



BANK ISLAM

VALUE-DRIVEN PROGRESS

INTEGRATED ANNUAL REPORT 2018

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, environment and society by relying on Shariah in determining underlying values, moral compass and priorities.

Our 2018 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.



VALUE-DRIVEN PROGRESS

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

An era of dynamic progress is being ushered. Today the Bank focuses on the many segments of society it impacts with its products and services. Uplifting our commitment to Value-Based banking principles, banking is not just a means of business

but a channel to holistically uplift the economy, environment and society. The soaring visual shows the Bank's focus on heightening our impact on the real economy as we aim to achieve greater heights with our stakeholders.

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**

Download the "QR Code Reader" app from the Google Play (Android Market), BlackBerry AppWorld, App Store (iOS/iPhone) or Windows Phone Store

**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 2018 are audited by KPMG Malaysia.

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.



SCOPE

All information included in this report refers to the year ended 31 December 2018, 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 our stakeholder engagement is the assessment of ever changing trends within our operating environment and the material pillars of our parent company. For more information on how these impact our creation of value for our stakeholders, refer to Our Business Model on page 22 of this report.

**RESPONSIBLE FINANCE**

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

**TALENT ENRICHMENT**

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.



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DIRECTORY

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ADVANCING ON STRATEGY TO REACH OUR GOALS

Re-affirmed at
AA3/Stable/P1



by RAM Ratings with Net
Stable Funding Ratio ("NSFR")
readiness at

105.7%

well above the
regulatory-required **100%**



All Bank's staff undertook
a **Corruption Free
Pledge** in January 2018

A **Whistle Blowing**

framework and policy was
issued in August 2018



A **Vendor Code** of
Ethics Guideline was established
in November 2018



A
reduction
of **51%**
in customer
complaints received



ATM uptime was
97.12% while
CDM uptime was
95.68%



Internet Banking
financial
transaction volume
grew by
133%



Revenue
Grew to

RM **3.3** billion

YoY
10.9%

PAZT
Increased to

RM **593.9** million

YoY
4.9%

Return
on Equity **15.8%**

surpassed banking system

average of **13%**



Financing
Growth **8.5%**

surpassed banking system
average of

6.1%



Asset
Growth **10.7%**

to RM **63.9** billion

through right-sizing of
balance sheet



Gross Impaired
Financing **0.92%**

Net Impaired
Financing **-0.8%**



CASA Ratio **32.1%**



Established



Taska Bank Islam

at Menara Bank Islam

Established



Staff Ihtimam Fund

to assist employees or
dependents of deceased
employees



Revision of HR policies:

- Paid maternity leave extended to 90 days
- Paternity leave extended to 7 days
- Early release for expectant mothers

CHAIRMAN'S MESSAGE



DATUK ZAMANI ABDUL GHANI

Chairman

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

السلام عليكم ورحمة الله وبركاته

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH

DEAR STAKEHOLDERS,

IT HAS BEEN A YEAR OF VALUE-DRIVEN PROGRESS. IN 2018, BANK ISLAM MALAYSIA BERHAD ("BANK ISLAM" OR "THE BANK") COLLECTIVELY AND CONSCIOUSLY EMBRACED THE PRINCIPLES OF VALUE-BASED INTERMEDIATION ("VBI") WITHIN ITS ORGANISATIONAL OVERALL STRATEGY. FOCUS HAS BEEN PLACED BEYOND PROFIT TOWARDS THE TRIPLE BOTTOM LINE IMPACT ON PEOPLE, PLANET AND PROSPERITY AS WE SEEK TO BUILD A SUSTAINABLE BUSINESS THAT MAKES A POSITIVE DIFFERENCE IN ECONOMIC, SOCIAL AND ENVIRONMENTAL PERFORMANCE.

THE LAUNCH OF SADAQA HOUSE CROWD FUNDING PLATFORM AND THE BIMB-ARABESQUE ASIA-PACIFIC SHARIAH-ESG EQUITY FUND DURING THE YEAR MARKED THIS NEW STRATEGY IN ACTION. CONCERTED EFFORT WAS ALSO DIRECTED TOWARDS ESTABLISHING A MEANINGFUL VISION AND MISSION TOWARDS THIS PURPOSE, AND NECESSARY GROUNDWORK HAS BEEN INITIATED TO ENHANCE THE BANK'S CULTURE. WE WERE THUS DELIGHTED TO ACHIEVE THE ISLAMIC BUSINESS & FINANCE SOUTHEAST ASIA AWARD 2018 FOR BEST SUSTAINABILITY DURING THE YEAR UNDER REVIEW. *ALHAMDULILLAH*, THESE ACHIEVEMENTS WERE SUPPORTED BY STRONG FINANCIAL PERFORMANCE AS PROFIT BEFORE ZAKAT AND TAX ("PBZT") ROSE 5.6% TO RM810.3 MILLION, AND SURPASSED INDUSTRY PERFORMANCE ON ALL FRONTS.

MAKING SMOOTH PROGRESS

It was a year of change and challenges impacted by global trade-related tensions and rising interest rates coupled with domestic uncertainties following the outcome of the 14th Malaysian general election. For Bank Islam, this was followed by a leadership change as our previous Chief Executive Officer ("CEO") Encik Khairul Kamarudin resigned in July 2018. However, the Bank showed resilience, anchored on prudent fundamentals and an effective in-house talent development which saw another leader emerging from the ranks to guide the Bank through a smooth transition.

Encik Mohd Muazzam Mohamed took over the reins as Acting CEO in July 2018 and was officially appointed as the CEO of Bank Islam on 5 December 2018 as he proved capable in leading the team forward along the set strategic path of VBI achievements.

The management team is on track and ready to execute a Culture Change Programme to unlock further value for the Bank. We are leveraging on solid economic fundamentals, favourable regulatory climate and more readily accessible, powerful and economical transformation technologies.

This creation of the Bank's new Vision and Mission as well as the establishment of Transformation Office in January 2019 will play a vital role in attaining the desired collective

results. Traits such as integrity, professionalism, accountability, reliability, quality-driven, detail-oriented and empathy are just some of the essential values being nurtured in accordance with the Bank's commitment to VBI principles.

DELIVERING GOOD PROGRESS

For the year ended 31 December 2018 ("FY2018"), Bank Islam's PBZT rose by RM43.2 million or 5.6% to RM810.3 million, mainly due to higher income resulting from the strong financing growth of 8.5%, which is above the industry's average net financing growth of 4.5%. The Bank's financing grew RM3.6 billion to reach RM45.7 billion in FY2018 with asset quality remained strong and resilient, despite the robust expansion and challenging economic environment.

Good asset quality was reflected in the low gross impaired financing ratio of 0.92%, lower than the 0.93% registered at the end of 2017. This compares positively against the 1.45% registered by the banking system as at end December 2018.

The Bank's financing loss coverage ratio stood at 187.8%, almost double the industry average of 97.5% as at end December 2018.

On the funding side, the Bank's customer deposits and investment accounts stood at RM49.9 billion and RM5.2 billion at 31 December 2018 with a year-on-year increase of RM3.7 billion and RM0.9 billion respectively. The Current and Savings ("CASA") and Investment Accounts ("IA") without maturity, low cost deposits/IA ratio stood at 32.1%. The Bank's funding position also remained healthy with the financing to available funds ratio of 77.7%.

All in all, the Bank's capital position continued to be healthy as reflected by its total Capital Ratio of 17.8%.



For a more detailed analysis of our Financials, please refer to page 42.



PROFIT BEFORE ZAKAT AND TAX GROWTH

5.6%



PROFIT BEFORE ZAKAT AND TAX

RM810.3million

CHAIRMAN'S MESSAGE

(cont'd)

PROGRESSING ON ALL FRONTS

Good progress was sustained within this environment of change and transformation, and Bank Islam was honoured to be named the year's Top VBI Scorer by Bank Negara Malaysia ("BNM"). This was based on a holistic assessment of the Bank's progress on all fronts of the VBI parameters.

The Bank's financial strength, sustainable delivery and steadfast standing as an Employer of Choice were further attested by industry awards throughout the year.

The latest RAM Ratings for the Bank is AA3/Stable/P1, indicating a robust capacity to meet financial obligations. Under the Category of "Secondary Islamic Sukuk Market", the Bank rose from its previous 4th ranking and outperformed bigger banks to be ranked Number 1 in year 2018 for overall Trading Value (out of RM405.4 billion) in Malaysian Government Investment Issue ("MGI"). The Bank was ranked Number 5 for the overall Trading Value (out of RM191.1 billion) in Corporate Sukuk. Other notable achievements were being ranked 4th in the list of Malaysia Top Banks in Government Bonds by The Asset Asia Bond Awards 2018; and being awarded Malaysia Deal of the Year 2017 by Islamic Finance News. These speak much about its strong financial standing and the trust bestowed upon Bank Islam by the people and the industry.

The Bank's progress in achieving holistic value delivery was recognised with the Islamic Business & Finance Southeast Asia Award 2018 for Best Sustainability, followed by Best CSR Initiative (Projek #Buatbaik) 2018 at The Retail Banker International ("RBI") Asia Trailblazer Awards.

We were also proud to be named the Second Runner-up in Banking and Financial Services Sector by Malaysia's 100 Leading Graduate Employers Awards 2018, ranked Top 10 Winners in Banking Category at Graduates' Choice Award 2018, and Best Employer Brand Awards 2018 at the 9th edition of the Best Employer Brand Award.

Total Revenue

RM3.3
billion

Total Assets

RM63.9
billion

Total Financing

RM45.7
billion

These achievements show the Bank's sustained commitment in fortifying strengths while realising our current vision where as a business, we are focused on the continued growth of wealth and well-being for the organisation and all its stakeholders. The Bank is expanding its commitment to integrity and governance.





PROGRESSING WITH INTEGRITY

Bank Islam's edge is its intensive understanding, pioneering expertise and sincere adherence to Shariah principles and conduct. The Board of Directors and Shariah Supervisory Council ("SSC") commit to continuously hone this edge and maintain the Bank's position as an industry flag-bearer. During the year, all five SSC members achieved certification as Certified Shariah Advisors ("CSA") with one of them being awarded Honorary status by the Association of Shariah Advisors Malaysia. Shariah awareness and compliance among employees were also beefed up with the introduction of a Shariah e-learning module in April 2018. A follow up module for 2019 has also been developed.

“ Since January 2018, the Bank has been establishing an Embedded Risk & Compliance Unit ("ERU") to comply with BNM's requirements, as an effort to enhance governance, processes and culture for effective risk and compliance oversight. ”

Under the purview of the Board's Audit and Examination Committee, the Ethics and Integrity Department propagates ethical conduct aligned to the code of ethics for the financial services industry. All employees are bound to this code as well as the Bank's internal code of conduct to walk the talk when it comes to integrity, honesty and responsibility. Beyond this, active trainings and campaigns to further promote awareness of the essential policies, systems and procedures are actively implemented.

A number of game changing initiatives were introduced in 2018 towards enhancing our AML/CFT compliance through the use of data analytics, artificial intelligence ("AI") and machine learning; improving Anti-Money Laundering/Foreign Account Tax Compliance Act ("AML/FATCA") system through automation of customer risk profiling; standardising Compliance Risk Assessment ("CRA") throughout the Bank with clearly defined parameters; introducing an Ethics and Integrity Programme to inculcate 'Zero-Tolerance' mindset towards non-compliance culture and redefining corporate culture to embed VBI initiatives as the Bank's value-added propositions.

Since January 2018, the Bank has been establishing an Embedded Risk & Compliance Unit ("ERU") to comply with BNM's requirements, as an effort to enhance governance, processes & culture for an effective risk and compliance oversight for critical business & support functions.



For a more detailed analysis of the Bank's Ethics, Integrity and Trust, please refer to page 108.

TOWARDS SHARED PROGRESS

Value-driven thinking is set to change the way we work, and we are just at the cusp of unveiling new possibilities. In February 2018, Bank Islam established *Taska* Bank Islam on the mezzanine floor of Menara Bank Islam to facilitate work and childcare balance for its staff. This was in response to the government's call for employers to provide childcare facilities at office premises in Malaysia's Budget 2018. So far, our employees have responded positively to the level of service provided by this facility, and it has greatly helped in easing the pressure on staff having to juggle both their family life and working commitments.

Continuing on the theme of looking after the employees, the Bank has established the Staff *Ihtimam* Fund specifically for the welfare of its staff. The fund allows Bank Islam to apportion its employees' zakat contribution as a special fund to provide additional assistance to employees who face financial difficulties or personal hardships. Additionally, this form of assistance can also be diverted to dependents of the deceased employees, or as scholarships for employees' children to continue with their education. Last year, over RM220,000 was disbursed in the form of financial aid and scholarships to 16 employees who were in need.

The highlight of our employees engagement initiative for the year was the signing of Collective Bargaining Agreement between Bank Islam and Kesetia (Workers Union) after a long negotiation process. The agreement signifies an important move forward in addressing salary inequity and bridging earnings gap within our workforce. This move will significantly contribute to the Bank's ability to attract and retain top talent, as we will now reward employees to commensurate with their contributions; in addition to providing benefits that will lead to a conducive and happy working environment.

CHAIRMAN'S MESSAGE

(cont'd)

Bank Islam also continues to value-add its AMAL outreach programme as part of the Bank's corporate responsibility ("CR") efforts. Programmes for the year included continuation of *Program Bantuan Rumah*, which focuses on providing house and comfortable living condition to the underprivileged, and AMAL *Musa'adah*, a community-empowerment initiative and collaborative effort with *Amanah Ikhtiar Malaysia* ("AIM") that provides small business opportunities for single mothers and poor families to earn a living on their own. Additionally, we have initiated various community oriented initiatives designed to provide help to the needy and promote socio-economic progress among the underserved communities. These have been encapsulated by our AMAL *Ihtimam* programmes, held mainly during the holy months of Ramadan, Syawal and Qurban. We are also focused on fulfilling educational needs of poor students, which include the provision of essential school items for underprivileged schoolchildren at various schools nationwide, as well as helping them to excel at essential subjects by organising motivational sessions. Our AMAL activities have been enhanced to ensure we fulfil the objectives of empowering the community that can lead to sustainable prosperity for both the Bank and society.

Bank Islam's zakat fund remains the underpinning factor of our CR-related activities and initiatives. More than RM3.7 million in zakat fund were disbursed during the year; topped by an additional amount of RM486,492 from Bank Islam's own allocation of CR funds.

As part of our effort to foster the spirit of volunteerism among our own employees, year 2018 saw the Bank continuing to conduct its biggest annual signature event yet, *Hari AMAL* (or AMAL Day). During the year, the event saw more than 500 volunteers comprising Bank Islam's staff, members of non-governmental organisations ("NGOs"), and university students, participating in various community-related projects nationwide. These ranged from providing aid and relief for the underprivileged and underserved, to environmental protection and preservation activities. Notable efforts included the planting of more than 200 mangrove trees to better protect the natural ecosystem of our coastal area, and refurbishment of orphanages and old folks' homes.



For a more detailed review of our AMAL programme, please refer to page 62.

SUSTAINING VALUE-DRIVEN PROGRESS

Supportive measures adopted by the Malaysian government as announced in Budget 2019 are in place to ensure the growth of the Islamic economy. These include, the continued prioritisation on Islamic banking, enlargement of the halal productivity industry, increasing the number of Shariah-compliant Small Medium Enterprise ("SME") financing schemes and driving digital initiatives.

The Bank's strategic plan for the next three years is to deliver sustainable performance

“ We will be working to align all divisions' and departments' purpose under the Bank's new Vision to become “The Bank that Advances Prosperity for All” and our Mission “To Provide Solutions That Deliver Value”. ”

with a strategic focus to support the economy, community and environment. This corporate direction is premised on VBI as a driving factor for the business model. With Shariah Principles and Trustworthy being the key distinctive features, the Bank will continue its journey adopting VBI principles such as the Triple Bottom Line ("TBL") considerations, of looking after people and environment, and creating prosperity for all.

We will be working to align all divisions' and departments' purpose under the Bank's new Vision to become “**The Bank that Advances Prosperity for All**” and our mission “**To Provide Solutions That Deliver Value**”.

This realignment within our organisation will involve the centralisation of key Bank functions as part of the overall consolidation of the Bank. We seek to be more agile in the market, capable of innovating with greater speed, efficiency and capability in a fast-changing environment and to meet new industry regulations.

ACKNOWLEDGEMENTS

The Board warmly welcomes Encik Mohd Muazzam Mohamed as the CEO of Bank Islam effective 5 December 2018. He took over the reins of management in July 2018, following the departure of Encik Khairul Kamarudin. As the Bank's former Chief Financial Officer, he was part of the succession plan that had been put in place. The Board has great confidence in his leadership to continue executing the VBI strategies formulated to propel Bank Islam to greater heights.

Bank Islam's progress over the years has been largely due to the continual upliftment of sustainable frameworks and infrastructure for the Islamic finance industry by the Malaysian government and regulatory authorities. I hereby acknowledge our sincere gratitude, in particular to Bank Negara Malaysia ("BNM") and Securities Commission Malaysia ("SC"), for providing effective support and guidance on the way forward within this high growth sector.

Thank you to my fellow directors and the members of the Bank's Shariah Supervisory Council for their dedication in sharing their diverse expertise in maintaining the Bank's standing as a leader in the sector.

I would like to reserve my special thanks to our former CEO, Encik Khairul Kamarudin, for his immense contribution to this hallowed institution. From the day he joined the Bank in 2005, Encik Khairul has ensured his place in the history of Bank Islam by playing a leading role in the strengthening of the Bank's financial position. Throughout his service to the Bank and in various roles, Encik Khairul directed the enhancement of its operations and introduction of innovative solutions, which led to Bank Islam's unprecedented streak of profit growth year after year. He left behind a legacy that others will be hard-pressed to emulate.



Special thanks as well to Datuk Zaiton Mohd Hassan, who has resigned her position at Bank Islam's Board of Directors on 18 February 2019. Her appointment to the Board in 2006 brought enormous credence and a stellar personality to the hallowed institution. Since then she has contributed enormously to the Bank's standing as the premier Islamic banking institution, with a reputation for good governance and steadfast integrity. Datuk Zaiton's absence will be greatly missed by all who have witnessed her unwavering commitment to the Bank's cause and well-being.

To both Encik Khairul and Datuk Zaiton, I wish them all the best for their future endeavours.

All achievements are only possible with the discipline, cooperation and diligence of our employees. Regardless of rank and job scope, your contribution is instrumental in making it possible for us to be where we are today, and for us to progress in our journey ahead. My gratitude goes out to all of you for your hard work and commitment.

Finally, on behalf of the Board, I sincerely thank our shareholders and diverse stakeholders for their constant support and loyalty.

Datuk Zamani Abdul Ghani
Chairman

2018 FINANCIAL HIGHLIGHTS

GROUP FINANCIAL YEAR ENDED 31 DECEMBER

	2018	2017	2016	2015	2014
Operating Results (RM'000)					
Total Revenue	3,336,502	3,008,181	2,868,781	2,649,396	2,436,826
Income attributable to depositors and investment account holders	1,383,834	1,208,337	1,108,024	1,031,693	851,126
Profit before Zakat and Tax	810,258	767,053	720,412	685,661	702,751
Profit after Zakat and Tax	593,887	566,118	530,962	507,262	510,502

Key Statements of Financial Position Items (RM'000)

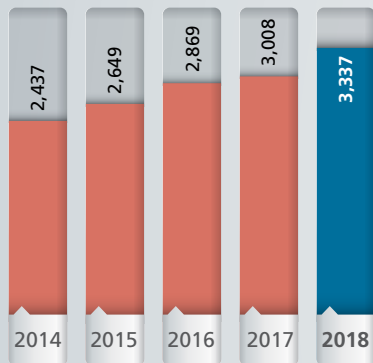
Total Assets	63,938,733	57,742,914	55,676,697	49,763,719	45,820,682
Total Financing	45,680,680	42,113,420	39,189,274	34,294,690	29,524,571
of which:					
Gross Impaired Financing	425,937	398,277	389,445	381,270	344,539
Securities	11,719,258	9,633,608	10,589,824	10,421,041	11,219,044
Deposits from Customers	49,895,232	46,192,910	45,940,414	43,556,350	41,010,332
of which:					
Current and Savings Deposits ("CASA")	15,073,993	15,472,127	14,133,576	15,256,290	15,626,738
Investment Accounts of Customers	5,176,819	4,260,185	3,812,261	676,105	–
Shareholders' Equity	5,276,407	4,959,704	4,385,466	4,032,568	3,729,590
of which:					
Share Capital	3,012,368	2,869,498	2,404,384	2,363,283	2,319,907

RATIO ANALYSIS

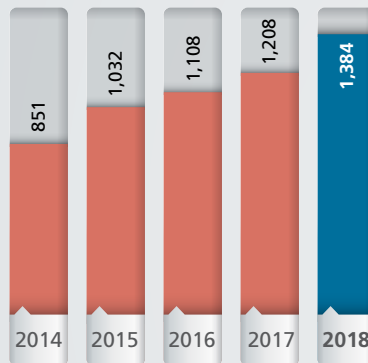
Return on Assets	1.33%	1.35%	1.37%	1.43%	1.59%
Return on Equity	15.83%	16.42%	17.12%	17.67%	19.92%
Cost Income Ratio	52.97%	57.26%	52.82%	52.67%	52.13%
Capital Adequacy Ratio	17.77%	16.44%	15.52%	15.32%	13.36%
Gross Impaired Financing Ratio	0.92%	0.93%	0.98%	1.09%	1.14%
Financing to Available Fund Ratio	77.71%	81.41%	77.31%	77.46%	73.42%
Earnings per Share	24 sen	23 sen	22 sen	22 sen	22 sen
Net Tangible Assets Backing	175 sen	173 sen	182 sen	171 sen	161 sen

TOTAL REVENUE

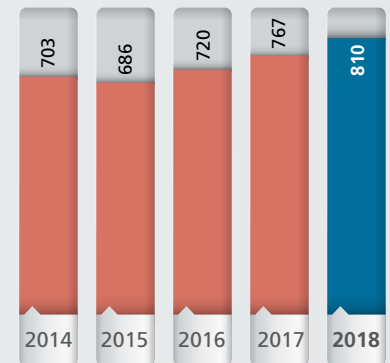
RM Million

**INCOME ATTRIBUTABLE TO DEPOSITORS AND INVESTMENT ACCOUNT HOLDERS**

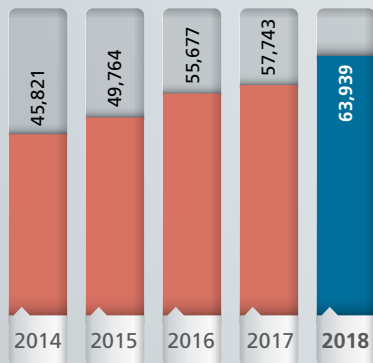
RM Million

**PROFIT BEFORE ZAKAT AND TAX**

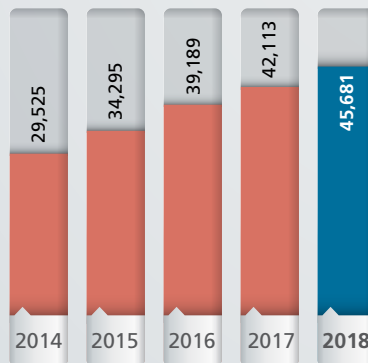
RM Million

**TOTAL ASSETS**

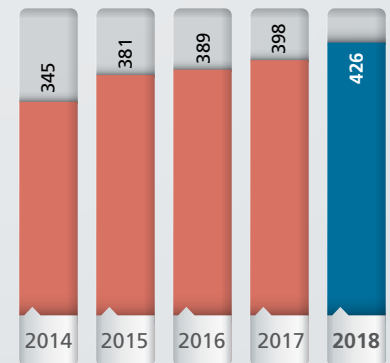
RM Million

**TOTAL FINANCING**

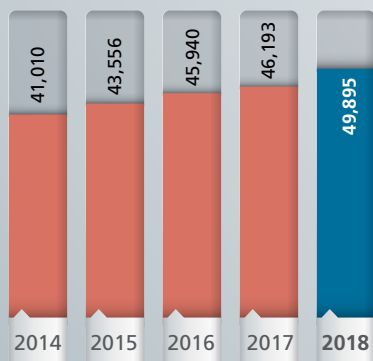
RM Million

**GROSS IMPAIRED FINANCING**

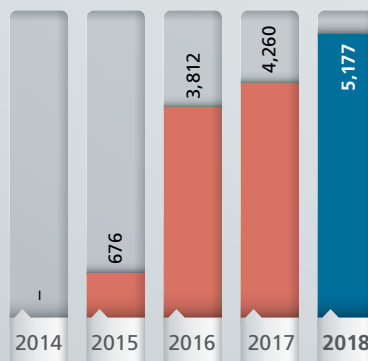
RM Million

**DEPOSITS FROM CUSTOMERS**

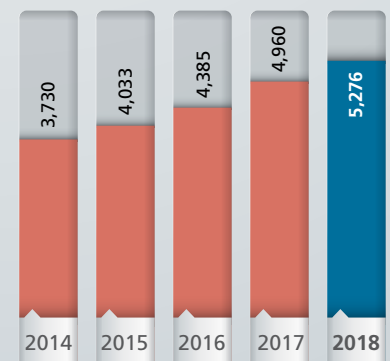
RM Million

**INVESTMENT ACCOUNTS OF CUSTOMERS**

RM Million

**SHAREHOLDERS' EQUITY**

RM Million



FINANCING
BY CONTRACT (RM'000)



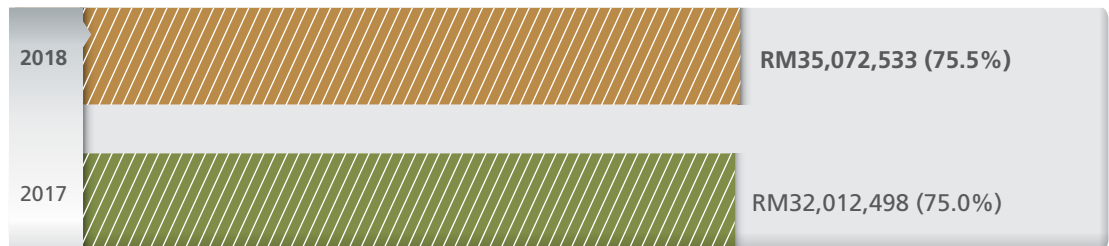
At-Tawarruq RM38,864,121 (83.6%)	Istisna' RM127,798 (0.3%)
Bai' Bithaman Ajil RM4,924,148 (10.6%)	Ijarah Thumma Al-Bai' RM89,575 (0.2%)
Murabahah RM2,080,256 (4.5%)	Ijarah Muntahiah Bit-Tamleek RM106,520 (0.2%)
Bai' Al-Inah RM60,030 (0.1%)	Ar-Rahnu RM73,110 (0.2%)
Bai' Al-Dayn RM144,827 (0.3%)	



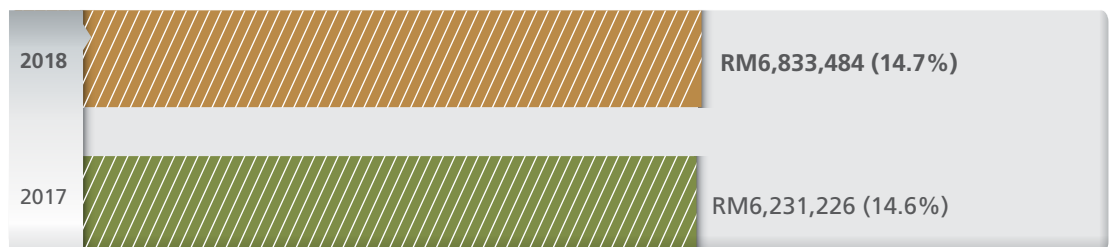
At-Tawarruq RM34,280,067 (80.3%)	Istisna' RM145,288 (0.4%)
Bai' Bithaman Ajil RM5,731,253 (13.4%)	Ijarah Thumma Al-Bai' RM108,869 (0.3%)
Murabahah RM1,960,925 (4.6%)	Ijarah Muntahiah Bit-Tamleek RM87,945 (0.2%)
Bai' Al-Inah RM97,934 (0.2%)	Ar-Rahnu RM87,222 (0.2%)
Bai' Al-Dayn RM186,433 (0.4%)	

FINANCING BY SEGMENT OF BUSINESS UNITS (RM'000)

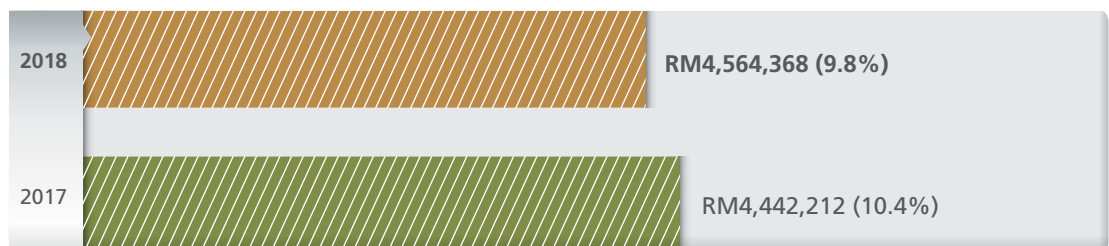
CONSUMER



COMMERCIAL



CORPORATE



TOWARDS SUSTAINABLE & SYMBIOTIC GROWTH

FINTECH FOCUS

Bank Islam will set aside RM100 million for digital banking infrastructure in the next three years to stay competitive and relevant.

— PAGE B2

Bank Islam Holdings Bhd acting chief executive officer Mohd Muazzam Mohamed Yusoff (left) and BNM Managing Director Mohd Yusoff Yusoff (right) at a briefing on BNM's financial and economic outlook for 2018.



BANK ISLAM'S RM300m FINTECH PLAN

Lender needs to evolve to stay competitive and relevant, says acting CEO

FARAH ADILLA AND MUHAMMAD ABILAH
KUALA LUMPUR
ft.asia@diagram.com.my

BIMB Holdings Bhd's banking arm, Bank Islam Malaysia Bhd, plans to spend RM300 million for its digital banking infrastructure in the next three years to remain competitive as a consumer-focused bank.

Bank Islam acting chief executive officer Mohd Muazzam Mohamed Yusoff said as the banking industry is getting more competitive with the growing trend of financial technology (fintech), the bank needs to evolve to stay relevant.

"While we need to upgrade our traditional banking infrastructure, it is also crucial to remain relevant and competitive by improving our digital infrastructure."

"This is going to be our focus as a consumer-focused bank. Many of our initiatives are aimed at enhancing customer experience and focusing on the unbanked segment," he said during BNM's first half financial performance briefing here yesterday.

Muazzam said Bank Islam's internet banking users number 500,000 and it aims for more than 10 per cent growth this year.

He said the bank is targeting net financing growth of eight per cent for the full year.

For the first half, Bank Islam's net financing grew 6.7 per cent to RM43.2 billion.

Customer deposits and investment accounts stood at RM40.8 billion, a year-on-year increase of 3.5 per cent, or RM1.7 billion.

The bank's current account savings account ratio increased to 32.8 per cent from 31.6 per cent in the first half of last year.

Profit before zakat and tax rose nine per cent to RM400.7 million, compared with the correspond-

NEW STRAITS TIMES
28 Aug 2018



Bank Islam santuni golongan memerlukan

Bank Islam sudi sumbang sistem penapis air

GIVING BACK IN THE DIGITAL AGE

Bank Islam's Sadaqa House serves as a crowdfunding platform for donors

Bank Islam sees steady growth despite tough times



BIMB Investment declares eight per cent from BIMB-Arabesque i Global Dividend Fund 1

KUCHING: Management team, a wholly owned subsidiary of Bank Islam Malaysia, has declared an eight per cent dividend for the first time in the fund's history. The dividend is payable to investors in the BIMB-Arabesque i Global Dividend Fund 1. This comes on the back of the fund's strong performance since its launch in February 2018, with a total return of 30.62 per cent for US dollar and 18.14 per cent for the ringgit. The fund is the largest Islamic Global Equity Fund in Malaysia with a total fund size of about RM200 million. As at March 2, 2019, the fund ranks number one in the Upper Income table for Islamic Global Equity category for one year return.

