions by simply clicking the hyperlink to apply for financing or leave a note to be contacted without visiting the branch. All leads were followed through by sales personnel and monitored to ensure the potential customers were contacted and served.

Fee-based income increased on the card front on the back of an all year spending campaign and introduction of more co-brand cards, namely Visa Infinite Majlis Professor Negara Credit Card-i, Selangor FA Debit Card-i, Melaka United Soccer Association Debit Card-i and Malaysia Hockey Confederation Debit Card-i. These supported the government's initiatives towards a cashless society and the development in education and sports through collaborative features.

Service innovations for the year included the online PF application via Financing Origination System ("FOS") Mobile, fast lane financing approval through employment verification via the government's e-HRMIS portal; and more paperless processes through digitalisation.

OUTLOOK

A more positive outlook is expected for Consumer Banking in 2018 as the Bank's investment in digitalisation is set to unleash a new wave of innovation in terms of customer experience. Expectations have been set for faster turnaround and greater productivity in increasing service excellence. There will be heightened focus on mobile apps, the use of social media channels, instant card to card transfer and exploration

2017 KEY ACHIEVEMENTS

- Sustained double-digit financing growth at 10.5%
- Received Largest Payment Volume Islamic Debit Card Award by Visa Malaysia Bank **Awards**
- Received Highest Payment Volume Growth Debit Co-Brand Card Award by Visa Malaysia Bank Awards
- Highly Commended Award for Best New Product, Service or Innovation Launch at the Retail Banker International Asia Trailblazer Awards 2017 by Retail Banker International

into e-wallets as an alternative debit option for customers. The Division will focus on optimising proven strategies by implementing them in new segments, such as offering employer packages to HFA and building on our existing co-branding relationships with sports associations to find new markets for PF.

Collaboration with online Gold Investment platform for Gold Account via Apps is also in the pipeline as part of the Division's franchise development and digitalisation initiative. Growth in this segment will continue to leverage on tried and proven strategies which include secured financing and forming strategic alliances with several core target groups.

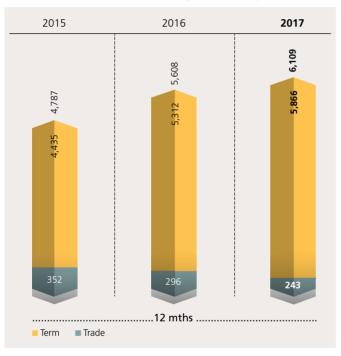
REVIEW OF BUSINESS OPERATIONS

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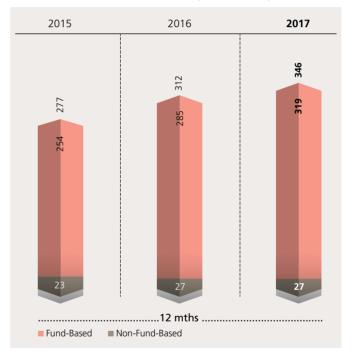
COMMERCIAL BANKING

"Amidst a challenging economic environment, Bank Islam's Commercial Banking Division ("Commercial Banking") stayed defensive by tightening the existing due diligence process in line with its Risk Appetite Statement and enhanced improvements in service delivery and governance."

ASSET GROWTH (RM million)



INCOME GROWTH (RM million)



BUSINESS DIRECTION FOR THE YEAR 2017

Commercial Banking steadfastly pursued the Bank's 3D strategy in 2017.

As part of its defensive initiative, the Division practised a cautious asset growth approach by focusing on favoured industry sectors as well as existing customers with good track record as per the Bank's Risk Appetite Statement. As a result, the Commercial Banking portfolio grew by RM501 million, mainly contributed by state governments and related companies.

Commercial Banking practiced a vigilant and prudent underwriting standard with stronger due diligence process as the market continued to be challenged by weak currency and lower commodity prices for palm oil, rubber and oil & gas. Certain states also suffered a high

property overhang, which affected the Division's bridging financing portfolios. The Division was selective of new businesses, requiring a minimum base of five years of operations with good track record.

The Division had enhanced its monitoring infrastructure, focusing on aggressive collection and early care management of potential distressed customers while maintaining asset quality to keep impaired ratio below 3%. The stronger risk assessment and approval process resulted in a low delinquency ratio of 0.46% of the Division's assets. Impaired ratio for accounts disbursed less than two years also stood at 0.24% of total portfolio.

Opportunities for the year rested on the government's continued spending in infrastructure projects, public facilities and affordable homes projects such as Perumahan Rakyat 1Malaysia ("PR1MA"), PPA1M and Rumah Wilayah Persekutuan ("RUMAWIP").

The Division's focus on state government and related companies sustained Commercial Banking's overall growth in 2017 as its assets grew by 8.9% with total outstanding financing of RM6.1 billion. This was contributed by a 10.4% increase in term financing. Total income increased by 11.0% to RM346 million in 2017 mainly contributed by an increase of 12.1% or RM34.3 million in fund-based income.

Commercial Banking promoted best practices and business conduct to improve service delivery to the Bank's customers. Focus was also placed on fortifying good governance by demonstrating discipline and compliance to rules and regulations imposed by the Bank and Bank Negara Malaysia ("BNM") as a prelude to the Bank's adoption of VBI principles.

2017 KEY ACHIEVEMENTS

- Asset growth of 8.9%
- Income growth of 11.0%
- Delinguency ratio reduced to 0.46%

OUTLOOK

Commercial Banking targets to grow asset financing by at least 8% and income by at least 12% in 2018.

A dedicated Risk & Compliance Unit will be established to monitor compliance risk within the Division's operations. At the same time, the Division is promoting awareness by collaborating with the Bank's Compliance Division to ensure smooth operations without compromising compliance and ethical values.

As the Bank's strategic focus is to grow cautiously in line with the VBI model, financing focus for 2018 will be directed to support the real economy which nurtures entrepreneurships by collaborating with government agencies such as SME Corporation, Prokhas, Credit Guarantee Corporation and Unit Peneraju Agenda Bumiputera ("TERAJU"). Moreover, the Division will focus on supporting the government's community-based and public infrastructure projects as well as projects on the national agenda such as the SME Masterplan, Green Technology Masterplan and the 11th Malaysia Plan.

Under its supply chain and vendor financing programme, the Division is driving the Bank's digitalisation journey by offering digital solutions that enable SMEs to enhance efficiency and efficacy.



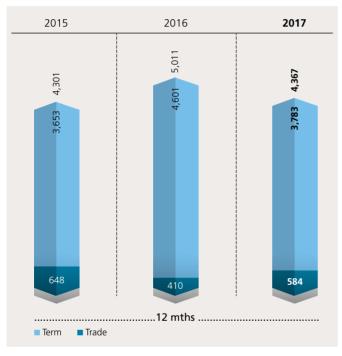
REVIEW OF BUSINESS OPERATIONS

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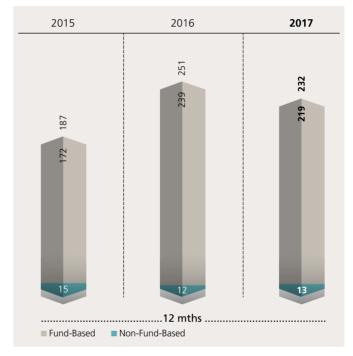
CORPORATE BANKING

"Bank Islam's Corporate Banking Division ("Corporate Banking") stayed defensive during the year to enjoy significant improvement in asset quality with no new account impaired in 2017, much improved collection and higher arrangement fees from additional financing facilities."

ASSET GROWTH (RM million)



REVENUE GROWTH (RM million)



BUSINESS DIRECTION FOR THE YEAR

In 2017, Corporate Banking started to focus more on asset financing with higher income spread largely from capital expenditure and project financing as compared to working capital financing. This was in line with the Bank's aspiration to further broaden its revenue growth without straining too much on its capital requirement and preserve its healthy asset quality profile.

Challenging and uncertain global economic conditions in 2017 have heightened corporate customers' risk profiles. The Division faced competition from larger banks that continued to dominate the industry with comprehensive product offerings not limited to Ringgit transactions only, ability to offer both conventional and Islamic financing, and regional presence.

As a result, total income reduced by 7.6% or RM19 million to RM232 million mainly contributed by lower fund-based income of RM219 million in tandem with the reduction in overall financing assets during the year. Total financing assets reduced by 13% or RM644 million from RM5.0 billion in December 2016 to RM4.4 billion in December 2017. The decline was mainly attributed to two large asset redemptions totalling RM770 million via *sukuk* and government soft financing at much lower pricing. In addition, there were also some significant pay downs from existing working capital lines of some corporate customers as their sales collection patterns improved during the year. Corporate Banking managed to minimise the attrition via new assets disbursement and higher facility utilisation from existing trade customers resulting in higher facility utilisation ratio.

Nevertheless, the Division's non-fund-based income increased by 8.3% to RM13 million on higher processing fees of new financing facilities. The defensive strategy helped protect strong asset quality, without compromising account profitability. Delinquency was minimised with the impaired financing ratio remaining nil as no new account was impaired in 2017.

OUTLOOK

As global and domestic economic environments improve, Corporate Banking anticipates greater business opportunities that may require larger financing facilities within the near future. The Division intends to target New-to-Bank corporate customers that fall under VBIs such as green technology, healthcare, infrastructure, plantation, property and telecommunications; defend existing portfolios; accelerate fee-based income through syndicated deals, sukuk and processing fees; while improving cross-selling. This will be balanced with preservation of asset quality and a target of 10% reduction in operating costs as the Division puts in efforts to eliminate wastage.

2017 KEY ACHIEVEMENTS

- Non fund-based income increased by 8.3%
- No new impaired account in 2017



REVIEW OF BUSINESS OPERATIONS

(cont'd)

CAPITAL MARKET

"Bank Islam's Capital Market Department ("CMD") won two awards for its first and second Restricted Investment Account ("RIA") offerings via Investment Account Platform ("IAP"). Its KOBIMBING RIA which was completed in December 2016 has won The Asset's Triple A Islamic Finance Awards 2017's Best FinTech Deal in Asia. Its second RIA offering completed in April 2017 for CMC Group has also won the Islamic Finance News' Malaysia Deals of the Year 2017 Award. These awards symbolised the recognition of IAP as a new innovation in Islamic finance."

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RM'000	FY 2016 (Actual)	
Income	386	925

IAP Transactions

	FY 2017			FY 2016		
Sponsoring Banks	Market Share Volume (%) (MYR mil) Deal Count		Market Share (%)	Volume (RM mil)	Deal Count	
Bank Islam	12.5	12.0	1	37.5	6.0	1
Other Banks	87.5	83.9	3	62.5	10.0	1
	100.0	95.9	4	100.0	16.0	2

BUSINESS DIRECTION FOR THE YEAR

In 2017, CMD worked closely with IAP Integrated Sdn Bhd and IAP sponsoring banks to promote IAP and educate industry players in Insurance & Takaful, Funds & Asset Management, Banks and SME companies to source for potential investors and business ventures for RIA via IAP.

Furthermore, the Department focused on creating value for the Bank's stakeholders in the business transactions it arranged and participated. Under IAP transactions, it provided opportunities to individual and non-individuals to participate as investors to finance viable business ventures and earn higher returns as compared to term deposit returns. This also provided a new avenue for SME companies to raise funds to finance their business activities and help more SME companies to grow their business.

In terms of achievements, both FinTech deals completed by CMD during the year were well recognised by the industry. These were the CMC Group RIA and KOBIMBING RIA. Beyond this, the Department acted as Joint Lead Manager for Danainfra Nasional Berhad's RM13 billion Islamic Commercial Papers and Islamic Medium Term Notes Issuance Programme for Pan Borneo Highway Project; for issuance of Lembaga Pembiayaan Perumahan Sektor Awam's RM3.25 billion Government Guaranteed Islamic Medium Term Notes; issuance of Pengurusan Air SPV Bhd's RM2.1 billion Government Guaranteed Islamic Medium Term Notes; and was Lead Manager for issuance of Bank Islam's RM300 million *Subordinated Sukuk Murabahah*.



OUTLOOK

CMD was restructured in December 2017. Pursuant to the Bank's internal reorganisation, the sukuk team was transferred to Corporate Banking to undertake sukuk transactions while the IAP team was transferred to the newly formed SME Banking Division to undertake IAP deals and SME financings. As a result, CMD was officially closed on 8 December 2017.

With more resources and support given to the sukuk team and IAP team at their respective new Divisions, the prospects to grow sukuk and IAP businesses remain positive.

2017 KEY ACHIEVEMENTS

- Completed CMC Group RIA as the first IAP transaction in the industry to finance a foreign project
- Awarded The Asset's Triple A Islamic Finance Awards 2017's Best FinTech Deal in Asia for **KOBIMBING RIA**
- Awarded Islamic Finance News' Malaysia Deals of the Year 2017 Award for CMC Group RIA
- Awarded the Best Islamic Financial Institution Award (Best Booth Category) at Bursa Malaysia's inaugural Shariah Investing Fair 2017

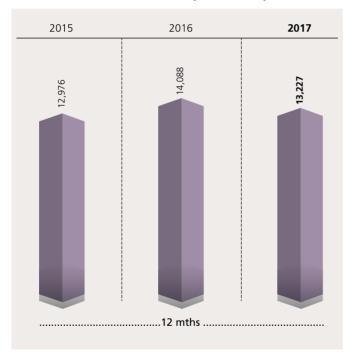
REVIEW OF BUSINESS OPERATIONS

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TREASURY

"Bank Islam's Treasury Division ("Treasury") contributed 35.1% or RM109.2 million of the Bank's total non-fund-based income and 16.6% or RM445.3 million of the Bank's fund-based income in 2017. This was a commendable performance given the prevailing market challenges brought about by more stringent regulatory compliances particularly on the Foreign Exchange Administration ("FEA") Rules, the challenging fixed income environment, and escalating price war among financial institutions."

ASSET GROWTH (RM million)



INCOME GROWTH (RM million)



	2015 (RM bil)	2016 (RM bil)	2017 (RM bil)
Deposits	24.38	27.27	28.00
Investment Accounts	0.21	0.90	1.19

BUSINESS DIRECTION FOR THE YEAR

Treasury's balance sheet management, trading activities, and corporate sales experienced mixed performance throughout 2017 in response to the mostly lacklustre and bearish bond market amid a hawkish US Fed outlook. Despite seeing continued foreign fund outflow early in the year, local bonds were generally well supported by domestic demand. The relaxation of onshore foreign exchange ("Forex") hedging provided support for the Ringgit as funds started to flow steadily back in the latter part of the year.

Treasury assets registered a decline of 6.1% to RM13.2 billion (2016: RM14.1 billion) on the Division's defensive and selective reinvestment approach. Treasury deposits recorded an increase of 2.7% to RM28 billion (2016: RM27.3 billion) while Investment Account ("IA") registered a growth of 32.3% to RM1.2 billion (2016: RM898 million) year-on-year.

Treasury continued with proactive management of the investment portfolio in order to optimise asset yields. The portfolio registered improved fund-based income to RM445.3 million for the year from RM427.7 million in 2016. Portfolio yield improved while duration increased slightly. In ensuring all the internal and regulatory guidelines and requirements were complied with, the portfolio composition remained concentrated on liquid assets with 67.3% in Government Securities and Government Guaranteed papers, 21.5% in AAA/P1 papers while 11.2% in AA papers made up the balance. More than 95% of portfolio qualified as High-Quality Liquid Assets ("HQLA") under Basel III Liquidity Coverage Ratio requirements.

In terms of funding, Term Deposit Tawarrug-i Special ("TDTS") remained Treasury's main deposit product with placements from government-linked companies, corporations, universities and asset management companies. To ensure optimal capital management, Treasury aggressively marketed IA products such as the Wafiyah Investment Account.

The Division's Forex trading activities continued to show commendable performance despite stringent FEA rules affecting our corporate customers.

OUTLOOK

Heading into 2018, Treasury will be taking the lead in maintaining the Bank's overall balance sheet liquidity, particularly in ensuring continued adherence to the Net Stable Funding Ratio ("NSFR") requirement. Apart from diversifying the Bank's depositor's base and lengthening funding tenors, emphasis will also be placed on building up HQLAs to enhance asset liquidity. At the same time, the Division will continue to ensure competitive pricing for financing assets to enable a balanced growth trajectory for the Bank.

2017 KEY ACHIEVEMENTS

- Fund-based income grew by 4.1%
- Investment accounts grew by 32.3%
- Awarded Best Individual Sales, Malaysia, Highly Commended Asian Local Currency Bond Benchmark Review 2017 by The Asset for two Treasury Investor Sales dealers

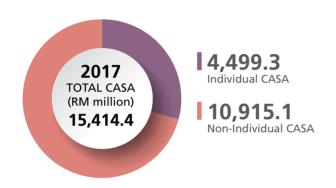


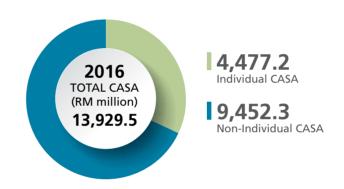
REVIEW OF **BUSINESS OPERATIONS**

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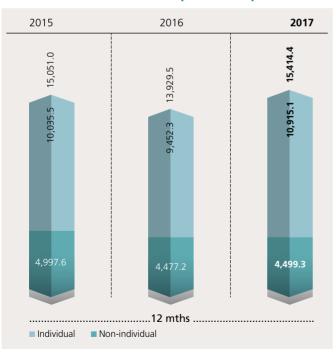
DEPOSITS & CASH MANAGEMENT

"Bank Islam's Deposits & Cash Management Division ("D&CM") drove the Bank's focus on low-cost deposit and investment accounts, current and savings accounts ("CASA") and Al-Awfar. The Division's objective of the year was to improve the composition of individual deposits and intensify growth of salary accounts."

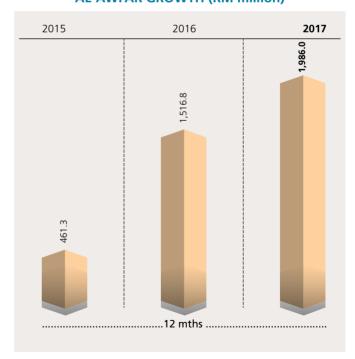




CASA GROWTH (RM million)



AL-AWFAR GROWTH (RM million)



2017 KEY ACHIEVEMENTS

- Significant Al-Awfar growth of 30.9%
- Current Account growth of 15.1%
- Best Advertising Campaign by Islamic Business & Finance (3Xtra Drive Al-Awfar Audi Campaign)

BUSINESS DIRECTION FOR THE YEAR

The drive for deposits was strengthened in 2017 as tightened regulations were imposed on deposit requirements. However, the rise in cost of living hampered by low net take-home pay meant a shrinking market for the banking industry. Competitive rates on term deposits were seen throughout the year making every new account hard earned.

Within this environment, D&CM managed to attain CASA and Al-Awfar growth of 10.7% and 30.9% respectively. This was achieved through an active year of campaigning and strategic promotions. From April to December, the Al-Awfar "3Xtra Drive 2017" campaign offered grand prizes of three units of Audi A4 2.0 sedans. This campaign successfully garnered 95,000 new Al-Awfar accounts and contributed to Al-Awfar growth of RM324 million. The campaign was recognised as the Best Advertising Campaign by Islamic Business & Finance during the year.

Other campaigns introduced by the Division included the "Al-Awfar Go Umrah Campaign" and a Term Deposit Tawarrug Promotion. The "Al-Awfar Go Umrah Campaign" kicked off in October 2017 and will run till December 2018. Under this campaign, five lucky winners were and continue to be selected on a monthly basis for Umrah Packages. The Term Deposit Tawarrug Promotion was held from May to December to attract fresh funds from new or existing customers. During the period, RM1 billion was successfully secured.

New products and services were also pioneered during the year. Bank Islam became the first bank to implement e-Mandate MEPS Direct Debit for Perbadanan Tabung Pendidikan Tinggi Nasional ("PTPTN") through D&CM's efforts in anchoring projects with its top clients. In addition, D&CM introduced new initiatives such as e-Masiid. e-Wagaf and CA Mudharabah. e-Masjid is a simplified and easy to use cash management solution specially designed to assist masjids and suraus in managing their daily operations; e-Wagaf facilitates collection of cash wagaf from retail and corporate clients; while CA Mudharabah is a new account designed for valued corporate entities, that targets higher yield compared to CA Wadiah.

OUTLOOK

In 2018, D&CM will continue to focus on growing CASA and lowcost investment accounts through digitalisation, VBI initiatives, cost containment measures and enhanced sales and marketing efforts.

Some of the targets set are to maintain a 35% CASA to Total Deposit ratio, and at least 20% Individual Depositors to Investment Account Holders ratio. Strategies towards this end are to initiate and drive long-term deposit placements, and grow SMEs and retail deposit investment accounts in line with BNM's impending introduction of the NSFR requirements. The above targets are set to be achieved via the introduction of new product bundling, the launch of new SME products, managed partnerships with third parties and enhanced incentive programmes.

For existing clients, the Division aims to facilitate switching from short-term to long-term placements as part of its retention strategy; create better loyalty through a rewards programme; and innovate new strategies to harness a larger share of wallet.



OUR **2017 PRIORITIES**

······ For Our ······

SHAREHOLDER



INDUSTRY



CUSTOMERS



EMPLOYEES



ENVIRONMENT



COMMUNITIES



At Bank Islam, we are here to make a positive difference for our stakeholders. The purpose of our organisation is for the greater good of the wider community. To the best of our ability, we have begun to articulate our sustainability goals in order to determine how successfully we are serving our multiple stakeholders and delivering value under our guiding pillars of Responsible Finance, Inclusive Growth, Responsible Employer and Ethical Practice & Reporting.

Key performance indicators ("KPIs") have been set to drive behaviours, measure performance and determine the remuneration of our people. The objectives and KPIs are updated yearly and approved by the Board before being cascaded throughout the organisation, ensuring that the goals of every unit are aligned to those of the Bank.

SHAREHOLDER





Achieve sustainable growth

Our Shareholder metrics measure both financial outcomes achieved for the year as well as risk-related KPIs to ensure that growth is balanced against the level of risk taken, including compliance and control.

Shareholder KPIs



01. Grow profitability

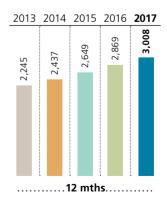
Target	Doliver consistent income growth
Target	Deliver consistent income growth

Outcome Revenue for the financial year ended 31 December 2017 grew 4.9% to RM3.0 billion while Profit After Zakat and Tax ("PAZT") increased by 6.6% from the previous year to hit RM566 million.

02. Manage expenses

Target	Be cost efficient while investing for growth, with cost-to-income ratio improving over time.
Outcome	Cost-to-income ratio rose from 52.8% to 57.3%, as a result of higher deposit and overhead costs. Addressing the rising cost-to-income ratio, the Bank undertakes a two-pronged approach by managing overhead expenses through cost containment initiatives and increasing fee-based income.

TOTAL REVENUE RM Million



OUR **2017 PRIORITIES**

(cont'd)

Shareholder KPIs

03. Manage portfolio risks

Target Grow exposures prudently, aligned to risk appetite, with financing growth targeted at 8% while maintaining asset quality.

Outcome

Financing growth was 7.5% which continued to surpass industry performance of 4.3%. Total assets grew by 3.7% compared with industry growth of 4.3%. Asset quality remained resilient with gross impaired financing ratio of 0.93% compared to 0.98% registered the year before. The strong asset quality is a result of the Bank's continued vigilance in proactive account monitoring and prudent underwriting standards.

04. Improve asset composition

Target

Achieve composition of 20:80 for Fixed vs Float rates and target over 12% growth in secured financing.

Outcome

The Bank recorded 12% fixed to 88% float and only 9.8% growth in secured financing due to lower growth of secured financing within the Corporate Banking portfolio .

05. Improve returns and earnings per share

Target

Sustain returns to shareholder with return on equity of 15%.

Outcome

RM266.5 million of dividends were paid to our shareholder in 2017. Return on equity was 16.4% surpassing both our target of 15% and industry average of 14%. As a result, earnings per share for the year was 23 sen, up from 22 sen the previous year.

06. Enhance branding and repute in industry

Target

Maintain existing achievements in Brand Audit & Accreditations.

Outcome

Re-affirmed at AA3/Stable/P1 by RAM Ratings and continued to receive industry accolades as a Top 3 Islamic banking franchise

INDUSTRY





Further the sustainability and growth of the Islamic finance industry and support the national agenda

The Bank continued to actively participate in industry development programmes and government-led initiatives. The Shariah Division spearheaded knowledge sharing activities to benefit the industry at large.

Industry KPIs



01. Advancing industry strength and sustainability

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Play an active role in BNM's strategic agenda for the Islamic finance industry.

Outcome

Supported BNM in the development of the VBI scorecard and committed as an early adopter of VBI by creating value and positive impact on the real economy, community and environment on a sustainable basis. Participated in the development of Restricted and Unrestricted Investment Accounts via the IAP. Participated and led in industry Waqf initiatives.

