

BANKING ON SHARED SUCCESS



INTEGRATED ANNUAL REPORT 2019



About This Report



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

Our Commitment to Integrated Reporting

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

Material Matters

Material matters are defined as factors that affect or are affected by value creation activities. We conducted a more thorough assessment on material issues in 2019 to gain further clarity and relevance to our changing operating environment, and to take into account feedback from stakeholder engagement initiatives received during the year. These material issues are then evaluated and organised under the material matters of our parent company, BIMB Holdings Berhad (as disclosed on next page under DRIVERS).

▶ For more information on Material Matters, please turn to page 32.

Our Capitals for Value Creation

Under the <IR> Framework, value creation is described within the context of different forms of Capitals whereby value is created through the consumption of one or more of the following Inputs:



Financial Capital



Infrastructural Capital



Human Capital



Intellectual Capital



Social Capital



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Access It

Access information and updated news about Bank Islam

Drivers

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



Entrepreneurial Mindset

Greater involvement in facilitating entrepreneurial activities through holistic offerings.



Best Conduct

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



Community Empowerment

Through provision of financial solutions that create positive impact with a balanced consideration between commercial and social aspects.



Good Self-Governance

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

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



Responsible Finance

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



Inclusive Growth

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



Talent Enrichment

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



Ethical Practice & Reporting

Ensuring that our practices are governed by our core values, and that social and environmental considerations are consistently our top priorities.



Islamic Finance & Knowledge Sharing

Anchoring our practices and decisions on Islamic rules and principles and contributing to a hub of expertise and knowledge that will drive our nation's standing as a leader in the Islamic financial industry.

MASB

Compliance and Assurance

Our report complies to Malaysian Financial Reporting Standards and reporting requirements under the Companies Act 2016. The annual financial statements for the financial year ended 31 December 2019 are audited by PricewaterhouseCoopers PLT ("PwC") Malaysia.



Scope and Boundaries

All information included in this report refers to the year ended 31 December 2019, unless otherwise stated. The content of this report is the result of extensive engagement with our Board of Directors and Management Team as well as initial feedback from our stakeholder engagement efforts.

BANKING ON SHARED SUCCESS

It has been a dynamic year for Bank Islam as we ushered in a new era of collective progress with innovative banking solutions and services aligned with our Value-based Intermediation (“VBI”) strategic priorities. To Bank on Shared Success is to be fully committed on the shared fulfilment of goals for all stakeholders. The Bank’s newly refined Vision and Mission is based on the nation’s Shared Prosperity Vision 2030 to build and maintain a sustainable economy. Bank Islam commits to contributing to the real economy, expanding reach and access, enabling social finance, empowering entrepreneurs and supporting a greener future through responsible investments.

Highlights of the Bank’s efforts towards a future of shared success with our stakeholders are featured in the illustrations on this year’s Annual Report cover. This unleashes win-win synergy as the success of our stakeholders contributes to the Bank’s performance targets and goals.



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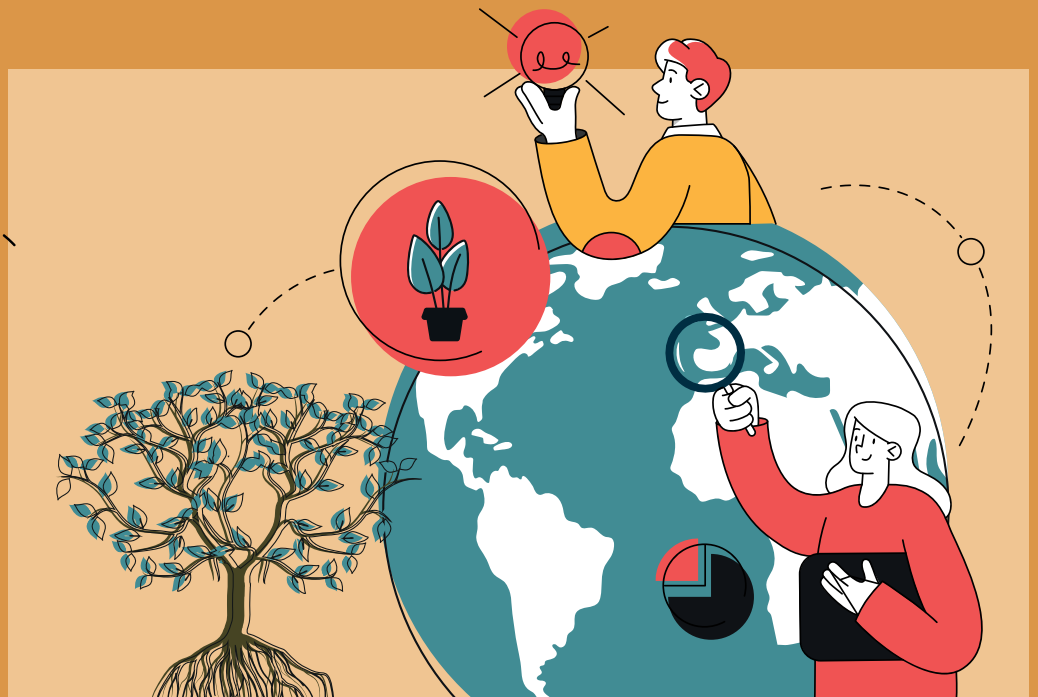
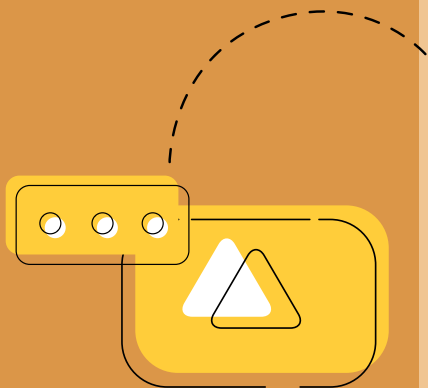
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DIRECTORY