600 pelajar dari 38 sekolah terima manfaat

Bank Islam Malaysia has provided financial assistance to 600 students from 38 schools under the AMAL Ihtimam Pendidikan program.

Bank Islam lancar inisiatif AMAL Ihtimam Pendidikan — Jom Ke Sekolah



Bank Islam serah sumbangan RM300,000 ke IJN



Bank Islam, Petronas, SJPP meterai MoU



Bank Islam bantu vendor Petronas

BANK ISLAM

BANK ISLAM IKHTIRAF

Surau dan musolla sekolah-sekolah KPM



Bank Islam peruntuk RM7.16 juta untuk program baik pulih rumah



Five students receive Bank Islam scholarship



Bank Islam contributes RM300,000 to IJN Foundation

Bank Islam Malaysia has contributed RM300,000 to the IJN Foundation to support its social welfare programs.

Bank Islam perkenal aplikasi SnapNPay



Bank Islam Malaysia has introduced the SnapNPay mobile application to facilitate digital transactions for its customers.

Muhammad (gambar) berkata, Bank Islam akan memperkukuhkan platform skema ini dengan lebih banyak sumbangan dan kerjasama dengan pihak berkepentingan.

Bank Islam contributes RM300,000 to IJN Foundation

Bank Islam Malaysia has contributed RM300,000 to the IJN Foundation to support its social welfare programs.

Inovasi Bank Islam terima pengiktirafan



Bank Islam bantu 600 murid asnaf



Bank Islam tawar kereta Audi



BIMB Invest sasar saiz dana RM100 juta



BIMB Invest launches big data, fintech fund with UK partner



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 six 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 bring 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 149 branches and more than 1,000 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 has taken 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, hence, providing solutions that deliver value.



VISION

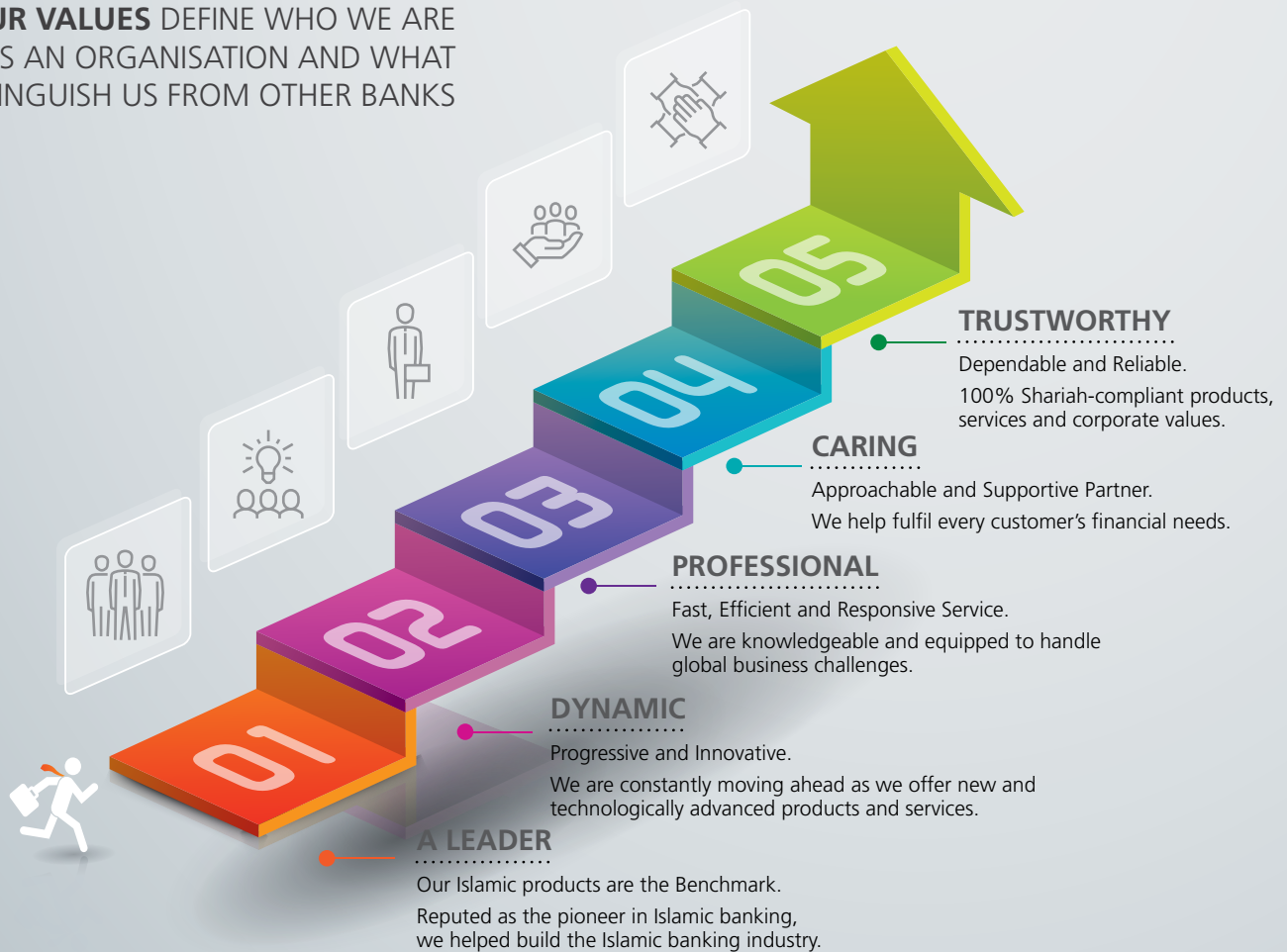
THE BANK THAT ADVANCES
PROSPERITY FOR ALL



MISSION

TO PROVIDE SOLUTIONS
THAT DELIVER VALUE

OUR VALUES DEFINE WHO WE ARE
AS AN ORGANISATION AND WHAT
DISTINGUISH US FROM OTHER BANKS



OUR PURPOSE



We design our strategy to realise our VISION – TO ADVANCE PROSPERITY FOR ALL; in which our MISSION is TO PROVIDE SOLUTIONS THAT DELIVER VALUE. By this, we look to emulate the Triple Bottom Line principle where Bank Islam remains on course for growth in revenue and profit while bringing about positive economic, social and environmental outcomes for all our stakeholders.

Bank Islam's sustainability as a corporate and business entity is determined by our interactions with the market environment and ability to effectively fulfil the needs of our stakeholders. This is encapsulated by our business model which enables us to translate our resources and relationships into outcomes that achieve our strategic goals, and create value over the short, medium and long term.

Our strategies are influenced by the material pillars of our holding Group, BIMB Holdings Berhad: **RESPONSIBLE FINANCE, INCLUSIVE GROWTH, TALENT ENRICHMENT** and **ETHICAL PRACTICE & REPORTING**, which are aligned to the ideals of the United Nation's Sustainability Development Goals ("UNSDG").



SUSTAINABLE DEVELOPMENT GOALS



OUR BUSINESS MODEL

CAPITAL

Our capitals encompass the wide range of resources and relationships we rely on to create value. We responsibly manage these capitals through an effort sustained by the trust and support of our stakeholders.

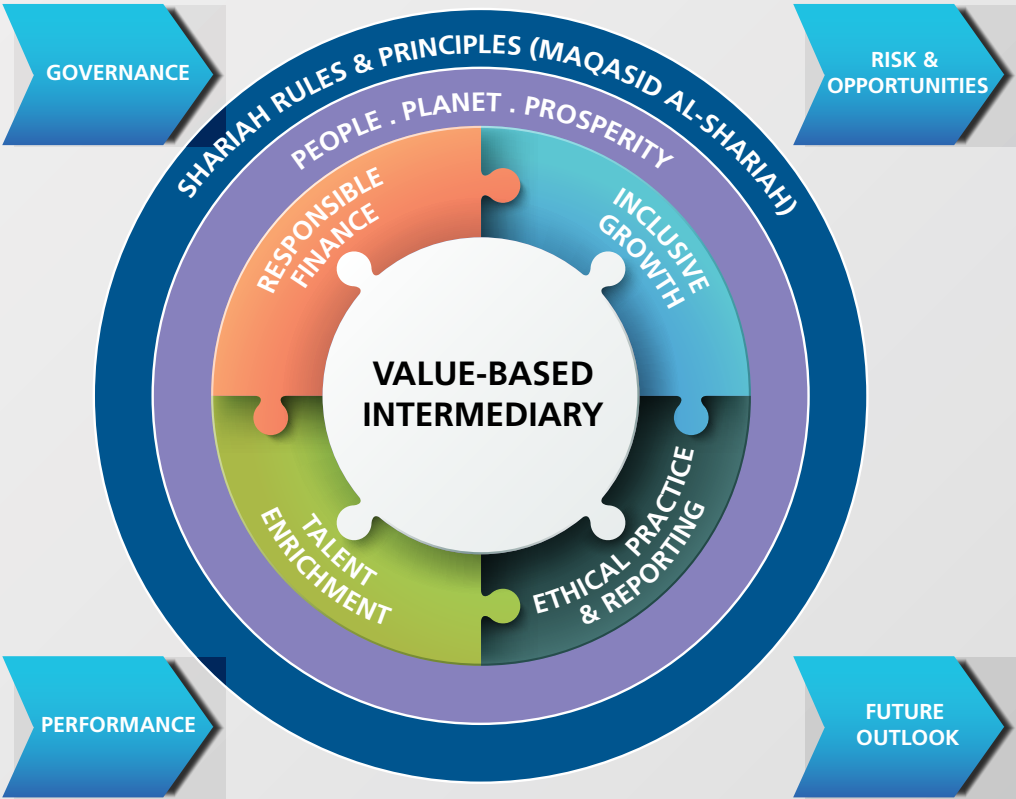
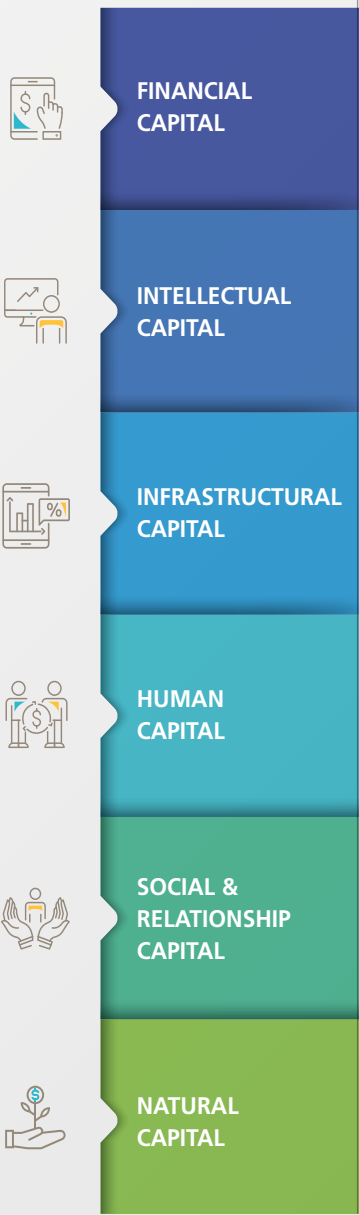
We stay attuned to the operating environment, including ever-changing trends as well as our stakeholders’ expectations and needs.

OPERATING ENVIRONMENT



We are mindful of the appropriate levels of risk we can accept, and possess robust governance structure to execute our strategy with discipline.

OUR BUSINESS





PRODUCTS & SERVICES

By engaging in responsible financing and banking activities, we enable individuals to improve their quality of life and enhance the nation's financial stability. By providing financing to small and medium enterprises, and large corporations, we contribute to economic growth, job creation and innovation. And by improving financial literacy, promoting inclusivity and conserving nature, we contribute to a sustainable future.



STRATEGY

Our strategy allows considered thinking and integrated mindset to permeate throughout the whole organisation, ensuring the whole Bank is attuned to the same strategic goals and objectives.

OUTCOME SUMMARY

STAKEHOLDERS	VALUE DELIVERED
Customers 	<ul style="list-style-type: none"> • RM1.3 billion profits paid to depositors • RM0.1 billion profits paid to investment account holders • More than RM5 billion in new personal financing • More than RM2.8 billion in new house financing • Total of RM747.8 million financing under responsible financing • 606,865 TAP subscribers • 1.2 million registered online users for Internet Banking • 334,913 PTPTN student accounts • RM6.8 billion in transactions for LTH Service
Employees 	<ul style="list-style-type: none"> • More than RM547 million paid in remuneration to employees • 96.37% retention rate • More than 213,000 employees training hours • 254 employees promoted in 2018 • 86 employees obtained professional certificates in 2018
Government & Regulators 	<ul style="list-style-type: none"> • Continuous commitment to driving and realising Value-based Intermediation principles • Advance Malaysia as an Islamic financial hub, and key sectors within the industry, including Halal hub development • Contribute to the stability of the industry's financial system • Contribute to domestic economic growth • Development of local talents in the relevant industry
Local Communities 	<ul style="list-style-type: none"> • More than 49,000 beneficiaries from CR and zakat activities and programmes • RM47.5 million financing under the Green Tech Financing Scheme for the promotion of renewable energy usage
Investors 	<ul style="list-style-type: none"> • 15.83% return on equity • 1.33% return on asset • 17.77% total capital ratio • RM293.1 million of dividends paid to shareholders

RESPONSIBLE FINANCE

Bank Islam commits to upholding societal and environmental responsibilities by introducing to the market solutions that bring both economic and social benefits. We make conscious decisions in designing ethical products for our communities, and supporting ethical projects and ethical customers to layer on positive impacts in creating a multiplier effect.

INCLUSIVE GROWTH

We believe in empowering the community and providing equal opportunity for all. We are invested in making our financial services, products, and social initiatives, accessible to all segments of society. We look to enhance our relationships with the local communities and contribute to their socio-economic progress for the long term.



TALENT ENRICHMENT

Bank Islam is focused on developing our employees throughout their professional lives by implementing training and developmental programmes, as well as promoting values that engender a positive working culture and work-life balance. We ensure a continuous talent enrichment process by listening to staff needs, and valuing their skills and contributions with fair remuneration and meaningful succession-planning.

ETHICAL PRACTICE AND REPORTING

At Bank Islam, we are committed to doing the right thing and standing by our stakeholders. We serve their best interests through good business practices that uphold integrity, transparency and responsible conduct. We engage in best practices anchored on integrity and ethics, and continue to improve our reporting standards.

OUR VBI JOURNEY

Bank Islam was initially established to introduce Shariah-compliant banking products and services to the Muslim populace in Malaysia. Our adherence to 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. Today we are building on our fundamentals and evolving as a Value-based Intermediary (“VBI”) to positively empower our stakeholders and advance banking for the good of all.

VALUING OUR CAPITALS

In this value-driven journey, we are mindful that we depend on various resources and relationships. We have identified these as our six key capitals.



01 FINANCIAL CAPITAL



To stay resilient within the current banking landscape, strong financial capital is necessary. Our financial capital enables us to sustain business operations, create and manage shareholder value and give back to our nation and society.

How we create value: Bank Islam depends on robust equity and revenue to sustain and grow our business. We have in place prudent strategies to mitigate risks and meet industry liquidity requirements. We provide savings, investment and other forms of client specific products. We manage and execute all our client interactions with the highest degree of professionalism, ethics and transparency.

HIGHLIGHTS

RM5.2
billion

Common Equity Tier-1
Capital

RM1.7
billion

Tier-2 Capital

RM5.3
billion

Total Equity

RM49.9
billion

Total Deposits

RM5.2
billion

in investment accounts
("IA")

02 INTELLECTUAL CAPITAL



Our intellectual capital enables us to advance industry value through the creation of new Islamic banking possibilities and sustain Malaysia's standing as an Islamic financial services hub.

How we create value: Our reputation as a pioneering leader in Islamic banking has been a product of Islamic knowledge expertise and continuous product innovations over the years coupled with effective risk management and strong governance framework. We have built a strong brand franchise as a result and lead as flagbearers of the industry. We provide technical assistance in the setting-up of Islamic financial institutions globally. We share market-leading knowledge on Islamic finance with the industry and public to ensure increased understanding.

- Strong brand franchise as a pure Islamic finance and banking institution, as well as source of reference within the Shariah-compliant financial industry
- Robust risk management and governance framework
- Innovations including the introduction of Sadaqa House and Waqf House Financing solidify Bank Islam's commitment towards the establishment of social finance initiatives
- Continuous growth of ESG-compliant fund offerings
- Growing strategic partnerships with a number of organisations and corporations, including PETRONAS, Arabesque, *Amanah Ikhtiar Malaysia*, universities, NGOs and others, which add value to the Bank's initiatives and business propositions

03 INFRASTRUCTURAL CAPITAL



Our infrastructural capital allows us to grow financial value through an expanded reach and uplift societal value by catalysing inclusivity of underserved communities.

How we create value: We provide several access points and methods of banking to facilitate options and to improve customer experience. We strive to introduce new channels of operation, adopting latest advances in technology.

HIGHLIGHTS

149 branches

6 Bureau de Change
(currency exchange)
outlets

9 Ar-Rahnu outlets

1,012
self-service terminals

More than
RM 100
million
investment in
IT infrastructure

RM 6.5
million
investment in mobile
banking

OUR VBI JOURNEY
(cont'd)

04 HUMAN CAPITAL



Our success is determined by the quality of our human capital. Our human capital is vital in delivering financial value and enhancing social value by serving our community better.

How we create value: To attract and retain good management and employees, we have created an attractive Employee Value Proposition that enriches, develops and provides dynamic in-house career opportunities for our people. We invest in our people with training and development programmes to attract, cultivate and retain. We implement initiatives to grow internal talent for upward mobility.

HIGHLIGHTS

Attractive Employee
Value Proposition

4,489
employees

More than
RM13 million
invested in talent enrichment

Structured
succession planning

Competitive
employee benefits

WORKING WITH
THOUGHT LEADERS
OF ISLAMIC FINANCE



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.

MAXIMISING
POTENTIAL



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.

BEYOND WORK
AND LIFE



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.

LIVING THE UNIVERSALLY
ACCEPTED GOOD
VALUES



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.

05 SOCIAL & RELATIONSHIP
CAPITAL



A social license to operate ensures smooth business operations and sustainability. Our social and relationship capital delivers value to our nation, people and marginalised communities.

How we create value: We are committed to build positive relationships with our network of partners, vendors, customers and the community at large through effective services, policies, zakat contributions and AMAL corporate responsibility ("CR") initiatives.

HIGHLIGHTS

More than
6 million
customers

More than
RM700,000
invested under
CR initiatives

RM13,315,840
paid out in zakat

RM114,300
has been contributed for
Sadaqa House projects

More than
47,000
man-hours spent for employees
volunteerism effort under
the Corporate Responsibility
("CR") initiatives

06 NATURAL CAPITAL



Our focus on Natural Capital impacts our operational costs as well as sustains business value and sustainability.

How we create value: As a financial institution, we can positively impact the sustainability of our environment through businesses that utilise product and service innovations. We champion ESG principles in our customer screening. We have an increasing green financing portfolio to ensure sufficient financial support to the renewable energy market. We also adopt sustainable practices as far as possible both internally and externally.

- Continuous commitment in driving Sustainability and VBI agenda
- Total ESG-compliant fund size of **RM1.74 billion** (Asset Under Management) as at 31 December 2018, making BIMB Invest (a subsidiary under Bank Islam) the largest ESG asset manager in Malaysia
- Electricity saving measure
- Reducing paper consumption
- Participation in environmental preservation programmes

VALUE CREATION

Through our six identified capitals, we are advancing on our VBI Journey:

We fulfil our customers' need for pure and complete Islamic financial solutions, while safeguarding their investments and wealth, in addition to providing growing financial returns.

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.

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.

Financial and banking institutions around the world have been seeking our advices and consultations on Islamic financial structure and processes.

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.

We play a major role in driving further advancement of the industry, contributing to the country's development as a global Islamic financial hub.



We provide opportunities for our employees to gain professional certifications and develop their careers.

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. 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.

We look after the well-being 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.

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.

We strengthen the society by contributing towards socio-economic progress, building financial resilience and social cohesion, as well as contributing to environmental well-being.

ENGAGING OUR STAKEHOLDERS

Constant interaction with our stakeholders at all levels of our organisation is vital to Bank Islam's decision-making processes, which are aimed at long term creation of value. We regularly invest in fostering relationships and creating mutual feedback activities that embraces all of our key stakeholders.

The following examples of stakeholder engagement help us understand how well we are fulfilling our responsibility as a valuable partner for the nation and the industry, a good employer for our people, a sound investment for shareholders, a good corporate citizen for the communities where we live and work, and much more.

28

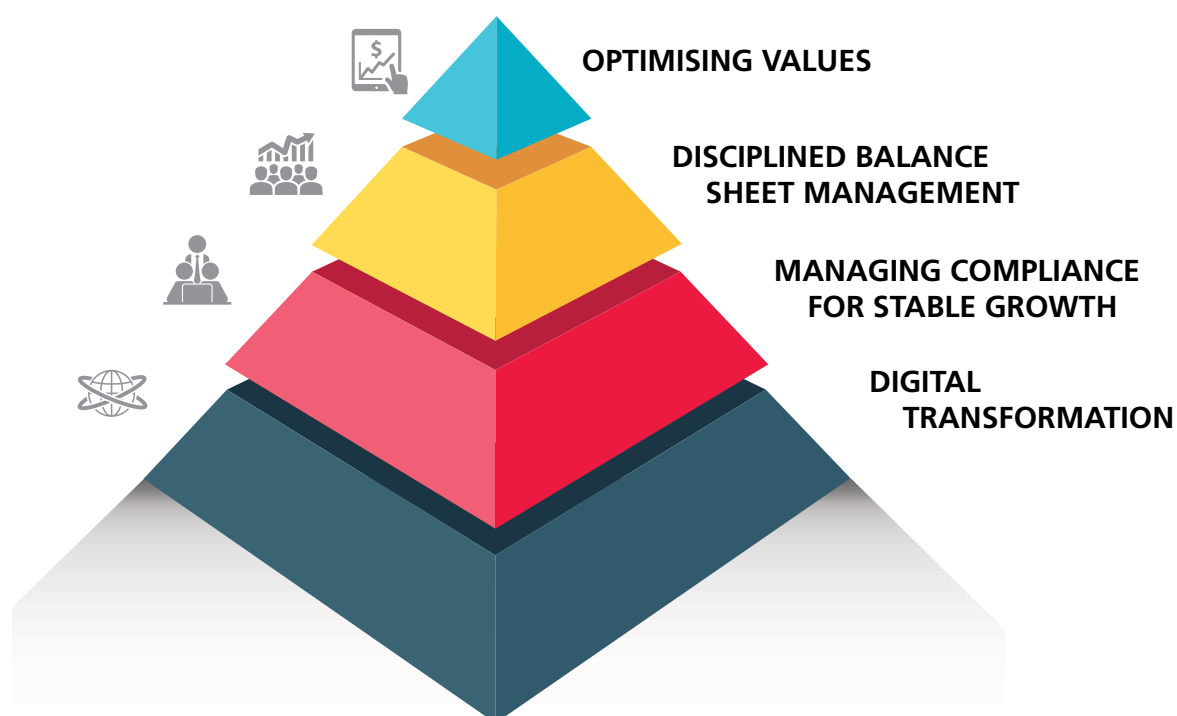


STAKEHOLDERS	RELEVANT TOPICS	ENGAGEMENT PLATFORMS
 CUSTOMERS	<ul style="list-style-type: none"> • Products and services viability and access • Effectiveness of solutions in addressing needs • Quality of service delivery 	<ul style="list-style-type: none"> • Customer service and feedback channels • Branch networks • Customer survey and focus group • Roadshows and exhibitions
 EMPLOYEES	<ul style="list-style-type: none"> • Career-planning and advancement • Employees' personal development for fulfilling life and spiritual needs • Essential knowledge on the organisation, including the Bank's policies and guidelines 	<ul style="list-style-type: none"> • Internal communication channels including Bank Islam's internal portal and e-mail • Internal activities including Bank Islam's sports carnival and knowledge-sharing sessions • Public engagement activities including Corporate Responsibility ("CR") related initiatives • Staff training and development programmes • Town Hall
 GOVERNMENT & REGULATORS	<ul style="list-style-type: none"> • Products and services rollout • Financial regulations update • Support for national agenda, especially on the propagation and advancement of the Islamic banking and finance industry 	<ul style="list-style-type: none"> • Ongoing industry meetings and interactions • Government-led initiatives and programmes participations • Conferences and dialogues
 LOCAL COMMUNITIES	<ul style="list-style-type: none"> • Financial education and knowledge • Economic concerns and social issues 	<ul style="list-style-type: none"> • Engagement with NGOs and charity organisations • Engagements with the underserved and underprivileged communities • CR-related events and initiatives
 INVESTORS	<ul style="list-style-type: none"> • Financial performance and corporate strategy • Governance and compliance • Corporate leadership 	<ul style="list-style-type: none"> • Investor Relations channels • Annual General Meetings • Ongoing meetings and interactions
 INDUSTRY PEERS	<ul style="list-style-type: none"> • Industry trends • Business collaborations 	<ul style="list-style-type: none"> • Ongoing industry discussions and interactions • Conferences, expositions and events • Strategic partnerships

OUR 2018 STRATEGIC PRIORITIES

Islamic Finance & Knowledge-Sharing is embedded in Bank Islam's purpose and the Bank's corporate direction is aligned to the other Group pillars of Responsible Financing, Inclusive Growth, Talent Enrichment and Ethical Practice & Reporting. These anchor the Bank's dynamic short to mid-term strategies which are shaped according to the prevalent market environment and current stakeholder concerns.

In 2018, with the VBI agenda at our forefront, Bank Islam's operations were executed according to four specific strategies that deliver on these pillars as well as elevate the Bank's financial and social performance.



The strategy called for the Bank to reposition our balance sheet with greater exposure to real economy and places economic, society and environment considerations as the new thrust of asset acquisitions. It also drove internal transformation to grow responsibly and enhance corporate values.



OPTIMISING VALUES

- **Optimising Risk & Return** – Asset Yield/Funding Mix/Share of Wallet/Capital
- **Optimising Resource & Productivity** – Talent/Technology/ Distribution/Business Process Reengineering
- **Optimising Franchise Value** – Driving SME Banking/Rollout Agent Banking/Reinforce Risk and Compliance Culture/Uphold Service Culture



DISCIPLINED BALANCE SHEET MANAGEMENT

Rightsizing the Balance Sheet towards enhancing Profitability and meeting MFRS9 Regulatory Compliance on maintaining:

- Liquidity Capital Ratio above 100%
- Increasing Net Stable Funding Ratio to 100%
- Preserving strong capital adequacy with Total Capital Required above 15%.



MANAGING COMPLIANCE FOR STABLE GROWTH

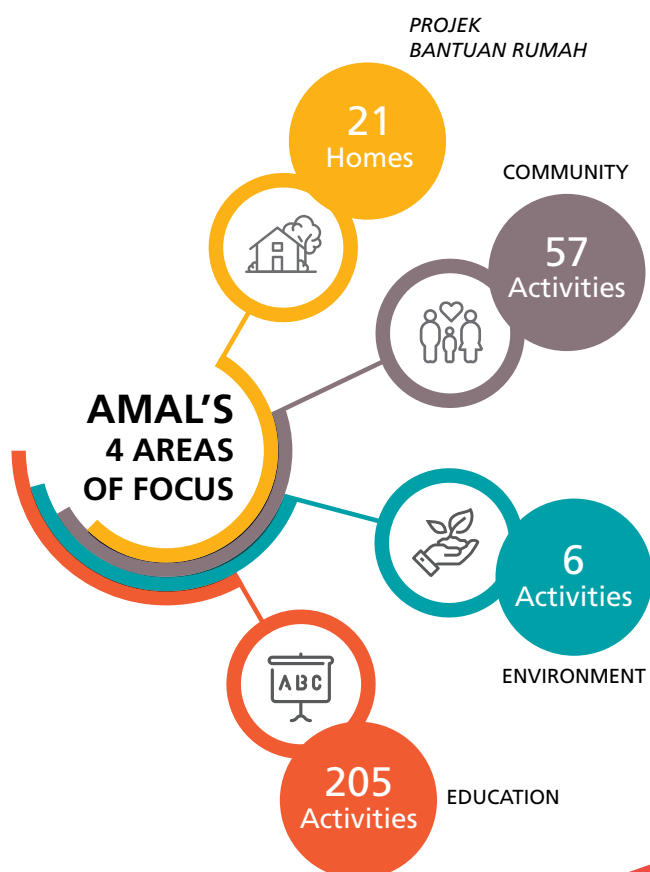
- Prudent underwriting for sustainable returns
- Strong Risk culture, and responsible growth beyond short term goals
- Focus on business that we understand and are well equipped to manage
- Active board and management oversight
- Clearly defined Risk Appetite Statements and identification of emerging risks
- Strengthened governance, with enhanced understanding through training and communication




DIGITAL TRANSFORMATION

- Drive a digital culture
- Reinvent customer experience
- Unlock values/Data monetisation
- Simplify the business
- Facilitate digital innovation
- Seek collaborations and smart partnerships

COMMUNITY INVESTMENT & UPLIFTMENT




286 houses
in 9 states built/repared
at a total cost of
RM8.25 million

**2018
Total Contribution**

More than RM3.7 million (Wakalah Zakat Distribution)	More than RM700,000 (CR Fund)
More than RM4.4 million	

Appreciation of Your Supp



CEO'S REFLECTION ON 2018

MOHD MUAZZAM MOHAMED

Chief Executive Officer


“THE BANKING INDUSTRY IS INCREASINGLY CHALLENGED BY COMPLIANCE, RISK AND LEGAL IMPLICATIONS. THESE ARE COUPLED WITH CUSTOMERS' EVOLVING EXPECTATIONS OF DIGITAL BANKING EXPERIENCE. AMIDST ALL THESE CHALLENGES, NEW OPPORTUNITIES ARE EMERGING FOR BANKS THAT ARE ATTUNED TO LOOK BEYOND THE OBVIOUS. IT IS A TIME OF CHANGE AND TRANSFORMATION, AND BANK ISLAM IS READY TO DELIVER AS A VALUE-BASED INTERMEDIARY.”

ADVANCING THE CONCEPT OF VALUE

FIRST AND FOREMOST, ALL PRAISES TO ALLAH FOR HIS MERCY AND *REZEKI* BESTOWED UPON US. OVER THE PAST 12 MONTHS, THROUGH CONTINUED CHALLENGES FOR THE BANKING INDUSTRY AT LARGE, AND EVEN WITH SEVERAL CHANGES IN KEY SENIOR MANAGEMENT, THE BANK HAS STAYED THE COURSE OF ITS STRATEGIC OBJECTIVES ANCHORED ON SHARIAH RULES AND PRINCIPLES AS WELL AS VALUE-BASED INTERMEDIATION ("VBI") PRINCIPLES.

We are steadily evolving our perspective of banking as more than a financial service by cultivating win-win thinking in our strategies. We are expanding the notion of Value to encompass benefits delivered to society and the environment, as well as the economy. This generous rethinking of value delivery is opening up a new horizon of opportunities, revealing the truth of the Islamic adage, "One who gives a little, is given a lot". Indeed, a sincere commitment towards a greater good leads to a strengthening of ties and bonds. In this current competitive and busy marketplace, stronger relationships lead to greater growth and resilience.

Embarking on this philosophy as part of our commitment to VBI, our 2018 performance was anchored by the four key strategic objectives of **Optimising Values, Disciplined Balance Sheet Management, Managing Risks and Compliance for Stable Growth** and **Digital Transformation**. These make up the heart of Bank Islam's VBI commitment in 2018, and have been adapted as natural next-step progressions in our forward looking strategy for 2019.