02. Knowledge-sharing initiatives

Target

Take a lead as an industry leader in Islamic finance and grow awareness of its appeal and benefits.

Outcome

Organised one-day Perbankan Seminars in four states for over 1,900 participants; three-days Kembara Muamalah public education programme in three states for over 2,000 participants. Continued nine sessions of ILMU Knowledge series for about 712 future leaders of the nation on Islamic banking and finance.

OUR **2017 PRIORITIES**

(cont'd)

Industry KPIs

03. Participation in industry events

Target

Continue participating and contributing in industry events, seminars and panel discussions to build relationships among peer organisations and create presence of its brand and philosophy in the marketplace.

Outcome

The Bank Islam group participated in the following events during the course of the year:

- Wealth Management in Practice by Securities Industry Development Corporation
- Sustainable Development Goal Business Summit 2017 by Securities Industry Development Corporation
- Digital Investment Management by Securities Industry Development Corporation
- The Growing Importance of Sustainability to Investors at the Sustainable Brands Conference
- Bursa Shariah Investing Fair 2017
- Karnival Kewangan (Kedah and Sarawak) by Bank Negara Malaysia
- Kuala Lumpur Islamic Finance Forum ("KLIFF") 2017 by Centre for Research & Training
- Sponsor for Islamic Financial Services Board ("IFSB") Summit in Abu Dhabi, UAE
- Minggu Saham Amanah Malaysia ("MSAM") 2017 by Permodalan Nasional Berhad

04. Support the Graduates Employability Scheme

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Support the Skim Latihan 1Malaysia ("SL1M") programme.

Outcome

Provided attachment for 477 SL1M trainees as at 2017, with 190 trainees absorbed.



05. Support the Upward Mobility Scheme

Target

Re-skill and up-skill of non-executive group of employees for better career opportunities in the Bank.

Outcome

About 160 employees participated in this programme and about 40% of the participants from Cohort 1 to 4 have been upgraded or promoted.

CUSTOMERS





Enhance service excellence to improve customer experience towards growing customer loyalty and attracting new customers

Our Customer metrics measure both satisfaction and financial outcomes achieved for the year. In October 2017, the Bank launched its customer needs and expectations study to:

- Determine customers' expectations towards Bank Islam's products and services
- Evaluate products and services in terms of fulfilling customer satisfaction
- Understand Bank Islam customers' expectations at touchpoints

Customer KPIs



01. Increase reach and penetration

Target

Introduce new customer touch points, increase network channels and roll out digital platform.

Outcome

As of 31 December 2017, the Bank's channels have increased to 147 branches with two new branch openings during the year in Kodiang and IFiC Putrajaya with a total of 1,117 Self Service Terminals. Mobile Banking has been enhanced with 10 new features, and total subscribers increased to 589,415 during the year. Our Internet Banking saw growth of 153% with total subscribers increased to 889,645 during the year due to effective customer engagements to migrate them to electronic payments in line with BNM's Financial Sector Blueprint 2011 - 2020.

OUR **2017 PRIORITIES**

(cont'd)

Customer KPIs

02. Enhance customer satisfaction

Target

Broad-based increase in customer satisfaction across markets and segments. Reduction in customer complaints by 10% and improvement in complaint management to be less than 14 days with 80% of cases taking less than 10 days. Contact Centre call abandonment rate of below 10%.

Outcome

Bank Islam was ranked first among Islamic banks and fourth in the overall Banking Industry based on the result of a Customer Satisfaction survey study conducted in November 2017; an industry-led initiative by ABM and AIBIM. Complaint Management Turnaround time was less than 14 days, in keeping with BNM's Client Charter while 90% was achieved less than 10 days as per Bank Islam's internal Service Excellence KPI. Complaints with regards to branch services reduced by 17%, from 141 in 2016 to 117. Contact Centre reported 8.5% abandonment rate in customer calls.

Key Service Excellence Initiatives executed in 2017:

- Recruitment of 45 new Branch Service Employees
- Adoption and propagation of AIBIM's Customer Service charter

03. Improve service turnaround time

Target

80% of branch customers waiting time shall be less than 10 minutes and served within five minutes; financing turnaround time of five days; Automated Teller Machines ("ATM") and Cash Deposit Machines ("CDM") uptime of above 95%.

Outcome

81.5% of branch customers waiting time were less than 10 minutes out of which 85.9% were served within five minutes. Consumer financing turnaround time met target of five days. ATM uptime was 97.2% while CDM's was 94.7%.

04. Continuous product and service innovations

Target

Deliver superior banking experience through execution of planned key Information Technology ("IT") initiatives. Formalise a digital banking plan.

Outcome

The Bank's digital journey was initiated in August 2017 with the signing of a Memorandum of Understanding with Cognizant and the appointment of the Head of Digital Banking on 2 October 2017. Key IT initiatives for the year were executed as planned. In addition, as part of its On-line Personal Financing Application under its Employer's Tie Up programme, the Bank has introduced the EZXCESS link which has simplified the documentation and hastened employment verification. In facilitating digitalised banking, the Bank's Technology Division actively participates as a member in BNM's Working Groups for Trade Finance ("DLT") as well as National Cards Group Malaysian QR Standardisation Task Force spearheaded by BNM together with other banks. The Bank's Working Group also completed the execution for the implementation plan of Kafalah product development.





To enhance talent development and employee engagement in creating a sustainable talent pool for the Bank's operations.

Our employees' performance is assessed against KPIs to determine remuneration, providing a clear line of sight between employee goals and organisational imperatives. We have achieved a well-established rhythm towards performance monitoring and our rewards are closely linked to scorecard outcomes.

Employee KPIs

EMPLOYMENT STATUS

Total Bank Islam Employees by year end 2017

Permanent



Temporary



228



01. Sustain high performing employee retention through the Bank's employee value proposition ("EVP")

Target

Maintain staff attrition below 5% and sustain Employer of Choice ranking. Provide our people with opportunities for internal mobility to enhance professional and personal growth.

Outcome

For the year, the Bank achieved an Employee retention rate of 97.07% with staff attrition rate of 2.93% compared to industry attrition of 13%. The Bank also maintained its position as a Top 20 Malaysian Employer, ranking 3rd in Banking and Finance and 19th as a Top 50 Company in the Graduan Brand awards.

Upward Mobility initiatives launched during the year were the BIMB-USIM Certification Programme; Future Leaders Programme and INSEAD Leadership Programme. Thirty one candidates were identified as part of succession planning and provided leadership, competency and capability development to close the strategic talent gap within the Bank. In total, 301 or 6.5% of the workforce enjoyed promotions during the year.

OUR **2017 PRIORITIES**

(cont'd)

Employee KPIs

02. Enhancing productivity

Productivity targets of: a) Financing asset per employee at above RM9.0 million;

b) Profit per employee at above RM150k, and c) Deposit per employee at above RM9.7 million.

Outcome

Target

In 2017, the Bank's employee productivity recorded financing asset per employee of RM9.3 million; RM169.5k in profit per employee and RM10.1 million in Deposit per employee.

03. Enhancing knowledge and skills

Target

Hone specialised skills and build competencies with two days for technical enrichment programme for all employees and two days for compliance awareness programme for all branch managers, branch service managers and relationship managers.

Outcome

During the year, 75% of workforce underwent technical enrichment; 98% of branch staff underwent compliance awareness programme; and 216 staff were certified through participation in six certification initiatives (see list below).

List of certification initiatives

- Professional Credit Certification
- Certificate in Internal Auditing for Financial Institutions ("CIAFIN")
- Investor Protection Professional Certification ("IPPC")
- Certified Qualification in Islamic Finance ("CQIF")
- Intermediate Qualification in Islamic Finance ("IQIF")
- Associate Qualification in Islamic Finance ("AQIF")

Total learning hours for 2017, number of modules run, number of sessions:

Total learning hours for 2017 : 165,660.40 hours
 Total learning hours for 2017 / staff : 36.42 hours
 Total modules run for 2017 : 414 modules

• Total sessions run for 2017 : 756 sessions

Employee KPIs

04. Develop in-house talent pool with knowledge sharing on Shariah

Target	Knowledge sharing through Shariah awareness initiatives by the Bank's Shariah Division.			
Outcome	Over 20 programmes were introduced on 2017, targeting 1,046 participants. These are listed as below.			
	List of Shariah training for the year:			
	Muamalat 101 For 119 New Staff			
	Philosophy And Fundamentals Of Shariah For Islamic Finance For 20 Staff			
	• Shariah Risk Management (Intermediate) Training For Trade Operations For 50 Trade Operations Staff			
	Aqif Certification Programme For 80 Staff			
	• 3 Sessions Of Shariah Town Hall For 195 Employees			
	Risk & Compliance For Credit Admin Department For 122 Staff			
	Risk & Compliance Awareness For Commercial Banking For 56 Staff			
	ORM Training For Risk Controllers 2017 For 85 Staff			

05. Increase productivity via **IT Digital Transformation**

Target	Reduce manual efforts through improved productivity and by driving straight- through processing
Outcome	Technology Division is continuously improving and building the IT backbone to support digital initiatives. 43 IT projects were completed in 2017 under the following project categories: 20 Regulatory Requirement projects; 10 IT Risk and Security projects; nine business improvements projects and four operational requirement projects.
	IT Investment over 5–year period (2013-2017) = RM501.8 million, with the following breakdown:
	IT Capital Expenditure ("CAPEX") : RM136.9 million

IT Operating Expenditure ("OPEX"): RM364.9 million **Investment for FY2017** : RM132.3 million

OUR **2017 PRIORITIES**

(cont'd)

ENVIRONMENT





Prioritise support to economic and social activities that make a meaningful difference to environmental causes while managing the use of our resources better.

A prosperous economy and societal wellbeing is dependent on a healthy planet. We aim to be effective environmental stewards not only for the sake of our children, our grandchildren and our ecosystems, but also for our business to remain sustainable. For this purpose, we believe the best way to achieve this is through better management of resources, innovation and creativity.

Environmental KPIs





Environmental KPIs

01. Impacting the development of a greener future through strategic business support

Target

Increase our support of Green Financing initiatives.

Outcome

In 2017, percentage of total Green Financing against the Bank's Corporate Banking's total assets of RM4.4 billion was RM295.86 million or 2.27%. This was derived from Kerian Energy Sdn Bhd's 14MW mini hydro power plant project in Sungai Kerian, Perak; and Amcorp Perting Hydro Sdn Bhd's construction of a 4MW mini hydro power plant in Bentong, Pahang.

During the year, BIMB Invest also launched the BIMB-Arabesque Malaysia Shariah-ESG Equity Fund which is a Shariah and Environmental, Social and Governance ("ESG") compliant fund that invests in Malaysian listed companies using artificial intelligence technology.

Our Commercial Banking's infrastructural financing of the purchase of 100 units of compactors (waste disposal trucks) with equipment for KDEB Waste Management Sdn Bhd, also helps eliminate adverse impacts on the environment through reducing, reusing and recycling, and minimising resource extraction towards improved air and water quality and reduction of greenhouse gas emissions.

Our Capital Market's CMC Group RIA financing was used to fund the Ho Chi Minh City Urban Railway System (Line 1) project in Ho Chi Minh City, Vietnam, the first project of its kind in Vietnam. This project will help the Ho Chi Minh City Council to provide a modern and clean transportation system, promote higher economic activities and reduce traffic congestion and air pollution problems for its people.

02. Reducing energy and wastage in our operations

Target

Utilise more energy savings equipment; promote energy and water conservation, reduce the use of paper and print volume.

Outcome

Most of the Non-IT office equipment is equipped with energy saving mode. Centralised air-conditioning is set to optimum temperature to minimise energy usage. Redirecting of printing through multi functional printers ("MFP") instead of standalone printers to reduce print volume. To date, we have installed more than 200 units of MFPs nationwide thus reducing the cost, paper and energy. Usage of LED lights in signages of all our branches which minimises power consumption from 415 volts per fluorescent bulb to 240 volts per LED bulb.

OUR **2017 PRIORITIES**

(cont'd)

COMMUNITIES





Equip and enable Malaysia's real economy through inclusive growth whilst growing together with communities.

As a value-based intermediary going forward, we serve to add greater value to society by supporting projects and government initiatives that add value to our community such as public infrastructure, education, community-based effort and healthcare. This will be synergised in line with the Bank's existing AMAL corporate responsibility programme.

Community KPIs

2017 Investment in community and corporate responsibility projects

RM5.63 million

Zakat Paid in 2017 RM12.9 million



Community KPIs

01. Impacting the upliftment of society through strategic business support.

Target

Synergise all business units towards more meaningful financing initiatives which will add positive value to society.

Outcome

Financed the development cost of 30 units of Sekolah Agama Negeri Johor for the Johor State Government Education infrastructure to cater to the needs of religious teaching for children by providing sufficient and ample public education facilities.

Focus was also placed on financing affordable homes in line with Government aspirations to promote home ownership under Government initiatives such as PR1MA, PPA1M, RUMAWIP, SRP and SJKP. There was also close engagement with administrators of Waqf Land Nationwide.

Also as the Joint Lead Manager for Danainfra Nasional Berhad's RM13 billion Islamic Commercial Papers and Islamic Medium Term Notes Issuance Programme for Pan Borneo Highway Project, the Bank's Capital Market Division is helping to catalyse the development of a new economic corridor and the opening of new opportunities for the local communities. The Department was also the Joint Lead Manager for issuance of Lembaga Pembiayaan Perumahan Sektor Awam's RM3.25 billion Government Guaranteed Islamic Medium Term Notes whereby funds will be used to finance civil servants' Islamic house financing scheme. The financing scheme helps civil servants to get house financing facility at attractive terms and own a house.



Affordable Homes Scheme:

- PR1MA 361 accounts
- RUMAWIP 141 accounts
- PPA1M 567 accounts
- SRP 591 accounts
- SJKP 2 accounts

Total newly approved financing in 2017 for Waqf projects (Wakaf Mohamad Hashim (Legasi SJ), Seberang Perai, Pulau Pinang and Jalan Kebun, Shah Alam, Selangor (Wakaf Land)

Number of accounts: 25 Amount: RM7,515,915.50

OUR **2017 PRIORITIES**

(cont'd)

Community KPIs

02. Strengthening stakeholder relationships through customised financing solutions.

Target

Support and engage with the societies and associations who are also our customers such as Teachers, Nurses, Malaysia Institute of Accountants ("MIA"), Malaysia Medical Association ("MMA"), Board of Engineers Malaysia ("BEM"), SMEs, Universities Alumni, staff and students of Universities.

Outcome

Bank Islam participated in ongoing initiatives as the main sponsor for "Anugerah Tokoh Guru". We have been actively involved in Teachers and Nurses Day celebrations nationwide for two consecutive years (in May 2016 & 2017). As well as the main sponsor (Platinum) for the MIA International Accountants Conference 2017.

In Wealth Management, in 2017 we offered Takaful coverage as part of benefits for Corporates, SMEs, and University partners that do not provide medical benefits.

The Bank has also consistently helped customers affected by floods by waiving the charges imposed on applications for replacement of debit card or passbook; a moratorium of six months for financing products for customers affected by flood and waiver of compensation fee imposed on customer's account during the moratorium period.

In our card collaboration programmes, we provide a platform for cardholders to contribute and support the development of education, sports and humanitarian assistance through a collaborative function via the co-brand card. This is supported by a portion of cards fee collected being contributed to our co-brand card partners (see list below).

Total contribution from Cards Business in 2017: RM5,155,206 Beneficiaries:

- Football Association of Malaysia
- Kelantan Football Association
- Pahang Football Association
- Kedah Football Association
- Selangor Football Association
- Melaka United Soccer Association
- Malaysia Hockey Confederation
- Universiti Malaysia Kelantan
- Universiti Malaysia Pahang
- Universiti Pendidikan Sultan Idris
- Universiti Malaya
- Universiti Utara Malaysia
- Pusat Perubatan Universiti Malaya
- Construction of SMA (P) Al-Madrasah Al-Alawiyah Ad-Diniyah Yayasan Islam Perlis
- Tabung Pelarian Rohingya-Media Prima
- Other selected orphanage homes and mosques

ENRICHING COMMUNITIES THROUGH CORPORATE RESPONSIBILITY

At Bank Islam, we know we owe our success to the people, businesses and communities who have supported and partnered with us in the last 34 years. That success brings with it a responsibility to make a significant and positive contribution in return.

We view corporate responsibility ("CR") as a continuous journey, guided by our core values and principles. As a Bank that is dedicated to promoting ethical, Shariah-guided business practices, we are certain our CR commitments make every part of Bank Islam's business stronger.

Our commitment to CR reflects our deep desire to help build stronger, more sustainable communities across the country. We know how important it is to act responsibly and inclusively while leading the way in social innovation. Today, this means evolving the way we approach community investment through a combination of philanthropy, CR and leveraging our core assets and expertise to create shared value.

Our efforts to support communities nationwide cover welfare organisations, educational institutions, mosques and suraus, non-governmental organisations, families, individuals and other worthy causes. These communitybuilding efforts allow us to engage with communities and this has mutually benefitted the Bank, our beneficiaries as well as all other individuals and organisations involved.

It is essential for Malaysians to contribute to their community and country. For this reason, we invest in education programmes designed to foster academic as well as non-academic excellence among underserved communities and help bridge the urban-rural divide. We place great importance in supporting our local youths by taking a holistic approach in equipping them with knowledge and skills they need to succeed in life.

As our business grows, we encounter new opportunities to make a positive social and environmental impact via our CR arm AMAL, which focuses on four key priorities:



OUR **2017 PRIORITIES**

(cont'd)

AMAL'S FOUR AREAS OF FOCUS:

PROJEK BANTUAN RUMAH

Providing impoverished families with the basic need of a conducive home.

COMMUNITY

Fostering the spirit of solidarity and compassion among communities.

EDUCATION

Promoting innovation and creativity among youths while supporting underprivileged students in getting the education they deserve.

ENVIRONMENT

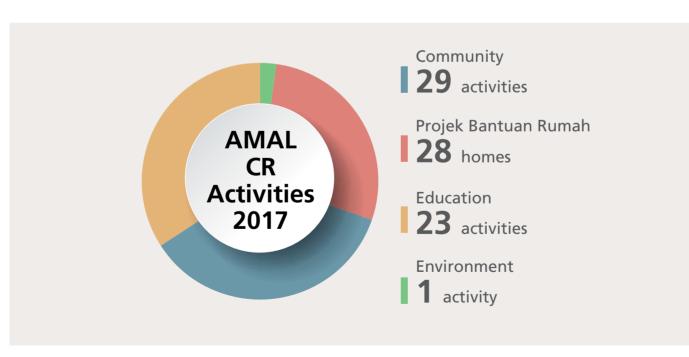
Rehabilitating our precious natural resources while minimising environmental impact for a cleaner and greener planet.











PROJEK BANTUAN RUMAH (HOUSING AID PROJECT)

Bank Islam strives to ensure poor and underserved Malaysians have at least a basic standard of living by providing them a conducive home and a sustainable living environment. Our Projek Bantuan Rumah proved to be even more pertinent today given the rising house prices especially in recent years.

Initiated in 2008, the flagship project involves channelling contributions to construct and rehabilitate houses for underprivileged families. Since its inception, more than RM7.2 million has been allocated to Projek Bantuan Rumah, allowing 265 marginalised families across the country to own and live in a comfortable home. In 2017, 28 families (26 in Melaka, one in Negeri Sembilan and one in Kelantan) were beneficiaries of this programme.



YEAR	STATE	BENEFICIARIES (FAMILIES)
2008	Kelantan	36
2009	Terengganu	37
2010	Kedah	31
2011	Pahang	23
2011	Negeri Sembilan	1
2012-2013	Sarawak	6
2012-2015	Perak	18
	Kelantan	10
2014	Johor	22
	Pahang	1
2015 Kelantan		28
2016	Negeri Sembilan	23
2016	Pahang	1
	Melaka	26
2017	Negeri Sembilan	1
	Kelantan	1
Total		265

265 houses in 9 states

built/repaired at a total cost of

RM7.2mil



OUR **2017 PRIORITIES**

(cont'd)





April 2017 marks the first instalment of Bank Islam's Projek #BuatBaik which is a platform for the Malaysian public to be a part of our CR efforts. The platform allows the public to nominate people from their respective communities who are in dire need of financial assistance, via AMAL and Bank Islam websites and Facebook pages.

Five beneficiaries from Kelantan, Penang, Negeri Sembilan and Kuala Lumpur were shortlisted from nationwide nominations. Among the assistance given were payments for medical treatments (chemotherapy, dialysis and ovary removal surgery), inclinable bed, grass cutting machine, home renovations and cash donations. Meanwhile, the 'Skuad BuatBaik' team tirelessly invested their energy in cleaning and repairing some of the beneficiaries' homes.

HARI AMAL – CELEBRATING MALAYSIA DAY WITH NATIONWIDE CR ACTIVITIES

Another inaugural CR initiative, Hari AMAL Bank Islam put in motion 14 CR activities at 14 states on one auspicious day. Held in conjunction with Malaysia Day (16 September), Hari AMAL aimed to foster the spirit of solidarity and camaraderie among fellow Malaysians by lending a hand to communities and individuals in need. The inaugural programme also encourages more staff nationwide to become volunteers of CR activities in their respective states.

The occasion saw more than 400 volunteers comprising Bank Islam staff, non-governmental organisations ("NGOs") and student participants who got involved in gotong-royong activities such as cleaning, painting, tree-planting as well as refurbishing and reparation of homes and buildings. The Bank contributed RM56,000 to organise the nationwide programme. Meanwhile, a total of RM190,000 of zakat fund was distributed to beneficiaries by participating branch managers of every state. Among the zakat recipients were individuals (193), schools (28), mosque (1), surau (2), old folks' home (1), orphanages (4) and centres for special needs children (3).





SUPPORTING UNIFORMED PERSONNEL DURING RAMADAN

As with every Ramadan month for the last three years, our nationwide *AMAL Ihtimam Ramadan* programme continued with efforts to support uniformed personnel who have to be on duty at the time of breaking fast. As a way to uphold our appreciation for their contribution to society, in 2017, we distributed packed food to nurses in Hospital Sultanah Nur Zahirah in Kuala Terengganu and Hospital Sultan Abdul Halim in Sungai Petani, Kedah.

Other than the nurses, we also paid special attention to *asnaf* and underprivileged students including orphans. The beneficiaries for the year's programme included more than 900 students, 20 asnaf, 20 mualaf, 36 schools, four colleges and universities and seven NGOs (five orphanages, a community centre and a mualaf organisation) which, in all, received close to RM450,000.

Contributions During AMAL Intimam Ramadan

	BENEFICIARIES	TOTAL	TOTAL INDIVIDUALS
S	Student	873	
DUA	Orphan	158	1,071
INDIVIDUALS	Asnaf	20	1,071
≟	Mualaf	20	

BENEFICIARIES		TOTAL	TOTAL ORGANISATIONS
ORGANISATIONS	Non-governmental organisation	7	46
	School	36	
	University	4	





SHARING HARI RAYA JOY WITH THE UNDERPRIVILEGED

As a way to share the festive joy with the underprivileged, we hosted an open house held at a traditional Malay homestay in Pengkalan Balak, Melaka with 150 underprivileged students and 45 asnaf as our honourable guests. Apart from treating them to a variety of delectable Raya delicacies, donations totalling RM41,000 were also distributed to our guests including seven schools and the Society of the Blind in Malaysia during the event.

Total Contribution

RM447,500

RM311,200

(Zakat)

км136,300

(CR fund)

OUR **2017 PRIORITIES**

(cont'd)

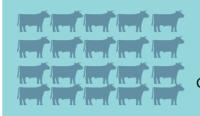
KORBAN WITH DRUG REHABILITATION CENTRE AND PRISON COMMUNITIES

Among the venues for our nationwide *AMAL Ihtimam Korban* 2017 were Klinik Cure & Care 1Malaysia Tampoi, Johor (drug rehabilitation centre) and Penjara Seremban (correctional institution), Negeri Sembilan. These locations were selected as a way to give support to those seeking a second chance in life and the staff of these respective organisations.

The yearly Aidiladha programme was also held in *suraus* and mosques in Tanjung Karang, Selangor; Tasek Gelugor, Penang; Kuala Rompin, Pahang and Bintulu, Sarawak. Participants and guests were also treated to various activities such as colouring, *azan* and *khutbah* contests, quiz, outdoor games and *tazkirah*. In total, 20 cattle and RM39,000 (zakat) were distributed to *suraus*, mosques and the underprivileged during the programme.

