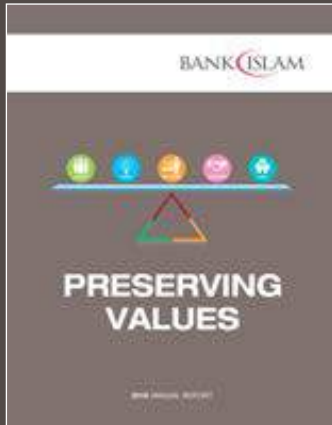


PRESERVING VALUES



COVER RATIONALE

This year's cover design concept reflects the strategic balance achieved by Bank Islam through focus and commitment to our core values. These drive our ability to grow steadfastly even through challenging times. By PRESERVING VALUES, Bank Islam ensures core strengths are sustained and a balance achieved in delivering innovation and excellence while resting on prudence and responsibility.

INTRODUCTION

- About Us
- Vision & Mission Statement, Core Brand Values
- Employee Value Proposition
- Bank Islam Key Highlights
- 2016 Milestones
- Award-Winning Journey 2009 - 2016



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ABOUT US

BANK ISLAM IS THE FIRST SHARIAH-BASED BANKING INSTITUTION IN MALAYSIA AND SOUTH EAST ASIA; AND HAS BEEN PLAYING THE LEADING ROLE IN THE DEVELOPMENT OF THE NATION'S ISLAMIC BANKING INDUSTRY.

In fact, it has provided technical assistance in the setting up of several Islamic institutions in the Asian region such as Indonesia, Thailand and Sri Lanka. Incorporated in 1983, it was originally established with the sole purpose of assisting with the financial needs of the Muslim population of Malaysia. Since then, Bank Islam has extended its services to the wider, non-Muslim, population fulfilling its "Banking-for-All" principle.

Today, with over 70 innovative and sophisticated Islamic banking products and services, Bank Islam offers a comprehensive range of Shariah-compliant banking and financial solutions to its more than five million customers. Primarily a retail bank with consumer banking constituting more than 70% of total financing, Bank Islam's list of products ranges from the traditional financing, savings and investment solutions exclusively for individual customers, to banking and financial solutions designed to fulfil the fast-changing financial needs of customers from all categories including those related to micro financing, wealth management, capital market, treasury and structured products. The variety of financial services offered by the Bank has come a long way since its early days when it acted as the lead arranger for the world's first Sukuk issuance of RM125 million in 1990 by Shell MDS Sdn Bhd.

In serving its ever expanding customer base, Bank Islam currently has the widest dedicated Islamic banking network in Malaysia with 145 branches and more than 1,000 self-service terminals nationwide.

A pioneer in the industry, Bank Islam believes in the importance of innovation and has produced some of the most innovative banking solutions for the market. A strong advocate of ethical and responsible financing, Bank Islam's pioneering status has also given it an advantage by having a strong brand name and franchise that significantly differentiates it from its competitors – creating an appealing image of being the purest Islamic bank which has attracted and continue to attract a growing, loyal customer base. In addition, the Bank has always been committed to corporate responsibility, not just by giving back to the community in which it operates but the Islamic finance industry as a whole through knowledge sharing and becoming the source of reference. In recent years, the Bank had not only exhibited significant improvements in terms of financial performance but applied robust risk management as well to ensure sustainability of growth.

Bank Islam's vision to become 'A Global Leader in Islamic Banking' illustrates its commitment to the expansion of Malaysia's brand of Islamic finance into global markets. By placing importance to the service excellence culture, Bank Islam continues to offer only the best and cater to the differing needs of the customers as it strives to uphold its status as the symbol of Islamic banking in Malaysia.

VISION

TO BE A GLOBAL LEADER
IN ISLAMIC BANKING

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

MISSION STATEMENT

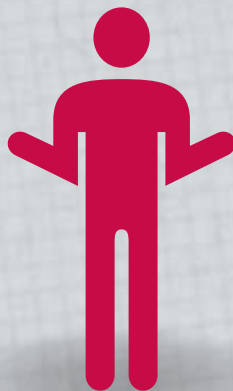
- To continually develop and innovate universally accepted financial solutions in line with Shariah principles
- To provide a reasonable and sustainable return to shareholders
- To provide a conducive working environment and to become an Employer of Choice for top talents in the market
- To deliver comprehensive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





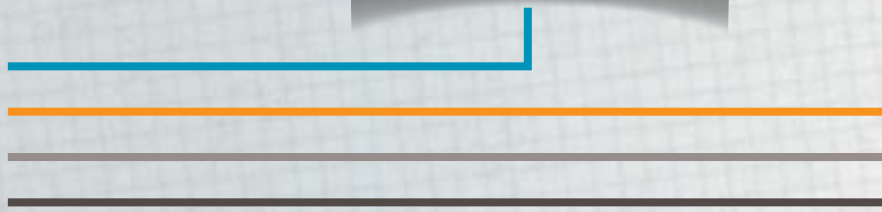
EMPLOYEE VALUE PROPOSITION

What it means to be here...



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.

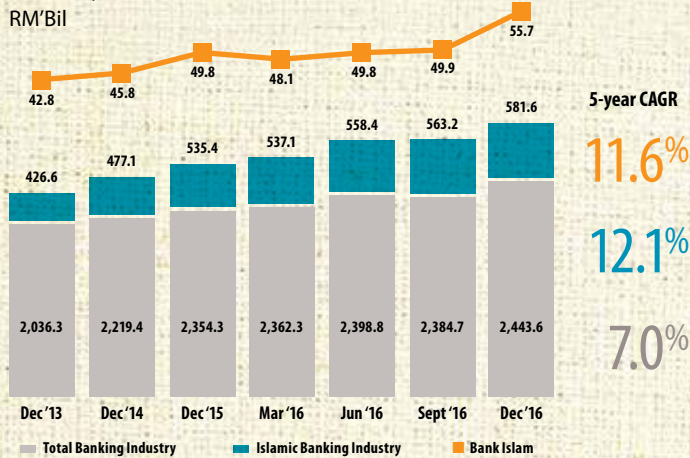


Assets Growth
RM 5.9 billion
 +11.9%

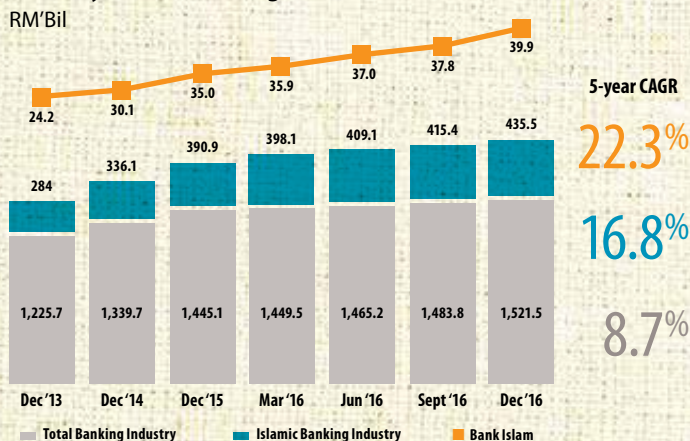
BANK ISLAM

MARKET POSITIONING IN 2016 (as at December 2016)

Industry Total Assets



Industry Gross Financing



Total Number of Branches

145



Self-Service Terminals

1,124



Ar-Rahnu Outlets

9



Bureau de Change

8



Total Number of Employees

4,559



Profit before Zakat & Tax
RM 720.4 million
+5.1%

Financing
RM 39.2 billion
+14.3%

KEY HIGHLIGHTS

Gross Impaired
Financing Ratio of
0.98%
compared to 1.09% in 2015

Current and Savings
("CASA") Ratio

30.8%

Industry 26.5%



Customer Deposits

RM 45.9 billion

from 2015 +RM2.4 billion



Investment Accounts

RM 3.8 billion

from 2015 +RM3.1 billion

Capital Adequacy Ratio

+15.52%



Pre-Tax Return on Equity

17.1%



Pre-Tax Return on Assets

1.4%

Net Fund-Based Income

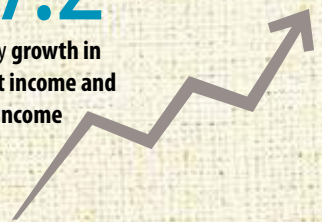
+5.1%

in line with growth in net financing

Non-Fund-Based Income

+17.2%

supported by growth in investment income and fee-based income



Financing to
Deposit Ratio

78.5%

Industry 89.8%



Financing Loss
Coverage Ratio

175.4%

2015: 174.6%



2016 MILESTONES

Critics' Choice

BEST ISLAMIC RETAIL BANKING INNOVATION AWARD 2016

(Cambridge IF Analytica – UK)
by Islamic Retail Banking Awards

BANK ISLAM MALAYSIA BERHAD REAFFIRMED

by RAM Rating with its AA3/
Stable/P1 financial institution ratings

VOTED TOP 3 MOST POPULAR GRADUATE EMPLOYER

in the Banking and Financial Services Sector

UPCOMING PERSONALITY IN ISLAMIC FINANCE (LEADERSHIP) AWARD 2016

by Global Islamic Finance Awards 2016

BEST WHOLESALE BANKING AWARD 2016

by Global Islamic Finance Awards 2016



BEST CSR INITIATIVE CATEGORY

for its AL-MAAD (P) Yayasan Islam Perlis Wakaf Fund Project from Cards & Electronic Payments International ("CEPI") Asia Awards 2016

BEST INNOVATION IN RETAIL BANKING MALAYSIA

from The International Banker Asia & Australasia Banking Awards 2016

BEST ISLAMIC BANK MALAYSIA

from The International Banker Asia & Australasia Banking Awards 2016

Dato' Sri Zukri Samat won the BANKING CEO OF THE YEAR ASIA AWARD

from The International Banker Asia & Australasia Banking Awards 2016

ASIA'S BEST EMPLOYER BRAND AWARDS 2016

by Employer Branding Institute

TECHNOLOGY & INNOVATION OUTSTANDING PARTNERSHIP AWARD - PAYMENT SERVICES

by Wells Fargo

THE PLATINUM TRUSTED BRAND AWARD 2016 (Islamic Financial Services)

by Reader's Digest

BEST BANK CAPITAL SUKUK

by The Asset Asian Awards 2016

BEST ISLAMIC GREEN FINANCING

by The Asset Asian Awards 2016

Under the new **IFSA 2013**, Bank Islam introduced **WAFIYAH INVESTMENT ACCOUNT** an investment account ("IA") designed to meet investor needs.

WAFIYAH offers a very competitive rate of return which is higher than the profit rates offered to deposit accounts as well as existing IAs

Launched Bank Islam's first **RESTRICTED INVESTMENT ACCOUNT ("RIA")** via **INVESTMENT ACCOUNT PLATFORM ("IAP")**, which is only the second RIA transaction to be listed on IAP since the launching of IAP by Bank Negara Malaysia



COLLABORATED WITH PETRONAS on Cash Out Facility at selected Petronas stations in Malaysia (Selangor, Kelantan, Terengganu, Pahang, Sabah, Sarawak and Labuan)

Launched country's first **E-DONATION PROGRAMME** using Visa PayWave at selected mosques

Launched a Special **CO-BRAND CARD** Bank Islam Visa Debit Card-i Kelantan FA **"THE RED WARRIORS"** with Kelantan Football Association ("KAFA")



Launched **THE FIRST SHARIAH-COMPLIANT** Business Credit Card-i, (Visa Infinite) in Asia Pacific



Launched a Special **CO-BRAND CARD** Bank Islam Visa Debit Card-i Pahang FA **"P.F.C"** with Pahang Football Association ("PFA")

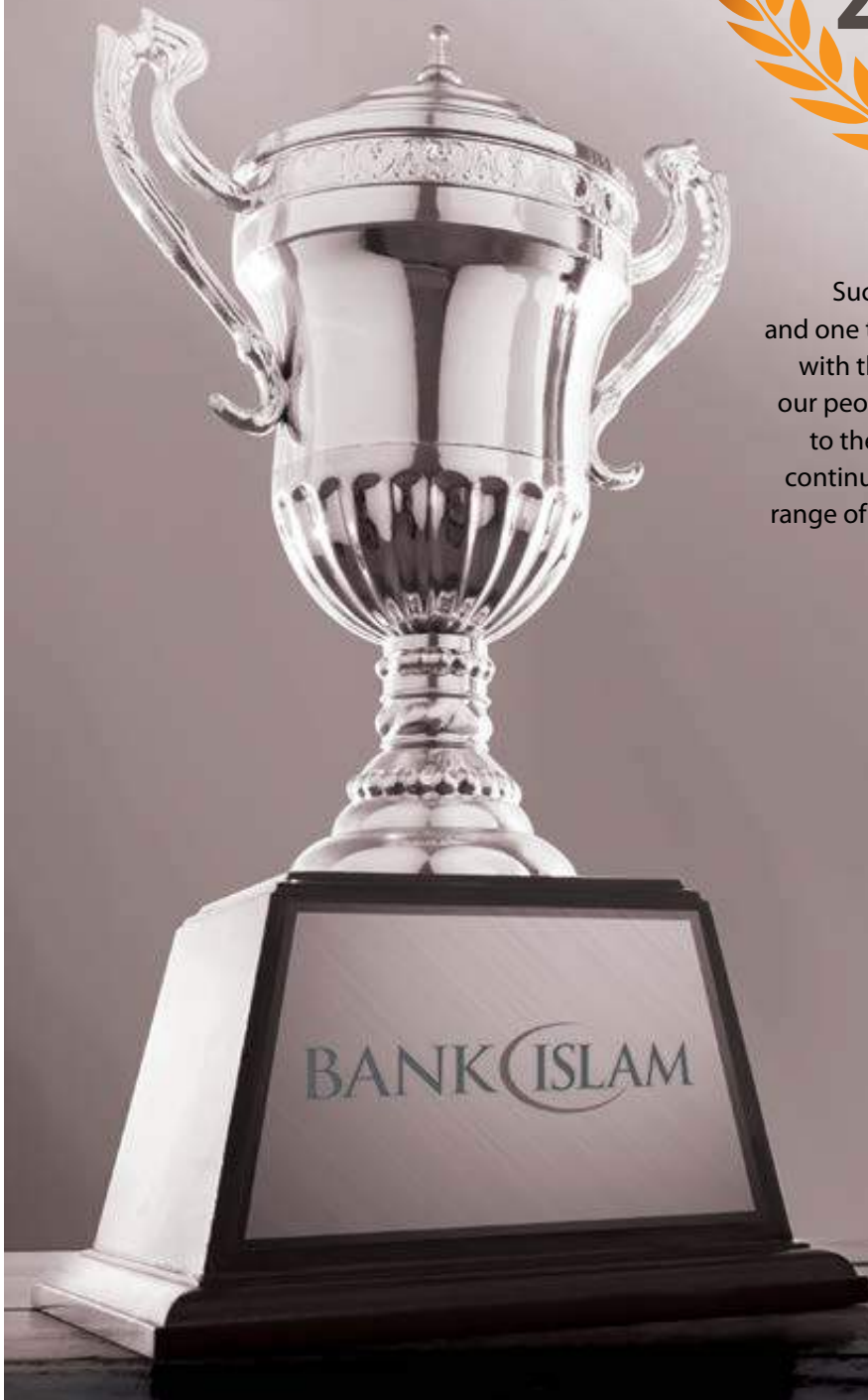
Launched a **SPECIAL CO-BRAND** Bank Islam Visa Debit Card-i Kedah FA **"Lang Merah"** with Kedah Football Association ("KFA")

Launched **BANK ISLAM VISA DEBIT ONEXO CARD**

BANK ISLAM AWARD-WINNING JOURNEY 2009-2016



Success is a continuous journey,
and one that Bank Islam has stayed on track
with through the years. It is a credit to
our people's dedication and commitment
to the Bank's values, that Bank Islam
continues to be distinguished through a
range of industry awards and recognitions.





CEO AWARDS



- **BANKING CEO OF THE YEAR ASIA**
award from The International Banker Asia & Australasia Banking Awards 2016
- **BANKING CEO OF THE YEAR – ASIA**
by International Banker Awards 2014
- **ISLAMIC BANKER OF THE YEAR 2013**
at Global Islamic Finance Awards (“GIFA”)

- **TRAILBLAZER OF THE YEAR 2013**
by Banking & Payments Asia (“BPA”)
- **GLOBAL LEADERSHIP AWARDS 2011**
in Islamic Banking Sector
- **THE BRANDLAUREATE BRAND ICONS LEADERSHIP AWARDS 2011**
by The Asia Pacific Brands Foundation

2016 AWARDS



CRITICS' CHOICE BEST ISLAMIC RETAIL BANKING INNOVATION AWARD 2016

(Cambridge IF Analytica – UK)
by Islamic Retail Banking Awards



VOTED TOP 3 MOST POPULAR GRADUATE EMPLOYER

in Banking and Financial
Services Sector



UPCOMING PERSONALITY IN GLOBAL ISLAMIC FINANCE (LEADERSHIP) AWARD 2016

by Global Islamic Finance Awards
2016



BEST WHOLESALE BANKING AWARD 2016

by Global Islamic Finance Awards
2016



BEST CSR INITIATIVE CATEGORY

for the AL-MAAD (P) Yayasan Islam
Perlis Wakaf Fund Project from Cards
& Electronic Payments International
("CEPI") Asia Awards 2016



BEST ISLAMIC BANK MALAYSIA

from The International Banker Asia &
Australasia Banking Awards 2016



BEST INNOVATION IN RETAIL BANKING MALAYSIA

from The International Banker Asia &
Australasia Banking Awards 2016



ASIA'S BEST EMPLOYER BRAND AWARDS 2016

by Employer Branding Institute



TECHNOLOGY & INNOVATION OUTSTANDING PARTNERSHIP AWARD – PAYMENT SERVICES

by Wells Fargo



THE PLATINUM TRUSTED BRAND AWARD 2016 (ISLAMIC FINANCIAL SERVICES)

by Reader's Digest



BEST BANK CAPITAL SUKUK

by The Asset Asian Awards 2016



BEST ISLAMIC GREEN FINANCING

by The Asset Asian Awards 2016



ISLAMIC BANK OF THE YEAR 2016 – MALAYSIA & RECOGNISED LEADER IN SHARI'AH TRADE FINANCE

by Wealth & Finance Awards 2016



BEST COMMERCIAL BANK – MALAYSIA 2016 IN CONJUNCTION WITH THE 11TH ISLAMIC BUSINESS & FINANCE AWARDS

by CPI Financial

BANK ISLAM

2015

- **BEST ISLAMIC BANK MALAYSIA**
and an Award for Excellence in Shariah-Compliant Banking by Wealth & Finance INTL's 2015 Finance Awards
- **BEST COMMERCIAL BANK MALAYSIA**
in conjunction with the 10th Islamic Business & Finance Awards by CPI Financial, Dubai
- **HIGHEST PAYMENT VOLUME GROWTH CONSUMER DEBIT**
by Visa Malaysia Bank Awards 2015
- **LARGEST PAYMENT VOLUME ISLAMIC DEBIT CARD**
by Visa Malaysia Bank Awards 2015
- **HIGHEST PAYMENT VOLUME GROWTH BANK ISLAM TEAM HARIMAU DEBIT CARD**
by Visa Malaysia Bank Awards 2015
- **ISLAMIC BANK OF THE YEAR - ASIA**
by The European Global Banking & Finance Awards 2015
- **STRONGEST ISLAMIC RETAIL BANK IN MALAYSIA**
by Islamic Retail Banking Awards 2015 (Cambridge IF Analytica – UK)
- **TOP 3 MOST POPULAR GRADUATE EMPLOYER**
in Banking and Financial Services Sector, ahead of many leading financial institutions

- **RANKED 13TH IN THE TOP MALAYSIA'S 100 LEADING GRADUATE EMPLOYERS 2015**
putting us amongst the country's top 20 graduate recruiters
- **AA3/STABLE/P1 FINANCIAL INSTITUTION RATINGS**
Reaffirmed by RAM Ratings
- **BEST ISLAMIC BANK MALAYSIA**
by The International Banker Asia & Australasia Banking Awards 2015
- **INNOVATION IN RETAIL BANKING MALAYSIA CATEGORY**
from The International Banker Asia & Australasia Banking Awards 2015
- **RANKED NO 9 FOR MALAYSIAN BONDS CATEGORY AND RANKED NO 8 FOR MALAYSIAN RINGGIT ISLAMIC SUKUK CATEGORY**
based on the Bloomberg Capital Market League Table for the first half of 2015
- **HIGHLY-COMMENDED AWARD FOR BEST DEBIT CARD OFFERING CATEGORY FOR THE UNIDEBIT CARD**
by Cards & Electronic Payments International ("CEPI") Asia Summit & Awards 2015
- **BEST CSR INITIATIVE**
at the Golden Globe Tigers Summit Awards 2015

2014

- **TOP 3 MOST POPULAR GRADUATE EMPLOYER**
in Banking and Financial Services, ahead of many leading financial institutions
- **RANKED 16TH IN THE TOP MALAYSIA'S 100 LEADING GRADUATE EMPLOYERS 2014**
putting us amongst the country's top 20 graduate recruiters
- **AA3/STABLE LONG-TERM FINANCIAL INSTITUTION RATING**
by RAM Ratings
- **HIGHEST PAYMENT VOLUME GROWTH CONSUMER DEBIT**
by Visa Malaysia Bank Awards 2014
- **LARGEST PAYMENT VOLUME ISLAMIC DEBIT CARD**
by Visa Malaysia Bank Awards 2014
- **HIGHEST PAYMENT VOLUME GROWTH BANK ISLAM TEAM HARIMAU DEBIT CARD**
by Visa Malaysia Bank Awards 2014
- **MOST OUTSTANDING ISLAMIC RETAIL BANKING AWARD**
from KLIFF Islamic Finance Awards 2014
- **BEST CUSTOMER SERVICE PROVIDER ASIA**
by International Banker Awards 2014

PAST AWARDS

2013

- **BEST ISLAMIC BANK MALAYSIA**
by International Banker Awards 2014
- **BEST ISLAMIC FINANCE CASE**
by Global Islamic Finance Awards 2014
- **TOP MERCHANT ACQUIRER FOR B2C**
by Top Banks & Merchants Recognition Awards
- **1ST MASTERCLASS ON ISLAMIC BANKING**
for Malaysian Student in the Middle East
- **PROMISING YOUNG BANKER AWARD 2014**
The Asean Banker selected Ustaz Mohd Nazri as the recipient for this award

- **MOST INNOVATIVE ISLAMIC BANK MALAYSIA 2013**
by International Finance Magazine
- **ISLAMIC BANK OF THE YEAR (MALAYSIA) AWARDS 2013**
by The Banker
- **TRAILBLAZER AWARDS 2013 SPECIAL COMMENDATION IN MOBILE BANKING (FINANCIAL INCLUSION)**
by Banking & Payments Asia (BPA)
- **THE PLATINUM TRUSTED BRAND AWARD 2013 (ISLAMIC FINANCIAL SERVICES)**
by Reader's Digest
- **IFN DEALS OF THE YEAR 2013 (EQUITY)**
by Islamic Finance News
- **5TH STRONGEST BANK IN MALAYSIA**
by Asian Banker, a renowned global financial publication.
- **SPECIAL RECOGNITION AWARD FOR PAYMENTS INNOVATION**
by Wells Fargo
- **BEST ISLAMIC BANK IN MALAYSIA**
by Focus Malaysia
- **STP AWARD 2012**
by Commerzbank

2012

- **BEST PROJECT FINANCING DEAL OF THE YEAR IN SOUTHEAST ASIA - ANNUAL DEAL AND SOLUTIONS AWARDS 2012**
by Alpha Southeast Asia
- **VISA MALAYSIA BANK AWARDS 2012 - THE LARGEST PAYMENT VOLUME FOR ISLAMIC DEBIT CARD**
by VISA
- **BEST ISLAMIC BANK IN MALAYSIA**
in Islamic Finance News Best Banks Poll 2012
- **ANUGERAH ZAKAT KEBANGSAAN 2012 (KATEGORI SYARIKAT AWAM BERHAD)**
by Jabatan Wakaf, Zakat dan Haji (JAWHAR)
- **NACRA 2012 - BEST ANNUAL REPORT IN BAHASA MALAYSIA (GOLD)**
by Malaysian Institute of Accountants ("MIA"), Bursa Malaysia and Malaysian Institute of Certified Public Accountants ("MICPA")
- **THE PLATINUM TRUSTED BRAND AWARD 2012 (ISLAMIC FINANCIAL SERVICES)**
by Reader's Digest
- **THE BRANDLAUREATE AWARDS 2011-2012 (BEST BRAND IN BANKING - ISLAMIC BANKING)**
by The Asia Pacific Brands Foundation ("APBF")
- **MALAYSIA SERVICE TO CARE AWARDS 2012**
by MarkPlus Inc

BANK ISLAM

2011

- **THE PLATINUM TRUSTED BRAND AWARD 2011 ISLAMIC FINANCIAL SERVICES**
by Reader's Digest
- **THE BRANDLAUREATE AWARDS 2010-2011 (BEST BRAND IN BANKING - ISLAMIC BANKING)**
by The Asia Pacific Brands Foundation ("APBF")
- **ISLAMIC FINANCE NEWS AWARDS 2011 – BEST ISLAMIC BANK IN MALAYSIA**
by Islamic Finance News
- **ISLAMIC FINANCE NEWS AWARDS 2011 – IJARAH DEAL OF THE YEAR**
by Islamic Finance News
- **MALAYSIA SERVICE TO CARE AWARDS 2011 – ISLAMIC BANK CATEGORY**
by MarkPlus Inc.
- **VISA INTERNATIONAL BANK AWARDS 2011 – THE BEST DEBIT CARD LAUNCH**
by VISA
- **VISA INTERNATIONAL BANK AWARDS 2011 - THE BIGGEST DEBIT CARD ISLAMIC PAYMENT VOLUME**
by VISA

- **ANUGERAH INOVASI ISLAM PERINGKAT KEBANGSAAN 2011 - INNOVATION IN ISLAMIC FINANCIAL**
by MOSTI
- **PFI AWARDS 2011 – ASIA PACIFIC BOND DEAL OF THE YEAR**
by Project Finance International ("PFI")
- **RECOGNITION FOR PAVING THE WAY FOR INNOVATIVE WIRELESS ATM IMPLEMENTATION**
by CELCOM
- **FINANCIAL MAGAZINE, THE ASIAN BANKER RATED BANK ISLAM**
as the 4th strongest bank in Malaysia and 53rd strongest bank in Asia Pacific. Globally, Bank Islam was ranked 24th among Largest Islamic Financial Institutions and 34th among Global Islamic Strongest Banks

2010

- **THE PLATINUM TRUSTED BRAND AWARD 2010 (ISLAMIC FINANCIAL SERVICES)**
by Reader's Digest
- **THE "BAHASA INSTITUSI KEWANGAN 2010" PRIZE IN ISLAMIC BANKING CATEGORY**
by Dewan Bahasa & Pustaka
- **BANK ISLAM'S ROLE AS ARRANGER FOR QATAR AIRWAYS Q.C.S.C.'S SYNDICATED ISLAMIC FINANCING FACILITY OF UP TO US\$150 MILLION:**
 - Best Islamic Structured Financing 2010 by The Asset
 - Aircraft Debt Deal of the Year Middle East 2010 by Jane's Transport Finance
 - Ijarah Deal of the Year 2009 by Islamic Finance News
 - Qatar Deal of the Year 2009 by Islamic Finance News
- **THE BRANDLAUREATE AWARDS 2009-2010 FOR BEST BRAND IN CORPORATE BRANDING (BEST BRANDS IN BANKING – ISLAMIC BANK)**
by The Asia Pacific Brands Foundation ("APBF")

PAST AWARDS

2009

- **GOLD AWARD 2009 FOR THE FINANCIAL SERVICES CATEGORY**
for Amana Investment Ltd., Bank Islam's associate company
- **THE PLATINUM TRUSTED BRAND AWARD 2009 (ISLAMIC FINANCIAL SERVICES)**
by Reader's Digest
- **BEST MIXED ASSET MYR BALANCED ISLAMIC FUND**
for period ending December 2008 in conjunction with The Edge- Lipper Malaysia Fund Awards 2009 for Bank Islam's ASBI Dana Al-Munsif managed by its subsidiary, BIMB Investment Management Berhad
- **FIRST ISLAMIC WORLD MASTERCARD CARD IN ASIA PACIFIC**
by Mastercard 2009
- **AMANAHRAYA PERFORMANCE RECOGNITION CEREMONY 2009 - HIGHEST WILL WRITING SALES**
by Amanah Raya Berhad
- **HIGHEST SALES VOLUME GROWTH CREDIT**
by VISA Malaysia Bank Awards 2009
- **CREDIT GUARANTEE CORPORATION TOP SMI SUPPORTER AWARD 2009**
in the Islamic Bank Category
- **CERTIFICATE OF MERIT 2009**
in recognition of Bank Islam's Commendable Management Accounting Practices



An emblem of Islamic Banking & Finance in Malaysia, Bank Islam is rooted in core values, Shariah system, financial prudence and active involvement in industry-shaping events. These anchor us and allow us to sustain strength through challenging times.

2016 Achievements:

- › Best Islamic Bank Malaysia from The International Banker Asia & Australasia Banking Awards 2016
- › Banking CEO of the Year Asia award from The International Banker Asia & Australasia Banking Awards 2016
- › Upcoming Personality in Islamic Finance (Leadership) Award 2016 by Global Islamic Finance Awards 2016





A LEADER

WHAT DO YOU VALUE?

*“A bank that
sets new
benchmarks.”*

PRESERVING VALUES



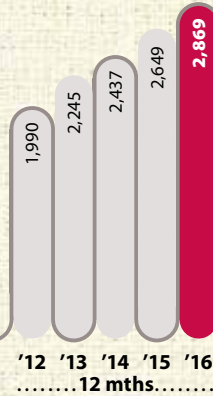
FINANCIAL HIGHLIGHTS

BANK ISLAM GROUP FINANCIAL YEAR ENDED 31 DECEMBER

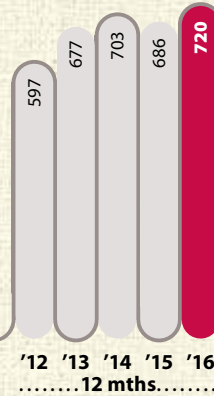
	2016	2015	2014	2013	2012
Operating Results (RM'000)					
Total Revenue	2,868,781	2,649,396	2,436,826	2,245,105	1,990,478
Profit before Zakat and Tax	720,412	685,661	702,751	677,283	597,380
Profit after Zakat and Tax	530,962	507,262	510,502	485,726	427,259
Key Statements of Financial Position Items (RM'000)					
Total Assets	55,676,697	49,763,719	45,820,682	42,811,371	37,422,891
Total Financing	39,189,274	34,294,690	29,524,571	23,740,948	19,507,799
of which:					
Gross Impaired Financing	389,445	381,270	344,539	285,302	308,709
Securities	10,589,824	10,421,041	11,219,044	13,697,143	14,704,904
Deposits from Customers	45,940,414	43,556,350	41,010,332	37,245,002	32,550,990
of which:					
Current and Savings Deposits ("CASA")	14,133,576	15,256,290	15,626,738	14,562,601	13,421,423
Investment Accounts of Customers	3,812,261	676,105	–	–	–
Shareholders' Equity	4,385,466	4,032,568	3,729,590	3,326,835	3,102,965
of which:					
Share Capital	2,404,384	2,363,283	2,319,907	2,298,165	2,265,490
RATIO ANALYSIS					
Return on Assets	1.37%	1.43%	1.59%	1.69%	1.72%
Return on Equity	17.12%	17.67%	19.92%	21.07%	20.21%
Cost Income Ratio	52.82%	52.67%	52.13%	54.54%	51.88%
Capital Adequacy Ratio	15.52%	15.32%	13.36%	14.06%	14.21%
Gross Impaired Financing Ratio	0.98%	1.09%	1.14%	1.18%	1.55%
Financing to Deposits Ratio - excluding Investment Accounts of Customers	78.49%	78.71%	73.42%	65.09%	61.28%
Earnings per Share	22 sen	22 sen	22 sen	22 sen	19sen
Net Tangible Assets Backing	182 sen	171 sen	161 sen	145 sen	137 sen

**TOTAL REVENUE**

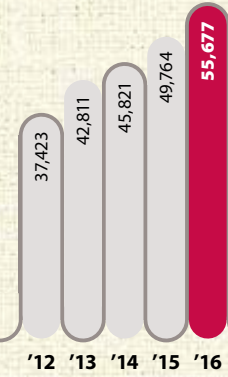
RM Million

**PROFIT BEFORE ZAKAT AND TAX**

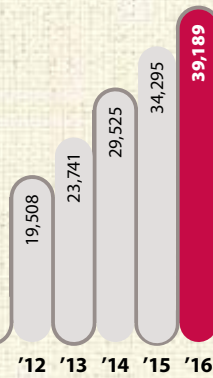
RM Million

**TOTAL ASSETS**

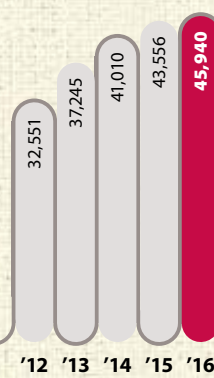
RM Million

**TOTAL FINANCING**

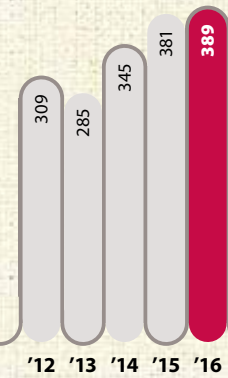
RM Million

**DEPOSITS FROM CUSTOMERS**

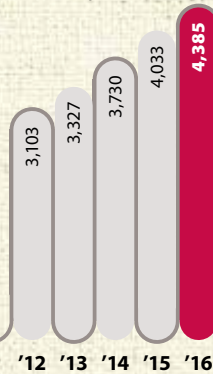
RM Million

**GROSS IMPAIRED FINANCING**

RM Million

**SHAREHOLDERS' EQUITY**

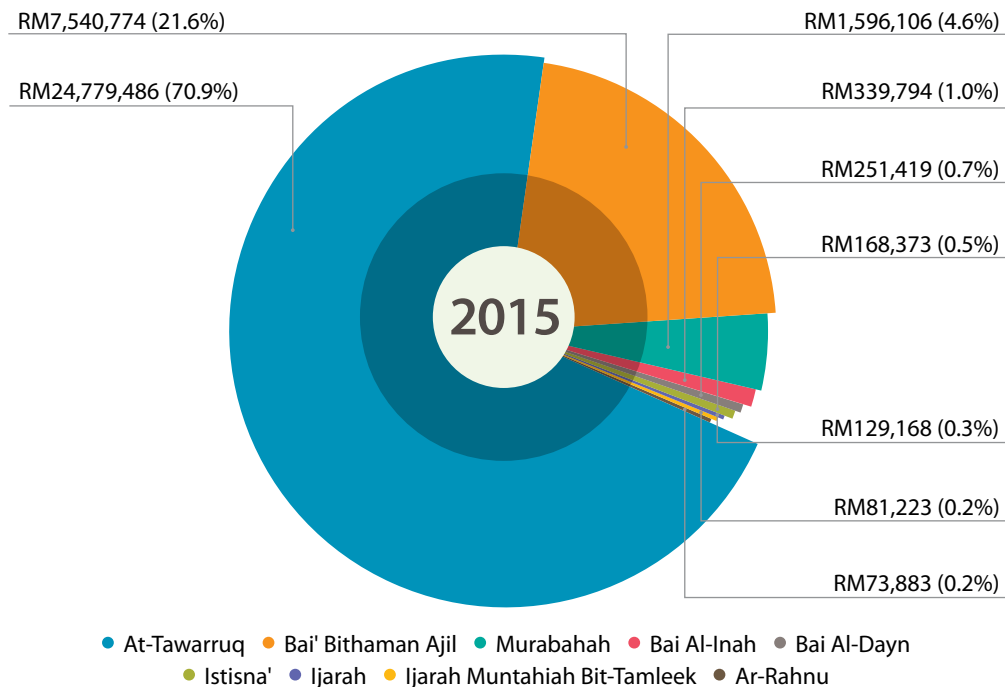
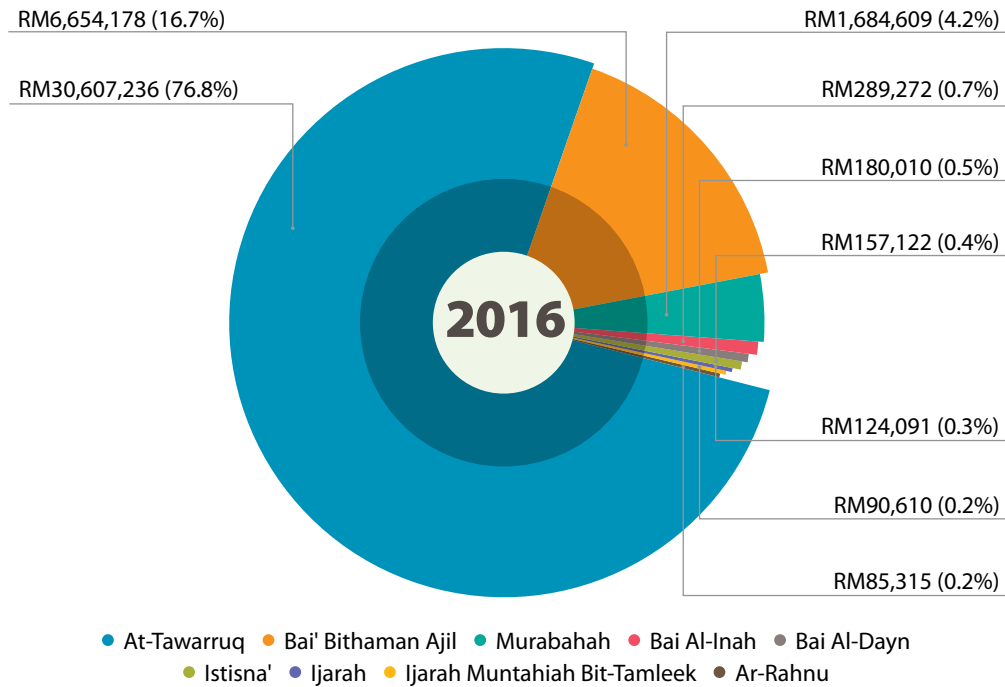
RM Million

**INVESTMENT ACCOUNTS OF CUSTOMERS**

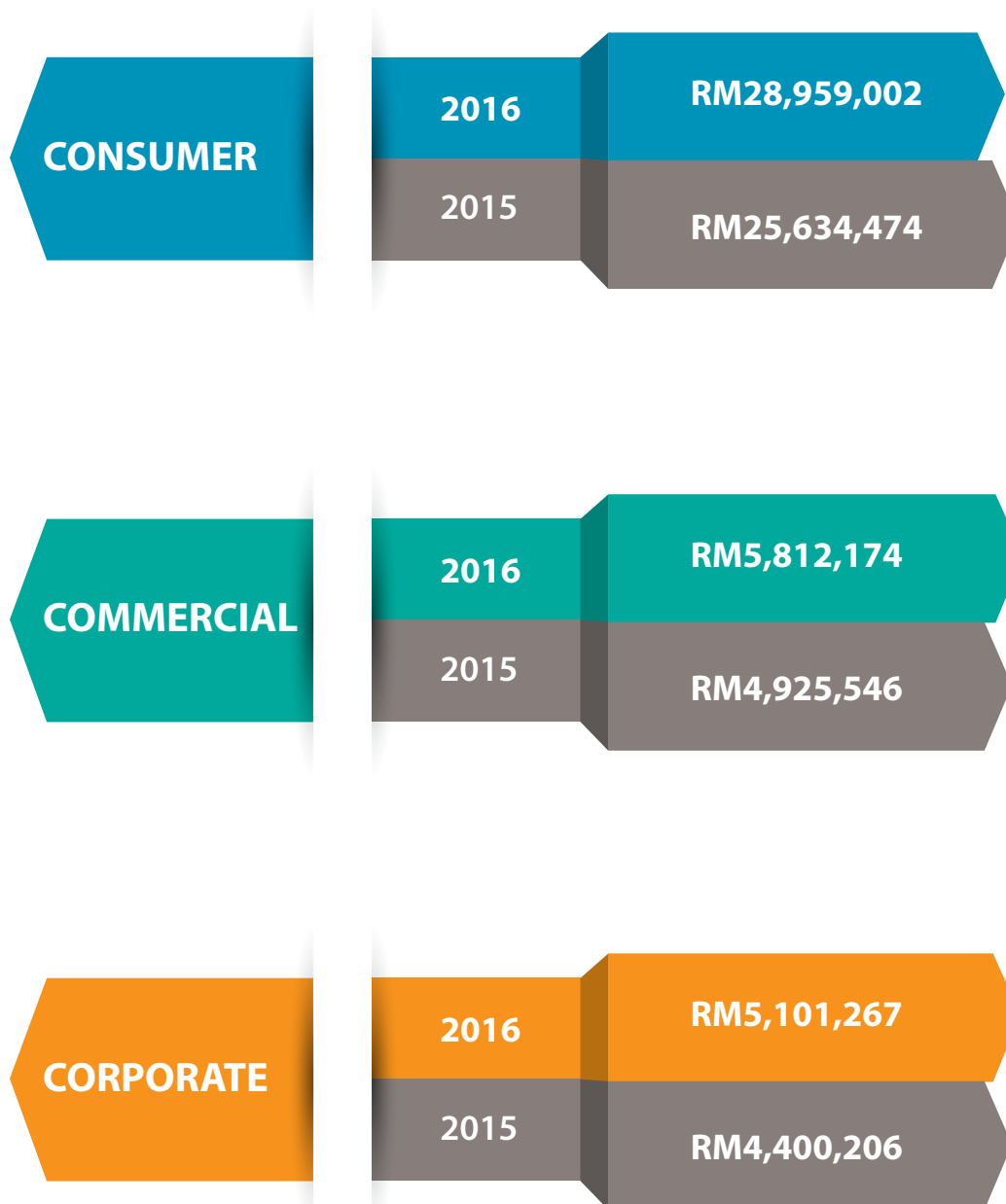
RM Million



FINANCING BY CONTRACT (RM'000)



FINANCING BY SEGMENT OF BUSINESS UNITS (RM'000)



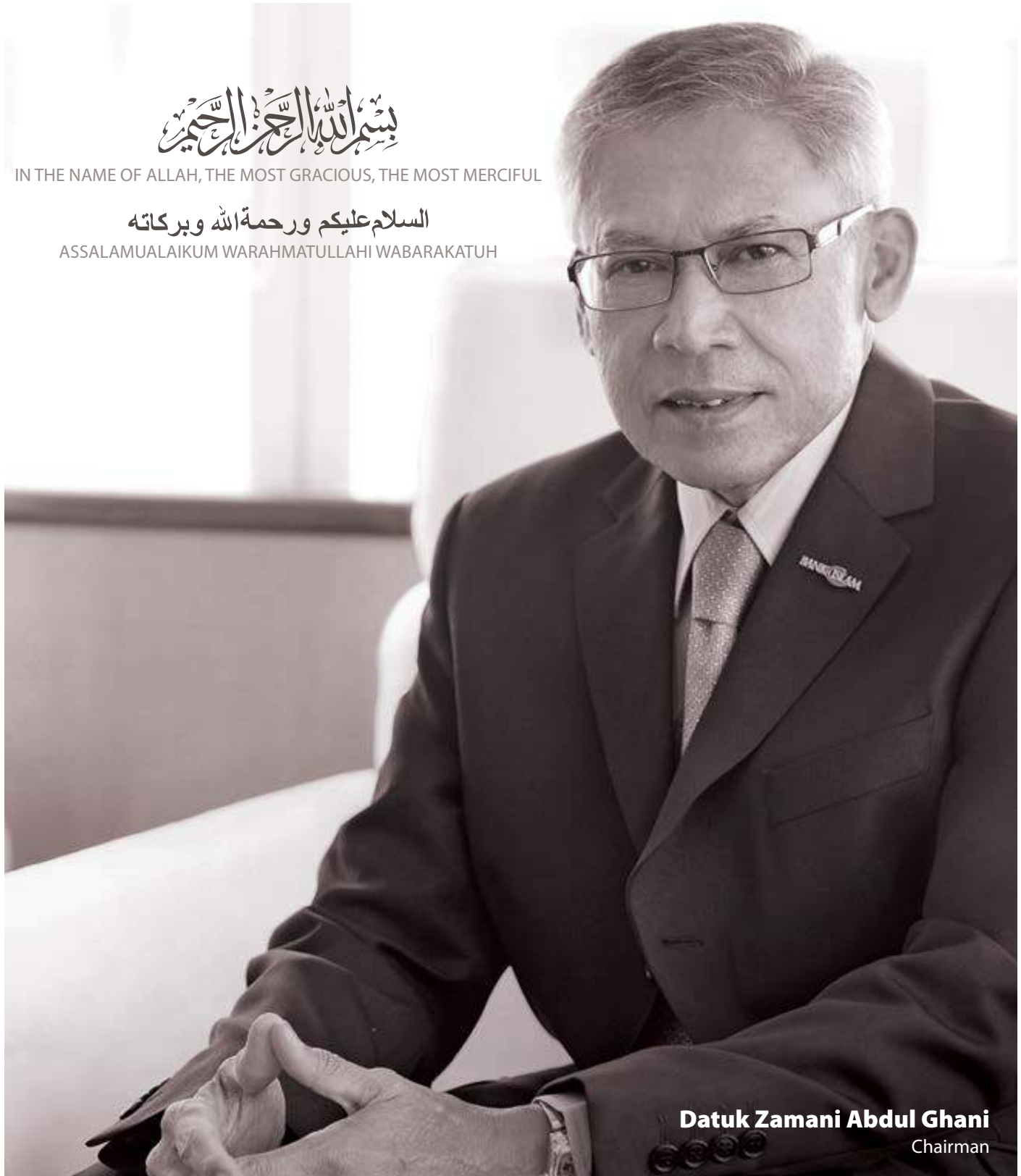
CHAIRMAN'S STATEMENT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

السلام عليكم ورحمة الله وبركاته

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH



Datuk Zamani Abdul Ghani
Chairman



**PROFIT BEFORE
ZAKAT AND TAX**

**RM720.4
MILLION**

PBZT GROWTH

+5.1%

DEAR VALUED SHAREHOLDERS,

THE VIABILITY OF ISLAMIC BANKING IS EVIDENT AS IT CONTINUES TO OUTPERFORM INDUSTRY IN A YEAR CHALLENGED BY INTENSIFIED COMPETITION FOR FINANCING AND DEPOSITS. BANK ISLAM GROUP ("BANK ISLAM" OR "THE BANK") STAYED ON STRATEGY AND ON TRACK OF ITS CORE VALUES TO ACHIEVE A 5.1% INCREASE IN PROFIT BEFORE ZAKAT AND TAX ("PBZT") TO RM720.4 MILLION, HISTORICALLY THE HIGHEST PROFIT THE BANK HAS RECORDED THUS FAR. THE BANK SAW DOUBLE-DIGIT FINANCING GROWTH OF 14.3%, OUTPERFORMING INDUSTRY AVERAGE OF 5.3%, WHILE ITS FOCUS ON ASSET QUALITY PRESERVATION RESULTED IN IMPROVED GROSS AND NET IMPAIRED FINANCING RATIOS OF 0.98% AND -0.75% RESPECTIVELY, COUPLED WITH A HEALTHY CAPITAL RATIO OF 15.52%.

ON BEHALF OF THE BOARD OF DIRECTORS, I PRESENT BANK ISLAM'S ANNUAL REPORT FOR THE YEAR 2016.

The pace of innovation for domestic Islamic finance industry continues to heighten with supportive measures put in place by the Malaysian government and authorities. Sophisticated Islamic financial instruments, such as structured and investment-linked banking products, continue to be developed, with Islamic assets expected to comprise about 40% of the total Malaysian financial market assets and grow at 15% per annum by 2020 under the Economic Transformation Programme.

Bank Islam remained at the forefront of new developments in 2016, leading the way forward with new innovative product and service offerings that exemplify its corporate values; a Leader, Dynamic, Professional, Trustworthy and Caring.

A LEADER

Pioneering New Offerings

It made headlines as one of six pioneers to champion the offering of the Investment Account Platform ("IAP"), the first bank-intermediated financial technology ("FinTech") platform. The IAP was launched on 16 February 2016 to enable SMEs, corporates, new growth industries as well as entrepreneurs to gain access to financing and provide investors with a new class of investment assets, based on responsible risk and reward sharing. The market saw three inaugural IAP offerings during the year, one of which was the successfully listing of Bank Islam's first Restricted Investment Account ("RIA").

CHAIRMAN'S STATEMENT

(cont'd)

This was followed by another new investment product - Wafiyah Investment Account ("Wafiyah") – an unrestricted term investment account based on Wakalah launched in the mid of the year. Wafiyah managed to acquire an amount of RM2.3 billion to add to the Bank's Balance Sheet as at 31 December 2016.

Building co-branding efforts with prominent brands to provide distinctive benefits to niche customers, while meeting BNM's call for a cashless society, the Bank launched in 2016 three new co-branded debit cards with the Football Associations of Kelantan ("KAFA"), Pahang ("PFA"), and Kedah ("KFA"). These followed the previous co-branding effort with the Football Association Malaysia ("FAM") in 2014. The cards featured unique features such as designs that will allow the respective fans to portray their allegiance towards their teams, automatic channelling of a portion of annual fees to the respective clubs, and were promoted through special campaigns targeted to the cardholders. They were well-received by the respective association supporters which resulted in the increase of Bank Islam Debit Card-i issuance to more than 2.8 million nationwide.

In October 2016, the Bank partnered with ONEXO, Malaysia's first Shariah-compliant prepaid brand by XOX Mobile, to launch the Visa Debit Card-i ONEXO. This was in line with both partners' aim to raise Shariah-compliant services in Malaysia and introduce unique benefits of Bank Islam debit card, such as the use of TAP Mobile Banking-i, to ONEXO customers.

A further innovation towards promoting a cashless society was also advanced by the Bank's pioneering venture to introduce the country's first contactless e-donation service with the launch of its "e-Donation" Terminal using Visa payWave. This platform enables donations to be made through the contactless electronic method using any Debit/Credit Card with payWave feature. Two units of these terminals were provided at no cost to Masjid Wilayah Persekutuan early in the year, to give back to the community who has supported Bank Islam's products and services. The mosque's congregation can now make donations easily and quickly, without the complexity of cash management processes or risk of theft. By the end of the year, terminals had been provided to nine mosques across the country.

Enhancing Accessibility Through Innovation

Creating new channels to enhance accessibility, particularly to rural areas, the year also saw Bank Islam embarking on a strategic Cash-at-Counter Service in collaboration with PETRONAS, whereby Bank Islam Visa Debit Card-i card holders can directly withdraw their cash at PETRONAS Station counters, with a minimum retail purchase of RM5 for either fuel or items from Kedai Mesra. Transactions are conducted via Bank Islam's POS terminal installed at the counter. The first phase of this joint initiative covered all 150 PETRONAS stations in Kelantan, Terengganu and Pahang; increasing the accessibility for cash withdrawals in these three states from 150 (ATMs only) to 300 (ATMs and PETRONAS) locations. Once this service expands to all PETRONAS Stations nationwide, Bank Islam customers will be able to enjoy added facilities of performing banking transactions through PETRONAS' largest retail network of more than 1,000 stations nationwide.



Achieving Excellence

The Bank's journey of excellence in 2016 also garnered industry recognition. The Bank was honoured with the "Critics' Choice Best Islamic Retail Banking Innovation Award 2016" by Islamic Retail Banking Awards 2016 (Cambridge IF Analytica-UK); "Best Wholesale Banking Award 2016" by Global Islamic Finance Awards 2016; "Best Bank Capital Sukuk" and "Best Islamic Green Financing" by The Asset Asian Awards 2016; "Technology & Innovation Outstanding Partnership Award – Payment Services" by Wells Fargo; "The Platinum Trusted Brand Award 2016 (Islamic Financial Services)" by Reader's Digest; "Best Islamic Bank Malaysia" and "Best Innovation in Retail Banking Malaysia" by The International Banker Asia & Australasia Banking Awards 2016.

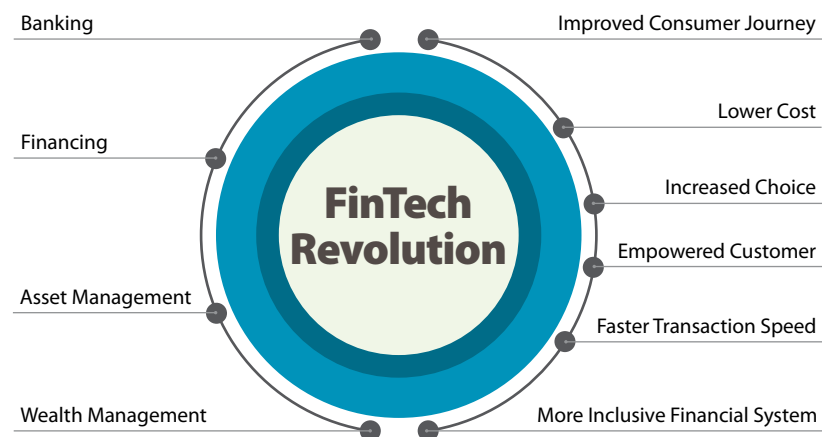
BIMB Invest's BIMB-Arabesque i Global Dividend Fund 1, which was launched in late 2015 with its artificial intelligence technology that integrates both Shariah and ESG values, delivered commendable investment performance in 2016. Anchored on long-term capital appreciation, with daily asset allocation between equity and cash for optimal risk-adjusted investment return, the fund was ranked No 1 Global Equity Shariah Fund (for 6 months and 1 year), by Lipper Fund Table, The Edge Malaysia, 5 December 2016. It had brought in over RM60 million in accumulated investment amount in six months and delivered 18% returns based on lowest Net Asset Value ("NAV") at RM0.4409 on 13 April 2016 and highest at RM0.5291 on 28 December 2016.

DYNAMIC

Delivering Results

Staying dynamic within a challenging environment, Bank Islam sustained its healthy financing growth momentum despite the challenging economic environment. The Bank achieved a double-digit financing growth of 14.3% or RM4.9 billion to reach RM39.2 billion as at 31 December 2016. Net fund-based income expanded by 5.1% which was in line with growth in net financing. Meanwhile, non-fund-based income grew by 17.2% which was supported by growth in investment income and fee-based income. All in all, the Bank delivered dividend of RM265.3 million for 2016, which was 50% of Profit After Tax ("PAT").

Towards Further Digitalisation



Though the year presented great challenges, it was also filled with opportunities for us to continue building an even better bank through embracing FinTech collaborations and implementing digital transformation. With the millennial generation showing a clear preference for conducting their financial services on an end-to-end digital platform, banks worldwide are stepping forward to offer digital-only banking services to meet the differentiated needs of this customer segment. Digital-only banking could become a significant client segment, as banks start to evaluate collaborative ventures with FinTech firms to launch digital-only banks.

CHAIRMAN'S STATEMENT

(cont'd)

Having collaborated on the FinTech-inspired IAP platform, the Bank is excited about the opportunities further digitalisation can offer to its operations. A digital transformation of the Bank is the dynamic way forward to consistently ensure excellent customer experience and highly efficient operations as it can build deeper relationships with our customers. We should have more to say on our transformational journey over the next year, and I look forward to sharing more with you about our continuing progress on establishing Digital Banking as a division within the Bank.

PROFESSIONAL

Improving Governance

The Board is fully committed to the adoption and implementation of sound corporate governance standards and practices. Regular reviews were made to assess the adequacy of our controls as well as the risk management framework to ensure they are in line with sound and best practices of corporate governance. The Bank emphasises the importance of integrity, transparency and accountability in all of our transactions. The Bank complies with and continues to strengthen our adherence to BNM's Corporate Governance Policy ("BNM CG") and BNM Shariah Governance Framework for Islamic Financial Institutions.

During the period under review, two new independent directors were welcomed into the Board, enhancing the balance between independent and non-independents. These were Puan Noraini Che Dan and Encik Nik Mohd Hasyudeen Yusoff.



A detailed report on our corporate governance best practices and Shariah-compliance is available on pages 108 to 133 of this annual report.

Our People

The Bank's strong performance in such a challenging business environment in 2016 was once again attributed to the contribution of our employees. As such, empowering our 4,559 employees with training is a continuous initiative within the Bank. In 2016, total training related investment of RM7 million was directed towards development of leadership, technical and soft skills.

The Bank also continues to hire, train and develop highly capable talents to fill up our leadership pipelines across the nation and ensure a growing talent pool for the industry. Several professional development programmes were carried out during the year; including the Certified Professional Trainer and Facilitator ("CPTF"), Bank Islam – INSEAD Leadership Programme, Bank Islam – IBFIM Certification Programme, Bank Islam – USIM Certification Programme and the on-going Future Leaders Programme.



The Bank's achievement in attracting talents has received recognition at an international level with the achievement of Asia Best Employer Brand Awards 2016 by the World HRD Congress. It also continued to sustain its position as Top 3 Most Popular Graduate Employer in Banking and Financial Services Sector, ahead of many leading financial institutions and ranked 14th as Malaysia's Top Leading Graduate Employers.

CARING

We believe in strong communities, and have built a caring tradition of giving back. Under the AMAL brand, Bank Islam's Corporate Responsibility has seen an increase in activities, financial contribution, volunteers and hours contributed by volunteers. With the AMAL emblem being set in motion, we are ever ready to come up with creative and innovative ways to contribute towards making a positive change on the well-being of local communities.

While AMAL's main areas of focus continue to be Community, Education, *Projek Bantuan Rumah* and Environment, I would like to highlight the new headways we are making in incorporating innovation in our corporate responsibility initiatives in 2016. These included our artificial reef collaboration project with Universiti Malaysia Sarawak (UNIMAS) and Pejabat Perikanan Daerah Sematan, and the Sekolah Menengah Agama (Perempuan) Al-Madrasah Al-Alawiyah Ad-Diniah Yayasan Islam Perlis ("AL-MAAD") Wakaf Fund Project. The former involved the production and deployment of five cockleshell artificial reefs in the seawaters of Talang-Talang islands near the coast of Sematan, Sarawak. The latter involved raising of funds to enable the continuation of the building of the AL-MAAD school which would benefit over 300 students through

donations made easy and convenient by Bank Islam. We provide a few payment methods via the Bank Islam Card and other banking channels and this effort won us the Best CSR Initiative during the 3rd Annual Cards & Electronic Payments International ("CEPI") Asia Awards 2016. Seeing the possibilities that innovation can help open us up to, bringing innovation into all our AMAL activities will be a core focus for our mission to help our communities prosper, going forward.



A detailed report on our Corporate Social Responsibility initiatives is available on pages 98 to 103 of this annual report.

TRUSTWORTHY

Advancing Shariah Solutions

The Bank continues to sustain its momentum in contributing towards expanding the *waqf* industry in Malaysia and boosting Muslims' asset holdings. This included the Bank's first *waqf* land development project with a property developer to provide RM15.5 million in financing for two *waqf* land development projects in Klang, Selangor. Bank Islam will part-finance the projects, which have a gross development cost of RM50 million. This represents a new step forward for the Bank as it is the first bridging financing for *waqf* land that the Bank has ventured in. The Bank also continued the "Bank Islam-Yayasan Islam Perlis Wakaf Project" in Perlis that entails using credit card to raise funds to finance development of a religious school in Perlis.

Waqf represents a new growth sector as there are approximately 1,200 ha of *waqf* land in Selangor, comprising general *waqf* and special *waqf*. About 70% is special *waqf* land, specified for the building of mosques or schools.



Building Trust with Customers

At the end of the day, banking is all about trust. Our customers must believe that we truly have their best interests in mind. Of all the achievements gained this year, our reputation of trust remains our greatest asset. This has been a result of years of integrity, hard work and commitment to our values, and though intangible is vital in ensuring our future. The Bank is recognised today for taking the purist approach as a staunchly traditional Islamic bank attracting customers who do not compromise on Shariah principles especially in relation to the co-mingling of funds. This elevates our repute and grows our profile.

The Bank is fortunate to have been steadfastly steered by an exemplary management team and committed employees, led by Managing Director, Dato' Sri Zukri Samat who continues to be recognised as one of the industry's finest. During the year under review, he added the Banking CEO of the Year Asia award from The International Banker Asia & Australasia Banking Awards 2016 into his throve of awards. Joining him this year is the Bank's Head of Strategic Management, Encik Hizamuddin Jamalludin, who was named Upcoming Personality in Global Islamic Finance (Leadership) during the Global Islamic finance Awards. I congratulate them and their team for placing Bank Islam on a path of sustainable growth.

However, no matter how good a team, success would not be possible without a supportive environment. Malaysia is now reaping the benefits as it continues to consolidate its global lead in Islamic finance. Following 23 years since commercial banks were allowed to offer Islamic banking products, the sector has emerged as a formidable force in providing funding to the Malaysian economy and beyond, creating additional high value at home and abroad. This is due to the consistent efforts by the Malaysian government and regulatory authorities, in particular BNM and the Securities Commission.

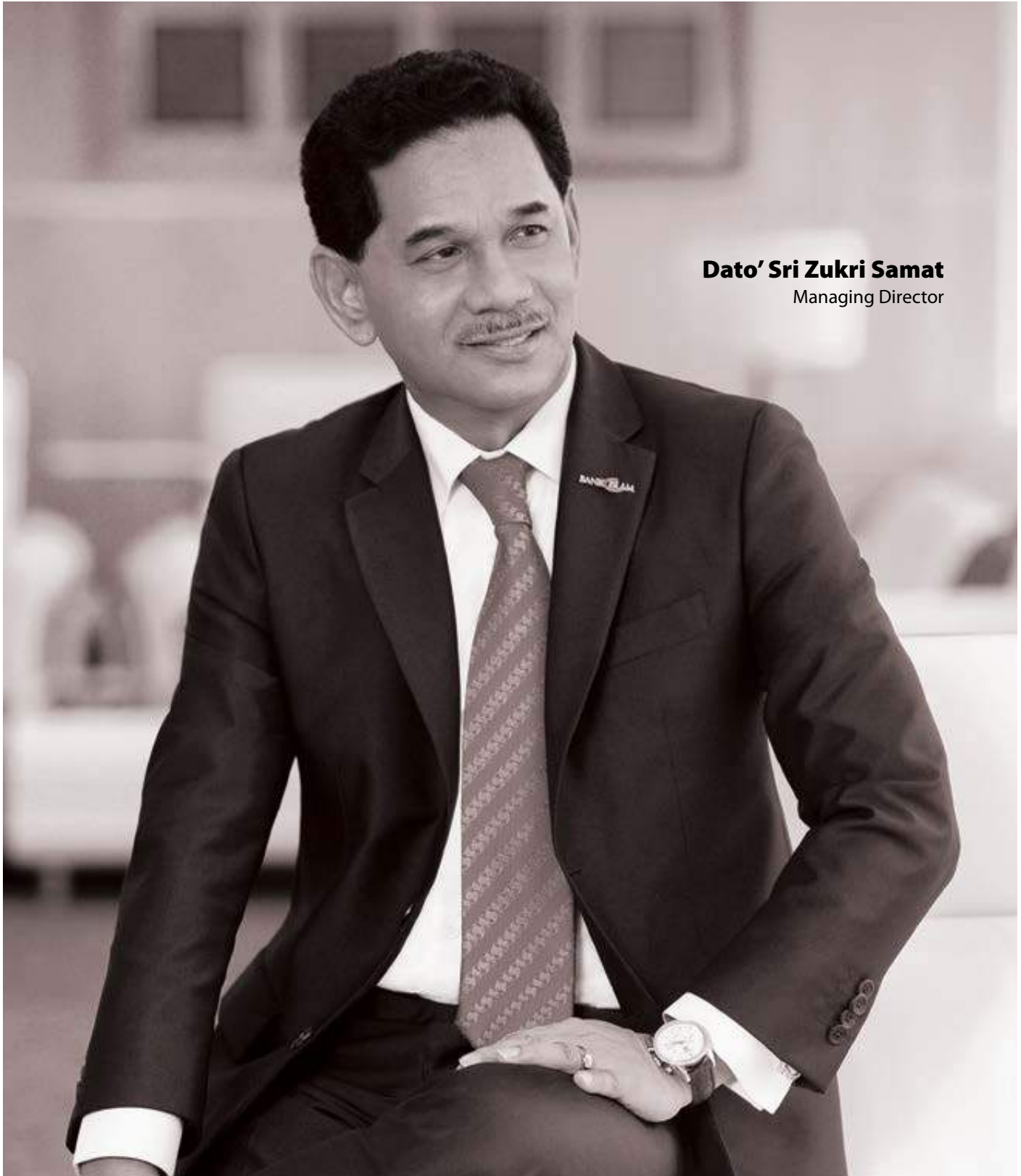
My sincere gratitude goes out to my fellow directors and members of the Bank's Shariah Council for staying committed to the Bank's vision and strategies. I also take this opportunity to welcome our new Board members, Puan Noraini Che Dan and Encik Nik Mohd Hasyudeen Yusoff. We look forward to their contributions and wisdom impartation.

On behalf of the board, I take this opportunity to thank our shareholders and all other stakeholders for their trust and unwavering support through good and challenging times.

Datuk Zamani Abdul Ghani

Chairman

MANAGING DIRECTOR'S OPERATIONAL REVIEW



Dato' Sri Zukri Samat
Managing Director



DEAR STAKEHOLDERS,

THERE'S A LEADERSHIP TRUISM THAT STATES, "GROW THROUGH THE CHALLENGES YOU GO THROUGH." CHANGING IN THE FACE OF CHALLENGES IS THE ONLY WAY TO STAY AHEAD. IN THAT PERSPECTIVE, FINANCIAL YEAR 2016 ("FY2016") WAS A YEAR OF GROWTH FOR BANK ISLAM: WE GREW OUR RESILIENCE, OUR COMMITMENT AND OUR ABILITY TO EMBRACE CHANGE, INNOVATE AND STAY AHEAD. WHILE REMAINING ANCHORED ON DEFENSIVE STRATEGIES WITHIN A MORE CHALLENGING BANKING ENVIRONMENT, WE ALSO ENSURED THAT WE WERE AGILE IN RESPONDING QUICKLY AND PRUDENTLY TO CHANGE IN ORDER TO SECURE NEW OPPORTUNITIES THAT BUILD ON OUR STRENGTHS AND ARE WELL-ALIGNED WITH OUR LONG-TERM STRATEGY.

The highlight of the year – the launch of the internet-based investment account platform ("IAP") in February 2016 - was one such breakthrough. The IAP's robust risk management infrastructure, high degree of transparency and disclosure differentiates it from other technology-based fund-raising platforms. For Bank Islam, the IAP creates a differentiated product that not only optimises capital as the underlying assets are exempted from capital charges but also presents a new timely source of fee income and funding profile which stands us in good stead and bolsters our resilience within an increasingly pressured net income margin ("NIM") environment.

SUSTAINING CAPITAL THROUGH ROBUST LIABILITY MANAGEMENT

The Bank's steady progress in 2016 was made with close adherence to our team's well laid out FY2016 strategy of Sustaining Capital through Robust Liability Management. Alhamdulillah, the Bank's performance was commendable with many Key Performance Indicators ("KPIs") achieved. Revenue increased 8.3% and despite

the higher deposit, overhead and credit costs, Profit Before Zakat and Tax ("PBZT") for the financial year ended 31 December 2016 increased by RM34.8 million or 5.1% from the previous year to hit RM720.4 million.

This was driven by financing growth of 14.3% which strongly overtook industry performance of 5.3%. Total assets grew by 11.9% compared with industry growth of 3.8%, while Return on Equity was 17.1% surpassing both our target of 15% and industry average of 14%.

Despite the strong expansion in the financing portfolio and amidst the continuously challenging economic environment, asset quality remained resilient with a lower gross impaired financing ratio of 0.98% compared to 1.09% registered the year before. Financing loss coverage ratio stood at 175.4% up from 174.6% achieved last year. The strong asset quality is a result of the Bank's continued thrust in robust risk management and stringent underwriting standards. The Bank also took a cautious stance by implementing measures in its approval processes as well as putting in efforts towards effective recovery processes.

ASSETS GREW

11.9%

RETURN ON EQUITY

17.1%

MANAGING DIRECTOR'S OPERATIONAL REVIEW

(cont'd)

On the funding aspect, the Bank's customer deposits and investment accounts stood at RM45.9 billion and RM3.8 billion as at 31 December 2016, recording a year-on-year increase of RM2.4 billion and RM3.1 billion respectively. The Current and Savings ("CASA") ratio stood at 30.8%, while Financing to Deposits ratio remained healthy at 78.5%. Pre-tax return on equity was 17.1%, while the return on assets was 1.4%. Additionally, the Bank's NIM was also highest in the industry at 2.74%.

Overall, the capital position of the Bank continued to be healthy as reflected by its Common Equity Tier 1 and Tier 1 Capital Ratio of 12.40% and total Capital Adequacy Ratio of 15.52%. These ensured its reaffirmation of AA3/Stable/P1 financial institution ratings by RAM Ratings in 2016.



SUSTAINING VALUE

Capital management and preservation is vital in these times. Regulatory capital requirement increased from 8.63% in 2016 to 9.25% in 2017 and is expected to go even higher in 2018. Thanks to our proactive Subordinated Sukuk Murabahah capital raising exercise, Bank Islam remains well positioned with a capital ratio of 15.52% in 2016.

Our financing thrust continues to be focused on secured and term financing with House Financing and Personal Financing making up over 64% of the Bank's total financing portfolio. These delivered a 20.9% and 8.8% growth respectively and were the main contributors to the Bank's revenue for the year.

All financing were underscored by prudent underwriting standards, and the stringent focus on secured asset saw asset quality improving despite the expansion in financing portfolio. The Bank's gross impaired financing ratio continued to surpass the banking industry average which was 1.61% at end of December 2016. The lowered impairment is a result of the Bank's cautious measures in its approval processes as well as its effective recovery processes. New initiatives were launched during the year to minimise delinquency through preventive actions and proactive collection. This included investment in a new Collections Call Centre housing a total of about 180 debt collectors.