THE BANK achieved
 **233** SME account approvals
RM **954.2** million portfolio

ENHANCING VALUE THROUGH ACTIVE ENGAGEMENT

Connecting with stakeholders was a core priority for the Bank in 2018. The Bank continued to actively engage with the government and industry to advance the progress of VBI and support the Halal Industry Master Plan 2008/20. We worked with Bank Negara Malaysia ("BNM") and Global Alliance for Banking on Values ("GABV") on 'next-steps' development of VBI assessment and scorecards; and shared VBI insights to an international audience at the Global Islamic Finance Forum 2018.

Financing grew RM3.6 billion to reach RM45.7 billion as at 31 December 2018 as a result of Bank-wide sustained and concerted efforts towards greater engagements with targeted clientele groups, understanding their needs better, and enhancing our product and service offerings.

One notable example was the establishment of the SME Banking Division on 1 January 2018 to build stronger engagement and customised support in serving the nation's growing base of small and medium enterprises ("SME"). Results have been encouraging. The Bank has since achieved 233 SME account approvals with a RM954.2 million portfolio, and has made several inroads in growing the Bank's profile among potential SME customers.



More details on our achievements through engagement can be found in our Business Review on page 43.

ENHANCING VALUE THROUGH SOCIETAL UPLIFTMENT

Through VBI we are activating win-win synergies that benefit society and business growth. We have established several social finance initiatives that create a positive impact in uplifting lives and in so doing creates stability and sustainability within our market environment which benefits our business performance over the long-term.

The realisation of our Sadaqa House social impact platform on 19 January 2018 was one such initiative. It facilitates public contributions, through the Bank's digital crowd funding collaboration with Ethis Ventures Sdn Bhd and GlobalSadaqah.com, towards social projects for underserved sectors such as healthcare, education and entrepreneurship. Expediting ease and accessibility, contributions can be made using Bank Islam's existing channels such as Internet banking ("IB"), Transact-at-Palm ("TAP") Mobile Banking-i and Bank Islam credit card. Additionally, for every public donation made, Bank Islam undertakes to match the amount ringgit for ringgit, to a maximum of RM500,000. As charity begins at home, the Bank's staff are encouraged to contribute via salary deduction and a total amount of RM52,308 was contributed by the Bank's staff during the year.

CEO'S REFLECTION ON 2018 (cont'd)

The establishment of the Abdullah Ummu Maktom reflexology therapy centre by the blind in collaboration with *Persatuan Orang-Orang Cacat Penglihatan Islam Malaysia* ("PERTIS"), was a more direct effort at encouraging socio-economic activities during the year. The centre, located at rent-free premises on the ground level of Menara Bank Islam, provides employment and contributes to a more sustainable future for blind Muslims. It has also become a value-added facility within our workplace, easily accessed by our staff - another vital stakeholder group whom the Bank focused on during the year.

ENHANCING VALUE AS AN EMPLOYER OF CHOICE

Internal transformation of the workplace, to enhance our employee value proposition, was initiated during the year by enhancement of remuneration policies; provision of clearer parameters on compliance issues; and development of a culture change proposal. We kick-started a more inclusive culture by ensuring we provided equal career opportunities to physically challenged individuals, and during the year we had employed our first physically challenged employee to man our Information Technology ("IT") Service Desk.

New staff initiatives were also launched, most notably the provision of *Taska* Bank Islam, the activation of the Staff *Ihtimam* Fund, and the introduction of the Bank's Hackathon programme.

Taska Bank Islam is a childcare centre that was opened in February 2018 on the 2nd floor of Menara Bank Islam, answering the government's call for employers to provide childcare facilities at the workplace. To date, 27 of our staff have benefitted from this scheme which received a RM103,680 subsidy from the Bank.

The Staff *Ihtimam* Fund is a welfare fund established for the families of deceased staff. It has disbursed over RM221,883 in financial aid and scholarships to 16 staff beneficiaries since its introduction. Guided by the Wakalah arrangement with *Pusat Pungutan Zakat - Majlis Agama Islam Wilayah Persekutuan* ("PPZ-MAIWP") this welfare fund is funded through a 12.5% refund from the total annual zakat contribution by employees to MAIWP via salary deduction, as well as donations and Bank allocations. This served to heighten staff interest in paying zakat to MAIWP via salary deduction to increase contributions to the fund, ensure the constancy of zakat contributions, and provide much needed aid to employees in need. A winning example of symbiotic impact.

Hackathon is an ongoing innovation programme aimed at collecting ideas pitched by staff themselves in improving staff engagement and productivity. In 2018, a total of 631 staff or 19% of total staff had participated in mini Hackathons held within their departments. Ideas collected during the sessions were screened for their viability and suitability to be implemented or commercialised. This programme provides the Bank more out-of-the box perspectives for business improvements while providing staff an empowering workplace where their perspectives and ideas are appreciated.

ENHANCING VALUE THROUGH DIGITAL TRANSFORMATION

The Bank remains resolute and steadfast on our Digital Transformation journey. Today, we are bringing technology onto our Shariah solutions, delivering a service that is more aligned with the current digital trend. Embracing technological change is key to delivering sustainable growth; and improving customer experience is the strategic priority.

TASKA BANK ISLAM

27 of our staff have benefitted



RM103,680
subsidy

STAFF IHTIMAM FUND

RM221,883



financial aid and scholarships to 16 staff beneficiaries

HACKATHON

631 staff or



19% of total staff had participated



INTERNET BANKING



total users grew

25%

fee income grew

80%

financial transaction volume increased

133%



In 2018, our Digital Banking Plan was formalised to drive Bank Islam's digital transformation by creating and unlocking unprecedented value.

The Bank's Internet Banking has been enhanced to include income tax payment, Sadaqa House contribution, and Tabung Haji services. As a result, its market share growth continued to outpace industry for the third year running as total users grew by 25%, with financial transaction volume increasing by 133% and fee income growing 80%.

Another digital highlight was the adoption of a new mobile application called SnapNPay, for users to contribute to Sadaqa House. This enables the public to make real time online payments using their current or savings account using the information or data listed by the customer in the mode of a Quick Response ("QR") code or barcode.

More digital initiatives are in the pipeline as Bank Islam is off to a dynamic start in combining the energy, continuous innovation and imagination of Financial Technology ("FinTech") start-ups with its solid balance sheet, trust, customer service and banking expertise.

Notable Achievements

Alhamdulillah, the Bank has remained strong and turned in a set of good results for FY2018, which, on a scale of 1 to 10, I would rate as a solid 7.

We have made our mark in the industry and continued to create milestones in 2018 with the following awards, recognition and achievements:

- Malaysia Deal of the Year 2017 by Islamic Finance News
- Ranked joint 2nd in RAM Overall League Table (by Programme Value) 2018
- Ranked 1st in RAM Sukuk League Table (by Programme Value) 2018
- Ranked joint 3rd in RAM Sukuk League Table (by Number of Issues) 2018
- Ranked 4th Top Sellside Firm in the Secondary Market for Government Bonds in The Asset Asian Local Currency and G3 Bond Awards 2018
- Ranked No. 1 under the Category of "Secondary Islamic Sukuk Market" for overall Trading Value in Malaysian Government Investment Issue ("MGI"); and ranked Number 5 in overall Trading Value in Corporate Sukuk in the BNM League Table 2018.
- Focused Recognition for the PETRONAS Vendor Financing Programme
- Best Sustainability award at the Islamic Business & Finance Southeast Asia Awards 2018
- Awarded the Best Islamic Asset & Fund Manager in Malaysia 2018 by Alpha Southeast Asia, a regional financial publication.
- Best CSR Initiative award (Projek #Buatbaik) by The Retail Banker International ("RBI") Asia Trailblazer Awards
- Best Employer Brand Awards 2018
- 2nd Runner Up in Most Popular Graduate Employer in Banking & Financial Services Sector at Malaysia's 100 Leading Graduate Employers Award 2018
- Top 10 Best Employer Brands category of Banking at Graduates' Choice Award 2018
- VBI Score Uplift by BNM & GABV
- RAM Rating's AA3/Stable/P1 assessment

GOALS FOR 2019 & BEYOND

Our VBI journey has allowed us to recognise how our actions and solutions can be translated into values that benefit the community, create positive impact on the natural environment, and bring prosperity for all. These are the overarching objectives of our VBI strategy that will enable us to leverage on our strengths to fully meet our stakeholders' expectations and fulfil their needs.

By subscribing into this strategy, we will be able to view our offerings holistically and drive our efforts into achieving common goals that are shared by everyone within the Bank. The strategy requires us to reshape our operations and businesses, and drive initiatives that will deliver a cohesive message to our stakeholders and reflect the Bank's integrated approach to them and the marketplace. This drives the creation of a new Vision and Mission and tagline which has been our focus in the first quarter of 2019.

CEO’S REFLECTION ON 2018
(cont’d)

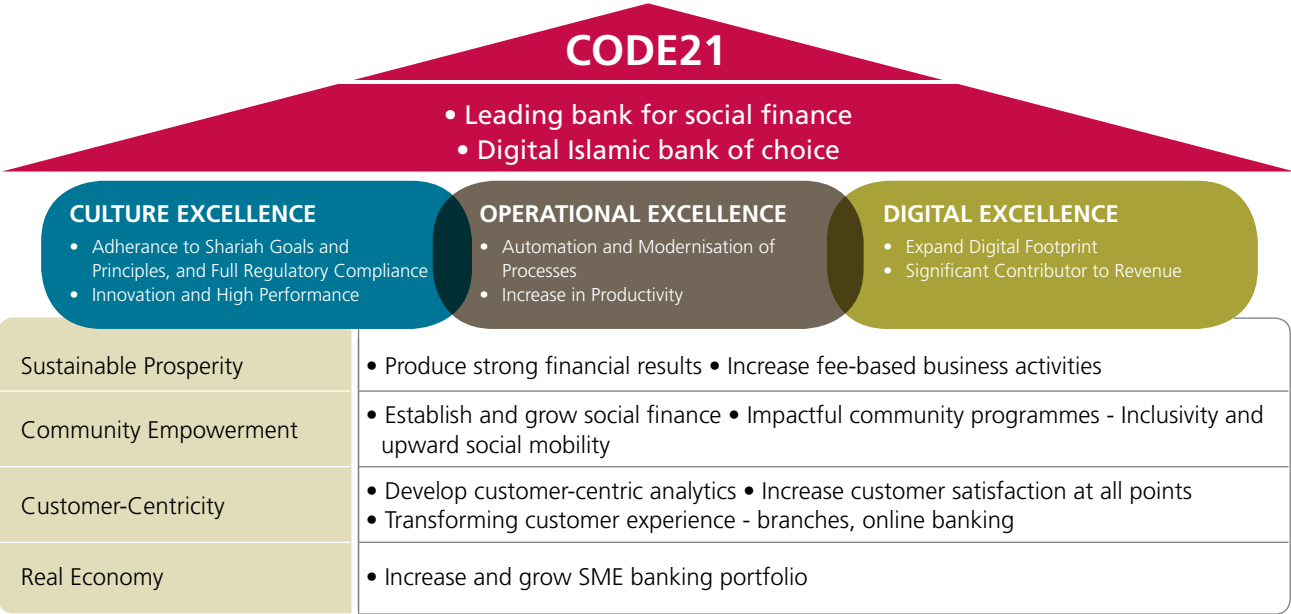
As the Bank that Advances Prosperity for All (our inclusive Vision) by Providing Solutions that Deliver Value (our focused Mission), we will fortify on the strengths we have accumulated over the years and hone a reputation of “Assuring Trust. Delivering Value.” (our tagline). This tagline carries our promise of good governance,

honest conduct and ethical decision-making. We aim for products, services and practices that will inspire trust in our stakeholders. Our promise of innovation and diligence ensure that all products and services will deliver the best possible value to our stakeholders.



This intensifies our efforts on meeting the objectives of the Six Strategic Pillars of our VBI strategy as shown in the chart above. These pillars embody the Bank’s common goals, and delve into our short-term deliverables and long-term initiatives.

We have mobilised the strategic pillars under Bank Islam’s three-year Transformation Programme codenamed CODE21 towards becoming a leading bank of social finance and digital Islamic bank of choice by 2021:



Towards **Sustainable Prosperity**, we intend to produce strong financial results for the bank; increase fee-based business activities to improve profitability metrics; balance growth with focus on capital accretive financing assets; grow our financing portfolio in Halal & Green Economy; include environment, social, governance ("ESG") considerations as part of the criteria for corporate financing; and enhance creation and delivery of investment fund products with focus on Shariah and ESG compliance.

With regards to building a **Values-based Culture**, we ensure adherence to Shariah goals and principles, and full regulatory compliance; develop human resource guidelines that reflect values-based approach; create holistic development programmes for all staff in line with the new mission and vision; and are developing a Key Performance Indicator ("KPI") Scorecard framework embedding shared values.

In growing **Community Empowerment**, we will establish and expand social finance solutions such as Sadaqa House and Waqf; increase strategic alignment and impact of our corporate responsibility ("CR") initiatives; participate in Waqf projects that have a positive impact to communities; participate in impactful community programmes focused on enhancing inclusivity and upward social mobility; and collaborate with, and support, social impact organisations.

Harnessing the power of **Customer-Centricity**, we aim to increase customer satisfaction at all points; develop customer-centric analytics; practice a proactive service culture; and transform customer experience.

Focused on making a positive difference to the **Real Economy**, we are expanding our real economy portfolio; increasing and growing our SME portfolio; and promoting Real Economy programmes as a responsible financial intermediary.

Finally, through continued investment in **Digitalisation**, we are launching more digitalisation enabling goals via a digital blueprint; focusing on process optimisation; enabling omni channel and data monetisation; establishing a strong platform for cybersecurity resilience strategy for the Bank; enhancing the existing infrastructure; and improving our services within the digital ecosystem.

IN CLOSING

We are today mindful that we are in the position to enable communities to increase control over their lives by opening up new markets, acquiring new customers and developing new products and services. Building and nurturing relationships with potential and existing customers will enable us to provide economically viable banking alternatives focused on the needs of society thereby creating a more diverse financial ecosystem. Prosperity is no longer about profit maximisation but profit optimisation with enlargement of "*rizq*" (sustenance) for all our stakeholders.

To execute our strategy effectively and with greater excellence, we need to transform how we plan, organise and work. Transformation allows us to be proactive, by better understanding the opportunities and threats on the horizon. The creation of a new and dedicated Transformation Office will be integral to our successful execution of Bank Islam's VBI strategy.

Some of the crucial aspects of the transformation effort will delve into the Culture Change Programme. Giving our employees an extra motivation and added impetus to giving it their all for the benefit of the Bank and its stakeholders is vital as every one of us at Bank Islam plays an important role in delivering our value-based aspiration.

Traits such as integrity, professionalism, accountability, reliability, quality-driven, detail-oriented and empathy are just some of the essential values we should have in living out the VBI principles. Unlocking the value of our employees by empowering them to contribute to the successful implementations of the initiatives and activities as embodied within the six strategic pillars is vital.

We need to stand together and deliver as one Bank, and not a collection of divisional or departmental strategies. As such, in this year's reporting, we are moving away from divisional-based business reviews and providing an overview of how well our strategies were executed as one Bank.

It requires enhanced unity and greater communication, but I am confident we can achieve this. Over the course of the Bank's history, the Board, management and staff at Bank Islam have proven we can all rally together towards delivering turnaround performance and transform challenges into opportunities as we advance with resilience through good and bad times. As we drive this transformation, there is an extraordinary opportunity ahead. We will emerge as a truly productive Bank Islam, with singular purpose and broader reach with the sustainable results to match.

I feel honoured to be helming the Bank today and thank Allah for the opportunity bestowed upon me to lead us all onwards in this fulfilling era of value-driven growth.

Mohd Muazzam Mohamed
Chief Executive Officer

MARKET LANDSCAPE

In 2018, the global slowdown in economic growth, unrelenting China-US trade tensions, as well as fluctuating currencies and commodity prices made for a challenging environment. In Malaysia, we ushered in a new ruling government against a domestic environment that charted a lower-than expected gross domestic product ("GDP") growth at 4.7%, sustained by domestic demand as well as positive net exports.

Private consumption grew, encouraged by the interim tax-holiday when GST was zeroised, but mainly due to continuous improvement in income and employment growth. The labour market remained healthy and supportive, and private sector wages growth improved during the year from 5.7% year on year in the third quarter of 2018 to 5.9% in the fourth quarter, suggesting that households have the means to spend. Government initiatives and support to alleviate the cost of living also contributed to higher consumer spending during the final three months of 2018. However, private investment growth moderated owing to slower capital spending across major economic sectors. This reflects that businesses are now preserving cash by deferring capital expansion plans.

The overall banking sector in Malaysia performed well for 2018, recording a 5.6% year-on-year growth. Although business sentiment seem to be resilient, there is still caution due to expectations of slower global growth as well as heightened competition for deposits due to enhanced regulations in the financial sector.

Islamic banking in Malaysia continues to show promising growth, expanding at a much faster pace than conventional loans in 2018, coming in at 11.0% (2017: 10.3%), in contrast to the latter's 3.3% growth. As at end-January 2019, Islamic financing comprised some 32% of the overall system's loans, according to RAM Ratings' annual publication, Islamic Banking Insight.

The Islamic banking system's deposits also continued expanding at a healthy 12.4%, following its commendable 14.2% growth in 2017. The bulk of the expansion stemmed from fixed deposits as banks are bracing for the implementation of the NSFR requirement. Despite the deferred adoption of the NSFR, margin pressure is unlikely to ease amid the ongoing keen competition for retail and SME deposits, as banks keep building up their funding bases. However, the overall outlook on profitability remains stable as banks keep a tight rein on operating expenses.

Liquidity stayed healthy as at end-January 2019, with the industry's liquidity coverage ratio standing at 143%. The Islamic banking system also remained well capitalised, with respective common equity tier-1 and total capital ratios of 13.3% and 17.6% as at the same date.

“Islamic banking in Malaysia continues to show promising growth, expanding at a much faster pace than conventional loans in 2018, coming in at 11.0% (2017: 10.3%), in contrast to the latter's 3.3% growth.”

As a result, RAM maintains a stable outlook on the Malaysian Islamic banking sector with the following main expectations in 2019:

- Islamic financing growth will hover around the low teens.
- Asset-quality indicators should remain resilient.
- Strengthening funding profile in the lead-up to the implementation of the net stable funding ratio ("NSFR") requirement.
- Stable outlook on profitability despite slight margin compression.
- Strong capitalisation.

The resilient growth and development of Islamic finance in the country is largely due to the strong foundation and regulatory infrastructure that have been instituted and strengthened over the years. With the Financial Sector Blueprint 2011-2020 underway in its implementation, we have seen Malaysia continuing to be the main driver for the sukuk market. In 2017, Malaysia partook a 51% share of the US\$396 billion of total global outstanding sukuk while continuing to lead in the Islamic wealth management industry with 36.5% of the global share.

In Oct 2018, BNM showed further support of the VBI initiative it introduced in July 2017 by publishing two VBI assessment tools in October 2018. These tools are meant to support important changes to the way financial institutions make decisions, and to the characteristics of banking and Takaful portfolios.

As at end-January 2019,
ISLAMIC FINANCING
COMPRISED SOME 32%
of the overall system's loans



ISLAMIC BANKING
SYSTEM'S DEPOSITS
continued expanding
at a healthy **12.4%**

“ Bank Islam was proud to have achieved improved VBI scoring based on this scorecard, making its mark as a top VBI scorer during the year under review. ”

The assessment framework provides guidance on the assessment of financing and investment applications taking into consideration economic, social and environmental impacts, while the scorecard supports the implementation of performance measurement frameworks for Islamic financial institutions that drive positive value and impact on society and the environment.

Bank Islam was proud to have achieved improved VBI scoring based on this scorecard, making its mark as a top VBI scorer during the year under review.

These initiatives fortify Malaysia's leadership position by strengthening offerings and infrastructure in Islamic finance. But more significantly to the industry stakeholders, these generate positive, sustainable impact to the economy, environment and society.

The domestic Islamic banking industry is thus rightly positioned to capitalise on the increasing demands for Islamic banking facilities and are poised to continuously offer innovative solutions to meet requirements of a growing and increasingly diverse customer base.

Going forward, the economy is expected to grow at a slower pace in 2019, with a GDP forecast of 4.5%, envisioning continued uncertainties in the external sector due to the ongoing trade friction between the US and China, the UK Brexit deal, slowing China economy as well as volatility in the crude oil and financial markets. Additionally, the US Federal Reserve is seen to be maintaining their rates at 2.50% in 2019.

Inflation rate is expected to be contained and CPI forecast stands at 2.2% for 2019, with room to tweak lower in view of the prevailing crude oil prices. BNM is currently maintaining its Overnight Policy Rate ("OPR") at 3.25% in 2019, with possible reductions should there be signs of further deterioration in the economic outlook. Lower surplus balance in the current account which stood at 2.3% of GDP in 2018 (2017: 3.0% of GDP) as well as volatility in the capital flows and exchange rates would be BNM's main considerations by BNM setting the OPR.

Bank Islam remains mindful on credit risk and the potential for higher impairment within the current operating environment. In view of weak sentiments among businesses and consumers, we can expect a cautious approach towards domestic spending. This would have an impact to financing products' demand along the way. Having said that, there are always opportunities to be made, through targeted strategies. At the current juncture, building resilient relationships with our clients is very critical as economies and markets move in cycles.



FINANCIAL PERFORMANCE

2018 Bank's Overall Financial KPI and Achievements

Key Performance Indicator(s)	Banking Industry Performance	Our Performance
Return on Equity (based on PBZT)	<ul style="list-style-type: none"> Islamic Banking Industry – 15.7% Banking System – 12.6% 	15.8%
Return on Assets (based on PBZT)	<ul style="list-style-type: none"> Islamic Banking Industry – 1.1% Banking System – 1.4% 	1.3%
YoY Growth in Asset: At least 11.0%	<ul style="list-style-type: none"> Islamic Banking Industry – 12.2% Banking System – 5.9% 	10.7%
YoY Growth in Net Financing: At least 11%	<ul style="list-style-type: none"> Islamic Banking Industry – 11.4% Banking System – 5.5% 	8.5%
YoY Growth in Deposits: >8% (with IA); >5% (without IA)	<ul style="list-style-type: none"> Islamic Banking Industry – 13.3% Banking System – 8.4% 	9.2% (with IA) 8.0% (without IA)
Financing Mix: Consumer: Business at 75:25	–	75:25

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Our financial performance so far indicates we are on track as we continue to exceed our financial targets for the financial year ended 31 December 2018 ("FY2018").

Bank Islam's Profit Before Zakat and Tax ("PBZT") increased RM43.2 million or 5.6% to RM810.3 million for FY2018, over the previous financial year of RM767.1 million.

The growth was mainly due to higher income resulting from the strong financing growth of 8.5%, which is above the industry's average financing growth of 5.5% and which surpassed the Bank's internal target of 8%. Financing grew RM3.6 billion to reach RM45.7 billion as at 31 December 2018 with the asset quality remaining strong and resilient, despite the robust expansion and challenging economic environment.

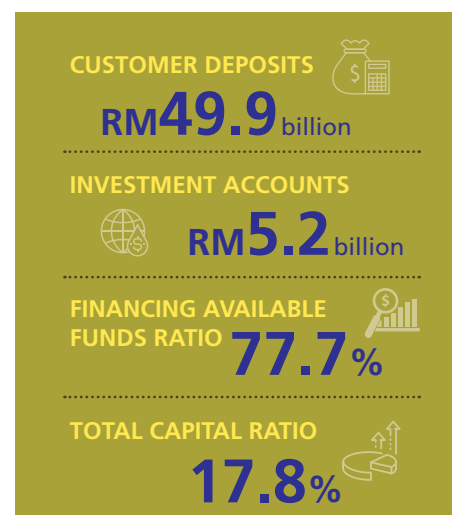
The strong asset quality is reflected in the low gross impaired financing ratio of 0.92%, lower than the 0.93% registered at the end of 2017. This compares positively against the 1.45% registered by the banking system as at end December 2018.

The Bank's financing loss coverage ratio stood at 187.8%, almost double the industry average of 97.9% as at end December 2018.

On the funding side, the Bank's customer deposits and investment accounts stood at RM49.9 billion and RM5.2 billion at 31 December 2018 with a year-on-year increase of RM3.7 billion and RM0.9 billion respectively. The Current and Savings ("CASA") and Investment Accounts ("IA") without maturity, low cost deposits/IA ratio stood at 32.1%.

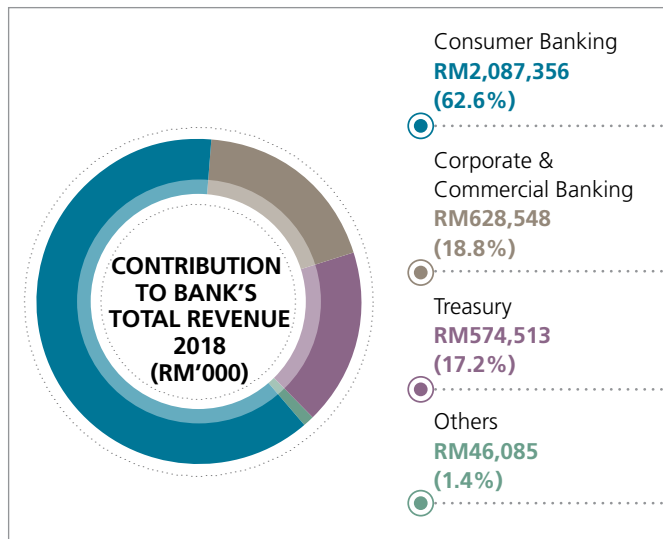
The Bank's funding position also remained healthy with the financing to available funds ratio of 77.7%.

The Bank's capital position continued to be healthy as reflected by its total Capital Ratio of 17.8%.



BUSINESS REVIEW

The Bank's 2018 business performance was anchored by the four key strategic objectives of Optimising Values, Disciplined Balance Sheet Management, Managing Risks and Compliance for Stable Growth and Digital Transformation. Driven by VBI aspirations, these together formed a broad all-encompassing focus on enhancing financial performance, synergies, sustainable balance, reach and efficiency through digitalisation, talent management and customer service.



OPTIMISING VALUES

"The Bank is optimistic that we are on the right trajectory to continue delivering earnings growth and fund-based income growth in 2019, but what can help us boost net profit further is growing our fee-based income. We've got opportunities there that we may not have exploited fully yet. So, in terms of our focus next year, it will be fee-based activities like bancatakafal, asset management and wealth management."

On the business front, Optimising Values encompasses optimising risk and return to increase our margins; optimising resources and productivity towards better cost containment and greater efficiencies; as well as optimising franchise value in growing the Bank Islam brand among current and new market segments.

More significantly, we are now also optimising value in committing ourselves to upholding our societal and environmental responsibilities by introducing to the market solutions that bring both economic and social benefits.

In 2018, our business divisions made conscious decisions in designing ethical products for our communities, and supporting ethical projects and ethical customers to multiply the positive impact we can make together.

During the year, VBI checklists and tagging which were introduced in 2017, continued to be actively deployed in assessing financing applications. The checklist gauged customer's credit risk as well as ethical intent.

Using the VBI checklist, the Bank's personal financing now prioritises applications where the purpose of financing is towards positive and meaningful causes. New Purpose Codes were introduced during the year to cover segments of green technology, education, holistic/spiritual, community, healthcare, business expansion and renovation. Investments in these segments are deemed to improve quality of life for individuals and benefit societal well-being over the long run.

For house financing, affordable homes costing below RM500,000 per unit continued to be our key focus in line with Government aspirations to promote home ownership for low income groups, civil servants and younger segment of first-time homeowners. As the Bank is a staunch champion of home ownership for all, we are highly motivated to sustain our close networking with national home ownership programmes such as *Skim Rumah Pertamaku* ("SRP"), *Skim Jaminan Kredit Perumahan* ("SJKP"), *Skim Perumahan Rakyat 1Malaysia* ("PR1MA"), *Perumahan Penjawat Awam Malaysia* ("PPAM"), *Rumah Mampu Milik Wilayah Persekutuan* ("RUMAWIP") and *Rumah Bina Negara* ("RBN") FELCRA.

In 2018, personal financing and house financing grew 11.2% and 11.4% respectively, bringing in a total of RM32.5 billion, as the biggest contributors to the Bank's 2018 revenue.

Debit card continuous joint campaigns are launched with Government agencies and universities with industry specific cards introduced to support development in education, sports, humanitarian assistance and waqaf contributions through collaborative functions featured via co-brand cards. Cardholders can now easily contribute funds from their card account or accumulated reward points for causes such as *Tabung Rohingya* and *Sadaqa House* as well as make charitable donations to mosques, non-governmental organisations and orphanage homes.

In optimising card growth and usage, the Bank's credit cards were bundled with other financing products, and leveraged on cash management solutions to extend features and benefits. These were supported with all year round credit card campaigns that offered merchant discounts, privileges, loyalty reward points; overseas spending promotions; targeted campaigns for inactive and low-spending accounts; and anti-attribution campaigns to encourage cardholders to continue enjoying Bank Islam card services. Eight new debit cards were launched during the year.

BUSINESS REVIEW

(cont'd)

New Credit Card issuances in 2018



- Bank Islam Visa Debit Card-i Terengganu FA (PBSNT) – 14/2/2018
- Bank Islam Visa Debit Card-i Badminton Association of Malaysia (BAM) – 29/3/2018
- Bank Islam Visa Debit Card-i Universiti Teknikal Malaysia Melaka (UTeM) – 12/3/2018
- Bank Islam Visa Debit Co-Brand with Malaysia Rugby Union (MRU) – 16/4/2018
- Bank Islam Visa Debit Co-Brand Brand with Perak The Bos Gaurus (TBG) – 21/4/2018
- Bank Islam Visa Debit Co-Brand Brand with PTPTN – 5/10/2018
- Bank Islam Visa Debit Card-i Alumni Universiti Tun Hussain Onn Malaysia – 29/9/2018
- Bank Islam Visa Debit Card-i Koperasi Telekom Malaysia – 29/12/2018

Card total outstanding grew by 4.3% to contribute RM478 million during the year.

For the Bank's wealth management services, a new incentive structure for bancatakal and will writing was introduced in March 2018. Motor takaful's reach was extended via the Bank's mobile and e-Channel to enable more convenient applications. Another value-add initiative was in offering takaful coverage as part of staff and student benefits for Corporate, SME and University clients that do not currently provide medical benefits.

Given the Government's aspiration of closing Malaysia's insurance coverage gap, strategic bancatakal alliances are becoming an important delivery channel for Islamic-based insurance products in Malaysia as it empowers takaful products with enhanced reach in a cost effective manner.

Wealth Management Fee-Based Income increased to RM42.2 million during the year.

In our commercial and corporate business, priority is now placed on financing projects that provide benefits to people and the real economy while minimising impact on the natural environment. Portfolios were subsequently realigned to reflect this shift in focus resulting in over RM700 million in financing being directed towards the following identified sectors in 2018:



SMALL AND MEDIUM ENTERPRISES (SMEs)

Supporting SMEs is part of the national agenda to boost SME contribution as one of the drivers of national economic growth. With the SME sector being one of the main drivers for the country's domestic economic growth, we are committed to growing the SME business and its uptake among the local population, contributing to the growth of the country's Real Economy.

Efforts during the year include the establishment of an SME Banking division and expansion of the Bank's Vendor Financing Programme to vendors, contractors and suppliers of reputable government linked corporations such as PETRONAS and Tenaga Nasional Berhad ("TNB"). The PETRONAS Vendor Financing Programme developed with PETRONAS and Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP") provides a financial ecosystem for PETRONAS' supply chain customers, with a total limit of RM500 million financing for contracted SMEs' invoices and purchase orders. The programme has received a total of 77 applications from PETRONAS vendors worth of RM195.2 million by end December 2018, out of which, we have approved facilities totalling RM110.7 million for 27 customers. The TNB Vendor Financing programme caters similar support to TNB Bumiputra vendors, contractors and suppliers with allocated total financing of RM100 million to successful applicants. These have spurred financing growth by 4.4% from RM1.83 billion in 2017 to RM1.91 billion in 2018.