AMAL MUSA'ADAH – EMPOWERING SMALL BUSINESS OWNERS

AMAL Musa'adah is another new programme initiated in 2017 to support small business owners by providing facilities or financial assistance that would help them in their daily operations. Carried out in collaboration with Amanah Ikhtiar Malaysia ("AIM"), the programme's main aim is to help these businesses sustain independently in the long term. A total of RM93,000 was contributed to 36 small business owners in Terengganu. Among the contributions made towards the programme were basic necessities, business capital, kiosks, machineries and equipment.



Cattle contribution in 6 states

RM39,000

Zakat distribution to 2 *suraus*, 3 mosques and 100 individuals





VISIT-TO-SCHOOL PROGRAMME & SCIENCE SHOW COMPETITION - MAKING **EDUCATION FUN**

Our third-year partnership with Petrosains Discovery Centre in the Visit-to-School Programme and Science Show Competition saw the participation of more than 9.100 students and 910 teachers from 517 schools. A total of RM716.000 was contributed towards this collaboration whereby RM239,000 was allocated for Visit-to-School programme which is a series of two-day mini carnival events that provided students with handson activities relating to Science, Technology, Engineering and Maths ("STEM"). The programme was carried out in six schools in Tanjung Karang, Selangor; Batu Pahat, Johor; Sungai Petani, Kedah; Kuching, Sarawak and Kota Kinabalu, Sabah.

Meanwhile, the remaining RM477,000 was channelled to the Science Show Competition where participants were required to present a scientific concept and showcase an experiment or demonstrate their illustrative concept (either individually or in teams of two) in a 15-minute performance on stage. The contest, which combined science with the performing arts, aimed to popularise science and promote exciting and effective learning methods for students. The team from SM Sains Rembau, Negeri Sembilan emerged as champion, winning RM10,000 in cash and an all-expenses paid trip (worth RM30,000) to National Museum of Emerging Science & Innovation in Tokyo, Japan.





PINTAR PROGRAMME - SURVIVOR CAMP

Every child should be given equal opportunity to get the education that he or she deserves, especially those from underprivileged families and communities. Our affiliation with Promoting Intelligence, Nurturing Talent & Advocating Responsibility ("PINTAR") Foundation in its School Adoption Programme has allowed us to contribute towards our quest to level the playing field between urban and rural children. Since 2008, the Bank has adopted 20 schools all across the country, assisting PINTAR to educate and impart useful skills to more than 15,000 primary school students nationwide.

To date, we have contributed close to RM1.5 million towards this programme whereby most of the fund was channelled to our three-day Survivor Camp at Rejimen Askar Melayu DiRaja ("RAMD") Batalion 25 Camp in Bentong, Pahang. In 2017, Survivor Camp saw the participation of 80 students from our adopted schools Maahad Al Ehya Asshariff in Semanggol, Perak and Sekolah Menengah Ugama (Arab) Al-Fitrah in Tanah Merah, Kelantan. Conducted by RAMD officers, the programme was created to build self-confidence among the participants. The activities also prepared them in facing future challenges by instilling a sense of responsibility, leadership skills, discipline, competitive spirit and teamwork.

OUR **2017 PRIORITIES**

(cont'd)

INNOVATION, INVENTION & DESIGN EXPOSITION ("IIDEX") – PROMOTING TECHNOLOGY & CREATIVITY

As a Bank that advocates a culture of innovation, we are proud to be the main sponsor of Innovation, Invention and Design Exposition ("IIDEX") for the last twelve years. The focus of Universiti Teknologi MARA's ("UiTM") annual international exhibition and competition of IIDEX2017 is aligned with the third thrust of the National Higher Education Strategic Plan which is to enhance research and innovation.

Themed 'Innovate to Inspire', the one-week event held in UiTM, Shah Alam attracted 700 participants from schools, colleges and universities. The annual event is also part of our effort to encourage collaboration between the academia and industries as well as commercialising innovation and invention.

BACK2SKOOL – SUPPORTING UNDERPRIVILEGED YOUTHS

Bank Islam understands the financial constraints faced by parents, especially the less fortunate, in providing schooling needs for their children. To address this predicament, we have contributed schooling necessities (full sets of uniform, tracksuits, bags, stationeries and cash) to needy students as part of our Back2Skool programme held in conjunction with the new school academic year 2018. Besides easing the burden of underprivileged parents, the programme also acts as a motivation factor for children to attend school.

The programme saw the involvement of more than 30 Bank Islam volunteers, with over RM270,000 (from zakat and CR fund) allocated for 650 students from 60 primary schools located in Pekan, Pahang; Langkawi, Kedah and Sempoerna, Sabah.

ANUGERAH SURAU IMARAH SEKOLAH-SEKOLAH – UPLIFTING SURAUS & MUSOLLAS

We are continuing our support for Anugerah Surau Imarah Sekolah-Sekolah ("ASISS"), an annual competition which seeks to award the best primary and secondary school *surau* and *musolla* in the country. Organised by the Education Ministry in conjunction with *Maulidur Rasul*, the Bank has contributed close to RM400,000 to date since its inception in 2013.

Set to encourage every school to invigorate its prayer spaces, the competition has inspired its participants to improve the management of their school *suraus* and *musollas* by elevating them into educational centres that also carry out *da'wah* activities.







PROJEK ECO-BALAI RAWATAN – CHAMPIONING RENEWABLE ENERGY INNOVATIONS

In our guest to promote alternative energy, we have teamed up with Universiti Teknologi Malaysia ("UTM") to provide residents of Kampung Orang Asli Pucur in Kahang, Johor, a solar energy system developed by the university's Faculty of Electrical Engineering. Located 70km from Kluang, the community had to rely solely on diesel generators as a source of electricity and had to spend about RM2,000 a month to purchase fuel. This practice was costly and contributed to air and noise pollution while providing merely 11 hours (7p.m. to 6a.m.) of electrical usage.

With the expertise from the research team, their solar energy system was built and installed at the village's balai rawatan (medical treatment centre) so that the community could enjoy continuous supply of renewable electricity for free. The project also entailed the centre's renovation works. Renamed as Eco-Balai Rawatan, a freezer was also donated to the centre allowing the secluded community a facility to store their food for a much longer time.

The community participated in various activities during the official handover ceremony such as Kem Solat (facilitated by two imams from Surau Wakaf Ahmad Dawjee Dadabhoy), gotong-royong, children's games, demonstration of solar energy system (by UTM's Engineering Faculty) and zakat contributions. Apart from UTM, the clean energy project also involved the combined efforts of Department of Orang Asli Development ("JAKOA"), Tenaga Nasional Berhad ("TNB") and Institut Inovasi Strategik Johor ("IISJ").



CONSTANTLY EXPLORING INNOVATIONS IN CR

Every year, we make progress in strengthening the implementation of our social and environmental responsibility policy. The addition of two nationwide (Projek #BuatBaik and Hari AMAL) and one statewide (AMAL Musa'adah) CR programmes in 2017 are examples of new initiatives that attest to our drive to consistently improve.

For us, CR is a never-ending journey to explore innovative ways to help communities thrive and contribute towards a sustainable future. This doctrine stems from our belief that innovation and creativity are basis of successful corporations.

To achieve our goals, we challenge ourselves daily to look beyond Bank Islam's own interests for greater opportunities to do what's right – and create a positive and lasting impact on the lives of our customers, shareholder, communities and our precious environment. This is manifested in our pledge to promote VBI which subscribes to the Triple Bottom Line principle as a measure of performance.

We are continuously seeking to adopt new approaches. With VBI in the works within our Shariah-based framework, we are geared to advance towards a more sustainable economic development model. Our conscious effort to push for innovation, inclusive growth and constructive collaboration will not only lead us to become a more robust organisation but also provide a higher quality of life for communities involved, and most importantly – a better Malaysia.



BANK ISLAM'S BOARD OF DIRECTORS





CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

DATUK ZAMANI ABDUL GHANI

MANAGING DIRECTOR

DATO' SRI ZUKRI SAMAT

(Retired w.e.f 9 June 2017)

MEMBERS

PROFESSOR EMERITUS TAN SRI DATO'
DR ABDUL SHUKOR HUSIN

DATUK ZAITON MOHD HASSAN

(Re-designated as Non-Independent Non-Executive Director w.e.f 2 February 2018)

ZAHARI @ MOHD ZIN IDRIS

MOHAMED RIDZA MOHAMED ABDULLA

NIK MOHD HASYUDEEN YUSOFF

NORAINI CHE DAN

DATO' SRI KHAZALI AHMAD

(Appointed w.e.f. 2 January 2018)

AZIZAN AHMAD

(Appointed w.e.f. 2 January 2018)

AUDIT AND EXAMINATION COMMITTEE

CHAIRMAN

Noraini Che Dan

(Appointed as the Chairman w.e.f. 1 February 2018)

Datuk Zaiton Mohd Hassan

(Ceased as the Chairman and re-designated as a member w.e.f. 1 February 2018)

MEMBERS

Datuk Zamani Abdul Ghani

Zahari @ Mohd Zin Idris

Mohamed Ridza Mohamed Abdulla

Nik Mohd Hasyudeen Yusoff

Dato' Sri Khazali Ahmad

(Appointed as a member w.e.f. 1 February 2018)

BOARD RISK COMMITTEE

CHAIRMAN

Nik Mohd Hasyudeen Yusoff

(Appointed as the Chairman w.e.f. 1 February 2018)

Datuk Zaiton Mohd Hassan

(Ceased as the Chairman and re-designated as a member w.e.f. 1 February 2018)

MEMBERS

Datuk Zamani Abdul Ghani

Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin

Zahari @ Mohd Zin Idris

Noraini Che Dan

Azizan Ahmad

(Appointed as a member w.e.f. 1 February 2018)



NOMINATION AND REMUNERATION COMMITTEE

CHAIRMAN

Noraini Che Dan

MEMBERS

Datuk Zamani Abdul Ghani

Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin

Datuk Zaiton Mohd Hassan

Zahari @ Mohd Zin Idris

Nik Mohd Hasyudeen Yusoff

(Appointed as a member w.e.f. 1 February 2018)

BOARD FINANCING REVIEW COMMITTEE

CHAIRMAN

Zahari @ Mohd Zin Idris

MEMBERS

Datuk Zamani Abdul Ghani

Datuk Zaiton Mohd Hassan

Dato' Sri Zukri Samat

(Retired w.e.f. 9 June 2017)

Nik Mohd Hasvudeen Yusoff

Azizan Ahmad

(Appointed as a member w.e.f. 1 February 2018)

SHARIAH SUPERVISORY COUNCIL

CHAIRMAN

Professor Dato' Dr Ahmad Hidayat Buang

MEMBERS

Dr Ahmad Shahbari @ Sobri Salamon

Assistant Professor Dr Uzaimah Ibrahim

Dr Yasmin Hanani Mohd Sapian

Sahibus Samahah Dato' Dr Haji Anhar Haji Opir

CHIEF EXECUTIVE OFFICER

Khairul Kamarudin

(Appoitment w.e.f. 14 June 2017)

COMPANY SECRETARIES

Maria Mat Said (LS0009400)

Norhidayati Mohamat Salim (MIA 27364)

REGISTERED ADDRESS

Bank Islam Malaysia Berhad (98127-X)

32nd Floor, Menara Bank Islam

No. 22, Jalan Perak, 50450 Kuala Lumpur

Tel: (6) 03 2088 8000 Fax: (6) 03 2088 8033

Web: www.bankislam.com.my

AUDITORS

KPMG Desa Megat PLT (LLP0010082-LCA & AF 0759)

Level 10, KPMG Tower

8, First Avenue, Bandar Utama

47800 Petaling Jaya

Selangor Darul Ehsan

SHAREHOLDING **STRUCTURE**



100%



100%



Farihan Corporation Sdn Bhd

100%



Al-Wakalah Nominees (Tempatan) Sdn Bhd

100%



BIMB Investment Management Berhad

100%



Bank Islam Trust Company (Labuan) Ltd

100% BIMB Offshore Company Management Services Sdn Bhd

SHAREHOLDER'S **INFORMATION**

INTEGRATED ANNUAL REPORT

BIMB HOLDINGS



Established on 20 March 1997, BIMB Holdings Berhad ("BHB") was listed on the Main Market of Bursa Malaysia on 16 September 1997. BHB is the first Islamic Financial Holding company approved by Bank Negara Malaysia under the Islamic Financial Services Act 2013.

The core subsidiaries of the BHB Group are pioneers in various Islamic financial services including banking, takaful, stockbroking, and other related services, namely Bank Islam Malaysia Berhad, Syarikat Takaful Malaysia Berhad and BIMB Securities Sdn Bhd.

Bank Islam Malaysia Berhad



Syarikat Takaful Malaysia Berhad



BIMB Securities Sdn Bhd





The company has gained in strength and stature over the years via its stable of strategic investments in various pioneering Islamic institutions.



Being the leading Shariahcompliant financial services provider with an issued and paid-up capital of





BHB is well-positioned to contribute to the nation's aspiration in establishing Malaysia as a vibrant International Islamic Financial Centre.

SUBSIDIARIES' INFORMATION







Issued and paid-up capital of **RM**

15 million A wholly-owned subsidiary of Bank Islam.



based in Kuala Lumpur.



23

Years of experience in the fund management industry.

Incorporated on •



SEPTEMBER

Commenced operation on 20 June 1994.

BIMB Invest

manages



Global, regional and domestic investments

launched



1st Artificial Intelligence fund



1st Islamic Global, Asia-Pacific and Malaysia Equity funds that uses Big Data technology and ESG principles in Malaysia

Named MALAYSIA'S
BEST ASSET &
FUND MANAGER
IN 2017







Incorporated on



This wholly-owned subsidiary of Bank Islam Malaysia Berhad began its full operations in 2003.



SHARIAH-COMPLIANT PRODUCTS AND SERVICES

BTL is one of the trust companies in Labuan which offers Shariah-compliant products and services such as incorporation of offshore company including facilitating the international business licences as well as promoting the wealth management products such as Labuan Islamic Foundation and Labuan Islamic Trust.

SERVICES





Application of WORK PERMIT or DEPENDENT PASSES



PROFILE OF BOARD OF DIRECTORS

Islamic Financial ("INCEIF")

in London and New York

• Head, Bank Negara Malaysia's Representative Office



Date of Appointment:	1 March 2011		Director, Insurance Regulation & Supervision, Bank Negara Malaysia
Academic and Professional Qualifications:	 Master of Management, Asian Institute of Management, Manila, the Philippines Bachelor of Economics (Analytical), University of Malaya, Kuala Lumpur Fellow, Malaysia Institute of Bankers 		 Member, Operations Review Panel, Malaysian Anti Corruption Commission ("MACC") Chairman, Credit Guarantee Corporation Chairman, Danamodal Nasional Berhad Commissioner, Securities Commission of Malaysia Member, Board of Directors, Lembaga Tabung Haji
Areas of Expertise:	Banking and Finance	Directorship in Other Public Companies:	None
Work Experience & Positions:	 Present: Chairman, Bank Islam Malaysia Berhad Chairman, Raeed Holdings Sdn Bhd Chairman, IAP Integrated Sdn Bhd Deputy President, Kelab Alumni Kakitangan Bank Negara Malaysia Previous: Special Advisor, Attorney General's Chambers of Malaysia Deputy Governor/Special Advisor, Bank Negara Malaysia Executive Director, International Monetary Fund Asia Chair Egmont Group of international official Financial Intelligence Units ("FIUs") Director, Bank Regulation, Bank Negara Malaysia Director General, Labuan Offshore Financial Services Authority ("LOFSA") Assistant Governor, Bank Negara Malaysia Member, Governing Council and Executive Committee, International Centre for Education in 	Membership of Board Committees in Bank Islam:	 Member, Audit and Examination Committee Member, Board Risk Committee Member, Nomination and Remuneration Committee Member, Board Financing Review Committee
		Meeting attendance:	10 of 10 Board Meetings held in the Financial Year Ended 31 December 2017
		Declaration of Interest:	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.



			AND A
Date of Retirement:	9 June 2017	Directorship in Other Public Companies:	Asian Institute of Finance Berhad
Academic and Professional Qualifications:	 Honorary Doctorate (PhD) in Finance and Islamic Banking, Kolej Universiti INSANIAH MBA (Finance), University of Hull, United Kingdom 	Membership of Board Committees	Member, Board Financing Review Committee
Areas of Expertise:	Finance & Islamic Banking	in Bank Islam:	
Work Experience &	Previous: • Group Chief Executive Officer, BIMB Holdings Berhad	Meeting attendance:	5 of 6 Board Meetings held in Financial Year 2017 until retirement on 9 June 2017
Positions:	 Managing Director, Bank Islam Malaysia Berhad Executive Director, Khazanah Nasional Berhad Managing Director, Pengurusan Danaharta Nasional Berhad General Manager, Credit Agricole Indosuez Deputy General Manager, Commerce International Merchant Bank Berhad Senior Account Officer, Pacific Bank Berhad Senior Account Officer, Public Bank Berhad (Corporate Banking) Credit Officer, Bank Bumiputra Malaysia Berhad 	Declaration of Interest:	He has no conviction for offences within the past five years. He has no family relationship with any directors and major shareholders of Bank Islam and has no conflict of interest in Bank Islam.

PROFILE OF BOARD OF DIRECTORS

Banking, Assets & Liability Management,
Branch Operations including that of General
Manager, Group Strategic Planning

• Audit Trainee, PricewaterhouseCoopers

(cont'd)



Date of Appointment:	Fellow, Association of Chartered Certified	Directorship in Other Public Companies: Membership of Board Committees in Bank Islam:	 Sime Darby Plantation Berhad Dolphin International Berhad FIDE Forum 	
Professional Qualifications:	Accountants ("ACCA"), United Kingdom • Member of the Malaysian Institute of Accountants ("MIA") • Member of the Malaysian Institute of Certified Public Accountants ("MICPA")		 Malaysia Institute of Corporate Governance Member, Audit and Examination Committee (was the Chairman until 1 February 2018) Member, Board Risk Committee (was the Chairman until 1 February 2018) 	
Areas of Expertise:	Banking, Accounting and Finance		Member, Nomination and Remuneration Committe Member, Board Financing Review Committee	
Work Experience & Positions: Present: Chief Executive Officer, Malaysia Professional Accountancy Centre ("MyPAC") Chairman, Private Pension Administrator Malaysia Previous: Managing Director, Capital Intelligence Advisors Sdn Bhd President/Executive Director, Malaysian Rating Corporation Berhad ("MARC") Served 12 years with Maybank in various senior positions in Treasury Operations, International	111111111111111111111111111111111111111	Meeting attendance:	10 of 10 Board Meetings held in the Financial Year Ended 31 December 2017	
	Declaration of Interest:	She has no conviction for offences within the past five years. She has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.		



Date of Appointment:	1 October 2016	Directorship in Other Public Companies:	 Cagamas Holdings Berhad Malaysia Professional Accountancy Center ("MyPAC") Federation of Investment Managers Malaysia ("FIMM") BIMB Investment Management Berhad
Academic and Professional Qualifications:	/ tusti alla		
	Fellow, CPA Australia Member, Malaysian Institute of Accountants ("MIA")	Membership of Board Committees	 Chairman, Board Risk Committee Member, Audit and Examination Committee Member, Board Financing Review Committee
Areas of Expertise:	Accounting	in Bank Islam:	Member, Nomination and Remuneration Committee
Work Experience &	11000111	Meeting attendance:	10 of 10 Board Meetings held in the Financial Year Ended 31 December 2017
Positions:	 Previous: Executive Director, Market and Corporate Supervision, Securities Commission Malaysia Executive Chairman, Audit Oversight Board, Securities Commission Malaysia Chief Executive Officer, Inovastra Sdn Bhd Chairman, Khairuddin, Hasyudeen & Razi, Chartered Accountants 	Declaration of Interest:	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

PROFILE OF BOARD OF DIRECTORS

(cont'd)



Date of Appointment:	1 October 2016	Directorship in Other Public Companies:	BIMB Holdings BerhadSP Setia BerhadTenaga Nasional Berhad	
Academic and Professional Qualifications:	 Member of the Malaysian Institute of Certified Public Accountants ("MICPA") Member of the Malaysian Institute of Accountants ("MIA") Bachelor of Econs (Hons), University of Manchester, United Kingdom 	Membership of Board Committees in Bank Islam:	 Chairman, Nomination and Remuneration Committee Chairman, Audit and Examination Committee Member, Board Risk Committee 	
Areas of Expertise:	Accounting and Finance	Meeting attendance:	10 of 10 Board Meetings held in the Financial Year Ended 31 December 2017	
Work Experience & Positions:	Present: None Previous: • Vice President, Finance, MISC Berhad • Served 15 years with Perbadanan Nasional Berhad ("PERNAS") in various senior positions including that of Group General Manager, Finance • Senior Audit in Hanafiah, Raslan & Mohamed	Declaration of Interest:	She has no conviction for offences within the past five years. She has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.	



Date of Appointment:	20 September 2002	Directorship in Other Public Companies:	None
Academic and Professional Qualifications:	Senior Cambridge Certificate	Membership of Board Committees in Bank Islam:	Chairman, Board Financing Review Committee Member, Audit and Examination Committee Member Read Birls Committee
Areas of Expertise:	Banking and Finance		Member, Board Risk Committee Member, Nomination and Remuneration Committee
Work Experience & Positions: Present: Chairman, Bank Islam Trust Company (Labuan) Ltd Chairman, BIMB Offshore Company Management Services Sdn Bhd Chairman, BIMB Securities (Holdings) Sdn Bhd Chairman, BIMB Securities Sdn Bhd		Meeting attendance:	10 of 10 Board Meetings held in the Financial Year Ended 31 December 2017
	Declaration of Interest:	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.	
	Previous: Executive Director/Chief Executive Officer, Inter-City MPC (M) Sdn Bhd General Manager, Commercial Banking, Malayan Banking Berhad		
	 Assistant General Manager, Malayan Banking Berhad Deputy Zone Head, Head Office, Malayan Banking Berhad Area Manager, Malayan Banking Berhad Branch Manager, Malayan Banking Berhad Assistant Branch Manager, Malayan Banking Berhad Trainee Officer, Malayan Banking Berhad 		

PROFILE OF BOARD OF DIRECTORS

(cont'd)



PROFESSOR EMERITUS TAN SRI DATO' DR ABDUL SHUKOR HUSIN

Non-Independent Non-Executive Director 76 years old - Malaysian

Date of Appointment:	2 May 2014
Academic and Professional Qualifications:	 Doctor of of Al-Azha Master of of Al-Azha Bachelor of of Al-Azha Diploma ir
Areas of Expertise:	Aqidah and I
Work Experience & Positions:	Present: Distinguish Managem Chairman, Pahang Chairman

...... Doctor of Agidah and Philosophy of Islam, University

- Master of Aqidah and Philosophy of Islam, University of Al-Azhar, Egypt
- Bachelor of Arts (Honours) Usuluddin, University of Al-Azhar, Egypt
- Diploma in Education, University of Ain Shams, Egypt
- Agidah and Philosophy of Islam

of Al-Azhar, Egypt

Present:

- · Distinguished Fellow, Faculty of Leadership and Management, Universiti Sains Islam Malaysia ("USIM")
- Chairman, Zakat Distribution Committee, State of
- Chairman, Shariah Advisory Committee of Lembaga Tabung Haji
- Member, Board of Directors of Lembaga Tabung Haji
- Member, Board of Directors of TH Properties Sdn Bhd
- Member, Council of Islamic Religion and Malay Customs, State of Pahang ("MUIP")
- Member of Special Cabinet, Shariah Governance Index Malaysia
- Member, Syarak Legal Advisory Committee, Mufti Department, State of Pahang

Previous:

- · Chairman, Board of Directors, USIM
- Chairman, Fatwa Committee of the National Council for Islamic Affairs Malaysia
- Member, National Council for Islamic Affairs ("MKI"), Prime Minister Department

- Vice Chancellor and Senior Professor, USIM
- Director and Fellow, World Fatwa Management and Research Institute ("INFAD")
- Director, Shariah Governance Index, Jabatan Kemajuan Islam Malaysia ("JAKIM")
- Dean, Faculty of Islamic Studies, Universiti Kebangsaan Malaysia ("UKM")
- Head of Usuluddin and Philosophy Department, UKM
- Visiting Professor, various universities
- Member, Board of Wakaf Syar'ie, State of Pahang
- Chairman, Shariah Advisory Council for Silver Bird Group Berhad
- Member, Board of International Shariah Research for Islamic Finance ("ISRA"), Bank Negara Malaysia

Directorship in Other Public Companies:

Membership of Board Committees in Bank Islam:

- Member, Board Risk Committee
- Member, Nomination and Remuneration Committee

Meeting attendance:

10 of 10 Board Meetings held in the Financial Year Ended 31 December 2017

Declaration of Interest:

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam except by virtue of being a nominee director of BIMB Holdings Berhad.