Seeking investment account growth as well, the Bank heavily promoted the on-line IAP following its launch in February 2016 by BNM. Similar to FinTech platforms such as crowd funding and peer-to-peer lending platforms, IAP facilitates direct investment by investors into viable business ventures of their choices; however, a key differentiating factor of IAP is the role undertaken by Bank

Islam and other participating Islamic banks as the intermediary investment agents. The sponsoring Islamic banks will undertake significant responsibility in intermediating investors' funds including filtering the business ventures, conducting due diligence of prospective business ventures, providing disclosures on the business ventures and their related risk-return profiles, monitoring performance of the business ventures and ensuring proper governance to safeguard investors' interests and the Bank's reputation. The year was thus devoted to educating and engaging with customers (i.e. business ventures and potential investors) on Investment Accounts ("IAs") to be raised through the IAP.

More effective cost and resource management initiatives were also embarked on to optimise NIM. Significant savings are being initiated by harnessing FinTech and digitalisation possibilities to expand banking channels. The Bank revisited our initial target of adding six more branches to minimise cost in the current environment. Only one new branch was opened during FY2016, to serve the developing township of Setia Alam. Efforts were instead directed towards increasing productivity through TAP Mobile Banking-i and online channels, as well as refurbishing and relocating current branches to more viable locations.

Digitalised marketing will continue to be embarked on as a new way to optimise reach to potential customers and enhance customer experience at minimal cost. Building on digital capabilities, the Bank also launched an e-learning platform during the year to enhance staff knowledge on compliance. Moving forward more bank-wide digital transformation in channels, processes, productivity and analytics will be forthcoming.

GROWING VALUE

As part of liability management, during the year we established a new dedicated division (Deposit and Cash Management) to drive new strategies in growing our depositor base. Accordingly customer deposits increased by RM2.4 billion year-on-year to record RM45.9 billion for FY2016.

We were also guided by a focus on long-term funding. The resulting aggressive drive for IAs saw a push for retail and non-individual Investment accounts to register a growth of RM3.1 billion.

Three new investment products were introduced in 2016 by Bank Islam - a Restricted Investment Account ("RIA") which was listed on the IAP; an unrestricted term investment account ("URIA") based on Wakalah, named Wafiyah Investment Account; and a transactional investment account akin to a current account. Wafiyah, which contributed to the increase in the Treasury funding, managed to acquire an amount of RM2.3 billion by 31 December 2016 to add to the Bank's balance sheet. Collectively, a 463.9% growth or RM3.1 billion was generated by the Bank's IA to achieve RM3.8 billion in total. Meanwhile the Restricted Investment Account ("RIA") brought in RM58.8 million.

Fostering a culture of service excellence continues to be a cornerstone in FY2016. For Bank Islam, upholding customer centricity also includes ensuring convenience and continuous innovation.

During the year, the Bank embarked on several innovative initiatives to enhance accessibility and convenience, such as a strategic collaboration with PETRONAS to provide Cash over Counter services. Collaboration with selected target groups continued to be enhanced with the provision of customised credit cards with unique benefits.

In enhancing service levels, a strong culture of professionalism is being inculcated through the further education initiatives to fill skill gaps and groom internal talents as part of the Bank's succession planning programme. In 2016, 29 management personnel were sent to INSEAD in Singapore as part of the succession management initiatives. At branch level 20 new leaders were groomed through the branch manager development programme, during the year.

We continued to enhance and invest in information technology infrastructure as an enabler to serve customers better and minimise technology disruptions. A similar enhancement was conducted for our business processes, namely, the digitalised account opening for deposit and investment which helped reduce the workload at branches and improve data integrity.

On another note, BIMB-Arabesque i Global Dividend Fund 1, a global equity Shariah-ESG fund, launched by BIMB Investment Management Berhad ("BIMB Invest") on 5 November 2015, recorded significant 18% growth in net asset value in 2016, based on lowest Net Asset Value ("NAV") at RM0.4409 on 13 April 2016 and highest at RM0.5291 on 28 December 2016 and was ranked No. 1 Global Equity Shariah Fund (for 6 months and 1 year), by Lipper Fund Table, The Edge Malaysia, 5 December 2016. Its unique investment process that combines Shariah-compliance, ESG values, rule-based and systematic stock selection process and a state of the art risk and investment management technology struck a chord with investors who sought global Shariah investment fund that delivered growth anchored on rigorous risk management. Targeting long-term capital appreciation, we expect sustainable performance from this fund in 2017 and beyond.



MANAGING DIRECTOR'S OPERATIONAL REVIEW

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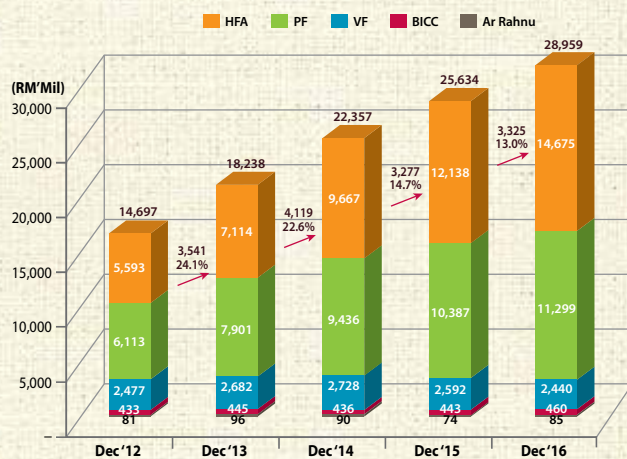
REVIEW OF BUSINESS OPERATIONS

CONSUMER BANKING

"Bank Islam's Consumer Banking division ("Consumer Banking") leveraged on proven strategies to maintain double-digit financing growth, sustained by good asset quality. Steps were also taken to enhance customer experience across a broader spread of cost effective digital channels."

Income	Year 2016 RM (Mil)	Year 2015 RM (Mil)	Growth	
			RM (Mil)	%
Fund-Based	1,577	1,438	139	9.7
Fee-Based	145	132	13	9.8
Net Total Income	1,011	941	70	7.4

**Asset Growth
Dec 2012 to Dec 2016**



2016 KEY ACHIEVEMENTS

- Financing Growth 13.0%
- Fund-Based Income Growth 9.7%
- Non-Fund-Based Income Growth 9.8%

BUSINESS DIRECTION FOR THE YEAR

Consumer Banking is the core driver of Bank Islam's business, contributing over 73% of the Bank's financing portfolio. It currently offers a full suite of Shariah-compliant banking and financial solutions to individuals and small businesses. The Bank's innovative and sophisticated Islamic banking products and services are marketed to over five million customers through a network of 145 branches, 1,124 self-service terminals ("SSTs"), about 400 Relationship Managers and a strong internet and mobile banking platform.

The consumer banking environment in 2016 was challenged by a continued downward trend of disposable income and dip in employment rate, which led to rising household debt and growing debt consolidation by cardholders to reduce commitment. In containing the rise of household debt to prevent financial imbalances, the industry pushed forward several macro prudential measures and regulations such as lower approval rates of house financing, a higher Financing to Value ratio of 70%, the removal of Developer Interest Bearing Scheme ("DIBS") and based Debt Service Ratio ("DSR") on net income; thus, squeezing margins further and intensifying competition among banks.

House and fixed asset financing was the top performer for Consumer Banking in 2016, recording growth of 21% attributed to package financing and aggressive joint promotion with developers, residence associations and management corporations. In addition, Personal Financing growth was sustained at 9%.

Efforts were put into simplifying products to enhance customer experience so as to stand out from the crowd. Marketing reach and efficiency were maximised via a strategic shift to digital channels and fully utilising all other available banking channels.

Service innovations for the year included the e-Donation Terminal using Visa payWave, Malaysia's first contactless e-donation service; Cash at PETRONAS Counter Service for Bank Islam Visa Debit Card-i holders, a first-of-its-kind facility that enables cash withdrawals at 286 PETRONAS station counters in seven states; and Mobile Banking-i TAP-LHDN Collaboration, that enables tax payment through mobile without the need for internet.

On the card front, five new co-brand Visa Debit Cards-i were launched during the year, namely Bank Islam Visa Kelantan FA "The Red Warriors" Debit Card-i; Bank Islam Visa Infinite Business Card-i, Bank Islam Visa Pahang FA Debit Card-i, Bank Islam Visa Kedah FA "Lang Merah" Debit Card-i and Bank Islam Visa ONEXO Debit Card-i. These supported the government's initiatives towards a cashless society by creating unique benefits for specific customer segments. All in all, a total of 500,000 new cardholders were recorded for the year under review.

OUTLOOK

The outlook for consumer banking in 2017 remains challenging. A prolonged economic slowdown and more stringent regulations are anticipated as financial regulators seek to improve compliance, reporting and business processes. For Bank Islam, growth in this segment will continue to leverage on tried and proven strategies which include secured financing and forming strategic alliances with several core target groups.

In light of suppressed margins, Consumer Banking will also embrace the bank-wide commitment to reduce operational costs in order to facilitate the capacity to invest in supporting technology and digitalisation to fuel a new level of customer experience and service excellence.



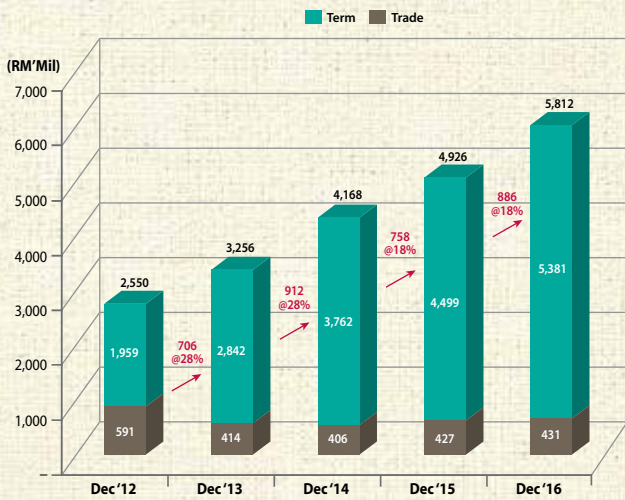
MANAGING DIRECTOR'S OPERATIONAL REVIEW

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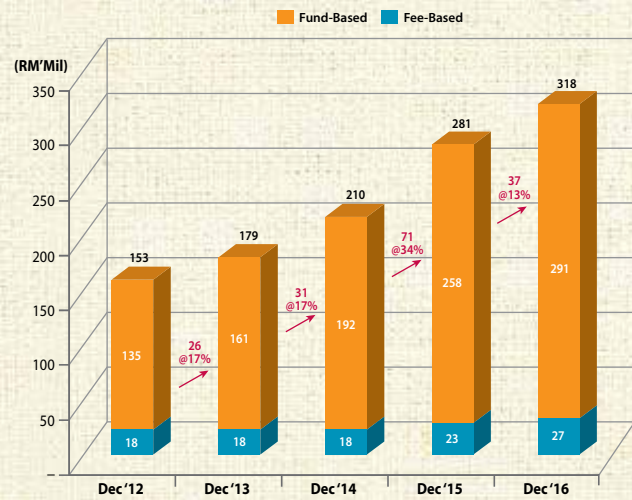
COMMERCIAL BANKING

"Amidst a challenging economic environment, Bank Islam's Commercial Banking division ("Commercial Banking") remained resilient in delivering excellent services with prudent credit underwriting to protect profitability and asset quality."

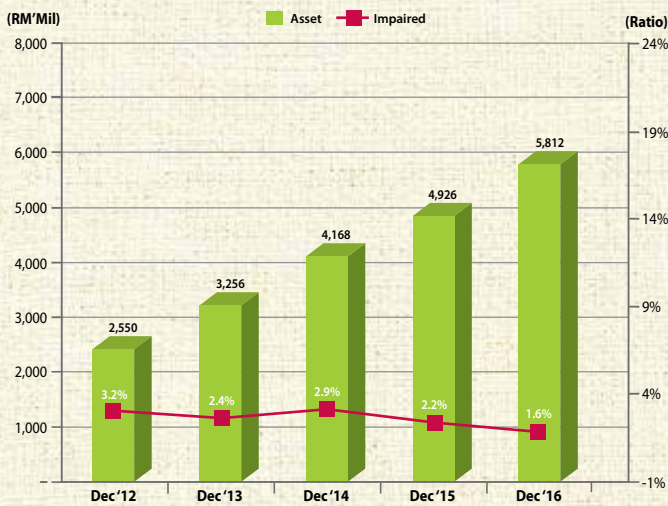
Asset Growth
Dec 2012 to Dec 2016



Income
Dec 2012 to Dec 2016



Asset Quality
Dec 2012 to Dec 2016



2016 KEY ACHIEVEMENTS

- Financing Growth 18.0%
- Fund-Based Income Growth 12.8%
- Non-Fund-Based Income Growth 17.4%

BUSINESS DIRECTION FOR THE YEAR

The economic outlook for Small Medium Enterprises (“SMEs”) in Malaysia remained very challenging in 2016 as the weakening of the Ringgit resulted in sharp price increases of imported raw materials which led to higher working capital requirement and an increase in financing cost for most business.

The drop in crude oil prices had also reduced “oil majors” (PETRONAS, Shell, Exxon Mobil) OPEX and CAPEX spending, which saw significant reduction in number of contracts awarded to oil and gas contractors and vendors. Moreover, extreme weather and decrease in Crude Palm Oil price had negatively impacted plantation production and its revenue.

Opportunities for the year rested on the Government’s continued spending in infrastructure projects such as MRT projects, PR1MA housing projects, and affordable homes projects. The spillover effect of these projects had benefited the construction and construction-related industries. The telecommunication infrastructure industry was another growth sector spurred by the rising demand by the telecommunication provider to provide maximum coverage to its client base.

The strategic focus on these sectors had supported Commercial Banking’s overall growth in 2016 as the division recorded an impressive 18.0% growth in assets with total outstanding financing of RM5.81 billion. This was contributed by the increase in both term financing (19.6% growth) and trade products (1.1% growth). Both fund based and non-fund based contributed to an increase of 13.4% in total income from RM280.7 million in 2015 to RM318.2 million.

Within the Commercial Banking’s business pillar, financing from Emerging Corporate was the key contributor in 2016, harvesting a growth of 31% from key targets such as state government related companies, financial institutions, property development and cooperatives. This was followed by SME and Business Premises Financing which contributed asset growth of 5%; mainly from property financing, telecommunications and property development in strategic areas.

Commercial Banking also ventured into collaboration with a property developer via bridging financing of RM15.5 million for the development of two *waqf* land parcels in Selangor. This initiative is one of the Bank’s contributions towards expanding the *waqf* industry in Malaysia and boosting Muslims’ asset holdings.

A tightened credit underwriting structure and risk acceptance criteria particularly in the acquisition of new businesses characterised Commercial Banking’s overall credit appetite in 2016,



in addition to the standard due diligence of potential and existing customers, project supervision, aggressive monitoring of payments and early-care management of potential delinquent customers. As a result, asset quality had improved with impaired financing ratio reducing from 2.23% in 2015 to 1.58%.

OUTLOOK

Moving forward, we foresee continued opportunities in construction related industries which should benefit from the spill-over effect of the Government’s continued spending in infrastructure projects such as the MRT2, RAPID Pengerang, Pan-Borneo Highway Sabah, High Speed Rail projects. Our focus will also be aligned to sectors and projects highlighted in the Government’s Budget 2017 plan, such as education, information & communication technology, pharmaceutical & healthcare and real estate.

In view of the uncertain economic outlook, all new pursuits will be strongly underscored by our existing strict underwriting standards. At the same time we commit to fortifying our relationships with core target sector groups to enhance value delivery, while creating more seamless and efficient systems and processes in serving our customers.

MANAGING DIRECTOR'S OPERATIONAL REVIEW

(cont'd)

TREASURY:

"Bank Islam's Treasury division's ("Treasury") balance sheet underwent a period of change as part of the Bank's strategy in responding to industry, internal and regulatory requirements. Treasury assets registered a growth of 8.6% while Treasury deposits showed an increase of 14.5%. Corporate Forex volume has also registered an increase of 6.1%."

2016 KEY ACHIEVEMENTS

- Launched Wafiyah Investment Account in May 2016
- Introduced Bank Islam Debit Card as an alternative payment method for purchase of Foreign Currency & Foreign Remittances at the Bureau de Change ("BDC")

BUSINESS DIRECTION FOR THE YEAR

Treasury proactively managed the portfolio to ensure that the quality and composition of the issuers are maintained while complying with all internal policies and guidelines. The portfolio comprised mainly Government and Government-Guaranteed papers. Majority of the portfolio qualified as the High Quality Liquid Assets ("HQLA") under Basel III Liquidity Coverage Ratio ("LCR"). The portfolio also runs for very short tenures with average duration of less than five years.

In terms of funding, the Wafiyah Investment Account ("Wafiyah") which was launched in the mid of the year helped contribute to the increase in the Treasury funding along with Term Deposit Tawarruq Special ("TDTS"), the existing Treasury deposit product. As at 31 December 2016, Wafiyah managed to acquire an amount of RM2.3 billion to add to the Bank's Balance Sheet.

OUTLOOK

Moving forward to 2017, potentially tighter liquidity conditions and more stringent rules and requirements are foreseen. In view of this, Treasury enhanced its overall liability management by prioritising compliance to all the regulatory requirements while ensuring that the Bank's liquidity is intact. Meanwhile, volatility on the foreign exchange market is expected to remain high which will provide windows of opportunity for foreign exchange activities in terms of matching clients' hedging requirements. Focus will also be given in reviewing BDC locations to areas of higher demand, promoting BDC services internally, and to leverage on the possible opportunity of retail remittances from targeted segments.

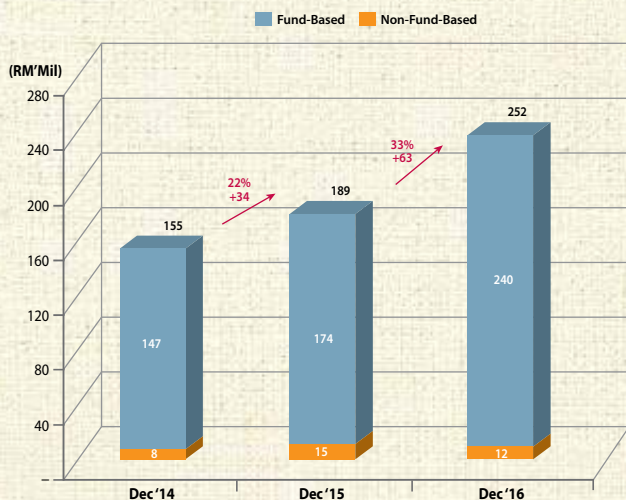
Treasury will continue to offer competitive pricing to ensure customer retention and innovatively expand its solutions for Islamic Money Market, Fixed Income, Foreign Exchange and hedging instruments to retain its positioning as a leading Islamic Treasury in Malaysia.



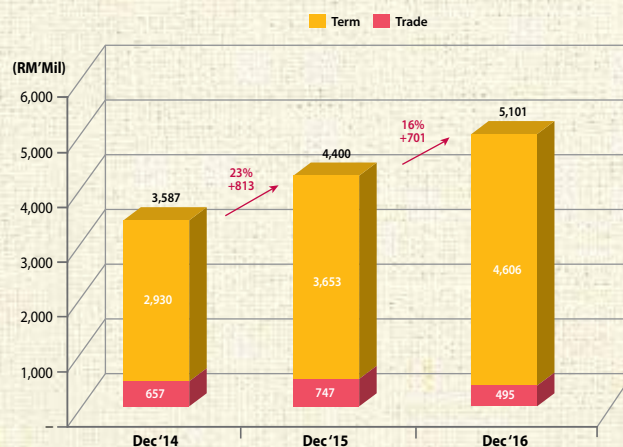
CORPORATE BANKING:

“Bank Islam’s Corporate Banking division (“Corporate Banking”) delivered another year of respectable contribution to the Bank’s overall business growth by leveraging on the Bank’s visible branding in Islamic Finance, coupled with strong business relationship and franchise with our customers.”

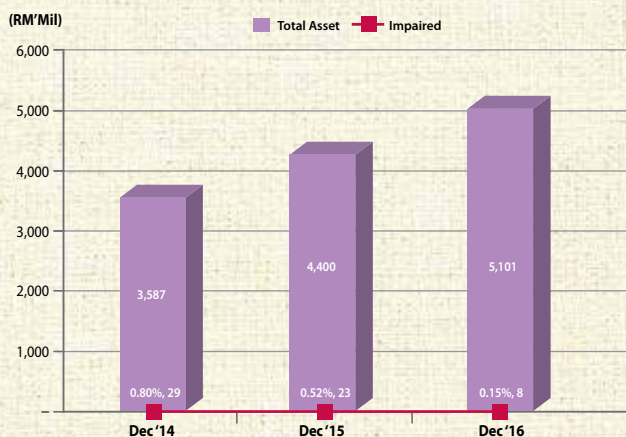
**Revenue Growth
Dec 2014 to Dec 2016**



**Asset Growth
Dec 2014 to Dec 2016**



**Asset Quality
Dec '14 to Dec '16**



2016 KEY ACHIEVEMENTS

- Total financing assets grew at 15.9% or RM701 million to RM5.1 billion
- Total income increased at 33.3% or RM63 million to RM252 million
- Commendable improvement in asset quality with impaired financing ratio reducing significantly from 0.52% to 0.15% and no new account impaired in 2016

MANAGING DIRECTOR'S OPERATIONAL REVIEW

(cont'd)

BUSINESS DIRECTION FOR THE YEAR

With the cautious strategic business approach for 2016, the focus for Corporate Banking was more on assets financing with higher income spread largely from CAPEX and project financing. This is in line with the Bank's aspiration to further broaden its revenue growth and preserve a healthy asset quality profile.

Though big banks continued to dominate the industry with big-sized balance sheets and regional presence, Corporate Banking sustained a strong niche market in local Islamic banking environment with continuous support from federal and state governments. This was supported by our established track record with strong collaboration with bigger local investment banks working together in securing more syndicated and project financing.

Our team also capitalised on their industry experience and expertise, and reputation on successful execution for complex and unique transactions such as project financing structure and green technology financing.

Total income increased respectably at 33.3% or RM63 million to RM252 million mainly contributed by higher fund-based income as a result of improved income spread with higher facility utilisation/disbursement ratio from existing and new customers.

Total financing assets grew by 15.9% or RM701 million to RM5.1 billion. Total financing approved was at RM1.8 billion of which 84.0% or RM1.5 billion was disbursed during the year.

This was accompanied by commendable improvement in asset quality with impaired financing ratio reducing significantly from 0.52% to 0.15%, mainly due to healthy collection and no new impaired accounts in 2016.

OUTLOOK

For 2017, Corporate Banking continues to focus on specific financing for growth areas such as new project financing/syndication from established Financial Institutions and government-backed projects, especially those in the infrastructure and power sector.



CAPITAL MARKET

“Bank Islam’s Capital Market Department (“CMD”) has successfully completed its first Restricted Investment Account (“RIA”) offerings via Investment Account Platform (“IAP”), which is only the second RIA transaction offered through the IAP.”

IAP Transactions

Sponsoring Banks	FY 2016		
	Market Share (%)	Volume (RM Mil)	Deal Count
Bank Islam	37.5	6.0	1
Other Islamic Banks	62.5	10.0	1
Total	100.0	16.0	2

2016 KEY ACHIEVEMENTS

- Launched the Bank’s first RIA via IAP
- Jointly organised the Wakaf Roundtable Conference 2016 with Wakaf, Zakat dan Haji Department (Prime Minister’s Department), Majlis Agama Islam Negeri Sembilan, Securities Commission Malaysia and Universiti Malaya

BUSINESS DIRECTION FOR THE YEAR

FinTech has penetrated the Islamic finance space, with the launch of the IAP. IAP has been developed as a new crowd funding platform for companies (i.e. business ventures) to raise funds. Through IAP, investors will have the opportunity to receive higher returns by virtue of direct investments into the business ventures. In this regard, the Bank has successfully offered its first RIA via IAP for a cooperative entity during the year, offering a very attractive expected rate of returns of 6.60% per annum to investors. This is the second RIA offered since the IAP was launched.

Maintaining its role in Sukuk issuances, CMD participated in several high profile transactions including issuances under Lembaga Pembiayaan Perumahan Sektor Awam’s RM25.0 billion Government Guaranteed Islamic Commercial Papers/Islamic Medium Term Notes Programme and RM20.0 billion Malaysia Debt Ventures Berhad’s Islamic Medium-Term Notes Programme. The year also saw Bank Islam, in its capacities as Issuer, Principal Adviser, Lead Arranger and Shariah Adviser under its RM1.0 billion Subordinated Sukuk Murabahah Programme, being awarded the Best Bank Capital Sukuk by The Asset Triple A Islamic Finance Awards 2016.

During the year, CMD maintained relationships with key players in the Malaysian Sukuk market; worked closely with IAP Integrated Sdn Bhd and Government agencies to source for potential business ventures and investors for RIA via IAP; and intensified marketing efforts to gain industry acceptance on RIA via IAP, particularly amongst the business ventures and investors.

OUTLOOK

We are optimistic that we can attract more investors into IAP as it has distinguished its uniqueness as a cutting-edge technology-based fundraising platform with its robust risk management infrastructure, high degree of transparency and disclosure.

Moving ahead, CMD will continue to further optimise on possibilities in IAP and Sukuk. In addition to its existing product offerings, CMD aims to identify more viable business ventures to offer to the market for RIA via IAP transactions and educate wider pool of potential investors on investing in the new RIA asset class. CMD also intends to further advance on Sukuk transactions as principal advisor, lead arranger and facility agent as well as Shariah advisor.

MANAGING DIRECTOR'S OPERATIONAL REVIEW

(cont'd)



ACCOLADES FOR THE YEAR

The Bank's strides in improving services through continuous enhancement of best practices were recognised by an array of awards and accolades during the year. These included the Critics' Choice Best Islamic Retail Banking Innovation Award 2016 (Cambridge IF Analytica-UK) by Islamic Retail Banking Award; Best Wholesale Banking Award 2016 by Global Islamic Finance Awards 2016; and Best Innovation in Retail Banking Malaysia from The International Banker Asia & Australasia Banking Awards 2016. Recognising the steadfast growth in our card business, Cards International and Electronic Payments International ("CEPI"), the leading global publications for the cards and payments sectors with a strong focus on Asia, picked Bank Islam as the Winner of the CEPI Asia Awards 2016. On the sukuk front we were awarded the Best Bank Capital Sukuk by The Asset Triple A Islamic Finance Awards 2016 and Best Capital Sukuk, by The Asset, in May 2016. We are honoured by these recognitions and commit to continue navigating towards excellence in all we do.

GUIDED BY STRATEGY AND VALUES

A sustained recovery in GDP growth is needed to support financing growth, so we are encouraged by the International Monetary Fund's ("IMF's") 4.6% growth projection for the Malaysian economy in 2017. Nevertheless, funding conditions in Malaysia are tightening due to heightened macroeconomic risks domestically and abroad. Though the banking system as a whole remains profitable, liquid and well capitalised, continued challenges are expected.

With household and non-household loan momentum continuing to moderate, 2017 will present a tough environment which will heighten the pressure on asset quality. Loans growth is expected to remain modest between 4% and 5% in 2017. Potential rise in credit costs and new regulatory requirements, such as MFRS 9, will demand higher capital while net income margin continues to be under pressure. Given the competitive environment, asset quality preservation remains critical to the Bank while costs and resource optimisation continues to be equally important. Consequently, continuous diligence in sourcing for revenue streams, defending market share and optimise costs shape our next course of action. This calls for another defensive growth strategy that has been outlined as our 2017 corporate plan, and titled as "Deposit Drive, Defensive Strategy, Digitalisation".



This provides the Bank with a clear strategy to guide us on strategic priorities and ensure our long-term success. Driving sustainable and profitable revenue growth continues to be our top priority. In order to achieve that, we are maintaining our focus on: capital management, prudent risk management and appetite, preserving asset quality, cost and resource optimisation and channel expansion.

Innovation continues to play a big role in improving the future of banking. At Bank Islam, we plan to seek opportunities of partnership with promising FinTechs that can help us improve our customer experience by being more efficient and differentiating ourselves from our competitors.

These priorities, along with our stated values, are the roadmap for our long-term success. Yet we are also consistently looking for ways to reinvent ourselves so as to remain agile, responsive to change, and relevant in today's rapidly changing digital landscape.

ACKNOWLEDGEMENTS

I take this opportunity to thank our shareholders for their continued support.

A special note of appreciation goes to all our staff who remain both resolute in their commitment, yet responsive to embracing the shifting environment in which we now operate. We can draw confidence from the fact that we are already making progress on the next phase of our strategic roadmap and that our entire organisation is committed to evolving in these times of uncertainty.

I would also like to thank every one of our customers for your continued loyalty, and for placing your trust in Bank Islam. With a strong foundation, an experienced leadership team, and all of our employees working together to execute our strategy and plans effectively, we will continue to grow and succeed for the benefit of all our stakeholders.

Insha-Allah. We will stay true to our values and have the discernment to capitalise on the opportunities within the challenges ahead of us. May Allah bless us with another sustainable and successful journey.

Dato' Sri Zukri Samat
Managing Director

ECONOMIC REVIEW FOR 2016 AND PROSPECTS FOR 2017

THE GLOBAL ECONOMY WAS IN THE STATE OF LIMBO DURING 2016. THE NORMALISATION OF UNITED STATES (“US”) INTEREST RATES, ECONOMIC SLOWDOWN IN CHINA AND THE UNCERTAINTY OF CRUDE OIL PRICES WERE SOME OF THE COMMON DENOMINATORS. TO A LARGE DEGREE, THE RISE OF POPULISM ALSO HAD IMPORTANT IMPLICATIONS TO POLICY MAKING IN THE ADVANCED COUNTRIES, IN VIEW OF THE UNEXPECTED VICTORY OF MR. DONALD TRUMP IN THE US PRESIDENTIAL ELECTION ON 8 NOVEMBER. THE RESULTANT EFFECT WAS NONE OTHER THAN VOLATILITY IN FOREIGN EXCHANGE RATES WITH GLOBAL CAPITAL SHIFTING IN FAVOUR OF DEVELOPED MARKETS.

The US equity markets barometer, Dow Jones Industrial Average (“DJIA”) is hovering close to an all-time high of 20,000 points with investors who are willing to pay 18.2 times forward earnings based on the Price-to-Earnings Ratio (PER). Such valuation appears to be on the high side, suggesting equity investors have been upbeat about earnings potential of Corporate America. By the same token, the 10-year US Treasury bonds yielded as high as 2.60% during December as the Federal Reserve is envisaged to deliver multiple rate hikes in 2017. This would mean US dollar assets are expected to give higher returns going forward as the central bank would continue normalising their policy rates. It took a serious toll for most Asian currencies as a result, with the Japanese Yen and Malaysian Ringgit becoming main casualties.

The US economy is undoubtedly on a better footing. Third quarter GDP in 2016 grew by 3.5% from 1.4% in the preceding quarter led by a turnaround in private investment. Additionally, improvements in the labour market led to sustained increases in consumer spending. This has stimulated private consumption especially spending on durable goods such as motor vehicles and other discretionary items.

The inflation rate appears to be rising, albeit gradually, to 1.7% in November and is likely to move closer to the 2.0% target should oil prices continue to increase further. Consequently, the US Federal Open Market Committee on December 14 raised the Fed Fund Rate to 0.50% and 0.75% from 0.25% and 0.50% previously. The US monetary policy is poised for further normalisation in 2017 in view of the expected increase in inflation rate.

Meanwhile, the UK commenced its formal discussion on its separation with the European Union at end of March 2017. This came after the Brexit referendum in June saw the Leave vote prevailing. The main question is whether the discussion between the UK and the EU would lead to “Hard” or “Soft” Brexit. The “Hard” Brexit would mean a total separation with the EU and therefore, the economic relationship would be based on World Trade Organisation (“WTO”) rules. On the contrary, the UK would retain some of the privileges with the EU under the “Soft” Brexit.





In commodity space, there were two important agreements sealed between OPEC and Non-OPEC countries during the months of November and December 2016. These point to the oil exporting countries resolving to maintain stable crude oil prices amidst the supply glut. Both groups have agreed to reduce crude oil production by 1.8 million barrels per day (mb/d) between January and June 2017 with an option to extend such an agreement for another six months. Admittedly, WTI and Brent crude went up to as high as USD54.06 and USD56.82 per barrel at the end of December 2016.

On the domestic front, Malaysia's consumer sentiment was lethargic for the most part of 2016. This is based on the Consumer Sentiment Index ("CSI") which continued to hover below the 100 point threshold for ten consecutive quarters. The CSI came in at 69.8 points in the fourth quarter from 73.6 points in the previous quarter. The rise in general prices as well as weaknesses in the labour market is the main reason for such pessimism. Meanwhile, inflation rate was sustained at 2.1% for two consecutive years in 2016 as growth in the Consumer Price Index ("CPI") started to moderate in the second half of 2016, thus setting a conducive environment for monetary stimulus. In this regard, the surprised cut in the Overnight Policy Rate ("OPR") by 25 basis points was announced by the Bank Negara Malaysia ("BNM") in July. It is widely believed such a move is to support the economy amidst ailing sentiments which could be detrimental to growth if left unattended. In addition, the central bank also announced several measures during the month of December aimed at maintaining stability in the foreign exchange markets following the unexpected turn in US Presidential Election results.

At the current juncture, there are several factors at play and all seems to indicate a pessimistic or rather a cautious view on what may unfold in 2017. The rise of populism in the advanced countries, especially in the US has instilled some form of optimism on the developed markets – particularly on their growth prospects. This is premised on the on-going interest rate normalisation by the Fed and the possible fiscal support via infrastructure projects in the US. In that sense, the US market seems to promise a better risk and return profile relative to emerging markets. However, all this

hinges upon the actualisation of the election promises by the President. In particular, the run up in equity prices in US have been quite substantial and the valuation seems to have stretched out as markets become more sanguine about the US economy. How he implements the next course of action will dictate the market direction.

In this regard, investment opportunities in Malaysia will likely become more selective and mostly revolve around industries or companies that will benefit from the weak Ringgit. Export-oriented industries will be the key beneficiaries given their revenue streams are in US dollar. Some of the players have beefed up their production capacity, allowing them to cater for higher demand going forward especially in the case of rubber gloves and electrical & electronics. In addition, lively activities in the tourism sector will also lead to higher consumer spending with tourist arrivals for the first ten months of 2016 standing at 22.1 million. This represents an increase of 4.4% from the same period in 2015. The bulk of the tourists came from Asian countries such as Singapore (+2.9%, 11.0 million), Indonesia (+11.6%, 2.5 million), China (+27.0%, 1.8 million) and Thailand (+34.4%, 1.5 million). Therefore, this will create demand for Aviation, Accommodation, Food & Beverage and perhaps Healthcare industries as the players are also hoping to increase their revenue from medical tourism. The Oil & Gas sector could also see some respite after a deal to reduce oil production in the 1H2017 materialised in December.

Having said that, the Malaysian economy is poised to record stable growth of 4.4% in 2017 from an estimated 4.3% in 2016. This is based on support from development spending, implementation of key infrastructure projects, the expected increase in CPO production as well as normalisation in consumer spending. Against such a backdrop, the Malaysian economy should remain conducive for Bank Islam to maintain its strong foothold in the Islamic financial sector.



MEDIA HIGHLIGHTS

MUIS to use Bank Islam voucher encashment facility in disbursing tithes

BORNEO POST (KUCHING)
02 Apr 2016

Bank Islam's Visa cash out service expands to Petronas stations in East Malaysia



Bank Islam's Visa Debit Card holders can...

BHB catat perolehan RM3.31 bilion 2015

KUALA LUMPUR 26 Feb. - BHB Holdings Berhad (BHB) mencatat perolehan sebanyak RM3.31 bilion bagi tahun kewangan berakhir 31 Disember 2015 berbanding RM2.96 bilion bagi tempoh sama sebelum ini. Menurut BHB, keuntungan sebelum cukai dan cukai (EBIT) pada 2015 meningkat 2.3 peratus kepada RM347.47 juta. Utusan Malaysia 27 Feb 2016



BIMB gives out RM200 mln loans to SMEs

NEW SARAWAK TRIBUNE
15 Sep 2016

KOTA BHARU: Bank Islam Malaysia Bhd (BIMB) has disbursed RM200 million to medium enterprises, including Kelantan, since the bank opens. Managing Director Datuk... He said the bank gives out a maximum of RM500,000 to help their business and to make investments.

Bank Islam targets 20,000 new customers for Shariah-based card

The bank aims to get 10% of its current corporate and commercial customer base within 3 years.

Bank Islam catat kenaikan pembiayaan



Bank Islam catat kenaikan pembiayaan...



Bank Islam catat kenaikan pembiayaan...

Islamic banks unveil platform for investment accounts

KUALA LUMPUR: The Islamic banking industry has unveiled the first Shariah-compliant investment platform... The platform was developed by Bank Islam Malaysia Bhd (BIMB) and Bank Islam Malaysia Berhad (BIMB) in collaboration with the Islamic Finance Development Corporation (IFDC).

Bank Islam to finance RM15.5m of waqf projects

By Sharina Ahmad
sharinaahmad@immail.com.my
KUALA LUMPUR — Bank Islam Malaysia Bhd yesterday signed an agreement with Urus Maja Ehsan Malaysia Bhd (UME), a wholly owned subsidiary of Perbadanan Waqf Selangor (PWS), for a bridging loan to develop projects worth RM15.5 million on waqf land. Bank Islam deputy chief officer Khalid Kamarudin said the agreement inked is the bank's first bridging financing deal for a waqf project. The project is to develop 164 apartment units and 12 units of shop lots in Section 30, Shah Alam, Selangor. The apartment units, spanning 1000 square feet (sq ft) each, will come with special lease rates of RM350,000. Meanwhile, the second project involves 13 units of shop lots and 34 bazaar units which will be developed in Jalan Teratai, Mukim Kapar in Klang. The office units will range from 3,024 to 3,790 sq ft each and will be leased out for between RM861,840 to RM1,077,300. The bazaar landed lots of 888 sq ft apiece will be priced at RM250,000.

and final financing of the projects. The initiative is contributing to the development of the waqf sector in Malaysia. This development will boost the economic growth. In May 2015, Bank Islam acted to provide end-financing and project financing, thus providing a solution to the issue of the cost of the endowments for land development. Last year, Bank Islam and Yayasan Islam



Bank Islam deputy chief officer Khalid Kamarudin...

BANK ISLAM, ONEXOX Lancar Kad Debit-i Visa



Bank Islam, ONEXOX Lancar Kad Debit-i Visa

Fakta nombor

2.8 JUTA pengguna baharu kad Debit-i Visa Bank Islam

Utusan Malaysia
02 Aug 2016



Bank Islam lancar Kad-i Debit Visa Lang Merah

BANK Islam Malaysia Berhad (Bank Islam) mengumumkan...

Bank Islam sees good response to Islamic finance



Malaysian Reserve 07 Nov 2016

good response in Malaysia because of the and accountal said Bank Islam

Program Amal Bank Islam 2016

PROGRAM Amal 2016 Bank Islam Malaysia Cawangan Sarawak dengan kerjasama Universiti Malaysia Sarawak (UNIMAS), Pejabat Daerah Perikatan Laut Semalau baru-baru ini berlangsung meriah.

Pelbagai acara serta aktiviti telag disusun atur untuk memeriahkan program berke-



demo masakan oleh pelajar Universiti UCSI. Tidak hanya Utusan Sarawak 06 Jun 2016

Hadir pada majlis tersebut Pengurus Bank Islam



AMARAN PERING... Pengurus Bank Islam Wilayah Malaysia Timau, Haji Abdul Malik Abdullah ketika berucap pada majlis tersebut.

BIMB Q3 profit advances 17%

PETALING JAYA: Bank Islam Berhad (BIB) mencatat keuntungan bersih 17% peningkatan pada suku ketiga 2016...

The Star 01 Dec 2016

BIMB posts higher profit in 4Q

by FREMELATHI JARIBANAN BIMB Holdings Bhd reported a 17.3% increase in net profit to RM240 million for the third quarter ended Sept 30, while year-to-date profit rose 17.3%...

Malaysian Reserve 29 Feb 2016

IAP mahu kumpul dana sehingga RM300 juta

Oleh FADZIL ZAINOL

■ KUALA LUMPUR 17 FEB.

PLATFORM Akuan Pelaburan (IAP) yang dilancarkan hari ini melibatkan enam bank Islam tempatan, dijangka mampu meraih dana sehingga RM300 juta dalam tempoh tiga tahun akan datang, bagi membiayai aktiviti perniagaan khususnya milik perusahaan kecil dan sederhana (PKS).

Neg Dr. Raaed S CEO Bank Islam



AMARAN HANING-040, Karamul Adnan Mohd., dan Uthman Abdul Wahid (dari kiri), Nor Shahrizan Sulaiman (dari kanan), Mustaffa Abd. Razak (dari kanan) pada sidang media mengenai pelancaran Platform Akuan Pelaburan (IAP) di Bank Negara Malaysia, Kuala Lumpur, semalam.

Platform itu dikendalikan oleh IAP Integrated Sdn. Bhd. (IAP Integrated) yang merupakan subsidiari milik Raaed Holdings Sdn. Bhd. (Raaed), konsortium milik bersama enam bank iaitu Affin Islamic, Bank Islam, Bank Muamalat, Maybank Islamic, Bank Rakyat dan Bank Panaman Nasional (BSN).

Platform itu bertujuan menarik pelabur asing dan tempatan ke Sekolah Seri Puteri perkenal sistem pembayaran online. CYBERJAYA - Sekolah Seri Puteri (SSP) di sini mengumpul dana sehingga RM300 juta untuk membiayai projek perniagaan kecil dan sederhana (PKS) yang bertujuan untuk meningkatkan taraf perniagaan kepada IAP bagi disenaraikan dalam usaha mendapatkan sumber pembiayaan. Seterusnya jika terdapat bank di dalam IAP itu yang berminat terhadap projek tersebut boleh mencari pelabur-pelabur untuk menyumbangkan dana perniagaan bagi membiayai projek yang ingin dilaksanakan itu.



PELAKSANAAN PROGRAM AMAL Bank Islam Sarawak...

Bank Islam sasar 50,000 guna kad debit-i The Red Warriors

Bank Islam Malaysia berhasrat menyasarkan sebanyak 50,000 pengguna baharu kad debit-i VISA Bank Islam Malaysia (BIMB) The Red Warriors yang akan dikeluarkan pada akhir Februari, bersempena dengan...

Sinar Harian 22 Jun 2016



AMAL IHTIMAM...

Bank Islam Malaysia berhasrat menyasarkan sebanyak 50,000 pengguna baharu kad debit-i VISA Bank Islam Malaysia (BIMB) The Red Warriors yang akan dikeluarkan pada akhir Februari, bersempena dengan...

Berita Harian 30 May 2016

"Kami menjangka untuk mengumpul dana antara RM200 juta hingga RM300 juta dalam tempoh dua hingga tiga tahun lagi. Malah melihat potensi untuk membawa platform ini kepada pelabur-pelabur dari luar negara serta menggunakan...

Utusan Malaysia 18 Feb 2016

Selain menggunakan infrastruktur perbankan Islam, IAP turut melibatkan penilaian kredit dan risiko oleh syarikat penarafan bertauliah, RAM Holdings Berhad.

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Kosmo 26 Oct 2016



AMARAN HANING-040, Karamul Adnan Mohd., dan Uthman Abdul Wahid (dari kiri), Nor Shahrizan Sulaiman (dari kanan), Mustaffa Abd. Razak (dari kanan) pada sidang media mengenai pelancaran Platform Akuan Pelaburan (IAP) di Bank Negara Malaysia, Kuala Lumpur, semalam.

Bank Islam Malaysia berhasrat menyasarkan sebanyak 50,000 pengguna baharu kad debit-i VISA Bank Islam Malaysia (BIMB) The Red Warriors yang akan dikeluarkan pada akhir Februari, bersempena dengan...



AMARAN HANING-040, Karamul Adnan Mohd., dan Uthman Abdul Wahid (dari kiri), Nor Shahrizan Sulaiman (dari kanan), Mustaffa Abd. Razak (dari kanan) pada sidang media mengenai pelancaran Platform Akuan Pelaburan (IAP) di Bank Negara Malaysia, Kuala Lumpur, semalam.

MEDIA HIGHLIGHTS

(cont'd)

Bank Islam-Kafa jalin kerjasama

Perkenalkan Kad Debit-i Visa Bank Islam Kelantan FA "The Red Warriors"

Bank Islam Kelantan FA "The Red Warriors" telah melancarkan kad debit-i Visa yang membolehkan pelanggan Bank Islam Kelantan FA menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Kelantan FA berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini. Kad debit-i Visa ini membolehkan pelanggan Bank Islam Kelantan FA menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Kelantan FA berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini.

Sinar Harian
28 May 2016



Borneo Post (Kuching)
14 Nov 2016

Bank Islam Visa Debit Card-i ONEKLIK with more reward, better service

Bank Islam Malaysia Berhad (BIMB) telah melancarkan kad debit-i Visa yang membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini. Kad debit-i Visa ini membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini.

Perbankan dan kewangan Islam akan terus mendapat sambutan positif di negara ini

Utusan Borneo Sarawak
06 Nov 2016

Perbankan dan kewangan Islam akan terus mendapat sambutan positif di negara ini. Bank Islam Malaysia Berhad (BIMB) telah melancarkan kad debit-i Visa yang membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini. Kad debit-i Visa ini membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini.

WAKAF MEMBANGUN EKONOMI UMMAH

Keluarga Allahyarham Ahmad Dawjee Dadahyoy dilaporkan melaunchkan sebuah bangunan tinggi bertaraf megah di tanah yang beliau wakafkan. Bank Islam Malaysia Berhad (BIMB) telah melancarkan kad debit-i Visa yang membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini. Kad debit-i Visa ini membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini.

yang membiayai pembinaan bangunan itu di atas tanah berkenaan. Tindakan pelepasan ini bukan sahaja meringankan beban keluarga Allahyarham Ahmad Dawjee Dadahyoy, malah membolehkan Bank Islam Malaysia Berhad (BIMB) melaksanakan projek wakaf yang lain. Bank Islam Malaysia Berhad (BIMB) telah melancarkan kad debit-i Visa yang membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini. Kad debit-i Visa ini membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini.

oleh pihak pengurusan surau pada setiap hari belajar terutama selepas istislahat malam. Bank Islam Malaysia Berhad (BIMB) telah melancarkan kad debit-i Visa yang membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini. Kad debit-i Visa ini membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini.

Bank Islam lifts 2 Global Islamic Finance Awards

Bank Islam Malaysia Berhad (BIMB) telah melancarkan kad debit-i Visa yang membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini. Kad debit-i Visa ini membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini.

Bank Islam sediakan kemudahan keluar wang tunai di stesen Petronas

Oleh ASMA HANM MAHMOOD
ekonomi@utusan.com.my

TUMPAK 5 April - Bank Islam Malaysia Berhad (BIMB) menjadi bank pertama dalam negara menyediakan kemudahan pengeluaran wang tunai di Kedai Mesra Petronas melalui kerjasama dengan Petronas Dagangan Berhad (PDB). Pengarah Utusan BIMB, Seri Zukri Samat berkata, bukannya kemudahan yang disediakan kepada perenang Kad-i Debit Bank Islam VISA akan dilaksanakan di 150 kaunter Kedai Mesra Petronas di tiga negeri di Pantai Timur. Beliau berkata, pihaknya menyoalakan meletakkan kemudahan itu ke semua 1,000 stesen minyak Petronas seluruh negara pada bulan Ramadan ini. Tambahnya, melalui pengenalan inovasi tersebut, ia dijangka dapat menarik minat 100,000 pemegang kad baharu menjadikan jumlah pe-

megang kad debit dari 2.6 juta setakat ini kepada 3 juta tahun ini. "Objektif utama adalah menggalakkan penggunaan kad debit dan memperluaskan akses pengeluaran wang tunai kepada pelanggan terutama di luar bandar. "Kolaborasi bersama Petronas ini bukan sahaja boleh memberi kemudahan tambahan kepada pelanggan yang menjimatkan kos. "Tindakan ini kita mempunyai 660 mesin pengeluaran wang (ATM) di seluruh negara yang mana kos penyelenggaraan setiap satunya purata RM80,000 setahun," katanya. Beliau berkata demikian kepada pemberita pada Majlis Pelancaran Inisiatif Kemudahan Pegeeluaran Tunai di Kaunter Petronas-Bank Islam di Stesen Petronas Pasir Pekan, di sini hari ini. Yang turut hadir, Ketua Pegawai Eksekutif PDB, Mohd. Ibrahimuddin Mohd. Yunus dan Pengurus Negara VISA Malaysia, Ng Kong Boon.

Bank Islam to boost business customer base

AMBITIOUS TARGET: Bank also aims to double revenue contribution from credit card segment with its latest... Bank Islam Malaysia Berhad (BIMB) telah melancarkan kad debit-i Visa yang membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini. Kad debit-i Visa ini membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini.



New Straits Times
14 Sep 2016

Bank Islam lancar Kad Debit-i Visa Pahang FA

Bank Islam Malaysia Berhad (BIMB) telah melancarkan kad debit-i Visa yang membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini. Kad debit-i Visa ini membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini.



Sinar Harian
28 Sep 2016

Bank Islam komited biaya projek IPT

Bank Islam Malaysia Berhad (BIMB) telah melancarkan kad debit-i Visa yang membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini. Kad debit-i Visa ini membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini.



BIMB earnings before tax and zakat rise to RM834m

Bank Islam Malaysia Berhad (BIMB) telah melancarkan kad debit-i Visa yang membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini. Kad debit-i Visa ini membolehkan pelanggan Bank Islam Malaysia Berhad menikmati kemudahan pembayaran menggunakan kad debit-i Visa di seluruh dunia. Bank Islam Malaysia Berhad berkolaborasi dengan Bank Islam Malaysia Berhad (BIMB) untuk memperkenalkan kad debit-i Visa ini.

Usaha sama Bank Islam, Kafa



Kosmo
30 May 2016

Berita Harian
16 Jun 2016



ZUKRI SAMAT (tiga dari kanan) mengeluarkan wang tunai di kaunter Kedai Mesra Petronas sambil disaksikan Mohd. Ibrahimuddin Mohd. Yunus (dua dari kiri) dan Ng Kong Boon (kanan) di Majlis Pelancaran Inisiatif Kemudahan Pege di Kaunter Petronas-Bank Islam di Stesen Petronas Pasir Pekan, Tumpat, Kelantan, semalam.

Bank Islam serah zakat RM10,000 kepada Kuipsas

KUANTAN - Bank Islam Malaysia Berhad (BIMB) menyerahkan sumbangan zakat berjumlah RM10,000 kepada Kuip Sains Islam Pahang Sultan Ahmad Shah (Kuipsas) di sini.

Bank Islam Malaysia Berhad menyerahkan sumbangan zakat kepada Kuip Sains Islam Pahang Sultan Ahmad Shah (Kuipsas) di sini.



Malaysian Reserve 09 Dec 2016

Bank Islam Malaysia Berhad menyerahkan sumbangan zakat kepada Kuip Sains Islam Pahang Sultan Ahmad Shah (Kuipsas) di sini.

Bank Islam serah zakat perniagaan RM315,904

Johor Bahru Bank Islam Malaysia Berhad (Bank Islam) Wilayah Selatan menyerahkan zakat perniagaan berjumlah RM315,904 kepada Majlis Agama Islam Johor (MAIJ) bagi membantu golongan kurang bernasib sakti di negeri ini.

Tambahan Ketua Pegawai Eksekutif Bank Islam Khalid Kamarudin berkata, Bank Islam turut menyumbangkan zakat perniagaan berjumlah RM200,000 kepada Kolej Perguruan Islam Johor (MARSJI) serta RM100 setiap seorang kepada 60 pelajar asnaf daripada 10 sekolah sekitar Johor Bahru.

"Bank Islam mengagihkan zakat perniagaan berjumlah hampir RM2 juta sepanjang 5 bulan tahun ini kepada Majlis Agama Islam dan Adat Melayu serta Lembaga Zakat di negeri berlainan, tiga institusi pengajian tinggi selain dua pertubuhan bukan ke-

Harian Metro (Johor) 02 Aug 2016



Utusan Malaysia 28 Jun 2016

Bank Islam Malaysia Berhad menyerahkan zakat perniagaan berjumlah RM315,904 kepada Majlis Agama Islam Johor (MAIJ) bagi membantu golongan kurang bernasib sakti di negeri ini.

Kru Sinar Imarah Surau kunjungi SWADD Menara Bank Islam

ASIA/PULSAKAZ

Sinar Harian 22 Jul 2016



Wakil dari Bank Islam Malaysia berhad menyerahkan kata-kata awal semasa program Sinar Imarah Surau.



ZUKRI SAMAT (dua dari kanan) mengiktiraf sesuatu mengenai poster mengandungi maklumat debit langsung kepada Wan Ahmad Wan Yusoff (dengah) semasa diperkenalkan oleh Khalid Kamarudin (DR). Peter Schaefer (dua dari kiri) dan Mustafa Mohd. Khalid di Kuala Lumpur, semalam.

Bank Islam, PTPTN jalin kerjasama

Oleh **NABILA YASMIN RAZIB** www.mingpau.com.my

Utusan Malaysia 03 Nov 2016

Bank Islam distributed tithes worth RM143,890.87

By **YESTER SAREBA JIBI**

Bank Islam Malaysia Berhad (BIMB) menyerahkan sumbangan zakat perniagaan berjumlah RM143,890.87 kepada Lembaga Zakat Selangor (LZS) di sini.

Bank Islam TAP-i users can now pay income tax via handphones

By **BOYA KINBARU**

Bank Islam Malaysia Berhad (BIMB) mengumumkan bahawa pengguna TAP-i pengguna boleh membayar cukai pendapatan melalui telefon pintar mereka.

Utusan Borneo Sarawak 06 Nov 2016

Perbankan dan kewangan Islam akan terus mendapat sambutan positif di negara ini

USIM, Bank Islam bekerjasama

Jalin kerjasama strategik tingkat profesionalisme kakitangan

USIM dan Bank Islam Malaysia Berhad (BIMB) telah jalin kerjasama strategik untuk meningkatkan profesionalisme kakitangan mereka.



Utusan Sarawak 15 Jul 2016

Utusan Malaysia 11 Apr 2016

Bank Islam agih zakat perniagaan RM247,406

INGGAPAZ Bank Islam Malaysia Berhad (BIMB) menyerahkan sumbangan zakat perniagaan berjumlah RM247,406 kepada Lembaga Zakat Selangor (LZS) di sini.

TPIB fund to rise 5% with JomPAY, says Bank Islam MD

The fund targets for JomPAY is expected to increase by 5% in 2017, says Bank Islam MD.

Malaysian Reserve 09 Dec 2016

Bank Islam catat pembiayaan RM1.7 billion

Bank Islam Malaysia Berhad (BIMB) mencatat pembiayaan berjumlah RM1.7 billion pada suku pertama 2016.



Utusan Malaysia 13 Oct 2016

The Sun 15 Apr 2016



Progressive and innovative, we are constantly moving ahead as we offer new and technologically advanced products and services. Strategies are in place to ensure business growth through enhanced efficiency, cross marketing, product innovation, increased accessibility and refreshed branding. These merge to provide greater value to our current customer base as well as attract new customers.

2016 Achievements:

- › Technology & Innovation Outstanding Partnership Award – Payment Services by Wells Fargo
- › Best Innovation in Retail Banking Malaysia from The International Banker Asia & Australasia Banking Awards 2016





DYNAMIC

WHAT DO YOU VALUE?

*“A bank that
goes the distance
with me.”*

PRESERVING VALUES



CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Datuk Zamani Abdul Ghani

MANAGING DIRECTOR

Dato' Sri Zukri Samat

MEMBERS

Professor Emeritus Tan Sri Dato'

Dr Abdul Shukor Husin

Zahari @ Mohd Zin Idris

Datuk Zaiton Mohd Hassan

Mohamed Ridza Mohamed Abdulla

Noraini Che Dan

appointed w.e.f. 1 October 2016

Nik Mohd Hasyudeen Yusoff

appointed w.e.f. 1 October 2016

SHARIAH SUPERVISORY COUNCIL

CHAIRMAN

Professor Dato' Dr Ahmad Hidayat Buang

MEMBERS

Dr Ahmad Shahbari @ Sobri Salamon

Assistant Professor Dr Uzaimah Ibrahim

Dr Muhammad Syafii Antonio

Dr Yasmin Hanani Mohd Safian

SUBJECT MATTER EXPERT

Muhammad Zahid Abdul Aziz

AUDIT AND EXAMINATION COMMITTEE

CHAIRMAN

Datuk Zaiton Mohd Hassan

MEMBERS

Datuk Zamani Abdul Ghani

Zahari @ Mohd Zin Idris

Mohamed Ridza Mohamed Abdulla

Noraini Che Dan

appointed w.e.f. 5 October 2016

Nik Mohd Hasyudeen Yusoff

appointed w.e.f. 5 October 2016



BOARD RISK COMMITTEE

CHAIRMAN

Datuk Zaiton Mohd Hassan

MEMBERS

Datuk Zamani Abdul Ghani

Zahari @ Mohd Zin Idris

Professor Emeritus Tan Sri Dato'

Dr Abdul Shukor Husin

Noraini Che Dan

appointed w.e.f. 5 October 2016

Nik Mohd Hasyudeen Yusoff

appointed w.e.f. 5 October 2016

NOMINATION AND REMUNERATION COMMITTEE

(The Nomination & Assessment Committee and the Remuneration Committee were consolidated w.e.f. 1 January 2017)

CHAIRMAN

Noraini Che Dan

appointed as a member w.e.f. 5 October 2016 and re-designated as the Chairman w.e.f. 1 January 2017

MEMBERS

Datuk Zaiton Mohd Hassan

appointed as the interim Chairman w.e.f. 5 October 2016 until 31 December 2016

Datuk Zamani Abdul Ghani

Chairman until 5 October 2016 whereupon he was re-designated as a member

Zahari @ Mohd Zin Idris

Professor Emeritus Tan Sri Dato'

Dr Abdul Shukor Husin

BOARD FINANCING REVIEW COMMITTEE

CHAIRMAN

Zahari @ Mohd Zin Idris

MEMBERS

Datuk Zaiton Mohd Hassan

Dato' Sri Zukri Samat

Datuk Zamani Abdul Ghani
appointed w.e.f. 5 October 2016

Nik Mohd Hasyudeen Yusoff
appointed w.e.f. 5 October 2016

COMPANY SECRETARIES

Maria Mat Said (LS0009400)

Norhidayati Mohamat Salim (MIA 27364)

REGISTERED ADDRESS

Bank Islam Malaysia Berhad (98127-X)

Level 32, Menara Bank Islam

22, Jalan Perak, 50450 Kuala Lumpur

Tel : (6) 03 2088 8000

Fax : (6) 03 2088 8033

Web : www.bankislam.com.my

AUDITORS

KPMG Desa Megat PLT

(LLP0010082-LCA & AF 0759)

Level 10, KPMG Tower

8, First Avenue, Bandar Utama

47800 Petaling Jaya

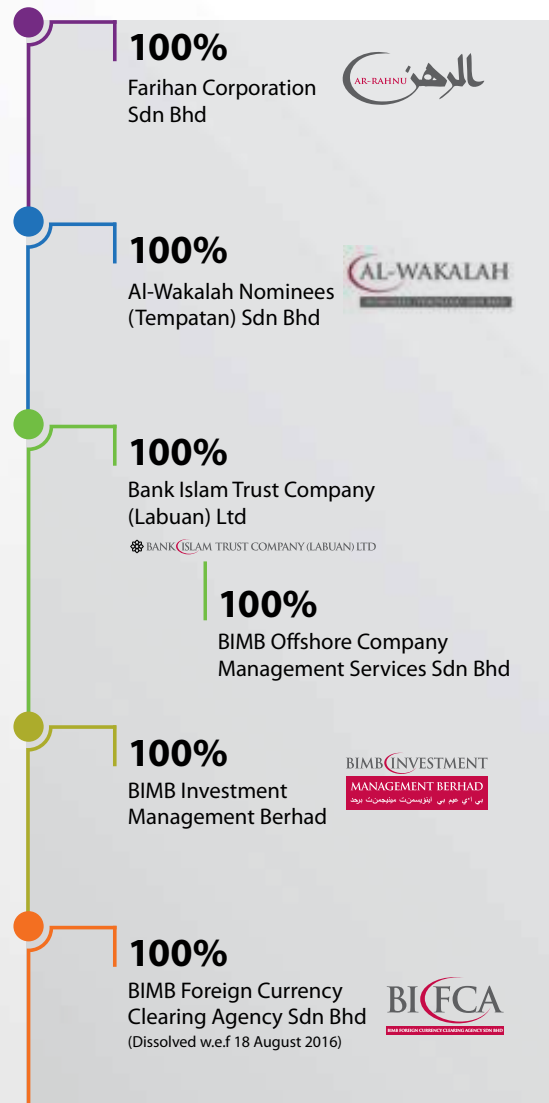
Selangor Darul Ehsan

SHAREHOLDING STRUCTURE



100%

BANK ISLAM



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.

Bank Islam
Malaysia
Berhad

Syarikat
Takaful Malaysia
Berhad

BIMB
Securities
Sdn. Bhd

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

ISLAMIC FINANCIAL SERVICES



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



Being the leading Shariah-compliant financial services provider with an

authorised capital of

RM2 billion

paid-up capital of

RM1,637,741,014

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

SUBSIDIARIES' INFORMATION



BIMB INVESTMENT MANAGEMENT BERHAD ("BIMB INVEST")

A wholly-owned subsidiary of Bank Islam.



based in Kuala Lumpur.



22 Years

of experience in the fund management industry.



Incorporated on

14 September
1993

Commenced operations
on 20 June 1994.

Authorised capital of

RM20 million

Issued and paid up capital of

RM15 million

BIMB Invest manages



Offering various investment strategies for individual and corporate; namely **BIMB i Growth**, **BIMB Dana Al-Fakhim**, **BIMB Dana Al-Munsif**, **BIMB Dana Al-Falah**, **BIMB i Dividend Fund**, **BIMB i Flexi Fund**.



For sophisticated investors namely **BIMB Invest Money Market Fund**, **BIMB i Cash Management Fund**, **BIMB-Arabesque i Global Dividend Fund 1**, **BIMB i Cash Management Fund 3** and **BIMB Invest Wafiyah**.



BANK ISLAM TRUST COMPANY (LABUAN) LTD (“BTL”)



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

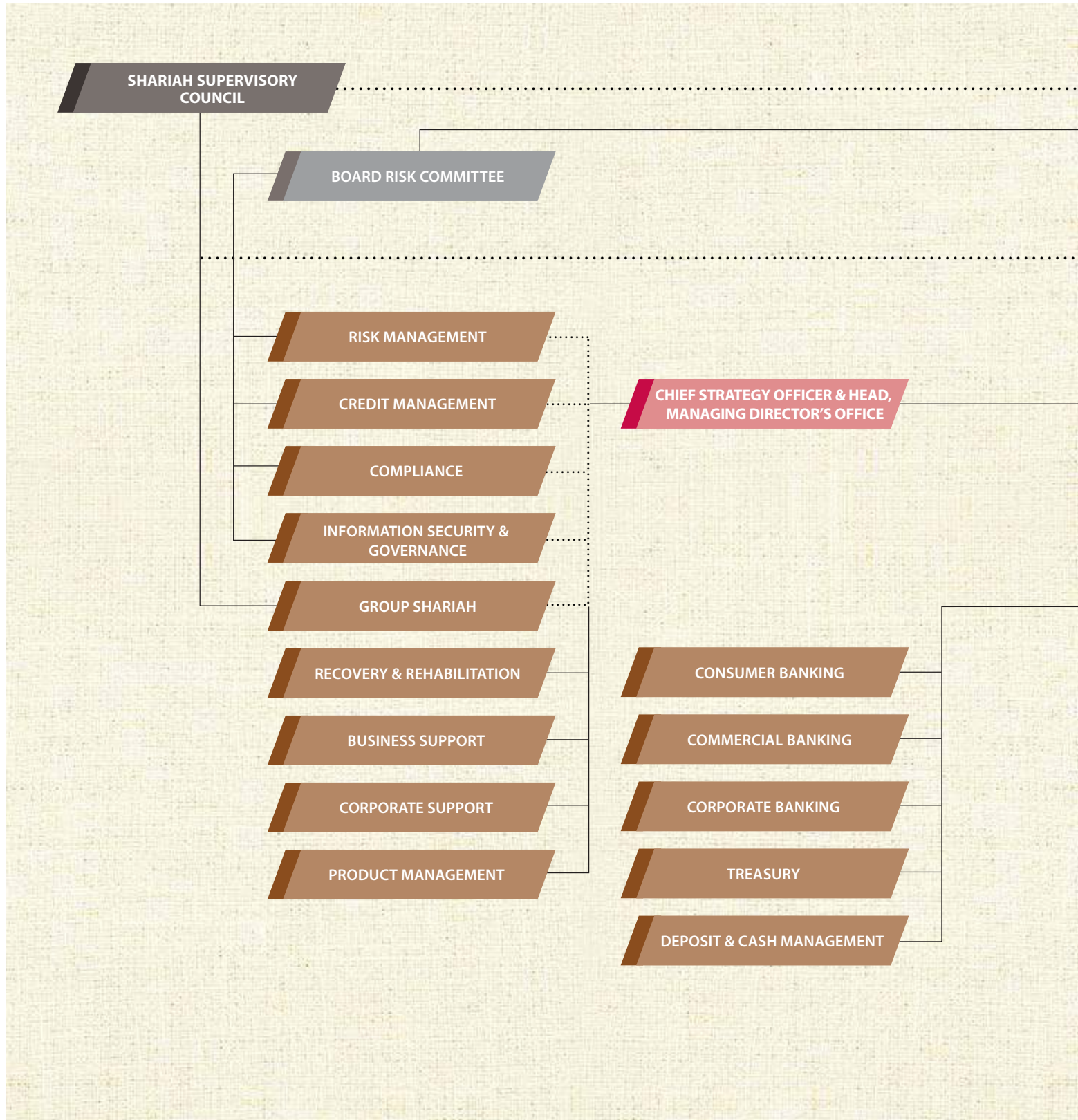


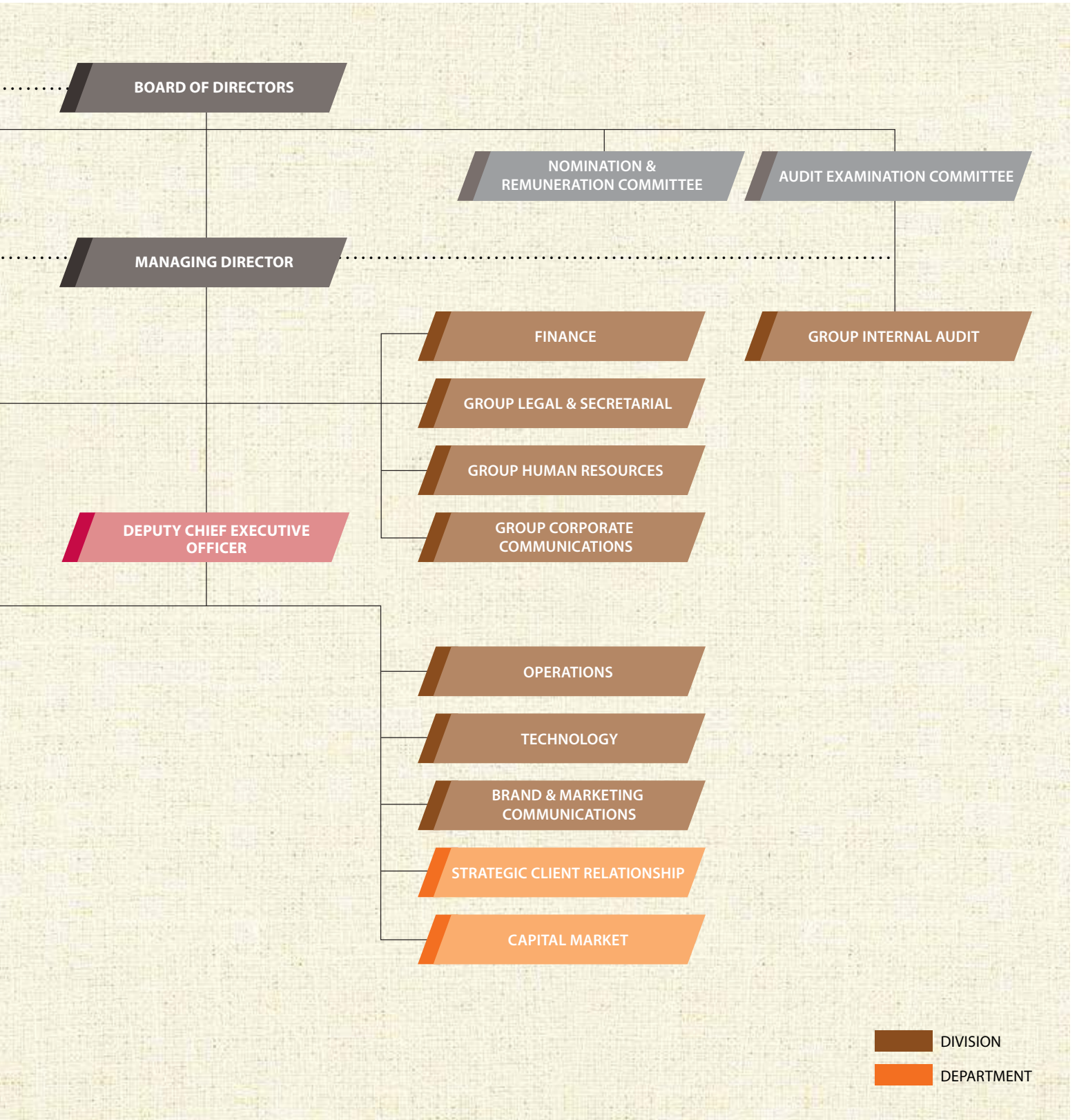
BTL is one of the trust companies in Labuan which offers Shariah-compliant products and services in relation to incorporation of Labuan offshore companies and establishment of other offshore businesses such as Wealth Management Services like Labuan Foundation & Labuan Trust.