GREEN TECHNOLOGY & ENERGY

Green technology, renewable energy, and waste management projects that are aligned with the national agenda on addressing climate change issues are also a priority. During the year RM47.5 million was approved for deployment of two solar plants in Terengganu that cater to the East Coast region's electricity needs; while RM163 million has been approved under the waste management segment.



INFRASTRUCTURE

The Bank focused on financing community and public infrastructure that improve quality of life such as MRT, LRT, highway, railway, and public facilities such as schools and hospitals. During the year, a sum of RM10 million has been approved for projects under the healthcare and education sector.



PROPERTY

Our scope also includes property financing of affordable home projects such as PRIMA, PPAM, RUMAWIP to support the national agenda to provide home ownership options for low and middle income groups. In this segment, the Bank focuses on established developers with proven track record and good project location. A sum of RM100 million has been approved in 2018 to finance property under the affordable homes segment.

More than RM700 million in financing was directed towards SMEs, green financing, infrastructure and property sectors in 2018.

The Bank's Treasury too focused on being an active participant in the primary market for VBI-based sukuk. As part of a proactive rebalancing of the investment portfolio, we refocused on more VBI-based sukuk. During the year, RM20 million worth of existing holding of non-VBI-based sukuk were sold and replaced with VBI-based sukuk of the same value; while preserving the portfolio investment yield. Overall, the Bank's Treasury benefitted from improved portfolio investment yield due to timely trading of 'in-the-money' sukuk and replenishing our coffers with higher yielding sukuk.

The investment portfolio registered improved fund-based income by RM41.0 million or 9.2%.

BIMB Investment Management Berhad ("BIMB Invest"), a wholly owned subsidiary of Bank Islam and a full-fledge Islamic Fund management company, is the largest Shariah-ESG fund management company in Malaysia, managing more than RM1 billion of ESG assets under management. It uses more than 250 ESG metrics through data from 50,000 sources across 15 languages to screen each investing companies sustainability position in its Shariah-compliant investment portfolios.

Since 2015, BIMB Invest has launched five Shariah-ESG funds across asset classes, making it the fund manager with the widest range of ESG funds in Malaysia. In 2018, BIMB Invest launched the World's

First ESG Sukuk Fund. Its Global Shariah-ESG Equity Fund, is now the largest global equity shariah fund in Malaysia with a fund size of more than RM900 million and also World's third largest. The global equity Shariah-ESG fund is also the best performing global equity shariah fund for three years and one year performance as at 31 December 2018 by Lipper league table. BIMB Invest was awarded Best Islamic Fund and Asset Management company in 2018, by Alpha South East Asia, a regional financial publication.

BIMB Invest continues to pioneer new SRI with its recent introduction of the BIMB-Arabesque Asia-Pacific Shariah-ESG Equity Fund as well as BIMB ESG Sukuk Fund - the world's first ESG Sukuk Fund in 2018.

Through the ESG filtering process that utilises Artificial Intelligence ("AI") and Big Data analytic process, the investment portfolio will be catered to specific sustainability-related requirements, which include compliance with United Nations Global Compact ("UNGC"), Shariah principles as well as high ESG score and strong sustainability performance.

Today, BIMB Invest is the largest ESG asset manager in Malaysia, with total Asset Under Management ("AUM") of RM1.7 billion as at 31 December 2018.

OPTIMISING SYNERGIES

"All our divisions and support units were tasked towards Optimising Risk & Return with focus on asset yield, funding mix, share of wallet and capital management."

Collaboration was the key to success in optimising returns from our products and services in 2018. Internally, the Bank's divisions and support units focused on enhancing synergies towards harnessing greater share of wallet from current customers. External collaborations were forged with industry partners and selected key target sectors in strengthening brand positioning and profile in new market segments.

Consumer banking leveraged on existing relationships with universities, professional bodies and package employers (mostly government linked corporations) utilising the Bank's cash management solutions. This provides the Bank access to a solid base of well-salaried government servants like teachers and nurses and high-income professionals like doctors and accountants. Engagement with these groups during the year were conducted via corporate sponsorships and participation in their annual events such as Teachers Day and Nurses Day.

BUSINESS REVIEW

(cont'd)

Cross selling of house financing products to package employers reaped significant results. The package employers existing online portal provided a good platform for easy online applications for our financing products as the applicant's information could easily be supported by documents from the respective employer's human resource department.

RM8.3 billion or 45% of the House Financing total portfolio of RM18.7 billion came from this targeted segment in 2018.

At the same time, primary relationships were forged with developers in growing the Bank's house financing market. From being a panel bank for 909 developers and 903 more on an ad-hoc basis in 2017, Bank Islam now serves on the panel of 1,026 developers and 987 more on an ad-hoc basis. Closer engagement with administrators of Waqf Land is also being actively sought to help develop land for the good of Muslim communities nationwide.

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To widen our footprint in the card business, Bank Islam leveraged on agent banking merchants through a strategic partnership with PETRONAS service stations to reach out to customers in rural areas. During the year, we deployed cash out terminals at selected PETRONAS service stations in Sabah, Sarawak, Kelantan, Terengganu and Pahang.

Another footprint expansion strategy was the opening of eight SME hubs in major towns namely Shah Alam, Johor Bahru, Butterworth, Alor Setar, Kota Bharu, Kuala Terengganu, Kuantan and Ayer Keroh in 2018. This was efficiently accomplished by using the premises of the Bank's Automobile Centres and branches.

In seeking to create a stronger presence within the SME market, the Bank's newly established SME Banking division engaged in industry collaborations to reach out to potential customers. This included leveraging on Credit Guarantee Corporation's imSME referral platform, as well as partnering with government, private agencies and business associations such as Dagang Halal, Malaysia International Halal Showcase ("MIHAS"), and *Persatuan Rakan Niaga Strategik Malaysia* ("PERNISMA"); for dialogues and engagement with their respective supply chain network.

To further help stimulate growth in SME segment in line with the National's SME Masterplan, the Bank's SME and Commercial Banking divisions launched SME Entrepreneur Development in collaboration with government agencies such as SME Corporation Malaysia ("SME Corp"), MTDC, *Teraju*, SJPP and CGC; and the SME Development

Programme was conducted for 40 Bank customers together with the Centre for University-Industry Collaboration ("CUIC"), Universiti Utara Malaysia ("UUM").

In line with Halal Industry Master Plan 2008/2020, a total of 185 companies were approved under the SME segment in 2018. Thus, the Bank participated in the 9th Halal Certification Bodies Convention by Dagang Halal and Malaysia Halal International Showcase to share its SME Islamic financing and deposit products.

Bank Islam's Corporate and Commercial Banking divisions also actively sought new clients within a slow market by sponsoring current clients' corporate events, corporate gifts and merchandise, and capitalising on publicity gained from successful transactions such as the signing of agreements of Bank Islam's Sukuk Murabahah Programme of RM10 billion on 7 August 2018. Traditional and new media were also cultivated as branding channels as commercial banking invested in digital brochures, leaflets and forms; above the line advertisement; below the line collaterals; exhibitions and expos. A nationwide roadshow was held in promotion of e-banker which helped garner 300 new accounts in 2018.

"Through tactics of Optimising Values, The Bank delivered strong profit growth for 2018, sustained by strong financing growth of 8.5%, which was significantly higher than the industry's average financing growth of 4.8% for the year. In optimising resources to enhance cost containment, expenses reduced from RM1.01 billion in 2017 to RM1.00 billion in 2018."

These strategies contributed to the Bank's achievement of an SME-based asset size of RM954.2 million during the year under review.



DISCIPLINED BALANCE SHEET MANAGEMENT

Disciplined Balance Sheet Management is about striking the right balance between profit margin, asset quality, impact of MFRS 9, funding mix, capital and growth. This strategy called for all divisions to adhere to the Bank's set financial targets. Efforts in customer service centricity during the year defended our market share as divisions provided competitive products, excellent service and close rapport with clients to build loyalty.

Working as one, our divisions together realised total assets growth of 10.7% in 2018 through rightsizing of balance sheet to RM63.9 billion. Our financing grew RM3.6 billion to reach RM45.7 billion as at 31 December 2018 with the asset quality remaining strong and resilient, despite the robust expansion and challenging economic environment. The Bank's financing loss coverage ratio stood at 187.8%, almost double the industry average of 97.9% for 2018. We were pleased to see the financing mix between consumer to business meet our set target of 75:25.

On the funding side, the Bank's customer deposits and investment accounts stood at RM49.9 billion and RM5.2 billion at 31 December 2018 with a year-on-year increase of RM3.7 billion and RM0.9 billion respectively. The increase was driven by new product propositions, aggressive campaigns and synergy in marketing between Consumer, Deposits & Cash Management and Treasury divisions.

Performance highlights in garnering CASA deposits included ten major promotion roadshows; attractive prize offerings for Al-Awfar such as over RM9 million in cash, four Audi A4 TFSI 2.0 Cars and 60 *Umrah* packages worth RM8,000 each; and 989 branch engagement events throughout the year. These led to the opening of 227,022 new CASA accounts and 111,903 new Al-Awfar accounts during the year.

In addition, new revenue lines – TDT Step Up @ TDT Go 7 and i-Gain were launched in February 2018 to attract targeted retail deposit growth of at least 4%, focusing on long-term tenure and a diversified client base. These met good response with the TDT Go 7 promotion attracting a total investment of RM95.6 million from the Chinese market. Enhanced business solutions for cash management such as SnapNPay, Voucher Encashment, Direct Debit and JomPay also contributed to the commendable take up of our deposit products.

Treasury division's Special Term Tawarruq-i which provided special preferred rates to loyal customers, attracted RM3.7 billion by working in collaboration with other divisions and with the Bank's branches. The Division also continued leveraging on its winning Money2Overseas foreign exchange ("FX") product in reaching out to potential new clients and successfully acquired 102 new FX customers from corporate, commercial and SME sectors. Through nimble strategies and tactics in improving portfolio, primarily by trading 'in-the-money' sukuk and replenishing the portfolio with higher yielding sukuk, fund-based income increased by RM41.0 million.

FINANCING MIX CONSUMER
TO BUSINESS **75:25**

CUSTOMER DEPOSITS
RM49.9 billion

INVESTMENT ACCOUNTS
RM5.2 billion

RETURN ON EQUITY
15.8%

NET INCOME MARGIN
2.61%

TOTAL CAPITAL RATIO
17.8%

As a result, the Bank's funding position remained healthy with the financing to available funds ratio of 77.7%. Return on Equity ("ROE") was 15.8% surpassing both our target of 15% and industry average of 13% while Return on Assets ("ROA") sustained at 1.3%. Additionally, the Bank's Net Income Margin was also commendable among industry players at 2.61%. The Bank's capital position continued to be healthy as reflected by its total Capital Ratio of 17.8%.

This commendable performance reflects prudent strategic growth and ensures the Bank's ability to sustain value delivery and contribute to the stability of the domestic industry even through the volatile and uncertain global market conditions that are forecasted for the near future.

TOTAL ASSETS GROWTH
10.7%

FINANCING GROWTH
8.5%

TOTAL FINANCING
RM45.7 billion

FINANCING LOSS
COVERAGE
RATIO **187.8%**

BUSINESS REVIEW

(cont'd)

MANAGING RISKS AND COMPLIANCE FOR STABLE GROWTH

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.

The Bank remained vigilant of any potential increase in money laundering and fraudulent activities from customers. Towards this end, dedicated staff from corporate banking and compliance unit worked to verify compliance checklist requirement on Anti-Money Laundering Act and Counter Terrorism Financing ("AML/CFT") raised by relationship managers for both on-boarding and existing customers. This was in addition to relevant credit checking by all divisions, as regulated by the Credit Reporting Agency Act.

To mitigate negligence in overlooking compliance to new guidelines, all the Bank's staff were enrolled for relevant compliance courses which included an e-learning programme by Human Resources ("HR") for AML/CFT; timely updates on BNM's latest policies and regulations such as compliance to the Statistical Reporting Enforcement Framework ("SREF"); and inculcating a strong compliance culture among the staff through regular training and updating standard operational procedures.

"A key highlight was the establishment of an Embedded Risk Unit ("ERU") within the Bank's Risk Management Division during the year. A centralised ERU is a BNM requirement towards increased risk sensitivity as part of the Bank's Basel IV journey. The ERU strengthens and enhances the governance, processes and culture for an effective risk and compliance oversight across the Bank."

All financing for the year were underscored by prudent underwriting standards, and the stringent focus on secured asset saw asset quality improving despite the expansion in financing portfolio. The strong asset quality is reflected in the low gross impaired financing ratio

of 0.92%, lower than the 0.93% registered at the end of 2017. This compares positively against the 1.45% registered by the banking system for 2018. This 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.

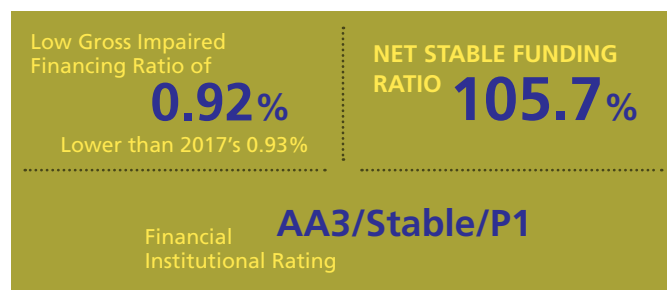
While financing-to-available-fund ratio tapered to 77.7%, the Bank saw a run up to Net Stable Funding Ratio ("NSFR") readiness at 105.7%, well above the regulatory-required 100%.

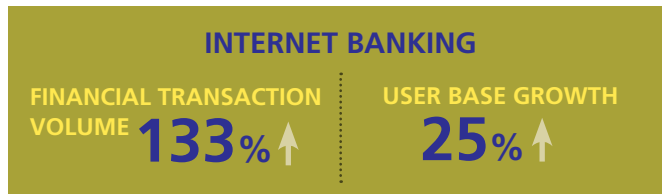
As shown in our Corporate Scorecard, our financial institutional rating was reaffirmed at AA3/Stable/P1, where AA3 rating indicates a strong capacity to meet financial obligations while the P1 rating reflects a strong capacity to meet short-term financial obligations.

DIGITAL TRANSFORMATION

Bank Islam's digital transformation engaged into a higher gear during the year with a focus on advancing from digital projects into making digital a key element of our business. A Digital Strategy and Roadmap Development and Execution was finalised during the year and this is intended to elevate a Bank-wide digital culture by 2021 whereby Bank Islam will be a Digital Bank of choice through development of Halal digital community and solutions.

In 2018, three key elements defined our digital journey. One was increasing focus on digital delivery of our financial products and services, in line with customers' increasing preference for online solutions. This included focus on mobile apps, digital financing applications and digital processing. Next was to grow reach and accessibility with greater cost efficiency, especially in reaching out to niche targets. And the third element was to ensure customer protection within the digital world with secure payment system and data protection.





Digital delivery of our financial products and services

Bank Islam's customer service delivery in 2018 was enhanced with the provision of DuitNow P2P and m-Commerce payment platforms, including SnapNPay mobile app. The provision is aligned to the industry's focus on technological advancement and serving the greater population who are increasingly using online platforms and mobile devices to perform financial transactions. The SnapNPay facility has also been made available for the public to make donations to Sadaqa House.

Easier and faster applications, processing and approvals were realised through the successful roll out of 300 iPads for mobile application submission; personal financing online applications via the Bank's package employer's staff portal; and partnership with digital vendors for online invoice submission and faster verification. An e-statement option was introduced for the Bank's credit card to improve efficiency through fast and hassle free PIN management online or via SMS; and to promote cost savings by going paperless. BIMB Investment established a Robo-Advisory Investment Platform to target the below 40 internet savvy market segment, in making investment more accessible and affordable.

The significant user base growth of 25% and financial transaction volume of 133% from the Bank's Internet Banking ("IB") channel during the year reflect the increased acceptance of online solutions within our present marketplace.

Grow reach and accessibility through digital platforms

SME Banking Division completed the imSME online application with Credit Guarantee Corporation ("CGC") and promoted Investment Account Platform ("IAP") via digital banking and e-marketing. Enhanced marketing reach was achieved for the Bank's personal and vehicle financing through the use of websites and social media channels such as WhatsApp, Telegram, Instagram, Facebook, Mudah. Com, RinggitPlus, iMoney, GoBear, YouTube and SMS.

Personal financing continued to enjoy good response via the EZXCESS interactive advertisement and promotional approach. Customers respond to the promotion through the "EZXCESS" hyperlink and are directly channeled to the product application on-line. This helped garner 20,015 direct leads compared to 18,939 in 2017.

Ensure secure payment system and data protection

The Bank is mindful that IT is increasingly a key business enabler as well as a critical business risk. Hence ensuring cyber resiliency by implementing a proactive security programme and effectively managing technology risk is of utmost importance. Information security and governance is currently an oversight of the Bank's Chief Information Security Officer ("CISO") Office whose objective is to increase the Bank's cyber resilience and strengthen IT risk posture and culture in tandem with digitalisation. Eight initiatives were rolled out by the CISO Office during the year, namely:

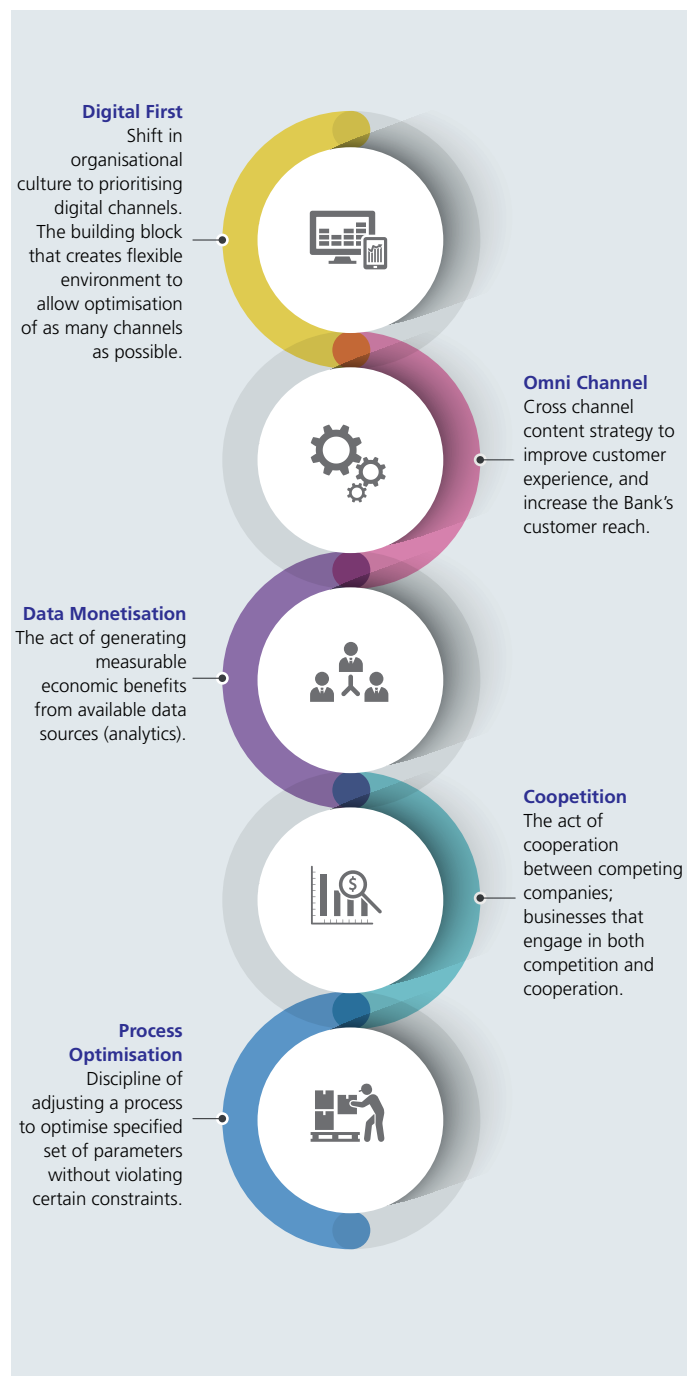
- Vulnerability Assessment programme to identify vulnerabilities and search for cyber security breaches in the Bank.
- Bank-wide internal social engineering programme to promote bank-wide awareness on safe cyber security practices.
- Deployment of industry standards for internal cyber security assurance and IT risk assessment programmes.
- Review and update cyber security incident response procedure to enhance preparedness against cyber security threats.
- Cyber security and IT risk awareness programmes.
- Building cyber threat intelligence capabilities.
- Enterprise Information Security Policy ("EISP") compliance validation exercise to identify IT security gaps.
- Independent review exercise and validation programme to ensure the Bank is in compliance with all IT related regulatory requirements.

BUSINESS REVIEW

(cont'd)

Bank Islam Digital Initiative 2019 Plan

Through our forthcoming 3-year Strategic Plan, digitalisation continues to be a key pillar as we intend to become a Digital Bank of Choice through development of Halal digital community and solutions. The current Digital Strategy and Roadmap Development and Execution will continue to be used to accelerate digital transformation through the following identified tactics for 2019 (some of which are ongoing):



DIGITAL FIRST

- **Implementation of Digital Initiatives Ideation Framework for Digital Initiatives Proposal.**

IMPACT: Design and develop innovative products which are customer centric.

- **Implementation of Digital Initiatives Process Flow and Prioritisation Framework.**

IMPACT: Accelerate and prioritise high impact digital initiatives.

- **Implementation of Digital Marketing SOSTAC Framework.**

IMPACT: Improve visibility and reach in the digital space. Reduce printed materials for marketing collaterals.

OMNI CHANNEL

- **Launch Mobile Banking App.**

IMPACT: Introduce new cost effective channel to serve Bank Islam's customers. Increase reach and channels towards elevating the Customer Experience. Reduce carbon footprint due to reduction of travelling to branches for transactions.

- **Bank Islam Corporate Website Revamp.**

IMPACT: Refresh Bank Islam's digital look.

DATA MONETISATION

- **Build and Implement Data Science and Insight Driven Organisation Capability.**

IMPACT: To improve decision making based on historical data. Ability to leverage on Big Data for insights.

COOPETITION

- **Develop and Implement a partnership framework for FinTech and Digital providers.**

IMPACT: To best benefit both partners in creating new markets and create opportunities for product cross sell. Promote cost reductions, resources complementarity and technological transfer, as well as the development of an Islamic FinTech ecosystem to provide Shariah-Compliant FinTech services.

PROCESS OPTIMISATION

- **Introduce Robotic Process Automation.**

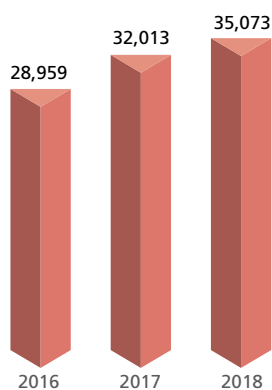
IMPACT: Increase efficiency on back end processes. Eliminate human intervention and error, and reduce dependency on maker checker process.

AT A GLANCE

“Based on the economic outlook, our financing growth next year will once again come more from the consumer banking segment than business banking. As for our commercial and SME business, we think we can do better in terms of trade finance. Currently, our customers are mainly import-based, so we have plans to tackle the export-based ones to grow our trade finance business.”

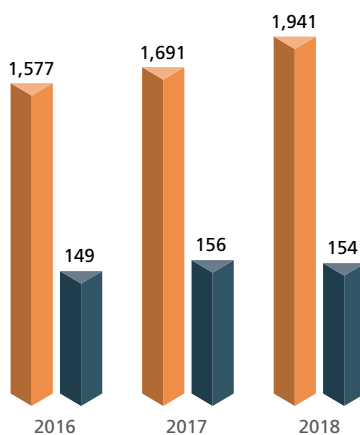
Consumer Banking

ASSET GROWTH (RM million)



.....12 months

INCOME GROWTH (RM million)



.....12 months

■ Fund-Based ■ Non Fund-Based

ASSET GROWTH **9.6%**

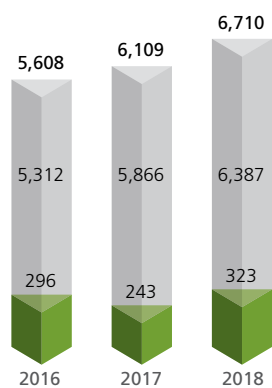
INCOME GROWTH **13.4%**

TOTAL DEPOSIT GROWTH **6.3%**

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Commercial Banking

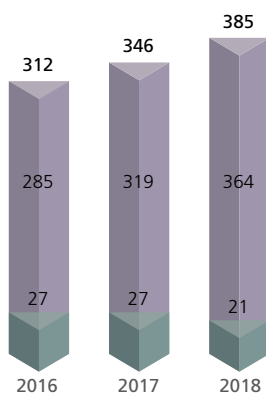
ASSET GROWTH (RM million)



.....12 months

■ Term ■ Trade

INCOME GROWTH (RM million)



.....12 months

■ Fund-Based ■ Non Fund-Based

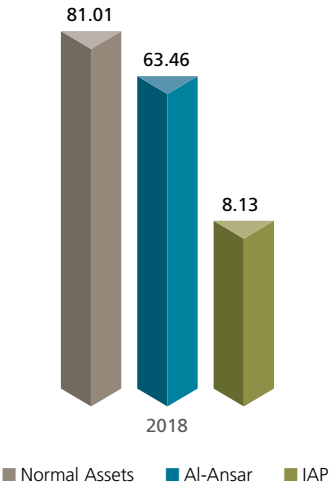
ASSET GROWTH **9.8%**

INCOME GROWTH **11.3%**

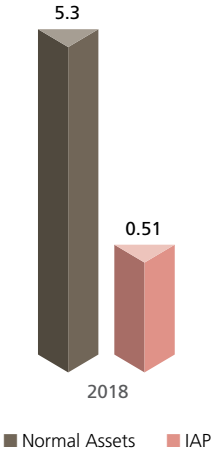
BUSINESS REVIEW
(cont'd)

SME Banking

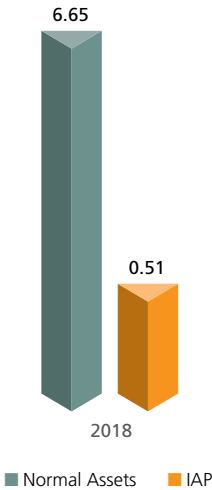
ASSET GROWTH (RM million)



FUND-BASED INCOME (RM million)



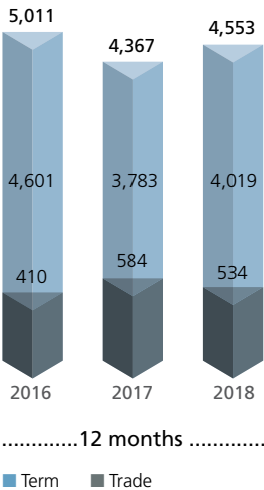
FEE-BASED INCOME (RM million)



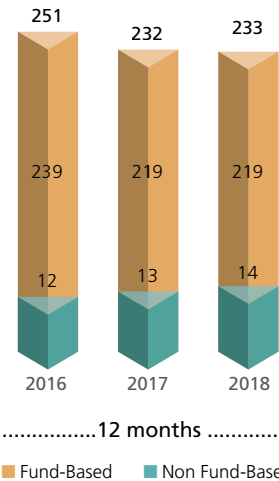
63 NEW SME
APPROVALS WORTH
RM45.2million

Corporate Banking

ASSET GROWTH (RM million)



INCOME GROWTH (RM million)

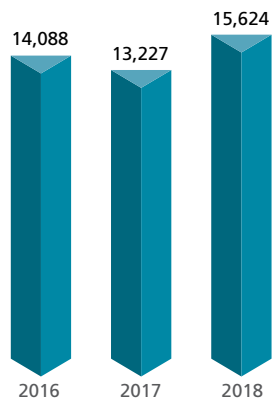


ASSET
GROWTH **4.3%**

INCOME
GROWTH **0.4%**

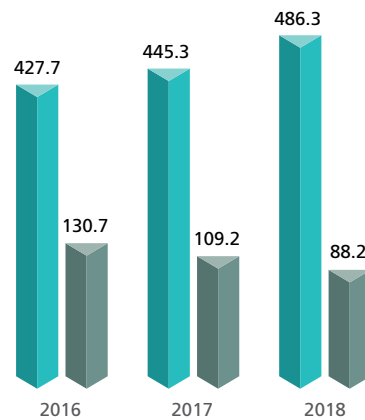
Treasury

ASSET GROWTH (RM million)



.....12 months

INCOME GROWTH (RM million)



.....12 months

■ Fund-Based ■ Non Fund-Based

ASSET GROWTH **18.1%**

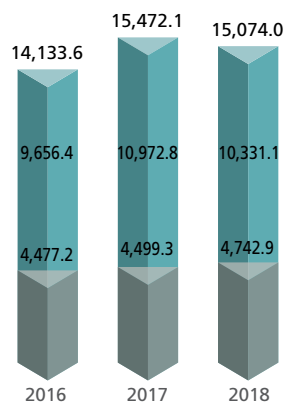
INCOME GROWTH **3.6%**

CONTRIBUTION TO BANK FUNDING **50.51%**

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Deposits & Cash Management

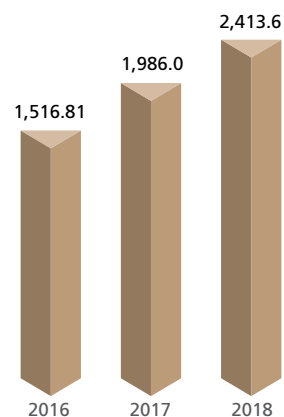
CASA GROWTH (RM million)



.....12 months

■ Individual ■ Non-individual

AL-AWFAR GROWTH (RM million)



.....12 months

AL-AWFAR GROWTH **21.5%**

CURRENT ACCOUNT **-6.5%**

KPI REVIEW

Delivering value has always been Bank Islam's core purpose; and today, delivering value to all our stakeholders has become our goal as we advance on our VBI journey. Along with our banking solutions and services, we aim to serve positive impacts to our Shareholders, the Industry, our Customers, Employees, the Environment and the Community. Key performance indicators ("KPIs") have been set on our value delivery with targets that are updated yearly according to current strategy.