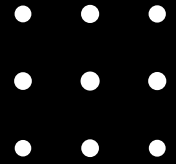
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We responsibly create value for our shareholders and other stakeholders in ensuring sustainable strength that comes from continuous sound financial performance, diversified revenue streams and balanced growth. These contribute to the continuous development of the Islamic financial industry.



BANKING ON SHARED SUCCESS

FOCUSING ON SUSTAINABLE PROSPERITY



CHAIRMAN'S STATEMENT

Datuk Zamani Abdul Ghani

Chairman



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

السلام عليكم ورحمة الله وبركاته

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH

Dear Stakeholders,

It was a dynamic year of growth and evolution for Bank Islam Malaysia Berhad ("Bank Islam" or "the Bank") notwithstanding the volatile economic environment and an exceptionally challenging operating landscape.

Alhamdulillah, Bank Islam's revenue grew by **9.5%** to surpass **RM3.6 billion** for the first time and profit before tax and zakat ("PBZT") for 2019 increased by **4.1%** to **RM843.5 million**. This was driven by strong net financing growth of **8.3%**, as well as an increase of **9.3%** in investment securities.

Opportunities within this testing time emerged as the Bank geared up on its role as one of the banking industry's key players in **Value-based Intermediation** ("VBI"). Bank Islam focused on **Green Financing, Social Finance** and impacting the **Real Economy** through innovative support for the Small and Medium Enterprises ("SME") market during the year under review.

SME financing escalated **151%** to **RM178 million** in 2019; Green Financing grew by about **36%** from the previous year; and the Bank's most notable Social Finance initiative, **Sadaqa House**, recorded **RM1.4 million** in contributions.

On behalf of the Board, I am pleased to present Bank Islam's **Integrated Annual Report 2019**.

A CLEARER PURPOSE

During the year, the Bank anchored its direction and principles on VBI and Shariah with new vision and mission statements that identify a purpose to create positive impact for all stakeholders through Shariah-based financial expertise and resources. This is aligned with the nation's Shared Prosperity Vision 2030, a government effort to reduce the nation's income and wealth gap while building and maintaining a sustainable economy.

Towards becoming "**The Bank that Advances Prosperity For All**" and "**Providing Solutions that Deliver Value**", a three-year strategic plan was launched in 2019, focusing on measuring Bank Islam's achievements based on the attainment of **Sustainable Prosperity**, nurturing a **Values-based Culture**, investing in **Community Empowerment**, enhancement of **Customer Centricity**, growth of the **Real Economy** and advancing via **Digitalisation**.

<p>Revenue 2019</p> <p>+9.5%</p> <p>RM3.6 billion</p>	<p>Profit before Tax and Zakat ("PBZT") 2019</p> <p>+4.1%</p> <p>RM843.5 million</p>	<p>Customer Deposits and IA 2019</p> <p>+4.7%</p> <p>RM57.6 billion</p>
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+8.3%
Net Financing 2019



+9.3%
Investment Securities
2019



+151%
SME Financing



+36%
Green Financing



Based on this strategic plan, the year kicked off with the formation of two new important operating units namely, the **Centre of Social Finance** to pioneer social finance initiatives in the Bank by connecting traditional banking instruments with Islamic social finance models; and the **Digital Banking** division to spearhead the Bank's digitalisation journey into a new era of banking. The establishment of these two units reflects the Bank's strong commitment in creating material progress on these fronts.