Date of Appoin	tment:	1 December 2010	Directorship in Other Public Companies:	Theta Edge Berhad
Academic and Professional Qualifications:	 LLB (First Class Honours), International Islamic University Malaysia Institute of Chartered Secretaries and Administrators (London) ("ICSA") Fellow, Institute of Chartered Secretaries and 	Membership of Board Committees in Bank Islam:	Member, Audit and Examination Committee	
		Administrators ("FCIS") • Fellow, Malaysian Society of Adjudicators • Associate Member, Chartered Institute of Arbitrators	Meeting attendance:	10 of 10 Board Meetings held in the Financial Year Ended 31 December 2017
Areas o		("ACI Arb")	Declaration of Interest:	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.
Work Experie Position		Present: • Managing Partner, Mohamed Ridza & Co Previous: • Partner, Zaid Ibrahim & Co • General Legal Counsel, Technip Asia Pacific • Group Legal Advisor, Arab Malaysian Corporation Berhad • Advocate and Solicitor, Corporate Department, Messrs. Rashid & Lee • Trainer, Securities Industry Development Corporation ("SIDC") and Financial Sector Talent Enrichment Programme ("FSTEP") • Member, Arbitration Panel, KL Arbitration Centre for Islamic Banking & Finance		

PROFILE OF BOARD OF DIRECTORS

(cont'd)



DATO' SRI KHAZALI AHMAD Independent Non-Executive Director 63 years old - Malaysian

Appointment:	Appointment: • Master Degree (Econs) (Oklahoma), University of Central of Oklahoma, USA		 Principal Assistant Secretary, Ministry of Health Education Attache, Malaysia Student Department, High Commission of Malaysia, London Assistant Director, Public Service Department
Professional Qualifications:		Directorship in Other Public Companies:	Malaysia Venture Capital Management Berhad
Areas of Expertise:	Economy, Finance and Tax Management	Membership of Board Committees in Bank Islam:	Member, Audit and Examination Committee
Work Experience & Positions:	Present: None Previous:	Meeting attendance:	None (Newly appointed w.e.f 2 January 2018)
	 Director General of Customs, Royal Malaysia Customs Sabah Federal Secretary, Prime Minister's Department Deputy General of Customs (Management), Royal Malaysia Customs Special Functions Officer to Chief Secretary to the Government of Malaysia, Prime Minister's Department Section Chief, Tax Analysis Division, Ministry of Finance Principal Assistant Director, Tax Analysis Division, Ministry of Finance Malaysia Trade Commissioner to Beijing, Ministry of International Trade and Industry Principal Assistant Director, International Trade Division, Ministry of International Trade and Industry Assistant Director, International Trade Division, Ministry of International Trade and Industry 	Declaration of Interest:	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.



Date of Appointment:	2 January 2018	Directorship in Other Public Companies:	None
Academic and Professional Qualifications:	Diploma in Agriculture, Universiti Putra Malaysia	Membership of Board Committees	Member, Board Risk Committee Member, Board Financing Review Committee
Areas of Expertise:	Banking and Credit Management	in Bank Islam:	
Work	Present:	Meeting attendance:	None (Newly appointed w.e.f 2 January 2018)
Experience & Positions:	 Previous: Principal Consultant for School of Credit, Agrobank Executive Vice President, President/CEO Office, Agrobank Chief Credit Officer, Agrobank Chief Commercial Officer, Agrobank Executive Vice President, Credit Management Division, Bank Muamalat (M) Berhad General Manager, Human Resource Division, Malayan Banking Berhad General Manager, Credit Control Division, Malayan Banking Berhad Regional Manager, Malayan Banking Berhad Credit Manager/Senior Credit Manager, Malayan Banking Berhad Credit Officer/Senior Credit Officer, Malayan Banking Berhad Credit Officer/Senior Credit Officer, Malayan Banking Berhad 	Declaration of Interest:	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

PROFILE OF SHARIAH SUPERVISORY COUNCIL



01 Professor Dato' Dr Ahmad Hidayat Buang Chairman



02 Ustaz Dr Ahmad Shahbari @ Sobri Salamon Member



03 Assistant Professor Dr Uzaimah Ibrahim Member



04 Associate Professor Dr Yasmin Hanani Mohd Safian Member



05 Sahibus Samahah Dato' Dr Haji Anhar Haji Opir Member



06 Ustaz Saiful Anuar Hambali Secretary

PROFILE OF SHARIAH SUPERVISORY COUNCIL

(cont'd)

01 PROFESSOR DATO' DR AHMAD HIDAYAT BUANG

Chairman

Professor and Head, Department of Shariah and Law, Academy of Islamic Studies, University of Malaya

Doctor of Philosophy, School of Oriental and African Studies, University of London

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Master of Law, School of Oriental and African Studies, University of London

Bachelor of Shariah, University of Malaya

Professor Dato' Dr Ahmad Hidayat Buang was appointed as Chairman of the Shariah Supervisory Council of Bank Islam on 1 April 2015. He has been with the Council since 2011.

He is currently a Professor and Head of the Department of Shariah and Law, Academy of Islamic Studies, University of Malaya and also a Senate Member of the University. He served as the Academy's Director from October 2006 to January 2011. He also served as Deputy Director (Research and Development) of the academy in 2006 as well as Head of Department of Shariah and Law from 1997 to 1999 and from July 2016 to June 2018.

Professor Dato' Dr Ahmad Hidayat is currently holding a post as Chairman of Group Shariah Committee for MNRB Holdings Berhad and Member of Shariah Committee for Amanah Raya Berhad ("ARB"). Prior to that, he served as a Shariah Advisor for several financial institutions, which includes CIMB Bank Berhad, OCBC Bank, Commerce Tijari Bank, Amanah Raya Unit Trust Management Sdn Bhd, ASM MARA Unit Trust Management Berhad, I-Free Capital Pte Ltd (Singapore), Bumiputra Commerce Trustee Sdn Bhd and Perbadanan Usahawan Nasional Berhad. He was also formerly a member of the Shariah Working Committee of Islamic Banking and Takaful for Bank Negara Malaysia and a member of the Islamic Education Coordination Advisory Council for the Council of Rulers Malaysia.

Professor Dato' Dr Ahmad Hidayat has no family relationship with any director and/or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.

02 USTAZ DR AHMAD SHAHBARI @ SOBRI SALAMON

Member

Doctor of Philosophy (Modern Middle Eastern History), New York University (USA)

Master of Economic, Fairlaigh Dickinson University (USA)

Bachelor of Shariah Islamiyyah, Al-Azhar University, Egypt

Ustaz Dr Ahmad Shahbari @ Sobri Salamon was first appointed as a member of the Shariah Supervisory Council in 1984 and previously the Chairman of the Shariah Supervisory Council of Bank Islam until 31 March 2015.

He is also the Chairman of the Shariah Committee of BIMB Investment Management Sdn. Bhd. and a member of Shariah Advisory Body of Syarikat Takaful Malaysia Berhad. Ustaz Dr Ahmad Shahbari started his career in 1978 as a lecturer at Universiti Kebangsaan Malaysia ("UKM") for its Shariah Department, Faculty of Islamic Studies and was appointed as an Associate Professor in the Shariah Department in 1984. He had two stints as a lecturer at International Islamic University of Malaysia; the first was on secondment at the university's Kulliyah of Economics from 1983 to 1984, and for the second stint, he lectured for Ahmad Ibrahim Kulliyah of Law from 1986 to 1996. Later, he was appointed as the Executive Director of Pusat Rawatan Islam (Islamic Religious Council of Selangor or MAIS) from 1996 to 1999 and afterward was appointed as the Executive Chairman of the company until 2015.

Ustaz Dr Ahmad Shahbari previously served as Shariah Advisor to Abrar Group, Arab Malaysia Merchant Bank, Arab Malaysian Finance, PT Takaful Indonesia, Asean ReTakaful International Ltd, Labuan Offshore Financial Services Authority and a member of Board of Directors Yayasan Pembangunan Ekonomi Islam Malaysia ("YAPIEM") (1985 to 1995). He had served as a member of Majlis Agama Islam Selangor ("MAIS") for 21 years since 1985 and as a member of the Islamic Consultative Council in the Prime Minister's Office. Ustaz Dr Ahmad Shahbari is an approved Individual Shariah Advisor by the Securities Commissions of Malaysia.

Ustaz Dr Ahmad Shahbari was awarded 'Tokoh Ulama' Bestari Negeri Selangor' in 2000 and received the 'Tokoh Ma'al Hijrah Negeri Selangor' in 2001. He has produced writings in educational history, economy, Islamic banking and Islamic law, for television and publication purposes. His body of work includes 14 books and translations of eight volumes of books on Islamic Jurisprudence by Professor Dr Sheikh Wahbah Mustafa al-Zuhayli.

Ustaz Dr Ahmad Shahbari has no family relationship with any director and/or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.

03 ASSISTANT PROFESSOR DR UZAIMAH IBRAHIM

Member

Assistant Professor, Ahmad Ibrahim Kuliyyah of Laws, International Islamic University of Malaysia

Doctor of Philosophy, University of Wales, United Kingdom Master in Comparative Law, International Islamic University of Malaysia

LLB (Shariah), International Islamic University of Malaysia LLB, International Islamic University of Malaysia

Assistant Professor Dr Uzaimah Ibrahim was first appointed as a member of the Shariah Supervisory Council in 2009.

She is currently an Assistant Professor in Department of Islamic Law, Ahmad Ibrahim Kuliyyah of Laws, International Islamic University of Malaysia ("IIUM"). Dr Uzaimah is also a member of Shariah Committee of Hong Leong MSIG Takaful Berhad, a post she has held since 2006. Prior to joining Bank Islam, she was a Shariah Committee member for Hong Leong Islamic Bank Berhad. In 2005, Dr Uzaimah became the Deputy Director of the Islamic Banking and Finance Institute, IIUM, an international centre for education and research in Islamic finance.

Dr Uzaimah was accredited as a Syar'ie lawyer in 1995 and has conducted various researches on Islamic commercial law, Islamic jurisprudence, Islamic banking law, derivatives and securitisation as well as takaful and corporate social responsibility. She has also given numerous presentations in seminars and workshops, and contributed a chapter to Halsbury's Laws of Malaysia published by Malaysian Law Journal.

Dr Uzaimah has no family relationship with any director and/or major shareholder of Bank Islam. She has no conflict of interest with Bank Islam and neither has she been charged with any offences.

04 ASSOCIATE PROFESSOR DR YASMIN HANANI MOHD SAFIAN

Member

Associate Professor, Faculty of Syariah and Law, Universiti Sains Islam Malaysia

Doctor of Philosophy in Islamic Studies, University of Exeter, United Kingdom

Master in Islamic Studies, University of Birmingham, United Kingdom

Bachelor of Shariah Islamiyyah, Al-Azhar University, Egypt

Associate Professor Dr Yasmin Hanani was appointed as a member of Shariah Supervisory Council in April 2015.

She is currently an Associate Professor at Faculty of Syariah and Law, Universiti Sains Islam Malaysia ("USIM"). She also serves as a member of Selangor Islamic Religious Council ("MAIS"), Islamic Consultative Committee of Majlis Agama Islam Wilayah Persekutuan ("MAIWP") and Malaysian Halal Certification Advisory Committee. Associate Professor Dr Yasmin Hanani is a Certified Halal Trainer as well as Islamic Banking and Finance Trainer.

Prior to joining Bank Islam, Associate Professor Dr Yasmin Hanani was a Shariah Committee member for Affin Islamic Bank Berhad since 2011 until 2015. She also served as the Dean of Faculty of Shariah Law, Deputy Dean of Postgraduate Centre USIM and was a senate member of USIM.

Associate Professor Dr Yasmin Hanani has conducted various research and written numerous articles on Islamic commercial law, Islamic jurisprudence, Islamic banking and takaful. She is actively involved in conference presentation, training locally and internationally in the related area for both Muslim and non-Muslim participants.

Associate Professor Dr Yasmin Hanani has no family relationship with any director and/or major shareholder of Bank Islam. She has no conflict of interest with Bank Islam and neither has she been charged with any offences.

PROFILE OF SHARIAH SUPERVISORY COUNCIL

(cont'd)

05 SAHIBUS SAMAHAH DATO' DR HAJI ANHAR HAJI OPIR

Member

Deputy Mufti, State of Selangor Darul Ehsan

Doctor of Philosophy (Fiqh and Usul Fiqh), The World Islamic Sciences And Education University ("WISE"), Jordan

Master of Islamic Philosophy, Cairo University, Egypt

Bachelor of Shariah Islamiyyah, Al-Azhar University, Egypt

Sahibus Samahah Dato' Dr Haji Anhar Haji Opir was appointed as a member of Shariah Supervisory Council in April 2017.

He is currently the Deputy Mufti for the State of Selangor. He is also a Shariah Committee member for Perbadanan Usahawan Nasional Berhad ("PUNB"), and SIRIM Berhad. Besides that, he is also member of Selangor Fatwa Committee, Selangor Falak Committee, and Curricular Assesment committee for Jabatan Agama Islam Selangor ("JAIS"). He is also member of Hisbah (audit) Committee for Skim Infaq Lil Waqaf Angkatan Koperasi Kebangsaan Malaysia Berhad ("ANGKASA") and member of Advisory Committee for Pembangunan Asnaf Lembaga Zakat Selangor ("MAIS").

Prior to joining Bank Islam, Sahibus Samahah Dato' Dr Haji Anhar was a part time lecturer at Pusat Pemikiran dan Kefahaman Islam ("CTU") in UiTM Pahang and UiTM Melaka respectively. He also has served as Senior Lecturer at Islamic Education Department, Universiti Pendidikan Sultan Idris ("UPSI") since August 2007.

Sahibus Samahah Dato' Dr Haji Anhar has no family relationship with any director and/or major shareholder of Bank Islam. He has no conflict of interest with Bank Islam and neither has he been charged with any offences.

06 USTAZ SAIFUL ANUAR HAMBALI

Secretary

Deputy Chief Shariah Officer, Bank Islam Malaysia Berhad

Master of Business Administration (MBA) in Islamic Banking & Finance from International Islamic University Malaysia ("IIUM")

Bachelor of Shariah from University of Malaya (UM)

Certificate (Distinction) in Internal Auditing for Financial Institutions ("CIAFIN")

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Certified Qualification in Islamic Finance ("CQIF")

Ustaz Saiful Anuar Hambali has been in the banking industry for over 20 years and currently is the Deputy Chief Shariah Officer of Bank Islam Malaysia Berhad. He is the Secretary of Shariah Supervisory Council of Bank Islam and sits in several internal committees of the Bank including Financing Committee A & B, Underwriting & Investment Committee, Asset Liability Committee, Product Management Committee, Management Risk Control Committee, Operational Risk Control Committee, Compliance & Governance Working Group and Zakat & Charity Committee.

Prior to joining Bank Islam, he was the Head of Shariah Supervisory Department, Affin Islamic Bank Berhad. He was also working with other several Islamic financial institutions such as RHB Islamic Bank Berhad, OCBC Bank (M) Berhad, Bank Muamalat Malaysia Berhad and Bank Bumiputera Malaysia Berhad in different business areas including Shariah advisory & compliance, product & business development, consumer banking and project management office.

PROFILE OF **CEO**



Date of Appointment:	14 June 2017	Directorship in Other Public Companies:	None
Academic and Professional Qualifications:	 Association of Chartered Islamic Finance Professionals Malaysia LLB (Hons), Anglia University, United Kingdom 	Membership of Board Committees	None
Areas of Expertise:	Islamic Banking	in Bank Islam:	
Work Present:		Meeting attendance:	4 of 4 Board Meetings held in the Financial Year 2017 after his appointment on 14 June 2017
Experience & Positions:	 Chief Executive Officer, BIMB Holdings Berhad Previous: Deputy Chief Executive Officer, Bank Islam Malaysia Berhad Director, Business Development, Bank Islam Malaysia Berhad Head of Department, Special Recovery, Bank Islam Malaysia Berhad Manager, Procurement and Legal Affairs, Transwater API Sdn Bhd Manager, Malaysia National Asset Management Company, Pengurusan Danaharta Nasional Berhad Audit Senior in Assurance and Business Advisory Services, Banking and Financial Services Group, PricewaterhouseCoopers 	Declaration of Interest:	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

MANAGEMENT COMMITTEE

INDEPENDENT UNITS



Head, Commercial Banking

CORPORATE & OPERATIONS SUPPORT UNITS



Chief Operating Officer

MARIA MAT SAID Head, Legal & Secretarial

MOHD MUAZZAM MOHAMED

Chief Financial Officer

MIZAN MASRAM

Head, Recovery & Rehabilitation

HIZAMUDDIN JAMALLUDDIN

Chief Strategy Officer

RAZMAN ISMAIL Head, Human Resource

ZAINAL AZLAN ZAINUDIN Chief Technology Officer



PROFILE OF MANAGEMENT COMMITTEE

BUSINESS UNITS

MUJIBBURRAHMAN ABD RASHID

Head, Consumer Banking

Encik Mujibburrahman Abd Rashid has 24 years of experience in retail banking. He joined Bank Islam in 2007 and was promoted to his current position as the Head of the Bank's Consumer Banking division in April 2013. He was instrumental in introducing various Sales Initiatives and Strategies to the Bank's workforce and has played a major role in improving its overall service and turnaround time. Encik Mujibburrahman holds a Bachelor's Degree in Accountancy from Universiti Utara Malaysia.

ZAHARIN MOHD ALI

Head, Corporate Banking

Encik Zaharin Mohd Ali has 22 years of experience in the banking industry. Since starting his career in 1995 as an executive trainee, he has served various departments in his capacity, both in sales and services with a foreign bank. Encik Zaharin joined Bank Islam in 2010 as the Head of Business in Commercial Banking, where he was entrusted to drive the performance-based sales culture within the division. Since promoted as Head of Corporate Banking in January 2015, he is responsible in overseeing Bank Islam's Corporate Banking portfolio. Encik Zaharin holds a Bachelor of Accountancy from University of Central England, UK.

ABDUL RASHID ABDUL HAMID

Head, Commercial Banking

Encik Abdul Rashid Abdul Hamid has been in the banking industry for 21 years. He joined Bank Islam in 2005 after holding various posts in corporate banking and credit risk at a number of local and foreign banks. Encik Abdul Rashid was instrumental in the establishment of the Bank's Credit Analyst team. He was appointed to his current post in 2009 with the role of overseeing Bank Islam's Commercial Banking portfolio. Encik Abdul Rashid holds a Bachelor of Science in Business Administration from California State University in Sacramento, USA.

HAMID MOHD NOOR

Head, SME Banking

Encik Hamid Mohd Noor has 36 years experience in credit related field in the banking industry and asset management company. He joined Bank Islam as Assistant General Manager, Commercial Banking Division in 2013 from Prokhas Sdn Bhd ("MoF Inc") and was responsible in managing the Working Capital Guarantee Scheme and Industry Restructuring Financing Guarantee Scheme under Syarikat Jaminan Perniagaan Perniagaan Berhad ("SJPP"). Encik Hamid holds a Diploma in Accountancy from Universiti Teknologi MARA.

ADI ASRI BAHAROM

Head, Treasury

Encik Adi Asri Baharom has more than 30 years of experience in commercial/investment banking and corporate advisory encompassing Treasury and Debt Capital Markets, Risk Management, Investments, Corporate Finance, Project Finance and Strategic Planning.

Prior to joining Bank Islam in January 2018, Encik Adi was Executive Vice President, Treasury and Capital Markets at Bank Muamalat Malaysia Berhad. His past work experience include various senior management positions at Malaysian Rating Corporation Berhad ("MARC"), PT Bank Bumiputera Indonesia Tbk, PT Danareksa ("Persero"), and Perwira Affin Bank Berhad. He started his career at Amanah Merchant Bank Berhad in 1987. Encik Adi holds a Master of Business Administration (Finance) from San Francisco State University, USA.

ZURY RAHIMEE ZAINAL ABIDEN

Head, Deposits & Cash Management

Encik Zury Rahimee Zainal Abiden joined Bank Islam in 2004 and has served in various positions at Branch and Regional Office levels, primarily in retail sales. He was appointed as Assistant General Manager, Sales Management under Consumer Banking in 2013. Encik Zury Rahimee currently holds the portfolio of Head, Deposit and Cash Management since 2016 where he oversees the Bank's liquidity position as well as promotes deposits and investments. Encik Zury holds a Bachelor's Degree with Honours in Marketing from Universiti Teknologi MARA.

CORPORATE & OPERATIONS SUPPORT UNITS

MOHAMED IRAN MORIFF MOHD SHARIFF

Chief Operating Officer

Encik Mohamed Iran Moriff began his career at Messrs Price Waterhouse, specialising in the audit of Banks and Financial Institutions before furthering his studies and subsequently working in the United Kingdom for 10 years. Encik Iran joined Bank Islam in October 2009 as an Assistant General Manager in the Consumer Banking Division. Encik Iran then joined Bank Islam's Internal Audit Division in June 2012 as Deputy Chief Internal Auditor and was appointed as Bank Islam's Chief Internal Auditor in May 2014. He was then appointed as Chief Operating Officer on 1 June 2017. A Certified Public Accountant ("CPA") and a fellowship member of the Association of Chartered Certified Accountants ("ACCA"), Encik Iran completed the Certificate in Internal Auditing for Financial Institutions ("CIAFIN") examinations with distinction. Encik Iran holds a Masters in Business Administration from Strathclyde Business School, Glasgow and Bachelors in Accountancy from University of East Anglia, Norwich, UK.

HIZAMUDDIN JAMALLUDDIN

Chief Strategy Officer

Encik Hizamuddin Jamalluddin has spent most of his professional career in corporate management, particularly in strategic planning, cross border merger and acquisition activities, corporate finance and advisory, corporate and debt restructuring, privatisation, investor relations and strategic communications. He joined Bank Islam in 2007, and is responsible for the formulation of transformation initiatives, corporate master plans, risk appetite statements, annual business strategies and performance management framework of the Bank. He also oversees the overall risk management and compliance functions of the Bank. Encik Hizamuddin holds a Bachelor of Science in Finance from Northern Illinois University, USA. He is currently a member of the Islamic Finance Committee of Malaysian Institute of Accountants ("MIA") and a senior associate of the Chartered Institute of Islamic Finance Professionals. He was the recipient of the "Upcoming Personality for Islamic Finance (Leadership)" by the Global Islamic Finance Award 2016.

MARIA MAT SAID

Head, Legal & Secretarial

Puan Maria Mat Said has about 26 years of experience in the banking industry, performing legal and company secretary functions. She has been with Bank Islam since 2005 and was appointed to her current position in 2009. Her areas of responsibility include provision of legal and corporate secretarial services for the Bank. As the Company Secretary, Puan Maria ensures proper governance within the Bank. Puan Maria is also the Group Company Secretary where she acts as the Company Secretary for BIMB Holdings Berhad. Puan Maria holds a Bachelor of Law from University of Malaya.

RAZMAN ISMAIL

Head, Human Resource

Encik Razman Ismail carries with him more than 20 years of experience in Human Resource ("HR") both as consultant and practicing HR professional. He joined Bank Islam as the Head of Human Resource on 1 July 2014. His initial focus has been on strengthening employer branding, establishing succession management process and developing the Bank's talent development blueprint. Prior to joining Bank Islam, he had held various senior HR positions at renowned banking institutions. Encik Razman started his career at a consulting firm before moving on to a major multinational technology company. As a consultant, his client engagements cut across various HR functions from organisation development, rewards, performance management, talent assessment as well as merger and integration. Encik Razman holds a Bachelor's Degree in Management with a major in Human Resource and a minor in Communication from Universiti Sains Malaysia.

MOHD MUAZZAM MOHAMED

Chief Financial Officer

Encik Muazzam Mohamed carries with him 22 years of experience in the field of finance, audit and consulting. He joined Bank Islam as the Chief Financial Officer on 11 May 2015. Prior to that, he was a Partner with a Big 4 audit firm where he spent 19 years, carrying out projects in various countries and serving numerous clients in the financial services and oil & gas across public and private sectors. Encik Muazzam holds a Bachelor's Degree in Accounting from International Islamic University Malaysia and is a member of the Malaysian Institute of Certified Public ("MICPA") Accountants, a Chartered Accountant with the Malaysian Institute of Accountants, a Chartered Public Finance Accountant and a Certified Information Security Auditor.

ZAINAL AZLAN ZAINUDIN

Chief Technology Officer

Encik Zainal Azlan Zainudin has over 20 years of experience in banking industry. He rejoined Bank Islam as Chief Technology Officer in August 2016. Prior to this, he has served with other leading financial institutions in Malaysia including Maybank, CIMB Bank, Phileo Allied Bank, Hong Leong Bank and also Bank Islam where he holds various leadership positions in IT Strategy and Operations. Encik Zainal holds a Bachelor's Degree in Computer Science (Hons.) from Universiti Kebangsaan Malaysia.