SHAREHOLDER KPIs

	Target	Outcome
Grow profitability	Deliver consistent year-on-year (YoY) revenue growth and sustain net income margin ("NIM") at 2.5% to 2.6% levels.	<ul style="list-style-type: none"> Revenue grew YoY 10.9% to RM3.3 billion PBZT increased YoY 5.6% to RM810.3 million PAZT increased YoY 4.9% to RM593.9 million Bank Islam's 2018 NIM was 2.61%
Manage expenses	Be cost efficient while investing for growth, keeping cost-to-income ratio below 55%.	<ul style="list-style-type: none"> By managing overhead expenses through cost containment initiatives and increasing fee-based income, cost-to-income ratio reduced to 53.0% from 57.3%
Manage portfolio risks	Grow exposures prudently, aligned to risk appetite, with financing and asset growth targeted at 11%, gross impaired financing below 1.5%, and net impaired financing sustained below 0%.	<ul style="list-style-type: none"> Financing growth was 8.5% which surpassed banking system average of 5.5% Total assets grew by 10.7% through right-sizing of balance sheet Asset quality remained resilient with gross impaired financing ratio of 0.92% and net impaired financing of -0.8%
Improve asset composition	Achieve composition of 75:25 for financing mix, 20:80 for Fixed vs Float rates, and grow secured financing by over 12%.	<ul style="list-style-type: none"> The Bank achieved the 75:25 financing mix in 2018 It recorded 10% fixed to 90% float 11.1% growth in secured financing attributable to increase in House Financing portfolio by about RM2 billion

	Target	Outcome
Improve returns and earnings per share	Sustain returns to shareholder with return on equity of over 14%.	<ul style="list-style-type: none"> Shareholder equity was RM5,276 million in 2018 Return on equity was 15.8% surpassing banking system average of 13% As a result, earnings per share for the year was 24 sen, up from 23 sen the previous year
Assure strong industry brand standing and repute	Maintain existing achievements in Brand Audit Rating & Accreditations.	<ul style="list-style-type: none"> Re-affirmed at AA3/Stable/P1 by RAM Ratings Net Stable Funding Ratio ("NSFR") readiness at 105.7%, well above the regulatory-required 100% Composite Risk Rating ("CRR") sustained at Moderate
Ensure compliance	Spearheading towards Basel IV requirements.	<ul style="list-style-type: none"> All Risk Controllers attended a full day session on fraud awareness Completed regional BNM ORION classroom training to ensure understanding of reporting requirements Establishment of Embedded Risk Unit to strengthen and enhance governance, processes and culture for an effective risk and compliance oversight Launched Cash Reserve Ratio ("CRR") defensive strategies Developed a standardised Compliance Risk Assessment ("CRA") to be undertaken throughout the Bank
Enhance business sustainability and strength	Redefine a culture of integrity and Zero-Tolerance towards corruption.	<ul style="list-style-type: none"> Key enhancements were made to the Bank's AML/FATCA System Completed the Compliance VBI Challenge and Compliance Innovation Programme to redefine our culture and brand As part of a newly introduced Ethics & Integrity Programme to drive "Zero-Tolerance" mindsets, the Bank's staff undertook a Corruption Free Pledge Bank-wide in January 2018 A Whistle Blowing framework and policy was issued in August 2018, and a Vendor Code of Ethics Guideline was established in November 2018

KPI REVIEW

(cont'd)



INDUSTRY KPIs

	Target	Outcome
Advance industry strength and sustainability	Play an active role in the national strategic agenda for the Islamic finance industry.	<ul style="list-style-type: none"> In 2018, the Group actively engaged with the government and industry to advance the progress of VBI. We worked with BNM and GABV on developing the VBI scorecard and assessment framework Supported the Halal Industry Master Plan 2008/20 by engaging with relevant governmental agencies Provided leadership to industry-led schemes such as AIBIM's myWaqaf initiative
Organise Knowledge-sharing initiatives	Take a lead as an industry leader in Islamic finance and enhance the Bank's positioning as an industry expert.	<ul style="list-style-type: none"> Organised SME Development Programme in collaboration with Centre For University-Industry Collaboration ("CUIC"), Universiti Utara Malaysia ("UUM") which attracted 40 participants Provided guidance on Shariah compliance for AKPK's Debt Management programme Organised Ilmu Sharing Series, <i>Seminar Perbankan Islam</i> and <i>Kembara Muamalah</i> in collaboration with universities and state religious authorities <ul style="list-style-type: none"> 2 <i>Seminar Perbankan</i> was held during the year in Melaka and Kedah 14 Ilmu Sessions were conducted with participation by 1,700 students and lecturers <i>Kembara Muamalah</i> was held over 200 venues across Malaysia
Participate in industry events	Continue participating and contributing in industry events, seminars and panel discussions to build relationships among peer organisations and create presence of brand and philosophy in the marketplace.	<ul style="list-style-type: none"> Our CEO participated as a panelist at the Global Islamic Finance Forum 2018, themed "Value-Based Intermediation – Beyond Profit" to share Bank Islam's VBI insights with thought leaders and delegates from all over the world Collaborated with government agencies supporting halal industry e.g. Halal Development Corp & Dagang Halal in line with Halal Industry Master Plan 2008/20 Participating in the 9th Halal Certification Bodies Convention and Malaysia Halal International Showcase to promote a vibrant ecosystem for the 'halal' industry



CUSTOMER KPIs

	Target	Outcome
Increase Reach and Penetration of e-channels	Enhance and expand Internet Banking ("IB") capabilities and other online platforms.	<ul style="list-style-type: none"> Our IB market share continues to grow faster than industry with encouraging growth since 2016. In 2018, Waqf, Tabung Haji services, Person to Person ("P2P") payment, and m-Commerce Payment were enabled on the Bank's IB platform. YoY results show that for the year, IB generated 80% more fee income driven by transaction volume growth of 133% and 25% growth in total subscribers
Enhance customer satisfaction	Prudent complaint management to eradicate the most common complaints. Introduction of service excellence programmes to drive customer loyalty. Improvements in customers' attrition through process improvement and centralisation.	<ul style="list-style-type: none"> A reduction of 51% in complaints received Implementation of BSE Programme at branches Establishment of Bank Islam Customer Service Charter Participated in CSI Survey as per industry-wide initiative
Improve service turnaround time	Optimise SSTs functionality. Automated Teller Machines ("ATM") and Cash Deposit Machines ("CDM") uptime of 98% and 95% respectively.	<ul style="list-style-type: none"> Card replacement/deletion functionality introduced Consumer financing turnaround time met target of five days ATM uptime was 97.90% while CDM's was 96.35%
Continuous product and service innovations	Deliver superior banking experience through enhancement of IB platform. Formalise a digital banking plan.	<ul style="list-style-type: none"> Introduced Tabung Haji Services, income tax services and waqf for Sadaqa House and P2P payment on the IB platform
Increase cyber resiliency and strengthen IT Risk posture in tandem with growing digitalisation	Robust branch risk and compliance regime to combat fraud and avoid losses to customers.	<ul style="list-style-type: none"> Introduced an automation and enhancement project to strengthen the CIF creation and account opening for better customer risk profiling and defaulted high risk code On April 2018, customer awareness brochures on Internet Banking security and the proliferation of scams was published as Static banners on website, Internet Banking site, SST screens and videos on social media Conducted Vulnerability Assessment programmes to identify potential vulnerabilities and search for past and current cyber security breaches. Cybersecurity detection was further improved with incident response capabilities Conducted Enterprise Information Security Policy ("EISP") compliance validation exercise Administered bank-wide internal social engineering programme and promoted awareness on safe cybersecurity practices and IT risk awareness programmes

KPI REVIEW

(cont'd)

	Target	Outcome
(cont'd)		<ul style="list-style-type: none"> Adopted and deployed internationally known standards for internal cyber security assurance and IT risk assessment programmes Conducted cyber attack scenario analysis that simulate the cyber security incident response plan Auto reminders on receivable charges such as stale Banker cheques, AFT insufficient balance and CA negative balance achieved RM268,000 in cost savings and freed staff time Automation of closing of account due to Bankruptcy was implemented in May 2018 Migration to SSTs reduced over the counter transactions by 9% as at December 2018

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EMPLOYEE KPIs

	Target	Outcome
Sustain high performing employee retention through the Bank's employee value proposition ("EVP")	<p>Maintain staff attrition rate below 5% and sustain Employer of Choice ranking. Provide our people with opportunities for internal mobility to enhance professional and personal growth.</p>	<ul style="list-style-type: none"> The Bank's high performing staff attrition rate was stable at 1.5% The Bank continued to recognised as an Employer of Choice: <ul style="list-style-type: none"> 18th among Top 20 companies at the Malaysia's 100 Leading Graduate Employers Awards 2018 2nd Runner Up in Banking & Financial Services Sector Top 10 Winner in Banking Sector at the Graduates' Choice Awards 2018 Conferred Asia's Best Employer Brand at the Best Employer Brand Awards 2018 Enhanced its two-year Young Leaders Programme whereby four trainees were recruited Partnered with MyPAC to provide scholarships to five students to pursue ACCA professional qualification

	Target	Outcome
Enhance staff welfare	Provide more value-added benefits to staff.	<ul style="list-style-type: none"> Established <i>Taska</i> Bank Islam at Menara Bank Islam with an annual subsidy of RM103,680. 27 staff benefitting to date Established Staff <i>Ihtimam</i> Fund to assist employees or dependents of deceased employees who are facing financial difficulties. 16 staff benefitted to date and received RM221,883.75 Revision of HR policies: <ul style="list-style-type: none"> - Paid maternity leave extended to 90 days - Paternity leave extended to seven days - Early release for expecting mothers (minimum five months)
Enhancing knowledge and skills	Promote e-learning via Webinar and reduce travelling to lessen jet fuel burn.	<ul style="list-style-type: none"> During the year, HR has started looking at this option 9 of 9 directors completed training for more than 2 programmes. 9% of staff are certified with a professional qualification
Develop in-house talent pool with knowledge sharing on Shariah	Knowledge-sharing through Shariah awareness initiatives by the Bank's Shariah Division.	<ul style="list-style-type: none"> Enrolled all five Shariah Supervisory Council members in the Certified Shariah Advisors certification programme by the Association of Shariah Advisors Malaysia In April 2018, launched Module 1 of Shariah e-learning for Shariah compliance awareness among staff. Module 2 was to be launched in 2019
Increase productivity via IT Digital Transformation	Process automation and centralisation in support of Digitalisation and better service delivery.	<ul style="list-style-type: none"> Bank-wide migration towards process automation for Western Union, virtual account opening, automated account and services inquiry, digitalised forms, online deposit slips and signature verification system are freeing up branch staff time and enhancing productivity
Support government agenda	Continued to support Skim Latihan 1Malaysia ("SL1M").	<ul style="list-style-type: none"> Provided attachment for 235 SL1M trainees as at 2018, with 22 trainees absorbed

KPI REVIEW

(cont'd)



ENVIRONMENT KPIs

	Target	Outcome
Impacting the development of a greener future through strategic business support	Ongoing collaboration with Green Tech Malaysia to focus on Green Tech Financing Scheme in line with national agenda to promote green tech and renewable energy.	<ul style="list-style-type: none"> 2 customers with facility totalling RM47.5m has been approved under Green Tech segment (solar energy). The Bank is financing 2 solar plants at: <ol style="list-style-type: none"> <i>Kawasan Perindustrian Sg Bari, Setiu, Terengganu</i> <i>Kawasan Perindustrian Batu Rakit, Terengganu</i> <p>Both solar plants are generating power energy supply to TNB which cater to the East Coast region especially Terengganu</p>
Reducing paper, energy and wastage in our operations	Utilise more energy savings equipment, promote energy and water conservation, reduce the use of paper and print volume.	<ul style="list-style-type: none"> Deployment of signature verification system towards increased paperless operations 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

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COMMUNITY KPIs

	Target	Outcome
Uplifting society through strategic business support.	Creation of Sadaqa House platform and myWaqf initiatives.	<ul style="list-style-type: none"> On 19 January, the Bank launched Sadaqa House, its latest agenda for social finance initiatives which allows contribution from the public to be made through this digital crowdfunding collaboration with Ethis Ventures Sdn Bhd and GlobalSadaqah.com. Contributions are channelled towards realising social finance projects for underserved sectors such as healthcare, education and entrepreneurship. The Bank matches every ringgit contribution into the Sadaqa House fund account, at the rate of 1:1 to a maximum of RM500,000 myWaqf is a collaborative effort by six AIBIM member banks to help State Islamic Religious Councils in spearheading waqf projects at their states. Bank Islam has been appointed Lead Bank in Perlis, Wilayah Persekutuan and Sabah. On 6 June 2018, the Bank established a Joint Management Committee with Majlis Agama Islam Perlis for a Haemodialysis Centre Building in Tuanku Fauziah Hospital compound

	Target	Outcome
Strengthening stakeholder relationships through value-added solutions	<p>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.</p>	<ul style="list-style-type: none"> 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 three consecutive years In Wealth Management, we offer 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 Distributed RM1.27 million to asnaf students from 56 higher learning institutions

Total 2018 Investment in community and corporate responsibility projects (including Zakat Wakalah):

More than **RM4.4**million

ZAKAT FY2017 PAID
IN 2018 **RM13.3**million



CORPORATE RESPONSIBILITY

SHARING FOR THE GREATER GOOD

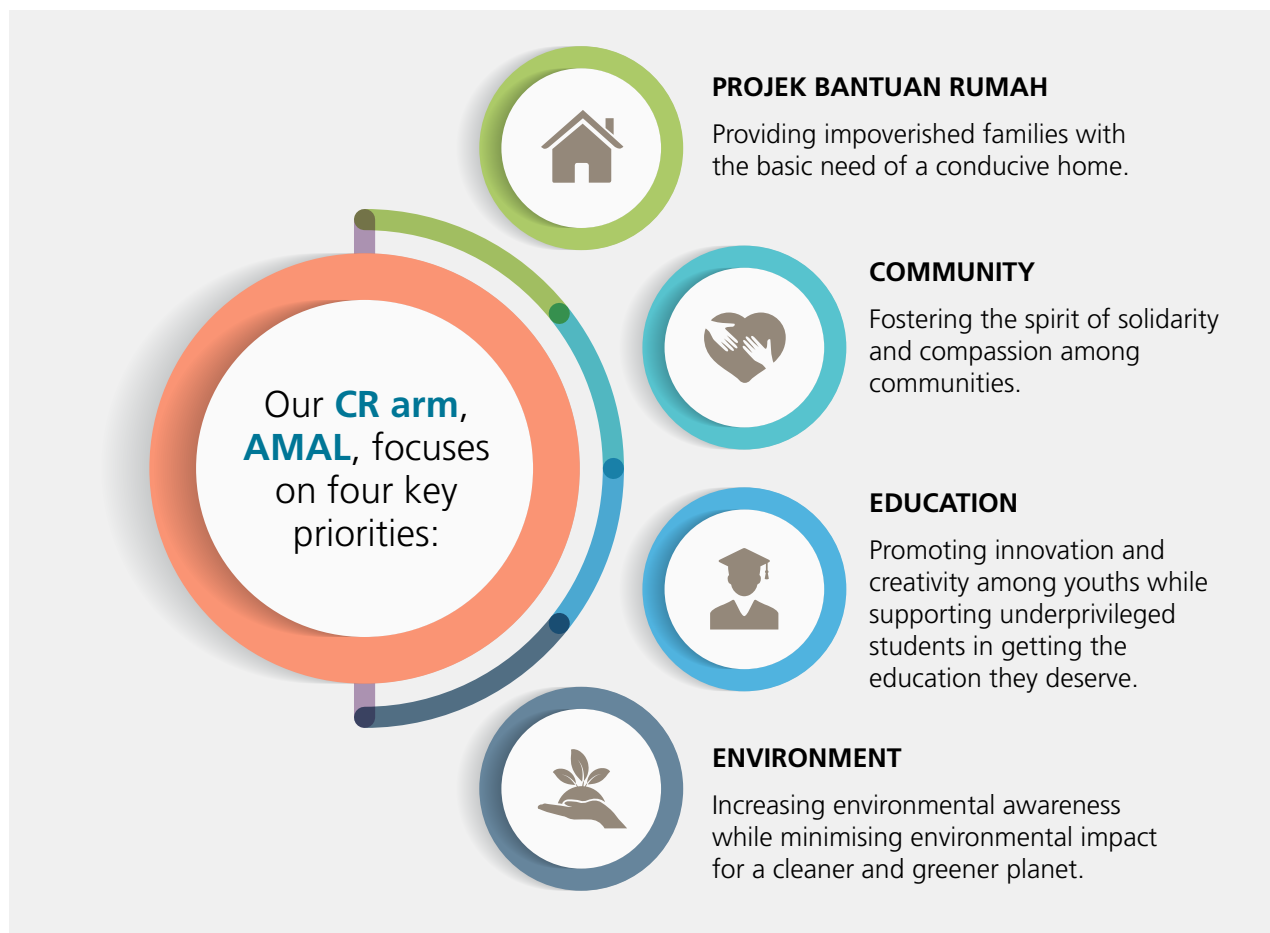
62



MAKING A POSITIVE DIFFERENCE THROUGH CORPORATE RESPONSIBILITY

For Bank Islam, corporate responsibility (“CR”) is our channel to make a significant and positive contribution to people, businesses and communities who have supported and partnered with us in the last 35 years. As a Shariah-guided Malaysian Bank, our CR commitment, branded as ‘AMAL’, is a vital aspect of our operations as it reflects our VBI role to contribute to the health and wealth of communities across the country; and our patriotic duty to shape a better future for our fellow citizens.

Our efforts to support communities nationwide allow us to deliver value towards People, Planet and Prosperity. Our engagements with diverse communities has mutually benefitted the Bank, our beneficiaries as well as all other individuals and organisations involved. The CR projects we launch are enhanced by the understanding of the needs of these beneficiaries, by our priorities as an Islamic bank, and as far as possible are tuned to helping build sustainable futures for all.




CORPORATE RESPONSIBILITY (cont'd)

PROJEK BANTUAN RUMAH (HOUSING AID PROJECT)



The plight of the homeless, those who live in decrepit conditions and families whose homes are destroyed are close to our heart. 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 cost of homes 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 RM8.35 million has been allocated to *Projek Bantuan Rumah*, allowing 283 marginalised families across the country to own and live in comfortable homes. In 2018, 14 families in Sabah and 4 more families in Kedah were selected as beneficiaries of this programme.

283 houses 
in several states built/
repaired at a total
cost of **RM8.35** million

AMAL IHTIMAM (FOSTERING EMPATHY DURING RAMADAN, SYAWAL & ZULHIJJAH)



Our AMAL *Ihtimam* programme eases the burden of underprivileged communities during festive months and foster a bond of support and care by breaking fast with them, enjoying a Syawal get-together or holding a korban celebration. Financial contributions in the form of Duit Raya are also extended to ease the finances of these marginalised communities during this period.

Bank Islam management and staff across Malaysia organise and participate in these functions, taking the time to personally meet and engage with recipients of the programme in order to understand their needs further. Held during the months of Ramadan, Syawal and Zulhijjah, we reached out to over 1,300 individuals in 2018. These comprised orphans, underprivileged students, single mothers, the disabled, senior citizens, the homeless, orang asli, asnaf and muallaf.

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. In 2018, we distributed packed meals to 230 fire fighters on duty in Kuala Lumpur and 300 *kuih* boxes to nurses and patients in the paediatric ward of Hospital Besar Sultanah Aminah, Johor Bahru.

A total of **RM342,950** 
was contributed
to this programme in **2018**

VISIT AND DONATIONS TO PUSAT JAGAAN WARGA EMAS MAIMUNAH & MADRASAH AD-DINIAH, BATU PAHAT, JOHOR

As part of the Bank's AMAL initiatives to care for the underprivileged, a total of 25 volunteers from Bank Islam spent half a day on 6 October 2018, visiting with 150 senior citizens of the home. The team provided hi-tea treats and entertainment with clown shows as well as contributions in kind that included, bolsters, towels and daily food supplies. A day later, in conjunction with BHB's Media Community Drive 2018, 200 representatives from the media and the Bank visited the 12 residents of Madrasah Ad-Diniah and contributed groceries and cash.



INSTALLATION OF SOLAR POWERED ULTRA FILTERING SYSTEM AT SEKOLAH MENENGAH UGAMA (A) AL-TAQWA

Bank Islam pledges to ensure the health and wealth of the society and environment, without sacrificing its commitment towards business growth. On 30 September, the Bank collaborated with University Malaya ("UM") Centre of Innovation and Commercialisation ("UMCIC") to provide a Solar Powered Ultra Filtering System that would supply clean drinkable water for up to 300 to 400 persons a day at the hostel and school premises of SMU (A) Al-Taqwa, Felda Chiku 2, Gua Musang, Kelantan.

Total contribution

RM 100,000



SUPPORTING SURAU IMARAH SEKOLAH-SEKOLAH PROGRAMME AT SELECTED NATIONAL SCHOOLS

Bank Islam once again sponsored the Ministry of Education's national *Anugerah Surau Imarah Sekolah-Sekolah* ("ASISS") in March 2018 with RM231,500 of zakat funds. This programme encourages Muslim students to invigorate prayer spaces in their schools by providing awards for the best primary and secondary school *surau* and *musolla* in the country. Over the years, 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* or missionary activities. Winning schools were announced at the awards presentation event held at the Ministry of Education auditorium in Putrajaya on 13 March 2018.



CORPORATE RESPONSIBILITY (cont'd)

SPONSORSHIP OF QURAN RECITATION COMPETITION

Bank Islam sponsored two units of Perodua AXIA cars amounting to RM80,000 for the male and female *Hafazan Al-Quran* champions of the national level *Majlis Tilawah & Menghafaz Al-Quran Tahun 1439H/2018*. The event, held at Kompleks Islam Putrajaya, reinforced Bank Islam's standing as the nation's leading Islamic bank committed to nurturing love for the values and messages within the Quran.



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Environmental
Sustainability



200 mangrove trees
in Port Dickson by
60 staff

HARI AMAL – CELEBRATING MALAYSIA DAY WITH NATIONWIDE CR ACTIVITIES

On 20 October, Bank Islam once again put in motion 14 CR activities in all 14 states of Malaysia as part of our Hari AMAL programme. This signature annual CR programme aims to foster the spirit of solidarity and camaraderie among fellow Malaysians, with the Bank's staff fully involved in lending a hand to communities and individuals in need. Hari AMAL is the avenue for our employees to be fully involved in the organisation and execution of CR initiatives, and work together with our clients and various stakeholders in contributing to the well-being of the communities.

On that auspicious day, more than 500 volunteers comprising Bank Islam staff, non-governmental organisations ("NGOs") university students, school children and underprivileged groups got involved in gotong-royong activities such as conducting *agama* classes, cleaning, refurbishing, and reparation of homes, schools, mosques and other buildings.

In Negeri Sembilan, a commitment to environmental sustainability was made with the planting of over 200 mangrove trees in Port Dickson by 60 staff.

About RM180,000 of zakat fund and AMAL contribution was distributed to beneficiaries by participating branch managers of every state. Among the zakat recipients were individuals (31), schools (6), a mosque, a skill development centre and a centre for special needs children.

AMAL MUSA'ADAH – EMPOWERING SMALL BUSINESS OWNERS

Our AMAL *Musa'adah* programme aims to nurture the sustainability of small business owners by growing potential through education and training, and providing financial support to start up or upgrade their businesses. 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 RM70,000 was contributed to 56 small business owners in Kedah. Among the contributions made towards the programme were basic necessities, business capital, kiosks, machineries and equipment.



SCIENCE FESTIVAL EDUCATION PROGRAMME

The Science Festival Education programme was held at Petrosains as part of the Petrosains Playsmart & Science Engagement session. Bank Islam sponsored the participation of 40 selected students from six schools in Sentul, Kuala Lumpur in order to spark a greater love for science. The students were provided the opportunity to discover science besides showcased activities and have a fun time while learning.



PINTAR PROGRAMME – MOTIVATIONAL CAMP

The PINTAR Programme is particularly dear to our heart as its mission is aligned with ours as well: To make a meaningful or positive difference in the lives of Malaysian students from the underserved communities. Bank Islam has been actively involved with PINTAR Foundation since 2008, and thus far, has adopted a total of 20 PINTAR schools nationwide with the exception of Perlis. The chosen schools are located in the vicinity of our branches and are in dire need of financial assistance as a high portion of students are from low income and underprivileged families. We are committed to help level the playing field for them and in improving the quality of their education in helping them to develop as potential future leaders. We have brought about a number of benefits for our PINTAR schools, creating positive impact and touching the lives of approximately 21,000 students; contributing RM1.9 million to the initiative, besides giving our employees an opportunity to volunteer at implemented programmes.

For 2018, the main event was a motivational camp at Janda Baik, Bentong, Pahang which provided additional coaching for Maths and English SPM and PMR papers coupled with outdoor challenges and team building training by the International Islamic University Malaysia ("IIUM") for over 78 asnaf students.



CORPORATE RESPONSIBILITY (cont'd)

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

Bank Islam has been the proud main sponsor of the Innovation, Invention and Design Exposition ("IIDEX") since 2003. 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 and encourage collaboration between the academia and industries. The one-week event held in UiTM, Shah Alam attracted participants from schools, colleges and universities. The annual event has become a highly regarded platform for researchers, industries, academics, students as well as practitioners to unleash brilliant new ideas as well as to showcase their inventions and explore opportunities for commercialisation.



JOM KE SEKOLAH – ENCOURAGING SCHOOL ATTENDANCE FOR 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 continued to contribute schooling necessities (full sets of uniform, tracksuits, bags, stationeries and cash) to needy students as part of our *Jom Ke Sekolah* programme which was held at all national regions, including East Malaysia. Besides easing the burden of underprivileged parents, the programme also acts as a motivation factor for children to attend school. The programme which was conducted in November 2018, saw the involvement of more than 150 Bank Islam volunteers, with over RM133,000 of zakat fund allocated and approximately RM50,000 AMAL fund was distributed.

DELIVERING FURTHER VALUE THROUGH CR

The Bank's AMAL programme has grown from strength to strength as a way for us to implement our social and environmental responsibility policy. With VBI in the works within our Shariah-based framework, we are geared to advance towards a more sustainable economic development model. Through CR, we have an unlimited opportunity to help uplift society for the better as we explore innovative ways to help communities thrive and contribute towards a sustainable future. Innovation and creativity drive our business operations, and we leverage on these same strengths in order to plan effective programmes that create sustainable impact. 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 surrounding 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 innovative approaches and collaborations to deliver inclusive growth and advancement for the good of all.





CAPITALISING ON PEOPLE & SERVICE EXCELLENCE

Named

TOP VBI SCORER

by Bank Negara Malaysia

**BEST EMPLOYER
BRAND AWARDS 2018**

at the 9th edition of the Best Employer
Brand Award

**SECOND RUNNER-UP
MOST POPULAR GRADUATE
EMPLOYER IN BANKING AND
FINANCIAL SERVICES SECTOR**

at Malaysia's 100 Leading Graduate
Employers Award 2018

**TOP 10 BEST EMPLOYER
BRANDS WINNER
IN BANKING CATEGORY**

at Graduates' Choice Award 2018

**RANKED 4TH FOR
MALAYSIA TOP BANKS
IN GOVERNMENT BONDS**

at The Asset Asia Bond Awards 2018





BEST SUSTAINABILITY

at Islamic Business & Finance Southeast Asia Awards 2018

BEST CSR INITIATIVE (PROJEK #BUATBAIK) 2018

by Malaysia's 100 Leading Graduate Employers Awards 2018

MALAYSIA DEAL OF THE YEAR 2017

by Islamic Finance News



ASIA BUSINESS AWARDS 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

DATUK ZAMANI ABDUL GHANI

Members

**PROFESSOR EMERITUS TAN SRI DATO'
DR ABDUL SHUKOR HUSIN**

DATUK ZAITON MOHD HASSAN

(resigned w.e.f. 18 February 2019)

DATO' SRI KHAZALI AHMAD

ZAHARI @ MOHD ZIN IDRIS

AUDIT AND EXAMINATION COMMITTEE

Chairman

Noraini Che Dan

Members

Datuk Zamani Abdul Ghani

Datuk Zaiton Mohd Hassan
(resigned w.e.f. 18 February 2019)

Dato' Sri Khazali Ahmad

Zahari @ Mohd Zin Idris

Mohamed Ridza Mohamed Abdulla

Nik Mohd Hasyudeen Yusoff

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
(resigned w.e.f. 18 February 2019)

Zahari @ Mohd Zin Idris

Nik Mohd Hasyudeen Yusoff

BOARD RISK COMMITTEE

Chairman

Nik Mohd Hasyudeen Yusoff

Members

Datuk Zamani Abdul Ghani

Datuk Zaiton Mohd Hassan
(resigned w.e.f. 18 February 2019)

**Professor Emeritus Tan Sri Dato' Dr Abdul
Shukor Husin**

Zahari @ Mohd Zin Idris

Noraini Che Dan

Azizan Ahmad

BOARD FINANCING REVIEW COMMITTEE

Chairman

Zahari @ Mohd Zin Idris

Members

Datuk Zamani Abdul Ghani

Datuk Zaiton Mohd Hassan
(resigned w.e.f. 18 February 2019)

Nik Mohd Hasyudeen Yusoff

Azizan Ahmad

MOHAMED RIDZA MOHAMED ABDULLA
NIK MOHD HASYUDEEN YUSOFF

NORAINI CHE DAN
AZIZAN AHMAD

BOARD STRATEGIC REVIEW COMMITTEE (Established on 25 January 2018)

Chairman

Nik Mohd Hasyudeen Yusoff

Members

Datuk Zaiton Mohd Hassan
(resigned w.e.f. 18 February 2019)

Mohamed Ridza Mohamed Abdulla

Noraini Che Dan

Azizan Ahmad
(appointed w.e.f. 1 January 2019)

BOARD INFORMATION TECHNOLOGY COMMITTEE (Established on 27 April 2018)

Chairman

Mohamed Ridza Mohamed Abdulla

Members

Dato' Sri Khazali Ahmad

Azizan Ahmad

SHARIAH SUPERVISORY COUNCIL

Chairman

Professor Dato' Dr Ahmad Hidayat Buang

Members

Ustaz Dr Ahmad Shahbari @ Sobri Salamon

Assistant Professor Dr Uzaimah Ibrahim

Associate Professor Dr Yasmin Hanani Mohd Safian

Sahibus Samahah Dato' Dr Haji Anhar Haji Opir

CHIEF EXECUTIVE OFFICER

Mohd Muazzam Mohamed
(appointed w.e.f. 5 December 2018)

Khairul Kamarudin
(resigned w.e.f. 20 July 2018)

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



SHAREHOLDER'S INFORMATION

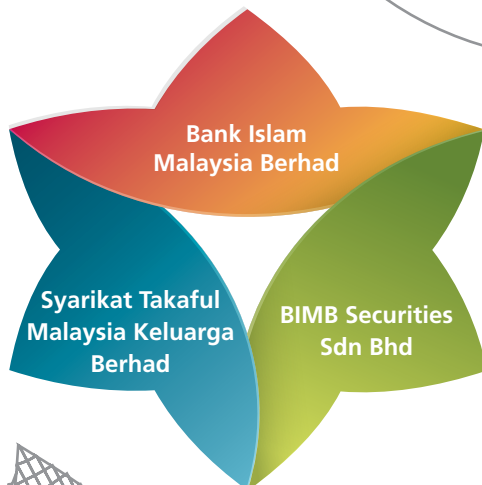
BIMB HOLDINGS BERHAD



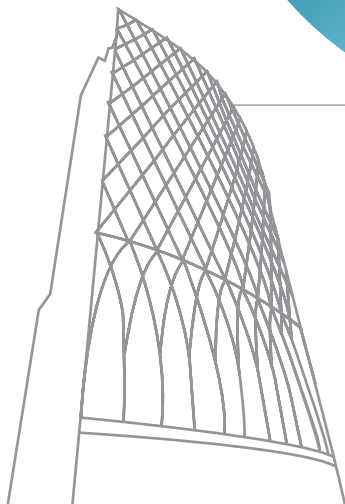
Established on 20 March 1997, BIMB Holdings Berhad ("BHB") was listed on the Main Market of Bursa Malaysia on 16 September 1997. BHB is the first Islamic Financial Holding company approved by Bank Negara Malaysia under the Islamic Financial Services Act 2013.

The leading
Shariah-compliant
financial services
provider with an
issued and paid-up
capital of

RM 4.1 billion



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 Keluarga Berhad and BIMB Securities Sdn Bhd.



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



ISLAMIC FINANCIAL SERVICES

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

SUBSIDIARIES' INFORMATION

BIMB INVESTMENT MANAGEMENT BERHAD ("BIMB INVEST")

The leading Shariah Environmental, Social & Governance ("ESG") investment management company in Malaysia, offering the next generation of investment management.

BIMB Invest today is the largest ESG asset manager in Malaysia, providing comprehensive Shariah-ESG investment solutions across multiple asset classes to both individual and corporate investors in the region.

BIMB Invest has managed total of over RM1.74 billion asset under management ("AUM") as at 31 December 2018.

BEST ISLAMIC ASSET AND FUND MANAGER IN MALAYSIA 2018

Second consecutive win from **Alpha Southeast Asia**, a regional finance and investment publication



BIMB Invest has formed a strong strategic partnership with **Arabesque Asset Management Limited**, the **World's First ESG-Quant specialist**, based in United Kingdom.



This alliance has enabled BIMB Invest to pioneer **Shariah-ESG** integration, through **Artificial Intelligence, Big Data** technology and Deep Machine learning in its investment process, offering a **sustainable and innovative** investment solutions.

2018 KEY HIGHLIGHTS

Malaysia's **largest Shariah-ESG Fund Manager** with about **RM1 billion** ESG asset under management.

Widest ESG Funds Offering across asset classes in Malaysia covering Global equities, Asia Pacific equities, Malaysia equities and Global Sukuk.