In fortifying strengths, emphasis was also placed on cultivating a workplace culture of a high performing organisation through the introduction of the **TAAT** (Think Customer, Act with Integrity, Advance Beyond, Take Charge) set of core values for employees, the establishment of Bank Islam's Integrity Plan and formalisation of the Bank's gift policy.

CHAIRMAN'S STATEMENT

Bank Islam engages with technical experts from Sustainable Energy Development Authority ("SEDA"), the World Bank and World Wildlife Foundation to study impact-based reporting and monitoring on Environment, Social and Governance ("ESG") aspects of financing.



BANKING ON SHARED SUCCESS

In line with this year's cover theme of **Banking on Shared Success**, the Bank welcomes collaborations in making a sustainable difference.

As a key member of Bank Negara Malaysia's ("**BNM**") industry working group on **renewable energy** ("**RE**"), Bank Islam engages with technical experts from **Sustainable Energy Development Authority** ("**SEDA**"), the **World Bank** and **World Wildlife Foundation** to study impact-based reporting and monitoring on **Environment, Social and Governance** ("**ESG**") aspects of financing. This signifies our objective towards meeting a strategic framework goal of achieving 20% RE financing by 2025 (*Source: Budget 2020*).

Our commitment towards that goal leads to our focus on supporting the RE sector and adoption of green technology solutions within relevant industries under the umbrella of **Green Financing**. This is to drive the potential of environmentally sound innovations such as solar photovoltaic and mini-hydro plants in line with building a more sustainable and holistic economy, and eventually helping to create job opportunities in these emerging fields. As a result, green financing breached the **RM1 billion** total financing during the year, recording a **36%** growth from the previous year.

▶ *More insights into Bank Islam's Green financing can be found on page 50.*

SME FINANCING

In line with its vision to become the Bank that advances prosperity for all, Bank Islam intensified its support of SMEs through further collaborations with Government-Linked Companies ("**GLCs**") and other large corporations via vendor development and financing programmes; and by leveraging on Syarikat Jaminan Pembiayaan Perniagaan ("**SJPP**") government-guaranteed programmes. Further support was extended to this dynamic segment through a host of SME training programmes designed to provide SMEs with skills and knowledge vital in improving their bankability and honing their competitiveness. One such programme - **SME Development Programme 2.0** - a collaboration between Bank Islam, University Utara Malaysia ("**UUM**") and SME Corp - attracted good response with participation doubled from the year before.

On September 2019, Bank Islam launched **WinBiz**, a programme offering a comprehensive product specifically tailored to women entrepreneurs within the SME space. WinBiz provides financing of up to RM1 million to meet working capital requirements and capital expenditures, with a repayment period of up to seven years, and is 70% guaranteed by the government.

▶ *More insights into Bank Islam's SME financing can be found on page 55.*

SUSTAINABLE AND RESPONSIBLE INVESTMENT

Another significant achievement during the year under review, was **BIMB Investment Management Berhad** ("**BIMB Invest**"), a wholly-owned subsidiary of Bank Islam, being awarded the **Environmental, Social and Governance** ("**ESG**") **Asset Manager of the Year 2019** by **The Asset Triple A Islamic Finance Awards 2019**. The award recognised BIMB Investment's significant contributions and achievements in ESG, sustainability, and asset management in Asia. BIMB Investment currently manages more than **RM1 billion** of Shariah-ESG assets, making it the **largest Shariah-ESG asset manager in Malaysia**. This makes the Bank's Global Shariah-ESG equity fund the largest global equity fund in Malaysia and the world's third-largest global equity Shariah-ESG fund currently.

The dynamic development of SME products and programmes led to a total financing approval of **more than RM1 billion** during the year under review as compared to about RM742 million in 2018.

SOCIAL FINANCE

On the front of social finance, Bank Islam received the prestigious **Best Social Finance Initiative 2019** for its Islamic crowdfunding digital platform, **Sadaqa House**, at the 5th Islamic Retail Banking Awards (“IRBA”) on November 2019. This is a highly regarded award determined by a panel of selected independent experts to assess the development and achievement of industry players, based on an efficiency model developed by Cambridge IFA, a financial services intelligence house.

Through the application of financial technology, Sadaqa House allows the public to donate via several online platforms and contribute to various social causes, nominated by selected change-makers. All contributions are to causes that undergo stringent monitoring and integrity processes to ensure real impact is delivered to the right target. As at end December 2019, Sadaqa House collected an amount of **RM1.4 million** that has been channelled to active “change-makers” namely Institut Jantung Negara (“IJN”) Foundation, Yayasan Sultanah Bahiyah (“YSB”) and Universiti Teknologi Malaysia (“UTM”). This translates to benefitting **21 paediatric patients** at IJN, **seven entrepreneurs** under YSB and **13 houses** from UTM’s solar power system development project for Woh Intake Village in Perak. The Bank also collaborated on the **myWakaf** portal during the year to catalyse waqf contributions as part of the Association of Islamic Banking and Financial

Institutions Malaysia’s (“AIBIM”) agenda to promote waqf development in consultation with the state Islamic Religious Councils. The myWakaf initiative is a shared collaboration between six banks under AIBIM, namely, Affin Islamic Bank Bhd, Bank Islam Malaysia Bhd, Bank Muamalat Malaysia Bhd, Bank Rakyat, Maybank Islamic Bhd and RHB Islamic Bank.