MIZAN MASRAM

Head, Recovery & Rehabilitation

Encik Mizan Masram has 20 years of experience in related fields and has held various positions with several foreign banks. He currently heads the Recovery & Rehabilitation division where he is responsible for the Bank's crucial credit recovery and collection operations. Encik Mizan holds a Diploma in Business Studies majoring in Business from the Association of Business Executives, UK.

PROFILE OF MANAGEMENT COMMITTEE

(cont'd)

INDEPENDENT UNITS

USTAZ MOHD NAZRI CHIK

Chief Shariah Officer

Ustaz Mohd Nazri Chik, a Certified Shariah Adviser and Auditor ("CSAA-AAOIFI"), has over 14 years of experience in Shariah management of an Islamic bank. He joined Bank Islam in June 2004 before leaving in 2009 to take up another position at an investment arm of Dubai government. He rejoined Bank Islam in January 2011 and is responsible to strengthen the Bank's Shariah governance practices and facilitate offering of Shariah-compliant products and services. An Accreditation Panel of Finance Accreditation Agency, an Executive Committee member of Association of Shariah Advisors Malaysia, a Distinguished Trainer of Islamic Banking and Finance Institute Malaysia and a member of Waqf and Rahn Committees of Terengganu State Islamic Religious Council and academic adviser to several public and private universities, Ustaz Mohd Nazri is also the Deputy Chairman of the Shariah Supervisory Council of Amana Bank Limited (Sri Lanka). He also completed the Certificate in Internal Auditing for Financial Institutions ("CIAFIN") examinations with distinction. Ustaz Mohd Nazri holds a Master's degree and a Bachelor's Degree in Shariah (Islamic Jurisprudence) from University of Malaya where he continued on as an academician.

KHAIRUL MUZAMEL PERERA

Chief Credit Officer

Encik Khairul Muzamel Perera has over 30 years of banking related experience including stints at a debt rating agency and a national asset management institution. He is currently the Chief Credit Officer overseeing the Credit Management Division which covers Credit Analysis, Credit Analytics, Valuation and the Central Financing Processing function in Bank Islam. Encik Khairul joined the Risk Management Division of the Bank in April 2009, heading the Credit Risk Management unit. He also served as the alternate Director to the Chief Risk Officer on the Board of Amana Bank Ltd (Sri Lanka) and is currently the Chairman of the Investment Committee at BIMB Investment Management Berhad. A Chartered Company Secretary by profession, Encik Khairul is an Associate Member of the Institute of Chartered Secretaries & Administrators, London.

ALINA SYLVIA APPOO

Chief Risk Officer

Ms Alina Sylvia Appoo has over 15 years of banking experience focusing predominantly on Market Risk in Malaysia and the Asian region. She joined Bank Islam in 2012 as Head of Market & Operational Risk, and was appointed as Chief Risk Officer in August 2017. She oversees the risk management function of Bank covering Credit Risk Portfolio Reporting, Market & Liquidity risk, Operational risk, Capital Adequacy and Stress Testing. Prior to joining the Bank, Ms Alina held key leadership and management positions in related fields at various local banks. She has been instrumental in change management initiatives within Market Risk including driving required changes arising from Basel II & III together with systems enhancements for Treasury and Risk. Ms Alina has a Bachelor's Degree in Mathematics (Hons.) from Universiti Sains Malaysia.

NIK AZMIR NIK ANIS

Chief Compliance Officer

Encik Nik Azmir Nik Anis has over 22 years of banking experience having served various local and foreign financial institutions focusing predominantly in the areas of Compliance, Operational Risk Management, Anti-Money Laundering and Operations. He joined Bank Islam in 2013 and his primary roles and responsibilities include managing the Bank's overall compliance and regulatory risk. He also acts as key liaison officer to the regulators and is the Bank's Money Laundering Reporting Officer ("MLRO"). Encik Nik Azmir holds a Bachelor of Arts in Economics from University of Pittsburgh, USA and a Master in Business Administration from Nottingham Trent University, UK. He has also been accorded as a Certified Professional in Anti-Money Laundering/Counter Financing of Terrorism by the International Compliance Association UK.

ZALFITRI ABD MUTALIP

Acting Head, Internal Audit

Encik Zalfitri Abd Mutalip has over 22 years of audit experience in the banking industry. He began his career in 1994 where he gained extensive audit experience in the field of management, operations and credit involving the branches, regional offices, automobile financing centres and head office departments/divisions including investigation audit. He joined Bank Islam in October 2007 as the Head of Branch Audit and was later appointed as the Head of Head Office Audit in January 2011. In 2014, he was promoted to an Assistant General Manager. He was appointed to his current position in June 2017. He completed the Certificate in Internal Auditing for Financial Institutions ("CIAFIN") examination with distinction. Encik Zalfitri holds a Bachelor of Science in Business Administration (Finance) from Denver University, USA.

PROFILE OF REGIONAL MANAGERS

INTEGRATED ANNUAL REPORT



AHMAD FAUZI MOHD AKHIR

Head of Regional Office

NORTHERN REGION 7 Branches



BOSTAMAM HASSAN

Head of Regional Office

joined Bank Islam in July 1986 where he currently holds the position of Head of Central Region Office, and is responsible for the business development, marketing and management of 50 branches in Kuala Lumpur and Selangor. Encik Bostamam is a holder of a Master's degree in Business Administration from University of New Haven, Connecticut, USA. CENTRAL **REGION Branches**



MOHD NOOR JAB

Head of Regional Office

SOUTHERN REGION 28 Branches

PROFILE OF REGIONAL MANAGERS

(cont'd)

EASTERN REGION 29 Branches

WAN ROSITA WAN MOHAMED

Head of Regional Office

Puan Wan Rosita Wan Mohamed has over 32 years of experience in the banking industry, and has been with Bank Islam since January 2005. She now heads the Regional Office of the Eastern Region, comprising 29 branches in the states of Terengganu, Kelantan and Pahang Puan Wan Rosita holds a Bachelor of Science Degree in Finance from Indiana State University USA.



EAST
MALAYSIA
REGION
13
Branches

ABDUL MALEK ABDULLAH

Head of Regional Office

Encik Abdul Malek Abdullah has more than 30 years of experience in the banking industry. He joined Bank Islam in 2006 and he now holds the role of Head of Regional Office in East Malaysia Region where he oversees 13 branches in the state of Sabah and Sarawak. Encik Abdul Malek is a holder of Diploma in Banking Studies from Universit Teknologi MARA.



PROFILE OF HEAD OF SUBSIDIARIES

INTEGRATED ANNUAL REPORT

NAJMUDDIN MOHD LUTFI

BIMB Investment Management Berhad



Encik Naimuddin Mohd Lutfi is currently the Chief Executive Officer and

CHIEF **EXECUTIVE OFFICER**

MASDAYANA MD SETAMAM

Bank Islam Trust Company (Labuan) Ltd



CHIEF **EXECUTIVE** OFFICER/ PRINCIPAL **OFFICER**









We, the staff of Bank Islam Malaysia Berhad, pledge:

- To always maintain a work culture of integrity, in line with the principles of Shariah, on which our banking operations are based;
- To constantly strengthen the control mechanisms and integrity of business operations through the practice of an ethical, clean and transparent work culture;
- To avoid corruption or malpractice under any provisions of the law, including but not limited to the Malaysian Anti-Corruption Commission Act 2009 or the Penal Code;
- To avoid any business practice or activity that encourages any employee or agent to commit any form of corruption;
- To work together with our customers, business partners, regulatory agencies, and law enforcement agencies to create a business environment that is free from corruption;
- To uphold the Anti-Corruption Principles for Corporations in Malaysia in the conduct of business and in interactions with customers; and
- To act decisively and to report any party who commits an act which could undermine the integrity and tarnish the image of the Bank.

ETHICS, INTEGRITY & TRUST

THROUGH **ADVANCING** THE CHALLENGING AND COMPETITIVE BUSINESS ENVIRONMENT, THE BANK **LEVERAGES** ON **A FOUNDATION** THE BUILT ON **GREATNESS** OF ISLAMIC CONDUCT THAT VALUES PRINCIPLES OF INTEGRITY, HONESTY **RESPONSIBILITY.** AND WE MEET **CUSTOMERS' NEEDS AND REALISE** THEIR **EXPECTATIONS THROUGH** THESE PRINCIPLES WHICH CREATE **TRUST** AND CONFIDENCE. THE EMPLOYEES OF BANK ISLAM ARE **BOUND TO THE CODE OF ETHICS FOR** THE FINANCIAL SERVICES INDUSTRY AND THE BANK'S INTERNAL CODE OF CONDUCT ("THE CODES").

The Codes, policies and procedures issued to all employees represent the essential assurance in building a culture of trust and integrity. Amongst such policies and procedures are the Recruitment & Selection Policy, Whistle-Blowing Policy, Social Media Policy, Guideline on Personal Data Protection and the Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT") Policy. Bank Islam has also established an Integrity Hotline for reporting of staff behaviours in contrition to the Bank's Code of Ethics and Conduct. Investigations on issues pertaining to ethics and integrity are performed by Investigation & Enforcement Unit under the Ethics & Integrity Department. The reports are presented to the Audit & Examination Committee of the Bank's Board.

RECRUITMENT & SELECTION POLICY

As part of Bank Islam's efforts to uphold a workforce and culture of trust and integrity, the Bank under its Recruitment & Selection Policy stresses the importance for potential candidates to undergo a thorough screening and shortlisting process based on certain criteria. The selected candidates are subject to a due diligence process as required under the AML/CFT requirements which amongst others requires candidates' name to be screened, a reference check with candidates' employers or other referees deemed appropriate, as well as a check on candidates' financial history, credits history and directorship held. Apart from this, candidates who are selected for employment are required to make declarations which include:

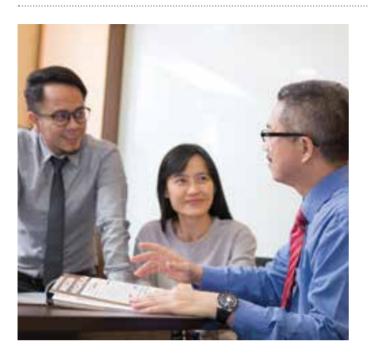
- Declaration and undertaking not to disclose any confidential information and materials;
- Declaration that they have read and understood the content of the Code of Ethics, Code of Conduct and its implication if there is any breach; and
- Declaration that they understand their roles and responsibilities in handling and safeguarding the Bank's IT and information asset.

WHISTLE-BLOWING POLICY

The Whistle-Blowing Policy is established to provide an avenue for immediate reporting and/or disclosing of any wrongdoings, malpractices or irregularities, committed by employees and/or external parties against the Bank's interest, which include the following:

- Breach of policies and procedures;
- Fraud, embezzlement, corruption or dishonesty;
- Actions which could cause physical danger to another person or give rise to a risk of damage to properties/assets;
- Forgery or alteration of any documents belonging to the Bank, customers, another financial institution, or agents of the Bank;
- Profiteering as a result of insider knowledge;
- Misuse of position;
- Breach of Code of Ethics for the Financial Services Industry and Code of Conduct;
- Any other similar or related irregularities; and
- Any other wrongdoings as may be determined by the Board to be included in the scope of this policy, from time to time.

Datuk Zamani Abdul Ghani, Chairman of Bank Islam, has been appointed as the designated non-executive director to be responsible for the effective implementation of the Policy.



ANTI-MONEY LAUNDERING POLICY

Bank Islam will conduct its business in conformity with high ethical standards and will adhere to all Shariah laws and regulations pertaining to Islamic financial institutions. While it is accepted that the Bank may not always be able to determine whether a transaction originates from, or is part of, any unlawful activities, the Bank will conduct its business in compliance with the following general principles:

- · Comply with applicable Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFPUAA) and on-going AML/CFT Policy Documents established by Bank Negara Malaysia;
- Develop Bank Islam's AML/CFT Policy, Operational Procedures and Annual AML/CFT Programme managed by the AML/CFT Department to ensure each staff is aware of his obligation towards combating Money Laundering/Terrorist Financing;
- Appoint a Business Compliance Officer ("BCO") or a Designated Compliance Officers ("DCO") who is responsible to implement AML/CFT initiatives and measures in each working unit;
- Establish customer due diligence for all customers including implementation of Know-Your-Customer Policy and enhanced due diligence for customers and transactions presenting higher risk;

- Establish and maintain appropriate procedures to monitor customer accounts and activities to detect suspicious transactions that may be indicative of money laundering activities;
- Maintain a system that monitors all transactions and able to raise alert should there be elements of suspicion as pre-determined by AML/CFT Department;
- Roll out the AML/CFT Awareness e-learning course which was made compulsory for the staff to complete every year;
- Retain identification and transactional documentation as defined in the relevant laws and legislation;
- Report to the relevant authorities in a timely and comprehensive manner on all identified suspicious transactions where there are reasonable grounds to suspect that a money laundering offence has been or is being committed; and
- Co-operate fully with the relevant law enforcement agencies and regulatory authorities on AML/CFT issues.

CORRUPTION-FREE PLEDGE

Bank Islam became the industry leader as the first Islamic bank to sign the Malaysian Anti-Corruption Commission's Corporate Integrity Pledge on 20 March 2012. The Senior Management of Bank Islam together with all staff in Menara Bank Islam renewed their commitment towards combatting corruption by taking oath in the Corruption-Free Pledge on 11 December 2017. The pledge signals the Bank's commitment to uphold the Anti-Corruption Principles for Corporations in Malaysia in the conduct of its business and in its interactions with its business partners and the Government. This is Bank Islam's aspiration in working towards creating a business environment that is free from corruption and unethical practices. The pledge aligns the Bank's purpose in propagating integrity, transparency and good governance in all aspects of its operations. A toll-free Integrity Hotline (1800-22-0091) and a dedicated email address (whistle@bankislam.com.my) have been established to facilitate any reports made by external as well as internal parties on unethical conduct involving any Bank Islam's personnel.



The pledge taken can be viewed on Page 107 of this Integrated Annual Report.

In addition to the pledge, Bank Islam's activities towards achieving the pledge will be subject to audit by the Malaysian Anti-Corruption Commission's Inspection and Consultancy Division as it has been in 2015 and in 2016.

STATEMENT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS OF BANK ISLAM ("THE BOARD") ACKNOWLEDGES AND TAKES COGNIZANCE ON THE IMPORTANCE OF GIVING THE HIGHEST PRIORITY ON CORPORATE GOVERNANCE IN VIEW OF THE INCREASINGLY CHALLENGING OPERATING BUSINESS ENVIRONMENT. THE BOARD CONTINUOUSLY STRIVES TO PROMOTE AND INSTIL A STRONG CULTURE OF CORPORATE GOVERNANCE THROUGHOUT THE ORGANISATION. THE BOARD ENSURES THE EXISTENCE OF A SOUND INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AS WELL AS ETHICAL BEHAVIOUR, BASED ON SHARIAH RULES AND PRINCIPLES.

The Board's unwavering commitment in corporate governance was recognised and acknowledged. During the period under review, the Bank received the following awards:-

2017 MALAYSIAN NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

 Certificate of Merit recipient in Annual Report

SOUTH EAST ASIA AWARD 2017

 Best Sustainability at the Islamic Business & Finance

THE ASSETS ASIAN AWARDS 2017

Best Islamic ESG Bank

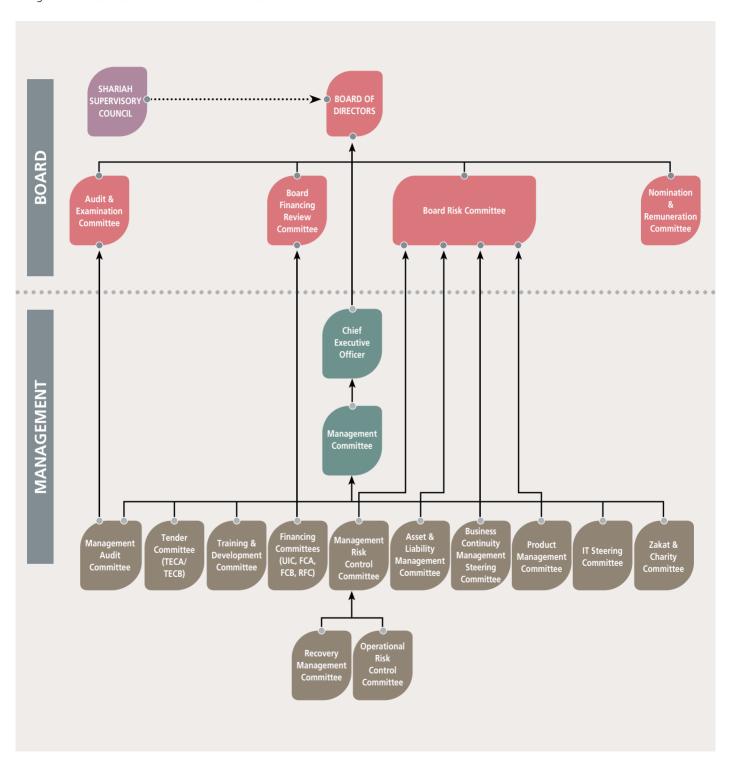


The corporate governance framework of the Bank embraced the recommended practices of Bank Negara Malaysia's ("BNM") Corporate Governance Policy issued on 3 August 2016 ("BNM CG Policy"), the Malaysian Code on Corporate Governance issued in 2017 ("MCCG 2017") and other relevant requirements as outlined under the respective guidelines by BNM. The application of the recommendations set out in BNM CG Policy and MCCG 2017 will be highlighted in the various sections of this Statement on Corporate Governance.

→ 111

INTEGRATED ANNUAL REPORT 2017

The governance structure of Bank Islam is illustrated below:-



STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

PRINCIPLE A OF MCCG 2017 BOARD LEADERSHIP AND EFFECTIVENESS

Board Charter

The Board is ultimately responsible to provide the leadership in meeting the strategic objectives and goal of the Bank. Towards achieving this intended outcome, the Board has established the Board Charter. The Board Charter clearly outlines the Board's duties and responsibilities, powers and relevant requirements to promote the Board's effectiveness and good conduct in accordance with good corporate governance practices based on the recommendations and guidelines issued by the relevant regulatory authorities.

The salient areas covered in the Board Charter are as follows:-

DUTIES & RESPONSIBILITIES	 Fiduciary Duties of Directors Roles & Responsibilities of the Board, Board Committees, Chairman, Chief Executive Officer & Management, Independent Directors, Nominee Directors and Company Secretary 		
POWERS OF THE BOARD	Authority & Delegation Matters Reserved for the Board		
BOARD CONDUCT	Code of Ethics Conflict of Interest Whistle Blowing		
BOARD EFFECTIVENESS	Board Composition Board Evaluation Board Appointment/Removal/Succession Planning Board Training		

In addition to the Board Charter, the Board is also guided by its Terms of Reference which sets out amongst others, the primary duties and responsibilities of the Board, the authority and conduct of the Board meetings.

The Board Charter and the Terms of Reference are reviewed regularly from time to time or at least once every two (2) years to reflect the relevant changes in the Bank's policies and rules and regulations imposed by the relevant regulatory authorities.

The Board Charter and the Terms of Reference of the Board is available at www.bankislam.com.my

Roles and Responsibilities of the Board

The Board has the overall responsibility to promote the sustainable growth and financial soundness of Bank Islam. The business and operations of Bank Islam are managed under the direction and oversight of the Board since the Board is ultimately responsible for the stewardship of the Bank. The Board has the fiduciary duty to ensure that at all times they act in the best interest of the Bank.

The roles and responsibilities of the Chairman and the Chief Executive Officer are clearly demarcated in the Board Charter. The Board Charter also stipulates the roles and responsibilities of the Non-Executive Directors and the Company Secretary.

ROLE	KEY RESPONSIBILITIES
CHAIRMAN Datuk Zamani Abdul Ghani	The key responsibilities of the Chairman include the following:- • Provide leadership to the Board and steer the Board in meeting the corporate goals and objectives of Bank Islam; • Preside over the Board meetings and ensure the effective functioning of the Board in line with good corporate governance standards; • Encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed; • Ensure that decisions are taken on a sound and well-informed basis; and
	Lead efforts to address the Board's developmental needs.

→ 113

INTEGRATED ANNUAL REPORT 2017

ROLE	KEY RESPONSIBILITIES
NON-EXECUTIVE DIRECTORS (both Independent and Non-Independent) Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin Zahari @ Mohd Zin Idris Datuk Zaiton Mohd Hassan Mohamed Ridza Mohamed Abdulla Noraini Che Dan Nik Mohd Hasyudeen Yusof Dato' Sri Khazali Ahmad Azizan Ahmad	 The key responsibilities of the Non-Executive Directors include the following:- Review and approve strategic and policy matters of the Bank's business and operations. Supervise and monitor the performance of the Management in implementing the approved strategies and policies; Review the adequacy and integrity of the Bank's accounting and financial reporting system and ensure appropriate controls are in place; Oversee the implementation of the Bank's governance, risk management and internal control framework and periodically review whether these remain appropriate with the Bank's operations; Oversee the Bank's compliance with any regulatory requirements as imposed by the relevant regulatory authorities; and Review the succession plan for the Board, Shariah Supervisory Council ("SSC") and Senior Management.
CHIEF EXECUTIVE OFFICER Khairul Kamarudin	 The key responsibilities of the Chief Executive Officer include the following:- Develop and provide the strategic direction of Bank Islam's business plan; Ensure the Bank's strategies, corporate policies and day-to-day business affairs are effectively implemented and managed; Ensure that the Board's decisions are implemented and the Board's directions are responded to; Keep the Board fully informed of all important aspects of the Bank's operations and ensure sufficient information is disseminated to the Board; and Provide strong leadership and effectively communicate the vision, management philosophy and business strategies of the Bank to the employees.
COMPANY SECRETARY Maria Mat Said	 The key responsibilities of the Company Secretary to the Board include the following:- Support the effective functioning of the Board by providing counsel on governance matters and advising on relevant laws, rules and regulations affecting the Board; Advise the directors on their obligations and duties, disclosure of their interest or any conflict of interest in any transaction involving the Bank; Manage the Board and Board Committees' meetings logistics and record the proceedings of the meetings including any significant concerns or dissenting views from the Board; Facilitate effective information flows between the Board and Senior Management; and Facilitate the orientation of new directors and assist in Directors' training and development. All directors have direct and unrestricted access to the advice and services of the Company Secretary.

As the Board of an Islamic bank, the Board has the responsibility to ensure the business operation of the Bank complies with the Shariah requirements, in accordance with the expectation set out in the Shariah Governance Framework ("SGF") for Islamic Financial Institutions issued by BNM. Hence, the Board must give due regard to any decisions of the SSC and BNM Shariah Advisory Council.

The composition of the SSC, its duties and responsibilities as well as details of meetings attended by each SSC member can be found in pages 131 to 133 of this Integrated Annual Report under Section A of the Statement on Corporate Governance.

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

Roles and Responsibilities of the Board Committees

Four (4) Board Committees are established to assist the Board in carrying out their duties and responsibilities. The Board remains fully accountable for any authority delegated to the Board Committees. The Board Committees' specific responsibilities are clearly defined in their respective terms of reference.

The Board Committees and their main responsibilities are as follows:-

ROLE	KEY RESPONSIBILITIES
BOARD RISK COMMITTEE ("BRC") Chairman Datuk Zaiton Mohd Hassan Ceased w.e.f. 1 February 2018 Nik Mohd Hasyudeen Yusoff Appointed w.e.f. 1 February 2018	Responsible to assist the Board in meeting the expectations on risk management as set out by BNM and oversee the Management's activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah risk and other risk and to ensure that the risk management process is in place and functioning.
AUDIT & EXAMINATION COMMITTEE ("AEC") Chairman Datuk Zaiton Mohd Hassan Ceased w.e.f. 1 February 2018 Noraini Che Dan Appointed w.e.f. 1 February 2018	Responsible to support the Board in ensuring that there is a reliable and transparent financial reporting process and internal control system within the Bank and oversee the effectiveness of the internal auditors and external auditors of the Bank.
NOMINATION & REMUNERATION COMMITTEE ("NRC") Chairman Noraini Che Dan	Responsible to assist the Board on the process for the nomination and remuneration as well as the succession plan of the Board, Board Committees, SSC, the Chief Executive Officer and key Senior Management personnel.
BOARD FINANCING REVIEW COMMITTEE ("BFRC") Chairman Zahari @ Mohd Zin Idris	Responsible for the review of financing and/or investment proposals approved by the Financing Committee 'A' ("FCA") and/or Underwriting & Investment Committee ("UIC") of the Management based on the limits determined by the Board. The BFRC, may if necessary, exercise the right to veto FCA/UIC approvals/decisions.

The Terms of Reference of the BRC, AEC and NRC are available at www.bankislam.com.my

Authority and Delegation

The Board has the authority to decide and approve matters within its primary duties and responsibilities. However, the Board has authorised the Management to execute certain functions to facilitate the day-to-day operations of Bank Islam. The said authorisation is stipulated in the Authority Limits document which is reviewed at least once every two (2) years or as and when necessary. The said delegation and authorisation does not absolve the Board's responsibility as the Board will remain responsible for the exercise of power by the Management.