BIMB-Arabesque iGlobal Dividend Fund 1 ("BiGDF1")

- **Largest global equity** Shariah fund in Malaysia
- **World's fourth largest** global equity Shariah fund
- **Ranks #1 for 3 years and 1 year returns** against peers for the Global Shariah Equity Fund category by Lipper, as at 31 December 2018.



Launched the **World's First ESG Sukuk Fund** the BIMB ESG Sukuk Fund in August 2018.



Launched **Malaysia's First Shariah Sustainable and Responsible Investment ("SRI") Equity Fund** under the SRI Guidelines by Securities Commission Malaysia, the BIMB-Arabesque Valuecap Malaysia Shariah-ESG Equity Fund.

BIMB Invest is a wholly-owned subsidiary of Bank Islam and a licensed Islamic fund management company registered with Securities Commission Malaysia with over 24 years of experience in the fund management industry.

BANK ISLAM TRUST COMPANY (LABUAN) LTD ("BTL")

Incorporated on



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

SHARIAH-COMPLIANT PRODUCTS AND SERVICES



BTL is a registered Trust Company in Labuan which offers Shariah-compliant products and services such as incorporation of Labuan 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



**WEALTH
MANAGEMENT**
**LABUAN
TRUST**
**LABUAN
FOUNDATION**

**LABUAN
COMPANY
INCORPORATION**
SECRETARIAL & ADMINISTRATION

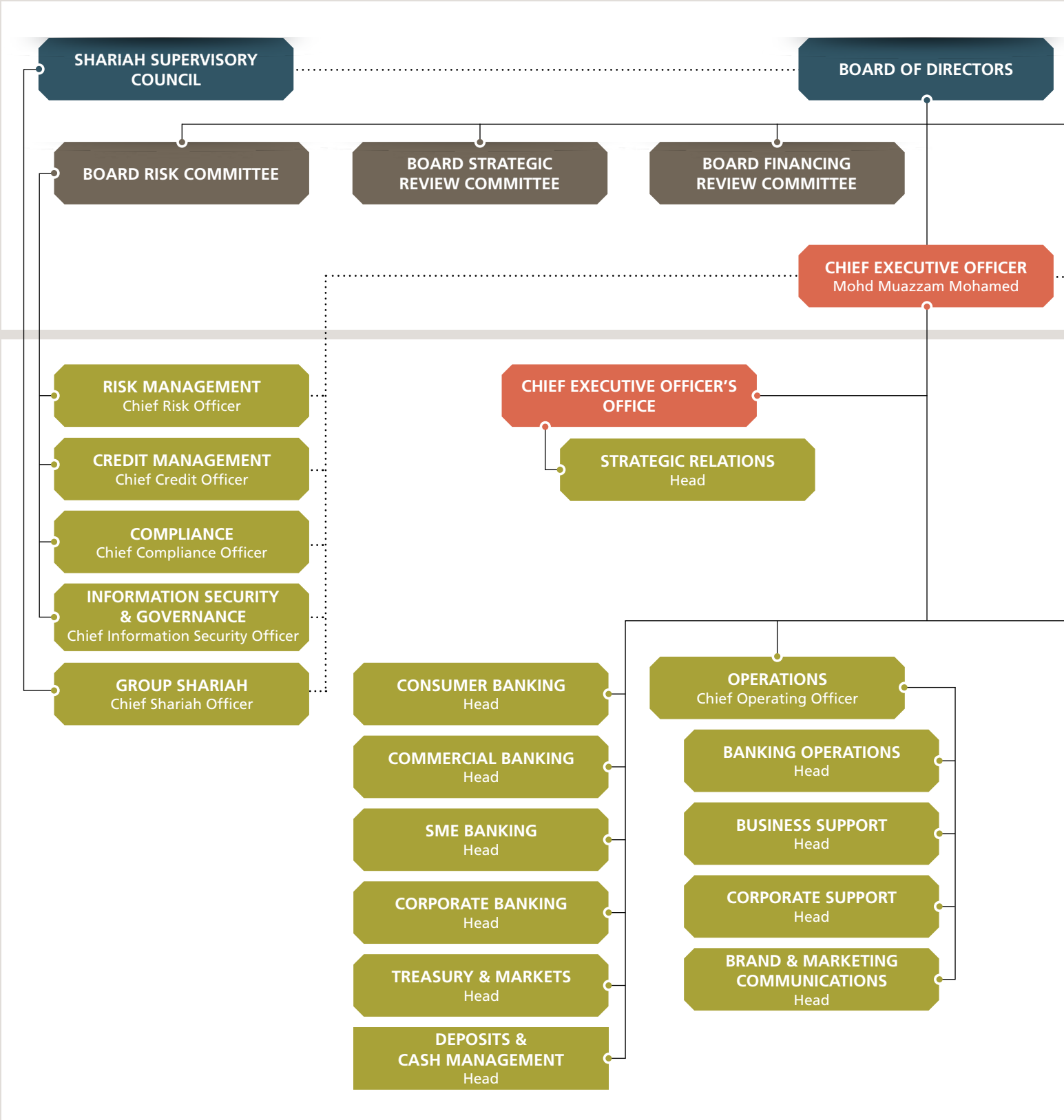


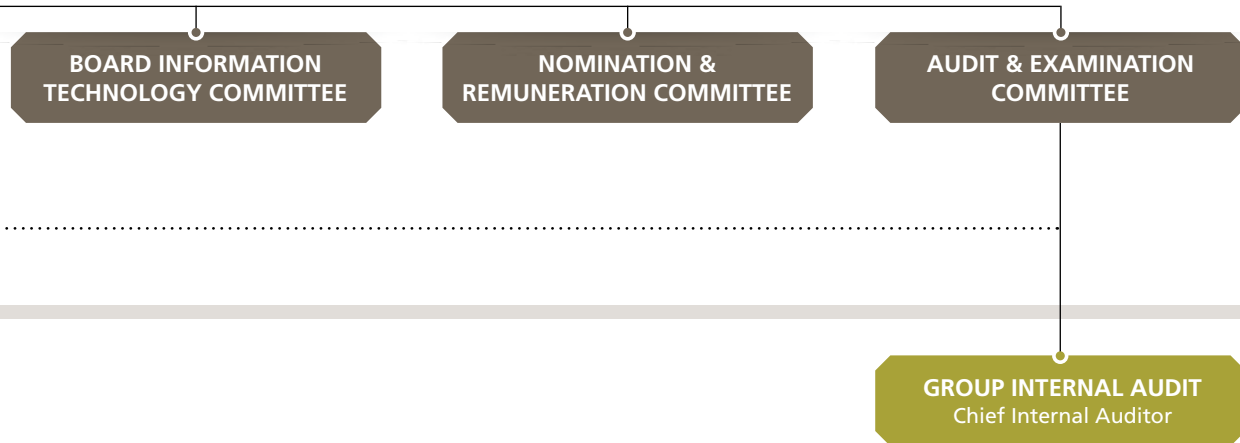
Application of



**WORK
PERMIT** or
**DEPENDENT
PASSES**

OUR ORGANISATION CHART





BOARD OF DIRECTORS



80

1

**Datuk Zamani
Abdul Ghani**

Chairman/Independent
Non-Executive Director

2

**Datuk Zaiton
Mohd Hassan**

Non-Independent
Non-Executive Director
(resigned with effect from
18 February 2019)

3

**Nik Mohd
Hasyudeen Yusoff**

Independent
Non-Executive Director

4

Noraini Che Dan

Independent
Non-Executive Director



5

**Zahari @ Mohd
Zin Idris**

Non-Independent
Non-Executive Director

6

**Professor Emeritus
Tan Sri Dato' Dr Abdul
Shukor Hj Husin**

Non-Independent
Non-Executive Director

7

**Mohamed Ridza
Mohamed Abdulla**

Independent
Non-Executive Director

8

**Dato' Sri
Khazali Ahmad**

Independent
Non-Executive Director

9

Azizan Ahmad

Independent
Non-Executive Director

PROFILE OF BOARD OF DIRECTORS

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DATUK ZAMANI ABDUL GHANI

Chairman/Independent Non-Executive Director
71 years old - Malaysian

Date of Appointment: 1 March 2011

- Master of Management, Asian Institute of Management, Manila, the Philippines
- Bachelor of Economics (Analytical), University of Malaya, Kuala Lumpur
- Fellow Member, Malaysia Institute of Bankers

Banking and Finance

Present:

- Chairman, Bank Islam Malaysia Berhad
- Chairman, Raaed Holdings Sdn Bhd
- Chairman, IAP Integrated Sdn Bhd

Previous:

- Deputy President, Kelab Alumni Kakitangan Bank Negara 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 Department, Bank Negara Malaysia
- Director General, Labuan Offshore Financial Services Authority ("LOFSA")
- Chairman, Financial Park Labuan
- Assistant Governor, Bank Negara Malaysia
- Member, Governing Council and Executive Committee, International Centre for Education in Islamic Finance ("INCEIF")
- Head, Bank Negara Malaysia's Representative Offices in New York and London
- Director, Insurance Regulation & Supervision Department, Bank Negara Malaysia
- Special Advisor, Attorney General's Chambers of Malaysia
- Member, Operations Evaluation 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

None

- Member, Audit and Examination Committee
- Member, Board Risk Committee
- Member, Nomination and Remuneration Committee
- Member, Board Financing Review Committee

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2018

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

Academic and Professional Qualifications

Areas of Expertise

Work Experience & Positions

Directorship in Other Public Companies

Membership of Board Committees in Bank Islam

Meeting Attendance

Declaration of Interest

Academic and Professional Qualifications	<ul style="list-style-type: none"> Fellow, Association of Chartered Certified Accountants ("ACCA"), United Kingdom Member of the Malaysian Institute of Accountants ("MIA") Member of the Malaysian Institute of Certified Public Accountants ("MICPA")
Areas of Expertise	Banking, Accounting and Finance
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> Chief Executive Officer, Malaysia Professional Accountancy Centre ("MyPAC") Chairman, Private Pension Administrator Malaysia Member, Board of Directors of Lembaga Tabung Haji <p>Previous:</p> <ul style="list-style-type: none"> President/Executive Director, Malaysian Rating Corporation Berhad ("MARC") Served 12 years with Maybank in various senior positions in Treasury Operations, International Banking, Asset & Liability Management, Branch Operations and General Manager, Group Strategic Planning Audit Trainee, PricewaterhouseCoopers ("PwC")
Directorship in Other Public Companies	<ul style="list-style-type: none"> Sime Darby Plantation Berhad
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> Member, Audit and Examination Committee Member, Board Risk Committee Member, Nomination and Remuneration Committee Member, Board Financing Review Committee Member, Board Strategic Review Committee
Meeting Attendance	11 of 11 Board Meetings held in the Financial Year Ended 31 December 2018
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 except by virtue of her directorship in Lembaga Tabung Haji.

**DATUK ZAITON MOHD HASSAN**

Non-Independent Non-Executive Director

63 years old - Malaysian

Date of resignation: 18 February 2019

PROFILE OF BOARD OF DIRECTORS

(cont'd)

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NIK MOHD HASYUDEEN YUSOFF

Independent Non-Executive Director

54 years old - Malaysian

Date of Appointment: 1 October 2016

- Member, Malaysian Institute of Accountants ("MIA")
- Fellow, CPA Australia
- Advanced Business Management Program, IMD International, Switzerland
- Bachelor of Business, Curtin University of Technology, Australia

Accounting

Present:

- Director, Inovastra Capital Sdn Bhd

Previous:

- Executive Director, Market and Corporate Supervision, Securities Commission Malaysia
- Executive Chairman, Audit Oversight Board, Securities Commission Malaysia
- Chairman, Khairuddin, Hasyudeen & Razi, Chartered Accountants

- BIMB Holdings Berhad
- BIMB Investment Management Berhad
- Cagamas Holdings Berhad
- TH Plantations Berhad
- Malaysia Professional Accountancy Center ("MyPAC")
- Federation of Investment Managers Malaysia ("FIMM")
- Al Hijrah Media Corporation

- Chairman, Board Risk Committee
- Chairman, Board Strategic Review Committee
- Member, Audit and Examination Committee
- Member, Nomination and Remuneration Committee
- Member, Board Financing Review Committee

10 of 11 Board Meetings held in the Financial Year Ended 31 December 2018

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.

Academic and Professional Qualifications

Areas of Expertise

Work Experience & Positions

Directorship in Other Public Companies

Membership of Board Committees in Bank Islam

Meeting Attendance

Declaration of Interest

Academic and Professional Qualifications	<ul style="list-style-type: none"> • Member of the Malaysian Institute of Accountants ("MIA") • Member of the Malaysian Institute of Certified Public Accountants ("MICPA") • Bachelor of Econs (Hons), University of Manchester, United Kingdom
Areas of Expertise	Accounting and Finance
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Company Director <p>Previous:</p> <ul style="list-style-type: none"> • Vice President, Finance, MISC Berhad • Served 15 years with Perbadanan Nasional Berhad ("PERNAS") in various senior positions including that of Group General Manager, Finance • Audit Senior at Hanafiah, Raslan & Mohamed
Directorship in Other Public Companies	<ul style="list-style-type: none"> • SP Setia Berhad • Tenaga Nasional Berhad • BIMB Holdings Berhad
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> • Chairman, Audit and Examination Committee • Chairman, Nomination and Remuneration Committee • Member, Board Risk Committee • Member, Board Strategic Review Committee
Meeting Attendance	11 of 11 Board Meetings held in the Financial Year Ended 31 December 2018
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.

**NORAINI CHE DAN**

Independent Non-Executive Director
63 years old - Malaysian

Date of Appointment: 1 October 2016

PROFILE OF BOARD OF DIRECTORS

(cont'd)

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ZAHARI @ MOHD ZIN IDRIS

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

Date of Appointment: 20 September 2002

- Senior Cambridge Certificate

Banking and Finance

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

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

None

- Chairman, Board Financing Review Committee
- Member, Audit and Examination Committee
- Member, Board Risk Committee
- Member, Nomination and Remuneration Committee

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2018

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.

Academic and Professional Qualifications

Areas of Expertise

Work Experience & Positions

Directorship in Other Public Companies

Membership of Board Committees in Bank Islam

Meeting Attendance

Declaration of Interest

Academic and Professional Qualifications	<ul style="list-style-type: none"> • Doctor of Aqidah and Philosophy of Islam, University of Al-Azhar, Egypt • 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
Areas of Expertise	Aqidah and Philosophy of Islam
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Distinguished Fellow, Faculty of Leadership and Management, Universiti Sains Islam Malaysia ("USIM") • Chairman, Zakat Distribution Committee, State of Pahang • Member, Board of Directors of TH Properties Sdn Bhd • Member, Council of Islamic Religion and Malay Customs, State of Pahang ("MUIP") • Member, Islamic Education Advisory Committee, State of Pahang • Member, Syarak Legal Advisory Committee, Mufti Department, State of Pahang • Member, International Islamic Fiqh Academy • Member, Muslim World League, Makkah Al-Mukarramah <p>Previous:</p> <ul style="list-style-type: none"> • Chairman, Shariah Advisory Committee of Lembaga Tabung Haji • Member, Board of Directors of Lembaga Tabung Haji • Member of Special Cabinet, Shariah Governance Index Malaysia • 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 ("JAKIM") • Dean, Faculty of Islamic Studies, 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	None
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> • Member, Board Risk Committee • Member, Nomination and Remuneration Committee
Meeting Attendance	10 of 11 Board Meetings held in the Financial Year Ended 31 December 2018
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.



PROFESSOR EMERITUS TAN SRI DATO' DR ABDUL SHUKOR HJ HUSIN

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

Date of Appointment: 2 May 2014

PROFILE OF BOARD OF DIRECTORS

(cont'd)

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MOHAMED RIDZA MOHAMED ABDULLA

Independent Non-Executive Director
50 years old - Malaysian

Date of Appointment: 1 December 2010

- LLB (First Class Honours), International Islamic University Malaysia
- Institute of Chartered Secretaries and Administrators (London) ("ICSA")
- Fellow, Institute of Chartered Secretaries and Administrators ("FCIS")
- Fellow, Malaysian Society of Adjudicators
- Associate Member, Chartered Institute of Arbitrators ("ACI Arb")

Legal

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

- Theta Edge Berhad

- Chairman, Board Information Technology Committee
- Member, Audit and Examination Committee
- Member, Board Strategic Review Committee

10 of 11 Board Meetings held in the Financial Year Ended 31 December 2018

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.

Academic and Professional Qualifications

Areas of Expertise

Work Experience & Positions

Directorship in Other Public Companies

Membership of Board Committees in Bank Islam

Meeting Attendance

Declaration of Interest

Academic and Professional Qualifications	<ul style="list-style-type: none"> • Master Degree (Econs), University of Central of Oklahoma, USA • Bachelor of Economy (Hons) (Agricultural Economy), Universiti Kebangsaan Malaysia • Diploma in Public Administration, National Institute of Public Administration ("INTAN")
Areas of Expertise	Economy, Finance and Tax Management
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Company Director <p>Previous:</p> <ul style="list-style-type: none"> • Director General of Customs, Royal Malaysia Customs • Sabah Federal Secretary, Prime Minister's Department • Deputy Director 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 • Principal Assistant Secretary, Ministry of Health • Education Attache, Malaysia Student Department, High Commission of Malaysia, London • Assistant Director, Public Service Department
Directorship in Other Public Companies	<ul style="list-style-type: none"> • Malaysia Venture Capital Management Berhad • Shangri-La Hotels (Malaysia) Berhad • Favelle Favco Berhad • Muhibbah Engineering (M) Berhad • Cuscapi Berhad (Alternate Director)
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> • Member, Audit and Examination Committee • Member, Board Information Technology Committee
Meeting Attendance	11 of 11 Board Meetings held in the Financial Year Ended 31 December 2018
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.

**DATO' SRI KHAZALI AHMAD**

Independent Non-Executive Director

64 years old - Malaysian

Date of Appointment: 2 January 2018

PROFILE OF BOARD OF DIRECTORS

(cont'd)

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AZIZAN AHMAD

Independent Non-Executive Director
64 years old - Malaysian

Date of Appointment: 2 January 2018

- Diploma in Agriculture, Universiti Putra Malaysia

Banking and Credit Management

Present:

- Company Director

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, Maybank Berhad
- General Manager, Credit Control Division, Maybank Berhad
- Regional Manager, Maybank Berhad
- Credit Manager/Senior Credit Manager, Maybank Berhad
- Credit Officer/Senior Credit Officer, Maybank Berhad

None

- Member, Board Financing Review Committee
- Member, Board Risk Committee
- Member, Board Information Technology Committee

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2018

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.

Academic and Professional Qualifications

Areas of Expertise

Work Experience & Positions

Directorship in Other Public Companies

Membership of Board Committees in Bank Islam

Meeting Attendance

Declaration of Interest

PROFILE OF SHARIAH SUPERVISORY COUNCIL

The Shariah Supervisory Council ("SSC") plays a critical role in ensuring sound, prudent and comprehensive compliance with Shariah rules and principles at all times and in all aspects of the Bank's business operations and activities.

01 Professor Dato' Dr Ahmad Hidayat Buang
Chairman



02 Ustaz Dr Ahmad Shahbari @ Sobri Salamon
Member



03 Assistant Professor Dr Uzaimah Ibrahim
Member



PROFILE OF SHARIAH SUPERVISORY COUNCIL (cont'd)

**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



01 PROFESSOR DATO' DR AHMAD HIDAYAT BUANG

Chairman

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 at 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 2015 to 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,

- Professor, Department of Shariah and Law, Academy of Islamic Studies, University of Malaya
- Doctor of Philosophy, School of Oriental and African Studies, University of London
- Master of Law, School of Oriental and African Studies, University of London
- Bachelor of Shariah, University of Malaya

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

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 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 from 1996 to 1999 and afterward was appointed as the Executive Chairman of the company until 2015.

- Doctor of Philosophy (Modern Middle Eastern History), New York University (USA)
- Master of Economic, Fairleigh Dickinson University (USA)
- Bachelor of Shariah Islamiyyah, Al-Azhar University, Egypt

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.

PROFILE OF SHARIAH SUPERVISORY COUNCIL

(cont'd)

03 ASSISTANT PROFESSOR DR UZAIMAH IBRAHIM

Member

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

She is currently an Assistant Professor at Department of Islamic Law, Ahmad Ibrahim Kuliyyah of Laws, International Islamic University of Malaysia ("IIUM"). Assistant Professor 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, Assistant Professor Dr Uzaimah became the Deputy Director of the Islamic Banking and Finance Institute, IIUM, an international centre for education and research in Islamic finance.

- 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 was accredited as a Syarie 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.

Assistant Professor 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.

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04 ASSOCIATE PROFESSOR DR YASMIN HANANI MOHD SAFIAN

Member

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

She is currently an Associate Professor at Faculty of Shariah 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 is a Certified Halal Trainer as well as Islamic Banking and Finance Trainer.

Prior to joining Bank Islam, Associate Professor Dr Yasmin 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, Faculty of Shariah 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 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 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.

05 SAHIBUS SAMAHAH DATO' DR HAJI ANHAR HAJI OPIR

Member

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 Etiqa Takaful Berhad, Perbadanan Usahawan Nasional Berhad ("PUNB"), and SIRIM Berhad. Besides that, he is also member of Selangor Fatwa Committee, Selangor Falak Committee, and Curricular Assessment 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").

- 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

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

Ustaz Saiful Anuar Hambali has been in the banking industry for 21 years and is currently 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.

- 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")
- Certified Qualification in Islamic Finance ("CQIF")

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

Academic and Professional Qualifications

- Member of the Malaysian Institute of Accountants ("MIA")
- Member of the Malaysian Institute of Certified Public Accountants ("MICPA")
- Member of the Certified Information System Auditor ("ISACA")
- Member of the Chartered Institute of Public Finance and Accountancy ("CIPFA")
- Bachelor of Accounting, International Islamic University Malaysia

Areas of Expertise

Finance, Audit and Consulting

Work Experience & Positions

Present:

- Chief Executive Officer, Bank Islam Malaysia Berhad
- Chief Executive Officer, BIMB Holdings Berhad

Previous:

- Chief Financial Officer, Bank Islam Malaysia Berhad
- Non-Executive Director, BIMB Securities Sdn Bhd
- Director, BIMB Securities (Holdings) Sdn Bhd
- Alternate Director, Amana Bank PLC (Sri Lanka)
- Director, Al-Wakalah Nominees (Tempatan) Sdn Bhd
- Partner, KPMG Malaysia
- Executive Director, KPMG Management Consulting

Directorship in Other Public Companies

None

Membership of Board Committees in Bank Islam

None

Meeting Attendance

4 of 4 Board Meetings held in the Financial Year Ended 31 December 2018 after his appointment as Acting Chief Executive Officer on 20 July 2018

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.



MOHD MUAZZAM MOHAMED

Chief Executive Officer

45 years old - Malaysian

Date of Appointment: 5 December 2018

MANAGEMENT COMMITTEE



BUSINESS UNITS

- 01 **ZAHARIN MOHD ALI**
Head, Corporate Banking
- 02 **ADI ASRI BAHAROM**
Head, Treasury
- 03 **ZAMREE MOHAMED**
Head, Consumer Banking
- 04 **AHMAD HALIMAN ABDUL HALIM**
Head, Commercial Banking
- 05 **HAMID MOHD NOOR**
Head, SME Banking
- 06 **ZURY RAHIMEE ZAINAL ABIDEN**
Head, Deposits and Cash Management



The Bank's business units drive products and services strategies targeted at key market segments.

MANAGEMENT COMMITTEE (cont'd)



CORPORATE & OPERATIONS SUPPORT UNITS



- 01 **MOHAMED IRAN MORIFF MOHD SHARIFF**
Chief Operating Officer
- 02 **MARIA MAT SAID**
Head, Legal and Secretarial
- 03 **RAZMAN ISMAIL**
Head, Human Resources
- 04 **ZAINAL AZLAN ZAINUDIN**
Chief Technology Officer
- 05 **MIZAN MASRAM**
Head, Recovery and Rehabilitation
- 06 **AZLAN ABDUL SAMAD**
Head, Product Management
- 07 **NOOR FARILLA ABDULLAH**
Chief Strategy Officer



Corporate and operations support units ensure synergy towards macro goals while creating efficient infrastructure and systems for the business units to leverage on.

INDEPENDENT UNITS

- 01 **USTAZ MOHD NAZRI CHIK**
Chief Shariah Officer
- 02 **KHAIRUL MUZAMEL PERERA**
Chief Credit Officer
- 03 **ALINA SYLVIA APPOO**
Chief Risk Officer
- 04 **NIK AZMIR NIK ANIS**
Chief Compliance Officer
- 05 **ZALFITRI ABD MUTALIP**
Chief Internal Auditor



These units provide oversight and governance to ensure all activities are aligned to core principles and frameworks.

PROFILE OF MANAGEMENT COMMITTEE

BUSINESS UNITS

ZAHARIN MOHD ALI

Head, Corporate Banking

Encik Zaharin Mohd Ali has 23 years of experience in the banking industry. Since starting his career in 1995 as an executive

trainee with a foreign bank, he has served in various departments primarily in sales and services related functions. Encik Zaharin joined Bank Islam in 2010 as 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 has been responsible in overseeing Bank Islam's Corporate Banking portfolio. Encik Zaharin holds a Bachelor of Accountancy from University of Central England, UK.

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.

ZAMREE MOHAMED

Head, Consumer Banking

Encik Zamree Mohamed has 25 years of experience in the banking industry. He joined Bank Islam in 2004 and served in

various positions at branch & regional office level, primarily in Consumer Sales & Marketing. Encik Zamree was appointed as AGM of Consumer Sales Management in 2016 and was recently promoted to his current position as the Head of the Bank's Consumer Banking division where he oversees the Bank's fund-based and fee-based income position as well as promotes all the consumer products. Encik Zamree holds a Master in Business Administration (MBA) from Universiti Teknologi Mara (UiTM).

AHMAD HALIMAN ABDUL HALIM

Head, Commercial Banking

Encik Ahmad Haliman Abdul Halim has 22 years of experience in the banking industry. He joined Bank Islam in 2014 as the Head of Business

in Commercial Banking, where he has been driving the commercial banking business. In July 2018, he was entrusted to be the Acting Head of Commercial Banking. He was appointed to his current post in March 2019 with the role of overseeing Bank Islam's Commercial Banking portfolio. Encik Ahmad Haliman holds a Master in Business Administration from Winthrop University, South Carolina, USA and a Bachelor's Degree in Finance from University of North Carolina, Charlotte USA.

HAMID MOHD NOOR

Head, SME Banking

Encik Hamid Mohd Noor has 37 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 Pembiayaan Perniagaan Berhad ("SJPP"). Encik Hamid holds a Diploma in Accountancy from Universiti Teknologi MARA.

ZURY RAHIMEE ZAINAL ABIDEN

Head, Deposits and 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 where he was responsible for the growth of Consumer Banking's financing portfolio. Encik Zury Rahimee currently holds the portfolio of Head, Deposits and Cash Management since 2016 where he oversees the Bank's liquidity position, promotes deposits and investment products and expands the business of e-payment solutions. 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

An accountant by trade, Encik Mohamed Iran Moriff Mohd Shariff 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 the Consumer Banking Division of Bank Islam in October 2009. Encik Iran later moved to the Internal Audit Division in June 2012, initially as the Deputy Chief Internal Auditor and was later appointed Bank Islam's Chief Internal Auditor in May 2014. Encik Iran was appointed Bank Islam's Chief Operating Officer on 1 June 2017, and most recently completed the Chartered Bankers programme. A Certified Public Accountant ("CPA") and a fellow member of the Association of Chartered Certified Accountants ("ACCA"), Encik Iran holds a Masters in Business Administration from Strathclyde Business School, Glasgow and Bachelors in Accountancy from University of East Anglia, Norwich, UK.

MARIA MAT SAID

Head, Legal and Secretarial

Puan Maria Mat Said has about 27 years of experience in the banking industry, performing legal and company secretary functions.

She has been with Bank Islam since 2005 and was appointed as Bank Islam's Company Secretary in early 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. Later in 2009, Puan Maria was appointed as the Group Company Secretary where she also acts as the Company Secretary for BIMB Holdings Berhad. Puan Maria holds a Bachelor of Law from University of Malaya.

RAZMAN ISMAIL

Head, Human Resources

Encik Razman Ismail has been in the field of Human Resources for over 23 years. He started his foundation years in the consulting industry where he served

mainly clients from the banking and financial industry and was involved in many merger and integration exercises. He left the consulting industry to be a HR practitioner in the banking industry.

Encik Razman joined Bank Islam in July 2014 as the Head of Group Human Resources with an initial focus on strengthening the Bank's employer branding and developing its talent development blueprint. His focus is now on the initiatives to reshape the Bank's culture and help the Bank in its transformation agenda to achieve its three-year strategic plan. Encik Razman holds a Bachelor's Degree in Management with a major in Human Resource and a minor in Communication from Universiti Sains Malaysia.

ZAINAL AZLAN ZAINUDIN

Chief Technology Officer

Encik Zainal Azlan Zainudin has over 20 years of experience in the 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, and also Bank Islam where he held 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 and
Rehabilitation

Encik Mizan Masram has 21 years of experience in related fields and has held various positions with several foreign banks. He currently heads the

Recovery and 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.

AZLAN ABDUL SAMAD

Head, Product Management

Encik Azlan Abdul Samad has over 20 years of experience in the industry particularly in the Islamic banking sector and had served Bumiputra

Commerce Bank ("BCB"), CIMB Islamic & Standard Chartered Bank prior to joining Bank Islam in 2007. He was appointed as Bank Islam's Head of Product Management in 2013 mainly to oversee the development and implementation of the Bank's products. Encik Azlan holds a Bachelor's Degree (Finance) and Executive MBA (Business Administration) from Universiti Teknologi MARA ("UiTM").

NOOR FARILLA ABDULLAH

Chief Strategy Officer

Puan Noor Farilla Abdullah has spent most of her professional career in business transformation, programme management and complex project implementation.

She started her career in Accenture where she consulted with agencies and organisations involved in driving the Multimedia Super Corridor implementation. Puan Noor Farilla joined Bank Islam as the new Chief Strategy Officer in January 2019. Prior to that, she served as the Chief Operating Officer at Touch 'n Go, responsible for the transformation of the business and for continuous improvement of the company's processes and operations. Puan Noor Farilla's exposure in banking, payment system and business transformation would be ideal to help the Bank realise its transformation agenda. She graduated from the University of Warwick with a Bachelor's Degree in Economics.

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 15 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, a director of Terengganu Incorporated Sdn Bhd, a member of Baitulmal and Investment Committees of Selangor State Islamic Religious Council 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 Group Chief Shariah Officer of BIMB Holdings Berhad and 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 was recently appointed as a Non independent Director to the Board of Amana Bank Ltd (Sri Lanka). He also serves as the Chairman of the Underwriting and Investment Committee at the Bank and 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 20 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 functions of the 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 23 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. He also completed the Advance Compliance Academy Certification Programme offered by University of California at Berkeley, United States.

ZALFITRI ABD MUTALIP

Chief Internal Auditor

Encik Zalfitri Abd Mutalip has over 23 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 and has served as the Head of Branch Audit, Head of Head Office Audit and Head of Credit Audit prior to being appointed as the Acting Head of Internal Audit Division in June 2017. He is currently the Chief Internal Auditor of Bank Islam since January 2019. 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

AHMAD FAUZI MOHD AKHIR

HEAD OF REGIONAL OFFICE

Encik Ahmad Fauzi Mohd Akhir has more than 27 years of experience in branch operation and financing department, and has been with Bank Islam since 1991. He now heads the Regional Office of the Northern Region overseeing 28 Bank branches in Perak, Kedah, Pulau Pinang and Perlis. Encik Ahmad Fauzi holds a Bachelor of Science in Accounting from Fairleigh Dickinson University, USA.