The portal enables easier, more effective and tax-exempt waqf contributions by individuals to selected projects like education, healthcare, investment and economic empowerment.

To date, it features six projects located in several states, including a haemodialysis service at the Tunku Fauziah Hospital in Perlis, a boat waqf project in Perak, *Sekolah Menengah Islam Seremban* in Negeri Sembilan and the Al-Bait Waqf fund in Sarawak.

As the pioneer Islamic bank in Malaysia, Bank Islam’s premise is that Shariah-compliant banking is not the endgame of Islamic finance. It also encompasses delivering positive social impact to underserved communities. Going further in pioneering new avenues for social finance, the Bank has introduced free Zakat payment services for savings and investment accounts at its branches nationwide. This new feature allowed four million Bank Islam depositors to direct the Bank to manage zakat payments on their accounts for the current year of assessment ending October 31. Other developed products and services specifically for social finance include Personal Financing-i for Zakat Asnaf, house financing for waqf development, among others. For the

year under review, the Bank’s business zakat payment amounted to more than RM13.5 million. This was paid to 14 states, and **more than RM3.5 million** of Zakat Wakalah has been utilised for various programmes designed for beneficial social impact.

▶ *More insights into Bank Islam’s social finance initiatives can be found on page 53.*

CORPORATE RESPONSIBILITY

Continued commitment was placed on the Bank’s AMAL corporate responsibility (“CR”) initiative during the year under review, encompassing activities on educational development, environmental clean-ups and contributions to industry development. **15 Hari AMAL programmes** were conducted simultaneously nationwide with the participation of **more than 1,000 Bank volunteers** spending **more than 6,600 hours** to benefit **over 2,400 beneficiaries**. Total investment in AMAL activities for the year amounted to **more than RM4.1 million**, a **3%** increase from the previous year.

New developments for the year include the completion of content for the AMAL website in spreading awareness and encouraging fellowship in CR ventures. This is targeted to go live in 2020. The Bank is mindful that greater synergy of AMAL with business operations could deliver more meaningful impact. Towards this end, it is seeking more collaborative initiatives with clients and partners that can deliver greater benefit to the relevant beneficiaries.

▶ *More insights into Bank Islam’s AMAL CR initiatives can be found on page 75.*

BANKING ON GROWTH

For the year ended 31 December 2019 (“FY2019”), Bank Islam’s PBZT rose by **RM33.2 million** or **4.1%** to **RM843.5 million**, mainly due to higher total income, resulting from a strong net financing growth of **8.3%**, which is more than double the industry’s average financing growth of 4.1% (December 2019), as well as an increase in investment securities of **9.3%**.

Bank Islam received the prestigious Best Social Finance Initiative 2019 for its Islamic crowdfunding digital platform, Sadaqa House, at the 5th Islamic Retail Banking Awards (“IRBA”) on November 2019. This is a highly regarded award determined by a panel of selected independent experts to assess the development and achievement of industry players, based on an efficiency model developed by Cambridge IFA, a financial services intelligence house.


OVERVIEW

CHAIRMAN'S STATEMENT

The Bank's asset quality remained strong and resilient as reflected by the low gross impaired financing ratio of **0.86%** at end 2019, lower than the 1.51% registered by the banking system at end December 2019.

On the funding side, the Bank's customer deposits and investment accounts ("IA") stood at **RM57.6 billion** with a year-on-year increase of **RM2.6 billion** or **4.7%**. Current and Savings accounts ("CASA") and Transactional IA ratio was **32.7%**.

The Bank's capital position continued to be ample and healthy, as reflected by its total Capital Ratio of **18.7%**.

 For a year on year review of our Financials, please refer to pages 18 to 21.

THE WAY FORWARD

The macroeconomic outlook going forward is uncertain as a result of the novel coronavirus ("COVID-19") pandemic and collapse in oil prices. Lockdowns have been implemented across the globe as a measure to contain the COVID-19 outbreak, leading

to much economic turmoil both domestically and globally. The Malaysian banking sector is expected to face a very challenging operating environment as global growth is grappling with the prospects for a recession and volatile capital outflows. Malaysia's GDP growth is projected to be between -2.0% and +0.5% in 2020, affected by weak global demand and supply chain disruptions. The health crisis is rapidly evolving, and the Bank will continue to monitor and assess the development of the pandemic and its economic impact.