WEALTH MANAGEMENT SERVICES

ORGANISATION CHART





BOARD OF DIRECTORS



02

Dato' Sri Zukri Samat
Managing Director

03

**Professor Emeritus
Tan Sri Dato' Dr Abdul
Shukor Husin**
Non-Independent
Non-Executive Director

04

**Zahari @ Mohd
Zin Idris**
Non-Independent
Non-Executive Director

01

**Datuk Zamani
Abdul Ghani**
Chairman



05

Datuk Zaiton Mohd Hassan
Independent Non-Executive Director

06

Mohamed Ridza Mohamed Abdulla
Independent Non-Executive Director

07

Noraini Che Dan
Independent Non-Executive Director

08

Nik Mohd Hasyudeen Yusoff
Independent Non-Executive Director

PROFILE OF BOARD OF DIRECTORS



01

DATUK ZAMANI ABDUL GHANI

Chairman/Independent Non-Executive Director

69 years old – Malaysian

Date of Appointment:

1 March 2011

Academic and Professional Qualifications:

- 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

Areas of Expertise:

Banking & Finance

Work Experience & Positions:

Present:

- Chairman, Bank Islam Malaysia Berhad
- Chairman, Raaed Holdings Sdn Bhd and IAP Integrated Sdn Bhd
- Deputy President, Kelab Alumni Kakitangan Bank Negara Malaysia

Previous:

- Special Advisor, Attorney General's Chambers of Malaysia
- Deputy Governor/Special Advisor, Bank Negara Malaysia
- Executive Director, International Monetary Fund
- Asia Chair Egmont Group of international official Financial Intelligence Units ("FIUs")
- Director, Bank Regulation, Bank Negara Malaysia
- Director General, Labuan Offshore Financial Services Authority ("LOFSA")
- Assistant Governor, Bank Negara Malaysia

- Member, Governing Council and Executive Committee, International Centre for Education in Islamic Financial ("INCEIF")
- Head, Bank Negara Malaysia's Representative Offices in London and New York
- Director, Insurance Regulation & Supervision, Bank Negara Malaysia
- Member, Operations Review Panel, Malaysian Anti Corruption Commission ("MACC")
- Chairman, Credit Guarantee Corporation and Danamodal Nasional Berhad
- Commissioner, Securities Commission of Malaysia
- Member, Board of Directors, Lembaga Tabung Haji

Directorship in Public Companies:

None

Membership of Board Committees in Bank Islam:

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

Meeting attendance:

9 of 9 Board Meetings held in the Financial Year Ended 31 December 2016

Declaration of Interest:

He 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



DATO' SRI ZUKRI SAMAT

Managing Director

59 years old – Malaysian

Date of Appointment:

9 June 2006

Academic and Professional Qualifications:

- Honorary Doctorate ("PhD") in Finance and Islamic Banking, Kolej Universiti INSANIAH
- MBA (Finance), University of Hull (UK)

Areas of Expertise:

Finance and Banking

Work Experience & Positions:

Present:

- Group Chief Executive Officer, BIMB Holdings Berhad
- Managing Director, Bank Islam Malaysia Berhad

Previous:

- Executive Director, Khazanah Nasional Berhad
- Managing Director, Pengurusan Danaharta Nasional Berhad
- General Manager, Credit Agricole Indosuez
- Deputy General Manager, Commerce International Merchant Bank Berhad
- Senior Account Officer, Pacific Bank Berhad
- Senior Account Officer, Corporate Banking, Public Bank Berhad
- Credit Officer, Bank Bumiputra Malaysia Berhad

Directorship in Public Companies:

Asian Institute of Finance Berhad

Membership of Board Committees in Bank Islam:

Member, Board Financing Review Committee

Meeting attendance:

9 of 9 Board Meetings held in the Financial Year Ended 31 December 2016

Declaration of Interest:

He 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 BOARD OF DIRECTORS

(cont'd)



03

PROFESSOR EMERITUS TAN SRI DATO' DR ABDUL SHUKOR HUSIN

Non-independent Non-Executive Director

75 years old – Malaysian

Date of Appointment:

2 May 2014

Academic and Professional Qualifications:

- Doctor of Philosophy ("PhD") in 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:

Present:

- Distinguished Fellow, Faculty of Leadership and Management, Universiti Sains Islam Malaysia ("USIM")
- Chairman, Fatwa Committee of the National Council for Islamic Affairs Malaysia
- Member, Board of Directors of Tabung Haji
- Member, Board of Directors of TH Properties Sdn Bhd
- Chairman, Shariah Advisory Committee of Tabung Haji
- Member of Special Cabinet, Shariah Governance Index Malaysia
- Member, National Council for Islamic Affairs (MKI), Prime Minister Department
- Member, Institution of Islamic Understanding Malaysia (IKIM)
- Member, Council of Islamic Religion and Malay Customs, State of Pahang (MUIP)
- Member, Fatwa Consultation Committee, State of Pahang
- Member, World Fiqh Academy (OIC) representing Malaysia

Previous:

- Chairman, Board of Directors, USIM
- Fellow and Director, World Fatwa Management and Research Institute ("INFAD")
- Vice Chancellor and Senior Professor, USIM
- External Examiner, Public Institutions of Higher Education, USIM and Brunei Darussalam University
- Visiting Professor, Brunei Darussalam University
- Professor, Usuluddin and Philosophy Department, Universiti Kebangsaan Malaysia ("UKM")
- Dean, Faculty of Islamic Studies, UKM
- Head of Usuluddin and Philosophy Department, UKM
- Associate Professor, UKM
- 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 Public Companies:

None

Membership of Board Committees in Bank Islam:

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

Meeting attendance:

8 of 9 Board Meetings held in the Financial Year Ended 31 December 2016

Declaration of Interest:

He 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.

04



ZAHARI @ MOHD ZIN IDRIS

Non-Independent Non-Executive Director

73 years old – Malaysian

Date of Appointment:

20 September 2002

Academic and Professional Qualifications:

Senior Cambridge Certificate

Areas of Expertise:

Banking & Finance

Work Experience & Positions:

Present:

None

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

Directorship in Public Companies:

BIMB Holdings Berhad

Membership of Board Committees in Bank Islam:

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

Meeting attendance:

9 of 9 Board Meetings held in the Financial Year Ended 31 December 2016

Declaration of Interest:

He 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 BOARD OF DIRECTORS

(cont'd)



05

DATUK ZAITON MOHD HASSAN

Independent Non-Executive Director

61 years old – Malaysian

Date of Appointment:

2 February 2006

Academic and Professional Qualifications:

- 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:

Present:

- Chief Executive Officer, Malaysia Professional Accountancy Centre ("MyPAC")
- Chairman, Private Pension Administrator Malaysia

Previous:

- Managing Director, Capital Intelligence Advisors Sdn Bhd
- President/Executive Director, Malaysian Rating Corporation Berhad ("MARC")
- Served 12 years with Maybank in various senior positions in Treasury Operations, International Banking, Assets & Liability Management, Branch Operations including that of General Manager, Group Strategic Planning
- Audit Trainee, PricewaterhouseCoopers

Directorship in Public Companies:

- BIMB Holdings Berhad
- Sime Darby Berhad
- Dolphin International Berhad
- FIDE Forum
- Malaysia Institute of Corporate Governance

Membership of Board Committees in Bank Islam:

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

Meeting attendance:

9 of 9 Board Meetings held in the Financial Year Ended 31 December 2016

Declaration of Interest:

She 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.

06



MOHAMED RIDZA MOHAMED ABDULLA

Independent Non-Executive Director

48 years old – Malaysian

Date of Appointment:

1 December 2010

Academic and Professional Qualifications:

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

Areas of Expertise:

Legal

Work Experience & Positions:

Present:

- Managing Partner, Mohamed Ridza & Co
- Trainer, Securities Industry Development Corporation ("SIDC") and Financial Sector Talent Enrichment Programme ("FSTEP")
- Member, Arbitration Panel, KL Arbitration Centre for Islamic Banking & Finance

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

Directorship in Public Companies:

Theta Edge Berhad

Membership of Board Committees in Bank Islam:

Member, Audit and Examination Committee

Meeting attendance:

9 of 9 Board Meetings held in the Financial Year Ended 31 December 2016

Declaration of Interest:

He 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 BOARD OF DIRECTORS

(cont'd)



07

NORAINI CHE DAN

Independent Non-Executive Director

61 years old – Malaysian

Date of Appointment:

1 October 2016

Academic and Professional Qualifications:

- Member of the Malaysian Institute of Certified Public Accountants ("MICPA")
- Member of the Malaysian Institute of Accountants ("MIA")
- Bachelor of Econs (Hons), University of Manchester, United Kingdom

Areas of Expertise:

Accounting and Finance

Work Experience & Positions:

Present:

None

Previous:

- Vice President, Finance of MISC Berhad
- Served 15 years with Perbadanan Nasional Berhad ("PERNAS") in various senior positions including that of Group General Manager, Finance
- Senior Audit in Hanafiah, Raslan & Mohamed

Directorship in Public Companies:

- BIMB Holdings Berhad
- SP Setia Berhad
- Tenaga Nasional Berhad

Membership of Board Committees in Bank Islam:

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

Meeting attendance:

3 of 3 Board Meetings held in the Financial Year Ended 31 December 2016

Declaration of Interest:

She 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.

08



NIK MOHD HASYUDEEN YUSOFF

Independent Non-Executive Director

52 years old – Malaysian

Date of Appointment:

1 October 2016

Academic and Professional Qualifications:

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

Areas of Expertise:

Accounting

Work Experience & Positions:

Present:

- Director, Inovastra Capital Sdn Bhd

Previous:

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

Directorship in Public Companies:

- Cagamas Holdings Berhad
- Malaysia Professional Accountancy Center ("MyPAC")
- Federation of Investment Managers Malaysia ("FIMM")

Membership of Board Committees in Bank Islam:

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

Meeting attendance:

3 of 3 Board Meetings held in the Financial Year Ended 31 December 2016

Declaration of Interest:

He 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



PROFESSOR DATO' DR AHMAD HIDAYAT BUANG

Chairman

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

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

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

Bachelor of Shariah, University of Malaya

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

Professor Dato' Dr Ahmad Hidayat is currently a Professor at the Department of Shariah and Law, Academy of Islamic Studies, University of Malaya. 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 1997-1999.

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



ASSISTANT PROFESSOR DR UZAIMAH IBRAHIM

Member

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

Doctor of Philosophy, University of Wales, United Kingdom

Master of Comparative Law, International Islamic University of Malaysia

LLB (Shariah), International Islamic University of Malaysia

LLB, International Islamic University of Malaysia

Assistant Professor Dr Uzaimah Ibrahim was first appointed as a member of the Shariah Supervisory Council in 2009. She is currently an Assistant Professor in Department of Islamic Law, Ahmad Ibrahim Kulliyah of Laws, International Islamic University of Malaysia ("IIUM").

Dr Uzaimah is also a member of Shariah Committee of Hong Leong MSIG Takaful Berhad, a post she has held since 2006. Prior to joining Bank Islam, she was a Shariah Committee member for Hong Leong Islamic Bank Berhad. In 2005, Dr Uzaimah became the Deputy Director of the Islamic Banking and Finance Institute, IIUM, an international centre for education and research in Islamic finance.

Dr Uzaimah was accredited as a 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.

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.

PROFILE OF SHARIAH SUPERVISORY COUNCIL

(cont'd)



USTAZ DR AHMAD SHAHBARI @ SOBRI SALAMON

Member

Doctor of Philosophy (Modern Middle Eastern History),

New York University (USA)

Master of Economic, Fairleigh Dickinson University (USA)

Bachelor of Shariah, Al-Azhar University, Egypt

Ustaz Dr Ahmad Shahbari @ Sobri Salamon was first appointed as a member of the Shariah Supervisory Council in 1984 and previously the Chairman of the Council until 31 March 2015. He is also the Chairman of the Shariah Committee of BIMB Investment Management 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 1983-1984, and for the second stint, he lectured for Ahmad Ibrahim Kulliyah of Law from 1986-1996. Later, he was appointed as the Executive Director of Pusat Rawatan Islam (Islamic Religious Council of Selangor or MAIS) from 1996-1999 and afterward was appointed as the Executive Chairman of the company until 2015.

Ustaz Dr Ahmad Shahbari previously served as Shariah Advisor to Abrar Group, Arab Malaysia Merchant Bank, Arab Malaysian Finance, PT Takaful Indonesia, Asean ReTakaful International Ltd, Labuan Offshore Banking Financial Authority and a member of Board of Directors Yayasan Pembangunan Ekonomi Islam Malaysia ("YAPIEM") (1985-1995). 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.



USTAZ DR MUHAMMAD SYAFII ANTONIO

Member

Chairman, Tazkia University College of Islamic Economics, Indonesia
 Doctor of Philosophy (Micro Finance), University of Melbourne, Australia
 Master of Economics, International Islamic University of Malaysia
 Bachelor of Shariah, University of Jordan

Ustaz Dr Muhammad Syafii Antonio was appointed as a member of the Shariah Supervisory Council in 2011. He is currently the Chairman of Tazkia University College of Islamic Economics and Chairman of Asia Capital Asset Management.

Founder of Asyki Islamic Family Insurance in Indonesia, Ustaz Dr Muhammad Syafii is also a member of Ulama Council of Indonesia and Financial Service Authority Development Committee. In 2016, he was appointed as a member of Fatwa and Shariah Supervisory Board of Islamic Development Bank, Jeddah. He has served for a number of years, as a member of Board of Commissioner and Shariah Advisor in several Islamic financial institutions, including Securities Commission of Malaysia, Dar al-Takaful Dubai, Bank Negara Malaysia, Indonesian Export Import Bank, Takaful Insurance Company Indonesia and many others. Ustaz Dr Muhammad Syafii was appointed by the President of Indonesia as a member of the National Economic Council of Indonesia in June 2010.

In 2003, Ustaz Dr Muhammad Syafii was given the Shariah Award by the Indonesian Central Bank for his contributions towards the development of Islamic banking and finance in Indonesia. Additionally, he was also the recipient for the Anti-Corruption & Good Governance Award by Ministry of State Apparatus (2007), Arab Asia Finance Recognition Award by Arab Asia Finance Forum (2008) and Australian Alumni Award (in Business Leadership category) by the government of Australia (2009). He has published 31 books on Islamic banking, economics, zakat and leadership.

Ustaz Dr Muhammad Syafii 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)



USTAZAH DR YASMIN HANANI MOHD SAFIAN

Member

Senior Lecturer, Faculty of Shariah and Law, Universiti Sains Islam Malaysia
 Doctor of Philosophy in Islamic Studies, University of Exeter,
 United Kingdom
 Master of Islamic Studies, University of Birmingham, United Kingdom
 Bachelor of Shariah Islamiyyah, University Al-Azhar

Ustazah Dr Yasmin Hanani Mohd Safian was appointed as a member of Shariah Supervisory Council in April 2015. She is currently a Senior Lecturer at Faculty of Shariah and Law, Universiti Sains Islam Malaysia ("USIM"). She also serves as a member of Islamic Consultative Committee Majlis Agama Islam Wilayah Persekutuan ("MAIWP"), Jabatan Kemajuan Islam Malaysia's ("JAKIM") Malaysian Halal Certification Advisory Committee, a member of Advisory Board for Islamic Finance and Wealth Management Institute ("IFWMI USIM") and a fellow for Institute of Halal Research and Management ("IHRAM USIM"). Ustazah Dr Yasmin is a Certified Halal Trainer as well as Islamic Banking and Finance Trainer.

Prior to joining Bank Islam, Ustazah 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.

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

Ustazah 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.



ENCIK MUHAMMAD ZAHID ABDUL AZIZ

Subject Matter Expert

Master of Science (MSc) in Islamic Banking & Finance, International Islamic University of Malaysia

Bachelor of Economics, University of Exeter, United Kingdom

Encik Muhammad Zahid Abdul Aziz was appointed as the Subject Matter Expert of the Shariah Supervisory Council of Bank Islam on 1 April 2015.

Encik Muhammad Zahid is currently the Director of Muamalah Financial Consulting Sdn Bhd in Kuala Lumpur, an Islamic Capital Market & Islamic Financing Training and Consultancy Company since September 2000. He held various advisory appointments including Honorary Visiting Consultant on Islamic Banking and Finance at University Science of Malaysia, Penang.

Encik Muhammad Zahid started his career in 1977 by joining an International Accounting Firm, Arthur Young & Co. in London as an auditor before he returned to Malaysia in 1982 and served in Arab Malaysian Merchant Bank Kuala Lumpur. He joined Bank Islam Malaysia Berhad in 1990 where he pioneered and assisted in the development of Islamic Corporate Banking specialising in Islamic Syndications and Sukuk Issuance. He left Bank Islam in September 2000 to form Muamalah Financial Consulting Sdn Bhd, an Islamic Financial Consultancy/Shariah Advisory company. Muamalah Financial Consulting Sdn Bhd was the first company licensed by the Securities Commission of Malaysia as Shariah Advisor. He then left for Riyadh in July 2006 until March 2009 and became the Head of Investment Banking/Sukuk Origination for AlBilad Investment Company Ltd, a CMA-licensed wholly owned subsidiary of Saudi Arabia's Bank AlBilad.

Encik Muhammad Zahid is actively involved in conference presentation and research, training locally and internationally in Islamic Finance and the Islamic Capital Market. He is a well known and prominent International Trainer in Islamic Banking and Finance, having taught in Dubai, Saudi Arabia, Brunei, Korea, Singapore, Indonesia, Sri Lanka, Russia, Nigeria, Kazakhstan, as well as Malaysia.

Encik Muhammad Zahid 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)



USTAZ MOHD NAZRI CHIK

Secretary

Chief Shariah Officer, Bank Islam Malaysia Berhad
Group Chief Shariah Officer, BIMB Holdings Berhad
Master of Shariah, University of Malaya
Bachelor of Shariah (Islamic Jurisprudence), University of Malaya
Certified Shariah Adviser and Auditor (AAOIFI)

Ustaz Mohd Nazri Chik is the Group Chief Shariah Officer of BIMB Holdings Berhad and Chief Shariah Officer of Bank Islam Malaysia Berhad. He was appointed as the Secretary of the Shariah Supervisory Council of Bank Islam in 2011.

Ustaz Mohd Nazri has over 13 years of experience in Shariah management within the Islamic banking industry. He first joined Bank Islam Malaysia Berhad in June 2004 before taking up the position of Shariah Audit Manager at Noor Investment Group in Dubai, UAE, in June 2009. During this period, he was appointed as a member of Bank Islam's Shariah Supervisory Council. Ustaz Mohd Nazri re-joined Bank Islam in January 2011 in his current position, and is instrumental in strengthening its Shariah governance framework and facilitating efforts to promote Shariah-compliant products and services. Started his career as a tutor at University of Malaya where he was also a graduate student, Ustaz Mohd Nazri continues to serve his alma mater as an academician.

Ustaz Mohd Nazri is also the Deputy Chairman of the Shariah Supervisory Council of Amana Bank Limited in Sri Lanka; Accredited Panel of the Finance Accreditation Agency; Executive Member of Association of Shariah Advisors; Distinguished Trainer for Islamic Banking and Finance Institute of Malaysia. He was an External Shariah Advisor of Ghazanfar Bank in Afghanistan. In May 2014, Ustaz Mohd Nazri was selected as the recipient of the "Promising Young Banker Award 2014" by The Asian Banker publication.

SENIOR MANAGEMENT



MANAGING DIRECTOR'S OFFICE



Dato' Sri Zukri Samat
Managing Director



Khairul Kamarudin



Hizamuddin
Jamalluddin

BUSINESS UNITS



Mujibburrahman
Abd Rashid



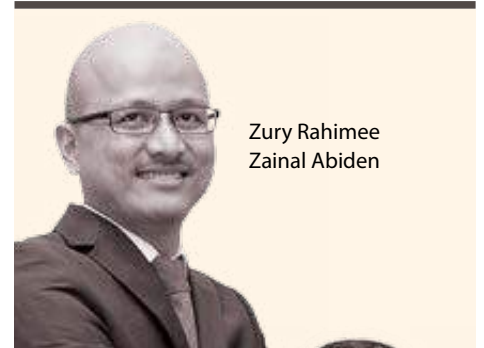
Philip Low Kwok Wah



Abdul Rashid
Abdul Hamid



Zaharin Mohd Ali



Zury Rahimee
Zainal Abiden



Mohd Izhar
Pawanchek

SENIOR MANAGEMENT

(cont'd)

CORPORATE SERVICES



Maria Mat Said



Razman Ismail



Mizan Masram



Wan Norkhairi
Wan Samad

SUPPORT UNITS



Dato' Norasni
Ayob



Mohd Muazzam
Mohamed



Zainal Azlan
Zainudin



Azmir Abdul Malek



Nurulzahr Ghazali



Che Shakhitah
Mohamed



Azlan Abdul Samad

INDEPENDENT UNITS



PROFILE OF SENIOR MANAGEMENT

MANAGING DIRECTOR'S OFFICE

KHAIRUL KAMARUDIN

Deputy Chief Executive Officer

Encik Khairul Kamarudin has vast experience in the banking industry spanning more than 21 years. He joined Bank Islam in December 2005 and is presently Bank Islam's Deputy Chief Executive Officer. He is responsible for driving the overall profitability and growth of the entire Bank Islam's business divisions comprising Consumer, Commercial, Corporate, Treasury, Deposit and Capital Market. In addition, Encik Khairul plays a pivotal role in the overall performance of Operations, Technology, Brand and Marketing Communications and Strategic Client Relationship. Among the notable achievements under his leadership are enhancement of the overall business strategies, introduction of award winning products and services which include Asia Pacific's First Shariah-Compliant Business Credit Card, Co-Branded Visa Debit-i with national football associations and universities, Bank Islam Visa Cash Out Service, TAP, e-Donation, and financing of *Waqf* land. Encik Khairul is also presently the Chairman for two subsidiaries of Bank Islam namely Farihan Corporation Sdn Bhd and BIMB Investment Management Bhd. Prior to assuming his current position as the Deputy Chief Executive Officer, Encik Khairul held various key positions within Bank Islam which include Director of Business Development, General Manager of Consumer Banking and Head of Recovery Division. Encik Khairul is a practicing member of the Association of Chartered Islamic Finance Professional and holds a Bachelor of Laws (Hons.) from Anglia University, UK.

HIZAMUDDIN JAMALLUDDIN

Chief Strategy Officer & Head, Managing Director's Office

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

BUSINESS UNITS

MUJIBBURRAHMAN ABD RASHID

Head, Consumer Banking

Encik Mujibburrahman Abd Rashid has 23 years of experience in retail banking. He joined Bank Islam in 2007 and was promoted to his current position as the Head of the Bank's Consumer Banking division. He was instrumental in introducing various Sales Initiatives and Strategies to the Bank's workforce and has played a major role in improving its overall service and turnaround time. Encik Mujibburrahman holds a Bachelor's Degree in Accountancy from Universiti Utara Malaysia.

PHILIP LOW KWOK WAH

Head, Treasury

Mr Philip Low Kwok Wah has over 35 years experience in various capacities in several financial institutions since 1973. His last position held was being a Director/Head of Asset & Liability Management, Treasury Division of OSK Investment Bank Bhd (2011 to 2012). Mr Philip Low began his career with Aseambankers Malaysia Berhad from 1973 to 1983, and thereafter spent 16 years in various positions in Southern Bank Berhad. In 1999, he was appointed as the Director of Treasury with AmBank Group/AmInvestment Bank Berhad and in 2008, held a position at EON Bank Bhd/EON Bank Group as the Executive Vice-President/Head, Treasury Operations/Group Treasury. Mr Philip joined Bank Islam in December 2015 as the Head of Treasury. He holds a Diploma in Banking from Chartered Institute of Bankers, London.

ABDUL RASHID ABDUL HAMID

Head, Commercial Banking

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

ZAHARIN MOHD ALI

Head, Corporate Banking

Encik Zaharin Mohd Ali has 21 years of experience in the banking industry. Since starting his career in the industry in 1995 as an executive trainee, he has served various departments ranging from services, credit administration and commercial banking. Encik Zaharin joined Bank Islam in 2010 as the Head of Business in Commercial Banking, where he has been mainly managing sales within the division. Since promoted as Head of Corporate Banking in January 2015, he is responsible in overseeing Bank Islam's Corporate Banking portfolio. Encik Zaharin holds a Bachelor of Accountancy from University of Central England, UK.

ZURY RAHIMEE ZAINAL ABIDEN

Head, Deposit & Cash Management

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

MOHD IZHAR PAWANCIK

Acting Head, Capital Market

Encik Mohd Izhar Pawancik has over 20 years of experience in corporate banking, syndication & project finance, credit rating and debt capital markets. Prior to joining Bank Islam in 2007, Encik Mohd Izhar had held various posts at an investment bank and a credit rating institution, specialising in Islamic finance and Sukuk. He was appointed as the Acting Head of Capital Market in August 2015 and is responsible for overseeing the Bank's debt capital market and investment account platform ("IAP") portfolios. He is currently Bank Islam's Corporate Representative in the Securities Industry Dispute Resolution Center ("SIDREC"). Encik Mohd Izhar holds a Bachelor of Accountancy (Hons.) from Universiti Putra Malaysia.

CORPORATE SERVICES

MARIA MAT SAID

Head, Legal & Secretarial

Puan Maria Mat Said has about 25 years of experience in the banking industry, mainly, performing legal functions. She has been with Bank Islam since 2005 and was appointed to her current position in 2009. Her areas of responsibility include provision of legal and corporate secretarial services for the Bank. As the Company Secretary, Puan Maria ensures proper governance within the Bank. Puan Maria is also the Group Company Secretary where she acts as the Company Secretary for BIMB Holdings Berhad. Puan Maria holds a Bachelor of Law from University of Malaya.

RAZMAN ISMAIL

Head, Human Resources

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

PROFILE OF SENIOR MANAGEMENT

(cont'd)

CORPORATE SERVICES (cont'd)

MIZAN MASRAM

Head, Recovery & Rehabilitation

Encik Mizan Masram has 19 years of experience in related fields and has held various positions with several foreign banks. He currently heads the Recovery & Rehabilitation division where he is responsible for the Bank's crucial credit recovery and collection operations. Encik Mizan holds a Diploma in Business Studies majoring in Business from the Association of Business Executives, UK.

WAN NORKHAIRI WAN SAMAD

Head, Group Corporate Communications

Puan Wan Norkhairi Wan Samad has over 30 years of experience in related fields of Corporate Communications, serving the banking industry. She joined Bank Islam in 2001 and was appointed to her current position in 2015. She is responsible for the Bank's Public Relations and Stakeholders Engagement. Puan Wan Norkhairi holds a Degree in Mass Communications (Public Relations) from Universiti Teknologi MARA ("UiTM").

SUPPORT UNITS

DATO' NORASNI AYOB

Chief Operating Officer

Dato' Norasni Ayob has over 32 years of experience in banking operations. She joined Bank Islam in 2011 and currently manages Operations and e-Channels. Under her stewardship, various operational and management transformation initiatives have been implemented to strengthen the Bank's operational efficiency. She was instrumental in leading the customer service culture with the introduction of 'Senyum 3' and morning greetings at all the branches. Dato' Norasni holds a Master's Degree in Business Administration from Nottingham Trent University, UK.

MOHD MUAZZAM MOHAMED

Chief Financial Officer

Encik Muazzam Mohamed carries with him 21 years of experience in the field of finance, audit and consulting. He joined Bank Islam as the Chief Financial Officer on 11 May 2015. Prior to that, he was a Partner with a Big 4 audit firm where he spent 19 years, carrying out projects in various countries and serving numerous clients in the financial services and oil & gas across public and private sectors. Encik Muazzam holds a Bachelor's Degree in Accounting from International Islamic University Malaysia and is a member of the Malaysian Institute of Certified Public Accountants, a Chartered Accountant with the Malaysian Institute of Accountants, a Chartered Public Finance Accountant and a Certified Information Security Auditor.

ZAINAL AZLAN ZAINUDIN

Chief Technology Officer

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

AZMIR ABDUL MALEK

Head, Brand & Marketing Communications

Encik Azmir Abdul Malek has 20 years of experience in strategic brand building exercises which have involved a number of multinational corporations. He joined Bank Islam in 2012, and as a proponent of Integrated Communications Solutions, his main role is to enhance the Bank's presence in the industry. Encik Azmir holds a Bachelor in Business Administration, majoring in Advertising and Promotion from Western Michigan University, USA.

NURULZAHAR GHAZALI

Head, Business Support

Encik Nurulzahar Ghazali has over 21 years of experience in the banking industry. He has been with Bank Islam since 2005. He was appointed to his current position in 2015. His areas of responsibility include overseeing Trade Operations and Credit Administration. Encik Nurulzahar holds a Bachelor's Degree in Accounting from University of Oregon, USA.

CHE SHAKHITAH MOHAMED

Head, Corporate Support

Che Shakhitah Mohamed has over 28 years of Islamic banking experience in a number of areas, including operations, sales management and credit administration. She has been with Bank Islam since its inception in 1983, before pursuing her master's degree in 1984 and rejoined the Bank in 1988. She was appointed to her current post in 2014 to oversee the administrative and management of corporate support division. Che Shakhitah holds a Master's Degree in Finance from St Louis University, Missouri, USA.

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. He first joined Bank Islam in 1995 and left in 2001 to serve Bumiputra Commerce Bank ("BCB"), CIMB Islamic and Standard Chartered Bank before rejoining the Bank in 2007. He was appointed Bank Islam's Head of Product Management in 2013 and mainly oversees the development and implementation of the Bank's products. Some of his most notable achievements recently were the successful implementation of Bank Negara's Deposits Transition Plan (under the IFSA 2013) and subsequently the roll out of Bank Islam's first Investment Account products in 2015. Encik Azlan holds a Bachelor's Degree (Finance) and Executive MBA (Business Administration) from Universiti Teknologi MARA ("UiTM").

INDEPENDENT UNITS

ALINA SYLVIA APPOO

Deputy Chief Risk Officer

Ms Alina Sylvia Appoo has over 15 years of banking experience focusing predominantly on Market Risk in Malaysia and the Asian region. She joined Bank Islam in 2012 as Head of Market & Operational Risk, and was appointed as Deputy Chief Risk Officer in January 2015. She oversees the risk management function of Bank covering Credit Risk Portfolio Reporting, Market & Liquidity risk, Operational risk, Capital Adequacy and Stress Testing. Prior to joining the Bank, Ms Alina held key leadership and management positions in related fields at various local banks. She has been instrumental in change management initiatives within Market Risk including driving required changes arising from Basel 2 & 3 together with systems enhancements for Treasury and Risk. Ms Alina has a Bachelor's Degree in Mathematics (Hons.) from Universiti Sains Malaysia.

KHAIRUL MUZAMEL PERERA

Chief Credit Officer

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

PROFILE OF SENIOR MANAGEMENT

(cont'd)

INDEPENDENT UNITS (cont'd)

USTAZ MOHD NAZRI CHIK

Chief Shariah Officer

Ustaz Mohd Nazri Chik, a Certified Shariah Adviser and Auditor ("AAOIFI"), has over 13 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 and an Executive Committee member of Association of Shariah Advisors Malaysia, Ustaz Mohd Nazri is also the Deputy Chairman of the Shariah Supervisory Council of Amana Bank Limited (Sri Lanka). 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.

NIK AZMIR NIK ANIS

Chief Compliance Officer

Encik Nik Azmir Nik Anis has over 20 years of banking experience having served with various local and foreign financial institutions focusing predominantly in the area of Compliance, Operational Risk Management, Anti-Money Laundering and Operations. His primary roles and responsibilities include managing the Bank's overall regulatory risk and compliance. He also acts as key liaison officer to the regulators and is the Bank's Money Laundering Reporting Officer ("MLRO"). He is also the Bank's responsible officer under the Personal Data Protection Act 2010. 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 also holds the Advance Certification in Anti-Money Laundering/Counter Financing of Terrorism from International Compliance Association.

MOHAMED IRAN MORIFF MOHD SHARIFF

Chief Internal Auditor

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

PROFILE OF REGIONAL MANAGERS



NORTHERN REGION

AHMAD FAUZI MOHD AKHIR

Head of Regional Office



Encik Ahmad Fauzi Mohd Akhir has more than 25 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 the 26 Bank branches in Perak, Kedah, Pulau Pinang and Perlis. Encik Ahmad Fauzi is a holder of Bachelor of Science in Accounting from Fairleigh Dickinson University, USA.

CENTRAL REGION

BOSTAMAM HASSAN

Head of Regional Office



Encik Bostamam Hassan has 31 years of experience in banking. He joined Bank Islam in July 1986 where he currently holds the position of Head of Central Region Office, and is responsible for the business development, marketing and management of 49 branches in Kuala Lumpur and Selangor. Encik Bostamam is a holder of a Master's degree in Business Administration from University of New Haven, Connecticut, USA.

SOUTHERN REGION

MOHD NOOR JAB

Head of Regional Office



Encik Mohd Noor Jab carries with him 22 years of banking experience. He joined Bank Islam in October 1994 where he now leads the Southern Region team comprising 28 branches in Johor, Melaka and Negeri Sembilan. Encik Mohd Noor holds a Bachelor of Business Administration from Universiti Utara Malaysia.

PROFILE OF REGIONAL MANAGERS

(cont'd)

EASTERN REGION

WAN ROSITA WAN MOHAMED

Head of Regional Office



Puan Wan Rosita Wan Mohamed has over 31 years of experience in the banking industry, and has been with Bank Islam since January 2005. She now heads the Regional Office of the Eastern Region, comprising 29 branches in the states of Terengganu, Kelantan and Pahang. Puan Wan Rosita holds a Bachelor of Science Degree in Finance from Indiana State University, USA.

EAST MALAYSIA REGION

ABDUL MALEK ABDULLAH

Head of Regional Office



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

PROFILE OF HEAD OF SUBSIDIARIES



CHIEF EXECUTIVE OFFICER

NAJMUDDIN MOHD LUTFI

BIMB Investment Management Berhad



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

He was formerly an Executive Director at Goldman Sachs (Malaysia) Sdn Bhd in the Investment Management Division, an Assistant Director at CIMB-Principal Asset Management Berhad and a Deputy Director at Bank Negara Malaysia.

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

CHIEF EXECUTIVE OFFICER/PRINCIPAL OFFICER

RUMAIZI MOHD TEJERI

Bank Islam Trust Company (Labuan) Ltd



Encik Rumaizi Mohd Tejeri has over ten years of experience in Labuan and the offshore trust industries in Labuan IBFC. He was appointed as the Chief Executive Officer of Bank Islam Trust Company (Labuan) Ltd ("BTL") on 1 January 2011. Prior to his appointment, Encik Rumaizi was the Head of Legal & Compliance of BTL. Before joining BTL, Encik Rumaizi was the Assistant Manager of CIMB Trustee Berhad where he gained experience in banking and trusteeship related matters. He also has extensive experience in litigation, Shariah practices, estate planning, administration of estates and trust services. Encik Rumaizi is a holder of an MBA from Universiti Malaysia Sabah as well as LLB (Hons) from International Islamic University Malaysia.



Through innovative and proactive management of current resources, we continue to enhance a high-performance culture within efficient operating environments; and ensure maximum utilisation of our investments in every aspect of our operations.

2016 Achievements:

- › Best Wholesale Banking Award 2016 by Global Islamic Finance Awards 2016
- › Best Bank Capital Sukuk by The Asset Asian Awards 2016





PROFESSIONAL

WHAT DO YOU VALUE?

*“A bank that’s
committed to improve
service accessibility,
efficiency and
responsiveness.”*

PRESERVING VALUES



CALENDAR OF SIGNIFICANT EVENTS

**JANUARY
14**

Bank Islam launched "e-Donation Terminal", the first electronic donation terminal in Malaysia, at Masjid Wilayah Kuala Lumpur.



**JANUARY
27**

Bank Islam sponsored RM65,000 to reward participating schools that promote creativity among students in *Pendidikan Islam* subject as well as activities to enliven the school's *surau*.

**JANUARY
28**

Bank Islam received a study visit from the students of Sekolah Tinggi Ekonomi Islam TAZKIA, Indonesia at Menara Bank Islam, Kuala Lumpur.



**JANUARY 30 -
SEPTEMBER 29**

Bank Islam allocated almost RM200,000 to organise AMAL Ihtimam programmes across all regions. These programmes were organised to celebrate with the underprivileged community while giving out zakat to help ease their burden and improve their overall wellbeing.

**MARCH
21**

Bank Islam celebrated three winners of the "Drive Home A BMW As Easy As 1, 2, 3" Campaign at Menara Bank Islam, Kuala Lumpur.

**MARCH 30 -
NOVEMBER 09**

Bank Islam in collaboration with Petrosains held Visit-To-School programmes across all regions to promote the importance of learning Science as it will develop useful skills for the students to improve their livelihood and self-sustainability. These programmes are also one of the ways to show that Bank Islam is a strong advocate of equal opportunities in education regardless of the students' economic background.





APRIL 01

Bank Islam signed an MoU with Majlis Ugama Islam Sabah for the usage of Bank Islam's Voucher Encashment service. This innovative product is Malaysia's first cashless voucher that eliminates the need for cheque issuance for corporate bodies, cooperations, and religious bodies when issuing retail payment.

APRIL 05

Bank Islam in collaboration with PETRONAS launched the "Cash Out" service, a first of its kind service in Malaysia that allows Bank Islam customers to withdraw money at PETRONAS stations' Mesra shops without having to go to Bank Islam's ATM.



APRIL 07

Bank Islam was the main sponsor of the Petrosains Science Show Competition. This competition enhances students' creativity and innovative thinking about science and technology.



APRIL 14

Bank Islam signed an MoU with Lembaga Hasil Dalam Negeri which allows customers to pay taxes through the Bank's TAP Mobile Banking-i.

APRIL 19

Bank Islam's Treasury Division hosted a Luncheon Talk at the Grand Hyatt Hotel to show appreciation and strengthen its relationship with its clients.

APRIL 20 - 27

Bank Islam joined the *Minggu Amanah Saham Malaysia*, the longest running unit trust exhibition, as one of the partners to showcase the products and services offered to customers.

MAY 19

Bank Islam received a study visit from IBFIM and delegates from Kenya Commercial Bank at Menara Bank Islam, Kuala Lumpur.

CALENDAR OF SIGNIFICANT EVENTS

(cont'd)

MAY 21

Bank Islam organised a Green Day programme in conjunction with Earth Day. Bank Islam carried out "green" activities such as beach cleaning and providing cockleshell artificial reefs as the Bank's contribution towards the betterment of the environment.



MAY 25

Bank Islam expanded its "Cash Out" service at PETRONAS stations to East Malaysia region.



MAY 27

Bank Islam launched a new co-brand card with Kelantan Football Association called "The Red Warrior" card. This card is specially designed for the loyal supporters of The Red Warrior. A portion of the fee will also be contributed to the association for the development of the football team.

JUNE 10 - JULY 01

Bank Islam allocated more than RM40,000 to organise iftar AMAL Ihtimam programmes to celebrate *Ramadan* with the underprivileged communities as well as to distribute its zakat contributions.

JUNE 10 - 29

Bank Islam organised *iftar* sessions with major media organisations to strengthen the existing relationship with NSTP Group, Kumpulan Utusan Malaysia, BERNAMA, RTM, Media Prima and Sinar Harian.



JUNE 13

Bank Islam hosted an *iftar* session at Menara Bank Islam for its staff and distributed zakat contributions to selected NGOs.

JUNE 18 - 19

Bank Islam participated in the BHB-Berita Harian Semarak Ramadan Programme at Masjid Tengku Ahmad, Jerantut, Pahang for *sahur* and *iftar* sessions with the local communities and *tahfiz* students.



JULY 14 - AUGUST 01

Bank Islam organised Hari Raya open houses at all five regions for its valued corporate clients.



JULY 25

Bank Islam signed an MoU with Urus Maju Ehsan Sdn Bhd, the subsidiary of Perbadanan Wakaf Selangor, to fund the Selangor Wakaf Land Development Project.

JULY 26

Bank Islam contributed RM500,000 in kind at the Symbolic Presentation and Appreciation ceremony for all *Sahabat Korporat* Tabung Haji at TH Hotel, Kelana Jaya.



CALENDAR OF SIGNIFICANT EVENTS

(cont'd)

**JULY
30**

Bank Islam spent RM52,350 to host an Aidilfitri celebration at Kampung Gaing, Pedas, Negeri Sembilan to celebrate the joy of *Eid* with the underprivileged as well as to give out zakat contributions.



**AUGUST
06 - 07**

Bank Islam participated in the BHB-Bernamea Media Community Drive from Kuala Lumpur to Kemaman for members of the media. Activities revolved around protecting and preserving the marine ecosystem that ended with baby turtles release at the Cherating Turtle Sanctuary. These initiatives encourage the media to perform CR activities alongside strengthening the bond with BHB and Bank Islam.

**SEPTEMBER
12 - 14**

Bank Islam spent RM101,600 to distribute zakat and celebrate Hari Raya Aidiladha with the local communities through the AMAL Ihtimam Qurban programmes in all five regions in Malaysia. These programmes allowed us to share the joy of *Eid* with the underprivileged as well as provide help for their general wellbeing.



**SEPTEMBER
13**

Bank Islam launched the first Shariah-compliant corporate credit card, Bank Islam VISA Infinite Business Card-i, that targets large corporations and SMEs to encourage them to go cashless and have better visibility of their company expenses and cash flow.

**SEPTEMBER
13 - 14**

Bank Islam participated in the BHB-Berita Harian *Semarak Qurban* programme at Perkampungan Orang Asli Kg Tekir, Labu, Negeri Sembilan. BHB sponsored RM80,000 through that programme which includes the construction of the *surau's* gate, basic necessities for the less fortunate families, as well as two cattles to be slaughtered for *Jamuan Raya* with the local communities.

**SEPTEMBER
14**

Bank Islam contributed RM20,000 to Madrasah Tahfiz Ashabissyahid in Tawau, Sabah to help 100 students who have lost their place of lodging. The financial assistance provided is to help rebuild the *Maahad*.

**SEPTEMBER
23**

Bank Islam sponsored RM45,000 to the organisers of "Invention, Innovation & Design Exposition 2016" to run the event that encourages and promotes innovation and creativity among students and faculties in UiTM.

SEPTEMBER 26

Bank Islam launched a new co-brand card with Pahang Football Association called Bank Islam Visa Debit Card-i Pahang FA. This card offers a uniquely designed card for the supporters of Pahang FA as well as allows the supporters to contribute to the development of the football team.



SEPTEMBER 28

Bank Islam donated a *van jenazah* to Masjid Jelatang Kaabah, Tumpat, Kelantan to provide convenience to the committees of the mosque in helping the local community.



OCTOBER 06

Bank Islam hosted a study visit from the students of Universiti Tun Abdul Razak and delegates from Beifang University of Nationalities, China at Menara Bank Islam, Kuala Lumpur.



CALENDAR OF SIGNIFICANT EVENTS

(cont'd)

OCTOBER 08

Bank Islam donated a *van jenazah* to Masjid Kampung Batu Hampar, Manir, Kuala Terengganu to provide convenience to the committees of the mosque in helping the local community.

OCTOBER 12

Bank Islam held a prize-giving ceremony for the winner of its Personal financing “Umrah 3 Masjid” and “Hari Guru & Jururawat” campaigns at Menara Bank Islam, Kuala Lumpur.



OCTOBER 18

Bank Islam launched a new co-brand card with Kedah Football Association, called Bank Islam Visa “Lang Merah” Kedah FA card. This card offers a uniquely designed card for the supporters of Kedah FA as well as allows the supporters to contribute to the development of the football team.



OCTOBER 24

Bank Islam collaborated with a telco company, One XOX, to launch a new co-brand card called Bank Islam One XOX Debit Card-i. The launch of this card was aimed to give more rewards and benefits to ONEXOX dealers.



NOVEMBER 02

Bank Islam signed an MoU with Perbadanan Tabung Pendidikan Tinggi Nasional (“PTPTN”) to provide a new repayment channel for the borrower through JomPAY direct debit service. With this collaboration in place, PTPTN borrowers will bear no additional cost but will be able to repay the loan in a more convenient way.

NOVEMBER 19

Bank Islam contributed RM20,000 during the Malam Simfoni Kasih 2016 to improve the welfare of UiTM *asnaf* students.

NOVEMBER 26

Bank Islam hosted a Bowling Tournament at Wangsa Bowl, IOI City Mall, Putrajaya in effort to strengthen relationships with its corporate clients.



DECEMBER 03

Bank Islam organised its annual invitational Golf tournament with its corporate clients to strengthen relationships with its valued clients.



DECEMBER 08

Bank Islam signed an MoU with Tabung Pendidikan 1 Bilion ("TP1B") to provide a new contribution channel using JomPAY services. This collaboration provides convenience for the public and UiTM alumnis especially, to contribute to this fund.

DECEMBER 20

Bank Islam hosted a study visit from IBFIM and delegates from Uganda at Menara Bank Islam, Kuala Lumpur.

DECEMBER 22 - 30

Bank Islam in collaboration with Surau Wakaf Ahmad Dawjee Dadabhoy distributed RM79,500 worth of school necessities to *asnaf* students in Kuala Lumpur and Kuala Terengganu. This contribution aims to lighten the burden of the underprivileged students starting a new school year.



TAKING CORPORATE RESPONSIBILITY TO NEW HEIGHTS

BANK ISLAM'S CORPORATE RESPONSIBILITY ("CR") HAS EVOLVED SIGNIFICANTLY IN RECENT YEARS SINCE WE SET OUT TO REINFORCE OUR COMMITMENT TOWARDS BUILDING STRONG COMMUNITIES ACROSS THE COUNTRY. THE LAUNCH OF AMAL AS A BRAND REPRESENTING THE BANK'S CR ACTIVITIES IN 2015 IS A STEP FORWARD IN OUR QUEST TO EXPAND THE SOCIAL IMPACT OF OUR CR INITIATIVES.

This can be attested by the recent increase in our CR activities, financial contribution, volunteers and hours contributed by volunteers (staff and members of respective communities). With the AMAL emblem being set in motion, we are ever ready to come up with creative and innovative ways to contribute towards making a positive change on the wellbeing of local communities.

FOCUS ON AMAL'S FOUR STRATEGIC PRIORITIES

At Bank Islam, we believe that taking care of communities is just as important as taking care of business. Our commitment to society is deeply rooted in our values and forms an integral part of our strategy. AMAL's main areas of focus are: **Community, Education, Projek Bantuan Rumah (Housing Aid Project)** and **Environment**.

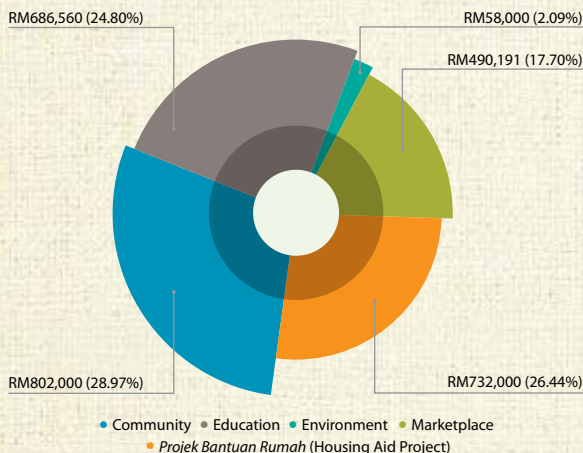


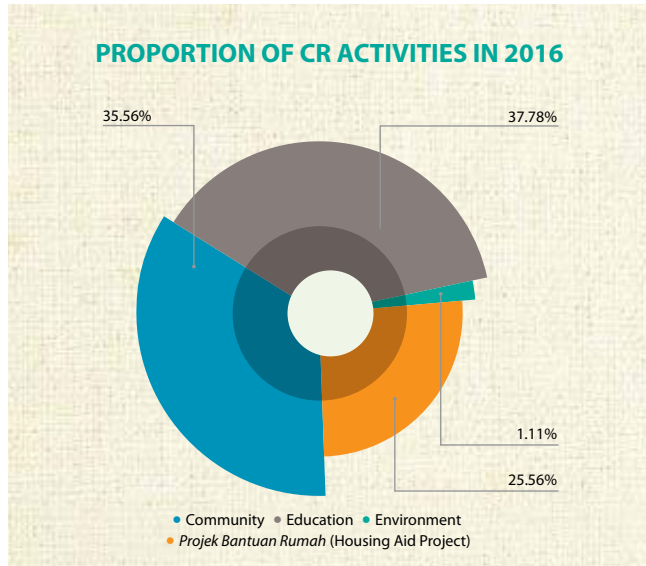
The Bank's AMAL programmes are aligned towards the 3 core objectives of:

- Expanding the positive social impact of Bank Islam's Corporate Responsibility ("CR") activities
- Persistently seeking out the underserved to meaningfully elevate their standard of living
- Enhancing exposure on Bank Islam's CR initiatives so as to encourage and inspire further action by the public

PROPORTION OF SPONSORSHIPS, CONTRIBUTIONS AND DONATIONS IN 2016

CR SPEND (RM)





BUILDING COMMUNITIES

With a renewed commitment towards building healthy, thriving communities, we have stepped up our CR programmes by including more community-centric initiatives. In 2016, AMAL has maintained community-based activities as its main focus hence majority (34.5%) of our CR budget was channelled towards community-building programmes.

Our efforts to support communities nationwide cover welfare organisations, educational institutions, mosques and *surau*, state governments, and other worthy causes. We truly treasure these interrelationships as they had given us great opportunities to not only engage with wide segments of society but also share knowledge, resources and manpower as we join hands to work towards achieving a mutual cause. AMAL's community-centric programmes have also been given a designated name - AMAL Ihtimam (meaning 'care' in Arabic).

AMAL Ihtimam Programmes

The first AMAL Ihtimam programme was held in January at Ma'had At Tarbiah Al Islamiah ("MATRI") in Perkampungan Tunjung, Beseri, Perlis which saw underprivileged students from the Islamic school and the school itself receiving zakat totalling RM10,500. The following AMAL Ihtimam activity was carried out in SK St David Bumbuk, SK St Bernard Sadir and Kampung Sadir in Padawan, Sarawak where RM17,346 zakat was distributed to the two schools (SK St David Bumbuk and SK St James Rayang) and a local mosque. An additional donation was also given towards a construction of a bridge in SK St Bernard Sadir. The contributions are part of our effort to improve the wellbeing of the community by easing their financial burden.



TAKING CORPORATE RESPONSIBILITY TO NEW HEIGHTS

(cont'd)



Spreading Goodwill and Cheer

The spirit of AMAL is very alive during the important dates of the Islamic calendar. Since AMAL was established, we had made a conscious effort to re-strategise our Ramadan CR activities by extending the programme to those who are often underappreciated during this holy month, namely uniformed personnel (police force, army, nurses and doctors, firemen, immigration officers etc) and students from impoverished families. Hence, for 2016, the nationwide AMAL Ihtimam Ramadan programme involved hospital visits by the AMAL team and volunteers whereby packed food was given away to the staff and patients in hospitals across the country. Meanwhile, underprivileged students and children from orphanages were also entertained at our Majlis Berbuka Puasa.

As with every Ramadan month, the Bank contributes zakat to the needy, orphans, single mothers, senior citizens and Muslim reverts as part of the programme. AMAL Ihtimam Ramadan 2016 saw 1,191 individuals and 46 institutions receiving zakat totalling more than RM273,500.

As for our yearly AMAL Ihtimam Korban programme, RM121,600 was contributed towards needy individuals as well as NGOs and schools including Madrasah Bombalai in Tawau, Sabah which was razed by fire a few weeks before Aidiladha. Meanwhile, as with previous years, staff and customers of Bank Islam also contributed towards the purchase of 16 cattle as part of this programme where the meat was distributed among less fortunate families in the five venues that hosted the programme, namely Bangi, Selangor; Parit Buntar, Perak; Pengkalan Chepa, Kelantan; Seremban, Negeri Sembilan and Tawau, Sabah.

PROJEK BANTUAN RUMAH (HOUSING AID PROJECT)

At Bank Islam, we strive to provide real and meaningful assistance to those in need and one of the most basic necessities of every human being is a house as shelter. Given today's rising house prices, it has become increasingly difficult for many people living below the poverty line to own a house. Our *Projek Bantuan Rumah* (Housing Aid Project), which was initiated in 2008, has been making it possible for those facing financial difficulties to live in a comfortable home. This flagship project is implemented by channelling sachet contributions to construct and rehabilitate houses for underprivileged families. Since its inception, more than RM6.2 million has been channelled to *Projek Bantuan Rumah*, allowing 237 marginalised families across the country to own a home. 2016 saw 24 families (23 in Negeri Sembilan and one in Pahang) as beneficiaries of this programme.



EDUCATION

Human capital is considered as the best national resource and it is through education that we develop competent professionals and good citizens. These are essential for Malaysians to contribute to their community and their country. It is for this reason that we place great importance in supporting our local youths in equipping them with knowledge and skills they need to succeed in life.

PINTAR Programme

Our education programmes are designed to foster academic as well as non-academic excellence in underserved communities and to help bridge the urban-rural divide. One of these programmes include the Promoting Intelligence, Nurturing Talent and Advocating Responsibility (PINTAR) programme. To date, we have contributed a total of RM1,680,000 towards this programme and, in 2016, the Bank has adopted another two schools (one in Kelantan and another in Perak) as part of our education initiative under the PINTAR programme. Currently, the total number of schools adopted by Bank Islam since 2008 is 20. The highlight of the PINTAR programme this year is the once-in-a-lifetime opportunity given to 16 underprivileged students to experience a five-day teambuilding/leadership course at the famed Outward Bound School in Lumut, Perak.

TAKING CORPORATE RESPONSIBILITY TO NEW HEIGHTS

(cont'd)



IIDEX

Bank Islam has been the official partner in the annual Innovation, Invention and Design Exposition ("IIDEX") for the past ten years. This initiative is part of our effort to promote innovation among Malaysian youths as the exposition serves as an incubator and platform for aspiring inventors to showcase their latest innovative ideas.

Visit-to-School Programme and Science Show Competition

Since the inception of AMAL, our budget allocation for educational programmes has increased significantly in 2015, from 1% in the previous year to 33%. For 2016, the proportion has jumped even higher at 38%. This year would also be the second year for our collaboration with Petrosains in the Visit-to-School Programme and Science Show Competition. These initiatives are designed to generate youths' interest in science and technology by bringing fun back into education. In 2016, the Bank contributed close to RM600,000 towards these two events which involved 80 schools and more than 6,000 primary and secondary students across the country.

Anugerah Surau Imarah Sekolah-Sekolah

Bank Islam has continued to support *Anugerah Surau Imarah Sekolah-Sekolah* ("ASISS") since its inception in 2013. The annual competition which seeks to award the best primary and secondary school *surau* and *musolla* in the country is one of the activities organised by the Education Ministry in conjunction with *Maulidur Rasul*. With the aim of encouraging every school to invigorate its prayer spaces, the competition has inspired its participants to improve the management of their *surau* and *musolla* and transform them from mere places of worship into educational centres that also carry out *da'wah* activities.

The distribution of zakat towards this programme has also been significantly increased from RM28,000 in 2014 to RM62,800 in 2015. In 2016, the Bank yet again increased the zakat contribution towards this programme to RM88,800.

PRESERVING THE ENVIRONMENT

It is critical for businesses to act responsibly with respect to the environment and take measures to reduce their carbon footprint. Fortunately, environmental consciousness is quite prevalent among Bank Islam staff as 'green' practices such as switching off lights during lunch hour and the promoting of electronic services such as e-statements to customers to minimise wastage are just some of the rudimentary initiatives we have taken to heart. Besides these practices, we also carry out our annual environmental preservation programme, namely Green Day.

Green Day

Our Green Day programme focuses on the rehabilitation of natural resources as well as raising awareness on the importance of environmental preservation. In 2016, the AMAL team collaborated with Universiti Malaysia Sarawak ("UNIMAS") and Pejabat Perikanan Daerah Sematan to produce and deploy five cockleshell artificial reefs in the seawaters of Talang-Talang islands near the coast of Sematan, Sarawak. The objective of this initiative is to raise the population of marine life in the seawaters of Sematan which would consequently have a positive impact on the economy of the Sematan community (through fishing and tourism).

As with other Bank Islam CR programmes, the AMAL team has lined up many additional community-centric activities with the Sematan community involving more than 150 volunteers from various organisations. Most of these activities such as *tazkirah*, 'Green Day Challenge' with primary school students and mural painting are also designed to raise environmental awareness among its participants.

INCORPORATING INNOVATIONS IN CR

We live in a time when the pace of innovation is astounding and the power of technology is changing everything. In order to move with the times and trends, we have to seek for the many innovations that are available to utilise them for the benefit of society and this goes for CR too.

The AMAL team is constantly looking into supporting innovations from local learning institutions by incorporating their conceptions into our CR initiatives while providing opportunities for students and faculties to showcase their latest innovative ideas for the benefit of communities. For Green Day 2016, the cockleshell artificial reefs were designed by a research team from UNIMAS Faculty of Applied & Creative Science, while Bank Islam provided the fund to produce the artificial reefs.

Besides the abovementioned artificial reefs innovation, another innovative initiative which we have incorporated in our CR efforts is the Sekolah Menengah Agama (Perempuan) Al-Madrasah Al-Alawiyah Ad-Diniah Yayasan Islam Perlis (AL-MAAD) Wakaf Fund Project which won the Best CSR Initiative in the 3rd Annual Cards & Electronic Payments International ("CEPI") Asia Awards 2016.

Bank Islam will continue to make innovation a common practice for not only our business and operations but also AMAL activities as part of our mission to help our communities prosper. We will also continue to invest in our people, education, innovation, the environment and sports, as we believe these are holistic ways to support a society.



PRODUCT EXCELLENCE, SERVICE ENHANCEMENT 2016

As the flagbearer of the industry, Bank Islam is driven to be a pioneer-leader in enhancing its first-mover advantage and unique value propositions while reinforcing Malaysia's distinctive competitive advantages as a leading international centre for Islamic finance. The Bank continuously develops and introduces trend-setting financial solutions in widening the breadth of its innovative end-to-end Shariah-based financial products and services, comparable to that offered by its conventional counterparts. This paves a future of unparalleled innovation and unlimited possibilities in Islamic finance.

“E-Donation Terminal using Visa PayWave”

- Country's first contactless e-donation service
- 11 terminals nationwide
- Promotes cashless society
- Fastened security
- Brings society closer to the underserved

Cash-Out Facility at Kedai Mesra PETRONAS Counter for Bank Islam Visa Debit Card-i holders

- First of its kind facility in Malaysia
- Withdraw cash at PETRONAS Station counters
- 288 terminals at 7 states
- Increases the accessibility for cash withdrawals
- Financial inclusion initiative

Investment Account Platform (“IAP”)

- The first Islamic FinTech platform featuring bank intermediation
- Operated by IAP Integrated Sdn Bhd, a wholly owned subsidiary of Raeed Holdings Sdn Bhd, which in turn is owned by a consortium of six (6) Islamic banks
- Drives a thriving economy
- Promotes entrepreneurship

Mobile Banking-i TAP-LHDN Collaboration

- Convenience of tax payment through mobile
- No internet required
- Added channel for tax payers
- Promotes cashless society & financial inclusion

Wafiyah Investment Account

- Alternative banking product allowing customers to better manage their financials
- Edged at providing the best return for customers
- Nurtures customers' trust through good disclosure practice

Bank Islam Visa Kelantan FA “The Red Warriors” Debit Card-i

- Co-branding effort with Kelantan Football Association
- Uniquely designed for loyal supporters of Kelantan's football team
- Contributes to the development of the football team
- Promotes cashless transactions

Bank Islam Visa Infinite Business Card-i

- Asia Pacific's first Shariah-compliant business credit card-i
- Greater convenience
- Consolidates business related spending
- Better visibility on company expenses
- Promotes cashless society

Bank Islam Visa Pahang FA Debit Card-i

- Co-branding effort with Pahang Football Association
- Uniquely designed for loyal supporters of Pahang's football team
- Contributes to the development of the football team
- Promotes cashless transactions

Term Deposit Tawarruq (“TDT”) Premium

- New deposit account with preferential rates offered to valued clients



Bank Islam Visa Kedah FA "Lang Merah" Debit Card-i

- Co-branding effort with Kedah Football Association
- Uniquely designed for loyal supporters of Kedah's football team
- Contributes to the development of the football team
- Promotes cashless transactions

ONEXOX

Bank Islam Visa ONEXOX Debit Card-i

- Collaboration with Malaysia's first Shariah-compliant telecommunication service
- Promotes cashless society
- More rewards and benefits to ONEXOX dealers



Collaboration with PTPN

- Borrowers able to pay through Direct Debit method
- Added payment channel for borrowers
- Hassle-free PTPN repayment method



MoU Signing with Urus Maju Ehsan Sdn Bhd

- Waqf land development project funding
- Bridging financing of RM15.5 million
- Increases economic asset holding for Muslims



E-payment Workshop #epaymentisnow

- Creates awareness amongst clients to migrate to e-payment
- Zeroises cheque issuance amongst clients
- Promotes efficient and cost-saving payment methods
- Educates clients through demonstrations



Term Deposit Tawarruq ("TDT") Staff/Relative

- New deposit account offered to staff of Bank Islam, the group and their relatives to enjoy higher returns on their investment



Term Deposit Tawarruq - Staff of BIMB Holdings & Subsidiaries

- Enhancement to extend TDT to BIMB Holdings and subsidiaries with higher return



HR Certification Programmes

- Promote a culture of learning
- Provide continuous learning opportunities to all levels of employees
- Retain quality employees and providing succession planning
- Achieve business goals and sustainability
- Grow our own timber



Digitalised Account Opening for Investment & Deposit

- Fast account opening
- Reduces the workload at branches and improves data integrity



Collaboration with TP1B

- Convenience to make contributions through JomPay
- Increases collections for TP1B fund
- Contributes to the welfare of underprivileged students
- Promotes cashless society



Voucher Encashment

- Provides alternative for cheque for corporate clients
- Mitigates cheque fraud risk
- Promotes cashless society & financial inclusion



From our products, services to corporate values, you can trust that Bank Islam adheres to Shariah in all we do. Bank Islam has played a leading role in promoting the expansion of Malaysia's brand of Islamic finance, and is committed to fully realising the inherent potential of available capital assets.

2016 Achievements:

- › The Platinum Trusted Brand Award 2016 (Islamic Financial Services) by Reader's Digest





TRUSTWORTHY

WHAT DO YOU VALUE?

*“A bank that ensures
all its products &
services are Shariah-
compliant.”*

PRESERVING VALUES



STATEMENT OF CORPORATE GOVERNANCE

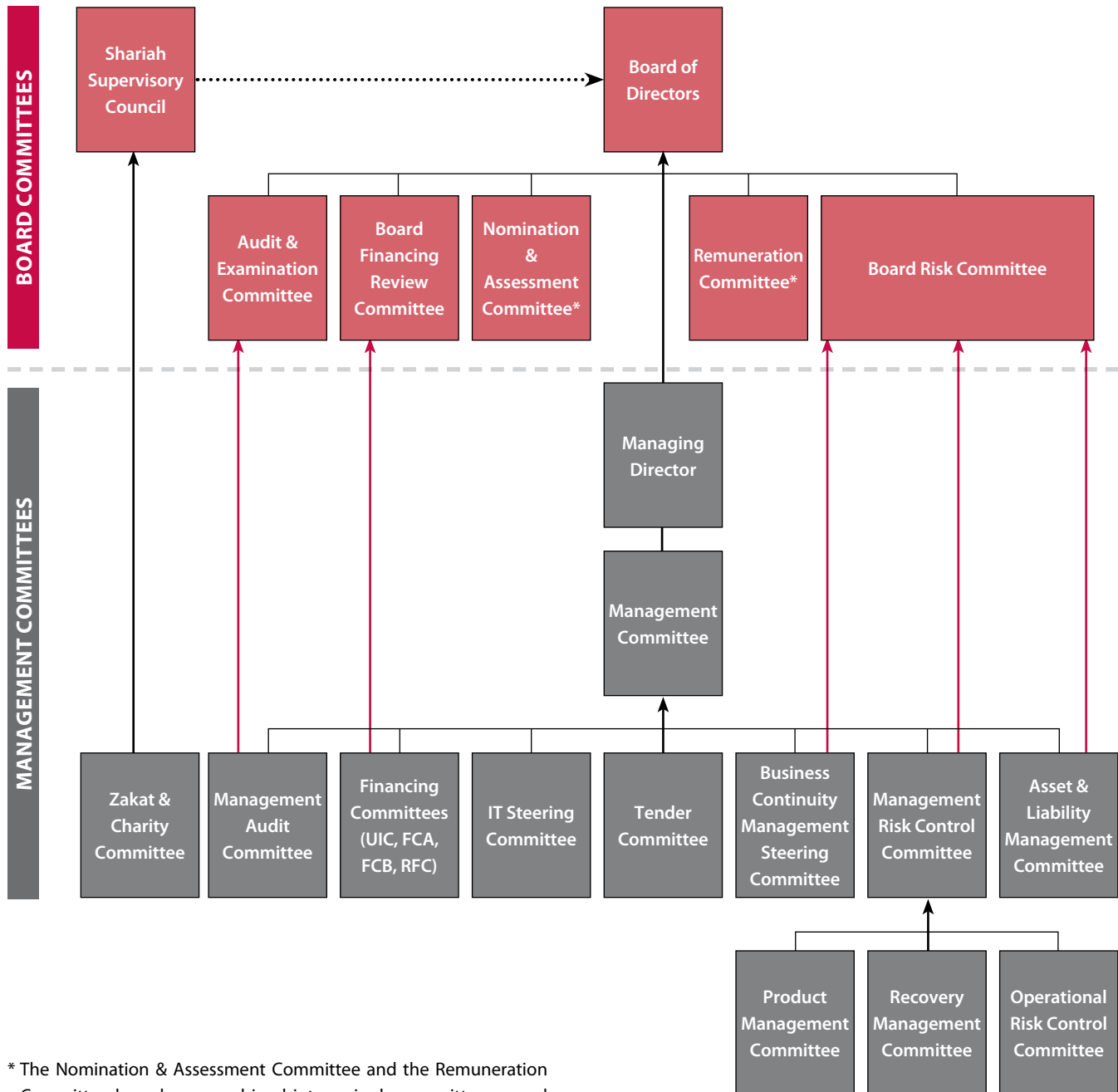
IN THE CURRENT CHALLENGING ECONOMIC ENVIRONMENT, THE BOARD OF DIRECTORS OF BANK ISLAM (“THE BOARD”) REMAINS STEADFAST IN PROMOTING AND SUSTAINING A STRONG CULTURE OF CORPORATE GOVERNANCE IN ORDER TO MAXIMISE SHAREHOLDERS’ VALUE AND PROTECT THE INTERESTS OF ALL ITS STAKEHOLDERS. IN THIS RESPECT, THE BOARD IS FULLY COMMITTED TO EMBRACE HIGH STANDARDS OF BUSINESS INTEGRITY, ETHICS AND PROFESSIONALISM WITH THE RIGHT EXECUTIVE LEADERSHIP AND STRATEGY WHILST AT THE SAME TIME ENSURING INTERNAL CONTROLS AND RISK MANAGEMENT ARE WELL IN PLACE THROUGHOUT BANK ISLAM AND ITS SUBSIDIARIES; IN LINE WITH ETHICAL VALUES AND SHARIAH RULES AND PRINCIPLES.

To achieve the said objectives, the Board adopts the requirements of Bank Negara Malaysia’s (“BNM”) Corporate Governance Policy issued on 3 August 2016 (“BNM CG”), Malaysian Code of Corporate Governance 2012 (“MCCG”) and other relevant requirements as outlined under the respective guidelines by BNM. The application of the requirements and recommendations set out in BNM CG and MCCG 2012 will be highlighted in the various sections of this Statement of Corporate Governance.





The governance structure of Bank Islam is illustrated below:



* The Nomination & Assessment Committee and the Remuneration Committee have been combined into a single committee named Nomination & Remuneration Committee effective 1 January 2017.

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

1.0 THE BOARD OF DIRECTORS

1.1 Board Charter

The Board recognises that good corporate governance practices are essential to safeguard the interest of the Bank's stakeholders. Therefore in discharging its duties, the Board is guided by the Board Charter which outlines the Board's duties and responsibilities, powers and relevant requirements to promote the Board's effectiveness and good conduct in accordance with good corporate governance practices based on recommendations and guidelines issued by the relevant regulatory authorities. This is in line with the BNM CG and Recommendation 1.1 and 1.7 of the MCCG 2012.

The Board Charter comprises amongst others, the following:-

- Fiduciary Duties of Directors;
- Roles & Responsibilities of the Board, the Board Committees, the Chairman, the Managing Director/Chief Executive Officer, Independent Directors, Nominee Directors and Company Secretary;
- Matters Reserved for the Board;
- Board Composition;
- Board Appointment & Succession Planning;
- Board Training;
- Board Evaluation;
- Board Remuneration; and
- Code of Ethics, Conflict of Interest and Whistle Blowing.

The Board is also guided by its Terms of Reference which sets out amongst others the conduct of the Board meetings.

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

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

1.2 Board Composition

In 2016, Bank Islam appointed two (2) additional independent non-executive directors to the Board. At the same time, one non-independent non-executive director has retired and ceased to be a director of the Bank. The Board currently has eight (8) members of which five (5) are independent non-executive directors, two (2) non-independent non-executive directors and one (1) executive director, i.e., the Managing Director.

The above composition is in line with the new requirement of BNM CG, i.e., for the Board to comprise of majority independent directors. In addition, the Chairman of the Board is also an independent non-executive director. This provides an effective check and balance in the functions of the Board. In 2016, the Bank has also revised the composition of the Board Committees to ensure majority independent directors.

In addition, Bank Islam adheres to the BNM CG requirement that the number of directors with common directorships within the group to remain in the minority to ensure that the Group interests are appropriately balanced. There are only three (3) directors that have common directorship within the Group.

The Board aims to maintain diversity in terms of expertise, skills and attributes of directors who can bring invaluable knowledge, expertise and new perspectives to the Company's operations and enhance the effectiveness of the Board. Currently, the Board comprises of members with diverse professional backgrounds and experience in their respective areas including economy, banking, finance, accounting, law and Shariah. The presence of two (2) female directors on the Board also promotes gender diversity as per Recommendation 2.2 of the MCCG 2012.

1.3 Duties and Responsibilities of the Board

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of Bank Islam. The business and operations of Bank Islam are managed under the direction and oversight of the Board since the Board is ultimately responsible for the stewardship of the Bank. The Board has the fiduciary duty to ensure that at all times it acts in the best interest of the Bank. In discharging its duties, the Board must give due regard to any decision of the Shariah Supervisory Council ("SSC") and BNM Shariah Advisory Council and promote Shariah-compliance in accordance with the expectations set out in the Shariah Governance Framework for Islamic Financial Institutions ("SGF") issued by BNM.