ZAINAL PATTATE

HEAD OF REGIONAL OFFICE

Encik Zainal Pattate has more than 18 years of experience in the banking industry and has been with Bank Islam since 2000. He is currently the Head of Regional Office of Central Region in which he oversees a total of 50 branches comprising of 19 branches in Wilayah Persekutuan Kuala Lumpur, 29 branches in the state of Selangor and 2 branches in Wilayah Persekutuan Putrajaya. He started his career in Bank Islam as the Head of Recovery (East Malaysia Region) and has more than 8 years of experience in the Consumer & Commercial Recovery before he was transferred to Consumer Banking Division as Regional Consumer Business Manager in 2008. He was appointed as Head of Regional Office in March 2018 and previously headed the Southern Region. Encik Zainal Pattate holds a Bachelor's Degree in Accountancy from Universiti Teknologi MARA.

ABDULLAH IBRAHIM

HEAD OF REGIONAL OFFICE

Encik Abdullah Ibrahim has more than 30 years working experience with Bank Islam. He joined Bank Islam in 1987 as a Junior Officer and is well-exposed in Operation, Credit and Commercial Department. With his vast experience, he was appointed as a Branch Manager and had served Batu Pahat, Pasir Gudang, Johor Bahru and Shah Alam branch. In 2011, he was appointed as a Regional Consumer Business Manager for the Central Region. Recently, Encik Abdullah was promoted to be the Regional Manager of Southern Region, overseeing 28 branches in 3 states, Johor, Melaka & Negeri Sembilan. He holds a Master in Business Administration (MBA) from Universiti Utara Malaysia.

NORTHERN REGION 28 BRANCHES



CENTRAL REGION 50 BRANCHES



SOUTHERN REGION 28 BRANCHES



PROFILE OF REGIONAL MANAGERS

(cont'd)

WAN ROSITA WAN MOHAMED

HEAD OF REGIONAL OFFICE

Puan Wan Rosita Wan Mohamed has over 33 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.

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 holds a Diploma in Banking Studies from Universiti Teknologi MARA.

 **EASTERN REGION**
29 BRANCHES



 **EAST MALAYSIA REGION**
13 BRANCHES



PROFILE OF HEADS OF SUBSIDIARIES

NAJMUDDIN MOHD LUTFI

BIMB INVESTMENT MANAGEMENT BERHAD

Encik Najmuddin Mohd Lutfi is the Chief Executive Officer and Non-Independent Director of BIMB Investment Management Berhad ("BIMB Investment") since 2015. BIMB Investment was incorporated in 1993 and is a wholly-owned subsidiary of Bank Islam Malaysia Berhad.

He has over 18 years of experience in the financial services industry and was formerly with a central bank and local and foreign asset management companies.

Encik Najmuddin graduated with an MBA and Bachelor of Science in Business Administration from the University of Missouri – St. Louis, USA, alumni of the Judge Business School Advanced Leadership program of the University of Cambridge, UK, registered with the Federation of Investment Managers Malaysia ("FIMM") and holds the Securities Commission's Capital Markets Services Representative's License.

CHIEF EXECUTIVE OFFICER



MASDAYANA MD SETAMAM

BANK ISLAM TRUST COMPANY (LABUAN) LTD

Puan Masdayana Md Setamam started her career with Bank Islam Trust Company (Labuan) Ltd ("BTL") back in 2005 as the Assistant Manager which undertakes the task of all financial & fiscal management aspects of BTL's operations. She was appointed as the Chief Executive Officer and Principal Officer of BTL on 13 October 2017. She is also a qualified Trust Officer, a license certified by the Labuan Financial Services Authority.

She has over 14 years of experience in Offshore Trust industries and held various positions including Compliance Manager, Business Continuity Management Division Coordinator as well as Business Risk Officer. She was also appointed by the Board of Director of BTL to be the Manager and authorised officer of BIMB Offshore Company Management Services which was the subsidiary company of BTL.

Puan Masdayana possesses a Bachelor's Degree in International Business from University Malaysia Sabah.

CHIEF EXECUTIVE OFFICER/ PRINCIPAL OFFICER



PROMOTING EXEMPLARY ETHICS, TRANSPARENCY & GOVERNANCE

“Our tagline ‘Assuring Trust. Delivering Value.’ carries our promise of good governance, honest conduct and ethical decision making. These traits steer Bank Islam in accordance with its commitment to living out the VBI principles.”

Mohd Muazzam Mohamed
Chief Executive Officer





“Moving ahead, we are focused on driving workplace behavioural change with the establishment of our Transformation programmes. Our Bank-wide culture change emphasises adherence to Shariah goals and principles, and full regulatory compliance.”

Datuk Zamani Abdul Ghani
Chairman

ETHICS, INTEGRITY & TRUST

IN ADVANCING THROUGH THE CHALLENGING AND COMPETITIVE BUSINESS ENVIRONMENT, THE BANK LEVERAGES ON A FOUNDATION BUILT ON THE GREATNESS OF ISLAMIC CONDUCT THAT VALUES PRINCIPLES OF INTEGRITY, HONESTY AND RESPONSIBILITY. WE MEET CUSTOMERS' NEEDS AND REALISE THEIR EXPECTATIONS THROUGH THESE PRINCIPLES WHICH CREATE TRUST AND CONFIDENCE.

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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 staff behaviours in contravention to the Bank's Code of Ethics and Conduct. Investigations on issues pertaining to ethics and integrity are performed by the Bank's 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, require 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 directorships 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 assets.

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 has always conducted its business in conformity with high ethical standards, with full adherence to all Shariah laws and regulations applicable 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 laws, regulations and policies governing AML/CFT.

These include the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFPUAA) and ongoing AML/CFT Policy Documents issued out by Bank Negara Malaysia ("BNM").

In ensuring compliance to the above, Bank Islam undertakes the following:-

- 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 is able to raise alert should there be elements of suspicion as pre-determined by the AML/CFT Department;
- Roll out the AML/CFT Awareness e-learning course which has been 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 ("CFP") 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.

In 2018, face-to-face learning sessions were conducted nationwide to inculcate and promote the principles of good governance in all aspects of its business operations that emphasise on integrity, accountability, fairness and no tolerance towards bribery and corruption. This learning session was followed with CFP signing by staff in all 13 States and 3 Federal Territories in front of the Malaysian Anti-Corruption Commission's State Directors. 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 personnel. 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 2016 and in 2017.

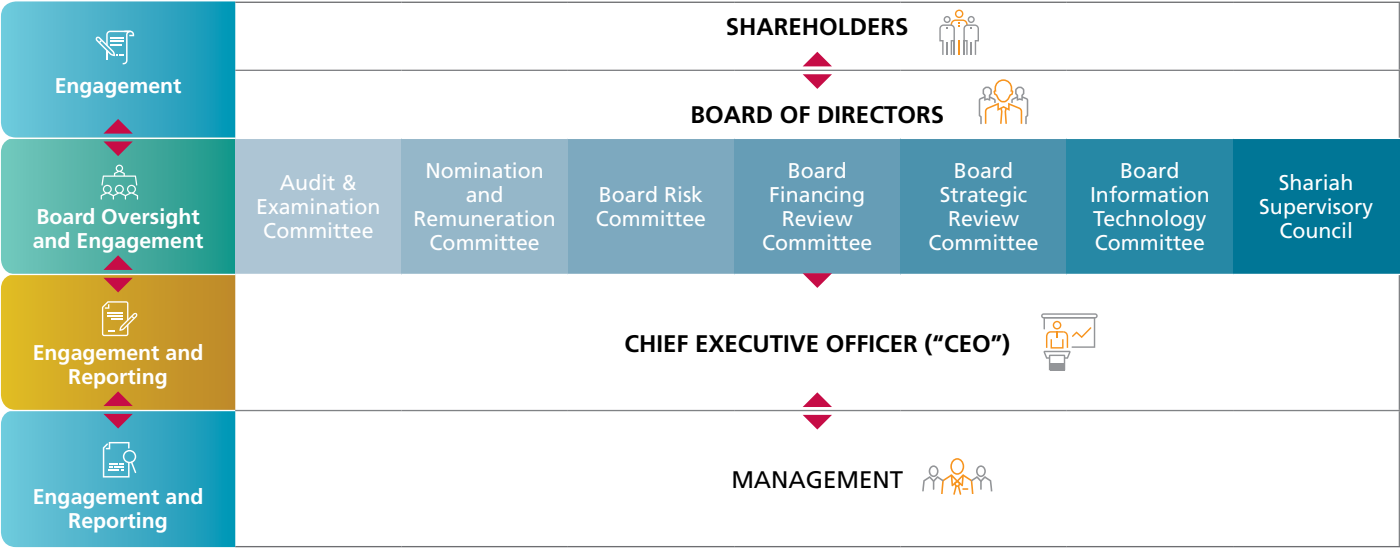


STATEMENT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS OF BANK ISLAM (“THE BOARD”) IS COMMITTED TO PROMOTING AND INSTILLING A STRONG CULTURE OF CORPORATE GOVERNANCE THROUGHOUT THE ORGANISATION. THE BOARD RECOGNISES THE IMPORTANCE OF A SOUND INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM, AND ETHICAL BEHAVIOUR BASED ON SHARIAH RULES AND PRINCIPLES. AN INDEPENDENT SHARIAH SUPERVISORY COUNCIL REPORTS DIRECTLY TO THE BOARD, PROVIDING NECESSARY OVERSIGHT AND ENGAGEMENT TO ENSURE ALL DECISIONS ARE ALIGNED TO SHARIAH PRINCIPLES.

CORPORATE GOVERNANCE FRAMEWORK

The governance structure of Bank Islam is illustrated below:



Our corporate governance framework is in line with 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.

SECTION A: THE BOARD



PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities



The Board has the overall responsibility to promote the sustainable growth and financial soundness of Bank Islam, and give direction and oversight to the management of the business and operations of Bank Islam.

Key responsibilities of board members

The key responsibilities of the board members are as follows:

Role 	Key responsibilities 
Chairman Datuk Zamani Abdul Ghani	<ul style="list-style-type: none"> • Provide leadership for the operation, governance and meetings of the Board; • Set the agenda for Board meetings and encouraging debate to ensure sound decision-making; • Oversee the performance evaluation of the Board and its Committees; and • Communicate with stakeholders and ensure stakeholders' views are communicated to the Board.
Non-Executive Directors (Independent and Non-Independent) Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin Zahari @ Mohd Zin Idris Datuk Zaiton Mohd Hassan (<i>resigned with effect from 18 February 2019</i>) Mohamed Ridza Mohamed Abdulla Noraini Che Dan Nik Mohd Hasyudeen Yusoff Dato' Sri Khazali Ahmad Azizan Ahmad	<ul style="list-style-type: none"> • Review and approve strategic and policy matters of the Bank's business and operations; • Scrutinise, measure and review the performance of the Management in implementing the approved strategies and policies; • Review the Bank's accounting and financial reporting system, ensure implementation of the Bank's governance, and ensure systems of internal control and risk management are appropriate and effective; • Oversee the Bank's compliance with regulatory requirements; and • Review succession plans for the Board, Shariah Supervisory Council ("SSC") and Senior Management.

The role and responsibilities of the Chairman and the Chief Executive Officer are clearly demarcated in the Board Charter. The key responsibilities of the Chief Executive Officer are as below:

Role 	Key Responsibilities 
Chief Executive Officer Mohd Muazzam Mohamed	<ul style="list-style-type: none"> • 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.

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

The Board is assisted by the Company Secretary (the post is currently held by Maria Mat Said) who is responsible for the following matters:

CORPORATE GOVERNANCE ADVISORY



- Advising the Board on its roles and responsibilities.
- Monitoring corporate governance developments and assisting the Board in applying governance practices.
- Facilitating the orientation of new Directors and assisting in Directors' training and development.

COMPLIANCE ADVISORY



- Advising the Board on corporate disclosures and compliance with Company regulation and other regulatory bodies.
- Notifying the Chairman of any possible violations of regulatory requirements.

INFORMATION FLOWS AND MEETINGS



- Managing the logistics and recording minutes of all Board and Board Committee meetings.
- Facilitating Board communication.
- Relaying Board and Board Committee decisions to Management to act upon.

STAKEHOLDER COMMUNICATION



- Managing processes pertaining to general meetings.
- Serving as a focal point for stakeholders' communication and engagement on corporate governance issues.

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Authority and Delegation

The Board has authorised the Management to execute certain functions to facilitate the day-to-day operations of Bank Islam. However, the Board Charter and the Board of Directors' Terms of Reference prescribes that the following matters are specifically reserved for the Board:

Key Matters Reserved for the Board



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



Board Meetings

The Board and Board Committee meetings are held regularly to discuss key matters involving strategic, governance and operational issues. The Board and Board Committees' procedures are as follows:

Before Meeting 	At Every Meeting 	Frequent and Effective Engagement with the Board 
<ul style="list-style-type: none"> • Planning and scheduling are done in advance in consultation with the Directors. • The Chairman oversees the setting of the agenda in consultation with the CEO. • The agenda is carefully managed but allows for flexibility when needed. • Insertion of any other agenda items may be requested by any Director. • A comprehensive Board paper comprising objectives, background, purpose, implications, risk, analysis, recommendations and other relevant information is prepared and circulated to enable the Board to make informed and effective decisions. • All materials, including previous Board minutes are circulated at least five (5) days prior to the meetings. • External advisers may be engaged if deemed necessary. 	<ul style="list-style-type: none"> • The Chairman promotes open and frank debates by all Directors. Board members come well prepared to engage in robust discussions. • If there is a conflict of interest, the Director in question will excuse himself and abstain from discussions and deliberation on that matter. • The CEO gives an update on the Bank's business and operations as well as a macro perspective on industry trends and developments. • The Chief Financial Officer ("CFO") presents the financial performance and significant financial highlights. • The respective Heads of Division and external advisers may be invited to attend the meeting to advise the Board on certain matters under discussion. Directors will have the opportunity to discuss specific areas with them and where relevant, challenge the ideas presented. • Subject matter experts (external or in-house) are invited to present on key topics identified by the Board and to give updates on corporate restructuring, corporate governance, risk management, capital, tax, accounting, listing and other regulations which may have an impact on Bank Islam's affairs. • Decisions are made unanimously. • All decisions and conclusions are recorded in the Board minutes. 	<ul style="list-style-type: none"> • The Board is regularly updated on the performance of the Bank. • Outside Board meetings, Board approvals for matters in the ordinary course of business can be obtained through written resolutions. • Ad-hoc meetings are held when necessary. There were five (5) ad-hoc Board meetings held in 2018. • The CFO provides the Board with detailed financial performance reports every two (2) months. • Directors have direct access to Senior Management and may request for additional information from them. • Directors also have various opportunities to interact with Senior Management during the Bank's official functions/events. • Some Directors also sit on the Board of the subsidiaries. This arrangement enables them to have a better understanding of the operations and activities of the subsidiaries. • Directors have access to the Company Secretary at all times. The Company Secretary attends all meetings, generally assists Directors in the discharge of their duties and facilitates communication between the Board, the Board Committees and the Management. The Company Secretary also helps with the induction of new Directors.

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

Details of the Board of Directors' meetings and attendance in 2018 are as follows:

Name of Board Member	Attendance/Number of Meetings in 2018	%
Datuk Zamani Abdul Ghani (Chairman)	11/11	100
Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin	11/11	100
Zahari @ Mohd Zin Idris	11/11	100
Datuk Zaiton Mohd Hassan	11/11	100
Mohamed Ridza Mohamed Abdulla	10/11	91
Noraini Che Dan	11/11	100
Nik Mohd Hasyudeen Yusoff	10/11	91
Dato' Sri Khazali Ahmad	11/11	100
Azizan Ahmad	11/11	100


Eleven (11) meetings were held during the financial year ended 31 December 2018, in line with the required frequency as stipulated in the Terms of Reference of the Board. Apart from the members of the Board, meetings are also attended by the Chairman of the SSC and the CEO.





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

TOTAL BOARD MEETINGS HOURS
22 HOURS

Board Activities

Amongst the strategic matters considered by the Board in 2018 include the following:

Area of Focus	Matters Considered by the Board
Strategy and Business Planning 	<ul style="list-style-type: none"> Review the Strategic Direction of the Bank for the next three (3) years until 2021; Review and approve strategy and business plan including the annual capital expenditure, budget, capital plan and Key Performance Indicators ("KPIs"); Ensure that the KPIs are in line with the proposed strategy and business plan; Review and challenge the Management's views/assumptions on the proposed strategy and business plan to ensure informed decision is made in the interest of the Bank; Approve the adoption of Value-based Intermediary ("VBI") as the overarching theme for the Bank's strategy and business plan for the financial year 2019. VBI is the Bank's new business model which aims to deliver a sustainable performance with a strategic focus to support economic, social and environmental development, and it will be guided by the Shariah principles and goals; and Review the remuneration and benefit structure of employees to instill a performance driven culture.



Area of Focus	Matters Considered by the Board
Business Performance 	<ul style="list-style-type: none"> Review the Bank's business performance based on the financial reports presented to the Board; Review performance of the CEO and the Management against the approved KPIs; and Review the progress of the strategic initiatives and key operational issues of the Bank.
Risk Management 	<ul style="list-style-type: none"> Review and approve risk management related policies, credit policies, and other significant operational policies based on the recommendations of the Board Risk Committee ("BRC"); and Approve the review of the authority limits of the financing committees to ensure better credit prudence and oversight by the Board.
Compliance 	<ul style="list-style-type: none"> Oversee the establishment, implementation and effectiveness of the compliance function, with the assistance of the BRC and the Audit & Examination Committee ("AEC").
Governance 	<ul style="list-style-type: none"> Oversee the implementation of the Bank's overall governance framework to be in line with the requirements under BNM Corporate Governance Policy, Shariah Governance framework for Islamic Financial Institutions and other best practices.
Succession Planning 	<ul style="list-style-type: none"> Oversee the process for nomination, remuneration and succession plan of the Board, Board Committees, SSC, the CEO and key Senior Management personnel.

Board Committees

The Board has delegated its authority to various Board committees to enable them to oversee specific areas but the Board remains fully accountable for any authority delegated to the Board.

IN 2018, THE BOARD ESTABLISHED TWO (2) ADDITIONAL BOARD COMMITTEES NAMELY THE BOARD STRATEGIC REVIEW COMMITTEE ("BSRC") AND BOARD INFORMATION TECHNOLOGY COMMITTEE ("BITC"), TO ASSIST THE BOARD IN OVERSEEING THE IMPLEMENTATION OF THE KEY STRATEGIC PLAN OF THE BANK AS WELL AS THE INITIATIVES RELATING TO INFORMATION TECHNOLOGY AND DIGITALISATION.



The roles and responsibilities of the Board Committees are as follows:

Board Committee 	Key Responsibilities 
Board Risk Committee ("BRC") Chairman Nik Mohd Hasyudeen Yusoff Members Datuk Zamani Abdul Ghani Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin Datuk Zaiton Mohd Hassan (<i>resigned with effect from 18 February 2019</i>) Zahari @ Mohd Zin Idris Noraini Che Dan Azizan Ahmad	<ul style="list-style-type: none"> Assist the Board in meeting the expectations on risk management as set out by BNM. Oversee the Management's activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah risk and other risk. Ensure that the risk management process is in place and functioning.

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

Board Committee 	Key Responsibilities 
<p>Audit & Examination Committee ("AEC")</p> <p>Chairman Noraini Che Dan</p> <p>Members Datuk Zamani Abdul Ghani Zahari @ Mohd Zin Idris Datuk Zaiton Mohd Hassan (<i>resigned with effect from 18 February 2019</i>) Dato' Sri Khazali Ahmad Nik Mohd Hasyudeen Yusoff Mohamed Ridza Mohamed Abdulla</p>	<ul style="list-style-type: none"> • Ensure that there is a reliable and transparent financial reporting process and internal control system within the Bank. • Oversee the effectiveness of the internal auditors and external auditors of the Bank.
<p>Nomination & Remuneration Committee ("NRC")</p> <p>Chairman Noraini Che Dan</p> <p>Members Datuk Zamani Abdul Ghani Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin Datuk Zaiton Mohd Hassan (<i>resigned with effect from 18 February 2019</i>) Zahari @ Mohd Zin Idris Nik Mohd Hasyudeen Yusoff</p>	<ul style="list-style-type: none"> • Assist the Board on the process for nomination, remuneration and succession plan of the Board, Board Committees, SSC, the Chief Executive Officer and key Senior Management personnel.
<p>Board Financing Review Committee ("BFRC")</p> <p>Chairman Zahari @ Mohd Zin Idris</p> <p>Members Datuk Zamani Abdul Ghani Datuk Zaiton Mohd Hassan (<i>resigned with effect from 18 February 2019</i>) Nik Mohd Hasyudeen Yusoff Mohamed Azizan Ahmad</p>	<ul style="list-style-type: none"> • Review of financing and/or investment proposals approved by the Financing Committee 'A' and/or Underwriting & Investment Committee of the Management based on the limits determined by the Board.
<p>Board Strategic Review Committee ("BSRC")</p> <p>Chairman Nik Mohd Hasyudeen Yusoff</p> <p>Members Noraini Che Dan Mohamed Ridza Mohamed Abdulla Datuk Zaiton Mohd Hassan (<i>resigned with effect from 18 February 2019</i>)</p>	<ul style="list-style-type: none"> • Assist the Board to oversee, supervise and monitor the implementation of identified key strategic matters and any corporate exercises involving the Bank that the Board has endorsed or approved.

Board Committee 	Key Responsibilities 
Board Information Technology Committee ("BITC") Chairman Mohamed Ridza Mohamed Abdulla Members Dato' Sri Khazali Ahmad Azizan Ahmad	<ul style="list-style-type: none"> Assist the Board in overseeing the implementation of strategies of Information Technology ("IT") and digitalisation activities including e-banking initiatives of the Bank.

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

Board Committee Meetings

Board Risk Committee ("BRC")

Details of the BRC meetings and attendance in 2018 are as follows:

Name of Committee Member	Attendance/Number of Meetings in 2018	%
Nik Mohd Hasyudeen Yusoff (Chairman)	6/6	100
Datuk Zamani Abdul Ghani	6/6	100
Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin	6/6	100
Zahari @ Mohd Zin Idris	6/6	100
Datuk Zaiton Mohd Hassan	4/6	67
Noraini Che Dan	6/6	100
Azizan Ahmad*	5/5	100

* Azizan Ahmad was appointed as the BRC member with effect from 1 February 2018.

Six (6) meetings were held during the financial year ended 31 December 2018, in line with the required frequency as stipulated in the Terms of Reference of the BRC. Apart from the members of the BRC, meetings are also attended by two (2) SSC representatives, the CEO, the Chief Risk Officer, the Chief Credit Officer, the Chief Shariah Officer, the Chief Compliance Officer and Head of Treasury. The Board receives regular updates on significant matters deliberated during the BRC meetings and minutes of the BRC meetings are circulated to the Board.

SIX (6) OUT OF SEVEN (7) BRC MEMBERS
COMPLIED WITH THE MINIMUM
ATTENDANCE REQUIREMENT UNDER THE
BNM CG POLICY OF NOT LESS THAN 75%

TOTAL BRC
MEETINGS HOURS
21 HOURS



STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

A summary of the matters considered by the BRC in 2018 are as follows:

- Review of the following reports:
 - Risk management report covering credit risk, market risk, operational risk and Shariah non-compliance risk;
 - Emerging risk report; and
 - Compliance report covering Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT"), regulatory compliance and update on new policies and regulations.
- Review of the following for approval:
 - Strategies for liquidity management;
 - Stress test scenario and its methodology for capital management;
 - Credit scoring methodologies for credit management;
 - Investment strategies for Treasury; and
 - Limits for credit and market risk management.
- Review of the following for recommendation to the Board:
 - the risk appetite setting for the Bank to ensure it is in line with the corporate strategy and direction;
 - the implementation of the Internal Capital Adequacy Assessment Process ("ICAAP") for the Bank;
 - new product/services proposed by the business units to ensure it is in line with the target risk profile and risk acceptance criteria for the Bank; and
 - significant business and operating policies of the Bank.

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Audit & Examination Committee ("AEC")

Details of the AEC meetings and attendance in 2018 are as follows:

Name of Committee Member	Attendance/Number of Meetings in 2018	%
Noraini Che Dan (Chairman)	8/8	100
Datuk Zamani Abdul Ghani	8/8	100
Zahari @ Mohd Zin Idris	8/8	100
Datuk Zaiton Mohd Hassan	6/8	75
Nik Mohd Hasyudeen Yusoff	8/8	100
Mohamed Ridza Mohamed Abdulla	8/8	100
Dato' Sri Khazali Ahmad*	7/7	100

* Dato' Sri Khazali Ahmad was appointed as the AEC member with effect from 1 February 2018.

Eight (8) meetings were held during the financial year ended 31 December 2018, in line with the required frequency as stipulated in the Terms of Reference of the AEC. Apart from the members of the AEC, meetings are also attended by the CEO, the Chief Internal Auditor and the Chief Compliance Officer. The Board receives regular updates on significant matters deliberated during the AEC meetings and minutes of the AEC are circulated to the Board.

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

TOTAL AEC MEETINGS HOURS
21 HOURS
45 MINUTES

A summary of the matters considered by the AEC in 2018 are as follows:

- Review of the following:
 - internal audit reports on the Head Office, the branches and identified critical units of Bank Islam;
 - Shariah audit report on relevant units/functions of Bank Islam;
 - the investigation reports on fraud cases in the Bank; and
 - significant matters highlighted by the Management or the External Auditor and reviewed the progress updates on the action plan.
- Review for recommendation to the Board:
 - the unaudited interim financial statements and the audited financial statements;
- Approved the external auditors and internal auditors' plan and reviewed the progress; and
- Evaluated the performance of the External Auditors and recommended their reappointment to the Board.

Nomination & Remuneration Committee ("NRC")

Details of the NRC meetings and attendance in 2018 are as follows:

Name of Committee Member	Attendance/Number of Meetings in 2018	%
Noraini Che Dan (Chairman)	8/8	100
Datuk Zamani Abdul Ghani	8/8	100
Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin	8/8	100
Zahari @ Mohd Zin Idris	8/8	100
Datuk Zaiton Mohd Hassan	7/8	88
Nik Mohd Hasyudeen Yusoff*	7/7	100

* Nik Mohd Hasyudeen Yusoff was appointed as the NRC member with effect from 1 February 2018.

Eight (8) meetings were held during the financial year ended 31 December 2018, in line with the required frequency as stipulated in the Terms of Reference of the NRC. Apart from the members of the NRC, meetings are also attended by the CEO. Head of the Human Resources will also be invited to facilitate deliberation of issues under his purview. The Board receives regular updates on significant matters deliberated during the NRC meetings and minutes of the NRC are circulated to the Board.

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

TOTAL NRC
MEETINGS HOURS
12 HOURS
15 MINUTES

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

A summary of the matters considered by the NRC in 2018 are as follows:

Review for recommendation to the Board the following:

- the revised composition of the Board Committees;
- reappointment of one (1) Non-Independent Non-Executive Director and two (2) Independent Non-Executive Directors;
- the appointment of a new Chief Executive Officer ("CEO") to replace the former CEO, who resigned on 20 July 2018;
- the appointment of new nominee directors in companies where Bank Islam has interest in;
- the appointment of new Heads of Division to fill up vacancies of several positions;
- renewal of contract of service of Senior Management and their remuneration;
- annual reward for Senior Management based on their performance and KPIs; and
- the review of the employees' remuneration framework based on study undertaken by the external consultant.

Board Financing Review Committee ("BFRC")

Details of the BFRC meetings and attendance in 2018 are as follows:

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Name of Committee Member	Attendance/Number of Meetings in 2018	%
Zahari @ Mohd Zin Idris (Chairman)	11/11	100
Datuk Zamani Abdul Ghani	11/11	100
Datuk Zaiton Mohd Hassan	7/11	64
Nik Mohd Hasyudeen Yusoff	11/11	100
Azizan Ahmad*	9/10	90

* Azizan Ahmad was appointed as the BFRC member with effect from 1 February 2018.

Eleven (11) meetings were held during the financial year ended 31 December 2018, in line with the required frequency as stipulated in the Terms of Reference of the BFRC. Apart from the members of the BFRC, the meetings are also attended by the CEO, the Chief Credit Officer and Heads of the respective business units. The Board receives regular updates on significant matters deliberated during the BFRC meetings and minutes of the BFRC are circulated to the Board.

FOUR (4) OUT OF FIVE (5) BFRC MEMBERS
COMPLIED WITH THE MINIMUM
ATTENDANCE REQUIREMENT UNDER THE
TERMS OF REFERENCE OF NOT LESS THAN

TOTAL BFRC
MEETINGS HOURS
14 HOURS
45 MINUTES

75%

A summary of the matters considered by the BFRC in 2018 are as follows:

Reviewed and where necessary exercised their right to veto the following proposals:

- 59 new investment or financing/credit proposals;
- 113 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.

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 VBI investments or financing/credit proposals in line with the corporate strategic direction.

Board Strategic Review Committee ("BSRC")

Details of the BSRC meetings and attendance in 2018 are as follows:

Name of Committee Member	Attendance/Number of Meetings in 2018	%
Nik Mohd Hasyudeen Yusoff (Chairman)	4/4	100
Datuk Zaiton Mohd Hassan	4/4	100
Noraini Che Dan	4/4	100
Mohamed Ridza Mohamed Abdulla	4/4	100

Four (4) meetings were held during the financial year ended 31 December 2018, in line with the required frequency as stipulated in the Terms of Reference of the BSRC. Apart from the members of the BSRC, meetings are also attended by the CEO. The Board receives regular updates on significant matters deliberated during the BSRC meetings and minutes of the BSRC are circulated to the Board.

ALL BSRC MEMBERS COMPLIED WITH THE MINIMUM ATTENDANCE REQUIREMENT UNDER THE TERMS OF REFERENCE OF NOT LESS THAN 75%

TOTAL BSRC MEETINGS HOURS
8 HOURS



A summary of the matters considered by the BSRC in 2018 are as follows:

Reviewed and recommended to the Board a 3-year strategic business direction and the proposed revision of the Vision and Mission Statement of the Bank.

Board Information Technology Committee ("BITC")

Details of the BITC meetings and attendance in 2018 are as follows:

Name of Committee Member	Attendance/Number of Meetings in 2018	%
Mohamed Ridza Mohamed Abdulla (Chairman)	3/3	100
Dato' Sri Khazali Ahmad	3/3	100
Azizan Ahmad	3/3	100

Three (3) meetings were held during the financial year ended 31 December 2018, in line with the required frequency as stipulated in the Terms of Reference of the BITC. Apart from the members of the BITC, the meetings are also attended by the CEO and the Chief Technology Officer. The Board receives regular updates on significant matters deliberated during the BITC meetings and minutes of the BITC are circulated to the Board.

ALL BITC MEMBERS COMPLIED WITH THE MINIMUM ATTENDANCE REQUIREMENT UNDER THE TERMS OF REFERENCE OF NOT LESS THAN 75%

TOTAL BITC MEETINGS HOURS
5 HOURS
30 MINUTES



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

A summary of the matters considered by the BITC in 2018 are as follows:

- Review of the IT security status of the Bank based on review performed by independent consultant;
- Review for recommendation to the Board the IT Blueprint of the Bank; and
- Reviewed and approved the Cyber Security and Technology Risk Management Strategies for the Bank.

Board Professionalism

• Board Conduct

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 which includes the following:-

Code of Ethics

The Board is committed to setting the tone and applying ethical standards of behavior 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.

Conflicts of Interests

The Board Charter states that a director, upon acceptance of his/her appointment and subsequently upon come to his knowledge, to declare any conflicts of interest including whether such interest arises through close family members. In the event of any conflict of interest, the Director shall abstain from participating in discussions and decisions on matters which directly involve him.

External Professional Commitment

To ensure the director will not have competing time commitments that could impair his/her ability to discharge his/her duties effectively, the Board Charter states the maximum number of external professional commitments of each director must not be more than ten (10), unless with the prior approval of the Board.

Whistle-Blowing Policy

The Whistle-Blowing policy has been established to provide an avenue for reporting and/or disclosing of any wrongdoings, malpractices or irregularities committed by employees and/or external parties against the Bank's interest. Datuk Zamani Abdul Ghani is the designated non-executive director responsible for the effective implementation of the Whistle-blowing policy.