There remain significant uncertainties surrounding the growth outlook, with both upside and downside risks to the outlook. Downside risks stem from a more prolonged and wider spread of COVID-19 globally and domestically, recurring commodities supply disruptions and tighter financial conditions following heightened volatility in financial markets. However, there are also upside risks, emanating from potentially larger-than-expected impact from the pro-growth measures, faster normalisation in activity amid pent-up demand and better-than-

The health crisis is rapidly evolving, and the Bank will continue to monitor and assess the development of the pandemic and its economic impact.

expected global economy, arising from the various stimulus measures. The government has released several stimulus packages to help cushion the economic fallout. Both *Pakej Rangsangan Ekonomi 2020* and *Pakej Rangsangan Ekonomi Prihatin Rakyat* will provide sizable support to households and businesses. Also, supporting growth are on-going large-scale infrastructure projects which are expected to provide an additional one percentage point lift to growth in 2020.

BANKING ON EXCELLENCE



The Bank's exemplary performance during the year was recognised by over 20 industry awards (as listed on page 24). These include acknowledgements of the Bank's progress in VBI and Shariah, most notably with the awards of

- **Most Innovative Islamic Bank – Malaysia 2019** at the 5th Annual Global Business Outlook Awards;
- **Excellence in Islamic Banking** at the Global Business Leadership Awards 2019;
- **Best Governed & Transparent Company (Bronze)** at the 11th Annual Global CSR Conference: The Global Corporate Governance & Transparency Summit & Awards 2019;
- **Best Islamic Bank – Malaysia 2019** by the International Investor Magazine Award 2019;

- **Best Corporate Social Responsibility – Malaysia 2019** by the International Investor Magazine Award 2019;
- **Excellence in Quality and Management** in the economics and business category at the Achievements Forum 2019;
- **Best Islamic Banking Brand, Malaysia 2019** by the Global Brands Magazine;
- **Al-Mansor Excellence in Islamic Financial Services Award** at the Islamic Excellence Awards 1441H/2020.

In addition, the latest RAM Rating for the Bank is **AA3/Stable/P1**, indicating a robust ability to meet financial obligations.

With that oversight, BNM has announced additional measures to assist borrowers and customers affected by the COVID-19 outbreak. These measures aim to ensure that the financial intermediation function of the financial sector remains intact, access to financing continues to be available, and banking institutions remain focused on supporting the economy during these exceptional circumstances. This relief plan encompasses moratorium on financing payments and meeting liquidity needs during this period. Given these additional measures announced by BNM, the Bank continues to seek silver linings across all sectors without compromising on risk appetite, controls and due diligence in persevering the Sustainable Prosperity strategic pillar.

In this unprecedented landscape, the Bank is cognisant of the multi-faceted challenges and will continuously review its strategies. This includes re-prioritising defensive business and capital expenditure plans to sustain the Bank's capital and financial strength and resiliency; implementing a pro-active model in managing the potential impairments ahead; and prioritising the safety and welfare of our people.

Aside from challenges, the Bank also needs to be ready for opportunities. The Bank expects the Malaysian economy to rebound in 2021, in line with the projected global recovery. Once short term impacts are addressed, we anticipate an exciting development in the pipeline for Bank Islam. On 11 December 2019, the Bank's holding company, BIMB Holdings Berhad announced a proposed corporate restructuring exercise that will pave the way for the Bank to emerge as a full-fledged Islamic financial institution once the market is more accommodating. The Board and I view this as a strategic transition that will empower Bank Islam by unlocking value and enabling investments towards improved performance and agility in today's fast-evolving banking business.

APPRECIATION AND EXPECTATION

The Board and I extend our steadfast gratitude for the investments made by the Malaysian government and regulatory authorities in growing opportunities for the Islamic finance industry. They have been instrumental in the Bank's development over the years with their strategic blueprints and well-charted long-term plans in developing supporting infrastructure. The Bank's positive evolution and growth over the years must be credited to the support and constant guidance from BNM and Securities Commission Malaysia ("SC"), in particular, for providing effective support and guidance on the way forward within this high growth sector.

Next, I take this opportunity to thank the Bank Islam team, which includes my fellow directors, members of the Bank's Shariah Supervisory Council, sterling management and dedicated staff, for their dedication in bringing the Bank to its current position of strength, where it stands ready to take off as the first public listed Islamic financial institution.

This is only possible with the trust and support given by our employees, business partners, stakeholders and customers. I hope this will inspire us to continue our efforts in bringing the Bank to greater heights.