The specific matters reserved for the Board's deliberation and approval are prescribed in the Board Charter as follows:

- (a) Strategic policy matters which include business plan, budget and corporate structure;
- (b) Financial results and declaration of dividends;
- (c) Any significant operating and credit policies;
- (d) Risk appetite setting;
- (e) Capital management plan;
- (f) Authority limits including discretionary authority;
- (g) Any corporate exercise which include acquisition or divestment of strategic interest;
- (h) Major acquisition or disposal which is capital in nature;
- (i) Appointment and remuneration of directors, SSC members, the Managing Director and key senior management officers;
- (j) Entry into any related party transaction; and
- (k) Any new outsourcing proposal.

1.4 Authority and Delegation

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

1.5 Roles and responsibilities of the Chairman and Managing Director

The roles and responsibilities of the Chairman and Managing Director are clearly separated in line with Recommendations 1.1 and 3.4 of the MCCG 2012. The distinction is to ensure a balance of power and authority for better understanding and distribution of responsibilities and accountabilities. This structure facilitates efficiency and expedites the decision making process.

The primary role of the Chairman is to preside over the Board meetings and ensure the effective functioning of the Board in line with good corporate governance standards. The Chairman is responsible to:

- (a) Ensure that decisions are taken on a sound and well-informed basis;
- (b) Encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed;
- (c) Provide leadership to the Board and steer the Board in meeting the corporate goals and objectives of Bank Islam; and
- (d) Lead efforts to address the Board's developmental needs.

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

The Managing Director has the overall executive responsibility for the day-to-day operations of Bank Islam. The Managing Director also carries the primary responsibilities for ensuring management competency including the placement of an effective succession plan to sustain continuity. Key responsibilities of the Managing Director include the following:

- (a) Develop and provide strategic direction of Bank Islam's business plan;
- (b) Ensure that the Bank's strategies, corporate policies and day-to-day business affairs are effectively implemented and managed;
- (c) Ensure that the Board's decisions are implemented and the Board's directions are responded to;
- (d) Keep the Board fully informed of all important aspects of the Bank's operations and ensure sufficient information is disseminated to the Board; and
- (e) Provide strong leadership and effectively communicate the vision, management philosophy and business strategies of the Bank to the employees.

1.6 Role of Company Secretary

The Company Secretary is responsible in supporting the effective functioning of the Board by providing counsel on governance matters and advising on relevant laws, rules and regulations affecting the Board. She is also responsible for advising the directors on their obligations and duties, disclosure of their interest or any conflict of interest in any transaction involving the Bank. The Company Secretary facilitates an effective information flow between the Board and senior management.

All directors have direct and unrestricted access to the advice and services of the Company Secretary.

1.7 Appointment and Re-appointment of Directors

The appointment and re-appointment of directors is implemented in a formal and transparent process in accordance with BNM CG requirements. The Board delegated its duties to the Nomination and Remuneration Committee ("NRC") in ensuring that the level and make-up of its members are of the necessary credibility, integrity and calibre with the required skills and knowledge. The NRC is responsible to screen and perform the requisite evaluation and assessment on the candidate's ability to discharge his/her duties effectively prior to making any recommendation to the Board for approval.

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

- His/her probity, personal integrity and reputation which is demonstrated through personal qualities such as honesty, integrity, diligence, independence of mind and fairness;
- His/her financial integrity which is reflected whether he/she has been declared a bankrupt or any bankruptcy proceeding/legal action in relation to dishonesty and fraud has been taken against him/her;
- His/her history of offence(s) involving fraud and dishonesty;
- Whether he/she has been a director of a company that has been wound up due to insolvency;
- His/her competency and capabilities which is demonstrated whether he/she possess the necessary qualification, skills, technical expertise and relevant experience (which include holding senior position of not less than 10 years) to carry out the role; and
- His/her compliance with the restriction on the number of external professional commitment set by the Bank to ensure that he/she will have sufficient time commitment to discharge his/her duties effectively. In this regard, the Bank set the maximum number of external professional commitments that a director could hold to be not more than ten (10) in organisations other than Bank Islam; and the number of directorships in listed companies to be not more than five (5).

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

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

The fitness and propriety of a director to determine his/her suitability in holding such position will be assessed annually by way of self declaration. This is in accordance with the BNM Fit and Proper Criteria Policy and BNM CG.

1.8 Independent Non-Executive Director

The independent non-executive director is responsible to provide the necessary independence and objectivity to the Board. He/she must be able to constructively challenge and contribute feedback to the Management on any proposals presented to the Board. The effective participation of independent non-executive directors will enhance the accountability in the Board decision making process.

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

All independent non-executive directors are required to declare their compliance with the independence criteria adopted by the Bank on an annual basis to facilitate the Board in assessing the independence of a director pursuant to Recommendations 3.1 of the MCCG 2012 and BNM CG requirement.

An independent non-executive director is also subject to a maximum tenure of nine (9) consecutive years. Such a director can be retained as an independent director subject to the approval of the shareholders and BNM. This is in line with Recommendations 3.2 and 3.3 of the MCCG 2012 and BNM CG requirement.

1.9 Succession Planning

During the year, the Board has conducted a review on its succession planning. The review takes into consideration various factors which include compliance with the new requirements of BNM CG pertaining to Board composition, potential vacancy due to expiry of tenure and retirement as well as the risk of independent non-executive directors being re-designated as non-independent non-executive directors after serving the Board for more than nine (9) years.

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

1.10 Re-Election of Directors

In accordance with Bank Islam's Articles of Association, all directors other than the Managing Director are subject to retirement by rotation. The Managing Director is exempted from retirement by rotation so as not to expose his office to vagaries of discontinuity. The retiring directors are eligible for re-election.

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

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

1.11 Code of Ethics for the Board

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 authority.

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

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

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

1.12 Conflict of Interest

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

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

1.13 Board Meetings

Board meetings are scheduled at the beginning of the year based on the required frequency as stipulated in the Terms of Reference, i.e. at least six (6) times a year. However, additional meetings will also be convened as and when warranted by situations, to facilitate important decisions that are required in between the scheduled meetings.

Nine (9) Board meetings were held during the financial year ended 31 December 2016. All directors met the 75% minimum attendance requirement of the Board meetings as stipulated below:-

NAME OF DIRECTORS *	ATTENDANCE	%
Datuk Zamani Abd Ghani <i>Chairman/Independent Non-Executive Director</i>	9/9	100
Dato' Sri Zukri Samat <i>Managing Director</i>	9/9	100
Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin <i>Non-Independent Non-Executive Director</i>	8/9	89
Zahari @ Mohd Zin Idris <i>Non-Independent Non-Executive Director</i>	9/9	100
Datuk Zaiton Mohd Hassan <i>Independent Non-Executive Director</i>	9/9	100
Mohamed Ridza Mohamed Abdulla <i>Independent Non-Executive Director</i>	9/9	100
Noraini Che Dan ** <i>Independent Non-Executive Director</i>	3/3	100
Nik Mohd Hasyudeen Yusoff ** <i>Independent Non-Executive Director</i>	3/3	100

* The list excludes the attendance record of Dato' Johan Abdullah who ceased to be a director w.e.f. 17 February 2016.

** Noraini Che Dan and Nik Mohd Hasyudeen Yusoff were appointed as Board members w.e.f 1 October 2016.

The Chairman of the SSC of the Bank attends the Board meetings as a permanent invitee to facilitate and assist the Board in deliberating and discussing issues that relate to Shariah.

1.14 Access to Information

The Board has full and unrestricted access to all information pertaining to Bank Islam's business and affairs which include the financial results, annual budgets and business plan to enable them to discharge their duties effectively. This is in line with Recommendation 1.5 of the MCG 2012. All directors have access to the Management and to the advice and services of the Company Secretary and they may also seek independent professional advice where necessary. The Board is also regularly updated by the Management and/or the Company Secretary on any changes to the regulations and guidelines issued by BNM or other regulatory authorities.

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

1.15 Board Training

In line with Recommendation 4.2 of the MCG 2012, continuous professional development is vital for the directors to gain insight and keep abreast with the challenges in the banking industry to further enhance their skills and knowledge in discharging their responsibilities effectively. The Bank has adopted a policy on directors' training which includes the following:

- Any director that is newly appointed to the Board will undergo an orientation session with the Management. He/she will be briefed on the Bank's governance structure, key management members, business and operations and important regulations and laws. A director's handbook, the latest Annual Report of the Bank and other relevant information will be made available to the director. The said session will be organised as soon as practicable not later than three (3) months upon the appointment of the director;

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

- (b) All directors of the Bank will be required to register for the director's core training programme under the Financial Institutions Directors' Education Program (FIDE) within a year and to complete the program within two (2) years upon his/her appointment;
- (c) 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;
- (d) 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
- (e) The NRC may approve any directors to attend trainings overseas if such trainings are viewed to be crucial for the Bank and the trainings are not available within Malaysia.

Except for the two (2) newly appointed directors, all Board members have attended and completed the FIDE director's core training programme. The training programmes attended by the directors in the financial year ended 31 December 2016 include the following:

FIDE Forum

- Dialogue on "The New and Revised Auditor Reporting Standards : Implications to Financial Institutions";
- Special Invitation to Industry Briefing on Directors Register Implementation;
- Directors' Remuneration Report 2015 : Briefing Session for Directors;
- 1st Distinguished Board Leadership Series – Cyber-Risk Oversight by Mr David Leach;
- 3rd BNM-FIDE Forum Annual Dialogue with the Governor of BNM;
- Launch of Directors Register;
- Dialogue on Directors' and Officers' Liability Insurance;
- 2nd Distinguished Board Leadership Series – Avoiding Financial Myopia by Professor Jeffrey L. Sampler;
- BNM-FIDE Forum Dialogue with Deputy Governor on the Corporate Governance Concept Paper;
- 3rd Distinguished Board Leadership Series – Effective Board Evaluation by Ms Beverly Behan;
- FinTech : Business Opportunity or Disruptor by Markus Gnirck and Veiverne Yuen; and
- Risk Management Committee – Banks.

In-House Programmes Organised by Bank Islam

- MFRS9 Briefing by Messrs. Pricewaterhouse Coopers; and
- AMLA : Recent Lessons Learnt from Industry by Messrs. Pricewaterhouse Coopers.

Other Training Programmes/Conferences

- Responsible Finance Summit 2016;
- FinTech's Impact on Financial Institutions by Mr Chin Wei Min;
- Global Symposium on Innovative Financial Inclusion;
- Future Finance Conference;
- Zakat & *Waqf* Based Financial Products;
- Seminar on Governance in Taxation & Budget 2017;
- Capital Market Directors' Programme; and
- 4th Annual Corporate Governance Symposium.

1.16 Board Remuneration

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

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

In 2016, the remuneration of the non-executive directors has been reviewed to ensure that it remains competitive with the industry. The revised remuneration is to be approved by the shareholder at the next annual general meeting of the Bank. In line with good corporate governance, the review of remuneration for the non-executive directors is conducted every three (3) years.

1.17 Board Evaluation

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

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

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

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

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

2.0 BOARD COMMITTEES

The Board delegates specific responsibilities to the Board Committees within clearly defined terms of reference to support and facilitate the Board in carrying out their duties and responsibilities. However, the Board remains fully accountable for any authority delegated to the Board Committees. The Board Committees are:

2.1 Board Risk Committee ("BRC")

The BRC is responsible to assist the Board in meeting the expectations on risk management as set out by BNM and oversee the Management's activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah risk and other risks, and to ensure that the risk management process is in place and functioning.

The BRC has six (6) members, of which four (4) are independent non-executive directors. The current composition of BRC complies with BNM CG requirement and it is chaired by an independent non-executive director with a majority of independent non-executive directors.

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

Six (6) BRC meetings were held during the financial year ended 31 December 2016. All BRC members met the 75% minimum attendance requirement of the meetings as stipulated below:-

COMMITTEE MEMBERS	ATTENDANCE	%
Datuk Zaiton Mohd Hassan (Chairman) <i>Independent Non-Executive Director</i>	6/6	100
Datuk Zamani Abd Ghani <i>Independent Non-Executive Director</i>	6/6	100
Professor Emeritus Tan Sri Dato' Dr Abdul Shukur Husin <i>Non-Independent Non-Executive Director</i>	6/6	100
Zahari @ Mohd Zin Idris <i>Non-Independent Non-Executive Director</i>	6/6	100
Noraini Che Dan * <i>Independent Non-Executive Director</i>	1/1	100
Nik Mohd Hasyudeen Yusoff * <i>Independent Non-Executive Director</i>	1/1	100

* Noraini Che Dan and Nik Mohd Hasyudeen Yusoff were appointed as BRC members w.e.f 5 October 2016.

Two (2) SSC representatives attend the BRC meetings as permanent invitees to facilitate and assist the BRC in deliberation of issues that relate to Shariah.

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

2.2 Audit and Examination Committee ("AEC")

The AEC is responsible to support the Board in ensuring that there is a reliable and transparent financial reporting process and internal control system within the Bank and oversee the effectiveness of the internal auditors and external auditors of the Bank.

The AEC has six (6) members, of which five (5) are independent non-executive directors. The current composition of AEC complies with the BNM CG requirement where it is chaired by an independent non-executive director with a majority of independent non-executive directors.

Eight (8) AEC meetings were held during the financial year ended 31 December 2016. All AEC members met the 75% minimum attendance requirement of the meetings as stipulated below:-

COMMITTEE MEMBERS	ATTENDANCE	%
Datuk Zaiton Mohd Hassan (Chairman) <i>Independent Non-Executive Director</i>	8/8	100
Datuk Zamani Abd Ghani <i>Independent Non-Executive Director</i>	8/8	100
Mohamed Ridza Mohamed Abdulla <i>Independent Non-Executive Director</i>	8/8	100
Zahari @ Mohd Zin Idris <i>Non-Independent Non-Executive Director</i>	8/8	100
Noraini Che Dan * <i>Independent Non-Executive Director</i>	2/2	100
Nik Mohd Hasyudeen Yusoff * <i>Independent Non-Executive Director</i>	2/2	100

* Noraini Che Dan and Nik Mohd Hasyudeen Yusoff were appointed as AEC members w.e.f 5 October 2016.

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

2.3 Nomination and Assessment Committee (“NAC”) and Remuneration Committee (“RC”)

The NAC is responsible to assist the Board on the process for the election, appointment and re-appointment of directors based on the Fit and Proper criteria adopted by the Bank. The NAC also reviews the succession planning and results of the performance evaluation of the directors and thereafter makes the necessary recommendation to the Board to ensure continuity and enhance the effectiveness of the directors or the Board as a whole. This function extends to the appointment and re-appointment of the members of the SSC and key senior management of Bank Islam.

Meanwhile, the RC is responsible to make recommendation to the Board on the remuneration of the directors, SSC members, the Managing Director and key senior management personnel.

With effect from 5 October 2016, the composition of the NAC and RC has been reviewed to ensure compliance with the BNM CG requirements. The Chairman of the Board no longer chairs the NAC and RC and the Managing Director has also resigned from the NAC. The NAC and RC are chaired by an independent non-executive director where three (3) out of five (5) members are independent non-executive directors.

Ten (10) NAC meetings and eight (8) RC meetings were held during the financial year ended 31 December 2016. All NAC and RC members met the 75% minimum attendance requirement of the meetings as stipulated below:-

COMMITTEE MEMBERS	NAC		RC	
	ATTENDANCE	%	ATTENDANCE	%
Datuk Zaiton Mohd Hassan (Chairman) * <i>Independent Non-Executive Director</i>	10/10	100	8/8	100
Datuk Zamani Abd Ghani ** <i>Independent Non-Executive Director</i>	10/10	100	8/8	100
Zahari @ Mohd Zin Idris <i>Non-Independent Non-Executive Director</i>	10/10	100	8/8	100
Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin *** <i>Non-Independent Non-Executive Director</i>	7/9	78	6/7	86
Dato' Sri Zukri Samat **** <i>Managing Director</i>	7/7	100	N/A	N/A
Noraini Che Dan ***** <i>Independent Non-Executive Director</i>	3/3	100	1/1	100

* Datuk Zaiton Mohd Hassan was appointed as Chairman of NAC and RC w.e.f. 5 October 2016.

** Datuk Zamani was the Chairman of NAC and RC until 5 October 2016 when he was re-designated as a member.

*** Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin was appointed as NAC and RC member w.e.f. 28 January 2016.

**** Dato' Sri Zukri Samat resigned as NAC member w.e.f. 5 October 2016.

***** Noraini Che Dan was appointed as NAC and RC member w.e.f. 5 October 2016.

With effect from 1 January 2017, the functions of the RC and NAC have been combined in a single committee, now known as the Nomination and Remuneration Committee (“NRC”).

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

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

2.4 Board Financing Review Committee ("Committee or BFRC")

The BFRC is responsible for the review of financing and/or investment proposals approved by the Financing Committee 'A' ("FCA") and/or Underwriting & Investment Committee ("UIC") of the Management based on the limits determined by the Board. BFRC may if necessary, exercise the right to veto FCA/UIC approvals/decisions.

The BFRC has five (5) members. It is chaired by a non-independent non-executive director and its members comprise of the Managing Director and three (3) independent non-executive directors.

Nine (9) BFRC meetings were held during the financial year ended 31 December 2016. All BFRC members met the 75% minimum attendance requirement of the meetings as stipulated below:-

COMMITTEE MEMBERS *	ATTENDANCE	%
Zahari @ Mohd Zin Idris (Chairman) <i>Non-Independent Non-Executive Director</i>	9/9	100
Dato' Sri Zukri Samat <i>Managing Director</i>	9/9	100
Datuk Zaiton Mohd Hassan <i>Independent Non-Executive Director</i>	9/9	100
Datuk Zamani Abd Ghani ** <i>Independent Non-Executive Director</i>	2/2	100
Nik Mohd Hasyudeen Yusoff ** <i>Independent Non-Executive Director</i>	2/2	100

* The list excludes the attendance record of Dato' Johan Abdullah who ceased to be a BFRC member w.e.f 17 February 2016.

** Datuk Zamani Abd Ghani and Nik Mohd Hasyudeen Yusoff were appointed as BFRC members w.e.f 5 October 2016.

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

3.0 SHARIAH SUPERVISORY COUNCIL ("SSC")

Section 3 (5) (b) of the Islamic Financial Services Act ("IFSA") 2013 and the Shariah Governance Framework ("SGF") issued by BNM places the ultimate responsibility for the overall Shariah governance framework and Shariah-compliance of the Bank on the Board.

In addition to the Board's oversight accountability, the SSC is 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.

Functionally, the SSC reports to the Board and in ensuring Shariah-compliance the SSC is supported by four (4) internal Shariah compliance functions namely Research and Advisory, Shariah Risk Management, Shariah Review and Shariah Audit.

3.1 Composition of the SSC

The SSC currently has five (5) members consisting of four (4) local scholars and one (1) foreign scholar. Their appointments are in line with the requirement under Principle 2 of the SGF. The members and Chairman of the SSC are appointed by the Board.

The members of the SSC come from diverse backgrounds, and have different 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*, 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.

3.2 Terms of Reference of the SSC

The SSC's authority, primary duties and responsibilities are outlined in the Terms of Reference of the SSC. The Terms of Reference of the SSC may be reviewed once every two years or as and when necessary.

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

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

3.3 Authorities and Primary Duties & Responsibilities of the SSC

The SSC is guided by its Terms of Reference to enable the SSC to discharge its primary duties and responsibilities in line with the SGF issued by BNM. In discharging its duties and responsibilities, the SSC shall have the following authorities:

- (a) To decide on Shariah related matters referred to the SSC by taking into consideration of the published rulings of the SAC of BNM. In the event where the decision given by the SSC is different from the ruling given by the SAC, the rulings of the SAC shall prevail. However, the SSC is allowed to adopt a more stringent Shariah decision;
- (b) To decide on Shariah related matters without undue influence that would hamper the SSC from exercising objective judgment in deliberating issues brought before them;
- (c) To ensure that decisions made by the SSC are duly observed and implemented by the Bank. Decisions made by the SSC should not be set aside or modified without its consent;
- (d) 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
- (e) To inform the Board of any case that the SSC has reason to believe that the Bank has been carrying on Shariah non-compliant activities and to recommend suitable measures to rectify the situation. In cases where Shariah non-compliant activities are not effectively or adequately addressed or no rectification measures are made by the Bank, the SSC shall inform BNM of the fact. In this case, the SSC will not be regarded as breaching the confidentiality and secrecy code if the confidential information is disclosed to BNM in good faith.

3.4 Code of Conduct of SSC Members

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

- (a) The members must at all times maintain good character, i.e., demonstrate honesty, integrity, fairness and reputation when dealing with the Bank as well as in personal relationships with the public;
- (b) The members must maintain independence and professionalism while carrying out his/her duties. A member must always have complete moral, intellectual and professional independence. In carrying out his/her obligations, the member is required to:-
 - (i) Uphold fairness and equity for all the stakeholders;
 - (ii) Act in a manner that preserves his/her honesty and integrity;
 - (iii) Exercise appropriate discretion in decision-making by taking into consideration technical and non-technical aspects of Shariah-compliance; and
 - (iv) Appreciate the diversity of opinions among various *mazhabs* and differences in expertise among the members of the SSC; and
- (c) The member have the duty to observe confidentiality of information with which the member is entrusted by the Bank.

In order to ensure the quality and consistency of the decisions, the SSC has formalised 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.

STATEMENT OF CORPORATE GOVERNANCE

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3.5 Responsibilities of the Bank Towards Shariah-Compliance

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

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

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

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

3.6 Appointment and Re-Appointment of SSC Members

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

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

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

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

3.7 SSC Evaluation

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

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

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

For individual SSC member's evaluation, a Peer Assessment is conducted 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 reviewed and discussed at the NRC meeting prior to deliberation at the Board meeting.

3.8 SSC Meetings

SSC meetings are scheduled to be held at least six (6) times annually with additional meetings convened as and when warranted, to facilitate important decisions that are required in between the scheduled meetings.

Eight (8) SSC meetings were held during the financial year ended 31 December 2016. All SSC members met the 75% minimum attendance requirement of the meetings as stipulated below:-

NAME OF SSC MEMBERS	ATTENDANCE	%
Professor Dato' Dr Ahmad Hidayat Buang (Chairman)	8/8	100
Ustaz Dr Ahmad Shahbari @ Sobri Salamon	8/8	100
Ustaz Dr Muhammad Syafii Antonio	8/8	100
Assistant Professor Dr Uzaimah Ibrahim	8/8	100
Ustazah Dr Yasmin Hanani Mohd Safian	7/8	88

Three (3) directors attend the SSC meetings 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.

3.9 SSC Training

In line with Principle 4 of the SGF, continuous training is vital for the SSC members to gain insight and keep abreast with the development in the banking industry to further enhance their skills and knowledge in discharging their responsibilities effectively. Throughout 2016, the SSC members have attended the following programmes:

- Liqa' of Association of Shariah Advisors ("ASAS") 2016
- 5th Ijtima' of Association of Shariah Advisors ("ASAS") 2016
- Muzakarah Ahli Majlis Penasihat Syariah Kali Ke-12 ("JAKIM")
- 11th International Shariah Scholars Forum ("ISSF 2016")
- Muzakarah Cendekiawan Syariah Nusantara Kali Ke-10
- Shariah Leaders Education Programme
- Konvensyen Baitulmal Kebangsaan 2016'
- Global Islamic Finance Forum 5.0

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4.0 RISK MANAGEMENT

4.1 Overview

Against the uncertain and challenging global economy and continuous regulatory reforms, there is a demanding need for the Bank's risk management to be well integrated with all the business/support units to create greater synergies and competitive advantage.

Locally, the fall in commodity prices, coupled with the weakening Ringgit and capital outflow pose major challenges for the Bank's business. Amidst such development, the Bank remains steadfast and focused in its strategy in preserving asset quality and enhancing customer engagement & service excellence. The Bank's risk management function remains as the core element of doing business as well as strategic decision making.

4.2 Risk Management Framework

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

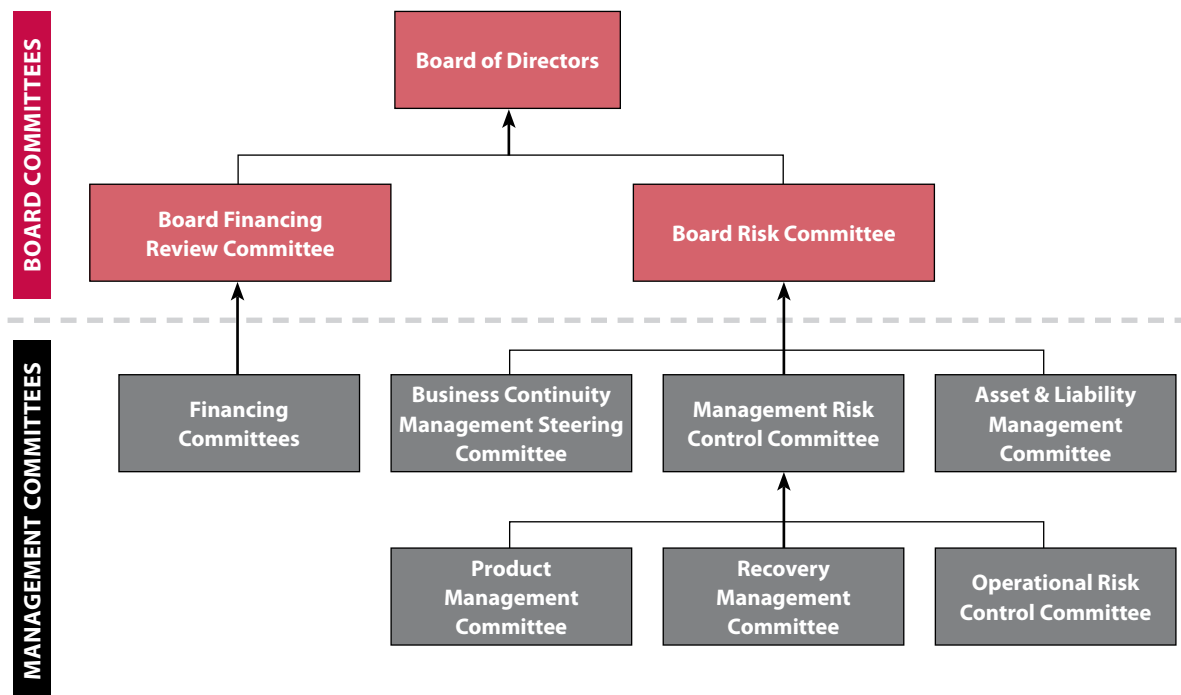
The Bank's approach to management of risk is being guided by its Risk Management Framework, which consists of the following key elements:

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

(a) Risk Governance

The risk governance approach adopted by the Bank is guided by BNM's Risk Governance, BNM CG and SGF issued by BNM.

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



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

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

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

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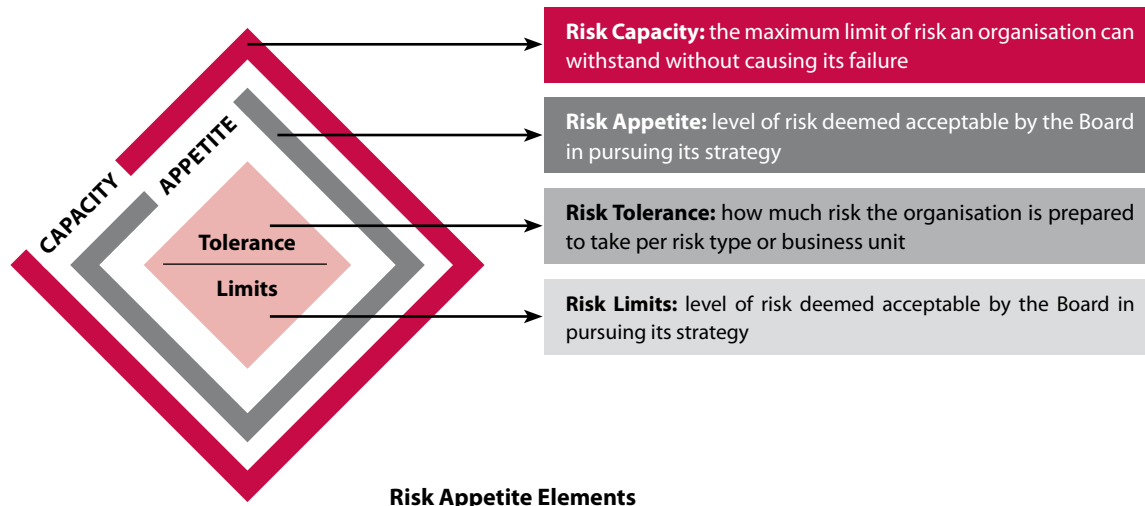


(b) Risk Appetite

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

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

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



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

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

(c) Risk Management Process

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

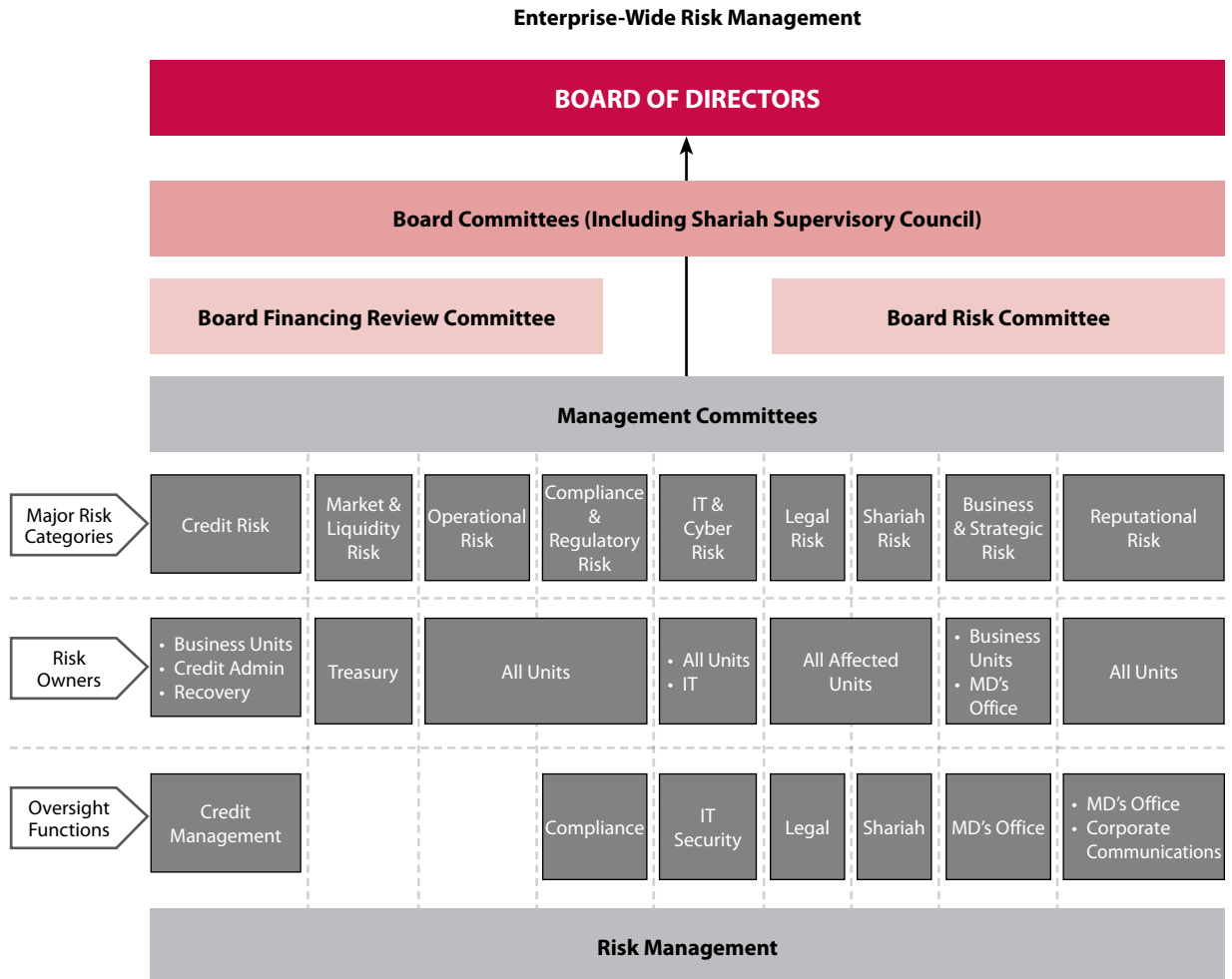
A standard risk management process has been adopted by the Bank to ensure that Bank-wide risks are properly identified and managed in a structured, systematic and consistent manner. The risk management process comprises the following:



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



(d) Risk Culture

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

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

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

4.3 Shariah-Compliance Risk

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

The Bank’s Shariah Risk Management is guided by its Shariah-compliance 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 Shariah-compliance risk across the Bank.

Being part of operational risk, Shariah risk management shall leverage on the same principles, processes and tools of operational risk. Specifically, it is a discipline that systematically identifies, measures, monitors and controls Shariah-compliance risk to mitigate any possibility of Shariah non-compliance events. These responsibilities are spearheaded by the Shariah Risk Management Department.

In general, all Operational Risk Management (“ORM”) tools are extended in managing Shariah-compliance risk. However, the tools are tailor-made to suit regulatory requirements on Shariah governance in order to provide a robust and consistent approach in managing Shariah-compliance risk.

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

5.0 COMPLIANCE CULTURE

For Bank Islam, inculcating a compliance culture has always been a top priority. The level of awareness and the necessity for a focus on risk and compliance is at the forefront. This is in line with one of the Bank’s core values – to be an organisation that is trustworthy; constantly striving for the highest level of integrity, honesty and responsibility, which are the foundation of Islamic principles. This is applied in every facet of the Bank’s businesses and operations.

The Board and the Management have continuously demonstrated a clear and unequivocal commitment to foster a culture of ethical behavior, integrity and trust within the organisation, which helps to create an atmosphere that is conducive to compliance. The roles of the three (3) lines of defence, according to International standards (Diagram 1), have long been adopted in Bank Islam. This ensures risk and compliance are built into the management process and day-to-day operations.

COMPLIANCE’S 3 LINES OF DEFENCE RESPONSIBILITY		
1 ST LINE OF DEFENCE	2 ND LINE OF DEFENCE	3 RD LINE OF DEFENCE
<p>Business and Support Units – Daily Compliance Management</p> <p>Comply with all stipulated internal policies, procedures, laws and regulations. Internalise ethics, integrity, trust regulatory requirements into business objectives.</p>	<p>Compliance Division – Monitors and Validates. Clear Line of Sight</p> <p>Review, monitor, validate and provide assurance on compliance related matters and activities undertaken by the Business and Support Unit.</p>	<p>Independent Assurance – Internal Auditors, External Auditors & Regulators</p> <p>Continuously assess the effectiveness of the Bank’s compliance culture.</p>
<p>Business and Support Units</p> <p>Own the risk in pursuit of business objectives.</p>	<p>Compliance</p> <p>Ensure that mission and business objectives are met within the standards set.</p>	<p>Internal Auditors</p> <p>Ring fencing – Provide assurance to Board and regulators that the first two (2) lines of defence are effective.</p>

Diagram 1

- 1 BNM’s SGF, 2011 page 5. The terms Shariah-compliance risk and Shariah non-compliance risk are used interchangeably in the Bank’s documents, however, they carry the same meaning.
- 2 BNM Operational Risk Integrated Online Network (“ORION”) Policy Document.

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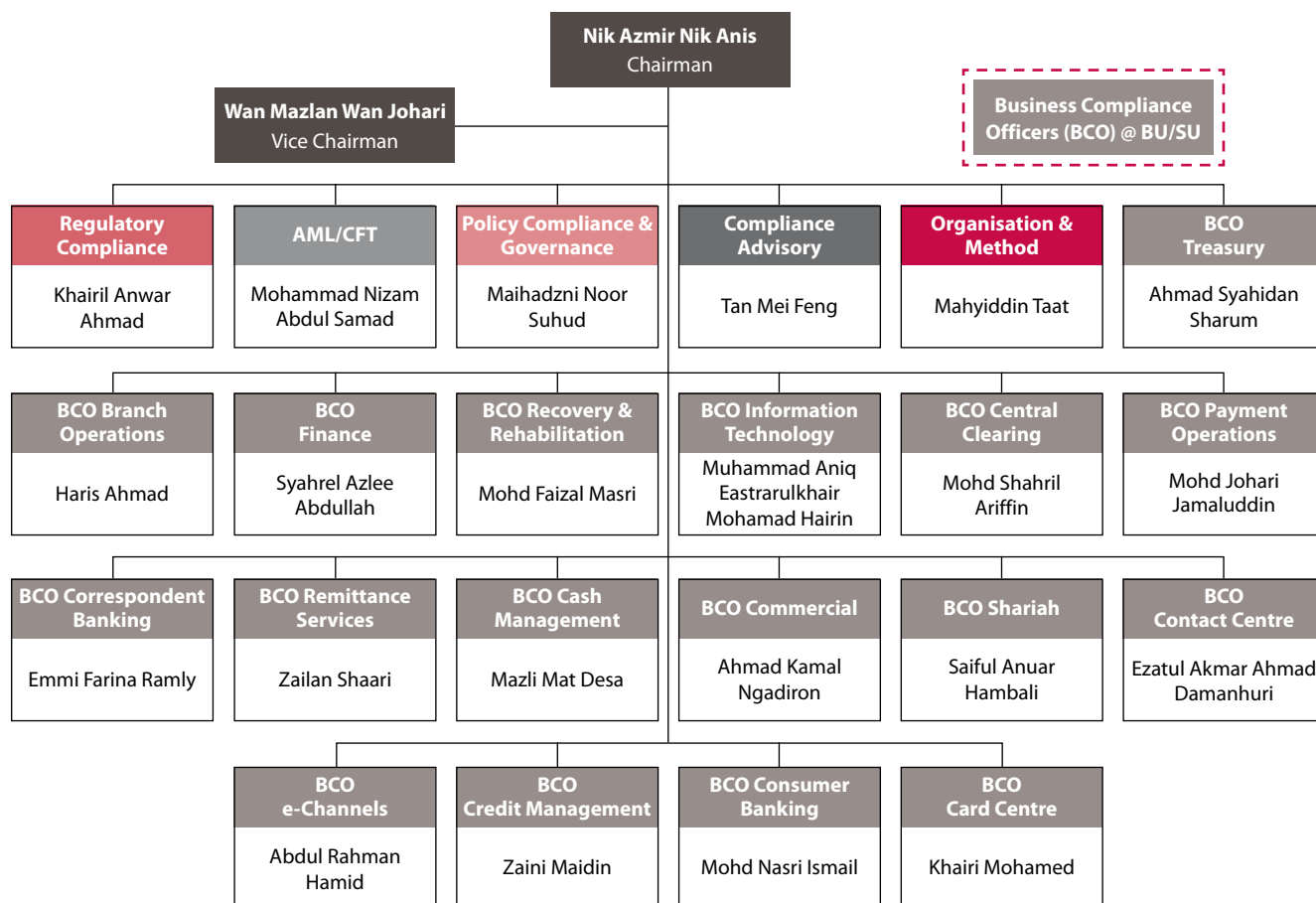
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Compliance Division, which plays the role of the Second Line of Defence, is responsible to put in place a Compliance Programme. The Compliance Programme puts forward initiatives and measures to safeguard Bank Islam from the threat of Money Laundering/Terrorist Financing in the annual Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT") Programme. The Compliance Programme has also planned the compliance reviews to be performed by Compliance Division on key regulatory requirements and validate key controls to attest regulatory requirements have been effectively operationalised and internalised. It also provides assurance to the Board and Management that ethics, integrity and trust are espoused and translated into activities, actions, responsibility and expectations at every level. The Compliance Programmes, thus serves as a means to instill compliance culture across the Bank.

Academicians and HR professionals believe that 'culture' is shaped through changes in behavior, while knowledge and information play a major part in shaping culture. In 2016, Bank Islam has introduced the eLearning platform where staff have to complete the modules for AML/CFT and Introduction to IFSA's Banking Secrecy Provision and Personal Data Protection Act. In addition to eLearning, a total of 1,351 staff attended face-to-face AML/CFT trainings. Compliance has also conducted face-to-face trainings on Banking Secrecy and Foreign Exchange Administration Rules. Armed with the knowledge, the self-reporting of issues pertaining to the topics to Compliance has been overwhelming and the Bank recorded two(2) separate incidents of staff living the Bank Islam values and demonstrating the compliance mindset where they stopped one customer from being cheated by the 'Love Scam' fraud and another by a 'Black Magic' crime.

Business and Support Units are accepting the compliance culture by appointing a Business Compliance Officer ("BCO") within their respective strategic divisions and departments. This BCO reports to the teams they serve and Compliance. The BCOs are involved in compliance activities such as the compliance review and gap analysis of a new BNM Policy Document together with Compliance Division. The BCOs sit in the Compliance & Governance Working Group.

COMPLIANCE & GOVERNANCE WORKING GROUP 2016



Part of the Bank's practice of good governance is to allow issues pertaining to risk and compliance to be freely discussed and debated in all management committee meetings (Diagram 2). The escalation of issues up to the Board level helps to prevent information silo and silo mentality that may otherwise cause a blindsided view. In addition, the Chief Compliance Officer is given access to all committee meetings, including the Board, should an issue require immediate attention.

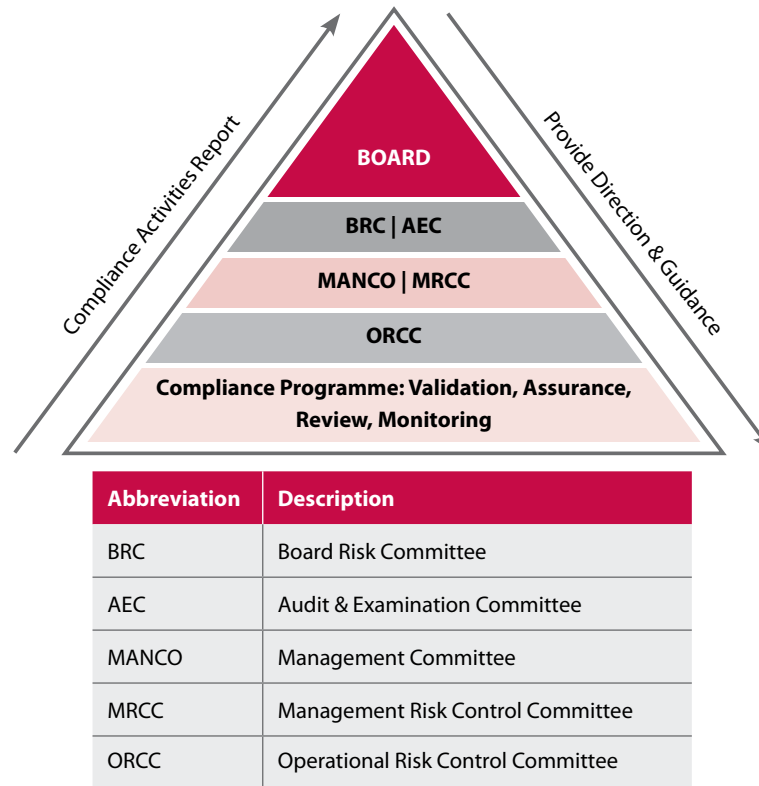


Diagram 2

Creating a successful compliance culture requires an alignment of expectations between the Bank and its employees. For Bank Islam, this is achieved via Key Performance Indicators ("KPI"). Each employee is assigned with a standard quantum on Risk Management Compliance and Audit in the KPI which ultimately ties to the remuneration and reward system. Having the process in place motivates employees to make the right choices and to do the right thing every time in carrying out their tasks and meeting their targets. Subsequently, the Bank is able to optimise its opportunities by spending a larger amount of time and resources effectively on other critical functions where returns can be maximised while lowering the cost of remediation.

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

6.0 INTERNAL AUDIT FUNCTION

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

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

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

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

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

7.0 ACCOUNTABILITY AND AUDIT

7.1 Financial Reporting

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

7.2 Statement of Internal Control

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

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

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

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

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

7.3 Relationship with External Auditor

Bank Islam, through the AEC, has established an appropriate and transparent relationship with the external auditor. The AEC meets at least once a year with the external auditor without the presence of the Management.

8.0 SHAREHOLDER

8.1 Shareholder Suitability Policy

Shareholders are in a position to influence decisions of how the business and affairs of the Bank are carried out. In view thereof, BNM has issued a revised Shareholder Suitability Policy on 18 August 2016 which sets out the suitability requirements to ensure shareholders of Financial Institutions ("FIs") that are able to exercise influence directly or indirectly are persons of integrity and good reputation so as to minimise the risk of undue or inappropriate influence that could threaten the safety and soundness of the FI. The said policy is applicable to a shareholder who has been approved to hold 5% or more shares in a bank, investment bank, insurer, Islamic bank and takaful operator, licensed under the FSA and IFSA respectively.

The Board has approved the relevant controls to ensure compliance with the said Policy. The said controls include obtaining the shareholder's declaration of compliance with the requirements stipulated in the Shareholders Suitability Policy. The said declaration is provided on an annual basis. As and when necessary, the Bank may conduct relevant searches/inquiry in the event there is any adverse news or updates on the shareholder. In addition, the conduct/manner of the nominee directors in exerting the influence of the shareholder will also be assessed via the annual Board evaluation exercise.

ETHICS, INTEGRITY & TRUST

BANK ISLAM CONTINUES ITS EFFORTS TO MAINTAIN A GOOD STANDING AS AN ISLAMIC BANK THAT INTERLACES ETHICS, INTEGRITY AND TRUST IN EVERY FACET OF ITS BUSINESSES AND OPERATIONS. THE BANK'S PARAMOUNT FOCUS IS TO MAINTAIN PUBLIC'S CONFIDENCE AND TRUST TO SUSTAIN CREDIBILITY AND MINIMISE RISK OF UNETHICAL OR DISINGENUOUS CONDUCT BY THE BANK'S EMPLOYEES AND CUSTOMERS.

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. The employees of Bank Islam are bound to the Code of Ethics for the Financial Services Industry and the Bank's internal Code of Conduct ("The Codes").

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

RECRUITMENT & SELECTION POLICY

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

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

WHISTLE-BLOWING POLICY

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

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

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



ANTI-MONEY LAUNDERING POLICY

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

- Comply with applicable Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFPUAA) and on-going AML/CFT Policy Documents established by Bank Negara Malaysia;
- Develop Bank Islam's AML/CFT Policy, Operational Procedures and Annual AML/CFT Programme managed by the AML/CFT Department to ensure each staff is aware of his obligation towards combating Money Laundering/Terrorist Financing;
- Appoint a Business Compliance Officer ("BCO") or a Designated Compliance Officers ("DCO") who is responsible to implement AML/CFT initiatives and measures in each working unit;
- Establish customer due diligence for all customers including implementation of KYC Policy and enhanced due diligence for customers and transactions presenting higher risk;
- Establish and maintain appropriate procedures to monitor customer accounts and activities to detect suspicious transactions that may be indicative of money laundering activities;
- Maintain a system that monitors all transactions and able to raise alert should there be elements of suspicion as pre-determined by AML/CFT Department;
- Roll out the AML/CFT Awareness e-learning course which was made compulsory for the staff to complete every year;
- Retain identification and transactional documentation as defined in the relevant laws and legislation;
- Report to the relevant authorities in a timely and comprehensive manner on all identified suspicious transactions where there are reasonable grounds to suspect that a money laundering offence has been or is being committed; and
- Co-operate fully with the relevant law enforcement agencies and regulatory authorities on AML/CFT issues.

CORPORATE INTEGRITY 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 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 the Bank Islam's aspiration in working towards creating a business environment that is free from corruption and unethical practices. The pledge aligns the Bank's purpose promote integrity, transparency and good governance in all aspects of its operations. A toll-free Integrity Hotline (1800-22-0091) has been established to facilitate external as well as internal parties to report any corrupt and unethical cases involving any Bank Islam's personnel.

In addition to the signing, Bank Islam's activities towards achieving the pledge have been audited by the Malaysian Anti-Corruption Commission's Inspection and Consultancy Division in 2015 and in 2016. Continuous improvements have been suggested and made pursuant to the audits. Many of the improvements were socialised with all staff during the Compliance Awareness Week held in September 2015. Bank Islam had also solicited Malaysian Anti-Corruption Commission's assistance to hold workshop to existing third party vendors to educate participants on what constitutes as a corrupt practice.

CORPORATE INTEGRITY PLEDGE OF BANK ISLAM MALAYSIA BERHAD EMPLOYEES

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

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



We help to fulfill every customer's financial needs as an approachable and supportive partner. Bank Islam engages with our customers to enrich their experience with convenience, accessibility and differentiation and meet emerging product demands. We are also intensifying social responsibility initiatives to serve the underserved and build sustainable relationships with all stakeholders.

2016 Achievements:

- › Best CSR Initiative category for its AL-MAAD (P) Yayasan Islam Perlis Wakaf Fund Project from Cards & Electronic Payments International (CEPI) Asia Awards 2016
- › Best Islamic Green Financing by The Asset Asian Awards 2016
- › Asia's Best Employer Brand Awards 2016 by Employer Branding Institute





CARING

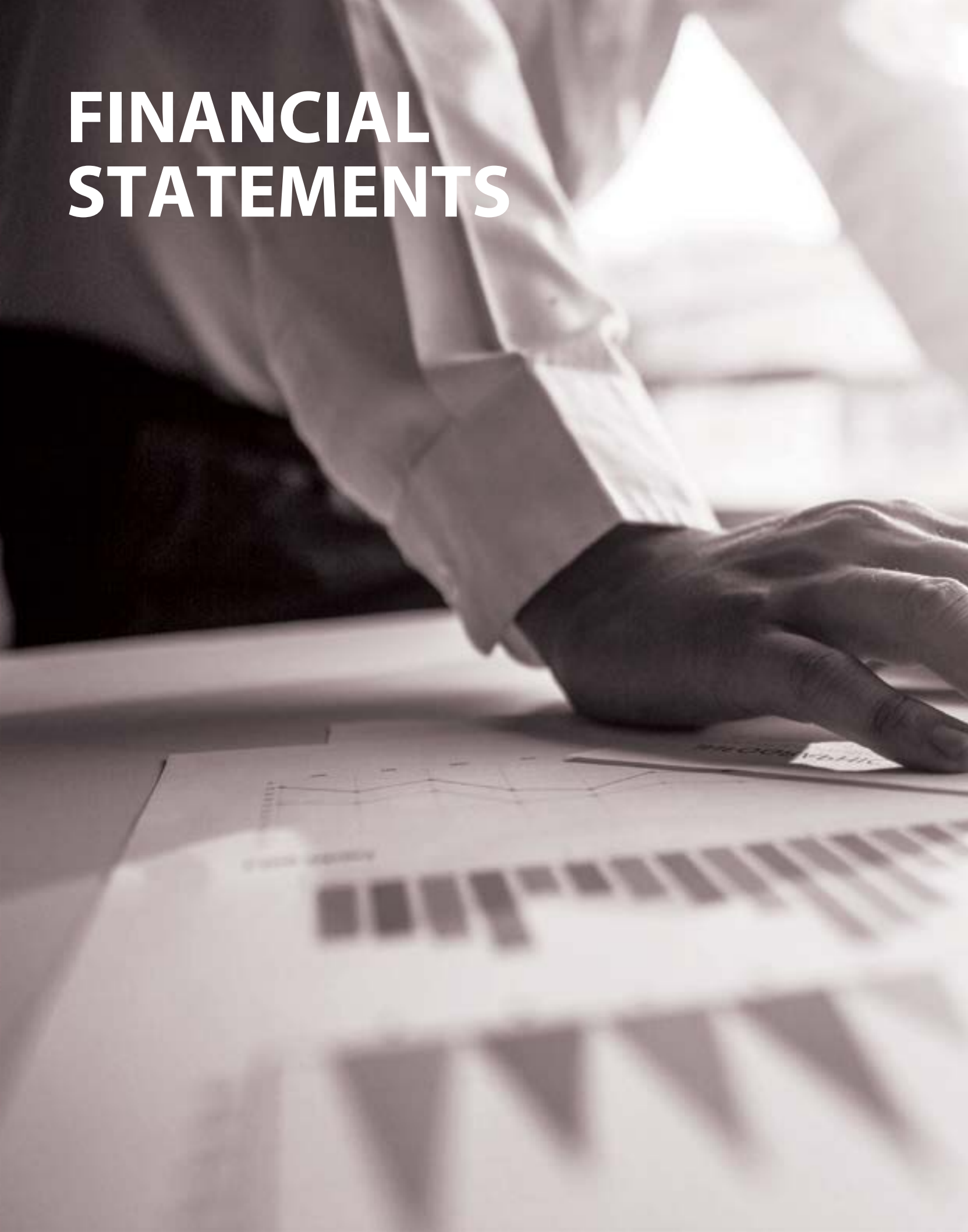
WHAT DO YOU VALUE?


*“A bank that
cares in more ways
than one.”*

PRESERVING VALUES



FINANCIAL STATEMENTS





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DIRECTORS' REPORT

for the financial year ended 31 December 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in Islamic banking business and the provision of related services. The principal activities of the subsidiaries are as stated in Note 13 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	GROUP RM'000	BANK RM'000
Profit before zakat and tax expense	720,412	720,441
Zakat and tax expense	(189,450)	(189,434)
Profit for the year	530,962	531,007

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Bank were as follows:

	RM'000
In respect of the financial year ended 31 December 2015:	
Final single tier dividend of approximately 5.49 sen per ordinary share declared on 28 January 2016 and paid on 18 May 2016	129,744
In respect of the financial year ended 31 December 2016:	
Interim single tier dividend of approximately 5.50 sen per ordinary share declared on 27 July 2016 and paid on 22 September 2016	131,132
	260,876

The Directors recommend a final single tier dividend of 5.58 sen per ordinary share totalling RM134,166,500 for the financial year ended 31 December 2016.

ISSUE OF SHARES

On 18 May 2016, the Bank increased its issued and paid-up capital from RM2,363,282,700 to RM2,384,209,700 via the issuance of 20,927,000 new ordinary shares of RM1.00 each at a consideration of RM3.10 per share arising from the Dividend Reinvestment Plan of the fifty percent of the final dividend of approximately 5.49 sen per share in respect of financial year ended 31 December 2015, as disclosed in Note 37 to the financial statements.

On 22 September 2016, the Bank further increased its issued and paid-up capital from RM2,384,209,700 to RM2,404,383,700 via the issuance of 20,174,000 new ordinary shares of RM1.00 each at a consideration of RM3.25 per share arising from the Dividend Reinvestment Plan of the fifty percent of the interim dividend of approximately 5.50 sen per share in respect of financial year ended 31 December 2016, as disclosed in Note 37 to the financial statements.

There were no other changes in the authorised, issued and paid-up capital of the Bank during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Bank during the financial year.

RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year under review except as disclosed in the financial statements.

INDEMNITY AND TAKAFUL COSTS

During the financial year, the total amount of Takaful cost incurred for Directors and Officers of the Group and of the Bank is RM109,516.

IMPAIRED FINANCING

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad financing and the making of impairment provisions for impaired financing, and have satisfied themselves that all known bad financing have been written off and adequate impairment provisions made for impaired financing.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad financing, or amount of impairment provisions for impaired financing in the financial statements of the Group and of the Bank, inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Bank have been written down to their estimated realisable value.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Bank to be misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Bank to be misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business.

No contingent or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

DIRECTORS' REPORT

for the financial year ended 31 December 2016

(cont'd)

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Bank misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely to affect substantially the results of the operations of the Group or of the Bank for the current financial year in which this report is made.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia ("BNM")'s expectations on financial reporting have been complied with, including those as set out in the Financial Reporting for Islamic Banking Institutions, Circular on the Application of MFRS and Revised Financial Reporting Requirements for Islamic Banks and the Guidelines on Classification and Impairment Provision for Loans/Financing.

DIRECTORS OF THE BANK

Directors of the Bank who served during the financial year until the date of this report are:

Datuk Zamani Abdul Ghani (Chairman)

Dato' Sri Zukri Samat (Managing Director)

Tan Sri Dato' Dr. Abdul Shukor Husin

Datuk Zaiton Mohd Hassan

Zahari @ Mohd Zin Idris

Mohamed Ridza Mohamed Abdulla

Noraini Che Dan (appointed on 01.10.2016)

Nik Mohd Hasyudeen Yusoff (appointed on 01.10.2016)

Dato' Johan Abdullah (ceased as a director on 17.02.2016)

DIRECTORS OF THE SUBSIDIARIES

Directors of the subsidiaries who served during the financial year until the date of this report are:

NAME OF COMPANY	DIRECTORS
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Maria Mat Said Mohd Muazzam Mohamed (appointed on 22.03.2016) Dato' Wan Ismail Wan Yusoh (resigned on 22.03.2016)
BIMB Investment Management Berhad	Khairul Kamaruddin Dato' Ghazali Awang Malkiat Singh @ Malkit Singh Maan A/L Delbara Singh Dr. Mohd Hatta Dagap Datuk Noripah Kamso Najmuddin Mohd Lutfi Mustapha Hamat (retired on 16 April 2016) Dato' Sri Zukri Samat (resigned on 24 June 2016)
Bank Islam Trust Company (Labuan) Ltd. and its subsidiary: BIMB Offshore Company Management Services Sdn. Bhd.	Zahari @ Mohd Zin Idris Maria Mat Said
Farihan Corporation Sdn. Bhd.	Khairul Kamaruddin (appointed on 22.03.2016) Maria Mat Said Dato' Wan Ismail Wan Yusoh (resigned on 22.03.2016)

None of the Bank and subsidiaries' Directors holding office as at 31 December 2016 had any interest in the ordinary shares of the Bank and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a firm in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

IMMEDIATE AND ULTIMATE HOLDING COMPANY/ENTITY

The Directors regard BIMB Holdings Berhad, a company incorporated in Malaysia and Lembaga Tabung Haji ("LTH"), a *hajj* pilgrims' funds board established in Malaysia as the immediate holding company and ultimate holding entity respectively.

SUBSIDIARIES

The details of the Bank's subsidiaries are disclosed in Note 13 to the financial statements.

DIRECTORS' REPORT

for the financial year ended 31 December 2016
(cont'd)

2017 BUSINESS PLAN AND OUTLOOK BUSINESS PLAN, STRATEGY AND FUTURE OUTLOOK

For 2017, the gross domestic product ("GDP") is projected to grow by 4.4%. There is a possibility of excess capacity in certain industries namely oil & gas, electrical and engineering, manufacturing and financial services which could lead to lower demand for capital and labour. The Overnight Policy Rate ("OPR") is expected to remain at 3.00% while the MYR/USD may remain above RM4.00 for the rest of 2017.

Although funding conditions in Malaysia are tightening due to heightened macroeconomic risks domestically and abroad, the banking system as a whole remains profitable, liquid and well capitalised. However with the continued challenges, the industry is expected to grow at a modest rate with financing growth of approximately between 3% and 4% in 2017 as banks remain cautious in lending activities and plan on ensuring stable asset quality. The banks are also likely to deepen their engagement with the fintech ecosystem as the trend towards digitization accelerates.

Taking cognizance of these factors, Bank Islam's strategic focus in 2017 revolves around continuous deposit drive and embracing digitalization while at the same time focusing on a more balanced growth. The Bank intends to continue to manage liquidity and deploy capital efficiently in line with the Basel III rules. Notwithstanding the need to sustain net income margin, preserving asset quality will remain an important agenda for the Bank given the cautious operating outlook.

RATINGS ACCORDED BY EXTERNAL RATING AGENCY

During the financial year, the Bank's rating was re-affirmed as follows:

RATING AGENCY	DATE RE-AFFIRMED	RATINGS
RAM Rating Services Berhad	1 November 2016	Long-term rating: AA3 Short-term rating: P1 Outlook: Stable

AUDITORS

The auditors, Messrs. KPMG Desa Megat PLT (converted from a conventional partnership, KPMG Desa Megat & Co., on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 32 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Zamani Abdul Ghani

Dato' Sri Zukri Samat

Kuala Lumpur,
Date: 21 March 2017

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act, 2016

In the opinion of the Directors, the financial statements set out on pages 153 to 254 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 1965 in Malaysia, and Shariah requirements so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Zamani Abdul Ghani

Chairman

Dato' Sri Zukri Samat

Managing Director

Kuala Lumpur,

Date: 21 March 2017

REPORT OF THE SHARIAH SUPERVISORY COUNCIL



الحمد لله رب العالمين، والصلاة والسلام على سيدنا محمد، الذي أرسله الله رحمة للعالمين، هادياً مهندياً، وسراجاً منيراً، وعلى آله وصحبه أجمعين، ومن تبعهم بإحسان إلى يوم الدين، وبعد،

السلام عليكم ورحمة الله وبركاته and "Salam Sejahtera"

In carrying out the roles and the responsibilities of the Shariah Supervisory Council as prescribed in the regulatory standards that includes Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia, we hereby submit our report for the financial year ended 31 December 2016.

The Bank's management is responsible to ensure that its conduct and businesses are in accordance with the Shariah rules and principles, and it is our responsibility to form an independent opinion based on our review on the conduct and businesses of the Bank and to produce this report.

We had eight (8) meetings during the financial year in which we reviewed inter alia products, transactions, services, processes and documents of the Bank.

In performing our roles and responsibilities, we had obtained all information and explanation which we considered necessary in order to provide us with sufficient evidences to give reasonable assurance that the Bank has complied with the Shariah rules and principles.

We have also taken into consideration the Shariah rulings and standards locally and globally including the Shariah contracts policy documents issued by Bank Negara Malaysia in concluding our decision and advice on Shariah matters of the Bank.

At the management level, the Chief Shariah Officer who functionally reports to us oversees the conduct and effectiveness of the internal Shariah compliance functions i.e. Shariah Research & Advisory, Shariah Review and Shariah Risk Management which are further substantiated by Shariah Audit that resides in the Internal Audit Division. Both of the Shariah Review and Shariah Risk Management functions also duly report to Chief Compliance Officer and Chief Risk Officer respectively. The roles of these functions, generally, are facilitating new research and product development activities, refining existing products and procedures, providing Shariah training, managing Shariah non-compliance risks bank-wide, conducting Shariah audit and review on departments and branches and coordinating with us on any matters that require our decision.

The following are the major developments that took place during the financial year which come under our purview:

APPROVALS

During the financial year, we had approved two (2) new products to be offered to customers i.e. Wafiyah Investment Account and Restricted Investment Account via Investment Account Platform.

To ensure smoothness and timely execution of our business operation, we empower the Chief Shariah Officer to approve non-substantial variation to Shariah related matters, and the approvals by the Chief Shariah Officer are duly reported to us periodically for review and confirmation.

SHARIAH RISK MANAGEMENT

We observed that the Bank has been continuously and diligently implementing measures in managing its Shariah compliance risk ("SCR"). The implementation of Risk Control Self-Assessment ("RCSA") aims to assess the significance of identified SCRs and the effectiveness of the existing controls in the respective functional areas including driving for additional controls so as to provide reasonable assurance that no Shariah non-compliance will occur in meeting the business objectives.

Since the introduction of RCSA, continuous process of identifying and assessing SCRs at respective functional areas has been carried out. The increase in numbers of identified SCRs connotes the increase of shariah awareness level among staff especially Risk Controllers ("RC") of each functional area.

In strengthening the risk control environment, the Bank introduced the Generic Key Risk Indicator ("KRI") for Shariah as part of SCR mitigation of the Bank's risk. It enables the Shariah Risk Management team to foresee any changes and irregularities in the level of SCRs and the effectiveness of controls across Business Units /Support Units.

SHARIAH REVIEW & SHARIAH AUDIT

The Shariah Review and Shariah Audit functions play a vital role in achieving the objective of ensuring Shariah compliance by evaluating and assessing activities in the Bank whereby the former validates the compliance of activities with Shariah rules and principles and the latter provides independent assurance in order to add value and improve the degree of Shariah compliance in relation to such activities.

In articulating the audit results and findings, Shariah Audit adopts the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission's Framework (Version May 2013). The COSO framework is governed by 5 components namely Control Environment, Risk Assessment, Control Activities, Information & Communication, and Monitoring. While for Shariah Review, in this financial year, a new approach i.e. a thematic approach was adopted in conducting Shariah review exercise.

Both Shariah Audit and Shariah Review plans for the financial year were reviewed and approved by us for their implementation. The reports were deliberated in our meetings to confirm that the Bank has complied with the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, Shariah Advisory Council of Securities Commission (for capital market related matters) as well as our decisions.

During the year, the following reports were presented to us covering the following entities/areas:

SHARIAH AUDIT

- 1) Central Financing Processing Centre
- 2) Shariah Division
- 3) Branch Related Activities
- 4) Bank Islam Card Centre
- 5) Mobile Banking Department
- 6) Brand & Marketing Communications
- 7) Trade Operations
- 8) Credit Administration Department
- 9) Automobile Financing
- 10) Bank Islam Trust Company (Labuan) Ltd
- 11) Bank Islam Labuan Offshore Branch
- 12) Commodity Trading Platforms

SHARIAH REVIEW

- 1) Bank Islam Card – Merchant Category Code
- 2) Corporate Recovery
- 3) Bureau De Change
- 4) Commodity Trading Platforms
- 5) Operation of Consumer Banking Products at Branches
- 6) Al-Awfar Account
- 7) Special Investment Account
- 8) Restricted Investment Account - Al Ansar
- 9) Waheed Investment Account
- 10) Interbank Investment Account
- 11) BIMB Holding Berhad, Syarikat Al-Ijarah Sdn Bhd and BIMB Securities (Holdings) Sdn Bhd
- 12) Bank Islam Trust Company (Labuan) Ltd
- 13) BNM Mudarabah Policy Document
- 14) BNM Guideline on Ibra' (Rebate) for Sale based Financing
- 15) BNM Guideline on Late Payment Charges for Islamic Financial Institutions

REPORT OF THE SHARIAH SUPERVISORY COUNCIL

(cont'd)

SHARIAH TRAINING & AWARENESS

During the year, eighteen (18) Shariah training and briefing sessions were held covering 678 participants among the Bank's employees nationwide.

All new recruits of the Bank spent one day in the Muamalat 101 training module in conjunction with the orientation programme in which they were exposed to the fundamentals of Shariah applied in Islamic banking business.

The Bank has also continued to elevate the Shariah and Islamic banking knowledge of its staff by engaging Islamic Banking and Finance Institute Malaysia (IBFIM) for in-house certification programme. Forty (40) staffs were certified by IBFIM with Associate Qualification in Islamic Finance (AQIF) and another thirty six (36) staffs for Intermediate Qualification in Islamic Finance (IQIF). In addition, Shariah officers of the Bank were also encouraged to enroll for certification programs and during this financial year several officers have been awarded Certified Shariah Advisor and Auditor (CSAA) by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Certificate in Internal Auditing for Financial Institutions (CIAFIN) by Asian Institute of Chartered Bankers (AICB).

To increase the awareness on Shariah compliance, the Bank has also conducted three (3) Shariah Town Hall sessions for all risk controllers (RC) where the sessions provide updates to RC on the occurrence of Shariah non-compliance events and new Shariah requirements/rulings issued by the Bank or the regulators.

SHARIAH NON-COMPLIANT EVENTS & INCOME

Throughout 2016, we confirm two (2) events of Shariah non-compliance as follows:

- (i) Incomplete Tawarruq transaction performed through telemarketing sales agent; and
- (ii) Remittance services executed for Shariah non-compliant purpose.

We were also informed on the causes of the events which were due to operational lapses in executing the contract and service. We noted that the Bank has taken its corrective as well as preventive measures in order to avoid the same events from occurring in the future which includes specific Shariah training as well as issuance of lesson learnt memo for staff.

We also confirm that all of the events together with the rectification plans were presented to us and the Board of Directors for approval, and was accordingly reported to Bank Negara Malaysia in accordance with the Shariah non-compliance reporting requirements imposed by the Islamic Financial Services Act 2013.

Within the financial year, the Bank received Shariah non-compliant income amounting to RM8,828.95 which includes commissions from Shariah non-compliant merchants of card business, interest on nostro accounts and rental purification from the Bank's land that is being used to facilitate *bai` al-`inah* transactions.

The amount was disposed to charitable causes upon our approval as further described in the Note 23 – Sources and Uses of Charity Fund.

BUSINESS ZAKAT

In the financial year, the Bank has fulfilled its obligation to pay zakat on its business to State zakat authorities by adopting the growth capital computation method and in compliance with the Manual Pengurusan Zakat Perbankan issued by Jabatan Wakaf, Zakat dan Haji. The Bank paid the Zakat on its portion i.e. shareholders' fund as well as other funds received by the Bank except for depositors' fund.

Several zakat authorities had refunded a portion of the zakat paid for the Bank to act as their agent (*wakil*) to distribute to eligible beneficiaries (*asnaf*) among needy individuals, mosque, non-governmental organisations, higher learning institutions (needy students welfare funds) and schools as guided by the Business Zakat Payment Guideline that was approved by us.

SAFEGUARDING THE INVESTMENT ACCOUNT HOLDERS (“IAH”) INTEREST

In ensuring the interest of IAH is protected, we confirm that the profit allocation for the IAH is in accordance with Shariah rules and principles where the profit computation formula has been duly presented and approved by us. The performance of the Investment Accounts has also been properly disclosed and reported via issuance of Fund Performance Report (FPR) which is already made available on the Bank’s website upon approval by us.

We have also reviewed the financial statements of the Bank and confirm that the financial statements are in compliance with the Shariah rules and principles.

Based on the above, in our opinion:

1. The contracts, transactions and dealings entered into by the Bank, excluding the two (2) Shariah non-compliant incidences mentioned above, during the financial year ended 31 December 2016 that were reviewed are in compliance with the Shariah rules and principles;
2. The allocation of profit and charging of losses relating to Investment Accounts conform to the basis that has been approved by us;
3. The computation, payment and distribution of business zakat are in compliance with the Shariah rules and principles; and
4. All earnings that have been realised from sources or by means prohibited by the Shariah rules and principles were disposed to charitable causes.

On that note, we, members of the Council, do hereby confirm, to our level best, that the operations of the Bank for the year ended 31 December 2016 have been conducted in conformity with the Shariah rules and principles.

We bear witness only to what we know, and we could not well guard against the unseen! (Surah Yusuf, verse:81)

Allah knows best.