Nevertheless, there are certain key matters which are not delegated and reserved for the Board's ultimate decision:-

KEY MATTERS RESERVED FOR THE BOARD

- Strategic policy matters which include business plan, budget and corporate structure;
- Financial results and declaration of dividends;
- Any significant operating and credit policies;
- Risk appetite setting;
- · Capital management plan;
- Authority limits including discretionary authority;
- Any corporate exercise which include acquisition or divestment of strategic interest;
- Major acquisition or disposal of capital expenditure:
- Appointment and remuneration of directors, SSC members, the CEO and key Senior Management officers;
- Entry into any related party transaction; and
- Any new outsourcing proposals.

 \rightarrow 115

INTEGRATED ANNUAL REPORT 2017

Access to Information

The Board has full and unrestricted access to all information pertaining to the Bank's business and affairs which include the financial results, annual budgets and business plan to enable the Board to discharge its duties effectively. All directors have access to the Management and to the advice and services of the Company Secretary. In addition, they may also seek independent professional advice where necessary. The Board is regularly updated by the Management and/or the Company Secretary on any changes to the regulations and guidelines issued by BNM or other regulatory authorities.

Board materials and reports providing updates on operational, financial and corporate developments are circulated prior to Board meetings to enable the directors to seek further clarification or explanation where necessary in order to be adequately apprised before the meeting. The Management and external advisers may be invited to attend the Board meetings to provide explanation and clarification to the Board, when necessary.

Board Evaluation

An annual performance evaluation process for the Board is implemented to assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual director.

The Board Evaluation comprises a detailed set of questionnaires covering the following areas:

- (a) Board Composition/Structure;
- (b) Board Process;
- (c) Board Governance;
- (d) Major Responsibilities of the Board; and
- (e) Board Committees Functions.

A peer assessment by each individual director is also performed to evaluate the effectiveness of the individual directors, the independent directors and the nominee directors.

The results of the evaluation are tabulated and reviewed by the NRC prior to deliberation at the Board.



BOARD ACTIVITIES AND MEETINGS

Before Meeting

- All Board and Board committee meetings are planned and scheduled in advance in consultation with the directors to facilitate their participation and commitment for the meetings.
- The Chairman, in consultation with the CEO and the Company Secretary, reviews the setting of the agenda of the Board meetings to ensure that there is sufficient information and time to address all agenda items.
- The agenda of the Board meetings is carefully thought out and managed.
- A comprehensive Board paper comprising the objectives, background, purposes, implications, risks, appropriate analysis/ statistics, recommendations and other relevant information is prepared to enable the Board to make informed decisions.

At Every Meeting

- The Chairman promotes open and constructive debates by all directors at the Board meetings.
- The Board members attend the meeting well-prepared and engage in robust deliberation on key matters discussed.
- When there is a conflict of interest, the interested director will excuse himself/ herself from the discussion and will abstain from participating in the Board decision.
- The CEO gives a complete and comprehensive update on the Bank's business and operations as well as a macro perspective on industry trends and developments.

Frequent and Effective Engagement with the Board

- The Board is regularly updated on the performance of Bank Islam and its subsidiaries.
- As and when required, for straight forward and less complex matters, the Board approvals can be obtained through Directors' Written Resolutions.
- As and when required, ad-hoc meetings are held to facilitate the request for urgent decisions. There were four (4) ad-hoc Board meetings held in 2017.
- The CFO provides the Board with detailed financial performance reports every two (2) months.
- Directors have direct access to Senior
 Management and may request from the
 Management, any additional information
 to make informed and timely decisions.

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)



BOARD ACTIVITIES AND MEETINGS

Before Meeting

- All materials for Board and Board committee meetings are circulated to the Board members at least five (5) days prior to the meetings. This allows sufficient time for directors to read and if necessary, request for further information for deliberation at the meeting to ensure informed decision-making.
- Any director may request matters to be included in the agenda.
- In the event a director is unable to attend the Board or Board committee meeting in person, he/she can participate by telephone or video-conference.
- Directors have the discretion to engage external advisers.

At Every Meeting

- The Chief Financial Officer (CFO) presents the financial performance and significant financial highlights.
- The respective Heads of Division and external advisors may be invited to attend the Board meetings to advise the Board on matters within their purview to enable informed decision-making. Directors will have the opportunity to discuss specific areas with them and where relevant, challenge the ideas presented.
- External professionals or in-house subject matter experts may also be invited to present key topics identified by the Board as well as updates on latest regulations or industry practices, which may have an impact on the Bank's affairs.
- Decisions of the Board and Board
 Committees are made on unanimous
 basis. The proceeding of the meeting and
 the decisions are recorded in the Board
 minutes. The minutes shall also record any
 key concerns or dissenting views raised by
 the Directors during the meeting.
- Minutes of the meetings are circulated earlier to all Directors for their perusal prior to the meetings. The Directors may request for clarification or raise comments on the minutes prior to their confirmation. After the minutes have been confirmed, the Chairman of the meeting signs the minutes as a correct record of the proceedings. The meeting minutes are kept for safe custody and record by the Company Secretary.

Frequent and Effective Engagement with the Board

- The Directors also have various opportunities to interact with the Board members and Senior Management during the Bank's official functions/events.
- Some directors also sit on the Board of the subsidiaries. This arrangement provides the Board with access to the operation and activities of the subsidiaries.
- Directors have access to the Company Secretary at all times. The Company Secretary attends all Board meetings and generally assists the directors in the discharge of their duties. The Company Secretary facilitates communication between the Board, Board Committees and Management. The Company Secretary also helps with the induction of new Directors. The appointment and removal of the Company Secretary requires the approval of the Board.

 \rightarrow 117

INTEGRATED ANNUAL REPORT 2017

Board Meeting

The Board and Board Committees' meetings are scheduled at the beginning of the year based on the required frequency as stipulated in the Terms of Reference. Additional meetings will be convened as and when warranted by situations, to facilitate important and timely decisions that are required between the scheduled meetings.

Based on its Terms of Reference, the Board meetings are to be held at least six (6) times in a year. For the financial year ended 31 December 2017, ten (10) Board meetings were held. 87.5% of the Directors recorded 100% attendance requirement of the Board meetings and 100% complied with the minimum 75% attendance requirement as stipulated below:-

Name of Directors	Attendance	%	Other Attendees
Datuk Zamani Abd Ghani Chairman/Independent Non-Executive Director	10/10	100	The Chairman of the SSC of the Bank attends the Board meetings as
Dato' Sri Zukri Samat* Managing Director	5/6	83	a permanent invitee to facilitate the Board in deliberating and discussing issues that relate to Shariah.
Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin Non-Independent Non-Executive Director	10/10	100	The CEO and the Chief Strategy Officer also attends the Board meetings to assist the Board in the meeting deliberation.
Zahari @ Mohd Zin Idris Non-Independent Non-Executive Director	10/10	100	
Datuk Zaiton Mohd Hassan Independent Non-Executive Director	10/10	100	
Mohamed Ridza Mohamed Abdulla Independent Non-Executive Director	10/10	100	
Noraini Che Dan Independent Non-Executive Director	10/10	100	
Nik Mohd Hasyudeen Yusoff Independent Non-Executive Director	10/10	100	

^{*} Dato' Sri Zukri Samat was absent in one of the Board meeting since he was already on leave in view of his retirement on 9 June 2017.

ALL MEMBERS COMPLIED WITH
THE MINIMUM ATTENDANCE
REQUIREMENT UNDER THE BNM CG
POLICY OF NOT LESS THAN 75%



STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

Board Activities

Amongst the strategic matters considered by the Board during the financial year under review include the following:-



MATTERS CONSIDERED BY THE BOARD

The Bank's annual strategy and business plan. This include the annual capital expenditure, budget, capital plan and the setting of the Key Performance Indicators ("KPI") for the ensuing year. The Board ensures that the KPI is in line with the proposed strategy and business plan. The Board reviews and deliberates on the Management's views/assumptions and takes into consideration all relevant aspects to ensure informed decision, in the best interest of the Bank.

In 2017, the Board has approved the Bank's strategy and business plan for financial year 2018 based on the theme of "Value-based Intermediary" ("VBI"). The said theme was chosen as the new business model, aimed to deliver a sustainable performance with a strategic focus to support economic, social and environmental development.



MATTERS CONSIDERED BY THE BOARD

The Board is regularly updated on the Bank's business performance based on the financial reports presented to the Board at every Board meeting. Based on the said financial reports, the Board reviews the performance of the Chief Executive Officer and the Management against the approved KPIs. The Board is well-informed and updated on the progress of the strategic initiatives and key operational issues of the Bank.



MATTERS CONSIDERED BY THE BOARD

The Board Risk Committee ("BRC") assists the Board in overseeing the establishment, implementation and effectiveness of the overall risk management system of the Bank. The BRC also reviews periodic reports on risk management and makes relevant recommendations to the Board for its approval.

In 2017, the Board has reviewed and approved risk management related policies, credit policies, and other significant operational policies based on the recommendations of the BRC. The Board also approved the review of the authority limits of the financing committees to ensure better credit prudence and oversight by the Board.



MATTERS CONSIDERED BY THE BOARD

The Board is also responsible in overseeing the establishment, implementation and effectiveness of the compliance function. The BRC and the Audit & Examination Committee ("AEC") assist the Board in discharging this function. Periodic reports on compliance activities are presented at every BRC meeting for review and deliberation and any significant compliance issues are escalated to the Board from time to time.

In 2017, the Bank has engaged an independent consultant to review the Bank's Anti-Money Laundering ("AML") and compliance process. The AEC and BRC reviewed and deliberated on the report and approved the proposed action plans on behalf of the Board. During the financial year under review, the Board also approved the review of AML/CFT policy.



MATTERS CONSIDERED BY THE BOARD

The Board has the responsibility to oversee the implementation of the Bank's overall governance framework to be in line with the requirements under BNM Corporate Governance Policy and other best practices. Being an Islamic bank, the Board must also ensure that the Bank complies with the requirements of the Shariah Governance Framework for Islamic Financial Institutions.

In 2017, the Board has approved the establishment of the Board Charter which contains broad principles and requirements on the Board's governance. In addition, the Board also approved the review of the Terms of Reference of the Board and the SSC. Periodic updates on Shariah Governance are tabled to the Board at every meeting for review.



MATTERS CONSIDERED BY THE BOARD

The Board, through the Nomination & Remuneration Committee ("NRC"), is responsible for the processes for nomination, remuneration as well as the succession plan of the Board, Board Committees, SSC, the CEO and key Senior Management personnel. The Board also oversees the overall remuneration system of the Bank to ensure that it is in line with the business and risk strategies, corporate values and long-term interest of the Bank.

In 2017, the Board has reviewed and approved the appointment of Encik Khairul Kamarudin as the new CEO to replace the former Managing Director, Dato' Sri Zukri Samat who retired on 9 June 2017. During the financial year under review the Board has also approved the following:-

- 1. Re-appointment of Non-Independent Non-Executive Director namely Professor Emeritus Tan Sri Dato' Dr. Abdul Shukor Husin;
- 2. Re-appointment and re-designation of Datuk Zaiton Mohd Hassan from an Independent Non-Executive Director to a Non-Independent Non-Executive Director;
- 3. Appointment of two (2) new Independent Non-Executive Directors namely Dato' Sri Khazali Ahmad and Azizan Ahmad;
- 4. Re-appointment of SSC members namely Professor Dato' Dr. Ahmad Hidayat Buang, Ustaz Dr. Ahmad Shahbari @ Sobri Salamon, Assistant Professor Dr. Uzaimah Ibrahim and Associate Professor Dr. Yasmin Hanani Mohd Safian; and
- 5. Appointment of new SSC members namely Ustaz Dr. Md. Nurdin Ngadimon and Sahibus Samahah Dr. Anhar Opir to replace Ustaz Dr. Muhammad Syafii Antonio and Encik Muhammad Zahid Abdul Aziz who had retired.

Following the re-designation of Datuk Zaiton Mohd Hassan from an Independent Non-Executive Director to a Non-Independent Non-Executive Director, the Board has approved the change in the chairmanship of the AEC and BRC to ensure compliance with BNM Corporate Governance requirements, i.e. that the said committees be chaired by an Independent Non-Executive Director.

In addition, following the appointment of Dato' Sri Khazali Ahmad and Azizan Ahmad to the Board, there were changes to the composition of the Board Committees. Encik Azizan Ahmad, was appointed as a new member of the BFRC and BRC whilst Dato' Sri Khazali Ahmad was appointed as a new member of the AEC.



STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

Board Committees Meeting

Board Risk Committee ("BRC")

Six (6) BRC meetings were held during the financial year ended 31 December 2017, in line with the required frequency as stipulated in the Terms of Reference of the BRC. 83.3% of the BRC members recorded 100% attendance of the meetings as stipulated below:-

BRC Members	Attendance	%	Other Attendees
Datuk Zaiton Mohd Hassan (Chairman) Independent Non-Executive Director	6/6	100	Two (2) SSC representatives attend the BRC meetings as permanent invitees
Datuk Zamani Abd Ghani Independent Non-Executive Director	4/6	67	to facilitate and assist the BRC in deliberation of issues that relate to Shariah. In addition, the BRC is assisted by the Chief Executive Officer, Chief Risk Officer, Chief Credit Officer, Chief Strategy Officer, Chief Shariah Officer and Chief Compliance Officer who also attend the meeting as permanent invitees.
Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin Non-Independent Non-Executive Director	6/6	100	
Zahari @ Mohd Zin Idris Non-Independent Non-Executive Director	6/6	100	
Noraini Che Dan Independent Non-Executive Director	6/6	100	
Nik Mohd Hasyudeen Yusoff Independent Non-Executive Director	6/6	100	



MATTERS CONSIDERED BY BRC

Summary of the BRC activities during the financial year under review include the following:-

- Reviewed the risk management report covering credit risk, market risk, operational risk and Shariah non-compliance risk and emerging risk report;
- Reviewed compliance report covering Anti-Money Laundering / Counter Financing of Terrorism (AML/CFT), regulatory compliance and update on new policies and regulations;
- Reviewed and recommended to the Board the risk appetite setting for the Bank to ensure it is in line with the corporate strategy and direction;
- Reviewed and recommended to the Board the stress test scenario and its methodology;
- Reviewed the implementation of the Internal Capital Adequacy Assessment Process (ICAAP) for the Bank;
- Reviewed and deliberated new product/services and product programmes proposed by the business units to ensure it is in line with the target risk profile and risk acceptance criteria for the Bank; and
- Reviewed and deliberated significant business and operating policies of the Bank.

FIVE (5) BRC MEMBERS COMPLIED WITH THE MINIMUM ATTENDANCE REQUIREMENT UNDER THE BNM CG POLICY OF NOT LESS THAN 75%



Audit & Examination Committee ("AEC")

The Terms of Reference of the AEC stipulates the AEC meeting to be held at least four (4) times a year. Nine (9) AEC meetings were held during the financial year ended 31 December 2017. 66.6% of the AEC members recorded 100% attendance and 100% met with the 75% minimum attendance requirement of the meetings as stipulated below:-

AEC Members	Attendance	%	Other Attendees
Datuk Zaiton Mohd Hassan (Chairman) Independent Non-Executive Director	9/9	100	The Chief Executive Officer, Chief Internal Auditor and Chief Compliance Officer
Datuk Zamani Abd Ghani Independent Non-Executive Director	8/9	89	attend all AEC meetings as permanent invitees to facilitate deliberation of the issues discussed.
Mohamed Ridza Mohamed Abdulla Independent Non-Executive Director	8/9	89	
Zahari @ Mohd Zin Idris Non-Independent Non-Executive Director	9/9	100	
Noraini Che Dan Independent Non-Executive Director	9/9	100	
Nik Mohd Hasyudeen Yusoff Independent Non-Executive Director	9/9	100	



MATTERS CONSIDERED BY AEC

Summary of the AEC activities during the financial year under review include the following:-

- Reviewed and recommended to the Board the unaudited interim financial statements as well as the audited financial statements for approval;
- Reviewed internal audit reports on the Head Office, the branches and identified critical units of Bank Islam;
- Reviewed Shariah audit report on relevant units/functions of Bank Islam;
- Deliberated on significant matters highlighted by the Management or the External Auditor and reviewed progress updates on the action plan;
- Reviewed the Independent Consultant's report on Anti-Money Laundering and Compliance process for Bank Islam;
- Reviewed the investigation reports on fraud cases in the Bank;
- Approved the external auditors and internal auditors' audit plan and reviewed the progress accordingly; and
- · Evaluated the performance of the External Auditors and recommended their appointment to the Board.

ALL MEMBERS COMPLIED WITH
THE MINIMUM ATTENDANCE
REQUIREMENT UNDER THE BNM CG
POLICY OF NOT LESS THAN 75%





STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

Nomination & Remuneration Committee ("NRC")

The Terms of Reference of the NRC stipulates the NRC meeting to be held at least once a year. However, ten (10) NRC meetings were held during the financial year ended 31 December 2017. 80% of the NRC members recorded 100% attendance and 100% of the members met with the 75% minimum attendance requirement of the meetings as stipulated below:-

NRC Members	Attendance	%	Other Attendees
Noraini Che Dan (Chairman) Independent Non-Executive Director	10/10	100	The Chief Executive Officer attends all NRC meetings to facilitate deliberation
Datuk Zaiton Mohd Hassan Independent Non-Executive Director	10/10	100	 of the issues discussed. The Head of Human Resource is invited for the NRC meetings to facilitate deliberation of the issues under his purview.
Datuk Zamani Abd Ghani Independent Non-Executive Director	10/10	100	
Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin Non-Independent Non-Executive Director	9/10	90	
Zahari @ Mohd Zin Idris Non-Independent Non-Executive Director	10/10	100	



MATTERS CONSIDERED BY NRC

Summary of the NRC activities during the financial year under review include the following:-

- Reviewed and recommended the appointment of the new CEO to replace the former Managing Director, who retired on 9 June 2017;
- Reviewed and recommended the re-appointment of Non-Independent Non-Executive Director;
- Reviewed and recommended the re-appointment and re-designation of an Independent Non-Executive Director to a Non-Independent Non-Executive Director;
- Reviewed and recommended the appointment of two (2) new Independent Non-Executive Directors;
- Reviewed and recommended the re-appointment of current SSC members and appointment of new SSC members;
- Reviewed and recommended the revised composition of the Board Committees;
- Reviewed and recommended the renewal of the contract of service of Senior Management and their remuneration; and
- Reviewed and recommended the annual reward for Senior Management based on their performance and KPIs.

ALL MEMBERS COMPLIED WITH
THE MINIMUM ATTENDANCE
REQUIREMENT UNDER THE BNM CG
POLICY OF NOT LESS THAN 75%



Board Financing Review Committee ("BFRC")

Twelve (12) BFRC meetings were held during the financial year ended 31 December 2017. All BFRC members met the 75% minimum attendance requirement of the meetings as stipulated below:-

BFRC Members	Attendance	%	Other Attendees
Zahari @ Mohd Zin Idris (Chairman) Non-Independent Non-Executive Director	12/12	100	The Heads of Business units are invited to present the credit/investment
Dato' Sri Zukri Samat * Managing Director	3/4	75	proposals. • The BFRC is assisted by the Chief
Datuk Zaiton Mohd Hassan Independent Non-Executive Director	10/12	83	Executive Officer, the Chief Credit Officer and the Chief Strategy Officer who attend the meeting as permanent invitees.
Datuk Zamani Abd Ghani Independent Non-Executive Director	12/12	100	
Nik Mohd Hasyudeen Yusoff Independent Non-Executive Director	11/12	92	

^{*} Dato' Sri Zukri Samat was absent in one of the BFRC meeting since he was already on leave in view of his retirement on 9 June 2017.



MATTERS CONSIDERED BY BFRC

During the financial year under review, the BFRC has reviewed and where necessary exercised their right to veto the following proposals which are within its authority limit:-

- 39 new investment or financing/credit proposals;
- 88 review of existing investment or financing/credit proposals;
- Underwriting of Restricted Investment Account under the Investment Account Platform (IAP); and
- Connected party transactions under BNM Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks.

The BFRC also provides oversight on the approvals of investment or financing/credit proposals made by the Management at the Underwriting and Investment Committee and Financing Committee A. During the year under review, the Bank promoted the Value-based Intermediaries investments or financing/credit proposals in line with the corporate strategic direction.

ALL MEMBERS HAVE COMPLIED WITH THE MINIMUM ATTENDANCE REQUIREMENT UNDER THE BFRC'S TERMS OF REFERENCE $75_{0/2}$



STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

BOARD COMPOSITION

Overall Composition

On 9 June 2017, Dato' Sri Zukri Samat, the Managing Director retired and ceased to be a member of the Board. Encik Khairul Kamarudin, who was an internal candidate, groomed to take over the leadership of the Bank was appointed to be the Chief Executive Officer on 14 June 2017.

On 2 January 2018, two (2) additional independent non-executive directors, namely, Dato' Sri Khazali Ahmad and Encik Azizan Ahmad were appointed to the Board. On 2 February 2018, Datuk Zaiton Mohd Hassan, was re-designated as a non-independent non-executive director, after serving the Bank for more than eleven (11) years as an independent non-executive director. With these changes, the Board composition consists of nine (9) members of which six (6) are independent non-executive directors and three (3) are non-independent non-executive directors.

The above composition complies with the BNM CG Policy requirement, i.e. for the Board to have majority independent directors. The Chairman of the Board is also an independent non-executive director. This provides an effective check and balance in the functions of the Board.

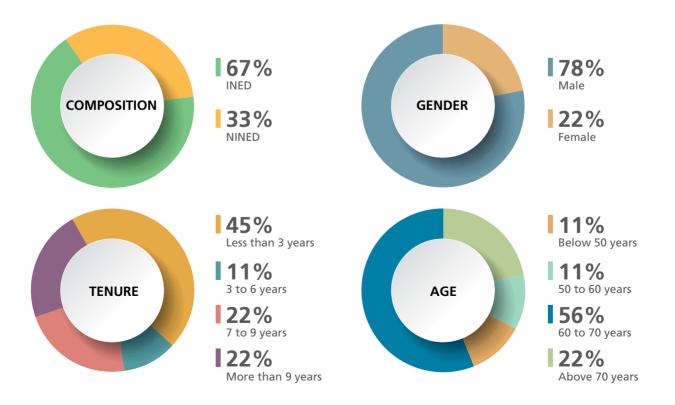
Based on the current Board composition, Bank Islam also adheres to the BNM CG Policy requirement, i.e. for the number of directors with common directorship within the group to remain in the minority to ensure that the group interests are appropriately balanced. Only three (3) out of nine (9) directors on the Board of the Bank have common directorship within the group.

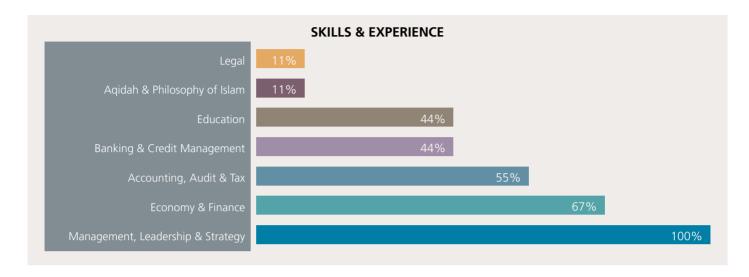
Meanwhile, the composition of the Board Committees, in particular the BRC, AEC and NRC complies with the following requirements of the BNM CG Policy:-

- 1. Have at least three (3) directors;
- 2. Have a majority of independent directors;
- 3. Chaired by an independent director;
- The Chairman of the Board does not chair any of the Board Committees;
- 5. The Executive Director is not a member of the Board Committees; and
- 6. Comprised directors who have skill, knowledge and experience relevant to the responsibilities of the Board Committees.

Diversity

The Board is committed in ensuring diversity in its composition and acknowledged that having a diverse Board would have a positive impact to the Bank. In this regard, the Board aims to maintain diversity in terms of gender, age, educational background, professional experience, skills, knowledge and length of service.





Independent Non-Executive Director

The current Board composition has a strong degree of independence in view that more than half of its members comprised independent non-executive directors. The independent non-executive directors are responsible to provide the necessary independence and objectivity to the Board. He/she must be able to constructively challenge and contribute feedback to the Management on any proposals presented to the Board. The effective participation of independent non-executive directors will enhance the accountability in the Board decision making process.

The Board via the NRC will assess the independence of an independent non-executive director upon his/her appointment and re-appointment. The Board has adopted a set of criteria in determining the independence of a director which include, whether he/she has been engaged in any significant business or contractual relationship with a value of above RM1.0 million, either with Bank Islam or any of its affiliates within the last two (2) years.