My term of service with Bank Islam came to an end in March 2020, after nine fulfilling years of being part of the Bank's growth. It has been a pleasure to serve with my fellow Board members, the high-calibre management team and dedicated employees. My gratitude goes out to all who have served in planning the anticipated transition of the Group as this paves an exciting way forward to pioneer new inroads into the industry and unlock further value for our shareholders towards a future of shared success with our nation, customers, employees and the communities we serve.

Datuk Zamani Abdul Ghani
Chairman

A SPECIAL NOTE OF APPRECIATION

The Board, management and staff of Bank Islam would like to record our utmost appreciation to **Datuk Zamani Abdul Ghani** for his nine years of stalwart service in advancing the Bank's repute and standing. His benevolence and charisma have been instrumental in building a positive morale among the Bank Islam team as we steered through many challenges together.

OVERVIEW

WHO WE ARE

Established in 1983 in Kuala Lumpur, Bank Islam Malaysia Berhad ("Bank Islam" or "The Bank") is the first Islamic Bank established in Malaysia and Southeast Asia. The Bank offers end-to-end Shariah-compliant banking and financial solutions that are designed and delivered in accordance with the fast-changing market trends and evolving customers' needs. The Bank is committed to long-term leadership as a responsible financial institution that upholds the principle of sustainability in every aspect of its operations.