Professor Dato’ Dr. Ahmad Hidayat Buang

Ustaz Dr. Ahmad Shahbari@Sobri Salamon

Ustaz Dr. Muhammad Syafii Antonio

Assistant Professor Dr. Uzaimah Ibrahim

Ustazah Dr. Yasmin Hanani Mohd Safian

Kuala Lumpur,

Date: 21 March 2017

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act, 2016

I, **Mohd Muazzam Mohamed**, the officer primarily responsible for the financial management of Bank Islam Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 153 to 254 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Mohd Muazzam Mohamed, in Kuala Lumpur on 21 March 2017.

Mohd Muazzam Mohamed

INDEPENDENT AUDITORS' REPORT

to the Member of Bank Islam Malaysia Berhad

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank Islam Malaysia Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 153 to 254.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Bank in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report and Report of the Shariah Supervisory Council, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the Directors' Report and Report of the Shariah Supervisory Council and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the Directors' Report and Report of the Shariah Supervisory Council and, in doing so, consider whether the Directors' Report and Report of the Shariah Supervisory Council is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report and Report of the Shariah Supervisory Council, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the ability of the Group and of the Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

to the Member of Bank Islam Malaysia Berhad
(cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Bank.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG Desa Megat PLT

Firm Number: LLP0010082-LCA & AF0759
Chartered Accountants

Ow Peng Li

Approval Number: 2666/09/17 (J)
Chartered Accountant

Date: 21 March 2017
Petaling Jaya

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2016

	NOTE	GROUP		BANK	
		31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Assets					
Cash and short-term funds	3	3,963,417	2,881,669	3,963,268	2,877,738
Deposits and placements with banks and other financial institutions	4	100,000	100,577	100,000	100,577
Financial assets held-for-trading	5	574,835	423,973	569,750	418,718
Derivative financial assets	6	124,572	119,259	124,572	119,259
Financial assets available-for-sale	7	9,957,286	9,937,716	9,957,743	9,938,173
Financial assets held-to-maturity	8	57,703	59,352	57,703	59,352
Financing, advances and others	9	39,189,274	34,294,690	39,189,274	34,294,690
Other assets	10	99,015	70,796	95,928	68,235
Statutory deposits with Bank Negara Malaysia	11	1,374,876	1,591,460	1,374,876	1,591,460
Current tax assets		1,779	40,127	1,737	40,111
Deferred tax assets	12	48,378	35,182	48,378	35,182
Investments in subsidiaries	13	–	–	15,525	15,525
Property and equipment	14	185,562	208,918	184,547	208,047
Total assets		55,676,697	49,763,719	55,683,301	49,767,067
Liabilities and equity					
Deposits from customers	15	45,940,414	43,556,350	45,949,715	43,594,947
Investment accounts of customers	16	3,812,261	676,105	3,812,261	676,105
Deposits and placements of banks and other financial institutions	17	30,000	–	30,000	–
Derivative financial liabilities	6	111,089	101,913	111,089	101,913
Bills and acceptance payable		46,278	122,577	46,278	122,577
Subordinated Sukuk Murabahah	18	704,393	704,380	704,393	704,380
Other liabilities	19	601,750	544,209	598,591	508,505
Zakat and taxation	20	45,046	25,617	45,019	25,587
Total liabilities		51,291,231	45,731,151	51,297,346	45,734,014
Equity					
Share capital	21	2,404,384	2,363,283	2,404,384	2,363,283
Reserves		1,981,082	1,669,285	1,981,571	1,669,770
Total equity		4,385,466	4,032,568	4,385,955	4,033,053
Total liabilities and equity		55,676,697	49,763,719	55,683,301	49,767,067
Restricted investment accounts managed by the Bank	16	141,343	82,567	141,343	82,567
Total Islamic banking asset owned and managed by the Bank		55,818,040	49,846,286	55,824,644	49,849,634
Commitments and contingencies	43	13,704,559	12,692,303	13,704,559	12,692,303

The notes on pages 159 to 254 are an integral part of these financial statements

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2016

	NOTE	GROUP		BANK	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income derived from investment of depositors' funds	24	2,342,204	2,203,683	2,342,204	2,203,683
Income derived from investment account funds	25	113,893	16,793	113,893	16,793
Income derived from investment of shareholders' funds	26	407,357	428,520	398,392	420,826
Allowance for impairment on financing and advances	27	(92,105)	(69,331)	(92,105)	(69,331)
Allowance for impairment on investments	28	(255)	(4,488)	(255)	(4,488)
Reversal of impairment on other assets		608	–	608	–
Direct expenses		(20,387)	(22,911)	(20,387)	(22,911)
Total distributable income		2,751,315	2,552,266	2,742,350	2,544,572
Wakalah performance incentive fees from restricted investment accounts	16	5,328	400	5,328	400
Income attributable to depositors	29	(1,069,637)	(1,028,949)	(1,069,869)	(1,029,168)
Income attributable to investment account holders	30	(38,387)	(2,744)	(38,387)	(2,744)
Total net income		1,648,619	1,520,973	1,639,422	1,513,060
Personnel expenses	31	(506,673)	(473,804)	(500,177)	(468,164)
Other overhead expenses	32	(382,069)	(348,479)	(379,339)	(346,736)
		759,877	698,690	759,906	698,160
Finance cost on Subordinated Sukuk Murabahah	18	(39,465)	(13,029)	(39,465)	(13,029)
Profit before zakat and tax		720,412	685,661	720,441	685,131
Zakat		(12,859)	(8,730)	(12,844)	(8,703)
Tax expense	35	(176,591)	(169,669)	(176,590)	(169,595)
Profit for the year		530,962	507,262	531,007	506,833
Earnings per share (sen)	36	22.29	21.71		
Profit for the year		530,962	507,262	531,007	506,833
Other comprehensive income, net of tax:					
Items that are or may be reclassified subsequently to profit or loss					
Currency translation differences in respect of foreign operations		(20,252)	(84,907)	(20,293)	(85,031)
Fair value reserve					
Net change in fair value		15,229	17,087	15,229	17,087
Net amount transferred to profit or loss		(51,249)	(14,735)	(51,249)	(14,735)
Income tax credit relating to components of other comprehensive income		8,645	7,280	8,645	7,280
Other comprehensive expense for the year, net of tax		(47,627)	(75,275)	(47,668)	(75,399)
Total comprehensive income for the year		483,335	431,987	483,339	431,434

The notes on pages 159 to 254 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2016

GROUP	NOTE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK			DISTRIBUTABLE RETAINED EARNINGS RM'000	TOTAL EQUITY RM'000
		SHARE CAPITAL RM'000	NON-DISTRIBUTABLE SHARE PREMIUM RM'000	OTHER RESERVES RM'000		
At 1 January 2015		2,319,907	90,981	929,779	388,923	3,729,590
Profit for the year		–	–	–	507,262	507,262
Currency translation difference in respect of foreign operations		–	–	(84,907)	–	(84,907)
Fair value reserve – Net change in fair value – Net amount reclassified to profit or loss		–	–	17,087	–	17,087
Income tax credit relating to components of other comprehensive income		–	–	(14,735)	–	(14,735)
Total comprehensive income for the year		–	–	7,280	–	7,280
Transfer to statutory reserve		–	–	253,416	(253,416)	–
Dividends paid on ordinary shares	37	–	–	–	(256,856)	(256,856)
Issue of shares pursuant to Dividend Reinvestment Plan	37	43,376	84,471	–	–	127,847
At 31 December 2015/1 January 2016		2,363,283	175,452	1,107,920	385,913	4,032,568
Profit for the year		–	–	–	530,962	530,962
Currency translation difference in respect of foreign operations		–	–	(20,252)	–	(20,252)
Fair value reserve – Net change in fair value – Net amount reclassified to profit or loss		–	–	15,229	–	15,229
Income tax credit relating to components of other comprehensive income		–	–	(51,249)	–	(51,249)
Total comprehensive income for the year		–	–	8,645	–	8,645
Transfer to statutory reserve		–	–	132,752	(132,752)	–
Dividends paid on ordinary shares	37	–	–	–	(260,876)	(260,876)
Issue of shares pursuant to Dividend Reinvestment Plan	37	41,101	89,338	–	–	130,439
At 31 December 2016		2,404,384	264,790	1,193,045	523,247	4,385,466

Note 22

The notes on pages 159 to 254 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2016

BANK	NOTE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK				TOTAL EQUITY RM'000
		SHARE CAPITAL RM'000	NON-DISTRIBUTABLE SHARE PREMIUM RM'000	OTHER RESERVES RM'000	DISTRIBUTABLE RETAINED EARNINGS RM'000	
At 1 January 2015		2,319,907	90,981	929,721	390,019	3,730,628
Profit for the year		–	–	–	506,833	506,833
Currency translation difference in respect of foreign operations		–	–	(85,031)	–	(85,031)
Fair value reserve – Net change in fair value		–	–	17,087	–	17,087
– Net amount reclassified to profit or loss		–	–	(14,735)	–	(14,735)
Income tax credit relating to components of other comprehensive income		–	–	7,280	–	7,280
Total comprehensive income for the year		–	–	(75,399)	506,833	431,434
Transfer to statutory reserve		–	–	253,416	(253,416)	–
Dividends paid on ordinary shares	37	–	–	–	(256,856)	(256,856)
Issue of shares pursuant to Dividend Reinvestment Plan	37	43,376	84,471	–	–	127,847
At 31 December 2015/1 January 2016		2,363,283	175,452	1,107,738	386,580	4,033,053
Profit for the year		–	–	–	531,007	531,007
Currency translation difference in respect of foreign operations		–	–	(20,293)	–	(20,293)
Fair value reserve – Net change in fair value		–	–	15,229	–	15,229
– Net amount reclassified to profit or loss		–	–	(51,249)	–	(51,249)
Income tax credit relating to components of other comprehensive income		–	–	8,645	–	8,645
Total comprehensive income for the year		–	–	(47,668)	531,007	483,339
Transfer to statutory reserve		–	–	132,752	(132,752)	–
Dividends paid on ordinary shares	37	–	–	–	(260,876)	(260,876)
Issue of shares pursuant to Dividend Reinvestment Plan	37	41,101	89,338	–	–	130,439
At 31 December 2016		2,404,384	264,790	1,192,822	523,959	4,385,955

Note 22

The notes on pages 159 to 254 are an integral part of these financial statements

STATEMENTS OF CASH FLOW

for the financial year ended 31 December 2016

	GROUP		BANK	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities				
Profit before zakat and tax	720,412	685,661	720,441	685,131
Adjustments for:				
Depreciation of property and equipment	59,582	63,935	59,338	63,746
Net gain on disposal of property and equipment	(527)	(101)	(527)	(101)
Property and equipment written off	8	881	8	881
Collective assessment allowance	161,667	189,391	161,667	189,391
Individual assessment allowance	30,662	14,148	30,662	14,148
Reversal of impairment losses on other assets	(608)	–	(608)	–
Allowance for impairment loss on financial assets available-for-sale	255	4,620	255	4,620
Reversal of impairment loss on financial assets held-to-maturity	–	(132)	–	(132)
Net gain on sale of financial assets held-for-trading	(5,605)	(1,327)	(5,260)	(1,327)
Net gain on sale of financial assets available-for-sale	(51,249)	(10,998)	(51,249)	(10,998)
Fair value loss on financial assets held-for-trading	4,074	917	3,904	1,082
Dividends from securities	(4,991)	(2,595)	(4,991)	(2,595)
Net derivative loss	4,515	1,152	4,515	1,152
Finance cost on Subordinated Sukuk Murabahah	39,465	13,029	39,465	13,029
Operating profit before changes in assets and liabilities	957,660	958,581	957,620	958,027
Changes in assets and liabilities:				
Deposits and placements with banks and other financial institutions	30,000	(300,000)	30,000	(300,000)
Financing, advances and others	(5,086,913)	(4,973,658)	(5,086,913)	(4,973,658)
Statutory deposits with Bank Negara Malaysia	216,584	(256,460)	216,584	(256,460)
Bills and other receivables	(34,000)	(2,081)	(33,474)	(1,152)
Deposits from customers	2,384,064	2,546,018	2,354,768	2,573,391
Investment accounts of customers	3,136,156	676,105	3,136,156	676,105
Bills and acceptance payable	(76,299)	(4,947)	(76,299)	(4,947)
Other liabilities	62,210	36,335	94,748	4,260
Cash generated from/(used in) operations	1,589,462	(1,320,107)	1,593,190	(1,324,434)
Zakat paid	(8,721)	(12,771)	(8,704)	(12,746)
Tax paid	(138,380)	(180,963)	(138,284)	(180,863)
Tax refund	10,869	66	10,808	–
Net cash generated from/(used in) operating activities	1,453,230	(1,513,775)	1,457,010	(1,518,043)

STATEMENTS OF CASH FLOW

for the financial year ended 31 December 2016
(cont'd)

	GROUP		BANK	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from investing activities				
Purchase of property and equipment	(36,887)	(61,860)	(36,500)	(61,190)
Proceeds from disposal of property and equipment	1,181	145	1,181	145
Dividends from securities	4,991	2,595	4,991	2,595
Net proceeds from (purchase)/disposal of securities	(151,202)	808,376	(151,547)	808,376
Net cash (used in)/generated from investing activities	(181,917)	749,256	(181,875)	749,926
Cash flows from financing activities				
Subordinated Sukuk Murabahah	-	700,000	-	700,000
Dividend paid on ordinary shares	(260,876)	(256,856)	(260,876)	(256,856)
Proceeds from issuance of ordinary shares pursuant to Dividend Reinvestment Plan	130,439	127,847	130,439	127,847
Finance cost paid on Subordinated Sukuk Murabahah	(39,452)	(8,649)	(39,452)	(8,649)
Net cash (used in)/generated from financing activities	(169,889)	562,342	(169,889)	562,342
Net increase/(decrease) in cash and cash equivalents	1,101,424	(202,177)	1,105,246	(205,775)
Cash and cash equivalents at 1 January	2,982,246	3,269,353	2,978,315	3,269,127
Exchange difference on translation	(20,253)	(84,930)	(20,293)	(85,037)
Cash and cash equivalents at 31 December	4,063,417	2,982,246	4,063,268	2,978,315
Cash and cash equivalents comprise:				
Cash and short-term funds	3,963,417	2,881,669	3,963,268	2,877,738
Deposits and placements with banks and other financial institutions	100,000	100,577	100,000	100,577
	4,063,417	2,982,246	4,063,268	2,978,315

The notes on pages 159 to 254 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of its subsidiaries are as disclosed in Note 13 to the financial statements.

The Bank is a limited liability company, incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is as follows:

Level 32, Menara Bank Islam
No. 22, Jalan Perak,
50450 Kuala Lumpur.

The immediate holding company of the Bank is BIMB Holdings Berhad, a public limited liability company incorporated in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The ultimate holding entity is Lembaga Tabung Haji ("LTH"), a *hajj* pilgrims' funds board established under the Tabung Haji Act, 1995 (Act 535).

The consolidated financial statements comprise the Bank and its subsidiaries (together referred to as the "Group").

These financial statements were approved by the Board of Directors on 21 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with the applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the requirements of Companies Act, 1965 in Malaysia and Shariah requirements.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Bank.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Bank plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Bank except as mentioned in the subsequent paragraphs:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15, MFRS 9 and MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments, financial assets held-for-trading and financial assets available-for-sale, which have been measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM'000), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

(d) Use of estimates and judgement

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amount recognised in the financial statements are described in the following notes:

- Note 2.5 and Note 40 – Fair value of financial instruments
- Note 2.10 – Impairment
- Note 12 – Deferred tax assets

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Bank. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less impairment losses, if any. Where there is indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Basis of consolidation (cont'd)

(c) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a financial asset available-for-sale depending on the level of influence retained.

(d) Transactions eliminated on consolidation

In preparing the consolidated financial statements, intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Foreign currency

(a) Foreign currency transactions

In preparing the financial statements of the Group entities, transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Translation Reserve in equity.

(b) Foreign operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting date. The income and expenses of the foreign operations are translated to RM at average exchange rates for the period.

All resulting exchange differences are recognised in other comprehensive income and accumulated in the Translation Reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Cash and cash equivalents

Cash and cash equivalents include cash and short-term funds, and deposits and placements with banks and other financial institutions.

2.5 Financial instruments

Financial instruments are classified and measured using accounting policies as mentioned below.

Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

The Group and the Bank categorises its financial instruments as follows:

Financial assets

(a) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market and the Group does not intend to sell immediately or in the near term. The Group's financing and receivables consist of sale-based contracts (namely Bai' Bithaman Ajil, Bai Al-Inah, Murabahah, Bai Al-Dayn and At-Tawarruq), lease-based contracts (namely Ijarah Muntahiah Bit-Tamleek and Ijarah Thumma Al-Bai), construction-based contract (Istisna') and Ar-Rahnu contract.

These financing contracts are recorded in the Group's financial statements as financing and receivables based on concept of 'substance over form' and in accordance with MFRS 139.

These contracts are subsequently measured at amortised cost using effective profit rate method. These contracts are stated net of unearned income and any impairment loss.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either:

(i) Held-for-trading

Financial assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(ii) Designated under fair value option

Financial assets meet at least one of the following criteria upon designation:

- it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets, or recognising gains or losses on them, using different bases; or
- the financial asset contains an embedded derivative that would otherwise need to be separately recorded.

These financial assets are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Financial instruments (cont'd)

Financial assets (cont'd)

(c) Financial assets held-to-maturity

Financial assets held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. These financial assets are subsequently measured at amortised cost using the effective profit rate method, less any impairment loss.

Any sale or reclassification of more than insignificant amount of financial assets held-to-maturity would result in the reclassification of all financial assets held-to-maturity to financial assets available-for-sale and the Group would be prevented from classifying any financial assets as financial assets held-to-maturity for the current and following two financial years.

(d) Financial assets available-for-sale

Financial assets available-for-sale are financial assets that are either designated in this category or not classified in any other category and are measured at fair value.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any impairment loss. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition or disposal, the cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity into profit or loss. Profit calculated for a debt instrument using the effective profit method is recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment. See Note 2.10 Impairment.

Derivative financial instruments

The Group and the Bank holds derivative financial instruments to hedge its foreign currency and profit rate exposures. However, the Group and the Bank elect not to apply hedge accounting. Hence, foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at statement of financial position date and the resultant gains and losses for the financial year are recognised in the profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

The financial liabilities measured at amortised cost are deposit from customers, investment accounts of customers, deposits and placement of banks and other financial institutions, derivative financial liabilities, bills and acceptance payables, Subordinated Sukuk Murabahah and other liabilities.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have quoted price in an active market for identical instruments whose fair value otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Financial instruments (cont'd)

Financial liabilities (cont'd)

(a) Investment accounts

Investment accounts are either:

(i) Unrestricted investment accounts

An unrestricted investment account ("URIA") refers to a type of investment account where the investment account holder ("IAH") provides the Bank with the mandate to make the ultimate decision without specifying any particular restrictions or conditions. The URIA is structured under Mudharabah and Wakalah contracts.

(ii) Restricted investment accounts

Restricted investment account ("RIA") refers to a type of investment account where the IAH provides a specific investment mandate to the Bank such as purpose, asset class, economic sector and period of investment.

RIA is accounted for as off balance sheet as the Bank has no rights and obligations in respect of the assets related to the RIA or to the residual cash flows from those assets except for the fee income generated by the Bank for managing the RIA. The Bank also has no ability to use power over the RIA to affect the amount of the Bank's return. The RIA is structured under Wakalah contract. Under Wakalah contract, IAH appoints the Bank as the agent to invest the funds provided by IAH to finance customers with a view of earning profits and the Bank will receive fees for the agency service provided.

Any impairment allowances required on the assets for investment accounts are charged to and borne by the investors.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(b) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(c) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Bank will obtain ownership by the end of the lease term. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Property and equipment (cont'd)

(c) Depreciation (cont'd)

The estimated useful lives for the current and comparative periods are as follows:

• Long term leasehold land	50 years
• Building improvement and renovations	10 years
• Furniture, fixtures and fittings	2 - 10 years
• Office equipment	6 years
• Motor vehicles	5 years
• Computer equipment	
- Core Banking System	7 years
- Other hardware/software	5 years

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period, and adjusted as appropriate.

2.7 Leased assets – Finance lease

Leases in terms of which the Group or the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property and equipment.

2.8 Leased assets – Operating lease

Leases, where the Group or the Bank does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2.9 Bills and other receivables

Bills and other receivables are stated at cost less any allowance for impairment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Impairment

Financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that financing and receivables, financial assets held-to-maturity or financial assets available-for-sale are impaired as a result of one or more events having an impact on the estimated future cash flows of the asset. A financial asset or a group of financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and prior to the reporting date ("a loss event") and that loss event or events has an impact on the estimated future cash flow of the financial asset or the group of financial assets as that can be reliably estimated. The criteria that the Group and the Bank uses to determine that there is objective evidence of an impairment loss include:

- i) significant financial difficulty of the issuer or obligor;
- ii) a breach of contract, such as default or delinquency in profit or principal payments;
- iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- iv) consecutive downgrade of two notches for external ratings.

Financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, the financing exhibits indications of credit weakness, or when the financing is classified as rescheduled and restructured in Central Credit Reference Information System ("CCRIS").

For financing and receivables, the Group and the Bank first assess whether objective evidence of impairment exists individually for financing and receivables that are individually significant, and collectively for financing and receivables that are not individually significant. If the Group and the Bank determines that no objective evidence of impairment exist for an individually assessed financing and receivable, whether significant or not, it includes the assets in a group of financing and receivables with similar credit risk characteristics and collectively assesses them for impairment. Financing and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment for impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The amount of the loss is recognised using an allowance account and recognised in the profit or loss. The estimation of the amount and timing of the future cash flows requires management judgement. In estimating these cash flows, judgements are made about the realisable value of the collateral pledged and the borrower financial position. These estimations are based on assumptions and the actual results may differ from these, hence resulting in changes to impairment losses recognised.

For the purposes of a collective evaluation of impairment, financing and receivables are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows for a group of financing and receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and remove the effects of conditions in the historical period that do not currently exist.

When a financing is uncollectable, it is written off against the related allowance for impairment. Such financing are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequently, recoveries of amounts previously written off are credited to the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance for impairment account. The amount of reversal is recognised in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Impairment (cont'd)

Financial assets (cont'd)

In the case of available-for-sale equity securities, a significant or prolonged decline in their fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the profit or loss. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt instruments are recognised in the comprehensive income statement.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Where a financing shows evidence of credit weaknesses, the Group or the Bank may seek to renegotiate the financing rather than taking possession of the collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new financing terms and conditions via restructuring. Management monitors the renegotiated financing to ensure that all the revised terms are met and the repayments are made promptly for a continuous period. Where an impaired financing is renegotiated, the borrower must adhere to the revised and/or restructured repayment terms for a continuous period of six months before the financing is classified as non-impaired. These financing continue to be subjected to individual or collective impairment assessment.

Other assets

The carrying amount of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

2.11 Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

2.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.14 Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

2.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.16 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Share Capital

Ordinary shares are classified as equity in the statement of financial position. Cost directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

2.17 Recognition of income

Financing income

Financing income is recognised in the profit or loss using the effective profit rate method. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instruments. When calculating the effective profit rate, the Group and the Bank has considered all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective profit rate, as well as premium or discounts.

Income from a sale-based contract is recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding whereas income from Ijarah (lease-based contract) is recognised on effective profit rate basis over the lease term.

Once a financial assets or a group of financial assets has been written down as a result of an impairment loss, income is recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions, brokerage fees and wakalah performance incentive fees are recognised as income based on contractual arrangements. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Dividend income from subsidiaries and other investments are recognised when the Bank's rights to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.19 Zakat

This represents business zakat that is paid on the Bank's portion. It is an obligatory amount payable by the Group and the Bank to comply with the rules and principles of Shariah.

2.20 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Bank's contribution to the Employees Provident Fund is charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank has no further payment obligations.

2.21 Earnings per ordinary shares

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Fair value measurements

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. CASH AND SHORT-TERM FUNDS

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Cash and balances with banks and other financial institutions	932,674	792,593	932,525	788,662
Money at call and interbank placements with remaining maturity not exceeding one month	3,030,743	2,089,076	3,030,743	2,089,076
	3,963,417	2,881,669	3,963,268	2,877,738

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Licensed Islamic banks	100,000	100,577

5. FINANCIAL ASSETS HELD-FOR-TRADING

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
At fair value				
Malaysian Government Investment Issues	324,500	241,717	324,500	241,717
Sukuk	245,250	177,001	245,250	177,001
Unit trust	5,085	5,255	–	–
	574,835	423,973	569,750	418,718

6. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss and hedging purposes. The principal or contractual amount of these instruments reflects the volume of transactions outstanding at financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

Group and Bank

	NOTIONAL AMOUNT RM'000	31.12.2016 FAIR VALUE	
		ASSETS RM'000	LIABILITIES RM'000
Forward contracts	3,117,570	117,445	(107,469)
Profit rate swaps	836,027	7,127	(3,620)
	3,953,597	124,572	(111,089)

	NOTIONAL AMOUNT RM'000	31.12.2015 FAIR VALUE	
		ASSETS RM'000	LIABILITIES RM'000
Forward contracts	2,323,286	106,402	(98,593)
Profit rate swaps	862,568	12,857	(3,320)
	3,185,854	119,259	(101,913)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016
(cont'd)

7. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
At fair value				
Malaysian Government Investment Issues	2,057,324	2,556,539	2,057,324	2,556,539
Negotiable Islamic Debt Certificates	496,681	–	496,681	–
Sukuk	7,367,563	7,332,715	7,368,020	7,333,172
	9,921,568	9,889,254	9,922,025	9,889,711
At fair value				
Quoted shares				
- outside Malaysia	21,124	29,807	21,124	29,807
Quoted unit trust				
- in Malaysia	9,294	13,335	9,294	13,335
	30,418	43,142	30,418	43,142
At cost				
Unquoted shares in Malaysia	25,468	24,319	25,468	24,319
Less: Accumulated impairment loss*	(20,187)	(19,328)	(20,187)	(19,328)
	5,281	4,991	5,281	4,991
At cost				
Unquoted shares outside Malaysia	329	329	329	329
Less: Impairment loss	(310)	–	(310)	–
	19	329	19	329
	9,957,286	9,937,716	9,957,743	9,938,173

*Movement in accumulated impairment loss due to translation differences

8. FINANCIAL ASSETS HELD-TO-MATURITY

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
At amortised cost		
Unquoted securities in Malaysia: Sukuk	64,590	66,239
Less: Accumulated impairment loss	(6,887)	(6,887)
	57,703	59,352

9. FINANCING, ADVANCES AND OTHERS

(a) By type and Shariah contract

GROUP AND BANK 31 DECEMBER 2016	BAI'		BAI		BAI		BAI		AT-		IJARAH		IJARAH		TOTAL	
	BITHAMAN AJIL RM'000	MURABAHAH AL-DAYN RM'000	AL-DAYN RM'000	AL-INAH RM'000	BAI RM'000	TAWARRUQ RM'000	AT- BIT-TAMLEEK RM'000	MUNTAHIAH AL-BAI RM'000	THUMMA AL-BAI RM'000	ISTISNA' RM'000	AR-RAHNU RM'000	ISTISNA' RM'000	AR-RAHNU RM'000	ISTISNA' RM'000	AR-RAHNU RM'000	TOTAL RM'000
At amortised cost																
Cash line	-	-	-	37,899	-	1,199,021	-	-	-	-	-	-	-	-	-	1,236,920
Term financing																
House financing ^	4,484,247	-	-	-	-	9,503,014	-	-	-	-	-	-	-	-	-	14,046,349
Syndicated financing	-	-	-	196,129	-	1,045,889	-	123,189	-	-	-	-	-	-	-	1,365,207
Leasing financing	-	-	-	-	-	-	90,610	902	-	-	-	-	-	-	-	91,512
Bridging financing	-	-	-	-	-	-	-	-	82,313	-	-	-	-	-	-	82,313
Personal financing ^	-	-	-	42,177	-	11,197,744	-	-	-	-	-	-	-	-	-	11,239,921
Other term financing	2,086,188	933,316	-	4,063	-	7,106,669	-	-	1,503	-	-	-	-	-	-	10,131,739
Staff financing	83,743	5,087	-	-	-	98,821	-	-	14,218	-	-	-	-	-	-	201,869
Credit cards	-	-	-	9,004	-	450,388	-	-	-	-	-	-	-	-	-	459,392
Trade bills discounted	-	741,037	180,010	-	-	-	-	-	-	-	-	-	-	-	-	921,047
Trust receipts	-	5,169	-	-	-	-	-	-	-	-	-	-	-	-	-	5,169
Pawn broking	-	-	-	-	-	-	-	-	-	-	-	-	-	85,315	-	85,315
Investment Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Platform *	-	-	-	-	-	5,690	-	-	-	-	-	-	-	-	-	5,690
	6,654,178	1,684,609	180,010	289,272	289,272	30,607,236	90,610	124,091	157,122	85,315	157,122	85,315	157,122	85,315	39,872,443	
Allowance for impaired financing, advances and others																
- collective assessment allowance																(554,971)
- individual assessment allowance																(128,198)
Net financing, advances and others																39,189,274

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

9. FINANCING, ADVANCES AND OTHERS (cont'd)

(a) By type and Shariah contract (cont'd)

GROUP AND BANK 31 DECEMBER 2015	BITHAMAN		BAI		BAI		BAI		AT-		IJARAH		IJARAH		TOTAL		
	RM'000	MURABAHAH AL-DAYN RM'000	AL-DAYN RM'000	AL-INAH RM'000	BAI RM'000	TAWARRUQ RM'000	BIT-TAMLEEK RM'000	MUNTAHIAH RM'000	AL-BAI RM'000	ISTISNA' RM'000	AR-RAHNU RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost																	
Cash line	-	-	-	62,300	-	997,097	-	-	-	-	-	-	-	-	-	-	1,059,397
Term financing																	
House financing ^	4,851,790	-	-	-	-	6,628,865	-	-	62,580	-	-	-	-	-	-	-	11,543,235
Syndicated financing	8,603	-	-	164,301	-	1,021,805	-	127,399	-	-	-	-	-	-	-	-	1,322,108
Leasing financing	-	-	-	-	-	-	81,223	1,769	-	-	-	-	-	-	-	-	82,992
Bridging financing	-	-	-	-	-	-	-	-	87,630	-	-	-	-	-	-	-	87,630
Personal financing	-	-	-	82,054	-	10,247,851	-	-	-	-	-	-	-	-	-	-	10,329,905
Other term financing	2,583,462	685,973	-	18,444	-	5,385,013	-	-	1,762	-	-	-	-	-	-	-	8,674,654
Staff financing	96,919	1,515	-	-	-	68,007	-	-	16,401	-	-	-	-	-	-	-	182,842
Credit cards	-	-	-	12,695	-	430,848	-	-	-	-	-	-	-	-	-	-	443,543
Trade bills discounted	-	888,408	251,419	-	-	-	-	-	-	-	-	-	-	-	-	-	1,139,827
Trust receipts	-	20,210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,210
Pawn broking	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,883	-	73,883
Investment Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Platform *	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	7,540,774	1,596,106	251,419	339,794	339,794	24,779,486	81,223	129,168	168,373	73,883	73,883	34,960,226					
Allowance for impaired financing, advances and others																	
- collective assessment allowance																	(541,065)
- individual assessment allowance																	(124,471)
Net financing, advances and others																	34,294,690

^ Included in house financing and personal financing as at 31 December 2016 are underlying assets under the Unrestricted Investment Accounts ("URIA") amounting to RM2,687,318,000 (2015: RM676,105,000) and RM1,124,943,000 (2015: RM Nil) respectively as disclosed in Note 16 of these financial statements.

* This represents a term financing of the Group's and the Bank's participation through Investment Account Platform ("IAP") to finance viable ventures.

9. FINANCING, ADVANCES AND OTHERS (cont'd)

(b) By type of customer

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Domestic non-bank financial institutions	1,376,559	1,004,961
Domestic business enterprise	6,908,806	5,907,856
Small medium industries	896,530	939,552
Government & statutory bodies	938,069	897,923
Individuals	28,957,975	25,618,163
Other domestic entities	7,239	7,678
Foreign entities	787,265	584,093
	39,872,443	34,960,226

(c) By profit rate sensitivity

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Fixed rate		
House financing	1,268,632	1,403,863
Others	4,059,422	4,855,968
Floating rate		
House financing	13,382,969	10,733,848
Others	21,161,420	17,966,547
	39,872,443	34,960,226

(d) By remaining contractual maturity

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Maturity within one year	4,312,581	3,543,984
More than one year to three years	1,400,480	1,121,154
More than three years to five years	2,197,573	1,613,849
More than five years	31,961,809	28,681,239
	39,872,443	34,960,226

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

9. FINANCING, ADVANCES AND OTHERS (cont'd)

(e) By geographical distribution

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Central Region	18,853,925	16,254,666
Eastern Region	6,534,376	5,856,505
Northern Region	5,864,200	5,297,531
Southern Region	5,499,121	4,725,173
East Malaysia Region	3,120,821	2,826,351
	39,872,443	34,960,226

(f) By sector

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Primary agriculture	377,285	403,666
Mining and quarrying	12,931	13,494
Manufacturing (including agro-based)	747,410	930,013
Electricity, gas and water	868,319	681,984
Wholesale & retail trade, and hotels & restaurants	1,274,954	1,102,861
Construction	2,161,215	2,225,492
Real estate	1,205,740	1,088,961
Transport, storage and communications	870,559	395,914
Finance, insurance and business activities	2,134,947	1,406,399
Education, health and others	1,256,209	1,092,052
Household sectors	28,962,874	25,619,390
	39,872,443	34,960,226

(g) Movement in impaired financing and advances ("impaired financing") are as follows:

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
At 1 January	381,270	344,539
Classified as impaired during the year	580,341	513,966
Reclassified as not impaired during the year	(284,602)	(205,690)
Amount recovered	(112,502)	(144,268)
Amount written off	(178,052)	(139,053)
Exchange differences	2,990	11,776
At 31 December	389,445	381,270
Gross impaired financing as a percentage of gross financing, advances and others	0.98%	1.09%

9. FINANCING, ADVANCES AND OTHERS (cont'd)

(h) Impaired financing by geographical distribution

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Central Region	142,841	184,568
Eastern Region	92,848	47,369
Northern Region	36,299	35,880
Southern Region	31,329	29,892
East Malaysia Region	86,128	83,561
	389,445	381,270

(i) Impaired financing by sector

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Primary agriculture	1,311	1,307
Manufacturing (including agro-based)	36,739	6,650
Wholesale & retail trade, and hotels & restaurants	25,651	24,986
Construction	13,714	56,344
Transport, storage and communications	15,579	29,332
Finance, insurance and business activities	70,948	69,533
Education, health & others	3,076	7,502
Household sectors	222,427	185,616
	389,445	381,270

(j) Movement of allowance for impaired financing

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Collective assessment allowance		
At 1 January 2016/1 January 2015	541,065	444,388
Allowance made during the year	161,667	189,391
Amount written off	(146,725)	(94,748)
Exchange differences	(1,036)	2,034
At 31 December 2016/31 December 2015	554,971	541,065
Individual assessment allowance		
At 1 January 2016/1 January 2015	124,471	142,753
Allowance made during the year	54,566	46,420
Amount recovered	(23,904)	(32,272)
Amount written off	(29,928)	(44,139)
Exchange differences	2,993	11,709
At 31 December 2016/31 December 2015	128,198	124,471

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

10. OTHER ASSETS

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Other receivables	65,825	34,206	63,968	32,608
Less: Impairment loss	(256)	(864)	(256)	(864)
	65,569	33,342	63,712	31,744
Deposit and prepayments	32,741	37,227	31,441	36,063
Related companies*	705	227	775	428
	99,015	70,796	95,928	68,235

* This relates to amounts due from holding and related companies that are non-trade in nature, not subject to financing charges and has no fixed term repayments.

11. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which are determined as set percentages of total eligible liabilities.

12. DEFERRED TAX ASSETS

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

GROUP AND BANK	ASSETS		LIABILITIES		NET	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Property and equipment	–	–	(16,993)	(20,252)	(16,993)	(20,252)
Provisions	24,483	23,087	–	–	24,483	23,087
Unabsorbed capital allowances	24,963	25,067	–	–	24,963	25,067
Change in fair value reserve	15,925	7,280	–	–	15,925	7,280
Tax assets/(liabilities)	65,371	55,434	(16,993)	(20,252)	48,378	35,182

Movement in temporary differences during the year:

GROUP AND BANK	AT	RECOGNISED	RECOGNISED	AT	RECOGNISED	RECOGNISED	AT
	1.1.2015 RM'000	IN PROFIT OR LOSS (NOTE 35) RM'000	IN OTHER COMPREHENSIVE INCOME RM'000	31.12.2015/ 1.1.2016 RM'000	IN PROFIT OR LOSS (NOTE 35) RM'000	IN OTHER COMPREHENSIVE INCOME RM'000	31.12.2016 RM'000
Property and equipment	(23,207)	2,955	–	(20,252)	3,259	–	(16,993)
Provisions	27,205	(4,118)	–	23,087	1,396	–	24,483
Unabsorbed capital allowances	27,222	(2,155)	–	25,067	(104)	–	24,963
Change in fair value reserve	–	–	7,280	7,280	–	8,645	15,925
Total assets	31,220	(3,318)	7,280	35,182	4,551	8,645	48,378

12. DEFERRED TAX ASSETS (cont'd)**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Unabsorbed capital allowance	28,475	28,475	28,440	28,440
Unutilised tax losses	6,701	6,701	–	–
Deductible temporary differences	329	329	–	–
	35,505	35,505	28,440	28,440

The Bank's unabsorbed capital allowances of RM28,440,000 in respect of its leasing business whereby management considered it uncertain whether the Bank is able to utilise the benefits in the future. As such, deferred tax assets have not been recognised.

13. INVESTMENTS IN SUBSIDIARIES

	BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
At cost		
Unquoted shares in Malaysia	16,447	16,447
Less: Accumulated impairment loss	(922)	(922)
	15,525	15,525

Details of subsidiaries are as follows:

NAME OF COMPANY	PRINCIPAL ACTIVITIES	EFFECTIVE OWNERSHIP INTEREST	
		31.12.2016 %	31.12.2015 %
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Provide nominee services	100	100
BIMB Investment Management Berhad	Managing Islamic Unit Trust Funds	100	100
Bank Islam Trust Company (Labuan) Ltd. and its subsidiary:	Provide services as a Labuan registered trust company	100	100
BIMB Offshore Company Management Services Sdn. Bhd.	Resident Corporate Secretary and Director for Offshore Companies	100	100
BIMB Foreign Currency Clearing Agency Sdn. Bhd.*	Liquidated	–	100
Farihan Corporation Sdn. Bhd.	Provide manpower for all type of executives, middle management staff, junior level staff, workers, labourers skilled/unskilled for the provision of services in the relevant areas.	100	100

* The date of the Company's last report was on 18 March 2014 and the Company was liquidated on 18 August 2016.

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14. PROPERTY AND EQUIPMENT

GROUP	LONG TERM LEASEHOLD LAND RM'000	BUILDING IMPROVEMENTS AND RENOVATIONS RM'000	FURNITURE, FIXTURES AND FITTINGS RM'000	OFFICE EQUIPMENT RM'000	COMPUTER EQUIPMENT RM'000	MOTOR VEHICLES RM'000	RENOVATION WORK-IN- PROGRESS RM'000	MANAGEMENT INFORMATION SYSTEM UNDER DEVELOPMENT RM'000	TOTAL RM'000
Cost									
At 1 January 2015	14,784	31,479	116,899	75,872	286,929	1,342	826	5,412	533,543
Additions	-	1,427	3,970	11,654	29,108	680	262	14,759	61,860
Reclassifications	-	56	524	221	645	-	(801)	(645)	-
Disposals	-	-	(150)	(383)	(4,842)	(800)	-	-	(6,175)
Written off	-	(493)	(2,183)	(1,398)	(5,179)	-	-	-	(9,253)
Exchange difference	-	4	58	78	62	15	-	-	217
At 31 December 2015	14,784	32,473	119,118	86,044	306,723	1,237	287	19,526	580,192
Additions	-	670	2,618	4,361	11,824	-	1,434	15,980	36,887
Reclassifications	-	73	1,232	354	29,780	-	(1,659)	(29,780)	-
Disposals	-	(44)	(117)	(611)	(1,372)	(77)	-	-	(2,221)
Written off	-	-	-	(77)	-	-	-	-	(77)
Exchange difference	-	-	14	20	15	(3)	-	-	46
At 31 December 2016	14,784	33,172	122,865	90,091	346,970	1,157	62	5,726	614,827
Accumulated depreciation									
At 1 January 2015	1,304	18,492	59,109	55,078	186,503	1,162	-	-	321,648
Depreciation for the year	174	2,071	9,002	11,220	41,220	248	-	-	63,935
Disposals	-	-	(150)	(366)	(4,815)	(800)	-	-	(6,131)
Written off	-	(326)	(1,650)	(1,228)	(5,168)	-	-	-	(8,372)
Exchange difference	-	4	58	73	44	15	-	-	194
At 31 December 2015	1,478	20,241	66,369	64,777	217,784	625	-	-	371,274
Depreciation for the year	174	2,102	9,220	7,694	40,223	169	-	-	59,582
Disposals	-	(10)	(44)	(596)	(840)	(77)	-	-	(1,567)
Written off	-	-	-	(69)	-	-	-	-	(69)
Exchange difference	-	-	14	20	14	(3)	-	-	45
At 31 December 2016	1,652	22,333	75,559	71,826	257,181	714	-	-	429,265
Carrying amounts									
At 1 January 2015	13,480	12,987	57,790	20,794	100,426	180	826	5,412	211,895
At 31 December 2015	13,306	12,232	52,749	21,267	88,939	612	287	19,526	208,918
At 31 December 2016	13,132	10,839	47,306	18,265	89,789	443	62	5,726	185,562

14. PROPERTY AND EQUIPMENT (cont'd)

BANK	LONG TERM LEASEHOLD LAND RM'000	BUILDING IMPROVEMENTS AND RENOVATIONS RM'000	FURNITURE, FIXTURES AND FITTINGS RM'000	OFFICE EQUIPMENT RM'000	COMPUTER EQUIPMENT RM'000	MOTOR VEHICLES RM'000	RENOVATION WORK-IN- PROGRESS RM'000	MANAGEMENT INFORMATION SYSTEM UNDER DEVELOPMENT RM'000	TOTAL RM'000
Cost									
At 1 January 2015	14,784	31,353	116,859	75,553	285,919	1,342	826	5,412	532,048
Additions	-	1,372	3,935	11,648	28,534	680	262	14,759	61,190
Reclassifications	-	56	524	221	645	-	(801)	(645)	-
Disposals	-	-	(150)	(383)	(4,842)	(800)	-	-	(6,175)
Written off	-	(493)	(2,183)	(1,398)	(5,179)	-	-	-	(9,253)
Exchange difference	-	4	58	54	10	15	-	-	141
At 31 December 2015	14,784	32,292	119,043	85,695	305,087	1,237	287	19,526	577,951
Additions	-	662	2,617	4,355	11,452	-	1,434	15,980	36,500
Reclassification	-	73	1,232	354	29,780	-	(1,659)	(29,780)	-
Disposals	-	(44)	(117)	(611)	(1,372)	(77)	-	-	(2,221)
Written off	-	-	-	(77)	-	-	-	-	(77)
Exchange difference	-	-	14	13	3	(3)	-	-	27
At 31 December 2016	14,784	32,983	122,789	89,729	344,950	1,157	62	5,726	612,180
Accumulated depreciation									
At 1 January 2015	1,304	18,424	59,089	54,783	185,764	1,162	-	-	320,526
Depreciation for the year	174	2,045	8,994	11,209	41,076	248	-	-	63,746
Disposals	-	-	(150)	(366)	(4,815)	(800)	-	-	(6,131)
Written off	-	(326)	(1,650)	(1,228)	(5,168)	-	-	-	(8,372)
Exchange difference	-	4	58	51	7	15	-	-	135
At 31 December 2015	1,478	20,147	66,341	64,449	216,864	625	-	-	369,904
Depreciation for the year	174	2,071	9,210	7,687	40,027	169	-	-	59,338
Disposals	-	(10)	(44)	(596)	(840)	(77)	-	-	(1,567)
Written off	-	-	-	(69)	-	-	-	-	(69)
Exchange difference	-	-	14	13	3	(3)	-	-	27
At 31 December 2016	1,652	22,208	75,521	71,484	256,054	714	-	-	427,633
Carrying amounts									
At 1 January 2015	13,480	12,929	57,770	20,770	100,155	180	826	5,412	211,522
At 31 December 2015	13,306	12,145	52,702	21,246	88,223	612	287	19,526	208,047
At 31 December 2016	13,132	10,775	47,268	18,245	88,896	443	62	5,726	184,547

NOTES TO THE FINANCIAL STATEMENTS

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15. DEPOSITS FROM CUSTOMERS

(a) By type of deposit

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Saving Deposit				
<i>Wadiah</i>	4,131,604	4,674,687	4,131,604	4,674,687
Demand Deposit				
<i>Wadiah</i>	10,001,972	10,581,603	10,004,601	10,613,180
Term Deposit	31,700,310	28,205,616	31,706,982	28,212,636
Special Investment Deposit				
<i>Mudharabah</i>	27,711	26,058	27,711	26,058
General Investment Deposit				
<i>Mudharabah</i>	394,639	478,802	394,639	478,802
Term Deposit-i				
<i>Tawarruq</i>	28,208,548	24,406,269	28,215,220	24,413,289
Negotiable Islamic Debt Certificates (NIDC)				
<i>Waheed-i</i>	3,069,412	3,287,644	3,069,412	3,287,644
		6,843		6,843
Others	106,528	94,444	106,528	94,444
Total Deposits	45,940,414	43,556,350	45,949,715	43,594,947

(b) Maturity structure of term deposits are as follows :

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Due within six months	26,475,051	23,218,044	26,481,013	23,224,498
More than six months to one year	4,166,465	4,000,106	4,166,465	4,000,672
More than one year to three years	690,590	946,690	691,300	946,690
More than three years to five years	368,204	40,776	368,204	40,776
	31,700,310	28,205,616	31,706,982	28,212,636

15. DEPOSITS FROM CUSTOMERS (cont'd)**(c) By type of customers**

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Domestic non-bank financial institutions	15,501,713	11,582,151	15,511,014	11,620,748
Business enterprises	11,730,076	12,183,999	11,730,076	12,183,999
Government and statutory bodies	6,890,474	7,419,397	6,890,474	7,419,397
Individuals	4,817,561	5,576,637	4,817,561	5,576,637
Domestic banking institutions	2,994,256	2,590,445	2,994,256	2,590,445
Others	4,006,334	4,203,721	4,006,334	4,203,721
	45,940,414	43,556,350	45,949,715	43,594,947

16. INVESTMENT ACCOUNTS OF CUSTOMERS**(a) By type and Shariah contract**

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	1,516,844	461,312
With maturity		
<i>Wakalah</i>	2,295,417	214,793
	3,812,261	676,105
Restricted investment accounts ("RIA") managed by the Bank[^]		
With maturity		
<i>Wakalah</i>	141,343	82,567

[^] Included in RIA managed by the Bank is an arrangement between the Bank and its ultimate holding entity where the Bank acts as an investment agent to manage and administer the RIA, with underlying assets amounting to RM141,033,000 (2015:RM82,567,000).

(b) By type of customers

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Individuals	1,677,636	458,801
Government and statutory bodies	762,888	9
Business Enterprises	737,961	397
Non-bank financial institutions	476,125	214,763
Bank and other financial institutions	45,919	-
Others	111,732	2,135
	3,812,261	676,105

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for the financial year ended 31 December 2016

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16. INVESTMENT ACCOUNTS OF CUSTOMERS (cont'd)**(c) Movement of investment accounts of customers**

GROUP AND BANK	UNRESTRICTED INVESTMENT ACCOUNTS			RESTRICTED INVESTMENT ACCOUNTS
	MUDHARABAH RM'000	WAKALAH RM'000	TOTAL RM'000	WAKALAH RM'000
As at 1 January 2015	-	-	-	-
<i>Funding inflows/outflows:</i>				
Net movement	461,046	-	461,046	-
New placement	-	212,315	212,315	83,998
Redemption/Principal repayment	-	-	-	(2,118)
Income from investment	13,861	2,932	16,793	1,087
<i>Bank's share of profit:</i>				
Profit distributed to Mudharib	(13,595)	-	(13,595)	-
Wakalah performance incentive fees	-	(454)	(454)	(400)
As at 31 December 2015/1 January 2016	461,312	214,793	676,105	82,567
<i>Funding inflows/outflows:</i>				
Net movement	1,054,331	-	1,054,331	-
New placement	-	13,090,638	13,090,638	75,412
Redemption /Principal repayment	-	(11,047,199)	(11,047,199)	(20,256)
Income from investment	61,379	52,514	113,893	8,948
<i>Bank's share of profit:</i>				
Profit distributed to Mudharib	(60,178)	-	(60,178)	-
Wakalah performance incentive fees	-	(15,329)	(15,329)	(5,328)
As at 31 December 2016	1,516,844	2,295,417	3,812,261	141,343
<i>Investment portfolio:</i>				
2016				
House financing	1,516,844	1,170,474	2,687,318	-
Personal financing	-	1,124,943	1,124,943	-
Other term financing	-	-	-	141,343
	1,516,844	2,295,417	3,812,261	141,343
2015				
House financing	461,312	214,793	676,105	-
Personal financing	-	-	-	-
Other term financing	-	-	-	82,567
	461,312	214,793	676,105	82,567

16. INVESTMENT ACCOUNTS OF CUSTOMERS (cont'd)**(d) By maturity structures, profit sharing ratio and rate of return**

	INVESTMENT ACCOUNT HOLDER			BANK'S WAKALAH PERFORMANCE INCENTIVE FEE (%)
	TOTAL AMOUNT RM'000	AVERAGE PROFIT SHARING RATIO (%)	AVERAGE RATE OF RETURN (%)	
2016				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
- Mudharabah	1,516,844	2	0.13	-
- Wakalah	2,101,430	-	3.61	1.27
	3,618,274			
<i>Between 3 to 12 months</i>				
- Wakalah	193,987	-	3.72	1.16
	3,812,261			
Restricted investment accounts:				
<i>Between 2 to 5 years</i>				
	141,343	-	3.00	1.18
2015				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
- Mudharabah	461,312	2	0.12	-
- Wakalah	214,793	-	3.78	0.69
	676,105			
Restricted investment accounts:				
<i>Between 2 to 5 years</i>				
	82,567	-	3.00	0.98

17. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Non-Mudharabah fund		
Licensed Islamic banks	30,000	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016
(cont'd)

18. SUBORDINATED SUKUK MURABAHAH

	NOTE	GROUP AND BANK	
		31.12.2016 RM'000	31.12.2015 RM'000
Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme			
First tranche, RM300 million			
5.75% due in 2025	(a)	303,308	303,355
Second tranche, RM400 million			
5.50% due in 2025	(b)	401,085	401,025
		704,393	704,380
Finance cost on Subordinated Sukuk Murabahah		39,465	13,029

The Bank issued the following tranches of Subordinated Sukuk Murabahah:

- On 22 April 2015, the Bank issued the first tranche of RM300 million in nominal value of Subordinated Sukuk Murabahah which are due on 22 April 2025, with optional redemption on 22 April 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.75% per annum payable semi-annually in arrears.
- On 15 December 2015, the Bank issued the second tranche of RM400 million which are due on 15 December 2025, with optional redemption on 15 December 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.50% per annum payable semi-annually in arrears.

The Subordinated Sukuk Murabahah qualifies as Tier II capital for the computation of the regulatory capital of the Bank in accordance with the Capital Adequacy Framework (Capital Components) for Islamic Banks issued by BNM.

19. OTHER LIABILITIES

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Other payables	489,031	435,065	486,151	401,478
Accruals	112,719	109,144	112,440	107,027
	601,750	544,209	598,591	508,505

Included in other payables is undistributed charity fund amounting to RM5,000 (2015: RM11,000) for the Group and the Bank respectively. Movement of sources and uses of charity fund are disclosed in Note 23.

20. ZAKAT AND TAXATION

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Zakat	12,878	8,740	12,851	8,711
Taxation	32,168	16,877	32,168	16,876
	45,046	25,617	45,019	25,587

21. SHARE CAPITAL

GROUP AND BANK	NUMBER OF SHARES		AMOUNT	
	31.12.2016 '000	31.12.2015 '000	31.12.2016 RM'000	31.12.2015 RM'000
Authorised:				
Ordinary shares of RM1.00 each	2,540,000	2,540,000	2,540,000	2,540,000
Issued and fully paid				
Ordinary shares of RM1.00 each				
At 1 January	2,363,283	2,319,907	2,363,283	2,319,907
Allotment of new ordinary shares	41,101	43,376	41,101	43,376
At 31 December	2,404,384	2,363,283	2,404,384	2,363,283

The Bank increased its issued and paid-up capital on 18 May 2016 from RM2,363,282,700 to RM2,384,209,700 via the issuance of 20,927,000 new ordinary shares of RM1.00 each at a consideration of RM3.10 each arising from the Dividend Reinvestment Plan of the fifty percent of the final dividend of approximately 5.49 sen per share in respect of financial year ended 31 December 2015, as disclosed in Note 37.

The Bank further increased its issued and paid-up capital on 22 September 2016 from RM2,384,209,700 to RM2,404,383,700 via the issuance of 20,174,000 new ordinary shares of RM1.00 each at a consideration of RM3.25 each arising from the Dividend Reinvestment Plan of the fifty percent of the interim dividend of approximately 5.50 sen per share in respect of financial year ending 31 December 2016, as disclosed in Note 37.

The increase in its issued paid up capital during the financial year ended 31 December 2015 to RM2,363,282,700 was via the issuance of 22,799,000 and 20,576,700 new ordinary shares at a consideration of RM2.90 and RM3.00 per share respectively arising from the Dividend Reinvestment Plan of fifty percent of dividends declared and paid, as disclosed in Note 37.

NOTES TO THE FINANCIAL STATEMENTS

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22. OTHER RESERVES

	STATUTORY RESERVE RM'000	FAIR VALUE RESERVE RM'000	TRANSLATION RESERVE RM'000	TOTAL RM'000
GROUP				
At 1 January 2015	1,005,991	(32,686)	(43,526)	929,779
Foreign exchange translation differences	-	-	(84,907)	(84,907)
Fair value reserve				
- Net change in fair value	-	17,087	-	17,087
- Net amount reclassified to profit or loss	-	(14,735)	-	(14,735)
Income tax credit relating to components of other comprehensive income	-	7,280	-	7,280
Transfer from current year profit	253,416	-	-	253,416
At 31 December 2015/1 January 2016	1,259,407	(23,054)	(128,433)	1,107,920
Foreign exchange translation differences	-	-	(20,252)	(20,252)
Fair value reserve				
- Net change in fair value	-	15,229	-	15,229
- Net amount reclassified to profit or loss	-	(51,249)	-	(51,249)
Income tax credit relating to components of other comprehensive income	-	8,645	-	8,645
Transfer from current year profit	132,752	-	-	132,752
At 31 December 2016	1,392,159	(50,429)	(148,685)	1,193,045
BANK				
At 1 January 2015	1,005,991	(32,686)	(43,584)	929,721
Foreign exchange translation differences	-	-	(85,031)	(85,031)
Fair value reserve				
- Net change in fair value	-	17,087	-	17,087
- Net amount reclassified to profit or loss	-	(14,735)	-	(14,735)
Income tax credit relating to components of other comprehensive income	-	7,280	-	7,280
Transfer from current year profit	253,416	-	-	253,416
At 31 December 2015/1 January 2016	1,259,407	(23,054)	(128,615)	1,107,738
Foreign exchange translation differences	-	-	(20,293)	(20,293)
Fair value reserve				
- Net change in fair value	-	15,229	-	15,229
- Net amount reclassified to profit or loss	-	(51,249)	-	(51,249)
Income tax credit relating to components of other comprehensive income	-	8,645	-	8,645
Transfer from current year profit	132,752	-	-	132,752
At 31 December 2016	1,392,159	(50,429)	(148,908)	1,192,822

22. OTHER RESERVES (cont'd)

The statutory reserve is maintained in compliance with Section 57(2)(f) of the Islamic Financial Service Act, 2013 and is not distributable as cash dividends.

The fair value reserve includes the cumulative net change in the fair value of financial assets available-for-sale, excluding impairment losses, until the financial asset is derecognised.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the offshore banking operations in the Federal Territory of Labuan.

23. SOURCES AND USES OF CHARITY FUNDS

GROUP AND BANK	CHARITY FUNDS RM'000	SHARIAH NON- COMPLIANCE INCOME RM'000	TOTAL RM'000
Undistributed funds as at 1 January 2015	261	1	262
Funds collected/received during the year	2	8	10
Uses of funds during the year	(261)	–	(261)
<i>Contribution to Non-profit Organisation</i>	(23)	–	(23)
<i>Contribution for poor/needly family</i>	(117)	–	(117)
<i>Contribution for Education Fund</i>	(120)	–	(120)
<i>Contribution to school</i>	(1)	–	(1)
Undistributed funds as at 31 December 2015/1 January 2016	2	9	11
Funds collected /received during the year	1	9	10
Uses of funds during the year	(3)	(13)	(16)
<i>Contribution to Non-profit Organisation</i>	–	(5)	(5)
<i>Contribution for Da'wah activities</i>	(1)	(3)	(4)
<i>Contribution for poor/needly family</i>	(2)	–	(2)
<i>Contribution to school</i>	–	(5)	(5)
Undistributed funds as at 31 December 2016	–	5	5

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24. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	GROUP AND BANK	
	2016 RM'000	2015 RM'000
Income derived from investment of:		
(i) General investment deposits	55,715	74,986
(ii) Term deposit-i	1,339,854	1,209,301
(iii) Saving and demand deposits	793,868	761,132
(iv) Other deposits	152,767	158,264
	2,342,204	2,203,683

(i) Income derived from investment of general investment deposits

	GROUP AND BANK	
	2016 RM'000	2015 RM'000
Finance income and hibah		
Financing, advances and others	46,815	60,344
Financial assets:		
- held-for-trading	497	1,025
- available-for-sale	6,207	10,326
- held-to-maturity	128	174
Money at call and deposits with financial institutions	697	2,576
	54,344	74,445
Other dealing income		
Net gain from sale of financial assets held-for-trading	149	103
Net loss on revaluation of financial assets held-for-trading	(70)	(20)
	79	83
Other operating income		
Net gain from sale of financial assets available-for-sale	1,292	458
	55,715	74,986
<i>of which</i>		
Financing income earned on impaired financing	827	1,212

24. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (cont'd)**(ii) Income derived from investment of term deposit-i**

	GROUP AND BANK	
	2016	2015
	RM'000	RM'000
Finance income and hibah		
Financing, advances and others	1,137,396	1,014,402
Financial assets:		
- held-for-trading	11,313	13,613
- available-for-sale	142,503	139,074
- held-to-maturity	2,861	2,603
Money at call and deposits with financial institutions	16,007	33,529
	1,310,080	1,203,221
Other dealing income		
Net gain from sale of financial assets held-for-trading	2,995	695
Net loss on revaluation of financial assets held-for-trading	(2,247)	(603)
	748	92
Other operating income		
Net gain from sale of financial assets available-for-sale	29,026	5,988
	1,339,854	1,209,301
<i>of which</i>		
Financing income earned on impaired financing	18,818	16,543

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

24. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (cont'd)

(iii) Income derived from investment of saving and demand deposits

	GROUP AND BANK	
	2016	2015
	RM'000	RM'000
Finance income and hibah		
Financing, advances and others	673,911	638,463
Financial assets:		
- held-for-trading	6,703	8,568
- available-for-sale	84,433	87,533
- held-to-maturity	1,695	1,638
Money at call and deposits with financial institutions	9,484	21,103
	776,226	757,305
Other dealing income		
Net gain from sale of financial assets held-for-trading	1,775	438
Net loss on revaluation of financial assets held-for-trading	(1,331)	(380)
	444	58
Other operating income		
Net gain from sale of financial assets available-for-sale	17,198	3,768
	793,868	761,131
<i>of which</i>		
Financing income earned on impaired financing	11,150	10,413

24. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (cont'd)**(iv) Income derived from investment of other deposits**

	GROUP AND BANK	
	2016 RM'000	2015 RM'000
Finance income and hibah		
Financing, advances and others	129,683	132,757
Financial assets:		
- held-for-trading	1,290	1,782
- available-for-sale	16,248	18,201
- held-to-maturity	327	341
Money at call and deposits with financial institutions	1,825	4,388
	149,373	157,469
Other dealing income		
Net gain from sale of financial assets held-for-trading	341	91
Net loss on revaluation of financial assets held-for-trading	(256)	(79)
	85	12
Other operating income		
Net gain from sale of financial assets available-for-sale	3,309	783
	152,767	158,264
<i>of which</i>		
Financing income earned on impaired financing	2,145	2,164

25. INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	GROUP AND BANK	
	2016 RM'000	2015 RM'000
Finance income		
Unrestricted investment accounts		
- <i>Mudharabah</i>	61,379	13,861
- <i>Wakalah</i>	52,514	2,932
	113,893	16,793

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

26. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	GROUP		BANK	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Finance income and hibah				
Financing, advances and others	6,355	6,033	6,355	6,033
Financial assets available-for-sale	125,468	144,473	125,468	144,473
Money at call and deposits with financial institutions	193	5,586	193	5,586
	132,016	156,092	132,016	156,092
Other dealing income				
Net gain from foreign exchange transactions	73,114	81,668	73,114	81,668
Net derivatives loss	(4,515)	(1,152)	(4,515)	(1,152)
Net gain from sale of financial assets held-for-trading	345	-	-	-
Net (loss)/gain on revaluation of financial assets held-for-trading	(170)	165	-	-
	68,774	80,681	68,599	80,516
Other operating income				
Net gain from sale of financial assets available-for-sale	424	-	424	-
Gain on liquidation of a subsidiary	-	-	89	-
Gain on liquidation of securities	-	3,737	-	3,737
Gross dividend income from securities				
- unquoted in Malaysia	1,612	1,612	1,612	1,612
- unit trust in Malaysia	3,379	901	3,379	901
- unit trust outside Malaysia	-	82	-	82
	5,415	6,332	5,504	6,332
Fees and commission				
Card fees and commission	67,002	67,075	67,002	67,075
Takaful service fees and commission	33,766	18,778	33,766	18,778
Financing fees	21,078	21,972	21,078	21,972
Commission on MEPS	12,022	9,935	12,022	9,935
Ar-Rahnu fees	10,964	10,769	10,964	10,769
Unit trust management fees	7,877	6,878	-	-
Cheque issued and return, closing account and other fees	7,510	8,261	7,510	8,261
Corporate advisory fees	4,041	5,527	4,041	5,527
Processing fees	3,172	4,496	3,171	4,493
Ta'widh charges	902	936	902	936
Others	29,698	27,600	28,461	26,685
	198,032	182,227	188,917	174,431

26. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (cont'd)

	GROUP		BANK	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other income				
Rental income	2,423	2,952	2,761	3,290
Net gain on disposal of property and equipment	527	101	527	101
Other income	170	135	68	64
	3,120	3,188	3,356	3,455
	407,357	428,520	398,392	420,826

27. ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	GROUP AND BANK	
	2016 RM'000	2015 RM'000
Allowance for impaired financing, advances and others:		
- collective assessment allowance	161,667	189,391
- individual assessment allowance	30,662	14,148
Bad debts and financing recovered	(100,224)	(134,208)
	92,105	69,331

28. ALLOWANCE FOR IMPAIRMENT ON INVESTMENTS

	GROUP		BANK	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Allowance for/(Reversal of) impairment of financial assets:				
- available-for-sale	255	4,620	255	4,620
- held-to-maturity	-	(132)	-	(132)
	255	4,488	255	4,488

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

29. INCOME ATTRIBUTABLE TO DEPOSITORS

	GROUP		BANK	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits from customers:				
- Mudharabah fund	18,467	62,413	18,467	62,413
- Non-Mudharabah fund	1,020,530	960,238	1,020,762	960,457
Deposits and placements of banks and other financial institutions:				
- Mudharabah fund	-	2,261	-	2,261
- Non-Mudharabah fund	30,640	4,037	30,640	4,037
	1,069,637	1,028,949	1,069,869	1,029,168

30. INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDERS

	GROUP AND BANK	
	2016 RM'000	2015 RM'000
Unrestricted investment accounts		
- Mudharabah	1,201	266
- Wakalah	37,186	2,478
	38,387	2,744

31. PERSONNEL EXPENSES

	GROUP		BANK	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries and wages	261,319	248,903	257,284	245,455
Allowances and bonuses	133,184	119,925	132,458	119,243
Employees' Provident Fund	49,723	45,178	49,009	44,618
Directors and Shariah Supervisory Council Members' remuneration	9,992	10,197	9,325	9,583
Medical benefits	20,803	21,564	20,603	21,352
Staff sales commission	13,310	12,336	13,310	12,336
Others	18,342	15,701	18,188	15,577
	506,673	473,804	500,177	468,164

32. OTHER OVERHEAD EXPENSES

	GROUP		BANK	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Promotion				
Advertisement and publicity	7,920	6,893	7,812	6,547
Credit and debit card expenses	25,513	21,029	25,513	21,029
Others	13,005	9,778	11,092	7,721
	46,438	37,700	44,417	35,297
Establishment				
Depreciation of property and equipment	59,582	63,935	59,338	63,746
Office rental	51,684	50,377	51,620	50,321
Information technology expenses	49,956	32,010	49,956	32,010
Security services	18,028	13,994	18,033	13,993
Utilities	15,686	13,517	15,611	13,434
Takaful	13,473	8,613	13,227	8,525
Office maintenance	10,416	13,155	10,312	12,892
Rental of equipment	3,715	4,106	3,641	4,056
Others	305	305	305	305
	222,845	200,012	222,043	199,282
General expenses				
Auditors' remuneration				
- statutory audit fees	700	690	618	618
- others	355	348	355	348
Outsourcing fees	20,891	16,861	20,891	16,861
Travelling & transportation	8,818	8,734	8,712	8,594
Office supplies	8,784	7,848	8,596	7,734
Subscription fees	3,851	3,383	3,851	3,382
Professional fees	3,453	2,273	3,291	2,211
Processing charges	852	1,933	852	1,933
Property and equipment written off	8	881	8	881
Others	65,074	67,816	65,705	69,595
	112,786	110,767	112,879	112,157
	382,069	348,479	379,339	346,736

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

33. DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS' REMUNERATION

	GROUP		BANK	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors of the Bank				
<i>Executive Director:</i>				
Salaries and other remuneration, including meeting allowances	7,236	7,529	7,233	7,522
Benefits-in-kind	173	200	173	200
	7,409	7,729	7,406	7,722
<i>Non-Executive Directors:</i>				
Fees	1,076	1,108	1,064	1,096
Other emoluments	627	631	618	622
Benefits-in-kind	172	184	172	184
	1,875	1,923	1,854	1,902
Directors of subsidiaries				
<i>Executive Director:</i>				
Salaries and other remuneration, including meeting allowances	468	343	-	-
	468	343	-	-
<i>Non-Executive Directors:</i>				
Fees	81	135	-	-
Other emoluments	81	94	-	-
	162	229	-	-
Total	9,914	10,224	9,260	9,624
Members of Shariah Supervisory Council (SSC)				
- SSC of the Bank	416	349	410	343
- SSC of a subsidiary	7	8	-	-
Total	423	357	410	343
Grand total (excluding benefits-in-kind) (Note 31)	9,992	10,197	9,325	9,583

33. DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS' REMUNERATION (cont'd)

The total remuneration (including benefits-in-kind) of the Directors of the Bank is as follows:

	REMUNERATION RECEIVED FROM THE BANK				BANK TOTAL RM'000	REMUNERATION RECEIVED FROM SUBSIDIARIES		GROUP TOTAL RM'000
	SALARY AND BONUS RM'000	FEES RM'000	OTHER EMOLUMENTS RM'000	BENEFITS -IN-KIND RM'000		FEES RM'000	OTHER EMOLUMENTS RM'000	
31 December 2016								
Executive Director:								
Dato' Sri Zukri Samat	5,639	-	1,594	173	7,406	-	3	7,409
Non-Executive Directors:								
Datuk Zamani Abdul Ghani	-	231	157	62	450	-	-	450
Tan Sri Dato' Dr. Abdul Shukor Husin	-	155	81	-	236	-	-	236
Datuk Zaiton Mohd Hassan	-	242	128	35	405	-	-	405
Dato' Johan Abdullah	-	15	40	-	55	-	-	55
Zahari @ Mohd Zin Idris	-	216	125	50	391	12	9	412
Mohamed Ridza Mohamed Abdulla	-	108	60	25	193	-	-	193
Nik Mohd Hasyudeen Yusoff	-	49	12	-	61	-	-	61
Noraini Che Dan	-	48	15	-	63	-	-	63
	-	1,064	618	172	1,854	12	9	1,875
	5,639	1,064	2,212	345	9,260	12	12	9,284
31 December 2015								
Executive Director:								
Dato' Sri Zukri Samat	5,883	-	1,639	200	7,722	-	7	7,729
Non-Executive Directors:								
Datuk Zamani Abdul Ghani	-	228	143	44	415	-	-	415
Tan Sri Ismee Ismail	-	70	61	25	156	-	-	156
Tan Sri Dato' Dr. Abdul Shukor Husin	-	144	57	50	251	-	-	251
Datuk Zaiton Mohd Hassan	-	240	123	15	378	-	-	378
Dato' Johan Abdullah	-	90	53	25	168	-	-	168
Zahari @ Mohd Zin Idris	-	216	123	-	339	12	9	360
Mohamed Ridza Mohamed Abdulla	-	108	62	25	195	-	-	195
Nik Mohd Hasyudeen Yusoff	-	-	-	-	-	-	-	-
Noraini Che Dan	-	-	-	-	-	-	-	-
	-	1,096	622	184	1,902	12	9	1,923
	5,883	1,096	2,261	384	9,624	12	16	9,652

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(cont'd)

33. DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS' REMUNERATION (cont'd)

The total remuneration of the members of the Shariah Supervisory Council of the Bank is as follows:

	REMUNERATION RECEIVED FROM THE BANK		BANK TOTAL RM'000	REMUNERATION RECEIVED FROM SUBSIDIARY FEES RM'000	GROUP TOTAL RM'000
	FEES RM'000	OTHER EMOLUMENTS RM'000			
31 December 2016					
Professor Dato' Dr. Ahmad Hidayat Buang	60	36	96	-	96
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	54	23	77	6	83
Ustaz Dr. Muhammad Syafii Antonio	54	23	77	-	77
Assistant Professor Dr. Uzaimah Ibrahim	54	26	80	-	80
Ustazah Dr. Yasmin Hanani Mohd Safian	54	26	80	-	80
	276	134	410	6	416
31 December 2015					
Professor Dato' Dr. Ahmad Hidayat Buang	58	11	69	-	69
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	55	9	64	6	70
Ustaz Dr. Muhammad Syafii Antonio	54	8	62	-	62
Assistant Professor Dr. Uzaimah Ibrahim	54	9	63	-	63
Ustazah Dr. Yasmin Hanani Mohd Safian	41	7	48	-	48
Dato' Mohd Bakir Hj. Mansor	13	24	37	-	37
	275	68	343	6	349

34. KEY MANAGEMENT PERSONNEL

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain senior management members of the Group.