In 2018, the Board has approved the enhancement of the Whistle Blowing policy. Face-to-face learning sessions were conducted nationwide to provide better understanding on the enhanced

policy and the processes involved in the investigation after a report is lodged. The aim of the learning sessions was to instil confidence to employees that their identity will be protected throughout the process. In addition, the Anti-Corruption Pledge was also signed by staff in all 13 States and 3 Federal Territories in front of the Malaysian Anti-Corruption Commission's State Directors after the face-to-face learning sessions. Other steps the Bank has taken to encourage a compliance culture includes placing of buntings to encourage "Speaking Up" and establishment of an internal portal.

The improved policy and continuous learning saw an increase number of whistle-blowing cases lodged for the financial year under review which serves as an indicator that employees have faith in the framework. The outcome of the whistle-blowing investigations were shared with the AEC after the cases were deliberated in the Management's Disciplinary Committee.

• Professional development and continuous education for directors

Bank Islam is dedicated to the ongoing development of its directors to ensure that each director possesses the knowledge and skills necessary to discharge their responsibilities.

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 program under the Financial Institutions Directors' Education Program ("FIDE") within a year and to complete the program 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.

All Board members have attended and completed the Director's Core Training Program 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.

The following lists the training attended by the directors in 2018:

Name of Directors	Organiser	List of Training/Conference/Seminar/Workshop Attended
Datuk Zamani Abdul Ghani	<ul style="list-style-type: none"> • Bank Islam (Internal) • FIDE 	<ul style="list-style-type: none"> • Information Technology ("IT") Roadmap and Digital Journey • 5th BNM-FIDE FORUM Annual Dialogue with the Deputy Governor of BNM
	<ul style="list-style-type: none"> • FIDE • FIDE • BIMB Invest (Internal) • Bank Islam (Internal) • Bank Islam (Internal) 	<ul style="list-style-type: none"> • Win The Innovation Race By Professor Roy Chua • Credit Risk Management - Banking Sector • Arabesque - Investment Strategy and Process • IT Security Talk By Cybersecurity Malaysia • Directors and Shareholders' Rights & Responsibilities
Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin	<ul style="list-style-type: none"> • Bank Islam (Internal) • JAKIM • MUIP • USIM 	<ul style="list-style-type: none"> • Information Technology ("IT") Roadmap and Digital Journey • Multaqah Dakwah Pemikiran Islam • Training Bengkel Zakat & Wakaf • Syarahan Perdana "Corporate and Syariah Governance and Public Trust Entities" • Konvensyen Zakat - Negeri Pahang, Kutipan dan Pengurusan Zakat Asnaf (Asnaf Muallaf) • Bengkel Khas Penyelidikan Mata Wang Krypto: Analisis Syarak
	<ul style="list-style-type: none"> • MUIP • Department of MUFTI Pahang 	
Zahari @ Mohd Zin Idris	<ul style="list-style-type: none"> • Bank Islam (Internal) • AIBIM 	<ul style="list-style-type: none"> • Information Technology ("IT") Roadmap and Digital Journey • Development of Environment and Social Impact Assessment Framework ("ESIAF") for VBI • IT Security Talk By Cybersecurity Malaysia • Directors and Shareholders' Rights & Responsibilities
	<ul style="list-style-type: none"> • Bank Islam (Internal) • Bank Islam (Internal) 	
Datuk Zaiton Mohd Hassan	<ul style="list-style-type: none"> • Bank Islam (Internal) • FIDE 	<ul style="list-style-type: none"> • Information Technology ("IT") Roadmap and Digital Journey • 5th BNM-FIDE FORUM Annual Dialogue with the Deputy Governor of BNM
	<ul style="list-style-type: none"> • FIDE • BIMB Invest (Internal) 	<ul style="list-style-type: none"> • 1st PIDM-FIDE FORUM Dialogue • Arabesque - Investment Strategy and Process

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

Name of Directors	Organiser	List of Training/Conference/Seminar/Workshop Attended
Mohamed Ridza Mohamed Abdulla	<ul style="list-style-type: none"> Bank Islam (Internal) FIDE 	<ul style="list-style-type: none"> Information Technology ("IT") Roadmap and Digital Journey BNM-FIDE FORUM Dialogue – Managing Cyber Risks in Financial Institutions
Noraini Che Dan	<ul style="list-style-type: none"> FIDE BIMB Invest (Internal) Silverlake Bank Islam (Internal) Management Events 	<ul style="list-style-type: none"> Credit Risk Management - Banking Sector Arabesque - Investment Strategy and Process Digital Collaboration & Transformation Conference IT Security Talk By Cybersecurity Malaysia High Council Meetups – ASEAN Board of Directors 2018
Noraini Che Dan	<ul style="list-style-type: none"> Bank Islam (Internal) FIDE 	<ul style="list-style-type: none"> Information Technology ("IT") Roadmap and Digital Journey Navigation the VUCA World by Professor Tan Sri Dato ' Dr Lin See-Yan
Noraini Che Dan	<ul style="list-style-type: none"> FIDE FIDE TNB SIDC 	<ul style="list-style-type: none"> FIDE FORUM EVENT - 1st Distinguished Board Leadership Series & BNM-FIDE FORUM Focus Group Discussion 5th BNM-FIDE FORUM Annual Dialogue with the Deputy Governor of BNM Board Development Programme 2018. Strategic Investment Business Foresight Forum Disruption and Collaborations. The Rise of Capital Market BSS 4.0
Noraini Che Dan	<ul style="list-style-type: none"> FIDE TNB Bank Islam (Internal) SP SETIA KHAZANAH NASIONAL MASB Bank Islam (Internal) 	<ul style="list-style-type: none"> Credit Risk Management - Banking Sector Conference of The Electric Power Supply Industry (CEPSI) IT Security Talk By Cybersecurity Malaysia Board Development Programme Sale and Services Tax Forum on Balance Recalibrating Markets, Firms, Society and People Session on Accounting and Islamic Finance Directors and Shareholders' Rights & Responsibilities
Nik Mohd Hasyudeen Yusoff	<ul style="list-style-type: none"> Bank Islam (Internal) FIDE 	<ul style="list-style-type: none"> Information Technology ("IT") Roadmap and Digital Journey FIDE FORUM EVENT - 1st Distinguished Board Leadership Series & BNM-FIDE FORUM Focus Group Discussion
Nik Mohd Hasyudeen Yusoff	<ul style="list-style-type: none"> SIDC SIDC SIDC FIDE 	<ul style="list-style-type: none"> Capital Market Director Program – Module 1 Capital Market Director Program – Module 2B Capital Market Director Program – Module 3 5th BNM-FIDE FORUM Annual Dialogue with the Deputy Governor of BNM
Nik Mohd Hasyudeen Yusoff	<ul style="list-style-type: none"> FIDE AICB FIDE ICLIF Bank Islam (Internal) FIDE 	<ul style="list-style-type: none"> 1st PIDM-FIDE FORUM Dialogue The ("MIS") Behavior of Financial Markets - Expert Insight Emerging Risk, The Future and Return on Compliance Programme The Mandatory Accreditation Programme IT Security Talk By Cybersecurity Malaysia FIDE FORUM Dinner Talk: "The Director as Coach": An exclusive dialogue with Dr Marshall Goldsmith and Launch of FIDE FORUM's "DNA of a Board Leader"

Name of Directors	Organiser	List of Training/Conference/Seminar/Workshop Attended
Dato' Sri Khazali Ahmad	<ul style="list-style-type: none"> • Bank Islam (Internal) • FIDE • FIDE • FIDE • Bank Islam (Internal) 	<ul style="list-style-type: none"> • Information Technology ("IT") Roadmap and Digital Journey • FIDE Core Program – Module A • Credit Risk Management – Banking Sector • FIDE Core Program – Module B • Directors and Shareholders' Rights & Responsibilities
Azizan Ahmad	<ul style="list-style-type: none"> • Bank Islam (Internal) • AIBIM • FIDE • FIDE • FIDE • Bank Islam (Internal) • Bank Islam (Internal) 	<ul style="list-style-type: none"> • Information Technology ("IT") Roadmap and Digital Journey • Development of Environment and Social Impact Assessment Framework ("ESIAF") for VBI • Understanding Liquidity Risk Management In Banking • FIDE Core Program – Module A • FIDE Core Program – Module B • IT Security Talk By Cybersecurity Malaysia • Directors and Shareholders' Rights & Responsibilities

• Board Evaluation

The annual Board Effectiveness Evaluation ("BEE") was conducted to assess the performance and effectiveness of the Board and its committees and individual directors.

The BEE examined the fitness and properness, contribution and performance, caliber and personality of the directors. A peer assessment is performed to evaluate the effectiveness of the Chairman, individual directors, the independent directors and the nominee directors. The results of the evaluation are tabulated and reviewed by the Board.

Board Composition

During the financial year under review, the Board comprised of nine (9) non-executive directors, six (6) of whom are independent. This 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 director. This provides an effective check and balance in the functions of the Board.

On 18 February 2019, Datuk Zaiton Mohd Hassan, a non-independent non-executive director resigned from the Board. With her resignation, the composition of directors was reduced to eight (8) members but maintained a majority of independent members.

Board Independence

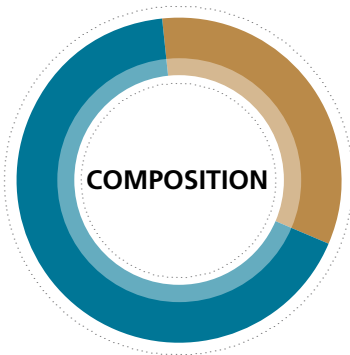
The Board current composition has a high level of independence since six (6) out of nine (9) members are Independent Directors. The Board undertakes a rigorous review to determine the independence of the director. In considering the independence of the Directors, the following factors have been taken into account:

- ability to act independently in character and judgement and free from any association or circumstances that may impair his independence;
- involvement in any significant business or contractual relationship with a value of above RM1.0 million; and
- tenure for a period no longer than nine (9) years. However, 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.

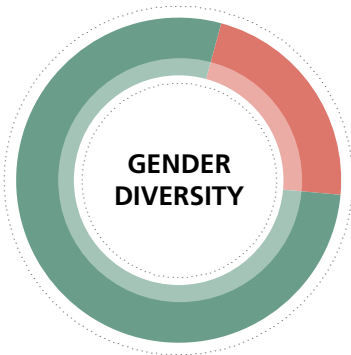
STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

Board Diversity

The Board is committed to ensuring diversity and inclusiveness in its composition and deliberations. The Bank embraces the proposition that having a diverse Board would have a positive impact on the Bank. In this regard, the Board considers diversity from a number of different aspects, including gender, age, educational background, professional experience, skills, knowledge and length of service.



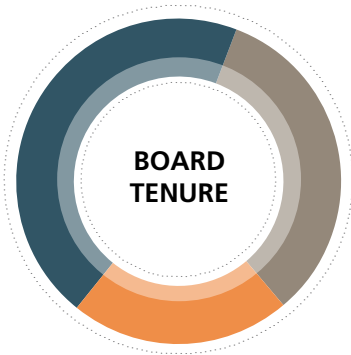
Independent Director ("INED")
67% - 6/9
Non-Independent Director ("NINED")
33% - 3/9



Male
78% - 7/9
Female
22% - 2/9

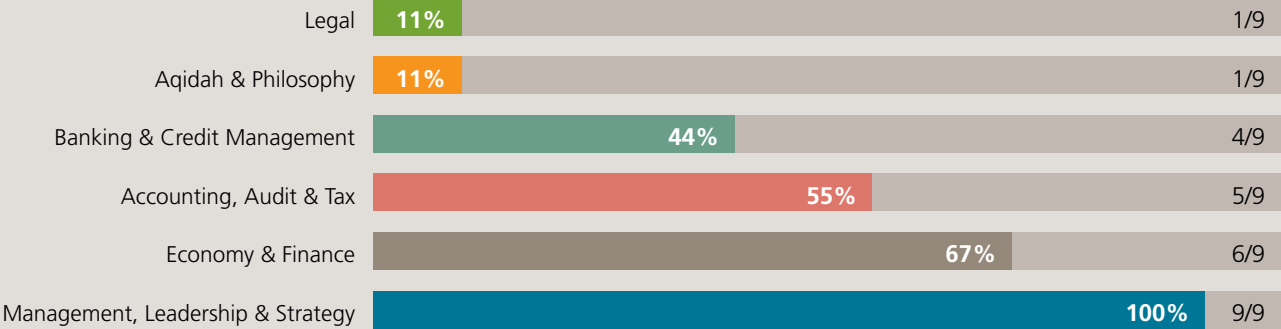


50 to 60 years
22% - 2/9
60 to 70 years
45% - 4/9
Above 70 years
33% - 3/9



Less than 3 years
45% - 4/9
3 to 9 years
33% - 3/9
Above 9 years
22% - 2/9

SKILLS & EXPERIENCE



Board Remuneration

Bank Islam has a remuneration structure for directors that is competitive and consistent with Bank Islam's culture, objectives and strategies.

The remuneration structure for non-executive directors takes into consideration relevant factors including:

- Function;
- Workload;
- Responsibilities; and
- Time spent for the preparation of the Board and Board Committees' meeting.

A premium is given to the Chairman of the Board and Board Committees in view of his/her additional role in guiding and managing the Board and Board Committees.

In line with good corporate governance practice of the Bank, the review of the remuneration is conducted every three (3) years.

The details of directors' remuneration during the financial year are disclosed in Note 34 on page 221 of Bank Islam's Financial Statements.

Senior Management Remuneration

Senior Management of Bank Islam comprises the CEO and Heads of Division whose responsibilities have a material impact on the Bank's performance and risk profile.

The breakdown of the total amount of remuneration awards in respect of senior management in 2018 is as follows:

Element	No of staff	Total Amount (RM)
Basic Salary, Fixed Allowance & Bonus	28	19.5 million
Benefits-in-Kind other Emolument	28	4.5 million

Percentage Fixed vs Percentage Variable

Fixed Remuneration - 53%

Variable income (Bonus) - 47%

Remuneration of the CEO and Senior Management

Bands (RM) – Total Remuneration (Basic salary, fixed allowances and bonus)	Number of Senior Management
1,500,001 and above	1
1,250,001 up to 1,500,000	1
1,000,001 up to 1,250,000	3
750,001 up to 1,000,000	7
500,001 up to 750,000	8
250,000 to 500,000	5
Below 250,000	3
Total	28

Employee Remuneration Structure

Employee remuneration comprised of the following two components:

Component	Comprising
Fixed	<ul style="list-style-type: none"> • Base salary • Fixed allowances
Variable	<ul style="list-style-type: none"> • Cash bonus

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

The Board has the responsibility to ensure that an effective governance, risk management and internal control framework are in place to ensure 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 ("AEC")

The AEC is chaired by Puan Noraini Che Dan. Out of the seven (7) members of the AEC, five (5) members are Independent Non-Executive Directors. Three (3) of the AEC members are members of 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 members possess a wide range of necessary skills to discharge its duties effectively.

The list of trainings attended by all members of the AEC to keep themselves informed of relevant developments in accounting and auditing standards can be found on page 123.

Internal Auditors

The Board, through the AEC, is assisted by the Internal Audit Division ("IAD") that mainly performs the function of independently reviewing the adequacy and effectiveness of the Bank's risk management, internal control and governance systems and processes. The objectives, scope of activities and responsibilities of IAD are defined in the IAD Charter.

The IAD reports to the AEC and is headed by the Chief Internal Auditor, namely Zalfitri Abd Mutalip, who is qualified with a degree in Bachelor of Science in Business Administration (Finance) and Certificate in Internal Auditing for Financial Institution ("CIAFIN"). Processes are in place to ensure that personnel from IAD are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

The 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. In addition, 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.

External Auditors

The AEC has in place policies and procedures to assess on an annual basis the suitability, objectivity and independence of Bank Islam's External Auditors. The assessment includes 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 meets at least once a year with the external auditors without the presence of the Management.

Board Risk Committee ("BRC")

To ensure the effectiveness of the Bank's risk management framework and policies, the Board has established the BRC and the Management Risk Control Committee ("MRCC"). The BRC is chaired by Nik Mohd Hasyudeen Yusoff. Out of the seven (7) members of the BRC, four (4) members are Independent Non-Executive Directors.

The BRC assists the Board in meeting the expectations on risk management as set out by BNM and oversees the Management's activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah risk, information technology risk and other risks and to ensure the effectiveness of the risk management process. The BRC is committed to promoting a compliance culture as part of Bank Islam's corporate culture.

Risk Management and Internal Control Framework

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 acknowledged 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.

Bank Islam has established processes to ensure the integrity of its internal control system and manage the existing and potential risks with control and governance processes.

The Bank's approach to management of risk is 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)

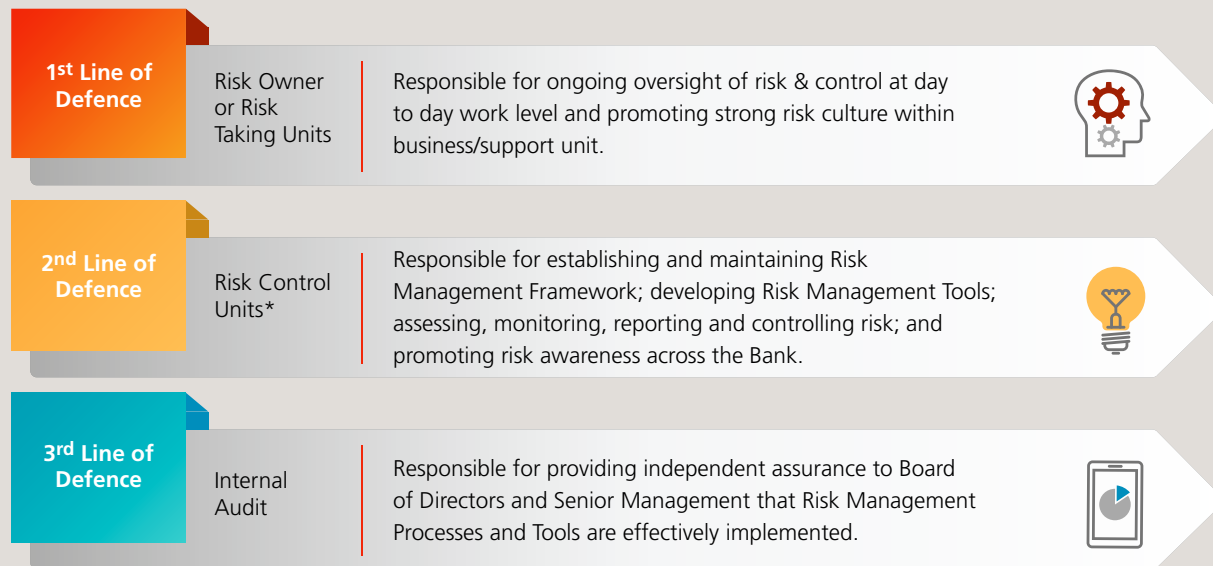
Risk Governance

The following Risk Committees have been established to facilitate the implementation of the Risk Management Framework.

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”)		
Responsible for: <ul style="list-style-type: none">reviewing all investment and financing/ credit related proposals above specified limits.		Responsible for: <ul style="list-style-type: none">overseeing the Bank’s activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah compliance risk, IT risk and any other relevant risksensuring risk management process is in place and functioning		
MANAGEMENT COMMITTEES				
FINANCING COMMITTEES	BUSINESS CONTINUITY MANAGEMENT COMMITTEE (“BCMC”)	MANAGEMENT RISK CONTROL COMMITTEE (“MRCC”)		ASSET & LIABILITY MANAGEMENT COMMITTEE (“ALCO”)
Responsible for: <ul style="list-style-type: none">Assessing/approving credits and investment/ capital market proposals.	Responsible for: <ul style="list-style-type: none">Reviewing the Bank’s BCM issues and making appropriate recommendation	Responsible for: <ul style="list-style-type: none">Performing the oversight functionsEffective risk management of key issues		Responsible for: <ul style="list-style-type: none">Overseeing and deliberating key issues relating to Bank’s asset and liability management and market risk
		OPERATIONAL RISK CONTROL COMMITTEE (“ORCC”)	RECOVERY MANAGEMENT COMMITTEE (“RMC”)	
		Responsible for: <ul style="list-style-type: none">Facilitating MRCC in the management of key issues on operational risk	Responsible for: <ul style="list-style-type: none">Overseeing recovery issues and related operational strategies on recovery	

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 the level of independence among risk taking units, risk control units and independent assurance unit in managing risk.

THREE LINES OF DEFENCE APPROACH

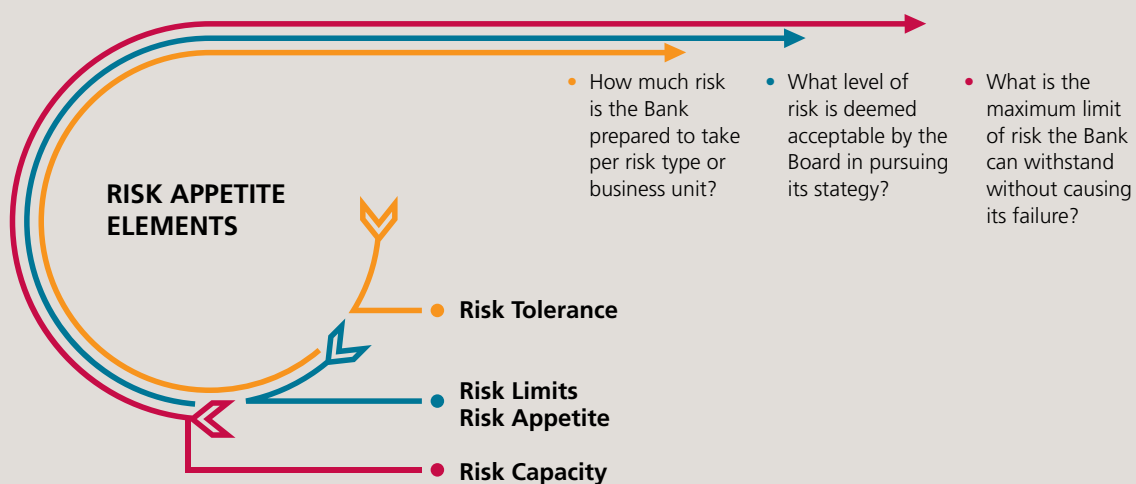


* Consists of Risk Management Division (including Shariah Risk Management), Credit Management Division, Compliance Division and Chief Information Security Officer ("CISO")'s Office.

Risk Appetite

A critical component of the Bank's Risk Management Framework is the Bank's risk appetite, which 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 strategies.

The Bank's risk appetite has been integrated into its Corporate Direction and Business Plan and is changeable based on business and market conditions. It is determined based on the following elements:



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

The Bank takes steps to ensure that trigger levels, limit structures and delegated authorities are re-aligned and potential risk appetite implications are considered in all major resource allocation decisions. In setting the risk appetite of the Bank and to enhance the Bank's risk adjusted returns, the discussion of risks is from the point of view of optimising the Bank's risk-return profile instead of 'loss minimising'.

Risk Management Process

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 is as follows:



Risk Culture

Risk culture is key to the long-term effectiveness of the Bank's risk management strategy. As encapsulated in the Bank's Risk Management Tagline, "Managing Risk is Everyone's Business", building a strong risk culture is the responsibility of the Board, Senior Management and all employees of the Bank. To ensure this, the risk management process and approach has been embedded in all the Bank's core business processes, functions and activities.

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 responsibility of managing SCR is spearheaded by the Bank's Shariah Risk Management Department.

The Bank's Shariah risk management is guided by the Risk Management framework and 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 Shariah Non-Compliance events within the Bank. Being part of operational risk, it leverages on the same principles, processes and tools of operational risk.

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.

Information Technology Risk

Information technology ("IT") risk (including cyber security risk) is the business risk associated with the use, ownership, operation, influence, involvement and adoption of technology within the Bank. Banking industry heavily relies on technology and Bank Islam is of no exception. Such reliance poses the Bank to IT related risks such as cyber attacks and system disruptions. To mitigate this, Bank Islam has put in place appropriate control measures and continued to enhance its controls and processes, as well as invested in the latest IT infrastructure. In essence, the Bank is leveraging on technology, not only as an enabler to serve and protect customer better, but also to minimise business disruptions.

The responsibility for managing technology risk is spearheaded by the Chief Information Security Officer ("CISO")'s Office. While the CISO's Office is responsible to establish, maintain and enforce IT risk policies and guidelines, it also works closely with IT Division, especially in identification, assessment, mitigation and monitoring of technology risk in the Bank.

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.

Compliance Culture

The journey of cultivating compliance culture in the Bank is a continuous one with the strong tone from the top, cascading the momentum right down into the blood and vein of every employee of the Bank to assimilate it as part of the Bank's culture. The Board and the senior management of the Bank have embedded the principle of "Zero-Tolerance" through-out the financial year under review as part of the compliance cultural branding in this era of severe consequences for being non-compliant. The Board has also reinforced compliance resources and approved all proposed budget for compliance systems and projects.

The Bank's Compliance policy and framework prepares the Bank with the right platform, mechanism and tools in order to manage its compliance risk. Each and every staff of the Bank in concert has the responsibility to protect the interest of the Bank using the robust identification and mitigation process as part of setting up the overall compliance environment.

The traditional three (3) line of defence approach for managing compliance risk has thus far been effective. Bank Islam's staff at all levels has a duty to play in respect of ensuring the management of compliance risk which is further measured in their Key Performance Indicator. Hence, the mitigation of any compliance risk is a shared responsibility.

The following key compliance activities were introduced in 2018:

- Revised the AML/CFT policy to capture all enhancements made by Regulators;
- Eliminated potential data integrity issues relating to AML/CFT by designing a new customer risk profile scoring and automate it to front-end systems;
- Embarked on Artificial Intelligence based solutions for AML/CFT transaction monitoring;
- Introduced behavioural parameters for AML/CFT transaction monitoring;
- Introduced tighter customer on-boarding measures to combat mule accounts;
- Offered advise across businesses on matters pertaining to interpreting regulatory requirements to identify inherent compliance risk;
- Validated the internal Compliance Risk Assessment Methodology to benchmark against industry standards;
- Completed the annual compliance review program as planned to provide assurance on net compliance risk and identify the flaws in designed controls if any;

- Led the rectification of data to comply to SREF;
- Equipped compliance officers with certification and tailored learning programmes as part of human capital development; and
- Advocated the 'Zero-Tolerance' and the compliance culture by participating in conferences held by Businesses.

PRINCIPLE C: BOARD INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Board recognises the importance of timely, complete, accurate and equal dissemination of information with regard to the Bank's performance and other matters affecting the Stakeholders' interest. The Bank is committed to providing effective and open communication in order to improve disclosure and transparency.

Bank Islam's corporate website provides easy access to comprehensive and updated information about the Bank.

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 in disseminating relevant and material information about the Bank to its stakeholders.

Disclosure on Investor Relations activities can be found in BIMB Holdings Berhad's Integrated Annual Report 2018 and their website www.bimbholdings.com.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

SECTION B: THE SHARIAH SUPERVISORY COUNCIL ("SSC")

The SSC forms an important part of the governance structure of the Bank, and functionally reports to the Board.

Composition

The SSC currently has five (5) members. 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 backgrounds, 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

In addition to the Board's oversight accountability on Shariah compliance, the SSC 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 which is available at www.bankislam.com.my.

Authority

The SSC has the authority to do the following:

- Decide on Shariah related matters referred to the SSC by taking into consideration of the published rulings of the Shariah Advisory Council ("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;
- Decide on Shariah related matters without undue influence that would hamper the SSC from exercising objective judgement in deliberating issues brought before them;
- 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

- 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

SSC members are expected to possess good character, competence, diligence and capability of making sound judgement in accordance with its Code of Conduct. 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

The Bank works hand-in-hand with the SSC to ensure that all business activities, products, services and operations are in compliance with Shariah. 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 the responsibility of the Bank to perform the following:-

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

Appointment and Reappointment of Members

The Board, on the recommendation of the NRC, decides on the appointment and reappointment 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 reappointment of the SSC members is 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.

SSC Meetings

Details of the SSC meetings and attendance in 2018 are as follows:

Name of SSC Members	Attendance/Number of Meetings in 2018	%
Professor Dato' Dr Ahmad Hidayat Buang (Chairman)	8/8	100
Ustaz Dr Ahmad Shahbari @ Sobri Salamon	8/8	100
Assistant Professor Dr Uzaimah Ibrahim	8/8	100
Associate Professor Dr Yasmin Hanani Mohd Safian	7/8	88
Sahibus Samahah Dato' Dr Haji Anhar Haji Opir	8/8	100

Eight (8) meetings were held during the financial year ended 31 December 2018, in line with the required frequency as stipulated in the Terms of Reference of the SSC. Apart from the members of the SSC, meetings are also attended by three (3) directors as permanent invitees. Their presence at the meetings does not only improve the quality of engagement between the Board members with SSC members but also increase their appreciation towards Shariah deliberations and decisions. However, the Board members presence does not affect the independent deliberation by the SSC members in their informed decision making. The Board receives regular updates on significant matters deliberated during the SSC meetings and minutes of the SSC meetings are circulated to the Board.

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

TOTAL SSC MEETINGS HOURS
28 HOURS
30 MINUTES

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, all five (5) of the SSC members had enrolled the 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)

The details of trainings attended by the SSC members are as follows:-

Name of SSC Members	Training Programme	Organiser
Professor Dato' Dr Ahmad Hidayat Buang	<ul style="list-style-type: none"> Town Hall Session – Certified Shariah Advisors Programme Briefing LIQA' ASAS "Value-Based Intermediation" Certified Shariah Advisers ("CSA") modules: <ul style="list-style-type: none"> Principles of Accounting & Finance Principles of Islamic Financial System Codes of Ethics & Professional Conduct Legal & Regulatory Framework Muzakarah Ahli Majlis Penasihat Syariah ("MPS") Institusi Kewangan di Malaysia Kali Ke-14 	<ul style="list-style-type: none"> BNM ASAS ASAS JAKIM
Ustaz Dr Ahmad Shahbari @ Sobri Salamon	<ul style="list-style-type: none"> Town Hall Session – Certified Shariah Advisors Programme Briefing LIQA' ASAS "Value-Based Intermediation" CSA modules: <ul style="list-style-type: none"> Principles of Islamic Financial System Codes of Ethics & Professional Conduct Legal & Regulatory Framework Islamic Capital Market Legal Documentation For Islamic Financial & Capital Market Services 	<ul style="list-style-type: none"> BNM ASAS ASAS
Assistant Professor Dr Uzaimah Ibrahim	<ul style="list-style-type: none"> Town Hall Session – Certified Shariah Advisors Programme Briefing CSA modules: <ul style="list-style-type: none"> Principles of Accounting & Finance Principles of Economics Codes of Ethics & Professional Conduct 	<ul style="list-style-type: none"> BNM ASAS
Associate Professor Dr Yasmin Hanani Mohd Safian	<ul style="list-style-type: none"> Town Hall Session – Certified Shariah Advisors Programme Briefing CSA modules: <ul style="list-style-type: none"> Principles of Accounting & Finance Introduction to Commercial Law Principles of Islamic Financial System Codes of Ethics & Professional Conduct Introduction to Commercial Law Legal & Regulatory Framework Muzakarah Ahli Majlis Penasihat Syariah ("MPS") Institusi Kewangan di Malaysia Kali Ke-14 	<ul style="list-style-type: none"> BNM ASAS JAKIM
Sahibus Samahah Dato' Dr Haji Anhar Haji Opir	<ul style="list-style-type: none"> Town Hall Session – Certified Shariah Advisors Programme Briefing CSA modules: <ul style="list-style-type: none"> Principles of Islamic Financial System Code of Ethics & Professional Conduct Legal & Regulatory Framework Islamic Capital Market Legal Documentation For Islamic Financial & Capital Market Services 	<ul style="list-style-type: none"> BNM ASAS

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 training fund.

In line with good corporate governance practice of the Bank, the review of the remuneration is conducted every three (3) years.

Evaluation

The SSC has formalised the evaluation process that was duly approved by the Boards 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, 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.