Total Assets



RM **68** billion

Profit before Zakat and Tax



RM **843.5** million



Total
144
Branches

e-Services and Solutions



e-Banker
BANKING FROM YOUR DESK



Total
Customers
more than



4.3 million

Workforce
more than



4,600

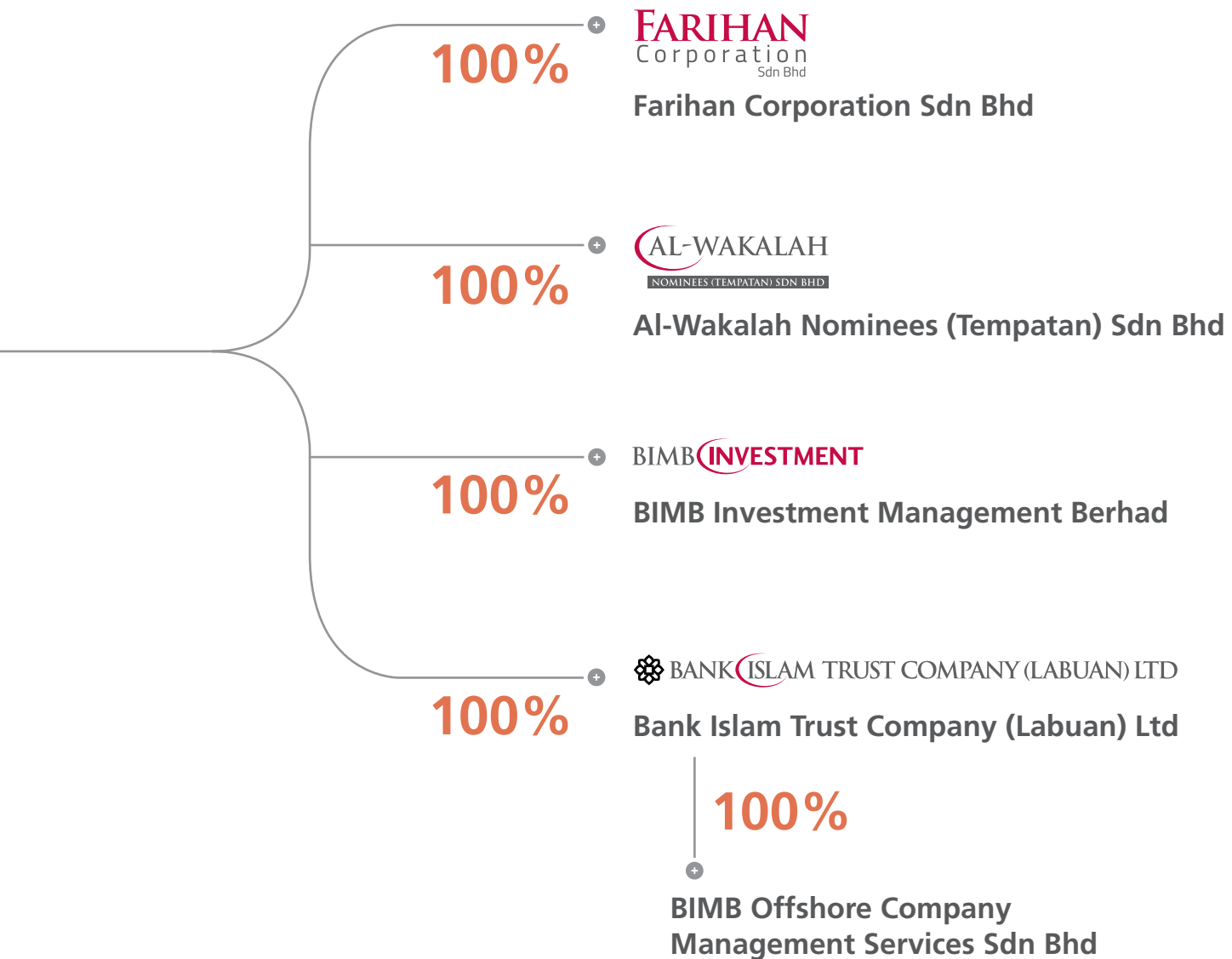
Social
Contribution
more than



RM **3.89** million

Shareholding Structure





WHAT WE DO

Main Businesses

Personal Banking

Comprehensive suite of services that include deposit and personal investment products, bank card solutions, financing products including personal, home and automobile, and transactional banking services.

Strengths & Differentiation

- Competitive financing rates in the market.
- Convenience for financing customers through our “Doorstep Banking” service.
- Substantial public impression for Al-Awfar product that generates good return through attractive prizes.
- Award-winning debit card solutions with appealing co-branding initiative.



Commercial & SME Banking

A wide range of business financing facilities, catering to commercial vendors and SMEs, which include vendor financing, business premises financing and contract financing service.

Strengths & Differentiation

- Customised financing facilities that cater to differing clients' needs.
- Innovative offers for different customer appetite.
- Strong rapport with strategic partners for comprehensive financial solutions.
- Provision of special programmes to nurture SME entrepreneurs.



Treasury & Corporate Banking

Full range of wholesale banking solutions including investment banking and financing facilities, money and capital markets, currency conversion and advisory services.

Strengths & Differentiation

- Highly ranked team of qualified professionals with required competency to deliver the desired financial results.
- Technical expertise in structured and project financing, especially in the green and renewable energy sector.
- Solid experience in facilitating projects as the Lead Arranger and Book Runner.



Key Subsidiaries

BIMB Investment Management Berhad

- A full-fledged fund management company with a comprehensive range of investment solutions, including advisory service and Islamic funds, across multiple classes, catering to both individual and corporate investors.
- Sustainable and responsible investment solutions that are fully compliant with Shariah rules and regulations, and are in accordance with Environmental, Social and Governance (ESG) principles).

Strengths & Differentiation

- The only fully bank-backed asset management company in Malaysia to offer comprehensive Shariah-ESG funds and investment solutions.
- BIMB Arabesque-i Global Dividend Fund 1 consistently ranked first for the past three years in terms of Total Overall Returns and Consistent Return, and currently the largest Shariah-ESG Global Equity fund in Malaysia.
- Adoption of advanced AI technology and Big Data analytics methodology makes for efficient management of funds, leading to consistently better returns and responsible investment portfolio.