The compensation for key management personnel other than the Directors' remuneration is as follows:

	GROUP AND BANK	
	2016 RM'000	2015 RM'000
Other key management personnel:		
- Short-term employee benefits	18,525	20,109

35. TAX EXPENSE

	GROUP		BANK	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysian income tax:				
Current year	182,542	175,072	182,500	175,000
Over provision in prior years	(1,400)	(8,721)	(1,359)	(8,723)
	181,142	166,351	181,141	166,277
Deferred tax expense relating to origination and reversal of temporary differences arising from:				
Current year	(5,026)	804	(5,026)	804
Effect of changes in tax rate	–	1,196	–	1,196
Under provision in prior years	475	1,318	475	1,318
	(4,551)	3,318	(4,551)	3,318
	176,591	169,669	176,590	169,595

A reconciliation of effective tax expense for the Group and the Bank are as follows:

	GROUP		BANK	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	720,412	685,661	720,441	685,131
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	172,899	171,417	172,906	171,283
Income not subject to tax	(1,406)	(1,070)	(1,406)	(1,070)
Non-deductible expenses	6,023	5,402	5,974	5,318
	177,516	175,749	177,474	175,531
Deferred tax assets not recognised	–	127	–	273
Effect of changes in tax rate	–	1,196	–	1,196
(Over)/Under provision in prior years				
- Income tax	(1,400)	(8,721)	(1,359)	(8,723)
- Deferred tax	475	1,318	475	1,318
	176,591	169,669	176,590	169,595

36. EARNINGS PER SHARE

Basic earnings per share are calculated based on the net profit attributable to equity holders of the Group of RM530,962,000 (2015: RM507,262,000) and the weighted average number of ordinary shares outstanding during the year of 2,381,774,336 (2015: 2,337,037,729).

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

37. DIVIDENDS

Dividends paid by the Bank:

	SEN PER SHARE	TOTAL AMOUNT RM'000	DATE OF PAYMENT
2016			
Single tier			
Final 2015	5.49	129,744	18 May 2016
Interim 2016	5.50	131,132	22 September 2016
		260,876	
2015			
Single tier			
Final 2014	5.75	133,395	30 June 2015
Interim 2015	5.27	123,461	22 September 2015
		256,856	

From the total dividend amount paid of RM129.7 million on 18 May 2016, approximately 50% or RM64.9 million was distributed as cash dividend whilst the remaining 50% amounting to RM64.8 million was reinvested to subscribe for 20,927,000 new ordinary shares of RM1.00 at RM3.10 each via the Dividend Reinvestment Plan.

From the total dividend amount paid of RM131.1 million on 22 September 2016, approximately 50% or RM65.6 million was distributed as cash dividend whilst the remaining 50% amounting to RM65.5 million was reinvested to subscribe for 20,174,000 new ordinary shares of RM1.00 at RM3.25 each via the Dividend Reinvestment Plan.

From the total dividend amount paid of RM133.4 million on 30 June 2015, approximately 50% or RM67.3 million was distributed as cash dividend whilst the remaining 50% amounting to RM66.1 million was reinvested to subscribe for 22,799,000 new ordinary shares of RM1.00 at RM2.90 each via the Dividend Reinvestment Plan.

From the total dividend amount paid of RM123.5 million on 22 September 2015, approximately 50% or RM61.8 million was distributed as cash dividend whilst the remaining 50% amounting to RM61.7 million was reinvested to subscribe for 20,576,700 new ordinary shares of RM1.00 at RM3.00 each via the Dividend Reinvestment Plan.

The dividend was reinvested by the sole shareholder, BIMB Holdings Berhad to strengthen the Bank's capital position to fund the business growth of the Bank.

After the end of the financial year, the following dividend was proposed by the Directors. This dividend will be recognised in the subsequent financial year upon approval by the shareholder.

	SEN PER SHARE	TOTAL AMOUNT RM'000
Final 2016 ordinary	5.58	134,167

It is also proposed that 100% of the proposed final dividend totalling RM134.167 million be reinvested to subscribe for new ordinary share of RM1.00 at RM3.25 each via the Dividend Reinvestment Plan ("DRP"). The proposed DRP is subject to approval by Bank Negara Malaysia.

38. OPERATING SEGMENTS

The Group's reportable segments, as described below, can be classified into four segments. Each segment offers different products and services. The following summary describes the operations in each of the segments:

- Consumer Banking Includes financing, deposits and other transactions and balances with retail customers
- Corporate and Commercial Banking Includes corporate finance activities, financing, deposits and other transactions and balances with corporate customers, commercial customers and small & medium enterprises
- Treasury Division Undertakes funding activities through borrowings and investing in liquid assets such as short-term placements and corporate and government debt securities
- Shareholders unit Operates shareholders' funds

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before allocation of overheads and income tax.

	CONSUMER BANKING RM'000	CORPORATE AND COMMERCIAL BANKING RM'000	TREASURY RM'000	SHAREHOLDERS UNIT RM'000	ELIMINATION RM'000	GROUP TOTAL RM'000
31 December 2016						
Total Revenue	1,715,082	570,896	407,371	181,974	(6,541)	2,868,782
Net fund based income	866,086	394,541	(35,294)	202,575	–	1,427,908
Non-fund based income	144,540	39,739	130,696	24,184	(6,309)	332,850
Net income	1,010,626	434,280	95,402	226,759	(6,309)	1,760,758
Allowances for impairment	(63,109)	(28,996)	353	–	–	(91,752)
Profit before overheads, zakat and tax	947,517	405,284	95,755	226,759	(6,309)	1,669,006
Operating expenses						(948,594)
Profit before zakat and tax						720,412
Segment assets	28,586,902	10,602,372	13,840,512	34,450	(25,529)	53,038,707
Unallocated assets						2,637,990
Total assets						55,676,697

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38. OPERATING SEGMENTS (cont'd)

	CONSUMER BANKING RM'000	CORPORATE AND COMMERCIAL BANKING RM'000	TREASURY RM'000	SHAREHOLDERS UNIT RM'000	ELIMINATION RM'000	GROUP TOTAL RM'000
31 December 2015						
Total Revenue	1,563,465	470,613	441,377	182,241	(8,300)	2,649,396
Net fund based income	809,766	363,946	(19,514)	179,834	–	1,334,032
Non-fund based income	131,542	39,376	94,725	26,109	(8,081)	283,671
Net income	941,308	403,322	75,211	205,943	(8,081)	1,617,703
Allowances for impairment	(108,608)	39,277	(4,488)	–	–	(73,819)
Profit before overheads, zakat and tax	832,700	442,599	70,723	205,943	(8,081)	1,543,884
Operating expenses						(858,223)
Profit before zakat and tax						685,661
Segment assets	25,251,798	9,042,892	12,725,156	67,083	(54,906)	47,032,023
Unallocated assets						2,731,696
Total assets						49,763,719

39. FINANCIAL RISK MANAGEMENT

Overview

The Bank's mission with respect to risk management is to advance its risk management capabilities, culture and practices so as to be in line with internationally accepted standards and practices.

In that regard, the objectives of managing risk are to:

- Inculcate a risk-awareness culture throughout the Bank;
- Establish a standard approach and methodology in managing credit, market, liquidity, operational and business risks across the Bank;
- Clarify functional structures including objectives, roles and responsibilities;
- Implement and use a risk management information system that meets international standards on confidentiality, integrity and its availability;
- Develop and use tools, such as economic capital, value at risk, scoring models and stress testing to support the measurement of risks and enhance risk-based decisions;
- Ensure that risk policies and overall risk appetite are in line with business targets;
- Ensure that the Bank's capital can support current and planned business needs in terms of risk exposures.

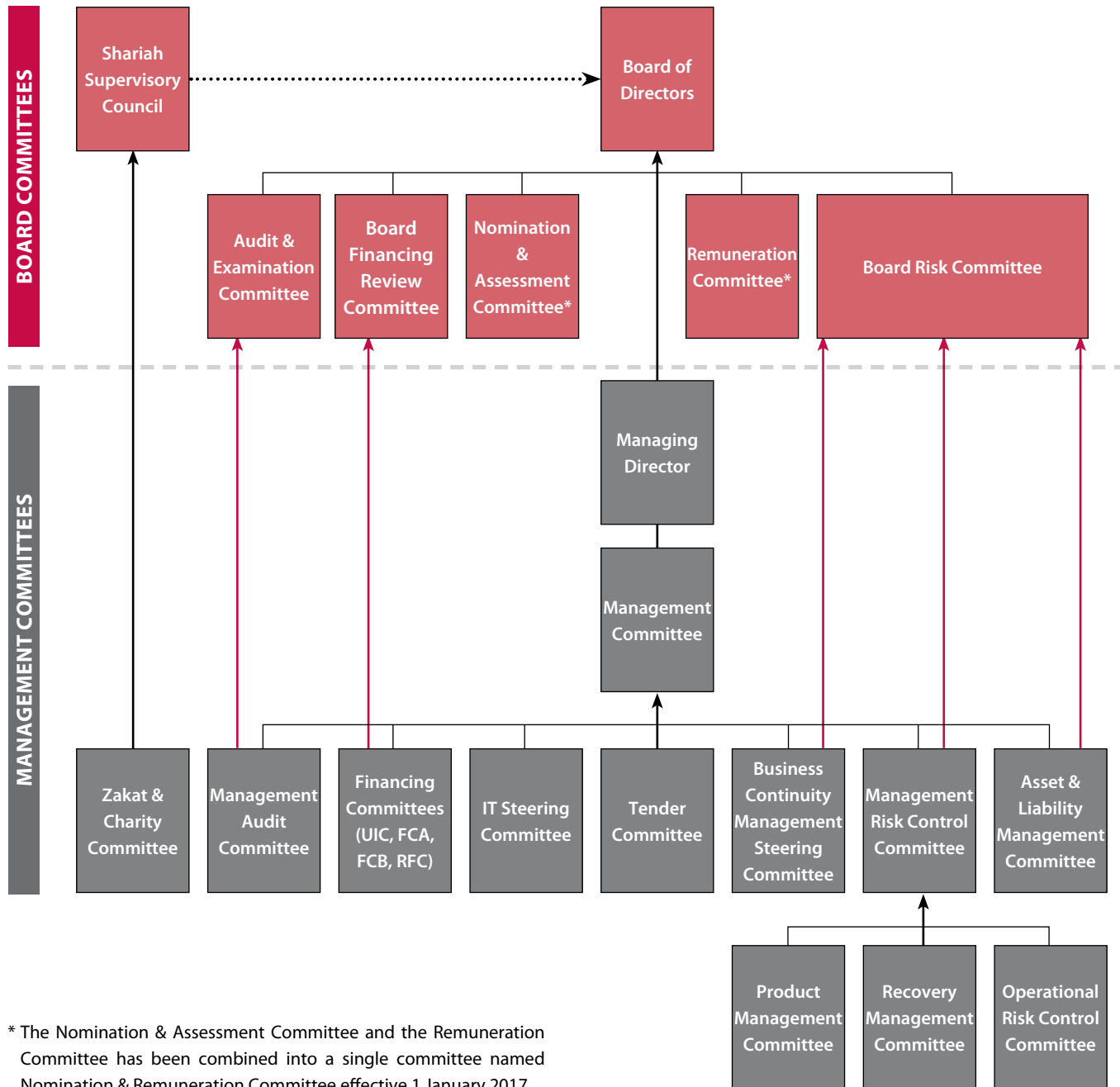
Risk Management Functional and Governance Structure

The Bank has realigned its risk organisational responsibilities with the objective of ensuring a common view of risks across the Bank. As a matter of good business practice and prudence, the Bank's core risk management functions, which report to the Board of Directors through its Board Risk Committee ("BRC"), are independent and clearly segregated from the business divisions and centralised at head office.

39. FINANCIAL RISK MANAGEMENT (cont'd)

Risk Management Functional and Governance Structure (cont'd)

The following illustrates the Bank's governance structure:



* The Nomination & Assessment Committee and the Remuneration Committee has been combined into a single committee named Nomination & Remuneration Committee effective 1 January 2017.

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(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

The Bank recognises the fact that the essence of banking and financial services is centred on risk taking. The Bank therefore:

- Recognises that it has to manage risks to effectively conduct its business;
- Aims to reach an optimum level of risk-return in order to maximise stakeholders' value; and
- Implements risk management processes that are commensurate with the size and complexity of the current and future operations of the Bank within its risk appetite and tolerance.

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

In order to have sufficient capital to support all its business and risk taking activities, the Bank has implemented capital management processes in its management systems and processes. A detailed capital management process, also known as Internal Capital Adequacy Assessment Process ("ICAAP"), has been adopted by the Bank as a key enabler for value creation and the long term sustainability of the Bank. This capital management includes risk assessment and risk management embedded within the risk governance structure of the Bank.

(a) Financial instruments by categories

The tables below provide an analysis of financial instruments categorised as follows:

- Financing, advances and receivables ("F&R")
- Fair value through profit or loss ("FVTPL")
- Financial assets available-for-sale ("AFS")
- Financial assets held-to-maturity ("HTM")
- Financial liabilities measured at amortised cost ("FL")

39. FINANCIAL RISK MANAGEMENT (cont'd)**(a) Financial instruments by categories** (cont'd)

BANK 31 DECEMBER 2016 RM'000	CARRYING AMOUNT	F&R/(FL)	FVTPL	AFS	HTM	DERIVATIVES
Financial assets						
Cash, balances and placements with banks	4,063,268	4,063,268	-	-	-	-
Financial assets held-for-trading	569,750	-	569,750	-	-	-
Derivative financial assets	124,572	-	-	-	-	124,572
Financial assets available-for-sale	9,957,743	-	-	9,957,743	-	-
Financial assets held-to-maturity	57,703	-	-	-	57,703	-
Financing, advances and others	39,189,274	39,189,274	-	-	-	-
Other assets	95,928	95,928	-	-	-	-
Statutory deposits with Bank Negara Malaysia	1,374,876	1,374,876	-	-	-	-
	55,433,114	44,723,346	569,750	9,957,743	57,703	124,572
Financial liabilities						
Deposits from customers	(45,949,715)	(45,949,715)	-	-	-	-
Investment accounts of customers	(3,812,261)	(3,812,261)	-	-	-	-
Deposits and placements of banks and other financial institutions	(30,000)	(30,000)	-	-	-	-
Derivative financial liabilities	(111,089)	-	-	-	-	(111,089)
Bills and acceptance payable	(46,278)	(46,278)	-	-	-	-
Subordinated Sukuk Murabahah	(704,393)	(704,393)	-	-	-	-
Other liabilities	(598,591)	(598,591)	-	-	-	-
	(51,252,327)	(51,141,238)	-	-	-	(111,089)

The Group's financial instruments are not materially different from the Bank's financial instruments

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Financial instruments by categories (cont'd)

BANK 31 DECEMBER 2015 RM'000	CARRYING AMOUNT	F&R/(FL)	FVTPL	AFS	HTM	DERIVATIVES
Financial assets						
Cash, balances and placements with banks	2,978,315	2,978,315	-	-	-	-
Financial assets held-for-trading	418,718	-	418,718	-	-	-
Derivative financial assets	119,259	-	-	-	-	119,259
Financial assets available-for-sale	9,938,173	-	-	9,938,173	-	-
Financial assets held-to-maturity	59,352	-	-	-	59,352	-
Financing, advances and others	34,294,690	34,294,690	-	-	-	-
Other assets	68,235	68,235	-	-	-	-
Statutory deposits with Bank Negara Malaysia	1,591,460	1,591,460	-	-	-	-
	49,468,202	38,932,700	418,718	9,938,173	59,352	119,259
Financial liabilities						
Deposits from customers	(43,594,947)	(43,594,947)	-	-	-	-
Investment accounts of customers	(676,105)	(676,105)	-	-	-	-
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-
Derivative financial liabilities	(101,913)	-	-	-	-	(101,913)
Bills and acceptance payable	(122,577)	(122,577)	-	-	-	-
Subordinated Sukuk Murabahah	(704,380)	(704,380)	-	-	-	-
Other liabilities	(508,505)	(508,505)	-	-	-	-
	(45,708,427)	(45,606,514)	-	-	-	(101,913)

The Group's financial instruments are not materially different from the Bank's financial instruments

39. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk

Overview

Credit risk arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor. The types of credit risks that the Bank considers to be material includes: Default Risk, Counterparty Risk, Pre-Settlement Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk, and Migration Risk.

Credit risk governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the BRC, guided by the Board of Directors' approved Risk Appetite Statement.

The Management Risk Control Committee ("MRCC") is responsible under the authority delegated by the BRC for managing credit risk at strategic level. The MRCC reviews the Bank's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Bank's credit risk management governance includes the establishment of credit risk policies, guidelines and procedures which document the Bank's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

Management of Credit Risk

The management of credit risk is being performed by Credit Management Division ("CMD") and Risk Management Division ("RMD"), and two other units outside of the CMD and RMD domain, namely, Credit Administration Department and Credit Recovery. The combined objectives are, amongst others:

- To build a high quality credit portfolio in line with the Bank's overall strategy and risk appetite;
- To ensure that the Bank is compensated for the risk taken, balancing/optimising the risk/return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

The Bank monitors its credit exposures either on a portfolio or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (certain parts of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk concentration to a single customer, sector, product, Shariah contract, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counter parties limits and permissible acquisition of private debt securities, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

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for the financial year ended 31 December 2016

(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

Maximum exposure to credit risk

The following table presents the Group's and the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Cash and short-term funds	3,963,417	2,881,669	3,963,268	2,877,738
Deposits and placements with banks and other financial institutions	100,000	100,577	100,000	100,577
Financial assets held-for-trading	574,835	423,973	569,750	418,718
Derivative financial assets	124,572	119,259	124,572	119,259
Financial assets available-for-sale	9,957,286	9,937,716	9,957,743	9,938,173
Financial assets held-to-maturity	57,703	59,352	57,703	59,352
Financing, advances and others	39,189,274	34,294,690	39,189,274	34,294,690
Sub-total	53,967,087	47,817,236	53,962,310	47,808,507
Credit related obligation:				
Credit commitments	9,750,962	9,506,449	9,750,962	9,506,449
Sub-total	9,750,962	9,506,449	9,750,962	9,506,449
Total credit exposures	63,718,049	57,323,685	63,713,272	57,314,956

39. FINANCIAL RISK MANAGEMENT (cont'd)**(b) Credit risk** (cont'd)**(i) Concentration of credit risk for Group and Bank**

GROUP AS AT 31 DECEMBER 2016	CASH AND SHORT-TERM FUNDS AND DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM'000	FINANCIAL ASSETS HELD-FOR- TRADING RM'000	DERIVATIVE FINANCIAL ASSETS RM'000	FINANCIAL ASSETS AVAILABLE- FOR-SALE RM'000	FINANCIAL ASSETS HELD-TO- MATURITY RM'000	FINANCING, ADVANCES AND OTHERS RM'000	ON- BALANCE SHEETS TOTAL RM'000	COMMIT- MENTS AND CONTIN- GENCIES* RM'000
Primary agriculture	-	-	-	-	-	370,064	370,064	111,408
Mining and quarrying	-	-	-	-	-	12,563	12,563	409,084
Manufacturing (including agro-based)	-	-	2,948	-	-	712,228	715,176	1,228,303
Electricity, gas and water	-	-	-	2,109,964	-	852,028	2,961,992	452,780
Wholesale & retail trade, and hotels & restaurants	-	-	1,609	95,959	-	1,220,744	1,318,312	600,832
Construction	-	5,092	-	650,738	57,703	2,126,845	2,840,378	1,544,578
Real estate	-	-	1,780	435,171	-	1,183,849	1,620,800	21,003
Transport, storage and communications	-	-	-	994,468	-	843,398	1,837,866	411,536
Finance, insurance and business activities	3,130,743	569,743	118,235	5,670,986	-	2,032,703	11,522,410	1,538,418
Education, health and others	-	-	-	-	-	1,240,340	1,240,340	1,595,137
Household sectors	-	-	-	-	-	28,594,512	28,594,512	592,299
Other sectors	932,674	-	-	-	-	-	932,674	1,245,584
	4,063,417	574,835	124,572	9,957,286	57,703	39,189,274	53,967,087	9,750,962

*Commitments and contingencies excluding derivative financial assets

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016
(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(i) Concentration of credit risk for Group and Bank (cont'd)

GROUP AS AT 31 DECEMBER 2015	CASH AND SHORT-TERM FUNDS AND DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM'000	FINANCIAL ASSETS HELD-FOR- TRADING RM'000	DERIVATIVE FINANCIAL ASSETS RM'000	FINANCIAL ASSETS AVAILABLE- FOR-SALE RM'000	FINANCIAL ASSETS HELD-TO- MATURITY RM'000	FINANCING, ADVANCES AND OTHERS RM'000	ON- BALANCE SHEETS TOTAL RM'000	COMMIT- MENTS AND CONTIN- GENCIES* RM'000
Primary agriculture	-	-	-	-	-	395,930	395,930	115,190
Mining and quarrying	-	-	-	-	-	12,834	12,834	411,404
Manufacturing (including agro-based)	-	-	953	50,327	-	916,497	967,777	1,103,518
Electricity, gas and water	-	5,030	-	2,070,842	-	671,307	2,747,179	573,917
Wholesale & retail trade, and hotels & restaurants	-	-	88	45,087	-	1,050,360	1,095,535	749,872
Construction	-	44,699	300	620,108	59,352	2,173,214	2,897,673	1,397,160
Real estate	-	-	901	220,637	-	1,071,698	1,293,236	280,828
Transport, storage and communications	-	20,725	-	1,213,064	-	369,858	1,603,647	369,211
Finance, insurance and business activities	2,189,654	353,519	116,865	5,717,651	-	1,319,296	9,696,985	1,055,373
Education, health and others	-	-	-	-	-	1,071,714	1,071,714	1,601,395
Household sectors	-	-	5	-	-	25,241,982	25,241,987	657,927
Other sectors	792,592	-	147	-	-	-	792,739	1,190,654
	2,982,246	423,973	119,259	9,937,716	59,352	34,294,690	47,817,236	9,506,449

*Commitments and contingencies excluding derivative financial assets

39. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(i) Concentration of credit risk for Group and Bank (cont'd)

BANK AS AT 31 DECEMBER 2016	CASH AND SHORT-TERM FUNDS AND DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM'000	FINANCIAL ASSETS HELD-FOR- TRADING RM'000	DERIVATIVE FINANCIAL ASSETS RM'000	FINANCIAL ASSETS AVAILABLE- FOR-SALE RM'000	FINANCIAL ASSETS HELD-TO- MATURITY RM'000	FINANCING, ADVANCES AND OTHERS RM'000	ON- BALANCE SHEETS TOTAL RM'000	COMMIT- MENTS AND CONTIN- GENCIES* RM'000
Primary agriculture	-	-	-	-	-	370,064	370,064	111,408
Mining and quarrying	-	-	-	-	-	12,563	12,563	409,084
Manufacturing (including agro-based)	-	-	2,948	-	-	712,228	715,176	1,228,303
Electricity, gas and water	-	-	-	2,109,964	-	852,028	2,961,992	452,780
Wholesale & retail trade, and hotels & restaurants	-	-	1,609	95,959	-	1,220,744	1,318,312	600,832
Construction	-	5,092	-	650,738	57,703	2,126,845	2,840,378	1,544,578
Real estate	-	-	1,780	435,171	-	1,183,849	1,620,800	21,003
Transport, storage and communications	-	-	-	994,468	-	843,398	1,837,866	411,536
Finance, insurance and business activities	3,130,743	564,658	118,235	5,671,443	-	2,032,703	11,517,782	1,538,418
Education, health and others	-	-	-	-	-	1,240,340	1,240,340	1,595,137
Household sectors	-	-	-	-	-	28,594,512	28,594,512	592,299
Other sectors	932,525	-	-	-	-	-	932,525	1,245,584
	4,063,268	569,750	124,572	9,957,743	57,703	39,189,274	53,962,310	9,750,962

*Commitments and contingencies excluding derivative financial assets

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(i) Concentration of credit risk for Group and Bank (cont'd)

BANK AS AT 31 DECEMBER 2015	CASH AND SHORT-TERM FUNDS AND DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS RM'000	FINANCIAL ASSETS HELD-FOR- TRADING RM'000	DERIVATIVE FINANCIAL ASSETS RM'000	FINANCIAL ASSETS AVAILABLE- FOR-SALE RM'000	FINANCIAL ASSETS HELD-TO- MATURITY RM'000	FINANCING, ADVANCES AND OTHERS RM'000	ON- BALANCE SHEETS TOTAL RM'000	COMMIT- MENTS AND CONTIN- GENCIES* RM'000
Primary agriculture	-	-	-	-	-	395,930	395,930	115,190
Mining and quarrying	-	-	-	-	-	12,834	12,834	411,404
Manufacturing (including agro-based)	-	-	953	50,327	-	916,497	967,777	1,103,518
Electricity, gas and water	-	5,030	-	2,070,842	-	671,307	2,747,179	573,917
Wholesale & retail trade, and hotels & restaurants	-	-	88	45,087	-	1,050,360	1,095,535	749,872
Construction	-	44,699	300	620,108	59,352	2,173,214	2,897,673	1,397,160
Real estate	-	-	901	220,637	-	1,071,698	1,293,236	280,828
Transport, storage and communications	-	20,725	-	1,213,064	-	369,858	1,603,647	369,211
Finance, insurance and business activities	2,189,653	348,264	116,865	5,718,108	-	1,319,296	9,692,186	1,055,373
Education, health and others	-	-	-	-	-	1,071,714	1,071,714	1,601,395
Household sectors	-	-	5	-	-	25,241,982	25,241,987	657,927
Other sectors	788,662	-	147	-	-	-	788,809	1,190,654
	2,978,315	418,718	119,259	9,938,173	59,352	34,294,690	47,808,507	9,506,449

*Commitments and contingencies excluding derivative financial assets

39. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(ii) Collateral

The main types of collateral obtained by the Group and the Bank to mitigate the credit risk are as follows:

- For residential mortgages – charges over residential properties
- For commercial property financing – charges over the properties being financed
- For vehicle financing under Ijarah Thumma Al-Bai – ownership claims over the vehicles financed
- For other financing and advances – charges over business assets such as premises, inventories, trade receivables and/or cash deposits

(iii) Credit quality of gross financing and advances

Gross financing and advances are classified as follows:

- Neither past due nor impaired financing

Financing for which the customer has not missed a contractual payment (profit or principal) when contractually due and is not impaired and there is no objective evidence of impairment

- Past due but not impaired financing

Financing for which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank

- Impaired financing

Financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness, or when the financing is classified as rescheduled and restructured in Central Credit Reference Information System (“CCRIS”).

The table below summarises the credit quality of the Group's and the Bank's gross financing according to the above classifications.

	GROUP AND BANK	
	31.12.2016	31.12.2015
	RM'000	RM'000
Neither past due nor impaired	38,788,825	33,797,333
Past due but not impaired	694,173	781,623
Impaired	389,445	381,270
	39,872,443	34,960,226
Allowance for impaired financing, advances and others		
- collective assessment allowance	(554,971)	(541,065)
- individual assessment allowance	(128,198)	(124,471)
	39,189,274	34,294,690

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for the financial year ended 31 December 2016
(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(iii) Credit quality of gross financing and advances (cont'd)

Neither past due nor impaired financing

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Excellent to good	31,981,235	27,422,414
Satisfactory	6,352,707	5,968,683
Fair	454,883	406,236
	38,788,825	33,797,333

Internal rating definition:-

Excellent to Good: Sound financial position with no difficulty in meeting its obligations.

Satisfactory: Adequate safety of meeting its current obligations but more time is required to meet the entire obligation in full.

Fair: High risks on payment obligations. Financial performance may continue to deteriorate.

Past due but not impaired financing

	GROUP AND BANK			
	31.12.2016		31.12.2015	
	RM'000	% TO GROSS FINANCING	RM'000	% TO GROSS FINANCING
By ageing				
<i>Month-in-arrears 1</i>	439,600	1.10%	596,525	1.71%
<i>Month-in-arrears 2</i>	254,573	0.64%	185,098	0.53%
	694,173	1.74%	781,623	2.24%

Impaired financing

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Individually assessed	203,374	211,198
<i>of which:</i>		
<i>Month-in-arrears 0</i>	15,614	38,490
<i>Month-in-arrears 1</i>	240	28,259
<i>Month-in-arrears 2</i>	7,623	13,235
<i>Month-in-arrears 3 and above</i>	179,897	131,214
Collectively assessed	186,071	170,072
	389,445	381,270

39. FINANCIAL RISK MANAGEMENT (cont'd)**(b) Credit risk** (cont'd)**(iii) Credit quality of gross financing and advances** (cont'd)**Impaired financing of which rescheduled and restructured financing**

	GROUP AND BANK	
	31.12.2016	31.12.2015
	RM'000	RM'000
Consumer	25,950	38,592
Business	73,093	72,030
	99,043	110,622

Rescheduled and restructured financings are financings that have been rescheduled or restructured due to deterioration in the customers' financial positions and the Bank has made concessions that it would not otherwise consider. Once the financing is rescheduled or restructured, its satisfactory performance is monitored for a period of six months before it can be reclassified to performing.

Financing, advances and others by line of business assessed by reference to the Bank's internal rating system:

GROUP AND BANK AS AT 31 DECEMBER 2016	CONSUMER RM'000	BUSINESS RM'000	TOTAL RM'000
Excellent to good	23,435,587	8,545,648	31,981,235
Satisfactory	4,286,898	2,065,809	6,352,707
Fair	454,484	399	454,883
Past due but not impaired	559,685	134,488	694,173
Impaired	222,349	167,096	389,445
Total	28,959,003	10,913,440	39,872,443

GROUP AND BANK AS AT 31 DECEMBER 2015	CONSUMER RM'000	BUSINESS RM'000	TOTAL RM'000
Excellent to good	20,401,560	7,020,854	27,422,414
Satisfactory	4,013,318	1,955,365	5,968,683
Fair	404,473	1,763	406,236
Past due but not impaired	606,586	175,037	781,623
Impaired	185,542	195,728	381,270
Total	25,611,479	9,348,747	34,960,226

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016
(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)**(b) Credit risk** (cont'd)**(iv) Credit quality of other financial assets**

Credit quality of other financial assets by external rating is as follows:

BANK AS AT 31 DECEMBER 2016	FINANCIAL ASSETS HELD-FOR-TRADING RM'000	DERIVATIVE FINANCIAL ASSETS RM'000	FINANCIAL ASSETS AVAILABLE-FOR-SALE RM'000	FINANCIAL ASSETS HELD-TO-MATURITY RM'000	TOTAL RM'000
Government bonds and treasury bills	324,500	-	2,359,521	-	2,684,021
Islamic debts securities					
Rated AAA	225,237	-	1,915,961	-	2,141,198
Rated AA1 to AA3	-	-	1,585,060	-	1,585,060
Rated A1 to A3	-	-	-	-	-
Lower than A	-	-	20,415	-	20,415
Unrated – Government guaranteed bonds	20,013	-	4,040,610	-	4,060,623
Unrated – Others	-	-	36,176	57,703	93,879
Derivative financial assets					
Bank and financial institution counterparties	-	118,234	-	-	118,234
Corporate	-	6,338	-	-	6,338
	569,750	124,572	9,957,743	57,703	10,709,768

Note: The Group's financial assets are not materially different from the Bank's financial assets.

39. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(iv) Credit quality of other financial assets (cont'd)

Credit quality of other financial assets by external rating is as follows: (cont'd)

BANK AS AT 31 DECEMBER 2015	FINANCIAL ASSETS HELD-FOR-TRADING RM'000	DERIVATIVE FINANCIAL ASSETS RM'000	FINANCIAL ASSETS AVAILABLE-FOR-SALE RM'000	FINANCIAL ASSETS HELD-TO-MATURITY RM'000	TOTAL RM'000
Government bonds and treasury bills	241,717	–	3,183,371	–	3,425,088
Islamic debts securities					
Rated AAA	96,112	–	2,457,979	–	2,554,091
Rated AA1 to AA3	–	–	1,207,996	–	1,207,996
Rated A1 to A3	–	–	45,968	–	45,968
Lower than A	–	–	–	–	–
Unrated – Government guaranteed bonds	80,889	–	2,993,736	–	3,074,625
Unrated – Others	–	–	49,123	59,352	108,475
Derivative financial assets					
Bank and financial institution counterparties	–	116,865	–	–	116,865
Corporate	–	2,394	–	–	2,394
	418,718	119,259	9,938,173	59,352	10,535,502

Note: The Group's financial assets are not materially different from the Bank's financial assets.

(c) Market risk

Overview

All the Bank's financial instruments are subject to the risk that market prices and rates will move, resulting in profit or losses to the Bank. Furthermore, significant or sudden movements in rates could affect the Bank's liquidity/funding position. The Bank is exposed to the following main market/liquidity risk factors:

- **Rate of Return or Profit Rate Risk:** the potential impact on the Bank's profitability caused by changes in the market rate of return, either due to general market movements or due to issuer/customer specific reasons;
- **Foreign Exchange Risk:** the impact of exchange rate movements on the Bank's currency positions;
- **Equity Investment Risk:** the profitability impact on the Bank's equity positions or investments caused by changes in equity prices or values;
- **Commodity Inventory Risk:** the risk of loss due to movements in commodity prices;
- **Liquidity Risk:** the potential inability of the Bank to meet its funding requirements at a reasonable cost (funding liquidity risk) or its inability to liquidate positions quickly at a reasonable price (market liquidity risk).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

Overview (cont'd)

The objective of the Bank's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Bank's approved risk appetite.

The Bank separates exposures to market risk into either trading or non-trading portfolios. Trading portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions so designated as per the approved Trading Book Policy Statements. Non-trading portfolios primarily arise from the Bank's customer driven assets and liabilities and from the Bank's investment of its surplus funds.

Market risk governance

The management of market risk is principally carried out by using risk limits approved by the BRC, guided by the Risk Appetite Statement approved by the Board of Directors.

The Asset and Liability Management Committee ("ALCO") is responsible under the authority delegated by the BRC for managing market risk at strategic level.

Management of market risk

All market risk exposures are managed by Treasury as it has the necessary skills, tools, management and governance to manage such risks. Limits are set for portfolios, products and risk types, with market liquidity and credit quality being the principal factors in determining the level of limits set.

The Market Risk Management Department ("MRMD") is the independent risk control function and is responsible for the implementation of market risk management policies. MRMD is also responsible for developing the Bank's market risk management guidelines, measurement techniques, behavioural assumptions and limit setting methodologies. Any excesses against the prescribed limits are reported to the Senior Management. Escalation procedures are documented and approved by the BRC. In addition, the market risk exposures and limits are reported to the ALCO and the BRC.

Other controls to ensure that market risk exposures remain within tolerable levels include stress testing, rigorous new product approval procedures and a list of permissible instruments that can be traded. Stress test results are produced monthly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Bank's profitability, capital adequacy and liquidity. The stress test provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Bank.

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk

The table below summarises the Group's and the Bank's exposure to profit rate risk. The table indicates average profit rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

GROUP AS AT 31 DECEMBER 2016	NON TRADING BOOK					NON PROFIT SENSITIVE RM'000	TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000				
Assets									
Cash, balances and placements with banks	3,030,743	100,000	-	-	-	932,674	-	4,063,417	1.80
Financial assets held-for-trading	-	-	-	-	-	-	574,835	574,835	4.08
Derivative financial assets	-	-	-	-	-	-	124,572	124,572	3.15
Financial assets available-for-sale	35,719	214,317	1,475,514	4,775,032	3,456,704	-	-	9,957,286	4.53
Financial assets held-to-maturity	-	-	-	-	57,703	-	-	57,703	8.71
Financing, advances and others									
- non-impaired	1,879,099	1,628,096	705,215	3,428,018	31,842,570	-	-	39,482,998	5.77
- impaired net of allowances *	-	-	-	-	-	(293,724)	-	(293,724)	-
Other assets	-	-	-	-	-	1,709,610	-	1,709,610	-
Total assets	4,945,561	1,942,413	2,180,729	8,203,050	35,356,977	2,348,560	699,407	55,676,697	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk (cont'd)

GROUP AS AT 31 DECEMBER 2016	NON TRADING BOOK						TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000	NON PROFIT SENSITIVE RM'000			
Liabilities									
Deposits from customers	16,904,998	9,948,300	4,436,940	410,072	-	14,240,104	-	45,940,414	2.52
Investment accounts of customers	923,998	1,177,432	193,987	-	-	1,516,844	-	3,812,261	3.38
Deposits and placements of banks and other financial institutions	30,000	-	-	-	-	-	-	30,000	4.47
Derivative financial liabilities	-	-	-	-	-	-	111,089	111,089	2.81
Bills and acceptance payable	-	-	-	-	-	46,278	-	46,278	-
Subordinated Sukuk Murabahah	-	-	-	700,000	-	4,393	-	704,393	5.56
Other liabilities	-	-	-	-	-	646,796	-	646,796	-
Total liabilities	17,858,996	11,125,732	4,630,927	1,110,072	-	16,454,415	111,089	51,291,231	
Equity									
Equity attributable to equity holder of the Bank	-	-	-	-	-	4,385,466	-	4,385,466	
Total equity	-	-	-	-	-	4,385,466	-	4,385,466	
Total liabilities and shareholders' equity	17,858,996	11,125,732	4,630,927	1,110,072	-	20,839,881	111,089	55,676,697	
On-balance sheet profit sensitivity gap	(12,913,435)	(9,183,319)	(2,450,198)	7,092,978	35,356,977	(18,491,321)	588,318	-	
Off-balance sheet profit sensitivity gap (profit rate swaps)	300,000	300,000	(200,000)	(400,000)	-	-	-	-	
Total profit sensitivity gap	(12,613,435)	(8,883,319)	(2,650,198)	6,692,978	35,356,977	(18,491,321)	588,318	-	

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk (cont'd)

GROUP AS AT 31 DECEMBER 2015	NON TRADING BOOK					NON PROFIT SENSITIVE RM'000	TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000				
Assets									
Cash, balances and placements with banks	2,189,653	-	-	-	-	792,593	-	2,982,246	2.31
Financial assets held-for-trading	-	-	-	-	-	-	423,973	423,973	3.70
Derivative financial assets	-	-	-	-	-	-	119,259	119,259	3.74
Financial assets available-for-sale	464,693	159,507	1,225,106	5,787,501	2,300,909	-	-	9,937,716	4.02
Financial assets held-to-maturity	-	-	-	-	59,352	-	-	59,352	7.94
Financing, advances and others									
- non-impaired	27,020,445	826,661	399,167	1,448,247	4,884,436	-	-	34,578,956	6.07
- impaired net of allowances *	-	-	-	-	-	(284,266)	-	(284,266)	-
Other assets	-	-	-	-	-	1,946,483	-	1,946,483	-
Total assets	29,674,791	986,168	1,624,273	7,235,748	7,244,697	2,454,810	543,232	49,763,719	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk (cont'd)

GROUP AS AT 31 DECEMBER 2015	NON TRADING BOOK						TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000	NON PROFIT SENSITIVE RM'000			
Liabilities									
Deposits from customers	17,705,682	5,322,685	5,097,995	79,254	-	15,350,734	-	43,556,350	2.48
Investment accounts of customers	175,916	38,877	-	-	-	461,312	-	676,105	1.28
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	101,913	101,913	3.20
Bills and acceptance payable	-	-	-	-	-	122,577	-	122,577	-
Subordinated Sukuk Murabahah	-	-	-	-	700,000	4,380	-	704,380	5.61
Other liabilities	-	-	-	-	-	569,826	-	569,826	-
Total liabilities	17,881,598	5,361,562	5,097,995	79,254	700,000	16,508,829	101,913	45,731,151	
Equity									
Equity attributable to equity holder of the Bank	-	-	-	-	-	4,032,568	-	4,032,568	
Total equity	-	-	-	-	-	4,032,568	-	4,032,568	
Total liabilities and shareholders' equity	17,881,598	5,361,562	5,097,995	79,254	700,000	20,541,397	101,913	49,763,719	
On-balance sheet profit sensitivity gap	11,793,193	(4,375,394)	(3,473,722)	7,156,494	6,544,697	(18,086,587)	441,319	-	
Off-balance sheet profit sensitivity gap (profit rate swaps)	300,000	300,000	-	(600,000)	-	-	-	-	
Total profit sensitivity gap	12,093,193	(4,075,394)	(3,473,722)	6,556,494	6,544,697	(18,086,587)	441,319	-	

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk (cont'd)

BANK AS AT 31 DECEMBER 2016	NON TRADING BOOK					NON PROFIT SENSITIVE RM'000	TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000				
Assets									
Cash, balances and placements with banks	3,030,743	100,000	-	-	-	932,525	-	4,063,268	1.79
Financial assets									
held-for-trading	-	-	-	-	-	-	569,750	569,750	4.09
Derivative financial assets	-	-	-	-	-	-	124,572	124,572	3.15
Financial assets									
available-for-sale	36,176	214,317	1,475,514	4,775,032	3,456,704	-	-	9,957,743	4.53
Financial assets									
held-to-maturity	-	-	-	-	57,703	-	-	57,703	8.71
Financing, advances and others									
- non-impaired	1,879,099	1,628,096	705,215	3,428,018	31,842,570	-	-	39,482,998	5.77
- impaired net of allowances *	-	-	-	-	-	(293,724)	-	(293,724)	-
Other assets	-	-	-	-	-	1,720,991	-	1,720,991	-
Total assets	4,946,018	1,942,413	2,180,729	8,203,050	35,356,977	2,359,792	694,322	55,683,301	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk (cont'd)

BANK AS AT 31 DECEMBER 2016	NON TRADING BOOK						TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000	NON PROFIT SENSITIVE RM'000			
Liabilities									
Deposits from customers	16,907,009	9,951,240	4,438,661	410,072	-	14,242,733	-	45,949,715	2.52
Investment accounts of customers	923,998	1,177,432	193,987	-	-	1,516,844	-	3,812,261	3.38
Deposits and placements of banks and other financial institutions	30,000	-	-	-	-	-	-	30,000	4.47
Derivative financial liabilities	-	-	-	-	-	-	111,089	111,089	2.81
Bills and acceptance payable	-	-	-	-	-	46,278	-	46,278	-
Subordinated Sukuk Murabahah	-	-	-	700,000	-	4,393	-	704,393	5.56
Other liabilities	-	-	-	-	-	643,610	-	643,610	-
Total liabilities	17,861,007	11,128,672	4,632,648	1,110,072	-	16,453,858	111,089	51,297,346	
Equity									
Equity attributable to equity holder of the Bank	-	-	-	-	-	4,385,955	-	4,385,955	
Total equity	-	-	-	-	-	4,385,955	-	4,385,955	
Total liabilities and shareholders' equity	17,861,007	11,128,672	4,632,648	1,110,072	-	20,839,813	111,089	55,683,301	
On-balance sheet profit sensitivity gap	(12,914,989)	(9,186,259)	(2,451,919)	7,092,978	35,356,977	(18,480,021)	583,233	-	
Off-balance sheet profit sensitivity gap (profit rate swaps)	300,000	300,000	(200,000)	(400,000)	-	-	-	-	
Total profit sensitivity gap	(12,614,989)	(8,886,259)	(2,651,919)	6,692,978	35,356,977	(18,480,021)	583,233	-	

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk (cont'd)

BANK AS AT 31 DECEMBER 2015	NON TRADING BOOK					NON PROFIT SENSITIVE RM'000	TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000				
Assets									
Cash, balances and placements with banks	2,189,653	-	-	-	-	788,662	-	2,978,315	2.61
Financial assets held-for-trading	-	-	-	-	-	-	418,718	418,718	4.20
Derivative financial assets	-	-	-	-	-	-	119,259	119,259	3.74
Financial assets available-for-sale	465,150	159,507	1,225,106	5,787,501	2,300,909	-	-	9,938,173	4.06
Financial assets held-to-maturity	-	-	-	-	59,352	-	-	59,352	7.95
Financing, advances and others									
- non-impaired	27,020,445	826,661	399,167	1,448,247	4,884,436	-	-	34,578,956	5.95
- impaired net of allowances *	-	-	-	-	-	(284,266)	-	(284,266)	-
Other assets	-	-	-	-	-	1,958,560	-	1,958,560	-
Total assets	29,675,248	986,168	1,624,273	7,235,748	7,244,697	2,462,956	537,977	49,767,067	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired financing.

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for the financial year ended 31 December 2016

(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk (cont'd)

BANK AS AT 31 DECEMBER 2015	NON TRADING BOOK						NON PROFIT SENSITIVE RM'000	TRADING BOOK RM'000	TOTAL RM'000	EFFECTIVE PROFIT RATE %
	UP TO 1 MONTH RM'000	>1-3 MONTHS RM'000	>3-12 MONTHS RM'000	1-5 YEARS RM'000	OVER 5 YEARS RM'000					
Liabilities										
Deposits from customers	17,708,475	5,326,031	5,098,876	79,254	-	15,382,311	-	43,594,947	2.48	
Investment accounts of customers	175,916	38,877	-	-	-	461,312	-	676,105	1.28	
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	-	
Derivative financial liabilities	-	-	-	-	-	-	101,913	101,913	3.20	
Bills and acceptance payable	-	-	-	-	-	122,577	-	122,577	-	
Subordinated Sukuk Murabahah	-	-	-	-	700,000	4,380	-	704,380	5.61	
Other liabilities	-	-	-	-	-	534,092	-	534,092	-	
Total liabilities	17,884,391	5,364,908	5,098,876	79,254	700,000	16,504,672	101,913	45,734,014		
Equity										
Equity attributable to equity holder of the Bank	-	-	-	-	-	4,033,053	-	4,033,053		
Total equity	-	-	-	-	-	4,033,053	-	4,033,053		
Total liabilities and shareholders' equity	17,884,391	5,364,908	5,098,876	79,254	700,000	20,537,725	101,913	49,767,067		
On-balance sheet profit sensitivity gap	11,790,857	(4,378,740)	(3,474,603)	7,156,494	6,544,697	(18,074,769)	436,064	-		
Off-balance sheet profit sensitivity gap (profit rate swaps)	300,000	300,000	-	(600,000)	-	-	-	-		
Total profit sensitivity gap	12,090,857	(4,078,740)	(3,474,603)	6,556,494	6,544,697	(18,074,769)	436,064	-		

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(i) Profit rate risk (cont'd)

Profit rate risk in the non-trading portfolio

Profit rate risk in the non-trading portfolio is managed and controlled using measurement tools known as economic value of equity ("EVE") and earnings-at-risk ("EaR"). EVE and EaR limits are approved by the BRC and independently monitored by the MRMD. Exposures and limits are discussed and reported to the ALCO and the BRC.

The Bank manages market risk in non-trading portfolios by monitoring the sensitivity of projected EaR and EVE under varying profit rate scenarios (simulation modeling). For simulation modeling, a combination of standard scenarios and non-standard scenarios relevant to the local market are used. The standard scenarios monitored monthly include a 100 and 200 basis points parallel fall or rise in the profit rate yield curve and historical simulation of past events. The scenarios assume no management action. Hence, they do not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively seek to change the profit rate exposure profile to minimise losses and to optimise net revenues. The nature of the hedging and risk mitigation strategies corresponds to the market instruments available. These strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the projected sensitivity to a 100 basis points parallel shift to profit rates across all maturities applied on the Group's and Bank's profit rate sensitivity gap as at reporting date.

	2016		2015	
	-100BPS	+100BPS	-100BPS	+100BPS
	INCREASE/(DECREASE)			
	RM	RM	RM	RM
	MILLION	MILLION	MILLION	MILLION
Bank				
Impact on EaR	(28.46)	28.46	(10.38)	10.38
Impact on EVE	266.25	(266.25)	326.12	(326.12)

Other controls to contain profit rate risk in the non-trading portfolio include stress testing and applying sensitivity limits to the available-for-sale financial assets. Sensitivity is measured by the present value of a 1 basis point change ("PV01") and is independently monitored by the MRMD on a daily basis against limits approved by the BRC. PV01 exposures and limits are discussed and reported to the ALCO and the BRC.

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for the financial year ended 31 December 2016

(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(ii) Market risk in the Trading Portfolio

Market risk in the trading portfolio is monitored and controlled using Value-at-Risk ("VaR"). VaR limit is approved by the BRC and independently monitored daily by the MRMD. Exposures and limits are discussed and reported to the ALCO and the BRC.

Value-at-Risk

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR models used by the Bank are based on historical simulation. These models derive plausible future scenarios from past series of recorded market rates and prices, taking into account inter-relationships between different markets and rates such as profit rates and foreign exchange rates. The historical simulation models used by the Bank incorporate the following features:

- Potential market movements are calculated with reference to data from the past four years;
- Historical market rates and prices are calculated with reference to foreign exchange rates and profit rates;
- VaR is calculated using a 99 per cent confidence level and for a one-day holding period. The nature of the VaR model means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions; and
- The dataset is updated on daily basis.

Statistically, the Bank would expect to see losses in excess of VaR only 1 per cent of the time over a one-year period. The actual number of excesses over this period can therefore be used to gauge how well the models are performing.

A summary of the VaR position of the Bank's trading portfolios at the reporting date is as follows:

	AS AT 31.12.2016 RM MILLION	AVERAGE RM MILLION	1.1.2016 TO 31.12.2016 MAXIMUM RM MILLION	MINIMUM RM MILLION
Bank				
Profit rate risk	1.39	2.09	4.34	0.94
Foreign exchange risk	0.04	0.13	0.52	0.01
Overall	1.43	2.22	4.81	0.95

	AS AT 31.12.2015 RM MILLION	AVERAGE RM MILLION	1.1.2015 TO 31.12.2015 MAXIMUM RM MILLION	MINIMUM RM MILLION
Profit rate risk	1.81	1.69	4.61	0.40
Foreign exchange risk	0.17	0.14	0.94	0.01
Overall	1.98	1.83	4.77	0.48

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(ii) Market risk in the Trading Portfolio (cont'd)

Value-at-Risk (cont'd)

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- The use of a 1-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- The use of a 99 per cent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures; and
- VaR is unlikely to reflect the loss potential on exposures that might arise under significant market movements.

The Bank recognises these limitations by augmenting the VaR limits with other limits such as maximum loss limits, position limits and PV01 limits. These limits are approved by the BRC and independently monitored daily by the MRMD. Exposures and limits are discussed and reported to the ALCO and the BRC.

Other controls to contain market risk at an acceptable level are through stress testing, rigorous new product approval processes and a list of permissible instruments to be traded. Stress tests are produced monthly to determine the impact of changes in profit rates, foreign exchange rates and other main economic indicators on the Group's and the Bank's profitability, capital adequacy and liquidity. The stress-testing provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Bank.

(iii) Foreign exchange risk

Trading positions

In addition to VaR and stress-testing, the Bank controls the foreign exchange risk within the trading portfolio by limiting the open exposure to individual currencies, and on an aggregate basis.

Overall (trading and non-trading positions)

The Bank controls the overall foreign exchange risk by limiting the open exposure to non-Ringgit positions on an aggregate basis.

Foreign exchange limits are approved by the BRC and independently monitored daily by the MRMD. Exposures and limits are discussed and reported to the ALCO and the BRC.

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for the financial year ended 31 December 2016

(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market risk (cont'd)

(iii) Foreign exchange risk (cont'd)

Sensitivity Analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and Bank as at reporting date is summarised as follows (only exposures in currencies that account for more than 5 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	2016		2015	
	-1% DEPRECIATION RM'000	+1% APPRECIATION RM'000	-1% DEPRECIATION RM'000	+1% APPRECIATION RM'000
Group and Bank				
US Dollar	11,503	(11,503)	14,349	(14,349)
Euro	8,098	(8,098)	4,973	(4,973)
Others	(96)	96	827	(827)

(d) Liquidity risk

Overview

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations when they fall due, or might have to fund these obligations at excessive cost. This risk can arise from mismatches in the timing of cash flows. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms when required.

The Bank maintains a diversified and stable funding base comprising core retail, commercial, corporate customer deposits and institutional balances. This is augmented by wholesale funding and portfolios of highly liquid assets.

The objective of the Bank's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market remains accessible and cost effective.

Current accounts and savings deposits payable on demand or at short notice form part of the Bank's funding profile, and the Bank places considerable importance on maintaining their stability. For deposits, stability depends upon preserving depositor confidence in the Bank and the Bank's capital strength and liquidity, and on competitive and transparent pricing.

The management of liquidity and funding is primarily carried out in accordance with the Bank Negara Malaysia's requirements and practices and limits and triggers approved by the BRC and the ALCO. These limits and triggers vary to take account of the depth and liquidity of the local market in which the Bank operates. The Bank maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

39. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Liquidity risk (cont'd)

Overview (cont'd)

The Bank's liquidity and funding management process includes:

- Daily projection of cash flows and ensuring that the Bank has sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Maintaining liabilities of appropriate term relative to the asset base;
- Maintaining a diverse range of funding sources with adequate back-up facilities;
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- Managing the maturities and diversifying funding liabilities across products and counterparties.

Liquidity and funding risk governance

The management of liquidity and funding risk is principally undertaken using risk limit mandates approved by the BRC and management action triggers assigned by the ALCO.

The ALCO is responsible under the authority delegated by the BRC for managing liquidity and funding risk at strategic level.

Management of liquidity and funding risk

All liquidity risk exposures are managed by Treasury as it has the necessary skills, tools, management and governance to manage such risks. Limits and triggers are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring that cash flows are relatively diversified across all maturities;
- Ensuring that the deposit base is not overly concentrated to a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market and highly liquid financial assets to back it up; and
- Not over-extending financing activities relative to the deposit base.

The MRMD is the independent risk control function and is responsible for the implementation of liquidity and funding risk management policies. The MRMD is also responsible for developing the Bank's liquidity and funding risk management guidelines, measurement techniques, behavioural assumptions and limit setting methodologies. Any excesses against the prescribed limits and triggers are reported to the Senior Management. Escalation procedures are documented and approved by the BRC, with proper authorities to ratify or approve the excess. In addition, the market risk exposures and limits are reported to the ALCO and the BRC.

Another control to ensure that liquidity and funding risk exposures remain within tolerable level is stress testing. Stress testing and scenario analysis are important tools in the Bank's liquidity management framework. Stress test results are produced monthly to determine the impact of a sudden liquidity shock. The stress-testing provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Bank.

A final key control feature of the Bank's liquidity and funding risk management are the approved and documented liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications to the Bank.

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(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Liquidity risk (cont'd)

Maturity analysis

The table below summarises the Group's and Bank's assets and liabilities based on remaining contractual maturities.

GROUP AS AT 31 DECEMBER 2016	ON DEMAND RM'000	UP TO 1 MONTH RM'000	>1 TO 3 MONTHS RM'000	>3 TO 6 MONTHS RM'000	>6 TO 12 MONTHS RM'000	OVER 1 YEAR RM'000	TOTAL RM'000
Assets							
Cash, balances and placements with banks	932,674	3,030,743	100,000	-	-	-	4,063,417
Securities portfolio	-	45,896	434,461	545,248	930,266	8,633,953	10,589,824
Derivatives financial assets	-	2,210	36,151	55,080	25,401	5,730	124,572
Financing and advances	-	1,879,099	1,628,096	363,191	342,024	34,976,864	39,189,274
Other assets	-	-	-	-	-	1,709,610	1,709,610
Total assets	932,674	4,957,948	2,198,708	963,519	1,297,691	45,326,157	55,676,697
Liabilities							
Deposits from customers	14,240,104	16,904,998	9,948,300	2,890,179	1,546,761	410,072	45,940,414
Investment accounts of customers	1,516,844	923,998	1,177,432	192,268	1,719	-	3,812,261
Deposits and placements of banks and other financial institutions	-	30,000	-	-	-	-	30,000
Derivative financial liabilities	-	2,448	16,618	66,606	23,334	2,083	111,089
Subordinated Sukuk Murabahah	-	-	-	-	4,393	700,000	704,393
Other liabilities	-	-	-	-	-	693,074	693,074
Total liabilities	15,756,948	17,861,444	11,142,350	3,149,053	1,576,207	1,805,229	51,291,231
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	4,385,466	4,385,466
On Balance Sheet Net liquidity gap	(14,824,274)	(12,903,496)	(8,943,642)	(2,185,534)	(278,516)	39,135,462	-
Commitments and contingencies	3,614	2,075,726	2,969,757	2,415,705	1,870,769	4,368,988	13,704,559
Net liquidity gap	(14,827,888)	(14,979,222)	(11,913,399)	(4,601,239)	(2,149,285)	34,766,474	(13,704,559)

39. FINANCIAL RISK MANAGEMENT (cont'd)**(d) Liquidity risk** (cont'd)**Maturity analysis** (cont'd)

GROUP AS AT 31 DECEMBER 2015	ON DEMAND RM'000	UP TO 1 MONTH RM'000	>1 TO 3 MONTHS RM'000	>3 TO 6 MONTHS RM'000	>6 TO 12 MONTHS RM'000	OVER 1 YEAR RM'000	TOTAL RM'000
Assets							
Cash, balances and placements with banks	792,593	2,189,653	–	–	–	–	2,982,246
Securities portfolio	–	536,669	159,507	680,974	554,331	8,489,560	10,421,041
Derivatives financial assets	2,648	8,618	94,809	327	–	12,857	119,259
Financing and advances	–	774,128	1,548,207	393,573	735,472	30,843,310	34,294,690
Other assets	–	–	–	–	–	1,946,483	1,946,483
Total assets	795,241	3,509,068	1,802,523	1,074,874	1,289,803	41,292,210	49,763,719
Liabilities							
Deposits from customers	15,350,734	17,705,682	5,322,685	2,846,530	2,251,465	79,254	43,556,350
Investment accounts of customers	461,312	175,916	38,877	–	–	–	676,105
Deposits and placements of banks and other financial institutions	–	–	–	–	–	–	–
Derivative financial liabilities	2,746	20,500	74,932	415	–	3,320	101,913
Subordinated Sukuk Murabahah	–	–	–	–	4,380	700,000	704,380
Other liabilities	–	–	–	–	–	692,403	692,403
Total liabilities	15,814,792	17,902,098	5,436,494	2,846,945	2,255,845	1,474,977	45,731,151
Equity							
Equity attributable to equity holders of the Bank	–	–	–	–	–	4,032,568	4,032,568
On Balance Sheet Net liquidity gap	(15,019,551)	(14,393,030)	(3,633,971)	(1,772,071)	(966,042)	35,784,665	–
Commitments and contingencies	2,469,997	1,340,825	2,652,505	1,795,806	1,606,570	2,826,600	12,692,303
Net liquidity gap	(17,489,548)	(15,733,855)	(6,286,476)	(3,567,877)	(2,572,612)	32,958,065	(12,692,303)

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39. FINANCIAL RISK MANAGEMENT (cont'd)**(d) Liquidity risk** (cont'd)**Maturity analysis** (cont'd)

BANK AS AT 31 DECEMBER 2016	ON DEMAND RM'000	UP TO 1 MONTH RM'000	>1 TO 3 MONTHS RM'000	>3 TO 6 MONTHS RM'000	>6 TO 12 MONTHS RM'000	OVER 1 YEAR RM'000	TOTAL RM'000
Assets							
Cash, balances and placements with banks	932,525	3,030,743	100,000	-	-	-	4,063,268
Securities portfolio	-	41,268	434,461	545,248	930,266	8,633,953	10,585,196
Derivatives financial assets	-	2,210	36,151	55,080	25,401	5,730	124,572
Financing and advances	-	1,879,099	1,628,096	363,191	342,024	34,976,864	39,189,274
Other assets	-	-	-	-	-	1,720,991	1,720,991
Total assets	932,525	4,953,320	2,198,708	963,519	1,297,691	45,337,538	55,683,301
Liabilities							
Deposits from customers	14,242,733	16,907,009	9,951,240	2,891,900	1,546,761	410,072	45,949,715
Investment accounts of customers	1,516,844	923,998	1,177,432	192,268	1,719	-	3,812,261
Deposits and placements of banks and other financial institutions	-	30,000	-	-	-	-	30,000
Derivative financial liabilities	-	2,448	16,618	66,606	23,334	2,083	111,089
Subordinated Sukuk Murabahah	-	-	-	-	4,393	700,000	704,393
Other liabilities	-	-	-	-	-	689,888	689,888
Total liabilities	15,759,577	17,863,455	11,145,290	3,150,774	1,576,207	1,802,043	51,297,346
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	4,385,955	4,385,955
On Balance Sheet Net liquidity gap	(14,827,052)	(12,910,135)	(8,946,582)	(2,187,255)	(278,516)	39,149,540	-
Commitments and contingencies	3,614	2,075,726	2,969,757	2,415,705	1,870,769	4,368,988	13,704,559
Net liquidity gap	(14,830,666)	(14,985,861)	(11,916,339)	(4,602,960)	(2,149,285)	34,780,552	(13,704,559)

39. FINANCIAL RISK MANAGEMENT (cont'd)**(d) Liquidity risk** (cont'd)**Maturity analysis** (cont'd)

BANK AS AT 31 DECEMBER 2015	ON DEMAND RM'000	UP TO 1 MONTH RM'000	>1 TO 3 MONTHS RM'000	>3 TO 6 MONTHS RM'000	>6 TO 12 MONTHS RM'000	OVER 1 YEAR RM'000	TOTAL RM'000
Assets							
Cash, balances and placements with banks	788,662	2,189,653	–	–	–	–	2,978,315
Securities portfolio	–	531,871	159,507	680,974	554,331	8,489,560	10,416,243
Derivatives financial assets	2,648	8,618	94,809	327	–	12,857	119,259
Financing and advances	–	774,128	1,548,207	393,573	735,472	30,843,310	34,294,690
Other assets	–	–	–	–	–	1,958,560	1,958,560
Total assets	791,310	3,504,270	1,802,523	1,074,874	1,289,803	41,304,287	49,767,067
Liabilities							
Deposits from customers	15,382,311	17,708,475	5,326,031	2,846,845	2,252,031	79,254	43,594,947
Investment accounts of customers	461,312	175,916	38,877	–	–	–	676,105
Deposits and placements of banks and other financial institutions	–	–	–	–	–	–	–
Derivative financial liabilities	2,746	20,500	74,932	415	–	3,320	101,913
Subordinated Sukuk Murabahah	–	–	–	–	4,380	700,000	704,380
Other liabilities	–	–	–	–	–	656,669	656,669
Total liabilities	15,846,369	17,904,891	5,439,840	2,847,260	2,256,411	1,439,243	45,734,014
Equity							
Equity attributable to equity holders of the Bank	–	–	–	–	–	4,033,053	4,033,053
On Balance Sheet Net liquidity gap	(15,055,059)	(14,400,621)	(3,637,317)	(1,772,386)	(966,608)	35,831,991	–
Commitments and contingencies	2,469,997	1,340,825	2,652,505	1,795,806	1,606,570	2,826,600	12,692,303
Net liquidity gap	(17,525,056)	(15,741,446)	(6,289,822)	(3,568,192)	(2,573,178)	33,005,391	(12,692,303)

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39. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Liquidity risk (cont'd)

Contractual maturity of financial liabilities on an undiscounted basis

The table below present the cash flows payable by the bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows:

BANK AS AT 31 DECEMBER 2016	UP TO 1 MONTH RM'000	>1 TO 3 MONTHS RM'000	>3 TO 6 MONTHS RM'000	>6 TO 12 MONTHS RM'000	OVER 1 YEAR RM'000	TOTAL RM'000
Financial Liabilities						
Deposit from customers	31,213,148	10,035,417	2,934,954	1,577,290	475,389	46,236,198
Investment accounts of customers	2,243,331	1,442,873	190,963	1,710	-	3,878,877
Deposit from placements of banks and other financial institutions	30,005	-	-	-	-	30,005
Derivatives financial liabilities	5,528	17,158	65,069	23,334	-	111,089
<i>Forward contract</i>	2,448	16,618	65,069	23,334	-	107,469
<i>Islamic Profit Rate Swap</i>	3,080	540	-	-	-	3,620
<i>Structured deposits</i>	-	-	-	-	-	-
Bills and acceptance payable	46,278	-	-	-	-	46,278
Subordinated Sukuk Murabahah	-	-	19,571	19,632	1,005,519	1,044,722
Other liabilities	643,610	-	-	-	-	643,610
	34,181,900	11,495,448	3,210,557	1,621,966	1,480,908	51,990,779
Commitment and Contingencies						
Direct credit substitutes	26,791	61,781	22,339	82,479	94,571	287,961
Transaction related contingent items	116,380	57,291	61,654	225,820	491,042	952,187
Short term self liquidating trade related contingencies	190,681	83,402	16,076	10,330	11,763	312,252
	333,852	202,474	100,069	318,629	597,376	1,552,400

The Group's figures are not materially different from the Bank's figures.

39. FINANCIAL RISK MANAGEMENT (cont'd)**(d) Liquidity risk** (cont'd)**Contractual maturity of financial liabilities on an undiscounted basis** (cont'd)

BANK AS AT 31 DECEMBER 2015	UP TO 1 MONTH RM'000	>1 TO 3 MONTHS RM'000	>3 TO 6 MONTHS RM'000	>6 TO 12 MONTHS RM'000	OVER 1 YEAR RM'000	TOTAL RM'000
Financial Liabilities						
Deposit from customers	33,039,670	5,995,394	2,632,430	1,965,003	83,882	43,716,379
Investment accounts of customers	637,570	39,042	–	–	–	676,612
Deposit from placements of banks and other financial institutions	–	–	–	–	–	–
Derivatives financial liabilities	5,555	21,007	74,936	415	–	101,913
<i>Forward contract</i>	2,746	20,496	74,936	415	–	98,593
<i>Islamic Profit Rate Swap</i>	2,809	511	–	–	–	3,320
<i>Structured deposits</i>	–	–	–	–	–	–
Bills and acceptance payable	122,577	–	–	–	–	122,577
Subordinated Sukuk Murabahah	–	–	–	8,649	1,084,174	1,092,823
Other liabilities	534,092	–	–	–	–	534,092
	34,339,464	6,055,443	2,707,366	1,974,067	1,168,056	46,244,396
Commitment and Contingencies						
Direct credit substitutes	53,897	13,690	30,175	115,142	124,109	337,013
Transaction related contingent items	59,394	126,479	104,411	185,896	480,641	956,821
Short term self liquidating trade related contingencies	185,386	108,685	16,702	12,553	25,115	348,441
	298,677	248,854	151,288	313,591	629,865	1,642,275

The Group's figures are not materially different from the Bank's figures.

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(cont'd)

39. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Operational Risk ("OpRisk")

Overview

Operational Risk ("OpRisk") is defined as the "risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and shariah compliance risk but excludes strategic and reputational risk".

Management of OpRisk

The Bank recognises and emphasises the importance of operational risk management ("ORM") and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established OpRisk guidelines, procedures and limits.

The Bank's overall governance approach in managing OpRisk is premised on the Three Lines of Defence Approach:

- a) **1st line of defence** – the risk owner or risk taking unit i.e. Business or Support Unit is accountable for putting in place a robust control environment within their respective units. They are responsible for the day to day management of OpRisk. To reinforce accountability and ownership of risk and control, a Risk Controller for each risk taking unit is appointed to assist in driving the risk and control programme for the Bank.
- b) **2nd line of defence** – The Operational Risk Management Department ("ORMD") is responsible for establishing and maintaining the ORM Framework, developing various ORM tools to facilitate the management of OpRisk, monitoring the effectiveness of ORM, assessing OpRisk issues from the risk owner and escalating OpRisk issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Bank.

Both Shariah Risk Management ("SRM") and Compliance Division complement the role of ORM as the second line of defence. SRM is responsible for managing the Shariah compliance risk ("SCR") by establishing & maintaining appropriate SRM guidelines, facilitating the process of identifying, assessing, controlling & monitoring SCR and promoting SCR awareness.

Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and developing, reviewing and enhancing compliance-related training programmes as well as conducting training that promotes awareness creation.

- c) **3rd line of defence** – Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the ORM process.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount at which the financial assets could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices where available, are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

Fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of MFRS 7, "Financial Instruments: Disclosure and Presentation" which requires the fair value information to be disclosed.

The fair values are based on the following methodologies and assumptions:

Deposits and placements with banks and other financial institutions

For deposits and placements with financial instruments with maturities of less than six months, the carrying value is a reasonable estimate of fair values. For deposits and placements with maturities six months and above, the estimated fair values are based on discounted cash flows using prevailing money market profit rates at which similar deposits and placements would be made with financial instruments of similar credit risk and remaining period to maturity.

Financial assets held-for-trading, available-for-sale and held-to-maturity

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Financing, advances and others

The fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities. The fair values are represented by their carrying value, net of impairment loss, being the recoverable amount.

Deposits from customers and investment accounts of customers

The fair values of deposits and investment accounts are deemed to approximate their carrying amounts as rate of returns are determined at the end of their holding periods based on the profit generated from the assets invested.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

Bills and acceptance payable

The estimated fair values of bills and acceptance payables with maturity of less than six months approximate their carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile.

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40. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Fair value hierarchy

MFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes profit rates swap and structured debt. The sources of input parameters include Bank Negara Malaysia (“BNM”) indicative yields or counterparty credit risk.
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The table does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values.