All independent non-executive directors are required to declare their compliance with the independence criteria adopted by the Bank on annual basis to facilitate the Board in assessing the independence of a director.

An independent non-executive director is also subject to a maximum tenure of nine (9) consecutive years. Nevertheless, the Board acknowledged that the independence of a director does not necessarily depend on the tenure. Hence, in certain circumstances, the Board may decide to retain a member as an independent non-executive director beyond the nine (9) years period subject to the approval of the shareholders and BNM. With the exception of Datuk Zaiton Mohd Hassan who was re-designated as a Non-Independent Non-Executive Director on 2 February 2018, after serving the Board for eleven (11) years, all other independent non-executive directors have not reached the 9-year tenure in Bank Islam.

Appointment and Re-appointment of Directors

There is a formal and transparent process which has been adopted and implemented by the Board for the appointment and reappointment of directors. The said process is in accordance with BNM CG Policy. The Board delegated its duties to the NRC in ensuring that the level and make-up of its members are of the necessary credibility, integrity and calibre with the required skills and knowledge. The NRC is responsible to screen and perform the requisite evaluation and assessment on the candidate's ability to discharge his/her duties effectively prior to making any recommendation to the Board for approval. Where necessary, the NRC will interview the candidate to determine his/her suitability for appointment before making any recommendation to the Board.

The appointment and re-appointment of a director is subject to the minimum requirements as stipulated in BNM CG Policy as well as the Fit and Proper Criteria as adopted by Bank Islam, in line with BNM Fit and Proper Criteria Policy. The Fit and Proper Criteria sets out the attributes and qualifications required of a candidate to determine his/ her suitability. In determining if an individual is 'fit and proper' to hold the position of a director, the following criteria will be taken into consideration:-

- His/her probity, personal integrity and reputation which is demonstrated through personal qualities such as honesty, integrity, diligence, independence of mind and fairness;
- His/her financial integrity which is reflected whether he/she has been declared a bankrupt or any bankruptcy proceeding/legal action in relation to dishonesty and fraud has been taken against him/her;
- His/her history of offence(s) involving fraud and dishonesty;
- Whether he/she has been a director of a company that has been wound up due to insolvency;

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

- His/her competency and capabilities which is demonstrated whether he/she possess the necessary qualification, skills, technical expertise and relevant experience (which include holding senior position of not less than 10 years) to carry out the role; and
- His/her compliance with the restriction on the number of external
 professional commitment set by the Bank to ensure that he/
 she will have sufficient time and commitment to discharge his/
 her duties effectively. In this regard, the Bank set the maximum
 number of external professional commitment that a director could
 hold to be not more than ten (10) in organisations other than
 Bank Islam with the number of directorship in listed companies
 must not be more than five (5).

For the re-appointment of a director, the history of his/her attendance in Board and Board Committee meetings and the results of peer evaluation on the director's effectiveness, contribution and participation will be taken into consideration.

The appointment and re-appointment of directors are subject to BNM's approval.

All directors are required to declare their compliance with the fit and proper criteria set by the Bank annually. This will facilitate the Bank to determine their suitability in holding such position, in line with the BNM Fit and Proper Criteria Policy and BNM CG Policy.

Re-Election of Directors

In accordance with Bank Islam's Articles of Association, all directors are subject to retirement by rotation. The retiring directors are eligible for re-election.

Directors who are appointed as additional new directors or to fill casual vacancies during the year are subject to re-election by the shareholder at the next Annual General Meeting following their appointment.

Succession Planning

The Board has conducted a review to ensure a proper and smooth implementation of its succession plan for those directors who are expected to retire or to undertake new responsibilities within the group. The review takes into consideration various factors which include compliance with the requirements of BNM CG Policy pertaining to Board composition, potential vacancy due to expiry of tenure and retirement as well as the risk of independent non-executive directors being re-designated as non-independent non-executive directors after serving the Board more than nine (9) years.

Following the above review, the composition of the Board Committee membership has been revised to ensure compliance with BNM CG Policy as well as to facilitate the potential successors to be familiar with the role and function of the Board Committees. As per BNM CG Policy requirement, the Chairman of the Board no longer chairs the Board Committees. Relevant directors have been identified as potential successors to the existing directors who potentially would be retiring within the next one (1) or two (2) years.

Based on the succession plan, Encik Khairul Kamarudin, an internal candidate that was groomed and identified to be the successor to the Managing Director, was appointed to be the Chief Executive Officer of the Bank on 14 June 2017. As part of the succession plan for the Board, following the re-designation of Datuk Zaiton Mohd Hassan as a non-independent non-executive director, in February 2018, Puan Noraini Che Dan was appointed as the Chairman of the AEC whilst Encik Nik Mohd Hasyudeen Yusoff was appointed as the Chairman of the BRC.

BOARD PROFESSIONALISM

Board Training

The directors are encouraged to have continuous professional development as it is vital for the directors to refresh their skills and knowledge to keep abreast with the latest development and challenges in the banking industry to enable them to discharge their responsibilities effectively. The Bank has adopted a policy on directors' training which includes the following:

- Any director that is newly appointed to the Board will undergo an
 orientation session with the Management. He/she will be briefed
 on the Bank's governance structure, key management members,
 business and operations and important regulations and laws. A
 director's handbook, the latest Annual Report of the Bank and
 other relevant information will be made available to the director.
 The said session will be organised as soon as practicable not later
 than three (3) months upon the appointment of the director;
- All directors of the Bank will be required to register for the director's core training programme under the Financial Institutions Directors' Education Programme (FIDE) within a year and to complete the programme within two (2) years upon his/her appointment;
- The directors are encouraged to attend other trainings that are relevant to enable them to discharge their responsibilities effectively. In this regard, focus will be on the elective trainings organised by FIDE Forum as such trainings are structured based on areas that would be relevant to the banking industry and conducted by experienced speakers and trainers;
- The directors may also attend other trainings organised by local professional bodies and regulatory authorities within Malaysia in areas that are relevant to the Bank; and
- The NRC may approve any directors to attend trainings overseas if such trainings are viewed to be crucial for the Bank and the trainings are not available within Malaysia.

Except for the two (2) newly appointed directors who have registered for the Director's Core Training Programme under FIDE, all other Board members have attended and completed the Director's Core Training Programme under FIDE within the period stipulated under the Director's Training Policy of the Bank. In line with the MCCG 2017 recommended practice, the Company Secretary facilitates the orientation of new directors and assist in directors' training and development. All newly appointed directors of the Bank underwent the orientation and induction programme, organised by the Company Secretary.

The training programmes attended by the directors in the financial year ended 31 December 2017 include the following:-

Name of Directors	Training Programme	Organiser
Datuk Zamani Abd Ghani	 Latest Development in Risk Management, Basel III & Capital Adequacy for Banks Focus Group 1 Session – Discussion in Preparation for Dialogue with BNM's Senior Management BNM's Annual Report 2016 / Financial Stability and Payments Systems Report 2016 4th BNM-FIDE Forum Annual Dialogue with Deputy Governor of BNM Efficient Inefficiency: Making Board Effective in a Changing World by Professor Sampler Compliance Conference 2017 AIF International Symposium 2017 Briefing on Funds Transfer Pricing Shariah Masterclass Training Briefing on Companies Act 2016 9th International Conference on Financial Crime and Terrorism Financing 2017 	 Red Money Sdn Bhd FIDE BNM FIDE FIDE BNM Asian Institute of Finance Bank Islam (Internal) Bank Islam (Internal) Bank Islam (Internal) Asian Institute of Finance
Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin	 Bengkel Penyelidikan Pematuhan Parameter Syarak dalam Perlaksanaan Cukai Barangan Briefing on Companies Act 2016 	JAKIMBank Islam (Internal)
Zahari @ Mohd Zin Idris	 Compliance Conference 2017 Briefing on Funds Transfer Pricing Shariah Masterclass Training Briefing on Companies Act 2016 	BNM Bank Islam (Internal) Bank Islam (Internal) Bank Islam (Internal)
Datuk Zaiton Mohd Hassan	 Focus Group 1 Session – Discussion in Preparation for Dialogue with BNM's Senior Management Risk & Reward : What Must Boards Know about a Sustainable FI Remuneration System for Senior Management and Material Risk Takers 	• FIDE Forum • FIDE
Mohamed Ridza Mohamed Abdulla	 Highlights of the Companies Act 2016 – Changes & Implication Compliance Conference 2017 FinTech: Opportunities for the Financial Services Industry in Malaysia Briefing on Funds Transfer Pricing Shariah Masterclass Training Briefing on Companies Act 2016 	 Bursatra Sdn Bhd BNM FIDE Bank Islam (Internal) Bank Islam (Internal) Bank Islam (Internal)

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

Name of Directors	Training Programme	Organiser
Noraini Che Dan	 FIDE Core Programme - Banks (Module A & Module B) Briefing on Funds Transfer Pricing Shariah Masterclass Training Briefing on Companies Act 2016 	ICLIFBank Islam (Internal)Bank Islam (Internal)Bank Islam (Internal)
Nik Mohd Hasyudeen Yusoff	FIDE Core Programme - Banks (Module A & Module B) Audit Committee Conference 2017 – Making and Impact	ICLIF Malaysian Institute of Accountants (MIA)

Board Remuneration

Bank Islam has in place a remuneration structure for the directors that is sufficient to attract, retain and remunerate for their contribution to the Bank.

The remuneration structure for the non-executive directors takes into consideration the relevant factors which include the function, workload, responsibilities and time spent for the preparation of the Board and Board Committees' meeting. A higher rate (premium) is given to the Chairman of the Board and the Board Committees in view of his/her additional role in guiding and managing the Board and the Board Committees. The remuneration includes monthly fees, meeting allowances and other benefits such as leave passage. In line with good corporate governance, the review of remuneration for the non-executive directors is conducted every three (3) years.

To ensure the remuneration structure for the non-executive directors remains competitive with the industry, the Bank has undertaken a review exercise in 2016. The said review, took into account the recommendations in the FIDE Forum Directors' Remuneration report 2015. The revised remuneration took effect in 2017 and the same has been approved by the shareholder at the annual general meeting of the Bank.



The details of directors' remuneration during the financial year are disclosed in Note 33 on pages 208 to 210 of Bank Islam's Financial Statements for the Financial Year ended 31 December 2017.

Code of Ethics for the Board

The Board has the responsibility to set the tone and standards of the Bank through its code of ethics. In line with this, the Board observes the Code of Ethics based on the Code of Ethics for the Financial Services Industry issued by the Financial Services Professional Board, the Company Directors' Code of Ethics issued by the Companies Commission of Malaysia and such other code of ethics issued by the relevant governing authorities.

In addition, the directors are expected to demonstrate utmost integrity and conduct themselves with high standards of behaviour based on the following fundamental principles:-

- Duty to avoid conflict of interest;
- Duty to avoid misuse of position;
- Duty of confidentiality and prevent misuse of information;
- Ensure integrity of records and transactions;
- Ensure all business dealings are fair with equitable treatment;
- Avoid interfering in the day-to-day running of the Bank;
- Accept and support the collective decision of the Board;
- Loyalty to the Bank and the Board; and
- Manner of speaking in public and usage of social media.

Details of the Code of Ethics are stipulated in the Board Charter which is available at www.bankislam.com.my

Conflict of Interest

In line with the statutory requirements on disclosure of director's interest, each director is required to declare at the Board meeting if they have interests in the proposals being considered by the Board, including where such interest arises through close family members.

Where the directors could be deemed as interested, they will abstain from voting and leave the meeting room. They will not participate in any deliberations or decisions of the Board.

Directors' Indemnity

Directors and Officers of Bank Islam are indemnified under the Directors and Officers Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as the Directors and Officers of the Bank. The policy is currently taken at the holding company level, i.e. BIMB Holdings Berhad, which covers the directors and officers of Bank Islam and its group. However, the directors and officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.



Further information on the Directors and Officers Liability Insurance can be found in the Integrated Annual Report 2017 of BIMB Holdings Berhad.

Whistle-Blowing Policy

Bank Islam has established its Whistle-Blowing Policy which sets out avenues for anyone to raise concerns about illegal, unethical or questionable practices on the Bank's business and affairs in confidence and without the risk of reprisal. A whistle-blowing policy reflects the Bank's commitment to be vigilant at all times. It also assists Bank Islam to manage its risks and contingencies as well as to avoid recurring acts of wrongdoing.

Bank Islam encourages its employees to aspire to the highest possible standards of compliance and ethics. Whistle-blowing policies have therefore been integrated into Bank Islam's practices and culture to help to deter fraud, corruption and mismanagement. Through the effective implementation of this policy, Bank Islam is able to preserve its integrity and transparency.

PRINCIPLE B OF MCCG 2017 BOARD EFFECTIVE AUDIT AND RISK MANAGEMENT

The Board has the responsibility to ensure that an effective governance, risk management and internal control framework are put in place to ensure that the Bank remains resilient and sustainable. Two (2) Board Committees, namely the Audit & Examination Committee ("AEC") and the Board Risk Committee ("BRC") assist the Board in discharging these duties.

Audit and Examination Committee

With effect from 2 February 2018, the Audit and Examination Committee ("AEC") is chaired by an Independent Non-Executive Director, Puan Noraini Che Dan. Puan Noraini replaced Datuk Zaiton Mohd Hassan who was re-designated as a Non-Independent Non-Executive Director, after serving the Board of Bank Islam for more than eleven (11) years. In addition, a new Independent Non-Executive Director, namely Dato' Sri Khazali Ahmad was appointed as a new member of the AEC. With his appointment, the AEC of Bank Islam comprises seven (7) members of which five (5) are Independent Non-Executive Directors. The composition of the AEC is in line with the requirements of the BNM CG Policy, which amongst others, require for a majority of independent directors and chaired by an independent non-executive director who is not the Chairman of the Board.

Three (3) of the AEC members are members to the Malaysian Institute of Accountant ("MIA") of which two (2) of them are also members of the Malaysian Institute of Certified Public Accountants (MICPA). Apart from having members who are experienced in auditing and accounting, the AEC also comprised members that have experience in banking, economy, finance, legal and tax management. Collectively, the AEC possess a wide range of necessary skills to discharge its duties effectively.

The Board, through the AEC, is assisted by the Internal Auditors that mainly perform the function of independently reviewing the adequacy and effectiveness of the Bank's risk management, internal control and governance systems and processes. In addition, the Board and the AEC places a heavy emphasis on the objectivity and independence of the External Auditors.



Details on Audit and Accountability of Bank Islam can be found in pages 135 to 136 of this Integrated Annual Report under Section B of the Statement on Corporate Governance.

Board Risk Committee

In line with the requirements of BNM CG Policy, the Board Risk Committee ("BRC") comprised majority Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director, who is not the Chairman of the Board. With effect from 2 February 2018, the BRC is chaired by Encik Nik Mohd Hasyudeen Yusof, who replaced Datuk Zaiton Mohd Hassan who was re-designated as a Non-Independent Non-Executive Director. A new member, Encik Azizan Ahmad, an Independent Non-Executive Director was also appointed to the BRC. With the said appointment, the BRC currently comprised seven (7) members of which four (4) are Independent Non-Executive Directors.

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

The BRC assists the Board in meeting the expectations on risk management as set out by BNM and oversee the Management's activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah risk and other risk and to ensure that the risk management process is in place and functioning. In addition, the Board and the BRC are also committed in promoting compliance culture as part of Bank Islam's corporate culture.



Details on Risk Management and Compliance Culture of Bank Islam can be found in pages 137 to 143 of this Integrated Annual Report under Section C and Section D, respectively, of the Statement on Corporate Governance.

PRINCIPLE C OF MCCG 2017 BOARD INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Board acknowledged the importance of having an ongoing engagement and communication with the stakeholders to build the trust and understanding between the Bank and its stakeholders. In this respect the Bank is committed to provide effective and open communication in order to improve disclosure and transparency.

Bank Islam's corporate website provides comprehensive and easy access to the updated information about the Bank. Amongst the information that is available on the corporate website includes Bank Islam's corporate profile, Board of Director' profile, SSC members profile, Management Team's profile, financial results, annual reports and information on Bank Islam's subsidiaries.

As a wholly owned subsidiary of BIMB Holdings Berhad, a listed company on Bursa Malaysia, Bank Islam also leverages on BIMB Holdings Berhad's investor relations activities such as the analyst briefing presentations, in disseminating relevant and material information about the Bank to its stakeholders.



Disclosure on Investor Relations activities can be found in BIMB Holdings Berhad Integrated Annual Report 2017 and website www.bimbholdings.com.



SECTION A SHARIAH SUPERVISORY COUNCIL ("SSC")

Composition of the SSC

The SSC currently has five (5) members. In 2017, Bank Islam appointed a new local Shariah scholar as a member. At the same time, one (1) foreign scholar has retired and ceased to be a SSC member. The current composition of the SSC is in line with the requirement of Principle 2 of the Shariah Governance Framework ("SGF").

The members of the SSC come from diverse background, experience and knowledge. Each SSC member is an expert in their respective specialised field such as Islamic law, Islamic banking, capital market, takaful, waqf, zakat, fatwa, halal industry etc. Additionally, their qualification in Islamic jurisprudence (usul al-fiqh) and Islamic commercial laws (fiqh al-mu'amalat), expertise and vast experiences in the academia as well as in the industry definitely support the depth and breadth of the Shariah deliberations.

Duties and Responsibilities of the SSC

In addition to the Board's oversight accountability on Shariah compliance, the SSC, which functionally reports to the Board, was established to perform an oversight role on any Shariah matters and to advise the Bank in ensuring its business, affairs and activities comply with Shariah.

The SSC's primary duties and responsibilities are outlined in the Terms of Reference that includes performing any specific duties and responsibilities outlined in any policy documents or standards issued by the relevant authority at all times, e.g., the Shariah Contract Based Regulatory Framework issued by BNM.

The Terms of Reference also sets out the conduct of the SSC meetings and contains statements on the SSC's code of conduct, fit and proper criteria, methodology and means of decision making, parameters on SSC's decision pronouncement, methodology on the retreat from a mistaken decision and review to the previous decision and delegation of SSC authorities to the Chief Shariah Officer of the Bank.

The Terms of Reference are reviewed from time to time, at least once every two (2) years to reflect relevant changes in Bank's policies and any updated rules and regulations imposed by the relevant regulatory authorities.

The Terms of Reference of the SSC is available at www.bankislam.com.my

Authorities of the SSC

In discharging its duties and responsibilities, the SSC shall have the following authorities:

- To decide on Shariah-related matters referred to the SSC by taking into consideration of the published rulings of the SAC of BNM. In the event where the decision given by the SSC is different from the ruling given by the SAC, the rulings of the SAC shall prevail. However, the SSC is allowed to adopt a more stringent Shariah decision;
- To decide on Shariah-related matters without undue influence that would hamper the SSC from exercising objective judgment in deliberating issues brought before them;
- To ensure that decisions made by the SSC are duly observed and implemented by the Bank. Decisions made by the SSC should not be set aside or modified without its consent;
- Access to accurate, timely and complete information from the Management including but not limited to all relevant records, transactions, or manuals as required by them in performing their duties. If the information provided is insufficient, the SSC may request for additional information which shall be duly provided by the Bank; and
- To inform the Board of any case that the SSC has reason to believe that the Bank has been carrying on Shariah non-compliant activities and to recommend suitable measures to rectify the situation. In cases where Shariah non-compliant activities are not effectively or adequately addressed or no rectification measures are made by the Bank, the SSC shall inform BNM of the fact. In this case, the SSC will not be regarded as breaching the confidentiality and secrecy code if the confidential information is disclosed to BNM in good faith.

Code of Conduct of SSC Members

In discharging its duties, the SSC members are expected to possess good character, competence, diligence and capability of making sound judgment. In this regard, the SSC has formalised its Code of Conduct that includes the following:-

• The member must at all times maintain good character, i.e. demonstrate honesty, integrity, fairness and good reputation at all times when dealing with the Bank as well as personal relationships with the public;

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

- The member must maintain independence and professionalism while carrying out his/her duties. A member must always have complete moral, intellectual and professional independence. In carrying out his/her obligations, the member is required to:-
 - ✓ Uphold fairness and equity for all the stakeholders;
 - ✓ Act in a manner that preserves his/her honesty and integrity;
 - ✓ Exercise appropriate discretion in decision-making by taking into consideration not only the technical aspects of Shariah compliance; and
 - Appreciate the diversity of opinions among various mazhabs and differences in expertise among the members of the SSC; and
- The member has the duty to observe confidentiality of information with which the member is entrusted by the Bank.

In order to ensure the quality and consistency of the decisions, the SSC has formulated the Methodology and Means of Decision Making to arrive to a decision on a given issue by applying the *usul fiqh* discipline and making reference to Shariah standards, *fatwa* and resolutions of Shariah authority councils and *fiqh* academies. It also provides the process of the SSC and the Bank to review previous decisions at the request of the Bank or on its own initiative.

Responsibilities of the Bank Towards Shariah Compliance

While the SSC is responsible for forming and expressing decisions on the Bank's compliance with Shariah, the ultimate responsibility for compliance rests with the Management of the Bank. Therefore, it is crucial that the Bank works hand-in-hand with the SSC to ensure that all business activities, products, services and operations are in compliance with Shariah. Therefore, it is the responsibility of the Bank to perform the following:-

- To refer all Shariah issues in its business operations to the SSC for decision;
- To adopt and take necessary measures for implementation of the SSC's decisions:
- To provide sufficient resources to the SSC including budget allocation, independent expert consultation, reference materials and training;
- To ensure that the SSC is familiar with the operations and business of the Bank.
- To provide the SSC access to all relevant records, transactions, manuals and relevant information, as required by its members in performing their duties; and
- To recommend the appropriate remuneration to the SSC members which commensurate with and reflect the duties and responsibilities of the SSC.

It is the Bank's responsibility to perform the following with regard to Shariah Compliance:-

- To comply with SSC decisions and establish Shariah requirements in its entire products, services, legal documentations and activities; and
- The Bank shall not change its allegiance and obedience to the SSC decisions to suit its convenience. Such a practice can impair the independence of the SSC and have a damaging impact on the integrity and credibility of the Bank, in particular, and the Islamic banking industry as a whole.

Appointment and Re-Appointment of SSC Members

The Board, on the recommendation of the NRC, decides on the appointment and re-appointment of the SSC members, subject to BNM's written approval. The Board ensures the level and make-up of the SSC members are of the necessary credibility, integrity and calibre with the required skills and knowledge.

The appointment and re-appointment of the SSC member will be subject to the Fit and Proper Criteria adopted by Bank Islam as required under Principle 4 of the SGF and Fit and Proper policy document issued by BNM. The Fit and Proper Criteria sets out the attributes and qualifications required of a candidate to determine his/her suitability that includes the following:-

- Probity, personal integrity and reputation the person must have key qualities such as honesty, integrity, diligence, independence of mind and fairness;
- Competency and capability the person must have the relevant knowledge, experience and ability to understand the technical requirements of the business, the inherent risks and the management process required to perform his role as a SSC member; and
- Financial integrity the person must manage his own financial affairs properly and prudently.

For the re-appointment of a SSC member, the results of a peer evaluation and evaluation by internal resources management on the member's effectiveness, contribution and participation will be taken into account.

A scholar among the approved members of the SSC, was appointed by the Board to become the Chairman of the SSC.

→ 133

INTEGRATED ANNUAL REPORT 2017

SSC Meetings

SSC meetings are scheduled at the beginning of the year based on the required frequency stipulated in the Terms of Reference, i.e. at least six (6) meetings annually with additional meetings convened as and when warranted, to facilitate important decisions that are required between the scheduled meetings.

Eight (8) SSC meetings were held during the financial year ended 31 December 2017. 66.6% of the SSC members recorded 100% attendance and all of the members met with the 75% minimum attendance requirement of the SSC meetings as stipulated below:-

Name of SSC Members	Attendance	%	Other Attendees
Professor Dato' Dr Ahmad Hidayat Buang (Chairman)	8/8	100	Three (3) directors attend the SSC
Ustaz Dr Ahmad Shahbari @ Sobri Salamon	8/8	100	meetings as permanent invitees. Their presence at the meetings does not only
Ustaz Dr Muhammad Syafii Antonio*	2/2	100	improve the quality of engagement
Assistant Professor Dr Uzaimah Ibrahim	8/8	100	SSC members but also increase
Associate Professor Dr Yasmin Hanani Mohd Safian	7/8	88	their appreciation towards Shariah deliberations and decisions. However, the
SS Ustaz Dato' Dr Anhar Opir**	5/6	83	Board members presence does not affect the independent deliberation by the SSC members in their informed decision making.