GROUP 31 DECEMBER 2016 RM'000	FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE				FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE LEVEL 3	TOTAL FAIR VALUE	CARRYING AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL			
Financial assets							
Financial assets							
held-for-trading	-	574,835	-	574,835	-	574,835	574,835
Derivative financial assets	-	124,572	-	124,572	-	124,572	124,572
Financial assets							
available-for-sale	21,124	9,930,862	-	9,951,986	5,300	9,957,286	9,957,286
Financial assets							
held-to-maturity	-	-	-	-	57,703	57,703	57,703
Financing, advances and others	-	-	-	-	39,233,082	39,233,082	39,189,274
Financial liabilities							
Derivative financial liabilities	-	111,089	-	111,089	-	111,089	111,089
Subordinated Sukuk							
Murabahah	-	-	-	-	740,110	740,110	704,393

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)**Fair value hierarchy** (cont'd)

GROUP 31 DECEMBER 2015 RM'000	FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE				FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE LEVEL 3	TOTAL FAIR VALUE	CARRYING AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL			
Financial assets							
Financial assets							
held-for-trading	–	423,973	–	423,973	–	423,973	423,973
Derivative financial assets	–	119,259	–	119,259	–	119,259	119,259
Financial assets							
available-for-sale	29,807	9,902,589	–	9,932,396	5,320	9,937,716	9,937,716
Financial assets							
held-to-maturity	–	–	–	–	59,352	59,352	59,352
Financing, advances and others	–	–	–	–	34,334,821	34,334,821	34,294,690
Financial liabilities							
Derivative financial liabilities	–	101,913	–	101,913	–	101,913	101,913
Subordinated Sukuk							
Murabahah	–	–	–	–	712,983	712,983	704,380
BANK							
31 DECEMBER 2016							
RM'000							
Financial assets							
Financial assets							
held-for-trading	–	569,750	–	569,750	–	569,750	569,750
Derivative financial assets	–	124,572	–	124,572	–	124,572	124,572
Financial assets							
available-for-sale	21,124	9,931,319	–	9,952,443	5,300	9,957,743	9,957,743
Financial assets							
held-to-maturity	–	–	–	–	57,703	57,703	57,703
Financing, advances and others	–	–	–	–	39,233,082	39,233,082	39,189,274
Financial liabilities							
Derivative financial liabilities	–	111,089	–	111,089	–	111,089	111,089
Subordinated Sukuk							
Murabahah	–	–	–	–	740,110	740,110	704,393

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40. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Fair value hierarchy (cont'd)

BANK 31 DECEMBER 2015 RM'000	FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE				FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE LEVEL 3	TOTAL FAIR VALUE	CARRYING AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL			
Financial assets							
Financial assets							
held-for-trading	–	418,718	–	418,718	–	418,718	418,718
Derivative financial assets	–	119,259	–	119,259	–	119,259	119,259
Financial assets							
available-for-sale	29,807	9,903,046	–	9,932,853	5,320	9,938,173	9,938,173
Financial assets							
held-to-maturity	–	–	–	–	59,352	59,352	59,352
Financing, advances and others	–	–	–	–	34,334,821	34,334,821	34,294,690
Financial liabilities							
Derivative financial liabilities	–	101,913	–	101,913	–	101,913	101,913
Subordinated Sukuk							
Murabahah	–	–	–	–	712,983	712,983	704,380

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2016 for the Group and the Bank:

	2016 RM'000	2015 RM'000
Financial assets available-for-sale		
At 1 January	–	4,620
Allowance for impairment	–	(4,620)
At 31 December	–	–

Unobservable inputs used in measuring fair value

The following tables show the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

(a) Financial instruments carried at fair value

TYPE	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	INTER-RELATIONSHIP BETWEEN SIGNIFICANT UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT
Financial assets available-for-sale	Valued at cost less impairment	Not applicable	Not applicable

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(b) Financial instruments carried at fair value

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Financial investments held-to-maturity ("HTM")

The fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, the fair values are valued at cost less impairment or estimated using discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Financing and advances

The fair values of variable rate financing are estimated to approximate their carrying values. For fixed rate financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(iii) Subordinated Sukuk Murabahah

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for borrowings with similar risks profiles.

41. LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of equipment on hire and rental of premises, all of which are classified as operating leases. A summary of the non-cancellable long term commitments are as follows:

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Within one year	47,378	45,276	46,916	44,881
Between one and five years	123,950	119,885	123,851	119,656
More than five years	264,744	284,477	264,744	284,477
	436,072	449,638	435,511	449,014

Included in the above are lease rentals with the ultimate holding entity amounting to RM384,811,000 (2015: RM404,184,000).

42. CAPITAL COMMITMENTS

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Property and equipment		
Contracted but not provided for in the financial statements	85,773	70,142
Approved but not contracted for and provided for in the financial statements	24,346	18,938
	110,119	89,080

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016
(cont'd)

43. COMMITMENTS AND CONTINGENCIES

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows:

31 December 2016

Nature of item	PRINCIPAL AMOUNT RM'000	POSITIVE FAIR VALUE OF DERIVATIVE CONTRACTS RM'000	CREDIT EQUIVALENT AMOUNT RM'000	RISK WEIGHTED ASSET RM'000
Credit related exposures				
Direct credit substitutes	294,460		294,460	293,848
Assets sold with recourse	-		-	-
Transaction related contingent items	952,188		476,094	443,165
Short term self-liquidating trade related contingencies	341,524		68,305	67,309
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	591,031		118,206	88,979
- exceeding one year	1,792,008		896,004	715,873
Unutilised credit card lines	1,140,141		228,028	171,563
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	4,639,610		-	-
	9,750,962		2,081,097	1,780,737
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	3,117,570	117,445	163,823	79,734
Profit rate related contracts				
- less than one year	200,000	1,397	200	40
- one year to less than five years	400,000	2,729	9,497	1,899
- five years and above	236,027	3,001	18,971	11,606
	3,953,597	124,572	192,491	93,279
Total	13,704,559	124,572	2,273,588	1,874,016

43. COMMITMENTS AND CONTINGENCIES (cont'd)

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows: (cont'd)

31 December 2015

Nature of item	PRINCIPAL AMOUNT RM'000	POSITIVE FAIR VALUE OF DERIVATIVE CONTRACTS RM'000	CREDIT EQUIVALENT AMOUNT RM'000	RISK WEIGHTED ASSET RM'000
Credit related exposures				
Direct credit substitutes	343,731		343,731	301,001
Assets sold with recourse	2		2	2
Transaction related contingent items	956,822		478,411	413,964
Short term self-liquidating trade related contingencies	374,892		74,978	72,446
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	2,014		403	403
- exceeding one year	837,455		418,728	333,700
Unutilised credit card lines	1,169,445		233,889	176,494
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	5,822,088		-	-
	9,506,449		1,550,142	1,298,010
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	2,323,286	106,402	139,771	67,272
Profit rate related contracts				
- less than one year	-	-	-	-
- one year to less than five years	600,000	9,200	20,504	4,101
- five years and above	262,568	3,657	24,048	13,688
	3,185,854	119,259	184,323	85,061
Total	12,692,303	119,259	1,734,465	1,383,071

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

44. CAPITAL ADEQUACY

Total capital and capital adequacy ratios of the Bank have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets) issued on 13 October 2015. The minimum regulatory capital adequacy ratios requirement for Common Equity Tier I ("CET I") capital ratio, Tier I capital ratio and total capital ratio are 5.125%, 6.625% and 8.625% respectively for year 2016 (2015: 4.5%, 6.0% and 8.0%). The Bank has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

The capital adequacy ratios of the Group and the Bank are set out below:

	GROUP		BANK	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Common Equity Tier I ("CET I") Capital Ratio	12.397%	12.087%	12.362%	12.049%
Total Capital Ratio	15.518%	15.320%	15.484%	15.284%

The components of CET I, Tier I and Tier II capital:

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Paid-up share capital	2,404,384	2,363,283	2,404,384	2,363,283
Share premium	264,790	175,452	264,790	175,452
Retained earnings	523,247	385,913	523,959	386,580
Other reserves	1,193,045	1,107,920	1,192,822	1,107,738
Less: Deferred tax assets	(48,378)	(35,182)	(48,378)	(35,182)
Less: Investment in subsidiaries	-	-	(15,525)	(15,525)
Total CET I and Tier I Capital	4,337,088	3,997,386	4,322,052	3,982,346
Sukuk Murabahah	700,000	700,000	700,000	700,000
Collective assessment allowance [^]	391,782	369,414	391,727	369,357
Total Tier II Capital	1,091,782	1,069,414	1,091,727	1,069,357
Total Capital	5,428,870	5,066,800	5,413,779	5,051,703

[^] Collective assessment allowance on non-impaired financing subject to maximum of 1.25% of total credit risk-weighted assets less credit absorbed by unrestricted investment accounts.

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Credit risk	33,908,778	29,841,140	33,904,311	29,836,588
Less: Credit risk absorbed by unrestricted investment accounts	(2,566,180)	(288,030)	(2,566,180)	(288,030)
Market risk	609,931	668,158	609,931	668,158
Operational risk	3,031,801	2,851,129	3,014,802	2,834,709
	34,984,330	33,072,397	34,962,864	33,051,425

45. RELATED PARTY TRANSACTIONS

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see Note 13) and substantial shareholders of the holding company.

- (a) The significant related party transactions of the Group and the Bank, other than key management personnel compensation, are as follows:

	GROUP TRANSACTIONS AMOUNT FOR		BANK TRANSACTIONS AMOUNT FOR	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ultimate holding entity				
<i>Income</i>				
Gain from foreign exchange transactions	62	239	62	239
Wakalah performance incentive fee	5,328	400	5,328	400
Office rental	73	40	73	40
Fees and commission	1	–	1	–
<i>Expenses</i>				
Income attributable to depositors	27,196	94,232	27,196	94,232
Finance cost on Subordinated Sukuk Murabahah	5,782	4,001	5,782	4,001
Office rental	22,942	22,610	22,942	22,610
Other rental	412	617	412	617
Holding company				
<i>Income</i>				
Office rental	986	976	986	976
Others	19	19	19	19
<i>Expenses</i>				
Income attributable to depositors	3	3,697	3	3,697
Income attributable to investment account holders	10,382	2,478	10,382	2,478

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016

(cont'd)

45. RELATED PARTY TRANSACTIONS (cont'd)

- (a) The significant related party transactions of the Group and the Bank, other than key management personnel compensation, are as follows: (cont'd)

	GROUP TRANSACTIONS AMOUNT FOR		BANK TRANSACTIONS AMOUNT FOR	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Subsidiaries				
<i>Income</i>				
Fees and commission	-	-	4,296	4,854
Gain from foreign exchange transactions	-	-	7	1
Office rental	-	-	358	383
Others	-	-	72	808
<i>Expenses</i>				
Fees and commission	-	-	2,458	2,240
Income attributable to depositors	-	-	232	253
Other related companies				
<i>Income</i>				
Income from financing, advances and others	547	22	547	22
Fees and commission income	49	193	49	193
Gain/(loss) from foreign exchange transactions	432	(111)	432	(111)
Bancatakaful service fee	29,059	22,637	29,059	22,637
Office rental	-	9	-	9
Others	61	7	61	7
<i>Expenses</i>				
Income attributable to depositors	11,243	12,427	11,243	12,427
Income attributable to investment account holders	1,230	-	1,230	-
Finance cost on Subordinated Sukuk Murabahah	2,765	128	2,765	128
Office rental	3,119	3,086	3,119	3,086
Other rental	42	40	42	40
Takaful fee	3,308	1,866	3,064	1,782
Co-operative society in which the employees have interest				
<i>Income</i>				
Income from financing, advances and others	2,389	1,696	2,389	1,696
<i>Expenses</i>				
Income attributable to depositors	4	-	4	-
Other rental	2,130	2,414	2,130	2,414
Others	173	132	173	132

45. RELATED PARTY TRANSACTIONS (cont'd)

(b) The significant outstanding balances of the Group and the Bank with related party, are as follows:

	GROUP NET BALANCE OUTSTANDING AS AT		BANK NET BALANCE OUTSTANDING AS AT	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Ultimate holding entity				
Amount due from				
Other receivables	30	6	30	6
Amount due to				
Deposits from customers	2,309,846	673,712	2,309,846	673,712
Income payable to depositors	1,438	5,201	1,438	5,201
Subordinated Sukuk Murabahah	100,000	100,000	100,000	100,000
Finance cost Payable on Subordinated Sukuk Murabahah	1,103	1,118	1,103	1,118
Commitment and contingencies	60	127	60	127
Other payables	27	-	27	-
Holding company				
Amount due from				
Other receivables	175	215	175	215
Amount due to				
Deposits from customers	640	619	640	619
Investment account of customers	204,735	213,827	204,735	213,827
Income payable to investment account holders	1,242	966	1,242	966
Other payables	-	65	-	65
Subsidiaries				
Amount due from				
Redeemable non-cumulative preference shares	-	-	2,011	2,011
Others	-	-	70	188
Amount due to				
Deposits from customers	-	-	8,853	38,082
Income payable to depositors	-	-	48	19
Other related companies				
Amount due from				
Financing, advances and others	3,590	442	3,590	442
Other receivables	-	7	-	7
Amount due to				
Deposits from customers	709,037	444,969	709,037	444,969
Investment account of customers	33,655	-	33,655	-
Income payable to depositors	2,381	569	2,381	569
Income payable to investment account holders	7	-	7	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2016
(cont'd)

45. RELATED PARTY TRANSACTIONS (cont'd)

(b) The significant outstanding balances of the Group and the Bank with related party, are as follows: (cont'd)

	GROUP NET BALANCE OUTSTANDING AS AT		BANK NET BALANCE OUTSTANDING AS AT	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Other related companies (cont'd)				
Amount due to				
Subordinated Sukuk Murabahah	50,000	50,000	50,000	50,000
Finance cost payable on Subordinated Sukuk Murabahah	136	128	136	128
Commitment and contingencies	6,772	7,163	6,772	7,163
Co-operative society in which the employees have interest				
Amount due from				
Financing, advances and others	38,357	38,436	38,357	38,436
Amount due to				
Deposits from customers	2,138	435	2,138	435

46. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Outstanding credit exposures with connected parties	2,235,730	1,095,130
% of outstanding credit exposures to connected parties as a proportion of total credit exposures	5.61%	3.13%
% of outstanding credit exposures with connected parties which is non-performing or in default	0.001%	0.001%

The above disclosure on Credit Transaction and Exposures with Connected Parties is presented in accordance with Para 9.1 of Bank Negara Malaysia's Revised Guidelines on Credit Transaction and Exposures with Connected Parties.

47. SUBSEQUENT EVENT

There were no material events subsequent to the end of the financial year that require disclosure or adjustments to the financial statements.

PILLAR 3 DISCLOSURE

as at 31 December 2016

OVERVIEW

The Pillar 3 Disclosure for financial year ended 31 December 2016 for Bank Islam (“the Bank”) and its subsidiaries (“the Group”) is governed by Bank Negara Malaysia’s (“BNM”) “Capital Adequacy Framework for Islamic Banks (“CAFIB”) – Disclosure Requirements (“Pillar 3”)”.

The Group has adopted the Standardised Approach in determining the capital requirements for credit and market risk and has applied the Basic Indicator Approach for operational risk for the Pillar 1 since January 2008. Under the Standardised Approach, standard risk weights are used to assess the capital requirements for exposures in credit and market risk whilst the capital required for operational risk under the Basic Indicator Approach is computed based on a fixed percentage over the Group’s average gross income for a fixed number of quarterly periods.

As required under Pillar 2, the Group has also developed an Internal Capital Adequacy Assessment Process (“ICAAP”) framework which closely integrates the risk and capital assessment processes, and ensures that adequate levels of capital are maintained to support the Group’s current and projected demand for capital under expected and stressed conditions. The ICAAP was adopted in 2012 and has been fully implemented in year 2013. The ICAAP is updated and approved on an annual basis by the Management Committee, Board Risk Committee, and Board.

In compliance with the Pillar 3 Disclosure Policy, the Pillar 3 Disclosure for the Group is being regularly prepared for two periods: 30 June and 31 December. The Group’s Pillar 3 Disclosure will be made available under the Corporate Info section of the Bank’s website at www.bankislam.com.my, attached to its annual and the half-yearly financial reports after the notes to the financial statements.

The Group’s main activity is Islamic banking business which focuses on retail banking and financing operations. The following tables show the minimum regulatory capital requirement to support the Group’s and the Bank’s risk weighted assets.

GROUP	31.12.2016		31.12.2015	
	RISK WEIGHTED ASSETS RM’000	MINIMUM CAPITAL REQUIREMENT AT 8% RM’000	RISK WEIGHTED ASSETS RM’000	MINIMUM CAPITAL REQUIREMENT AT 8% RM’000
Credit Risk	33,908,778	2,712,702	29,841,140	2,387,291
Less: Credit Risk absorbed by IA	(2,566,180)	(205,294)	(288,030)	(23,042)
Market Risk	609,931	48,795	668,158	53,453
Operational Risk	3,031,801	242,544	2,851,129	228,090
Total	34,984,330	2,798,747	33,072,397	2,645,792

BANK	31.12.2016		31.12.2015	
	RISK WEIGHTED ASSETS RM’000	MINIMUM CAPITAL REQUIREMENT AT 8% RM’000	RISK WEIGHTED ASSETS RM’000	MINIMUM CAPITAL REQUIREMENT AT 8% RM’000
Credit Risk	33,904,311	2,712,345	29,836,588	2,386,927
Less: Credit Risk absorbed by IA	(2,566,180)	(205,294)	(288,030)	(23,042)
Market Risk	609,931	48,795	668,158	53,453
Operational Risk	3,014,802	241,184	2,834,709	226,777
Total	34,962,864	2,797,030	33,051,425	2,644,115

The Group does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM’s CAFIB.

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

1. SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank (including the offshore banking operations in the Federal Territory of Labuan) and its subsidiaries.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group. There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.

2. CAPITAL ADEQUACY

2.1 Capital Management

The Group's primary objective when managing capital is to maintain a strong capital position to support business growth and to maintain investor, depositor, customer and market confidence. In line with this, the Group manages its capital actively and ensures that the capital adequacy ratios which take into account the risk profile of the Group, are above the regulatory minimum requirement.

To ensure that the Group has sufficient capital to support all its business and risk taking activities, the Group has implemented sound capital management processes in its management systems and processes. A comprehensive capital management framework has been adopted by the Group as a key enabler for value creation which is important to the long term survival of the Group. This comprehensive capital management process includes thorough risk assessment and risk management techniques that are embedded within the Group's risk governance.

The assessment is based on the approved business plan, its estimation of current risks inherent in the Group and the impact of capital stress tests on the Group's capital plan. The Group aims to achieve the following capital management objectives:

- Meeting regulatory capital requirements;
- Sustainable returns to shareholders;
- Maintaining adequate levels and an optimum mix of different sources of capital to support the underlying risks of its business;
- Ensuring adequate capital to withstand shocks and stress;
- Ensuring sufficient capital to expand its business ventures and inorganic growth; and
- Allocating an appropriate amount of capital to business units to optimise return on capital.

The Group's capital management is guided by the Capital Management Plan, approved by the Board, to ensure management of capital is consistent and aligned with the Risk Appetite Statement and ICAAP Document Policy of the Group.

The Group's capital management processes comprise:

- Capital Structuring – ensuring that the amount of regulatory and statutory capital available is consistent with the Group's growth plan, risk appetite, and desired level of capital adequacy. Capital structuring focuses on selecting the appropriate, most cost effective mix of capital instruments;
- Capital Allocation – ensuring that the capital is employed efficiently across the Group based on risk-adjusted return on capital;
- Capital Optimisation – seeking an optimal level of capital by facilitating the optimisation of the risk profile of the balance sheet. This will be done through:
 - reshaping of the balance sheet;
 - capital planning, allocation and optimisation; and
 - a sound management of the capital buffer.

2. CAPITAL ADEQUACY (cont'd)

2.1 Capital Management (cont'd)

As such, the four fundamental components of a sound capital planning process include:

- Internal control and governance;
- Capital policy and risk capture;
- Forward-looking view; and
- Management framework for preserving capital.

The Group's Capital Management Plan is updated annually and approved by the Board for implementation at the beginning of each financial year. The capital plan is drawn up to cover at least a three year horizon and takes into account, amongst others, the Group's strategic objectives and business plans, regulatory capital requirements, capital benchmarking against industry, available supply of capital and capital raising options, performance of business sectors based on a Risk Adjusted Return on Capital ("RAROC") approach as well as ICAAP and stress testing results.

The Bank has issued Subordinated Sukuk Murabahah Programme of up to RM1.0 Billion in Nominal Value ("Subordinated Sukuk Murabahah Programme"). The purpose of the Subordinated Sukuk Murabahah Programme is to enhance the capital adequacy of Bank Islam in line with the requirements under the Basel III capital framework. The Subordinated Sukuk Murabahah qualifies as Tier 2 regulatory capital of the Bank in compliance with CAFIB.

CAPITAL INSTRUMENT	CAPITAL COMPONENT	MAIN FEATURES
Basel III-Compliant Subordinated Sukuk Murabahah ("Subordinated Sukuk") <u>Tranche 1</u> RM300 million <u>Issued on</u> 22 April 2015 <u>Mature on</u> 22 April 2025	Tier II Capital	<ul style="list-style-type: none"> • The tenure of the Subordinated Sukuk Murabahah Programme shall be up to (30) years from the date of the first issue under the Subordinated Sukuk Murabahah Programme. • The tenure of each issuance of the Subordinated Sukuk Murabahah shall be not less than five (5) years and up to thirty (30) years from the issue date. • Each of the Subordinated Sukuk Murabahah may have a call option to allow Bank Islam, to redeem the relevant tranche of the Subordinated Sukuk Murabahah (in whole or in part) on any periodic profit payment date after a minimum period of (5) years from the issue date of that tranche, subject to the relevant early redemption conditions being satisfied. • Unsecured. • Subordinated Sukuk Murabahah shall be utilised to finance its Islamic banking activities, working capital requirements and other corporate purposes and/or, if required, to redeem any outstanding Subordinated Sukuk Murabahah issued under the Subordinated Sukuk Murabahah Programme. All utilisation shall be Shariah Compliant. • Upon the occurrence of a Non-Viability Event, BNM, jointly with PIDM, shall have the option to require the entire or part of the nominal value of the outstanding Subordinated Sukuk Murabahah, and all other amounts owing under the Subordinated Sukuk Murabahah, to be written off. • No Conversion into Equity.
Basel III-Compliant Subordinated Sukuk Murabahah ("Subordinated Sukuk") <u>Tranche 2</u> RM400 million <u>Issued on</u> 15 December 2015 <u>Mature on</u> 15 December 2025		

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

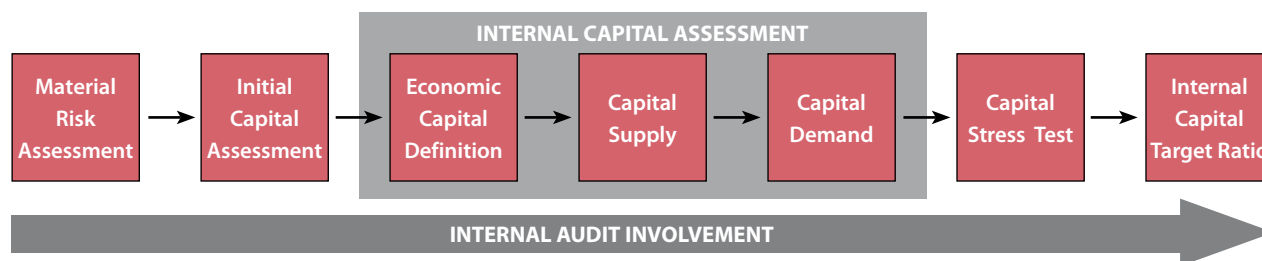
2. CAPITAL ADEQUACY (cont'd)

2.2 Internal Capital Adequacy Assessment Process ("ICAAP")

The Group has carried out the internal assessment process on capital as prescribed in BNM's CAFIB - ICAAP ("Pillar 2") to complement its current capital management practices. The ICAAP Framework has been formalised and approved by the Board in March 2013. The Group's ICAAP helps to suggest the minimum internal capital requirement for its current and future business strategies and financial plans for the next 3 years via a comprehensive risk assessment process on its portfolio risk exposures, its risk management practices towards its material risks and potential capital planning buffer required in the event of stress.

The Group's ICAAP is conducted on a consolidated basis covering all the Bank's legal entities as suggested by BNM's Pillar 2 Guideline.

The Group's ICAAP methodology can be summarized as follows:



Under ICAAP, the following risk types are identified and measured:

- Risks captured under Pillar 1 (i.e. Credit Risk, Market Risk, and Operational Risk);
- Risk not fully captured under Pillar 1 (e.g. Migration and Residual Risk);
- Risk not covered under Pillar 1 (e.g. Credit Concentration Risk, Profit Rate Risk in the Banking Book, Shariah Compliance Risk, IT Risk, Business and Strategy Risk, and Reputational Risk)

2.3 Stress Testing

Regular stress testing is performed to assess the Group's ability to maintain adequate capital under both a normal business cycle and unfavorable economic conditions. The stress testing is embedded within the risk and capital management process of the Group, and is a key function of capital planning and business planning processes.

The Group's objectives of stress testing include:

- To identify the possible events or future changes in the financial and economic conditions of the country that could potentially have unfavorable effects on the Group's exposures;
- To identify the different portfolios response to changes in key economic variables (profit rate, foreign exchange rate, GDP, etc);
- To evaluate the Group's ability to withstand such changes, i.e. its capacity in terms of its capital and earnings, to absorb potentially significant losses;
- To better understand the Group's risk profile, evaluate business risks and thus take appropriate measures accordingly; and
- To analyse the Group's ability to meet the minimum regulatory capital requirement at all times throughout a reasonably severe economic crisis.

2. CAPITAL ADEQUACY (cont'd)

2.4 Capital Adequacy Ratios

The Group is required to comply with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio as prescribed by BNM. The Group has been in compliance with all prescribed capital adequacy ratios throughout the period.

Effective 1 January 2016, total capital and capital adequacy ratios of the Group have been computed based on the updated BNM's CAFIB - Capital Components issued on 13 October 2015. The minimum regulatory capital adequacy ratios requirement for Common Equity Tier 1 ("CET 1") capital ratio, Tier 1 capital ratio and total capital ratio are 5.125%, 6.625% and 8.625% respectively for year 2016.

The Group's capital adequacy ratios remained strong. The table below shows the composition of the regulatory capital and capital adequacy ratios as of 31 December 2016 determined by the requirements of the CAFIB.

The capital adequacy ratios of the Group and Bank are set out below:

(a) The capital adequacy ratios of the Group and of the Bank:

	GROUP		BANK	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Common Equity Tier 1 (CET 1) Capital Ratio	12.40%	12.09%	12.36%	12.05%
Tier 1 Capital Ratio	12.40%	12.09%	12.36%	12.05%
Total Capital Ratio	15.52%	15.32%	15.48%	15.28%

(b) CET I, Tier I and Tier II capital components of the Group and of the Bank:

	31.12.2016	
	GROUP RM'000	BANK RM'000
Tier I Capital		
Paid-up share capital	2,404,384	2,404,384
Share Premium	264,790	264,790
Retained earnings	523,247	523,959
Other reserves	1,193,045	1,192,822
Less: Deferred tax assets	(48,378)	(48,378)
Less: Investment in subsidiaries	-	(15,525)
Total Common Equity Tier I Capital	4,337,088	4,322,052
Total Additional Tier I Capital	-	-
Total Tier I Capital	4,337,088	4,322,052
Subordinated sukuk	700,000	700,000
Collective assessment allowance [^]	391,782	391,727
Total Tier II Capital	1,091,782	1,091,727
Total Capital	5,428,870	5,413,779

[^] Collective assessment allowance on non-impaired financing subject to maximum of 1.25% of total credit risk-weighted assets.

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as at 31 December 2016

(cont'd)

2. CAPITAL ADEQUACY (cont'd)**2.4 Capital Adequacy Ratios** (cont'd)**(b) CET I, Tier I and Tier II capital components of the Group and of the Bank:** (cont'd)

	31.12.2015	
	GROUP RM'000	BANK RM'000
Tier I Capital		
Paid-up share capital	2,363,283	2,363,283
Share Premium	175,452	175,452
Retained earnings	385,913	386,580
Other reserves	1,107,920	1,107,738
Less: Deferred tax assets	(35,182)	(35,182)
Less: Investment in subsidiaries	–	(15,525)
Total Common Equity Tier I Capital	3,997,386	3,982,346
Total Additional Tier I Capital	–	–
Total Tier I Capital	3,997,386	3,982,346
Subordinated sukuk	700,000	700,000
Collective assessment allowance [^]	369,414	369,357
Total Tier II Capital	1,069,414	1,069,357
Total Capital	5,066,800	5,051,703

[^] Collective assessment allowance on non-impaired financing subject to maximum of 1.25% of total credit risk-weighted assets.

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows:**(i) Group**

31 DECEMBER 2016 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,390,134	5,390,134	–	–
Public Sector Entities	2,718,672	2,705,677	237,542	19,003
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,102,730	1,102,730	181,393	14,511
Corporate	14,148,639	14,022,573	8,245,107	659,609
Regulatory Retail	14,629,753	14,519,386	13,877,865	1,110,229
Residential Mortgages	14,005,484	14,001,390	8,741,181	699,295
Higher Risk Assets	68,091	68,091	102,137	8,171
Other Assets	2,542,621	2,542,622	312,100	24,968
Defaulted Exposures	322,788	312,972	337,438	26,994
Total for On-Balance Sheet Exposures	54,928,912	54,665,575	32,034,763	2,562,780

2. CAPITAL ADEQUACY (cont'd)

2.4 Capital Adequacy Ratios (cont'd)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont'd)

(i) Group (cont'd)

31 DECEMBER 2016 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Off-Balance Sheet Exposures				
Credit-related Exposures	2,071,862	2,037,639	1,767,436	141,396
Derivative Financial Instruments	192,491	192,491	93,278	7,462
Defaulted Exposures	9,235	8,955	13,301	1,064
Total for Off-Balance Sheet Exposures	2,273,588	2,239,085	1,874,015	149,922
Total On and Off-Balance Sheet Exposures	57,202,500	56,904,660	33,908,778	2,712,702
Less: Credit Risk absorbed by IA			(2,566,180)	(205,294)
	Long Position	Short Position		
Market Risk				
Benchmark Rate Risk	3,687,320	(3,117,954)	569,366	13,943
Foreign Exchange Risk	27,707	(434,963)	(407,256)	34,797
Inventory Risk	-	-	686	55
Total Market Risk	3,715,027	(3,552,917)	162,796	48,795
Operational Risk			3,031,801	242,544
Total RWA and Capital Requirements			34,984,330	2,798,747

Note: As at 31 December 2016, the Group did not have any exposures under securitisation.

	BEFORE EFFECT OF IA	AFTER EFFECT OF IA
CET1 Capital Ratio	11.55%	12.40%
Tier 1 Capital Ratio	11.55%	12.40%
Total Capital Ratio	14.54%	15.52%

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as at 31 December 2016

(cont'd)

2. CAPITAL ADEQUACY (cont'd)**2.4 Capital Adequacy Ratios** (cont'd)(c) **The breakdown of risk-weighted assets by exposures in each major risk category is as follows:** (cont'd)(i) **Group** (cont'd)

31 DECEMBER 2015 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,272,318	5,272,318	–	–
Public Sector Entities	1,518,456	1,505,045	239,294	19,144
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	681,901	681,901	71,723	5,738
Corporate	13,479,088	13,328,216	7,076,852	566,148
Regulatory Retail	13,842,759	13,744,869	13,029,854	1,042,388
Residential Mortgages	11,544,602	11,540,816	7,259,179	580,734
Higher Risk Assets	74,616	74,616	111,924	8,954
Other Assets	2,691,116	2,691,116	459,416	36,753
Defaulted Exposures	199,708	191,173	209,827	16,786
Total for On-Balance Sheet Exposures	49,304,564	49,030,070	28,458,069	2,276,645
Off-Balance Sheet Exposures				
Credit-related Exposures	1,541,568	1,541,568	1,285,187	102,815
Derivative Financial Instruments	184,323	184,323	85,061	6,805
Defaulted Exposures	8,574	8,574	12,823	1,026
Total for Off-Balance Sheet Exposures	1,734,465	1,734,465	1,383,071	110,646
Total On and Off-Balance Sheet Exposures	51,039,029	50,764,535	29,841,140	2,387,291
Less: Credit Risk absorbed by IA			(288,030)	(23,042)

2. CAPITAL ADEQUACY (cont'd)

2.4 Capital Adequacy Ratios (cont'd)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont'd)

(i) Group (cont'd)

31 DECEMBER 2015 EXPOSURE CLASS	GROSS EXPOSURE RM'000		NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	6,379,124	(5,996,805)	382,319	208,959	16,717
Foreign Exchange Risk	28,199	(457,351)	(429,152)	457,351	36,588
Inventory Risk	–	–	1,849	1,848	148
Total Market Risk	6,407,323	(6,454,156)	(44,984)	668,158	53,453
Operational Risk				2,851,129	228,090
Total RWA and Capital Requirements				33,072,397	2,645,792

Note: As at 31 December 2015, the Group did not have any exposures under securitisation.

	BEFORE EFFECT OF IA	AFTER EFFECT OF IA
CET1 Capital Ratio	11.98%	12.09%
Tier 1 Capital Ratio	11.98%	12.09%
Total Capital Ratio	15.20%	15.32%

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

2. CAPITAL ADEQUACY (cont'd)

2.4 Capital Adequacy Ratios (cont'd)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont'd)

(ii) Bank

31 DECEMBER 2016 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,390,134	5,390,134	–	–
Public Sector Entities	2,718,672	2,705,677	237,542	19,003
Banks, Developments Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	1,102,582	1,102,582	181,363	14,509
Corporate	14,148,639	14,022,573	8,245,107	659,609
Regulatory Retail	14,629,753	14,519,386	13,877,865	1,110,229
Residential Mortgages	14,005,484	14,001,390	8,741,181	699,295
Higher Risk Assets	68,091	68,091	102,137	8,171
Other Assets	2,538,932	2,538,933	307,662	24,613
Defaulted Exposures	322,788	312,972	337,438	26,995
Total for On-Balance Sheet Exposures	54,925,075	54,661,738	32,030,295	2,562,424
Off-Balance Sheet Exposures				
Credit-related Exposures	2,071,862	2,037,640	1,767,437	141,395
Derivative Financial Instruments	192,491	192,491	93,278	7,462
Defaulted Exposures	9,235	8,955	13,301	1,064
Total for Off-Balance Sheet Exposures	2,273,588	2,239,086	1,874,016	149,921
Total On and Off-Balance Sheet Exposures	57,198,663	56,900,824	33,904,311	2,712,345
Less: Credit Risk absorbed by IA			(2,566,180)	(205,294)

2. CAPITAL ADEQUACY (cont'd)

2.4 Capital Adequacy Ratios (cont'd)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont'd)

(ii) Bank (cont'd)

31 DECEMBER 2016 EXPOSURE CLASS	GROSS EXPOSURE RM'000		NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	3,687,320	(3,117,954)	569,366	174,282	13,943
Foreign Exchange Risk	27,707	(434,963)	(407,256)	434,963	34,797
Inventory Risk	–	–	686	686	55
Total Market Risk	3,715,027	(3,552,917)	162,796	609,931	48,795
Operational Risk				3,014,802	241,184
Total RWA and Capital Requirements				34,962,864	2,797,030

Note: As at 31 December 2016, the Bank did not have any exposures under securitisation.

	BEFORE EFFECT OF IA	AFTER EFFECT OF IA
CET1 Capital Ratio	11.52%	12.36%
Tier 1 Capital Ratio	11.52%	12.36%
Total Capital Ratio	14.51%	15.48%

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

2. CAPITAL ADEQUACY (cont'd)**2.4 Capital Adequacy Ratios** (cont'd)(c) **The breakdown of risk-weighted assets by exposures in each major risk category is as follows:** (cont'd)(ii) **Bank** (cont'd)

31 DECEMBER 2015 EXPOSURE CLASS	GROSS EXPOSURE RM'000	NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,272,318	5,272,318	–	–
Public Sector Entities	1,518,456	1,505,045	239,294	19,144
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	677,975	677,975	70,937	5,675
Corporate	13,479,088	13,328,216	7,076,852	566,148
Regulatory Retail	13,842,759	13,744,869	13,029,854	1,042,388
Residential Mortgages	11,544,602	11,540,816	7,259,179	580,734
Higher Risk Assets	74,616	74,616	111,924	8,954
Other Assets	2,688,119	2,688,119	455,650	36,452
Defaulted Exposures	199,708	191,173	209,827	16,786
Total for On-Balance Sheet Exposures	49,297,641	49,023,147	28,453,517	2,276,281
Off-Balance Sheet Exposures				
Credit-related Exposures	1,541,568	1,541,568	1,285,187	102,815
Derivative Financial Instruments	184,323	184,323	85,061	6,805
Defaulted Exposures	8,574	8,574	12,823	1,026
Total for Off-Balance Sheet Exposures	1,734,465	1,734,465	1,383,071	110,646
Total On and Off-Balance Sheet Exposures	51,032,106	50,757,612	29,836,588	2,386,927
Less: Credit Risk absorbed by IA			(288,030)	(23,042)

2. CAPITAL ADEQUACY (cont'd)

2.4 Capital Adequacy Ratios (cont'd)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows: (cont'd)

(ii) Bank (cont'd)

31 DECEMBER 2015 EXPOSURE CLASS	GROSS EXPOSURE RM'000		NET EXPOSURE RM'000	RISK- WEIGHTED ASSET RM'000	MINIMUM CAPITAL REQUIREMENT AT 8% RM'000
	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	6,379,124	(5,996,805)	382,319	208,959	16,716
Foreign Exchange Risk	28,199	(457,351)	(429,152)	457,351	36,588
Inventory Risk	–	–	1,849	1,848	148
Total Market Risk	6,407,323	(6,454,156)	(44,984)	668,158	53,452
Operational Risk				2,834,709	226,777
Total RWA and Capital Requirements				33,051,425	2,644,114

Note: As at 31 December 2015, Bank did not have any exposures under securitisation.

	BEFORE EFFECT OF IA	AFTER EFFECT OF IA
CET1 Capital Ratio	11.95%	12.05%
Tier 1 Capital Ratio	11.95%	12.05%
Total Capital Ratio	15.16%	15.28%

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

3. RISK MANAGEMENT

3.1 Overview

The Group's mission with respect to risk management is to advance its risk management capabilities, culture and practices so as to be in line with internationally accepted standards and practices.

In that regard, the objectives of managing risk are to:

- Inculcate a risk-awareness culture throughout the Group;
- Establish a standard approach and methodology in managing credit, market, liquidity, operational and business risks across the Group;
- Clarify functional structures including objectives, roles and responsibilities;
- Implement and use a risk management information system that meets international standards on confidentiality, integrity and its availability;
- Develop and use tools, such as economic capital, value at risk, scoring models and stress testing to support the measurement of risks and enhance risk-based decisions;
- Ensure that risk policies and overall risk appetite are in line with business targets; and
- Ensure that the Group's capital can support current and planned business needs in terms of risk exposures.

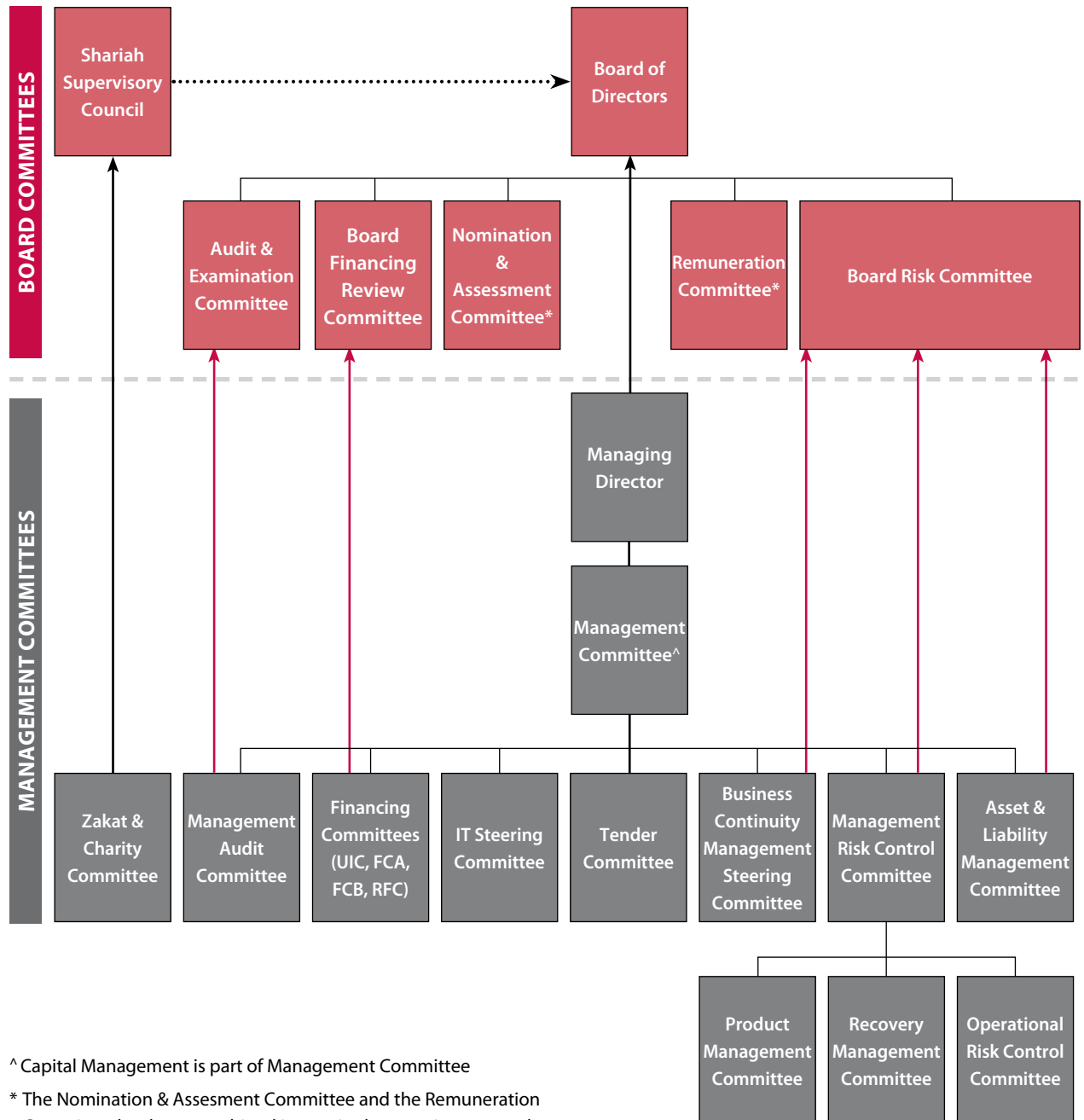
3.2 Risk Management Functional and Governance Structure

The Group has realigned its risk organisational responsibilities with the objective of ensuring a common view of risks across the Group. As a matter of good business practice and prudence, the Group's core risk management functions, which report to the Board Risk Committee ("BRC"), are independent and clearly segregated from the business divisions and centralized at head office.

3. RISK MANAGEMENT (cont'd)

3.2 Risk Management Functional and Governance Structure (cont'd)

The following illustrates the Group's governance structure:



^ Capital Management is part of Management Committee

* The Nomination & Assessment Committee and the Remuneration Committee has been combined into a single committee named Nomination & Remuneration Committee effective 1 January 2017

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as at 31 December 2016

(cont'd)

3. RISK MANAGEMENT (cont'd)

3.2 Risk Management Functional and Governance Structure (cont'd)

The Group recognises the fact that the essence of banking and financial services is centered on risk taking. The Group therefore:

- Recognises that it has to manage risks effectively to achieve its business targets;
- Reach an optimum level of risk-return in order to maximise stakeholders' value; and
- Ensure effective and integrated risk management processes that are commensurate with the size and complexity of the current and future operations of the Group within its risk appetite and tolerance.

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

4. CREDIT RISK

4.1 Overview

Credit risk arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor. The types of credit risks that the Group considers to be material include: Default Risk/Counterparty Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk, and Migration Risk.

4.2 Credit Risk Governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the BRC, guided by the Board of Directors' approved Risk Appetite Statement Policy.

The Management Risk Control Committee ("MRCC") is responsible under the authority delegated by the BRC for managing credit risk at strategic level. The MRCC reviews the Group's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Group's credit risk management governance includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Group's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

4.3 Management of Credit Risk

The management of credit risk is being performed mainly by the Credit Management Division ("CMD") and Risk Management Division ("RMD") and two other units outside CMD and RMD domain, namely, Credit Administration and Credit Recovery. The combined objectives are, amongst others:

- To build a high quality credit portfolio in line with the Group's overall strategy and risk appetite;
- To ensure that the Group is compensated for the risk taken, balancing/optimizing the risk /return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

4. CREDIT RISK (cont'd)

4.3 Management of Credit Risk (cont'd)

The Group monitors its credit exposures either on a portfolio basis or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (a certain part of) the portfolio. The affected portfolio or financing is placed on a watch list to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A comprehensive limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk contagion to a single customer, sector, product, Shariah contract, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counter parties limits and permissible acquisition of private entities' instruments, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

4.4 Capital Treatment for Credit Risk

The Group adopts the Standardized Approach to compute the credit risk capital requirement under BNM's CAFIB.

4.5 Credit Quality of Gross Financing and Advances

The table below presents the Group's and the Bank's gross financing and advances analysed by credit quality:

	GROUP AND BANK	
	31.12.2016	31.12.2015
	RM'000	RM'000
Neither past due nor impaired	38,788,825	33,797,333
Past due but not impaired	694,173	781,623
Impaired	389,445	381,270
	39,872,443	34,960,226
Gross Impaired Financing as a percentage of Gross Financing and Advances	0.98%	1.09%

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as at 31 December 2016

(cont'd)

4. CREDIT RISK (cont'd)**4.5 Credit Quality of Gross Financing and Advances** (cont'd)**(a) Neither Past Due Nor Impaired**

Financings classified as neither past due nor impaired are financings of which the customer has not missed a contractual payment (profit or principal) when contractually due and is not impaired as there is no objective evidence of impairment of the financing.

The credit quality of gross financing and advances which are neither past due nor impaired is as follows:

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Excellent to Good	31,981,235	27,422,414
Satisfactory	6,352,707	5,968,683
Fair	454,883	406,236
	38,788,825	33,797,333

Internal rating definition:-

- **Excellent to Good:** Sound financial position of the obligor with no difficulty in meeting its obligations.
- **Satisfactory:** Adequate safety of the obligor meeting its current obligations but more time is required to meet the entire obligations in full.
- **Fair:** High risks on payment obligations. Financial performance may continue to deteriorate.

(b) Past Due But Not Impaired

Financings classified as past due but not impaired are financings of which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.

Analysis of the past due but not impaired financing and advances by aging analysis:

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
By ageing		
Month-in-arrears 1	439,600	596,525
Month-in-arrears 2	254,573	185,098
	694,173	781,623

4. CREDIT RISK (cont'd)

4.5 Credit Quality of Gross Financing and Advances (cont'd)

(b) Past Due But Not Impaired (cont'd)

Analysis of the past due but not impaired financing and advances by sector:

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Primary agriculture	7,817	12,118
Mining and quarrying	–	5,062
Manufacturing (including agro-based)	6,989	300
Electricity, gas and water	–	40
Wholesale & retail trade, and hotels & restaurants	5,829	16,848
Construction	49,483	101,747
Real estate	55,855	27,120
Transport, storage and communications	3,903	90
Finance, insurance and business activities	1,277	645
Education, health and others	3,335	11,363
Household sectors	559,685	606,290
Other sectors	–	–
	694,173	781,623

(c) Impaired Financing and Advances

A financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

The financing or group of financings is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the financing (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financing or group of financings that can be reliably estimated.

The Group and the Bank first assess individually whether the objective evidence of impairment exists individually for financings which are individually significant, and collectively for financings which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is included in a group of financings with similar credit risk characteristic and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

4. CREDIT RISK (cont'd)

4.5 Credit Quality of Gross Financing and Advances (cont'd)

(c) Impaired Financing and Advances (cont'd)

Impaired financing by assessment type:

	GROUP AND BANK	
	31.12.2016 RM'000	31.12.2015 RM'000
Individually Assessed	203,374	211,198
of which:		
<i>Month-in-Arrears 0</i>	15,614	38,490
<i>Month-in-Arrears 1</i>	240	28,259
<i>Month-in-Arrears 2</i>	7,623	13,235
<i>Month-in-Arrears 3 and above</i>	179,897	131,214
Collectively Assessed	186,071	170,072
	389,445	381,270

31 DECEMBER 2016 RM'000	INDIVIDUAL ASSESSMENT ALLOWANCE				INDIVIDUAL ASSESSMENT AS AT 31.12.2016	COLLECTIVE ASSESSMENT ALLOWANCE AT 31.12.2016	TOTAL IMPAIRMENT ALLOWANCES FOR FINANCING AT 31.12.2016
	IMPAIRED FINANCING AT 31.12.2016	INDIVIDUAL ASSESSMENT AS AT 1.01.2016	NET CHARGE FOR THE FINANCIAL YEAR	AMOUNTS WRITTEN OFF/OTHER MOVEMENTS			
Primary Agriculture	1,311	963	96	-	1,059	6,161	7,220
Mining and Quarrying	-	-	-	-	-	368	368
Manufacturing (including Agro based)	36,739	1,667	24,880	(1,753)	24,794	10,389	35,183
Electricity, Gas and Water	-	-	-	-	-	16,291	16,291
Wholesale & Retail Trade and Restaurants & Hotels	25,651	11,641	(1,441)	-	10,200	44,010	54,210
Construction	13,714	18,377	12,886	(28,174)	3,089	31,281	34,370
Real Estate	-	-	-	-	-	21,891	21,891
Transport, Storage and Communication	15,579	16,693	(8,162)	-	8,531	18,629	27,160
Finance, Insurance and Business Services	70,948	66,504	213	2,992	69,709	32,536	102,245
Education, Health and Others	3,076	2,092	(1,460)	-	632	15,238	15,870
Household Sectors	222,427	6,534	3,650	-	10,184	358,177	368,361
Other Sectors	-	-	-	-	-	-	-
Total	389,445	124,471	30,662	(26,935)	128,198	554,971	683,169

4. CREDIT RISK (cont'd)

4.5 Credit Quality of Gross Financing and Advances (cont'd)

(c) Impaired Financing and Advances (cont'd)

31 DECEMBER 2015 RM'000	INDIVIDUAL ASSESSMENT ALLOWANCE				INDIVIDUAL ASSESSMENT AS AT 31.12.2015	COLLECTIVE ASSESSMENT ALLOWANCE AT 31.12.2015	TOTAL IMPAIRMENT ALLOWANCES FOR FINANCING AT 31.12.2015
	IMPAIRED FINANCING AT 31.12.2015	INDIVIDUAL ASSESSMENT AS AT 1.01.2015	NET CHARGE FOR THE FINANCIAL YEAR	AMOUNTS WRITTEN OFF/OTHER MOVEMENTS			
Primary Agriculture	1,307	954	4,740	(4,731)	963	6,773	7,736
Mining and Quarrying	-	-	-	-	-	660	660
Manufacturing (including Agro based)	6,650	1,594	2,163	(2,090)	1,667	11,849	13,516
Electricity, Gas and Water	-	-	-	-	-	10,677	10,677
Wholesale & Retail Trade and Restaurants & Hotels	24,986	6,177	5,464	-	11,641	40,860	52,501
Construction	56,344	39,899	(12,918)	(8,604)	18,377	33,901	52,278
Real Estate	-	-	-	-	-	17,264	17,264
Transport, Storage and Communication	29,332	33,610	9,443	(26,360)	16,693	9,363	26,056
Finance, Insurance and Business Services	69,533	54,270	525	11,709	66,504	20,599	87,103
Education, Health and Others	7,502	-	2,092	-	2,092	18,246	20,338
Household Sectors	185,616	6,249	2,639	(2,354)	6,534	370,873	377,407
Other Sectors	-	-	-	-	-	-	-
Total	381,270	142,753	14,148	(32,430)	124,471	541,065	665,536

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

4. CREDIT RISK (cont'd)**4.5 Credit Quality of Gross Financing and Advances** (cont'd)**(d) Gross Financing and Advances – Exposures by Geographical Areas**

31 DECEMBER 2016 RM '000	GROSS FINANCING	OF WHICH:		INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES
		PAST DUE BUT NOT IMPAIRED FINANCING	IMPAIRED FINANCING		
Central Region	18,853,925	334,621	142,841	24,400	283,895
Eastern Region	6,534,376	110,505	92,848	32,750	72,174
Northern Region	5,864,200	89,741	36,299	1,433	79,118
Southern Region	5,499,121	89,657	31,329	758	64,112
East Malaysia Region	3,120,821	69,649	86,128	68,857	55,672
Grand Total	39,872,443	694,173	389,445	128,198	554,971

31 DECEMBER 2015 RM '000	GROSS FINANCING	OF WHICH:		INDIVIDUAL ALLOWANCES	COLLECTIVE ALLOWANCES
		PAST DUE BUT NOT IMPAIRED FINANCING	IMPAIRED FINANCING		
Central Region	16,254,666	412,831	184,568	48,876	271,581
Eastern Region	5,856,505	129,369	47,369	8,561	71,077
Northern Region	5,297,531	105,613	35,880	1,472	82,595
Southern Region	4,725,173	89,310	29,892	1,348	62,999
East Malaysia Region	2,826,351	44,500	83,561	64,214	52,813
Grand Total	34,960,226	781,623	381,270	124,471	541,065

4. CREDIT RISK (cont'd)

4.6 Gross Credit Exposures

(a) Geographic Distribution of Credit Exposures

(i) Group

31 DECEMBER 2016 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM'000	TOTAL RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	5,390,134	-	-	-	-	5,390,134
Public Sector Entities	2,375,452	189,345	18,236	135,639	-	2,718,672
Banks, Developments Financial Institutions and Multilateral Development Banks	1,098,655	695	-	134	3,246	1,102,730
Corporate	11,751,561	714,642	844,319	473,739	535,717	14,319,978
Regulatory Retail	5,108,528	3,054,404	2,493,729	2,475,656	1,574,608	14,706,925
Residential Mortgages	5,682,036	2,559,410	2,497,322	2,413,949	927,042	14,079,759
Higher Risk Assets	59,894	2,429	3,807	407	1,555	68,092
Other Assets	2,542,068	-	-	-	554	2,542,622
Total for On-Balance Sheet Exposures	34,008,328	6,520,925	5,857,413	5,499,524	3,042,722	54,928,912
Off-Balance Sheet Exposures						
Credit-related Exposures	2,077,388	-	-	-	3,709	2,081,097
Derivative Financial Instruments	192,491	-	-	-	-	192,491
Total for Off-Balance Sheet Exposures	2,269,879	-	-	-	3,709	2,273,588
Total On and Off-Balance Sheet Exposures	36,278,207	6,520,925	5,857,413	5,499,524	3,046,431	57,202,500

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as at 31 December 2016

(cont'd)

4. CREDIT RISK (cont'd)**4.6 Gross Credit Exposures** (cont'd)**(a) Geographic Distribution of Credit Exposures** (cont'd)**(i) Group** (cont'd)

31 DECEMBER 2015 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM'000	TOTAL RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	5,272,318	–	–	–	–	5,272,318
Public Sector Entities	1,182,049	194,489	21,738	120,142	38	1,518,456
Banks, Developments Financial Institutions and Multilateral Development Banks	677,870	–	–	–	4,031	681,901
Corporate	11,185,859	716,326	761,980	395,446	511,774	13,571,385
Regulatory Retail	4,929,479	2,847,224	2,369,180	2,302,089	1,455,106	13,903,078
Residential Mortgages	4,668,587	2,091,745	2,138,329	1,909,412	783,619	11,591,692
Higher Risk Assets	63,206	3,193	5,608	575	2,036	74,618
Other Assets	2,690,794	–	–	–	322	2,691,116
Total for On-Balance Sheet Exposures	30,670,162	5,852,977	5,296,835	4,727,664	2,756,926	49,304,564
Off-Balance Sheet Exposures						
Credit-related Exposures	1,545,735	–	–	–	4,407	1,550,142
Derivative Financial Instruments	184,323	–	–	–	–	184,323
Total for Off-Balance Sheet Exposures	1,730,058	–	–	–	4,407	1,734,465
Total On and Off-Balance Sheet Exposures	32,400,220	5,852,977	5,296,835	4,727,664	2,761,333	51,039,029

4. CREDIT RISK (cont'd)

4.6 Gross Credit Exposures (cont'd)

(a) Geographic Distribution of Credit Exposures (cont'd)

(ii) Bank

31 DECEMBER 2016 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM'000	TOTAL RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	5,390,134	-	-	-	-	5,390,134
Public Sector Entities	2,375,452	189,345	18,236	135,639	-	2,718,672
Banks, Developments Financial Institutions and Multilateral Development Banks	1,098,507	695	-	134	3,246	1,102,582
Corporate	11,751,561	714,642	844,319	473,739	535,717	14,319,978
Regulatory Retail	5,108,528	3,054,404	2,493,729	2,475,656	1,574,608	14,706,925
Residential Mortgages	5,682,036	2,559,410	2,497,322	2,413,949	927,042	14,079,759
Higher Risk Assets	59,894	2,429	3,807	407	1,555	68,092
Other Assets	2,538,379	-	-	-	554	2,538,933
Total for On-Balance Sheet Exposures	34,004,491	6,520,925	5,857,413	5,499,524	3,042,722	54,925,075
Off-Balance Sheet Exposures						
Credit-related Exposures	2,077,388	-	-	-	3,709	2,081,097
Derivative Financial Instruments	192,491	-	-	-	-	192,491
Total for Off-Balance Sheet Exposures	2,269,879	-	-	-	3,709	2,273,588
Total On and Off-Balance Sheet Exposures	36,274,370	6,520,925	5,857,413	5,499,524	3,046,431	57,198,663

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

4. CREDIT RISK (cont'd)**4.6 Gross Credit Exposures** (cont'd)**(a) Geographic Distribution of Credit Exposures** (cont'd)**(ii) Bank** (cont'd)

31 DECEMBER 2015 EXPOSURE CLASS	CENTRAL REGION RM'000	EASTERN REGION RM'000	NORTHERN REGION RM'000	SOUTHERN REGION RM'000	EAST MALAYSIA REGION RM'000	TOTAL RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	5,272,318	–	–	–	–	5,272,318
Public Sector Entities	1,182,049	194,489	21,738	120,142	38	1,518,456
Banks, Developments Financial Institutions and Multilateral Development Banks	673,944	–	–	–	4,031	677,975
Corporate	11,185,859	716,326	761,980	395,446	511,774	13,571,385
Regulatory Retail	4,929,479	2,847,224	2,369,180	2,302,089	1,455,106	13,903,078
Residential Mortgages	4,668,587	2,091,745	2,138,329	1,909,412	783,619	11,591,692
Higher Risk Assets	63,206	3,193	5,608	575	2,036	74,618
Other Assets	2,687,797	–	–	–	322	2,688,119
Total for On-Balance Sheet Exposures	30,663,239	5,852,977	5,296,835	4,727,664	2,756,926	49,297,641
Off-Balance Sheet Exposures						
Credit-related Exposures	1,545,735	–	–	–	4,407	1,550,142
Derivative Financial Instruments	184,323	–	–	–	–	184,323
Total for Off-Balance Sheet Exposures	1,730,058	–	–	–	4,407	1,734,465
Total On and Off-Balance Sheet Exposures	32,393,297	5,852,977	5,296,835	4,727,664	2,761,333	51,032,106

4. CREDIT RISK (cont'd)

4.6 Gross Credit Exposures (cont'd)

(b) Distribution of Credit Exposures by Sector

(i) Group

31 DECEMBER 2016 EXPOSURE CLASS	PRIMARY AGRI- CULTURE RM/000	MINING AND QUARRYING RM/000	MANU- FACTURING RM/000	ELEC- TRICITY, GAS AND WATER RM/000	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS RM/000	CON- STRUCTION RM/000	REAL ESTATE RM/000	TRANSPORT, STORAGE & COMMUNI- CATION RM/000	FINANCE, INSURANCE AND BUSINESS SERVICES RM/000	EDU- CATION, HEALTH, AND OTHERS RM/000	HOUSE- HOLD SECTOR RM/000	OTHER SECTORS RM/000	TOTAL RM/000
Credit Risk													
On-Balance Sheet													
Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	3,332,810	-	-	2,057,324	5,390,134
Public Sector Entities	-	-	-	-	-	-	200,118	644,887	1,717,950	154,813	904	-	2,718,672
Financial Institutions													
and Multilateral													
Development Banks	-	-	-	-	-	-	-	-	582,553	-	830	519,347	1,102,730
Corporate	390,477	12,886	936,484	2,793,398	1,118,175	2,687,613	1,890,896	1,209,267	2,596,791	407,759	104,974	171,258	14,319,978
Regulatory Retail	11,379	-	17,991	-	65,988	66,504	28,449	9,586	47,052	34,423	14,425,236	317	14,706,925
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	14,079,759	-	14,079,759
Higher Risk Assets	-	-	-	-	-	56,627	-	-	-	-	11,465	-	68,092
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,542,622	2,542,622
Total for On-Balance Sheet	401,856	12,886	954,475	2,793,398	1,184,163	2,810,744	2,119,463	1,863,740	8,277,156	596,995	28,623,168	5,290,868	54,928,912
Off-Balance Sheet													
Exposures													
Credit-related Exposures	27,187	10,824	144,431	149,406	143,111	430,738	232,943	79,774	219,651	99,482	539,791	3,759	2,081,097
Derivative Financial													
Instruments	-	1	3,867	-	33,721	176	9,764	-	8,309	131,027	-	5,626	192,491
Total for Off-Balance Sheet	27,187	10,825	148,298	149,406	176,832	430,914	242,707	79,774	227,960	230,509	539,791	9,385	2,273,588
Total On and Off-Balance Sheet Exposures	429,043	23,711	1,102,773	2,942,804	1,360,995	3,241,658	2,362,170	1,943,514	8,505,116	827,504	29,162,959	5,300,253	57,202,500

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

4. CREDIT RISK (cont'd)

4.6 Gross Credit Exposures (cont'd)

(b) Distribution of Credit Exposures by Sector (cont'd)

(i) Group (cont'd)

31 DECEMBER 2015 EXPOSURE CLASS	PRIMARY AGRI- CULTURE RM'000	MINING AND QUARRYING RM'000	MANU- FACTURING RM'000	ELEC- TRICITY, GAS AND WATER RM'000	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS RM'000	CON- STRUCTION RM'000	REAL ESTATE RM'000	TRANSPORT, STORAGE & COMMUNI- CATION RM'000	FINANCE, INSURANCE AND BUSINESS SERVICES RM'000	EDU- CATION, HEALTH, AND OTHERS RM'000	HOUSE- HOLD SECTOR RM'000	OTHER SECTORS RM'000	TOTAL RM'000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	5,272,318	-	-	-	5,272,318
Public Sector Entities	-	-	-	-	-	-	180,501	284,372	914,861	138,684	38	-	1,518,456
Banks, Developments													
Financial Institutions													
and Multilateral													
Development Banks	-	-	-	-	-	-	-	-	530,200	-	-	151,701	681,901
Corporate	394,697	13,494	1,049,023	2,752,785	976,686	2,731,889	1,364,457	1,305,058	2,227,086	668,870	86,986	354	13,571,385
Regulatory Retail	14,271	-	26,417	41	74,987	72,258	16,929	19,358	48,544	34,950	13,595,194	129	13,903,078
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	11,591,692	-	11,591,692
Higher Risk Assets	-	-	-	-	-	59,410	-	-	-	-	15,208	-	74,618
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,691,116	2,691,116
Total for On-Balance Sheet Exposures	408,968	13,494	1,075,440	2,752,826	1,051,673	2,863,557	1,561,887	1,608,788	8,993,009	842,504	25,289,118	2,843,300	49,304,564
Off-Balance Sheet Exposures													
Credit-related Exposures	14,671	13,710	109,119	167,109	127,748	212,599	12,204	70,807	152,948	108,359	556,363	4,505	1,550,142
Derivative Financial Instruments	-	-	1,931	-	871	1,433	11,097	239	168,423	-	-	329	184,323
Total for Off-Balance Sheet Exposures	14,671	13,710	111,050	167,109	128,619	214,032	23,301	71,046	321,371	108,359	556,363	4,834	1,734,465
Total On and Off-Balance Sheet Exposures	423,639	27,204	1,186,490	2,919,935	1,180,292	3,077,589	1,585,188	1,679,834	9,314,380	950,863	25,845,481	2,848,134	51,039,029

4. CREDIT RISK (cont'd)

4.6 Gross Credit Exposures (cont'd)

(b) Distribution of Credit Exposures by Sector (cont'd)

(ii) Bank

31 DECEMBER 2016 EXPOSURE CLASS	PRIMARY AGRI- CULTURE RM/000	MINING AND QUARRYING RM/000	MANU- FACTURING RM/000	ELEC- TRICITY, GAS AND WATER RM/000	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS RM/000	CON- STRUCTION RM/000	REAL ESTATE RM/000	TRANSPORT, STORAGE & COMMUNI- CATION RM/000	FINANCE, INSURANCE AND BUSINESS SERVICES RM/000	EDU- CATION, HEALTH, AND OTHERS RM/000	HOUSE- HOLD SECTOR RM/000	OTHER SECTORS RM/000	TOTAL RM/000
Credit Risk													
On-Balance Sheet													
Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	3,332,810	-	-	2,057,324	5,390,134
Public Sector Entities	-	-	-	-	-	-	200,118	644,887	1,717,950	154,813	904	-	2,718,672
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	582,553	-	830	519,199	1,102,582
Corporate	390,477	12,886	936,484	2,793,398	1,118,175	2,687,613	1,890,896	1,209,267	2,596,791	407,759	104,974	171,258	14,319,978
Regulatory Retail	11,379	-	17,991	-	65,988	66,504	28,449	9,586	47,052	34,423	14,425,236	317	14,706,925
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	14,079,759	-	14,079,759
Higher Risk Assets	-	-	-	-	-	56,627	-	-	-	-	11,465	-	68,092
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,538,933	2,538,933
Total for On-Balance Sheet Exposures	401,856	12,886	954,475	2,793,398	1,184,163	2,810,744	2,119,463	1,863,740	8,277,156	596,995	28,623,168	5,287,031	54,925,075
Off-Balance Sheet													
Exposures													
Credit-related Exposures	27,187	10,824	144,431	149,406	143,111	430,738	232,943	79,774	219,651	99,482	539,791	3,759	2,081,097
Derivative Financial Instruments	-	1	3,867	-	33,721	176	9,764	-	8,309	131,027	-	5,626	192,491
Total for Off-Balance Sheet Exposures	27,187	10,825	148,298	149,406	176,832	430,914	242,707	79,774	227,960	230,509	539,791	9,385	2,273,588
Total On and Off-Balance Sheet Exposures	429,043	23,711	1,102,773	2,942,804	1,360,995	3,241,658	2,362,170	1,943,514	8,505,116	827,504	29,162,959	5,296,416	57,198,663

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

4. CREDIT RISK (cont'd)

4.6 Gross Credit Exposures (cont'd)

(b) Distribution of Credit Exposures by Sector (cont'd)

(ii) Bank (cont'd)

31 DECEMBER 2015 EXPOSURE CLASS	PRIMARY AGRI- CULTURE RM'000	MINING AND QUARRYING RM'000	MANU- FACTURING RM'000	ELEC- TRICITY, GAS AND WATER RM'000	WHOLESALE & RETAIL TRADE AND RESTAURANT & HOTELS RM'000	CON- STRUCTION RM'000	REAL ESTATE RM'000	TRANSPORT, STORAGE & COMMUNI- CATION RM'000	FINANCE, INSURANCE AND BUSINESS SERVICES RM'000	EDU- CATION, HEALTH, AND OTHERS RM'000	HOUSE- HOLD SECTOR RM'000	OTHER SECTORS RM'000	TOTAL RM'000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	5,272,318	-	-	-	5,272,318
Public Sector Entities	-	-	-	-	-	-	180,501	284,372	914,861	138,684	38	-	1,518,456
Banks, Developments													
Financial Institutions													
and Multilateral													
Development Banks									530,200	-	-	147,775	677,975
Corporate	394,697	13,494	1,049,023	2,752,826	976,686	2,731,889	1,364,457	1,305,058	2,227,086	668,870	86,986	354	13,571,385
Regulatory Retail	14,271	-	26,417	41	74,987	72,258	16,929	19,358	48,544	34,950	13,595,194	129	13,903,078
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	11,591,692	-	11,591,692
Higher Risk Assets	-	-	-	-	-	59,410	-	-	-	-	15,208	-	74,618
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,688,119	2,688,119
Total for On-Balance Sheet Exposures	408,968	13,494	1,075,440	2,752,826	1,051,673	2,863,557	1,561,887	1,608,788	8,993,009	842,504	25,289,118	2,836,377	49,297,641
Off-Balance Sheet Exposures													
Credit-related Exposures	14,671	13,710	109,119	167,109	127,748	212,599	12,204	70,807	152,948	108,359	556,363	4,505	1,550,142
Derivative Financial Instruments	-	-	1,931	-	871	1,433	11,097	239	168,423	-	-	329	184,323
Total for Off-Balance Sheet Exposures	14,671	13,710	111,050	167,109	128,619	214,032	23,301	71,046	321,371	108,359	556,363	4,834	1,734,465
Total On and Off-Balance Sheet Exposures	423,639	27,204	1,186,490	2,919,935	1,180,292	3,077,589	1,585,188	1,679,834	9,314,380	950,863	25,845,481	2,841,211	51,032,106

4. CREDIT RISK (cont'd)

4.6 Gross Credit Exposures (cont'd)

(c) Residual Contractual Maturity Breakdown

(i) Group

31 DECEMBER 2016 EXPOSURE CLASS	UP TO 1 YEAR RM'000	> 1 – 5 YEARS RM'000	OVER 5 YEARS RM'000	TOTAL RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	3,035,639	1,899,789	454,706	5,390,134
Public Sector Entities	488,347	658,915	1,571,410	2,718,672
Banks, Developments Financial Institutions and Multilateral Development Banks	1,056,260	45,640	830	1,102,730
Corporate	3,591,596	3,343,479	7,384,903	14,319,978
Regulatory Retail	236,144	2,608,421	11,862,360	14,706,925
Residential Mortgages	6,960	87,388	13,985,411	14,079,759
Higher Risk Assets	–	184	67,908	68,092
Other Assets	2,208,692	–	333,930	2,542,622
Total for On-Balance Sheet Exposures	10,623,638	8,643,816	35,661,458	54,928,912
Off-Balance Sheet Exposures				
Credit-related Exposures	742,597	749,930	588,570	2,081,097
Derivative Financial Instruments	164,023	9,497	18,971	192,491
Total for Off-Balance Sheet Exposures	906,620	759,427	607,541	2,273,588
Total On and Off-Balance Sheet Exposures	11,530,258	9,403,243	36,268,999	57,202,500

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(cont'd)

4. CREDIT RISK (cont'd)**4.6 Gross Credit Exposures** (cont'd)**(c) Residual Contractual Maturity Breakdown** (cont'd)**(i) Group** (cont'd)

31 DECEMBER 2015 EXPOSURE CLASS	UP TO 1 YEAR RM'000	> 1 – 5 YEARS RM'000	OVER 5 YEARS RM'000	TOTAL RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	2,088,946	2,716,655	466,717	5,272,318
Public Sector Entities	723,575	271,589	523,292	1,518,456
Banks, Developments Financial Institutions and Multilateral Development Banks	282,783	399,118	–	681,901
Corporate	3,620,866	3,307,432	6,643,087	13,571,385
Regulatory Retail	215,715	2,057,918	11,629,445	13,903,078
Residential Mortgages	5,199	85,981	11,500,512	11,591,692
Higher Risk Assets	–	239	74,379	74,618
Other Assets	2,335,453	–	355,663	2,691,116
Total for On-Balance Sheet Exposures	9,272,537	8,838,932	31,193,095	49,304,564
Off-Balance Sheet Exposures				
Credit-related Exposures	610,669	540,044	399,429	1,550,142
Derivative Financial Instruments	139,772	20,502	24,049	184,323
Total for Off-Balance Sheet Exposures	750,441	560,546	423,478	1,734,465
Total On and Off-Balance Sheet Exposures	10,022,978	9,399,478	31,616,573	51,039,029

4. CREDIT RISK (cont'd)**4.6 Gross Credit Exposures** (cont'd)**(c) Residual Contractual Maturity Breakdown** (cont'd)**(ii) Bank**

31 DECEMBER 2016 EXPOSURE CLASS	UP TO 1 YEAR RM'000	> 1 – 5 YEARS RM'000	OVER 5 YEARS RM'000	TOTAL RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	3,035,639	1,899,789	454,706	5,390,134
Public Sector Entities	488,347	658,915	1,571,410	2,718,672
Banks, Developments Financial Institutions and Multilateral Development Banks	1,056,112	45,640	830	1,102,582
Corporate	3,591,596	3,343,479	7,384,903	14,319,978
Regulatory Retail	236,144	2,608,421	11,862,360	14,706,925
Residential Mortgages	6,960	87,388	13,985,411	14,079,759
Higher Risk Assets	–	184	67,908	68,092
Other Assets	2,205,003	–	333,930	2,538,933
Total for On-Balance Sheet Exposures	10,619,801	8,643,816	35,661,458	54,925,075
Off-Balance Sheet Exposures				
Credit-related Exposures	742,597	749,930	588,570	2,081,097
Derivative Financial Instruments	164,023	9,497	18,971	192,491
Total for Off-Balance Sheet Exposures	906,620	759,427	607,541	2,273,588
Total On and Off-Balance Sheet Exposures	11,526,421	9,403,243	36,268,999	57,198,663

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(cont'd)

4. CREDIT RISK (cont'd)**4.6 Gross Credit Exposures** (cont'd)**(c) Residual Contractual Maturity Breakdown** (cont'd)**(ii) Bank** (cont'd)

31 DECEMBER 2015 EXPOSURE CLASS	UP TO 1 YEAR RM'000	> 1 – 5 YEARS RM'000	OVER 5 YEARS RM'000	TOTAL RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	2,088,946	2,716,655	466,717	5,272,318
Public Sector Entities	723,575	271,589	523,292	1,518,456
Banks, Developments Financial Institutions and Multilateral Development Banks	278,857	399,118	–	677,975
Corporate	3,620,866	3,307,432	6,643,087	13,571,385
Regulatory Retail	215,715	2,057,918	11,629,445	13,903,078
Residential Mortgages	5,199	85,981	11,500,512	11,591,692
Higher Risk Assets	–	239	74,379	74,618
Other Assets	2,332,456	–	355,663	2,688,119
Total for On-Balance Sheet Exposures	9,265,614	8,838,932	31,193,095	49,297,641
Off-Balance Sheet Exposures				
Credit-related Exposures	610,669	540,044	399,429	1,550,142
Derivative Financial Instruments	139,772	20,502	24,049	184,323
Total for Off-Balance Sheet Exposures	750,441	560,546	423,478	1,734,465
Total On and Off-Balance Sheet Exposures	10,016,055	9,399,478	31,616,573	51,032,106

4. CREDIT RISK (cont'd)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in the calculation of credit risk-weighted assets. The following are the rating agencies or Eligible Credit Assessment Institutions ("ECAI") ratings used by the Group and are recognised by BNM as per the CAFIB Guideline:

- (a) Standard & Poor's ("S&P")
- (b) Moody's Investors Services ("MOODY'S")
- (c) Fitch Ratings ("FITCH")
- (d) Rating Agency Malaysia Berhad ("RAM")
- (e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

- (a) Sovereigns and central banks
- (b) Banking institutions
- (c) Corporates

Unrated and Rated Counterparties

As a general rule, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue nor an issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least *pari passu* with the obligation that is rated, as stipulated in the CAFIB Guideline.

Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The below table summarises the rules governing the assignment of risk weights under the Standardised Approach:

RATING CATEGORY	S & P	MOODY'S	FITCH	RAM	MARC
1	AAA TO AA-	Aaa to Aa3	AAA to AA-	AAA TO AA3	AAA to AA-
2	A+ TO A-	A1 to A3	A+ to A-	A1 TO A3	A+ to A-
3	BBB+ TO BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ TO BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ TO B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

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(cont'd)

4. CREDIT RISK (cont'd)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (cont'd)

The below table summarises risk weight mapping matrix for each credit quality rating category:

RATING CATEGORY	RISK WEIGHTS BASED ON CREDIT RATING OF THE COUNTERPARTY EXPOSURE CLASS				
	SOVEREIGN AND CENTRAL BANKS	CORPORATE	BANKING INSTITUTIONS		
			MATURITY > 6 MONTH	MATURITY <= 6 MONTH	MATURITY <= 3MONTH
1	0%	20%	20%	20%	
2	20%	50%	50%	20%	
3	50%	100%	50%	20%	
4	100%	100%	100%	50%	20%
5	100%	150%	100%	50%	
6	150%	150%	150%	150%	
Unrated	100%	100%	50%	20%	

Under CAFIB, exposures to and/or guaranteed by the Federal Government of Malaysia and Bank Negara Malaysia are accorded a preferential sovereign risk weight of 0%.

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group:

(i) As at 31 December 2016

RISK WEIGHTS	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)								TOTAL EXPOSURES AFTER NETTING & CRM RM'000	TOTAL RISK WEIGHTED ASSET RM'000
	SOVEREIGNS/ CENTRAL BANKS RM'000	PUBLIC SECTOR ENTITIES RM'000	BANKS, DFIs & MDBs RM'000	CORPORATE RM'000	REGULATORY RETAIL RM'000	RESIDENTIAL MORTGAGES RM'000	HIGHER RISK ASSETS RM'000	OTHER ASSETS RM'000		
0%	5,390,725	2,341,996	197,011	1,979,280	7,162	-	-	2,230,523	12,146,697	-
20%	-	30,166	948,268	2,827,830	2,121	-	-	-	3,808,385	761,677
35%	-	-	-	-	-	4,475,145	-	-	4,475,145	1,566,301
50%	-	209,012	208,267	3,102,440	408,591	2,808,070	-	-	6,736,380	3,368,190
75%	-	-	-	556,065	1,994,360	4,044,612	-	-	6,595,037	4,946,279
100%	-	140,655	3,222	7,113,800	12,373,084	2,953,518	-	312,105	22,896,384	22,896,384
150%	-	-	-	59,656	57,840	53,216	75,920	-	246,632	369,947
Total Exposures	5,390,725	2,721,829	1,356,768	15,639,071	14,843,158	14,334,561	75,920	2,542,628	56,904,660	33,908,778
RWA by Exposures	-	251,194	297,009	9,737,119	14,160,333	9,037,137	113,880	312,105	33,908,778	
Average Risk Weight	0.0%	9.2%	21.9%	62.3%	95.4%	63.0%	150.0%	12.3%	59.6%	
Deduction from Capital Base										

4. CREDIT RISK (cont'd)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (cont'd)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group: (cont'd)

(ii) As at 31 December 2015

RISK WEIGHTS	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)								TOTAL EXPOSURES AFTER NETTING & CRM	TOTAL RISK WEIGHTED ASSET
	SOVEREIGNS/ CENTRAL BANKS RM'000	PUBLIC SECTOR ENTITIES RM'000	BANKS, DFIs & MDBs RM'000	CORPORATE RM'000	REGULATORY RETAIL RM'000	RESIDENTIAL MORTGAGES RM'000	HIGHER RISK ASSETS RM'000	OTHER ASSETS RM'000	RM'000	RM'000
0%	5,272,824	1,126,333	323,288	1,984,374	–	–	–	2,231,699	10,938,518	–
20%	–	35,266	413,197	3,635,170	14,018	14,707	–	–	4,112,358	822,471
35%	–	–	–	–	–	3,614,111	–	–	3,614,111	1,264,939
50%	–	222,409	131,111	2,790,164	386,789	2,069,134	–	–	5,599,607	2,799,804
75%	–	–	–	433,273	2,321,367	3,830,935	–	–	6,585,575	4,939,181
100%	–	121,876	748	5,549,943	11,283,798	2,297,819	–	459,425	19,713,609	19,713,609
150%	–	–	–	30,421	40,585	44,721	85,030	–	200,757	301,136
Total Exposures	5,272,824	1,505,884	868,344	14,423,345	14,046,557	11,871,427	85,030	2,691,124	50,764,535	29,841,140
RWA by										
Exposures	–	240,134	148,943	8,042,644	13,281,899	7,540,549	127,546	459,425	29,841,140	
Average Risk Weight	0.0%	15.9%	17.2%	55.8%	94.6%	63.5%	150.0%	17.1%	58.8%	
Deduction from Capital Base										

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as at 31 December 2016

(cont'd)

4. CREDIT RISK (cont'd)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (cont'd)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank:

(i) As at 31 December 2016

RISK WEIGHTS	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)									TOTAL RISK ASSET
	SOVEREIGNS/ CENTRAL BANKS RM'000	PUBLIC SECTOR ENTITIES RM'000	BANKS, DFIs & MDBs RM'000	CORPORATE RM'000	REGULATORY RETAIL RM'000	RESIDENTIAL MORTGAGES RM'000	HIGHER RISK ASSETS RM'000	OTHER ASSETS RM'000	TOTAL EXPOSURES AFTER NETTING & CRM RM'000	
0%	5,390,725	2,341,996	197,011	1,979,280	7,162	-	-	2,231,271	12,147,445	-
20%	-	30,166	948,120	2,827,830	2,121	-	-	-	3,808,237	761,647
35%	-	-	-	-	-	4,475,145	-	-	4,475,145	1,566,301
50%	-	209,012	208,267	3,102,440	408,591	2,808,070	-	-	6,736,380	3,368,190
75%	-	-	-	556,065	1,994,360	4,044,613	-	-	6,595,038	4,946,279
100%	-	140,655	3,222	7,113,800	12,373,084	2,953,518	-	307,668	22,891,947	22,891,947
150%	-	-	-	59,656	57,840	53,216	75,920	-	246,632	369,947
Total Exposures	5,390,725	2,721,829	1,356,620	15,639,071	14,843,158	14,334,562	75,920	2,538,939	56,900,824	33,904,311
RWA by Exposures	-	251,194	296,979	9,737,119	14,160,333	9,037,138	113,880	307,668	33,904,311	
Average Risk Weight	0.0%	9.2%	21.9%	62.3%	95.4%	63.0%	150.0%	12.1%	59.6%	
Deduction from Capital Base										

4. CREDIT RISK (cont'd)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (cont'd)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank: (cont'd)

(ii) As at 31 December 2015

RISK WEIGHTS	EXPOSURES AFTER NETTING & CREDIT RISK MITIGATION (CRM)								TOTAL EXPOSURES AFTER NETTING & CRM	TOTAL RISK WEIGHTED ASSET
	SOVEREIGNS/ CENTRAL BANKS RM'000	PUBLIC SECTOR ENTITIES RM'000	BANKS, DFIs & MDBs RM'000	CORPORATE RM'000	REGULATORY RETAIL RM'000	RESIDENTIAL MORTGAGES RM'000	HIGHER RISK ASSETS RM'000	OTHER ASSETS RM'000	RM'000	RM'000
0%	5,272,824	1,126,333	323,288	1,984,374	–	–	–	2,232,468	10,939,287	–
20%	–	35,266	409,271	3,635,170	14,018	14,707	–	–	4,108,432	821,686
35%	–	–	–	–	–	3,614,111	–	–	3,614,111	1,264,939
50%	–	222,409	131,111	2,790,164	386,789	2,069,134	–	–	5,599,607	2,799,804
75%	–	–	–	433,273	2,321,367	3,830,935	–	–	6,585,575	4,939,181
100%	–	121,876	748	5,549,943	11,283,798	2,297,819	–	455,659	19,709,843	19,709,842
150%	–	–	–	30,421	40,585	44,721	85,030	–	200,757	301,136
Total Exposures	5,272,824	1,505,884	864,418	14,423,345	14,046,557	11,871,427	85,030	2,688,127	50,757,612	29,836,588
RWA by Exposures	–	240,134	148,158	8,042,644	13,281,899	7,540,549	127,546	455,658	29,836,588	
Average Risk Weight	0.0%	15.9%	17.1%	55.8%	94.6%	63.5%	150.0%	17.0%	58.8%	
Deduction from Capital Base										

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(cont'd)

4. CREDIT RISK (cont'd)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI

(a) Ratings of Sovereigns and Central Banks by Approved ECAIs

31 DECEMBER 2016 EXPOSURE CLASS	RATINGS OF SOVEREIGNS AND CENTRAL BANKS BY APPROVED ECAIs						
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	UNRATED
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	UNRATED
	FITCH	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	UNRATED
On and Off Balance-Sheet							
Credit Exposures							
Sovereign and Central Banks*		- 5,390,725	-	-	-	-	-
Total		- 5,390,725	-	-	-	-	-

31 DECEMBER 2015 EXPOSURE CLASS	RATINGS OF SOVEREIGNS AND CENTRAL BANKS BY APPROVED ECAIs						
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	UNRATED
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	UNRATED
	FITCH	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	UNRATED
On and Off Balance-Sheet							
Credit Exposures							
Sovereign and Central Banks*		- 5,272,824	-	-	-	-	-
Total		- 5,272,824	-	-	-	-	-

* These exposures refer to exposures to Federal Government of Malaysia and Bank Negara Malaysia which are accorded a preferential sovereign risk weight of 0%.

(b) Ratings of Corporate by Approved ECAIs

31 DECEMBER 2016 EXPOSURE CLASS	RATINGS OF CORPORATE BY APPROVED ECAIs					
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	UNRATED
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	UNRATED
	FITCH	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	UNRATED
	RAMS	AAA to AA3	A to A3	BBB to BB	B to D	UNRATED
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	UNRATED
On and Off Balance-Sheet Credit						
Exposures						
Public Sector Entities		30,166	-	-	-	2,691,663
Insurance Cos, Securities Firms & Fund Manager		-	-	-	-	-
Corporate		2,943,007	48,497	90,565	-	12,557,002
Total		2,973,173	48,497	90,565	-	15,248,665

4. CREDIT RISK (cont'd)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI (cont'd)

(b) Ratings of Corporate by Approved ECAIs (cont'd)

31 DECEMBER 2015 EXPOSURE CLASS	RATINGS OF CORPORATE BY APPROVED ECAIs						UNRATED
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Baa3	B+ to C	UNRATED	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	UNRATED	
	FITCH	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	UNRATED	
	RAMs	AAA to AA3	A to A3	BBB to BB	B to D	UNRATED	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	UNRATED	
On and Off Balance-Sheet Credit Exposures							
Public Sector Entities		35,266	-	-	-	1,470,618	
Insurance Cos, Securities Firms & Fund Manager		-	-	-	-	-	
Corporate		3,524,384	94,636	83,534	-	10,722,245	
Total		3,559,650	92,636	83,534	-	12,192,863	

(c) Ratings of Banking Institutions by Approved ECAIs

31 DECEMBER 2016 EXPOSURE CLASS	RATINGS OF BANKING INSTITUTIONS BY APPROVED ECAIs						UNRATED
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1+ to B3	Caa1 to C	
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	UNRATED
	FITCH	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	UNRATED
	RAMs	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	UNRATED
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	UNRATED
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs		770,509	96	-	-	-	586,014
Total		770,509	96	-	-	-	586,014

31 DECEMBER 2015 EXPOSURE CLASS	RATINGS OF BANKING INSTITUTIONS BY APPROVED ECAIs						UNRATED
	MOODY'S	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1+ to B3	Caa1 to C	
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	UNRATED
	FITCH	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	UNRATED
	RAMs	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	UNRATED
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	UNRATED
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs		144,613	1,631	-	-	-	698,862
Total		144,613	1,631	-	-	-	698,862

Note: There are no exposures under Short-term ratings for the period under review.

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(cont'd)

4. CREDIT RISK (cont'd)

4.9 Credit Risk Mitigation (CRM)

As a first way out, the assessment of credit when granting a financing facility is based on a particular customer's cash flows as the main source of payment and not on the collateral offered. However the acceptance of tangible security as collateral would offer a second way out in the event of business failure thereby improving recovery rates.

The type of collaterals accepted by the Group has an impact on the calculation of the Group's capital adequacy as the quality and type of collateral determine whether the Group is able to obtain capital relief and the extent of such relief.

The main types of collateral obtained by the Group to mitigate credit risks are as follows:

- (a) Cash on lien
- (b) Landed property
- (c) Shariah compliant quoted shares and unit trusts
- (d) Malaysian Federal Government Securities
- (e) Rate/ Unrated Islamic Securities/Sukuk
- (f) Guarantee

The reliance that can be placed on CRM is carefully assessed in light of issues such as compliance with Shariah rules and principles, legal enforceability, market value and counterparty credit risk of the guarantor. Policies and procedures are in place to govern the protection of the Group's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the credit risk mitigants.

4. CREDIT RISK (cont'd)**4.9 Credit Risk Mitigation (CRM)** (cont'd)

Disclosure of Credit Risk Mitigation (CRM):

31 DECEMBER 2016 EXPOSURE CLASS	EXPOSURES BEFORE CRM RM'000	EXPOSURES COVERED BY GUARANTEES RM'000	EXPOSURES COVERED BY ELIGIBLE FINANCIAL AND NON-FINANCIAL COLLATERAL RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	5,390,134	-	-
Public Sector Entities	2,718,672	-	41,284
Banks, DFIs and MDBs	1,102,582	-	-
Corporates	14,148,639	618,755	639,026
Regulatory Retail	14,629,753	8,901	125,817
Residential Mortgages	14,005,484	397	48,132
Higher Risk Assets	68,091	-	-
Other Assets	2,538,932	-	-
Defaulted Exposures	322,788	2,451	20,027
Total for On-Balance Sheet Exposures	54,925,075	630,504	874,286
Off-Balance Sheet Exposures			
Credit-related Exposures	2,071,862	11,910	78,247
Derivative Financial Instruments	192,491	-	-
Defaulted Exposures	9,235	-	281
Total for Off-Balance Sheet Exposures	2,273,588	11,910	78,528
Total On and Off-Balance Sheet Exposures	57,198,663	642,414	952,814

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

4. CREDIT RISK (cont'd)**4.9 Credit Risk Mitigation (CRM)** (cont'd)

Disclosure of Credit Risk Mitigation (CRM): (cont'd)

31 DECEMBER 2015 EXPOSURE CLASS	EXPOSURES BEFORE CRM RM'000	EXPOSURES COVERED BY GUARANTEES RM'000	EXPOSURES COVERED BY ELIGIBLE FINANCIAL AND NON-FINANCIAL COLLATERAL RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	5,272,318	–	–
Public Sector Entities	1,518,456	–	65,078
Banks, DFIs and MDBs	677,975	–	–
Corporates	13,479,088	486,838	576,926
Regulatory Retail	13,842,759	13,289	115,588
Residential Mortgages	11,544,602	13,996	32,386
Higher Risk Assets	74,616	–	–
Other Assets	2,688,119	–	–
Defaulted Exposures	199,708	2,627	11,691
Total for On-Balance Sheet Exposures	49,297,641	516,750	801,669
Off-Balance Sheet Exposures			
Credit-related Exposures	1,541,568	6,925	16,046
Derivative Financial Instruments	184,323	–	–
Defaulted Exposures	8,574	–	–
Total for Off-Balance Sheet Exposures	1,734,465	6,925	16,046
Total On and Off-Balance Sheet Exposures	51,032,106	523,675	817,715

4. CREDIT RISK (cont'd)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank

(i) As at 31 December 2016

NATURE OF ITEM	PRINCIPAL AMOUNT RM'000	POSITIVE FAIR VALUE OF DERIVATIVE CONTRACTS RM'000	CREDIT EQUIVALENT AMOUNT RM'000	RISK WEIGHTED ASSET RM'000
Credit related Exposures				
Direct credit substitutes	294,460		294,460	293,848
Assets sold with recourse	-		-	-
Transaction related contingent items	952,188		476,094	443,165
Short term self-liquidating trade related contingencies	341,524		68,305	67,309
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	591,031		118,206	88,979
- exceeding one year	1,792,008		896,004	715,873
Unutilised credit card lines	1,140,141		228,028	171,563
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	4,639,610		-	-
	9,750,962		2,081,097	1,780,737
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	3,117,570	117,445	163,823	79,734
Profit rate related contracts				
- less than one year	200,000	1,397	200	40
- one year to less than five years	400,000	2,729	9,497	1,899
- five years and above	236,027	3,001	18,971	11,606
Equity related contracts				
- less than one year	-	-	-	-
	3,953,597	124,572	192,491	93,279
Total	13,704,559	124,572	2,273,588	1,874,016

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

4. CREDIT RISK (cont'd)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank (cont'd)

(ii) As at 31 December 2015

NATURE OF ITEM	PRINCIPAL AMOUNT RM'000	POSITIVE FAIR VALUE OF DERIVATIVE CONTRACTS RM'000	CREDIT EQUIVALENT AMOUNT RM'000	RISK WEIGHTED ASSET RM'000
Credit related Exposures				
Direct credit substitutes	343,731		343,731	301,001
Assets sold with recourse	2		2	2
Transaction related contingent items	956,822		478,411	413,964
Short term self-liquidating trade related contingencies	374,892		74,978	72,446
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	2,014		403	403
- exceeding one year	837,455		418,728	333,700
Unutilised credit card lines	1,169,445		233,889	176,494
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	5,822,088		-	-
	9,506,449		1,550,142	1,298,010
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	2,323,286	106,402	139,771	67,272
Profit rate related contracts				
- less than one year	-	-	-	-
- one year to less than five years	600,000	9,200	20,504	4,101
- five years and above	262,568	3,657	24,048	13,688
Equity related contracts				
- less than one year	-	-	-	-
	3,185,854	119,259	184,323	85,061
Total	12,692,303	119,259	1,734,465	1,383,071

5. MARKET RISK

5.1 Overview

All the Group's businesses are subject to the risk that market prices and rates will move, resulting in profit or losses to the Group. Furthermore, significant or sudden movements in rates could affect the Group's liquidity / funding position. The Group is exposed to the following main market / liquidity risk factors:

- **Rate of Return or Profit Rate Risk:** the potential impact on the Group's profitability caused by changes in the market rate of return, either due to general market movements or due to issuer / customer specific reasons;
- **Foreign Exchange Risk:** the impact of exchange rate movements on the Group's currency positions;
- **Equity Investment Risk:** the profitability impact on the Group's equity positions or investments caused by changes in equity prices or values;
- **Commodity Inventory Risk:** the risk of loss due to movements in commodity prices;
- **Liquidity Risk:** the potential inability of the Group to meet its funding requirements at a reasonable cost (funding liquidity risk) or its inability to liquidate positions quickly at a reasonable price (market liquidity risk).

The objective of the Group's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's approved risk appetite.

The Group separates exposures to market risk into either trading or non-trading portfolios. Trading portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions so designated as per the approved Trading Book Policy Statements. Non-trading portfolios primarily arise from the re-pricing mismatches of the Group's customer driven assets and liabilities and from the Group's investment of its surplus funds.

5.2 Market Risk Governance

The management of market risk is principally carried out by using risk limits approved by the BRC, guided by the Risk Appetite Statement Policy approved by the Board of Directors.

The Asset and Liability Management Committee ("ALCO") is responsible under the authority delegated by the BRC for managing market risk at strategic level.

5.3 Management of Market Risk

All market risk exposures are managed by Treasury. The aim is to ensure that all market risks are consolidated at Treasury level, which has the necessary skills, tools, management and governance to manage such risks professionally. Limits are set for portfolios, products and risk types, with market liquidity and credit quality being the principal factors in determining the level of limits set.

Market Risk Management Department ("MRMD") is an independent risk control function and is responsible for ensuring efficient implementation of market risk management policies. MRMD is also responsible for developing and reviewing the Group's market risk management guidelines, measurement techniques, behavioural assumptions and limit setting methodologies. Any excesses against the prescribed limits are reported immediately to the Senior Management. Strict escalation procedures are well documented and approved by the BRC. In addition, the market risk exposures and limits are regularly reported to the ALCO and BRC.

Other controls to ensure that market risk exposures remain within tolerable levels include stress testing, rigorous new product approval procedures and a list of permissible instruments than can be traded. Stress test results are produced monthly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Group's profitability, capital adequacy and liquidity. The stress test provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Group.

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

5. MARKET RISK (cont'd)

5.3 Management of Market Risk (cont'd)

(a) Profit Rate Risk in the Non-Trading Portfolio

Profit rate risk in the non-trading portfolio is managed and controlled using measurement tools known as economic value of equity ("EVE") and earnings-at-risk ("EaR"). EVE and EaR limits are approved by the BRC and independently monitored by MRMD. Exposures and limits are regularly discussed and reported to the ALCO and BRC.

The Group manages market risk in non-trading portfolios by monitoring the sensitivity of projected EaR and EVE under varying profit rate scenarios (simulation modeling). For simulation modeling, a combination of standard scenarios and non-standard scenarios relevant to the local market are used. The standard scenarios monitored monthly include a 100 basis points parallel fall or rise in profit rate and historical simulation. The scenario assumes no management action. Hence, it does not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively seek to change the profit rate exposure profile to minimise losses and to optimise net revenues. The nature of the hedging and risk mitigation strategies corresponds to the market instruments available.

These strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the projected sensitivity to a 100 basis points parallel shift to profit rates across all maturities applied on the Bank's profit rate sensitivity gap as at reporting date.

BANK	31 DECEMBER 2016 (DECREASE)/INCREASE		31 DECEMBER 2015 (DECREASE)/INCREASE	
	-100BPS RM MILLION	+100BPS RM MILLION	-100BPS RM MILLION	+100BPS RM MILLION
Impact on EaR	(28.46)	28.46	(10.38)	10.38
Impact on EVE	266.25	(266.25)	326.12	(326.12)

Other controls to contain profit rate risk in the non-trading portfolio include stress testing and applying sensitivity limits to the available for sale financial assets. Sensitivity is measured by the present value of a 1 basis point change ("PV01") and is independently monitored by MRMD on daily basis against limits approved by the BRC. PV01 exposures and limits are regularly discussed and reported to the ALCO and BRC.

(b) Market Risk in the Trading Portfolio

Market risk in the trading portfolio is monitored and controlled using Value-at-Risk ("VaR"). The VaR limit is approved by the BRC and independently monitored daily by MRMD. Exposures and limits are regularly discussed and reported to the ALCO and BRC.

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR model used by the Group is based on historical simulation. The model derives plausible future scenarios from past series of recorded market rates and prices.

The historical simulation model used by the Group incorporates the following features:

- Potential market movements are calculated with reference to data from the past four years;
- Historical market rates and prices are calculated with reference to foreign exchange rates and profit rates;
- VaR is calculated to a 99 percent confidence level and for a one-day holding period. The nature of the VaR model means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions; and
- The dataset is updated on daily basis.

Statistically, the Group would expect to see losses in excess of VaR only 1 percent of the time over a one-year period. The actual number of excesses over this period can therefore be used to gauge how well the model is performing.

5. MARKET RISK (cont'd)

5.3 Management of Market Risk (cont'd)

(b) Market Risk in the Trading Portfolio (cont'd)

A summary of the VaR position of the Bank's trading portfolios as at the reporting date is as follows:

BANK	AS AT 31.12.2016	1.1.2016 TO 31.12.2016		
	RM MILLION	AVERAGE RM MILLION	MAXIMUM RM MILLION	MINIMUM RM MILLION
Profit Rate Risk	1.39	2.09	4.34	0.94
Foreign Exchange Risk	0.04	0.13	0.52	0.01
Overall	1.43	2.22	4.81	0.95

BANK	AS AT 31.12.2015	1.1.2015 TO 31.12.2015		
	RM MILLION	AVERAGE RM MILLION	MAXIMUM RM MILLION	MINIMUM RM MILLION
Profit Rate Risk	1.81	1.69	4.61	0.40
Foreign Exchange Risk	0.17	0.14	0.94	0.01
Overall	1.98	1.83	4.77	0.48

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- The use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- The use of a 99 percent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- VaR is calculated on the basis of exposures outstanding at the close of business day and therefore does not necessarily reflect intra-day exposures; and
- VaR is unlikely to reflect the loss potential on exposures that might arise under significant market movements.

The Group recognises these limitations by augmenting the VaR limits with other limits such as maximum loss limits, position limits and PV01 limits. These limits are approved by the BRC and independently monitored daily by MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

(c) Foreign Exchange Risk

Trading Positions

In addition to VaR and stress testing, the Group controls the foreign exchange risk within the trading portfolio by limiting the open exposure to individual currencies, and on an aggregate basis.

Overall (Trading and Non-Trading Positions)

The Group controls the overall foreign exchange risk by limiting the open exposure to non-Ringggit positions on an aggregate basis.

Foreign exchange limits are approved by the BRC and independently monitored daily by MRMD. Exposures and limits are regularly discussed and reported to the ALCO and the BRC.

PILLAR 3 DISCLOSURE

as at 31 December 2016

(cont'd)

5. MARKET RISK (cont'd)**5.3 Management of Market Risk** (cont'd)**(c) Foreign Exchange Risk** (cont'd)**Sensitivity Analysis**

Assuming that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only net open position for major currencies are shown in its specific currency in the table below. For other currencies, these exposures are grouped as "Others"):

	31 DECEMBER 2016		31 DECEMBER 2015	
	-1% DEPRECIATION RM'000	+1% APPRECIATION RM'000	-1% DEPRECIATION RM'000	+1% APPRECIATION RM'000
BANK				
US Dollar	11,503	(11,503)	14,349	(14,349)
Euro	8,098	(8,098)	4,973	(4,973)
Others	(96)	96	827	(827)

(d) Liquidity and Funding Risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations when they fall due, or might have to fund these obligations at excessive cost. This risk can arise from mismatches in the timing of cash flows. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms when required.

The Group maintains a diversified and stable funding base comprising core retail, commercial, corporate customer deposits and institutional balances. This is augmented by wholesale funding and portfolios of highly liquid assets.

The objective of the Group's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access remains accessible and cost effective.

The management of liquidity and funding is primarily carried out in accordance with the BNM's requirements and practices. The liquidity limits and triggers are approved by the ALCO and BRC. These limits and triggers vary to take account of the depth and liquidity of the local market in which the Group operates. The Group maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

Liquidity risk exposures are managed by Treasury. The aim is to ensure that liquidity and funding risk are consolidated at Treasury level, which has the necessary skills, tools, management and governance to manage such risks professionally. Limits and triggers are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring that cash flows are relatively diversified across all maturities;
- Ensuring that the deposit base is not overly concentrated to a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market and highly liquid financial assets to back it up; and
- Not over-extending financing activities relative to the deposit base.

5.4 Capital Treatment for Market Risk

The Group adopts the Standardised Approach to compute the market risk capital requirement under BNM's CAFIB.

6. OPERATIONAL RISK (“OPRISK”)

6.1 Overview

Operational Risk (“OpRisk”) is defined as the “risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, which includes legal risk and Shariah compliance risk but excludes strategic and reputational risk”.

It is inherent in all banking products, activities, processes and systems and the effective management of operational risk has always been a fundamental element of a bank’s risk management programme.

6.2 OpRisk Governance

The Group’s operational risk management (“ORM”) is guided by its ORM Guideline and Enterprise-Wide Risk Management Policy as well as its Risk Appetite Statement Policy which are designed to provide a sound and well-controlled operational environment within the Group.

The MRCC, under the authority delegated by the BRC is responsible to perform the oversight functions and to ensure effective management of issues relating to OpRisk at strategic level. The ORCC which is a sub-committee of MRCC is primarily responsible in ensuring the effective implementation and maintenance of policies, processes and systems for managing OpRisk for the Group.

Notwithstanding the above, the various Business & Support Units (“BU/SU”) are responsible for managing OpRisk within their respective domains on a day to day basis and ensuring that their business & operational activities are carried out within the established ORM guidelines, procedures and limits. To reinforce accountability and ownership of risk & control at BU/SU level, a Risk Controller for each BU/SU is appointed to assist in driving the risk & control programme for the Group.

Ultimately all staff of the Group is to ensure they properly discharge their day to day responsibilities and are well-equipped with the necessary knowledge including the policies and procedures in executing their job functions. This is in line with our Risk Management Tagline i.e. “Managing Risk is Everyone’s Business”.

6.3 Management of OpRisk

The Group recognises and emphasises the importance of ORM and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established OpRisk guidelines, procedures and limits.

The Group’s overall governance approach in managing OpRisk is premised on the Three Lines of Defence Approach:

- a) **1st Line of Defence** – the risk owner or risk taking unit i.e. BU/SU is accountable for putting in place a robust control environment within their respective units. They are responsible for the day to day management of OpRisk.
- b) **2nd Line of Defence** – the Operational Risk Management Department (“ORMD”) is responsible for establishing and maintaining the ORM Guideline and its supporting guidelines/manuals, developing methodologies and various ORM tools to facilitate the management of OpRisk, monitoring the effectiveness of ORM, assessing OpRisk issues from the risk owner and escalating OpRisk issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Group.

Both Shariah Risk Management (“SRM”) and Compliance Division complement the role of ORMD as the 2nd Line of Defence. SRM is responsible for managing the Shariah compliance risk (“SCR”) by establishing and maintaining appropriate Shariah Compliance Risk Management (SCRMM) guidelines, facilitating the process of identifying, assessing, controlling and monitoring SCR and promoting SCR awareness.

Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and developing, reviewing and enhancing compliance-related training programmes as well as conducting trainings that promote awareness creation.

- c) **3rd Line of Defence** – Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the ORM process.

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as at 31 December 2016

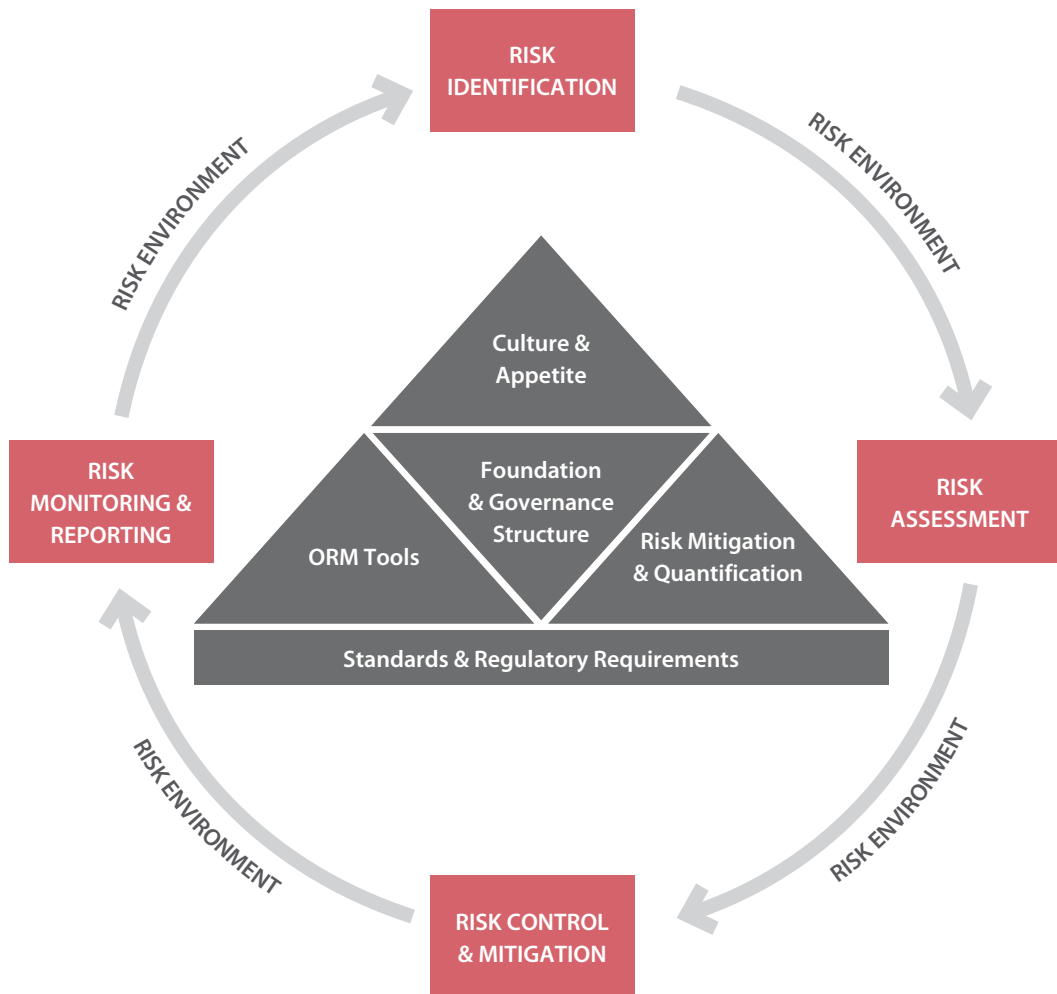
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6. OPERATIONAL RISK ("OPRISK") (cont'd)

6.4 Operational Risk Management Guideline

The Group's ORM is guided by the ORM Guideline designed to provide a sound and well-controlled operational environment within the Group. The Guideline sets out the Group's approach to identifying, assessing, monitoring and mitigating OpRisk and focuses on the four causal factors of OpRisk i.e. internal processes, people, system and external events. It consists of the following components:

COMPONENTS OF ORM GUIDELINE



6. OPERATIONAL RISK (“OPRISK”) (cont’d)

6.5 ORM Tools & Mitigation Strategies

The Group employs various tools comprising proactive and reactive tools which are in line with the best practices in managing and mitigating its, namely:

OVERVIEW OF ORM TOOLS				
PROACTIVE TOOLS				REACTIVE TOOL
KEY RISK INDICATOR	RISK CONTROL SELF ASSESSMENT	PROCESS RISK MAPPING	NEW PRODUCT SERVICES APPROVAL PROCESS	RISK LOSS EVENT MANAGEMENT & REPORTING
<ul style="list-style-type: none"> A forward looking tool to identify potential risks and to enable counter measures and risk mitigation actions before an incident occurs (early warning system); To assist management to focus on high-risk issues. 	<ul style="list-style-type: none"> To identify and assess operational risks by Risk Owners; The tool creates ownership and increases operational risk awareness. 	<ul style="list-style-type: none"> End to end review of critical banking activities to identify potential risks and ensure appropriate controls are in place and are effective. 	<ul style="list-style-type: none"> To ensure risks are identified and adequate controls are in place prior to launching of new product/services. 	<ul style="list-style-type: none"> Centralised groupwide loss database which provides line of business loss reporting overview, tracks frequency of events and facilitates detailed reviews of the incident and its impact.
RISK ANALYSIS & REPORTING				
<ul style="list-style-type: none"> Analysis and reporting of qualitative and quantitative results from various ORM tools 				

In addition, a comprehensive Business Continuity Management (“BCM”) function has been established within the Group to ensure that in the event of material disruptions from internal or external events, critical business functions can be maintained or restored in a timely manner. This ensures minimal adverse impact on customers, staff and products and services. BCM constitutes an essential component of the Group’s risk management process by providing a controlled response to potential OpRisk that could have a significant impact on the Group’s critical processes and revenue streams.

As part of the risk transfer strategy, the Group obtains 3rd party Takaful coverage to cover for the Group’s high impact loss events.

The Group also ensures that the Groupwide OpRisk awareness programme is conducted on an ongoing basis. This training programme includes emphasis on inculcating an OpRisk culture among staff, effective implementation of ORM tools, fraud awareness, BCM and other aspects of ORM.

6.6 Capital Treatment for Operational Risk

Operational Risk capital charge is calculated using the BIA as per BNM’s CAFIB. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Group. The RWA amount is computed by multiplying the minimum capital required with a multiplier of 12.5 (reciprocal of 8%).

PILLAR 3 DISCLOSURE

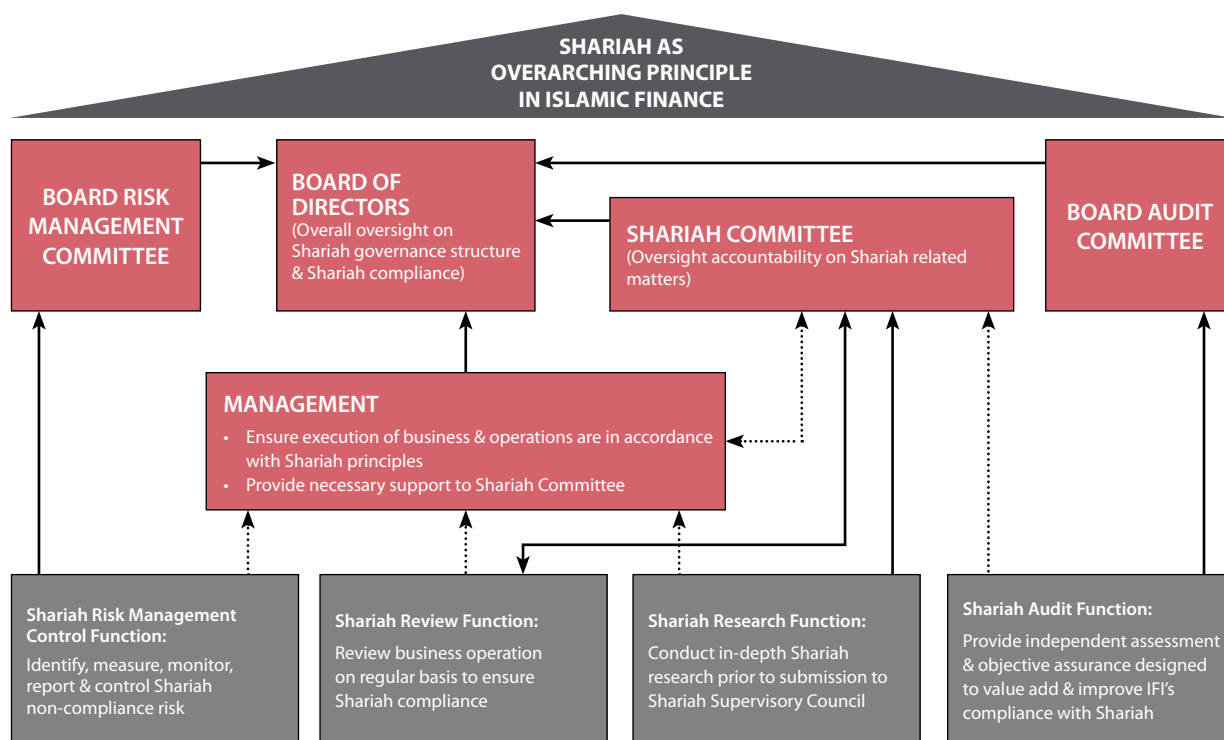
as at 31 December 2016

(cont'd)

7. SHARIAH GOVERNANCE

7.1 Overview

By virtue of BNM's Shariah Governance Framework for Islamic Financial Institution ("SGF"), the Group has established a sound and robust Shariah governance framework with emphasis placed on the roles of its key functionalities, which include having in place an effective and responsible Board and Management and an independent Shariah Supervisory Council ("SSC") that is supported by strong and competent internal Shariah functions. Below diagram depicts the Group's Shariah governance structure:



To date, the Group has in place the Shariah Compliance Policy to communicate its comprehensive Shariah governance framework to ensure the Group's business activities and behaviors are in compliance with Shariah rules and principles, provisions of the Islamic Financial Services Act ("IFSA") 2013, BNM's SGF and its other rules and regulations, and the resolutions of BNM and Securities Commission ("SC")'s Shariah Advisory Council and the Group's SSC.

7.2 Shariah Risk Management

The Group's Shariah risk management is guided by its Shariah Compliance Risk Management ("SCRM") 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 groupwide framework for managing SCR across the Group.

7. SHARIAH GOVERNANCE (cont'd)

7.2 Shariah Risk Management (cont'd)

In addition to this, the Shariah Non-Compliance Management and Reporting Guideline provides sound mechanism on Shariah non-compliance ("SNC") management and reporting in order to ensure the Group strictly complies with Shariah rules and principles as well as the regulatory requirements. The guideline was established in line with the mechanism set out by BNM's Operational Risk Reporting Requirement – Operational Risk Integrated Online Network ("ORION") and to ensure compliance to section 28(3) of the IFSA 2013 which requires any SNC event to be immediately reported to BNM. Moreover, pursuant to this guideline, any actual SNC events caused by operational lapses including negligence, breach of policies and lack of due care by staff may be subject to disciplinary action.

In line with the definition of OpRisk which includes SCR as part of OpRisk, the SCR is managed using the established ORM processes and tools, including the establishment of Risk Control Self Assessment (RCSA). In view of the fact that the Shariah RCSA is still relatively new, the Shariah Risk Management Department conducts a comprehensive independent assessment on the RCSA submitted by Risk Controller to ensure accuracy and comprehensiveness of the SNC risk registered in the Shariah RCSA.

7.3 Shariah Non-Compliance ("SNC") Events

An SNC event is a result of the Group's failure to comply with the Shariah rules and principles determined by the relevant Shariah regulatory councils.

Throughout the year 2016, two (2) incidences were confirmed by the Shariah Supervisory Council as SNC events as follows:

- (a) Absence of *aqad* execution by Bank Islam Card Centre telemarketing sales agent; and
- (b) Remittance services provided for Shariah non-compliant purposes.

The SNC events were due to operational failure in executing the contract. The recognized profit coming from these events have been refunded to the rightful owner and channeled to charity upon completion of its computation by respective business owners.

The Group, from time to time, makes efforts to prevent similar Shariah breaches from recurring by issuing reminders, conducting awareness initiatives as well as putting additional controls to ensure compliance with Shariah requirements.

7.4 Shariah Non-Compliant Income

31 December 2016	31 December 2015
RM8,828.95	RM7,768.02

The above amount consists of commissions from Shariah non-compliant merchants of card business, interest received as well as rental purification from the Group's land that is being used to facilitate bai' inah based transaction. The income was channeled to charitable causes upon approval by the Shariah Supervisory Council.

MANAGING DIRECTOR ATTESTATION

In accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB) Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Bank Islam Malaysia Berhad's Pillar 3 Disclosures report for the financial year ended 31 December 2016 are consistent with the manner in which the Group and the Bank assesses and manages its risk, and are not misleading in any particular way.

Dato' Sri Zukri Samat

Managing Director, Bank Islam Malaysia Berhad

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KL SENTRAL

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MENARA BANK ISLAM

Tel : (6) 03 2161 0073 / 0076
(6) 03 2166 0797
Fax : (6) 03 2166 0798

MENARA TM

Tel : (6) 03 2240 2020 / 0296
Fax : (6) 03 2240 2391

SELAYANG

Tel : (6) 03 6135 2655 / 2934
Fax : (6) 03 6137 9199

SERI PETALING

Tel : (6) 03 9056 2939 / 2943 / 2969
Fax : (6) 03 9056 2982

TAMAN MELAWATI

Tel : (6) 03 4107 7800 / 6842 / 6852
Fax : (6) 03 4107 7181

TAMAN TUN DR ISMAIL

Tel : (6) 03 7726 5744
(6) 03 7728 7894 / 5270
Fax : (6) 03 7722 4539

UIAM, GOMBAK

Tel : (6) 03 6185 3150 / 3262 / 3282
Fax : (6) 03 6185 3402

UNIVERSITI MALAYA

Tel : (6) 03 7960 8934 / 7429 / 6235
Fax : (6) 03 7960 4320

WANGSA MAJU

Tel : (6) 03 4142 7733 / 7886 / 8204
Fax : (6) 03 4142 8209

BANDAR SRI DAMANSARA

Tel : (6) 03 6273 5001 / 5002 / 5003
Fax : (6) 03 6273 5004

JALAN CHAN SOW LIN

Tel : (6) 03 9223 5001 / 5002 / 5003
Fax : (6) 03 9223 5004

SELANGOR**AMPANG**

Tel : (6) 03 9200 4389 / 4392 / 4497
Fax : (6) 03 9200 4507

ARA DAMANSARA

Tel : (6) 03 7846 0557 / 1165 / 1347
Fax : (6) 03 7846 1473

BANDAR BARU BANGI

Tel : (6) 03 8925 8490 / 8491 / 8492
Fax : (6) 03 8925 6168

BANDAR BOTANIC, KLANG

Tel : (6) 03 3324 7132 / 7623 / 8671
Fax : (6) 03 3324 8758

BANDAR KINRARA

Tel : (6) 03 8079 1601 / 1602 / 1603
Fax : (6) 03 8079 1604

BANTING

Tel : (6) 03 3187 3772 / 3181 4772
Fax : (6) 03 3187 3776

BANGI 2

Tel : (6) 03 8912 7708 / 1719 / 0406
Fax : (6) 03 8912 5971

BUKIT JELUTONG

Tel : (6) 03 7847 3710 / 3711 / 3712
Fax : (6) 03 7847 3714

CYBERJAYA

Tel : (6) 03 8319 3491 / 3492 / 3493
Fax : (6) 03 8319 3494

DENAI ALAM

Tel : (6) 03 7734 0726 / 1750 / 1846
Fax : (6) 03 7734 5602

KAJANG

Tel : (6) 03 8736 0798 / 1773 / 2185
Fax : (6) 03 8736 2362

KELANA JAYA

Tel : (6) 03 7806 2955 / 2946
(6) 03 7803 8190
Fax : (6) 03 7806 1214

DIRECTORY
CENTRAL REGION
 (cont'd)

SELANGOR

KLANG

Tel : (6) 03 3342 1911 / 1912 / 1913
 Fax : (6) 03 3342 1914

KOTA DAMANSARA

Tel : (6) 03 6141 8447 / 8456 / 8465
 Fax : (6) 03 6141 8474

NEW TOWN, PETALING JAYA

Tel : (6) 03 7960 4812 / 4813 / 4814
 Fax : (6) 03 7860 4815

PUTRA HEIGHTS

Tel : (6) 03 5192 0981 / 1516 / 1532
 Fax : (6) 03 5192 1534

RAWANG

Tel : (6) 03 6091 7652 / 7657 / 7661
 Fax : (6) 03 6091 7682

SAUJANA UTAMA

Tel : (6) 03 6038 2877 / 3275 / 3308
 Fax : (6) 03 6038 3384

SECTION 14, PETALING JAYA

Tel : (6) 03 7957 3131 / 3834
 Fax : (6) 03 7957 4141

SECTION 18, SHAH ALAM

Tel : (6) 03 5541 0250 / 0255
 Fax : (6) 03 5541 0259

SEMENYIH

Tel : (6) 03 8723 4624 / 4629 / 4630
 Fax : (6) 03 8723 4631

SETIA ALAM

Tel : (6) 03 3358 1359 / 8413 / 7347
 Fax : (6) 03 3362 3216

SHAH ALAM

Tel : (6) 03 5510 1481 / 1492 / 4509
 Fax : (6) 03 5510 1497 / 5519 3508

SRI GOMBAK

Tel : (6) 03 6185 9655 / 9667 / 9672
 Fax : (6) 03 6185 9675

SUBANG JAYA

Tel : (6) 03 8023 2072 / 2087 / 2125
 Fax : (6) 03 8023 2140

SUNGAI BESAR

Tel : (6) 03 3224 2886 / 3478
 (6) 03 3224 2434 / 2876
 Fax : (6) 03 3224 3479

SUNGAI BULOH

Tel : (6) 03 6156 0082 / 0084 / 0086
 Fax : (6) 03 6156 0085

TANJUNG KARANG

Tel : (6) 03 3269 1090 / 0090
 Fax : (6) 03 3269 1091

UITM SHAH ALAM

Tel : (6) 03 5510 4194 / 4196
 Fax : (6) 03 5510 4186

WILAYAH PERSEKUTUAN

PUTRAJAYA

Tel : (6) 03 8889 3192 / 3193 / 3194
 Fax : (6) 03 8889 3189

DIRECTORY

NORTHERN REGION

REGIONAL OFFICE



Ground & First Floor
 No. 3009, Bangunan KWSP Seberang Jaya
 Lebuh Tenggiri 2
 13700 Seberang Jaya
 Pulau Pinang
 Tel : (6) 04 382 9100
 Fax : (6) 04 382 9166

KEDAH

ALOR SETAR

Tel : (6) 04 733 5126 / 5136
 (6) 04 731 9813
 Fax : (6) 04 733 5128 / 5129

BALING

Tel : (6) 04 470 1678 / 7052
 Fax : (6) 04 470 1679

GUAR CHEMPEDAK

Tel : (6) 04 468 0880 / 4827 / 4829 / 4830
 Fax : (6) 04 468 0884

JITRA

Tel : (6) 04 917 4404 / 1151
 Fax : (6) 04 917 4225

KULIM

Tel : (6) 04 403 3300 / 3003 / 3976
 Fax : (6) 04 403 3977

LANGKAWI

Tel : (6) 04 966 2463 / 2464 / 2466 5191
 Fax : (6) 04 966 2469

PERSIARAN SULTAN ADDUL HAMID

Tel : (6) 04 772 8800 / 5818
 (6) 04 771 6575
 Fax : (6) 04 772 8100

POKOK SENJA

Tel : (6) 04 782 1033 / 1034
 Fax : (6) 04 782 1022

SUNGAI PETANI 1

Tel : (6) 04 422 0620 / 0621 / 0622
 (6) 04 423 8752
 Fax : (6) 04 421 3912

SUNGAI PETANI 2

Tel : (6) 04 422 0061 / 0062 / 0063
 Fax : (6) 04 422 0064

UNIVERSITI UTARA MALAYSIA

Tel : (6) 04 924 6271 / 6272 / 6273
 Fax : (6) 04 924 6270

DIRECTORY
NORTHERN REGION
 (cont'd)

PERAK

BAGAN SERAI

Tel : (6) 05 721 8509 / 8513 / 8512
 Fax : (6) 05 721 8515

IPOH

Tel : (6) 05 255 3866 / 3867 / 3868
 Fax : (6) 05 253 5760

MERU RAYA

Tel : (6) 05 527 7701 / 7702 / 7703
 Fax : (6) 05 527 7706

PARIT BUNTAR

Tel : (6) 05 716 4493 / 4494
 Fax : (6) 05 716 4495

SERI ISKANDAR

Tel : (6) 05 371 6020 / 6021 / 6022
 Fax : (6) 05 371 6023

SRI MANJUNG

Tel : (6) 05 688 1227 / 9071
 Fax : (6) 05 688 1672

TAIPING

Tel : (6) 05 806 5441 / 5442 / 5443
 Fax : (6) 05 806 5436

TANJUNG MALIM

Tel : (6) 05 459 8237 / 5127 / 5125
 Fax : (6) 05 459 8241

TELUK INTAN

Tel : (6) 05 622 1700 / 1200 / 1411
 Fax : (6) 05 622 1489

PERLIS

KANGAR

Tel : (6) 04 976 3711 / 3712
 Fax : (6) 04 976 0951

PULAU PINANG

BANDAR BARU PERDA

Tel : (6) 04 540 3150 / 3151 / 3153
 Fax : (6) 04 540 3152

BAYAN BARU

Tel : (6) 04 642 5094 / 5095 / 5096
 Fax : (6) 04 642 2554

BUTTERWORTH

Tel : (6) 04 331 2357 / 2358
 (6) 04 332 1301 / 1317
 Fax : (6) 04 331 2360

GEORGETOWN

Tel : (6) 04 262 4724 / 4933 / 5019 / 0626
 Fax : (6) 04 262 2594

KEPALA BATAS

Tel : (6) 04 575 5517 / 5579 / 3376
 Fax : (6) 04 575 3986

DIRECTORY

EASTERN REGION

REGIONAL OFFICE



No. 8033, 2nd Floor
Bandar Satelit Pasir Tumboh
16150 Kota Bharu
Kelantan

Tel : (6) 09 764 3840 / 3850 / 3854

Fax : (6) 09 764 3870

KELANTAN

BANDAR BARU TUNJUNG

Tel : (6) 09 743 0190 / 0192 / 0193

Fax : (6) 09 743 0194

GUA MUSANG

Tel : (6) 09 912 2003

Fax : (6) 09 912 1772

JALAN SULTAN IBRAHIM

Tel : (6) 09 743 4020 / 4030 / 4060

Fax : (6) 09 743 3020

KOTA BHARU

Tel : (6) 09 741 9222 / 9333 / 9555

(6) 09 743 8825

Fax : (6) 09 743 8826

KUALA KRAI

Tel : (6) 09 966 4627 / 3002 / 3008

Fax : (6) 09 966 4651

KUBANG KERIAN

Tel : (6) 09 764 0058 / 0070 / 0071

Fax : (6) 09 764 0057

MACHANG

Tel : (6) 09 975 2800 / 1490

Fax : (6) 09 975 2900

PASIR MAS

Tel : (6) 09 790 0750 / 0751

Fax : (6) 09 790 0752

PASIR PUTEH

Tel : (6) 09 786 0061 / 0062 / 0063

Fax : (6) 09 786 0068

PASIR TUMBOH

Tel : (6) 09 764 4077

Fax : (6) 09 764 6077

RANTAU PANJANG

Tel : (6) 09 795 0077 / 2768

Fax : (6) 09 795 0088

TANAH MERAH

Tel : (6) 09 955 8341 / 2341

Fax : (6) 09 955 8342

PADANG GARONG

Tel : (6) 09 747 1867 / 9313 / 9317

Fax : (6) 09 747 1902

WAKAF BHARU

Tel : (6) 09 719 8444 / 8445 / 8446

Fax : (6) 09 719 8447

DIRECTORY
EASTERN REGION
 (cont'd)

REGIONAL OFFICE



2nd Floor
 Putra Square Branch
 25200 Kuantan
 Pahang
 Tel : (6) 09 517 3452 / 3491 / 3584
 Fax : (6) 09 517 3605

PAHANG

BANDAR MUADZAM SHAH

Tel : (6) 09 452 3175 / 3176
 Fax : (6) 09 452 3177

BANDAR PUSAT JENKA

Tel : (6) 09 466 2890 / 4837
 Fax : (6) 09 466 2891

JERANTUT

Tel : (6) 09 266 6120 / 6121 / 9096
 (6) 09 226 9380 / 9381
 Fax : (6) 09 266 6380

KUALA ROMPIN

Tel : (6) 09 414 6064 / 6065 / 6068
 Fax : (6) 09 414 6074

KUANTAN

Tel : (6) 09 513 3366 / 3367 / 3368
 Fax : (6) 09 513 3369

PEKAN

Tel : (6) 09 422 8622 / 8922
 Fax : (6) 09 422 8418

PUTRA SQUARE

Tel : (6) 09 517 3225 / 3229 / 3231
 Fax : (6) 09 517 3235

RAUB

Tel : (6) 09 355 8300 / 8301
 Fax : (6) 09 355 8302

TEMERLOH

Tel : (6) 09 296 5301 / 3222 / 1416
 Fax : (6) 09 296 5300

REGIONAL OFFICE

3rd & 4th Floor, Lot 35308
Dataran Austin, Gong Badak
Mukim Kuala Nerus
20200 Kuala Terengganu
Terengganu

Tel : (6) 09 667 2426 / 2427 / 2428

Fax : (6) 09 667 2429

TERENGGANU**CHUKAI**

Tel : (6) 09 859 9999

Fax : (6) 09 859 9998

DUNGUN

Tel : (6) 09 848 5498

(6) 09 845 3302 / 3055

Fax : (6) 09 848 5502

JALAN PADANG HILIRAN

Tel : (6) 09 631 3533 / 8354 / 8355

Fax : (6) 09 631 3633

JERTEH

Tel : (6) 09 697 3388 / 1672 / 1673

Fax : (6) 09 697 1592

KUALA TERENGGANU

Tel : (6) 09 622 4730 / 4744 / 4754 / 4780

(6) 09 623 4537

Fax : (6) 09 623 3944

KUALA NERUS

Tel : (6) 09 667 1700 / 1702 / 1703

Fax : (6) 09 667 1705

DIRECTORY

SOUTHERN REGION

REGIONAL OFFICE



15th Floor, Menara TH
Jalan Ayer Molek
80000 Johor Bahru
Johor

Tel : (6) 07 225 8800

Fax : (6) 07 225 8901

JOHOR

AERO MALL

Tel : (6) 07 598 5975 / 5977 / 5976

Fax : (6) 07 598 5978

AUSTIN HEIGHTS

Tel : (6) 07 364 3070 / 3081 / 3293

Fax : (6) 07 364 3839

BANDAR PENAWAR

Tel : (6) 07 822 2802 / 2803 / 2804

Fax : (6) 07 822 2806

BATU PAHAT

Tel : (6) 07 431 9350 / 9352 / 8927

Fax : (6) 07 431 9351

IFSC JOHOR BAHRU

Tel : (6) 07 223 7030 / 7031

Fax : (6) 07 223 7032

JOHOR BAHRU

Tel : (6) 07 224 0242 / 0244 / 0272

Fax : (6) 07 224 0243

KLUANG

Tel : (6) 07 772 6423 / 6417 / 6878

Fax : (6) 07 773 2702

KOTA TINGGI

Tel : (6) 07 883 8800 / 5582

(6) 07 882 6205

Fax : (6) 07 882 4485

KULAIJAYA

Tel : (6) 07 663 5204 / 5205 / 5206

Fax : (6) 07 663 3208

MERSING

Tel : (6) 07 799 5076 / 6606 / 6607 / 6608

Fax : (6) 07 799 5077

MUAR

Tel : (6) 06 952 8301 / 8302 / 8303

Fax : (6) 06 952 8304

PASIR GUDANG

Tel : (6) 07 252 6671 / 6672 / 6673

Fax : (6) 07 252 6676

PONTIAN

Tel : (6) 07 688 1909 / 2259

(6) 07 686 5666

Fax : (6) 07 688 3660

SEGAMAT

Tel : (6) 07 932 4257 / 2901 / 2862 / 2873

Fax : (6) 07 932 4273

TAMAN BUKIT INDAH

Tel : (6) 07 239 5977 / 5978 / 5979

Fax : (6) 07 239 5980

TAMPOI

Tel : (6) 07 234 5228 / 5229 / 8785

Fax : (6) 07 234 5230

REGIONAL OFFICE

JC 526 & 527
Tingkat 1, Jalan Bestari 5
77200 Jasin
Melaka
Tel : (6) 06 529 4402 / 4403
Fax : (6) 06 529 4370

MELAKA**AYER KEROH**

Tel : (6) 06 232 0986 / 1273 / 6559
Fax : (6) 06 232 6561

IFIC BANDA KABA

Tel : (6) 06 288 0425 / 0426 / 0427
Fax : (6) 06 288 0428

MASJID TANAH

Tel : (6) 06 384 5108 / 8340 / 8332
Fax : (6) 06 384 5109

BANDAR MELAKA

Tel : (6) 06 284 1366 / 1367 / 1368
Fax : (6) 06 284 7257

JASIN

Tel : (6) 06 529 5301 / 5302 / 5303
Fax : (6) 06 529 5312

NEGERI SEMBILAN**KUALA PILAH**

Tel : (6) 06 481 4600 / 8482
Fax : (6) 06 481 1431

PORT DICKSON

Tel : (6) 06 647 4330
(6) 06 646 3281
Fax : (6) 06 647 5657

SEREMBAN

Tel : (6) 06 762 9814 / 9815 / 9816 / 9817
Fax : (6) 06 763 8391

NILAI

Tel : (6) 06 799 0549 / 0277 / 6124
Fax : (6) 06 799 6217

SENAWANG

Tel : (6) 06 678 2731 / 2732 / 2733
Fax : (6) 06 678 2734

TAMPIN

Tel : (6) 06 441 4131 / 4132 / 4133
Fax : (6) 06 441 7479

BANDAR ENSTEK

Tel : (6) 06 799 6484 / 6485 / 6486
Fax : (6) 06 799 6487

DIRECTORY

EAST MALAYSIA REGION

REGIONAL OFFICE



1st Floor
 UMNO Building
 Jalan Kemajuan
 88500 Kota Kinabalu
 Sabah
 Tel : (6) 088 447 114 / 160 / 260
 Fax : (6) 088 447 256

SABAH

ALAMESRA

Tel : (6) 088 487 978 / 975 / 976
 Fax : (6) 088 487 980

LAHAD DATU

Tel : (6) 089 863 255 / 244 / 577
 Fax : (6) 089 863 433

TAWAU

Tel : (6) 089 778 966 / 758
 Fax : (6) 089 779 666

KOTA KINABALU

Tel : (6) 088 447 285 / 306 / 312 / 314
 Fax : (6) 088 447 315

SANDAKAN

Tel : (6) 089 214 885 / 942 / 964
 Fax : (6) 089 214 977

KENINGAU

Tel : (6) 087 342 201 / 202 / 203
 Fax : (6) 087 342 204

WILAYAH PERSEKUTUAN

LABUAN

Tel : (6) 087 419 205 / 424 667 / 424 901
 Fax : (6) 087 419 206

REGIONAL OFFICE

Lot 423 – 426, Bangunan Aiman
Jalan Kulas Barat
Section 5
93400 Kuching
Sarawak

Tel : (6) 082 425 118 / 235 419 / 416 215
Fax : (6) 082 233 172 / 234 108 / 235 521

SARAWAK**BINTULU**

Tel : (6) 086 337 413 / 418 / 493 / 781
Fax : (6) 086 337 401 / 317 577

KOTA SAMARAHAN

Tel : (6) 082 662 616 / 617 / 284 / 285
Fax : (6) 082 662 618

KUCHING

Tel : (6) 082 412 259 / 413 229
(6) 082 414 159 / 417 289
Fax : (6) 082 410 446

MIRI

Tel : (6) 085 415 422 / 424 / 425
Fax : (6) 085 415 421

SIBU

Tel : (6) 084 327 140 / 141 / 142
Fax : (6) 084 327 144

SIMPANG TIGA

Tel : (6) 082 453 716 / 726 / 736
Fax : (6) 082 453 711

AR-RAHNU BRANCHES

ALOR SETAR

Lot 2024, Jalan Langgar
05000 Alor Setar
Kedah
Tel : (6) 04 731 9090
Fax : (6) 04 730 5050

SUNGAI PETANI

21-B, Jalan Ibrahim
08000 Sungai Petani
Kedah
Tel : (6) 04 421 9090
Fax : (6) 04 421 5050

KOTA BHARU

No. 1154 & 1155, Seksyen 11
Lorong Medan MARA
15000 Kota Bharu
Kelantan
Tel : (6) 09 748 9090
Fax : (6) 09 748 9050

KUBANG KERIAN

PT816, Ground Floor
Jalan Raja Perempuan Zainab II
Bandar Baru Kubang Kerian
16150 Kota Bharu
Kelantan
Tel : (6) 09 767 8090
Fax : (6) 09 764 5090

PASIR MAS

Lot 319, Seksyen 1
Jalan Pasir Pekan
17000 Pasir Mas
Kelantan
Tel : (6) 09 790 8090
Fax : (6) 09 790 3090

PASIR PUTEH

No. PT546, Seksyen 2
Jalan Nara
16800 Pasir Puteh
Kelantan
Tel : (6) 09 786 9090
Fax : (6) 09 786 5050

TANAH MERAH

Lot PT175
Jalan Hospital
17500 Tanah Merah
Kelantan
Tel : (6) 09 955 7090
Fax : (6) 09 955 5090

KUALA TERENGGANU

MBKT-No. 19
Pusat Niaga Paya Keladi
Kampung Paya Keladi
20200 Kuala Terengganu
Terengganu
Tel : (6) 09 626 7090
Fax : (6) 09 623 5050

KUANTAN

No. G-11, Ground Floor
Mahkota Square
Jalan Mahkota
25000 Kuantan
Pahang
Tel : (6) 09 517 9090
Fax : (6) 09 514 5050

SUBSIDIARIES OF BANK ISLAM MALAYSIA BERHAD

BIMB INVESTMENT MANAGEMENT BERHAD

19th Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : (6) 03 2161 2524 / 2924
Toll Free : 1800 88 1196
Fax : (6) 03 2161 2464

BANK ISLAM TRUST COMPANY (LABUAN) LTD

Level 5(l), Main Office Tower
Financial Park Complex
Jalan Merdeka
87000 F.T Labuan
Tel : (6) 087 451 806
Fax : (6) 087 451 808

AL-WAKALAH NOMINEES (TEMPATAN) SDN BHD

21st Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : (6) 03 2726 7724
Fax : (6) 03 2726 7733

FARIHAN CORPORATION SDN BHD

19th Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : (6) 03 2782 1333
Fax : (6) 03 2782 1355

All information detailed in this Annual Report is correct at the time of printing.

Bank Islam Malaysia Berhad (98127-X)

Level 32, Menara Bank Islam

No. 22, Jalan Perak

50450 Kuala Lumpur

Tel (6)03 2088 8000

Fax (6)03 2088 8028

www.bankislam.com.my