- * Ustaz Dr Muhammad Syafii Antonio ceased to be member w.e.f. 31 March 2017
- ** SS Ustaz Dato' Dr Anhar Opir was appointed as a Member w.e.f. 1 April 2017

ALL MEMBERS COMPLIED WITH THE
MINIMUM ATTENDANCE REQUIREMENT
UNDER THE BNM SHARIAH
GOVERNANCE FRAMEWORK
OF NOT LESS THAN 75%



SSC Training

In line with Principle 4 of the SGF, continuous training is vital for the SSC members to keep abreast with the development in the banking industry and to enhance their skills and knowledge in discharging their responsibilities effectively. During the financial year, two (2) of the SSC members had enrolled in the newly inaugurated Certified Shariah Advisor (CSA) by the Association of Shariah Advisors in Islamic Finance Malaysia (ASAS). The certification was commissioned by BNM to motivate professionalism among Shariah advisors. This initiative by ASAS was mentioned in the Malaysian Financial Blueprint 2011-2020 under Agenda 3.2 to develop Malaysia as reference centre for Islamic financial transactions.

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

Throughout 2017, the SSC members have attended the following programmes:

Name of SSC Members	Training Programme	Organiser	
Professor Dato' Dr. Ahmad Hidayat Buang	 Muzakarah Ahli Majlis Penasihat Syariah Institusi Kewangan di Malaysia Kali ke-13 Trade Operations (1st Session) Trade Operations (2nd Session) Examining Financial Reports of Islamic Banks 	 JAKIM - Mahkamah Syariah Wilayah Putrajaya Bank Islam (Internal) Bank Islam (Internal) Shape Knowledge Services 	
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	Shariah Investing Forum 2017 (SIF 2017) Muzakarah Cendekiawan Syariah Nusantara Ke-11 (MCSN 2017) Trade Operations (1st Session) Dialogue on VBI Trade Operations (2nd Session) Examining Financial Reports of Islamic Banks 12th International Shariah Scholars Forum (ISSF 2017) Principles Of Accounting & Finance (CSA/CSP) Introduction To Commercial Law (CSA/CSP) Principles Of Economics Examination of Accounting and Finance & Principles of Economics Examination: Introduction To Commercia Law	BURSA - Sasana Kijang, Bank Negara Malaysia ISRA Bank Islam (Internal) Bank Negara Malaysia Bank Islam (Internal) Shape Knowledge Services ISRA ASAS ASAS ASAS ASAS ASAS ASAS	
Assistant Professor Dr. Uzaimah Ibrahim	 Trade Operations (1st Session) Trade Operations (2nd Session) Examining Financial Reports of Islamic Banks 12th International Shariah Scholars Forum (ISSF 2017) 	Bank Islam (Internal)Bank Islam (Internal)Shape Knowledge ServicesISRA	
Associate Professor Dr. Yasmin Hanani Mohd Safian	 Shariah Investing Forum 2017 (SIF 2017) Muzakarah Ahli Majlis Penasihat Syariah Institusi Kewangan di Malaysia Kali ke-13 Trade Operations (1st Session) Trade Operations (2nd Session) Muzakarah Kewangan Islam KLIFF 2017 	Bank Negara Malaysia JAKIM Bank Islam (Internal) Bank Islam (Internal) CERT	
 Muzakarah Cendekiawan Syariah Nusantara Ke-11 (MCSN 201) Muzakarah Ahli Majlis Penasihat Syariah Institusi Kewangan di Malaysia Kali ke-13 Trade Operations (1st Session) Trade Operations (2nd Session) Muzakarah Kewangan Islam KLIFF 2017 12th International Shariah Scholars Forum (ISSF 2017) Introduction To Commercial Law (CSA/CSP) Principles Of Economics (CSA/CSP) Examination of Accounting and Finance & Principles of Economics Principles Of Economics Examination : Introduction To Commercial Law 		 ISRA JAKIM Bank Islam (Internal) Bank Islam (Internal) CERT ISRA ASAS ASAS ASAS ASAS ASAS 	

- International Shari`ah Research Academy for Islamic Finance ("ISRA")
- Association of Shariah Advisors in Islamic Finance ("ASAS")
- Centre For Research and Training ("CERT")

SSC Remuneration

Bank Islam has in place a remuneration structure for the SSC members that is sufficient to attract, retain and remunerate for their contribution to the Bank. The remuneration structure takes into consideration the relevant factors which include the function, workload, responsibilities and time spent for the preparation of the SSC meetings. A higher rate (premium) is given to the Chairman of the SSC in view of his additional role in guiding and managing the SSC. The remuneration includes monthly fees, meeting allowances and other benefits such as training fund.

Effective 2017, the remuneration of the SSC members has been reviewed to ensure that it remains competitive in the industry and the revised remunerations were approved by the shareholder at the annual general meeting of the Bank. In line with good corporate governance practice of the Bank, the review of the remuneration is conducted every three (3) years.

SSC Evaluation

The SSC has formulised the evaluation process that was duly approved by the Board in line with the requirements of Para 4.4 of the SGF to annually assess its effectiveness in supporting a sound Shariah governance system within the Bank. The evaluation process includes collective assessment, peer evaluation and evaluation by internal resources.

The SSC, led by its Chairman, together evaluates the overall performance of the SSC against the pre-established criteria in the following areas:

- (a) Effectiveness of the SSC structure;
- (b) Effectiveness of the SSC meeting;
- (c) Quality of proposal and meeting materials; and
- (d) Succession planning.

A peer assessment is also performed by each SSC member to evaluate the individual performance of his/her peers based on the competency, knowledge and contribution as well as the overall effectiveness of the SSC. In addition, another evaluation is conducted by internal resources, i.e. the Management members who attend the SSC meetings to evaluate on the contribution of the SSC members in deliberating papers presented before them and their accessibility as and when guidance and decision is required.

The results of the assessments are tabulated and reviewed at the NRC meeting prior to deliberation at the Board meeting.

SECTION B AUDIT AND ACCOUNTABILITY

Internal Audit Function

The internal audit function of the Bank is fulfilled by the Internal Audit Division ("IAD"), led by the Chief Internal Auditor. The IAD reports directly to the AEC and is independent of the activities and operations of the operating units of the Bank. Its authority is provided in the Internal Audit Charter, which formally documents the roles, authority, duties and responsibilities of the IAD and its relationship with the Board, AEC, Management, external auditor and regulators.

The primary function of the IAD is to assist the Board, mainly through the AEC, by independently reviewing and reporting on the adequacy and effectiveness of the Bank's risk management, internal control and governance systems and processes.

IAD undertakes the audit of entities within the Bank, its subsidiaries and related parties of the Bank. The annual Audit Plan is reviewed and approved by the AEC prior to the start of each financial year. IAD adopts a risk-based approach in determining the auditable units and frequency of the audits.

The results of the audits conducted, including its risks and recommendations are reported to the AEC on a regular basis. Resolution of the audit findings and recommendations are performed by the Management and closely observed by the Management Audit Committee whose members comprise of the members of the senior management. Additionally, Shariah audit reports including their findings, risks and recommendations are notified and deliberated at the SSC meetings.

The IAD is committed to provide an independent, objective assurance and advisory services that will add value and improve the Bank's operations. It does this by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes, in line with the conceptual framework and guidance promulgated by the Institute of Internal Auditors ("IIA").

STATEMENT ON CORPORATE GOVERNANCE

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Financial Reporting

The Board takes responsibility for presenting a clear, balanced and comprehensive assessment of the Bank's financial performance, position and future prospects through its Annual Audited Financial Statements and quarterly reports. The Board ensures that the financial statements are properly drawn up and gives a true and fair view of the state of affairs of the Bank in accordance with the provisions of the Companies Act and approved accounting standards in Malaysia. The Board is assisted by the AEC in scrutinising the information disclosed in the Annual Audited Financial Statements and quarterly reports to ensure accuracy, adequacy, completeness and transparency.

Statement of Internal Control

The Board recognises the importance of maintaining a sound system of internal control and risk management practices as well as good corporate governance. The Board exercises overall responsibility in identifying, evaluating and reviewing the adequacy and effectiveness of the Bank's risk management, governance and internal controls. The Board recognises that risks cannot be eliminated completely and as such, systems and processes have been put in place to provide reasonable, and not absolute, assurance against material misstatement of financial information or against any losses and fraud.

The Board is of the view that the internal control framework that has been instituted throughout Bank Islam is sufficient to safeguard the shareholder's investment, customers' interest and Bank Islam's assets. Reviews are continuously carried out to ensure effectiveness of the system.

The BRC was established to further strengthen Bank Islam's risk management process, where it meets regularly with the objective of assisting the Board in managing Bank Islam's range of inter-related risks in an integrated manner.

The key processes that the Board has established in reviewing the integrity of the system of internal controls are as follows:-

- (a) The CEO is entrusted with the management of Bank Islam, where his role and responsibilities, and authority limits are set by the Board. The appointment of the CEO requires the approval of the Board;
- (b) Specific responsibilities have been delegated to the relevant Board Committees, based on their respective terms of reference. These Committees have the authority to examine all matters within their scope of responsibility and submit their recommendations to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board;

- (c) Delegation of authority, including limits at various levels of Management and those requiring the Board's approval, are documented and designed to ensure proper accountability and responsibility;
- (d) Policies and procedure manuals for key processes are documented and regularly reviewed and updated for application across Bank Islam;
- (e) The AEC regularly reviews the adequacy and integrity of Bank Islam's internal control systems and management information system including systems for compliance with applicable laws, regulations, rules, directives and guidelines as identified by the internal auditors, the external auditor and regulatory authorities. It also reviews the adequacy and comprehensiveness of the internal audit process, scope of audit, competency of the auditors and the independence of the Internal Audit function;
- (f) Bank Islam's annual business plan and budget are submitted to the Board for approval. In addition, variances between actual and targeted results are also presented on a monthly basis. This allow for timely responses and corrective actions to be taken to mitigate risks;
- (g) The IAD reports to the AEC, performs regular reviews of the processes to assess their effectiveness and highlights any significant risks affecting Bank Islam. The AEC reviews the internal auditors auditable areas and resources annually, via the Audit Plan and budget;
- (h) The AEC regularly reviews and holds discussions with the Management on actions taken to address lapses in internal controls and issues identified in reports prepared by the internal auditors, external auditor and regulatory authorities; and
- (i) The BRC regularly reviews risk profiles based on a range of key risk indicators, as well as other risk assessment tools.

Relationship with External Auditors

Bank Islam, through the AEC, has established an appropriate and transparent relationship with the external auditor. The AEC will conduct an annual assessment on the external auditor's performance to ensure their suitability, objectivity and independence. The assessment include the ability of the external auditor in meeting the Bank's requirements, business insights and ideas, service efficiency and effectiveness as well as value management. The AEC also meets at least once a year with the external auditors without the presence of the Management.

SECTION C RISK MANAGEMENT

Overview

The banking industry continues to face challenges globally and locally in the form of rising funding and operational costs, volatility in markets, and changes in consumer demand and preferences. Against such rapidly evolving and highly competitive environment, the Bank remains resilient and will continue to strive for innovation in products and services, and strengthen overall liquidity and capital levels. Asset quality preservation, retention of customers; as well as cost and resources optimisation remains critical to the Bank.

In the course of achieving the Bank's competitive advantage, risk management continues to be a compelling advocate in making the Bank's key business decisions. Leveraging on the strategic partnership with the business units, the Bank's risk management function continues to be the core element of doing business as well as in strategic decision-making.

Risk Management Framework

Risk is inherent in all aspects of the Bank's businesses and operations. The management of risk has therefore become an important driver for strategic decision in supporting the business objectives, balancing the risk appetite and return and maintaining sound financial position and capital of the Bank.

The Bank's approach to management of risk is being guided by its Risk Management Framework, which consists of the following key elements:

- · Risk Governance;
- Risk Appetite;
- Risk Management Process; and
- Risk Culture.



STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

(a) Risk Governance

The risk governance approach adopted by the Bank is guided by BNM's Risk Governance Policy, Corporate Governance Policy and Shariah Governance Framework for Islamic Financial Institutions.

The Bank's risk governance structure is the key component of the Risk Management Framework as it provides a formalised and transparent structure in supporting the implementation of the Framework.

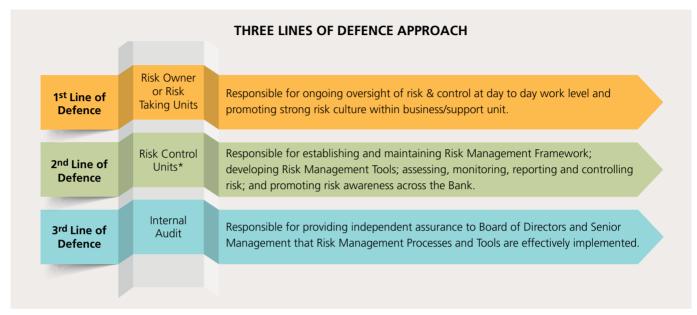
The following Risk Committees have been established to facilitate the implementation of Risk Management Framework. Each Committee plays an important role in ensuring sound and prudent system of risk management. The roles and responsibilities of the Committees and their sub-Committees are set out in the following chart:

BOARD OF DIRECTORS

The Bank's ultimate governing body which plays a critical role in ensuring sound and prudent policy and practices in the Bank. It provides an effective check and balance mechanism in the overall management of the Bank.

BOARD COMMITTEES							
BOARD FINANCING REVIEW COMMITTEE ("BFRC")	BOARD RISK COMMITTEE ("BRC")						
A committee of the Board responsible for reviewing all investment and financing/credit related proposals above specified limits.	A committee of the Board responsible for overseeing the Bank's activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah-compliance risk, compliance risk and any other relevant risks and to ensure that the risk management process is in place and functioning.						
MANAGEMENT COMMITTEES							
FINANCING COMMITTEES	BUSINESS CONTINUITY MANAGEMENT STEERING COMMITTEE ("BCMSC")	MANAGEMENT RISK CONTROL COMMITTEE ("MRCC")		PRODUCT MANAGEMENT COMMITTEE ("PMC")	ASSET & LIABILITY MANAGEMENT COMMITTEE ("ALCO")		
Committees of BFRC and responsible to assess/approve credits and investment/capital market proposals.	BCMSC is a sub-committee of BRC and responsible to review the Bank's BCM issues and make appropriate recommendations where necessary.	MRCC is a sub-committee of BRC and the highest risk committee at Management level. It is responsible to perform the oversight functions and to ensure effective management of key issues relating to the overall risk management of the Bank.		PMC is a sub-committee of BRC with the main function to review end-to-end process of product origination and compliance to	ALCO is a sub- committee of BRC and responsible to perform the oversight function and deliberate key issues related to		
		OPERATIONAL RISK CONTROL COMMITTEE ("ORCC")	RECOVERY MANAGEMENT COMMITTEE ("RMC")	Shariah Contract Based Regulatory Framework.	the Bank's asset and liability management and market risk.		
		ORCC is a sub- committee of MRCC and responsible to facilitate the function and objective of MRCC in the management of key issues on operational risk.	RMC is a sub- committee of MRCC and responsible to provide the oversight function on recovery issues and related operational strategies on recovery in the Bank.				

The Bank's risk governance approach is premised on the 3-Lines of Defence Approach by placing accountability and ownership of risks to where they arise while maintaining level of independence among risk taking units, risk control units and independent assurance unit in managing risk.



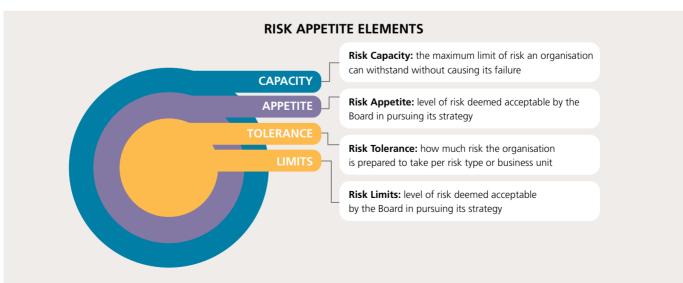
* Consists of Risk Management Division (including Shariah Risk Management), Credit Management Division, Compliance Division and Information Security & Governance Division.

(b) Risk Appetite

The Bank has established a Risk Appetite Framework that forms an integral part of the Bank's strategy and business plans. Risk appetite is an expression of the maximum level of risk that the Bank is prepared to accept in support of a stated strategy, impacting all business from a credit, market and operational risk viewpoint.

The risk appetite is a critical component of the Bank's robust Risk Management Framework and is driven by both top-down Board leadership and bottom-up involvement of Management at all levels. It enables the Board and Management at all levels to communicate, understand and assess the types and level of risks that the Bank is willing to accept in pursuing its strategy.

The Bank's risk appetite has been integrated into its Corporate Direction and Business Plan and is changeable based on business and market conditions. The various elements of the risk appetite adopted by the Bank are depicted below:



STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

The Bank constantly ensures that trigger levels, limit structures and delegated authorities are realigned and potential risk appetite implications are considered in all major resource allocation decisions, especially during the Bank's Annual Budget exercise. This will help shift the discussion of risks from a mindset of 'loss minimising' to one of optimising the organisation's risk-return profile and as such the risk appetite setting process can greatly enhance the Bank's risk adjusted returns.

The articulation of the risk appetite has been integrated across the Bank and it takes into consideration the needs of the Bank's stakeholders. Notwithstanding that, the Bank will at all times be guided and adheres to relevant laws, including Shariah rules and principles. The Bank has zero-tolerance with respect to regulatory and Shariah non-compliance (SNC).

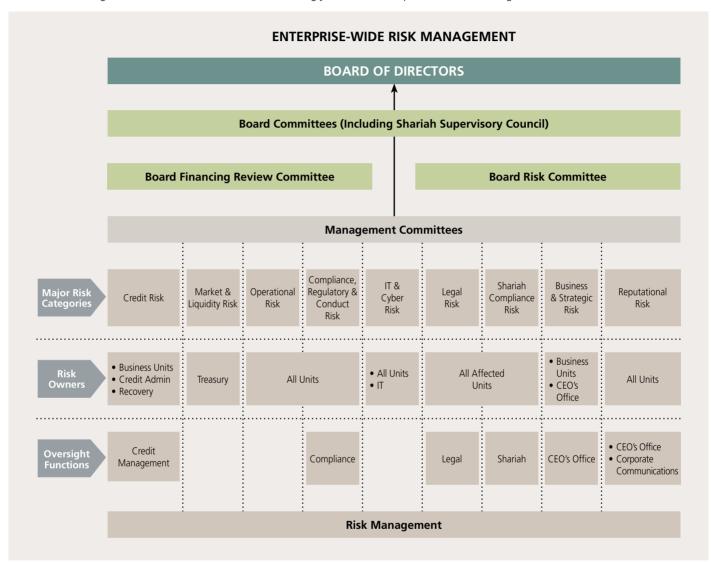
(c) Risk Management Process

Based on the Bank's structure, the Bank's risk management has continuously enhanced its integrated risk management approach towards an effective management of enterprise-wide risks. Under this approach, active involvement of the Board, Senior Management and all level of staff is required in the risk management process to ensure a uniform view of risks across the Bank.

A standard risk management process has been adopted by the Bank to ensure that Bank-wide risks are properly identified and managed in a structured, systematic and consistent manner. The risk management process comprises the following:



With the standard risk management process adopted, the principal/major categories risks faced by the Bank together with their respective Risk Owners and Oversight Functions have been identified accordingly under the Enterprise-wide Risk Management Structure as follows:



STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

(d) Risk Culture

Risk culture is a key aspect of an effective enterprise-wide risk management and the most important factor in determining the long-term effectiveness of the risk management strategy. Culture, as defined by the Institute of International Finance is "the norms and traditions of individuals and of Banks within an organisation that determine the way in which they identify, understand, discuss and act upon the risks the organisation confronts and the risk it takes."

The Bank views that risk culture is the responsibility of the Board, Senior Management and ultimately all employees of the Bank, in tandem with the Bank's Risk Management's Tagline, i.e. "Managing Risk is Σveryone's Business".

In building a strong risk culture, the risk management process/ approach has been embedded in all the Bank's core business processes, functions and activities. The Bank views that risk management as an important means of enhancing the Bank's competitiveness and performance.

Shariah Compliance Risk

Shariah compliance risk (SCR) is classified as part of the operational risk. It is defined as "the possible failures to meet the obligation to Shariah principles, or in other words, possible incidences of Shariah non-compliances".1

The Bank's Shariah risk management is guided by its Shariah Risk Management Guideline which sets out the high-level framework supporting the Shariah Compliance Policy and details out the Shariah risk management processes and tools. The guideline serves to provide a consistent framework for managing SCR across the Bank.

Shariah risk management is a discipline that systematically identifies, measures, monitors and controls SCR to mitigate the occurrence of SNC events within the Bank. Being part of operational risk, it leverages on the same principles, processes and tools of operational risk. The responsibility of managing SCR is spearheaded by the Bank's Shariah Risk Management Department.

In general, all Operational Risk Management (ORM) tools are extended to the process of managing SCR. However, the tools are modified to suit the regulatory requirements on Shariah governance in order to provide a robust and consistent approach in managing SCR.

In managing SCR, the reactive ORM tool, i.e. Risk Loss Event Management & Reporting (RLEMR) is replaced with the Shariah Non-Compliance Management & Reporting (SNCMR). It behaves similar to ORM's RLEMR, with some modification to comply with

BNM's SNC reporting requirements², i.e. confirmation on SNC event, its rectification plans which include corrective and preventive measures to ensure non-recurrence and systematic capturing of the loss due to SNC events.

In 2017, the generic Shariah Key Risk Indicators were introduced and implemented. The KRI serves as a "Dashboard View" on the effectiveness of Shariah Governance, Risk Management and Controls (GRC). It is used as an indicator to trigger the independent Shariah Risk Mapping as well as to provide standardised parameters for reporting of SCR.

Extensive and continuous Shariah risk awareness initiatives have been conducted for the Bank's staff including Shariah session for Risk Controllers. A structured Islamic banking certification programme which includes important modules on Shariah has been offered as an effort to grow our own timber. Meanwhile, all new recruits of the Bank are required to undergo a *Muamalat 101* training in conjunction with the orientation programme in which they are exposed to the fundamentals of Shariah applied in Islamic banking business.

Information Technology Risk

Banking industry heavily relies on technology and Bank Islam is of no exception. Such reliance poses the Bank to IT risks such as cyber attacks and system disruptions. To mitigate this, Bank Islam continues to enhance its controls and processes as well as invest in the latest IT infrastructure. In essence, the Bank is leveraging on information technology not only as an enabler to serve and protect customers better but also to minimise business disruptions.

The responsibility for managing IT risk is spearheaded by the Information Security & Governance Department. While it is responsible to establish, maintain and enforce IT risk policies and guidelines, it also works closely with the IT Division, especially in identification, assessment, mitigation and monitoring of IT risk in the Bank.

The following are steps taken by the Bank in managing IT risk:

- a) Design policies and internal controls policies and internal controls are designed to reduce IT related risks to an acceptable level and the effectiveness of those controls are monitored;
- Perform risk assessment risk assessment exercise is performed, looking at vulnerabilities and threats including those related to emerging technologies, making reference to audit findings, loss events, IT projects etc.; and
- c) Monitor process reviews are conducted to ensure controls are adequately implemented and if not available, interim actions to mitigate the risk must be applied.

¹ BNM's Shariah Governance Framework, 2011 page 5. The term Shariah compliance risk and Shariah non-compliance risk are used interchangeably in the Bank's documents. However, they carry the same meaning.

² BNM Operational Risk Integrated Online Network (ORION) Policy Document.



SECTION D COMPLIANCE CULTURE

The Board and the Management have continuously demonstrated commitment to mitigate conduct risk and promote compliance culture as part of Bank Islam's corporate culture. The initiatives rolled out in 2017 further promotes ethical behavior, integrity and trust. KPI and remuneration were also used as a compliance tool to mitigate conduct risk and propagates compliance culture. The aforementioned criteria are taken into account during assessment of staff's performance. This is in line with one of the Bank's core values - to be an organisation that is trustworthy; constantly strives for the highest level of integrity, honesty and responsibility, which are the foundation of Islamic principles.

The initiatives rolled out in 2017 to enhance the compliance culture comprises amongst others, the following:-

- Compliance & Integrity Day Personal email issued by the CEO on topics of Compliance, Integrity and Ethics every Monday;
- Weekly Compliance Briefing Thursday scheduled briefing at branches on slides prepared by Compliance;

- Zero-Tolerance Campaign Launch of pinned badge to all staff to remind them Management's zero-tolerance stance on noncompliance;
- Scenario Learning Scenarios with dialogues on AML and banking secrecy learning fitted as posters and screen savers;
- Branch Compliance Awareness Programme Role play video and essay writing competitions; and
- Anti-Corruption Pledge by BIMB Holdings Berhad and Bank Islam Senior Management team to launch a nationwide pledge by all branches in each state.

In addition to the above initiatives, the Bank continues to enhance staff's awareness on AML compliance requirements and new typologies. This was done by face-to-face training by AML Department nationwide and via e-Learning platform which was made mandatory for all staff.

FINANCIAL STATEMENTS