OVERVIEW

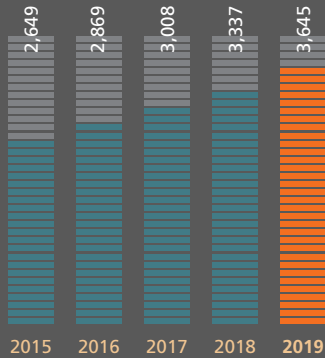
INVESTING IN BANK ISLAM

2019 Financial Highlights

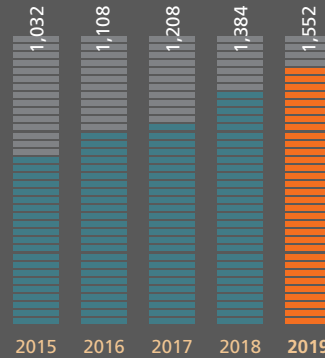
	2019	2018	2017	2016	2015
Operating Results (RM'000)					
Total revenue	3,644,696	3,336,502	3,008,181	2,868,781	2,649,396
Income attributable to depositors and investment account holders	1,551,945	1,383,834	1,208,337	1,108,024	1,031,693
Profit before Zakat and Tax	843,480	810,258	767,053	720,412	685,661
Profit after Zakat and Tax	627,609	593,887	566,118	530,962	507,262
Key Statements of Financial Position Items (RM'000)					
Total Assets	67,593,802	63,938,733	57,742,914	55,676,697	49,763,719
Total Financing	49,472,522	45,680,680	42,113,420	39,189,274	34,294,690
of which:					
Gross Impaired Financing	433,001	425,937	398,277	389,445	381,270
Securities	12,809,708	11,719,258	9,633,608	10,589,824	10,421,041
Deposits from Customers	47,408,738	49,895,232	46,192,910	45,940,414	43,556,350
of which:					
Current and Savings Deposits ("CASA")	15,649,652	15,073,993	15,472,127	14,133,576	15,256,290
Investment Accounts of Customers	10,240,373	5,176,819	4,260,185	3,812,261	676,105
Shareholders' Equity	5,714,453	5,276,407	4,959,704	4,385,466	4,032,568
of which:					
Share Capital	3,012,368	3,012,368	2,869,498	2,404,384	2,363,283
Ratio Analysis					
Return on Assets	1.28%	1.33%	1.35%	1.37%	1.43%
Return on Equity	15.35%	15.83%	16.42%	17.12%	17.67%
Cost Income Ratio	53.56%	52.97%	57.26%	52.82%	52.67%
Capital Adequacy Ratio	18.66%	17.77%	16.44%	15.52%	15.32%
Gross Impaired Financing Ratio	0.86%	0.92%	0.93%	0.98%	1.09%
Financing to Deposits Ratio - excluding Investment Accounts of Customers	84.34%	82.76%	83.19%	78.49%	78.71%
Financing to Available Fund Ratio - excluding Investment Accounts of Customers	78.99%	77.71%	81.41%	77.31%	77.46%
Earnings per Share	25 sen	24 sen	23 sen	22 sen	22 sen
Net Tangible Assets Backing	190 sen	175 sen	173 sen	182 sen	171 sen

Total Revenue

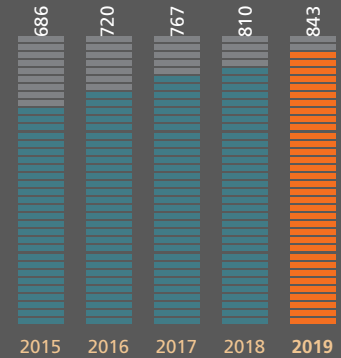
RM Million

**Income Attributable to Depositors and Investment Account Holders**

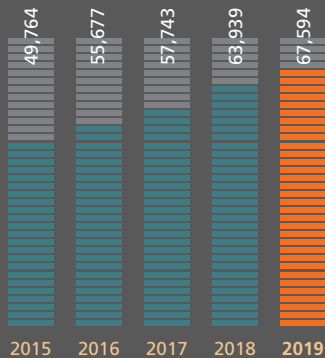
RM Million

**Profit before Zakat and Tax**

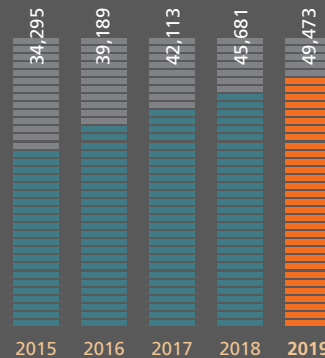
RM Million

**Total Assets**

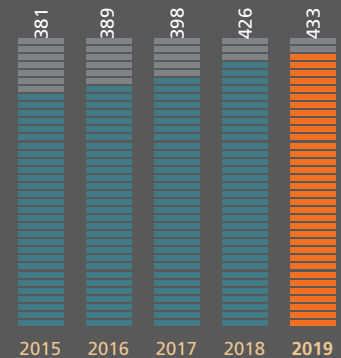
RM Million

**Total Financing**

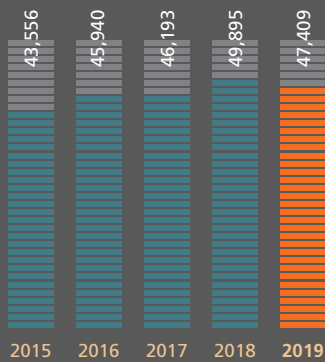
RM Million

**Gross Impaired Financing**

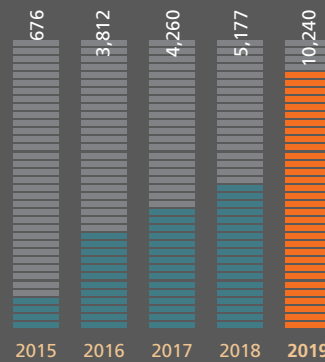
RM Million

**Deposits from Customers**

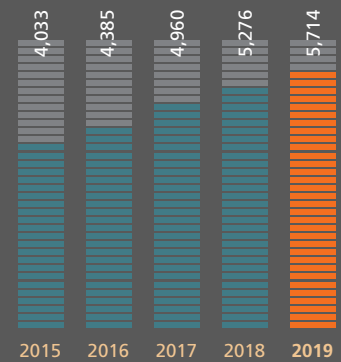
RM Million

**Investment Accounts of Customers**

RM Million

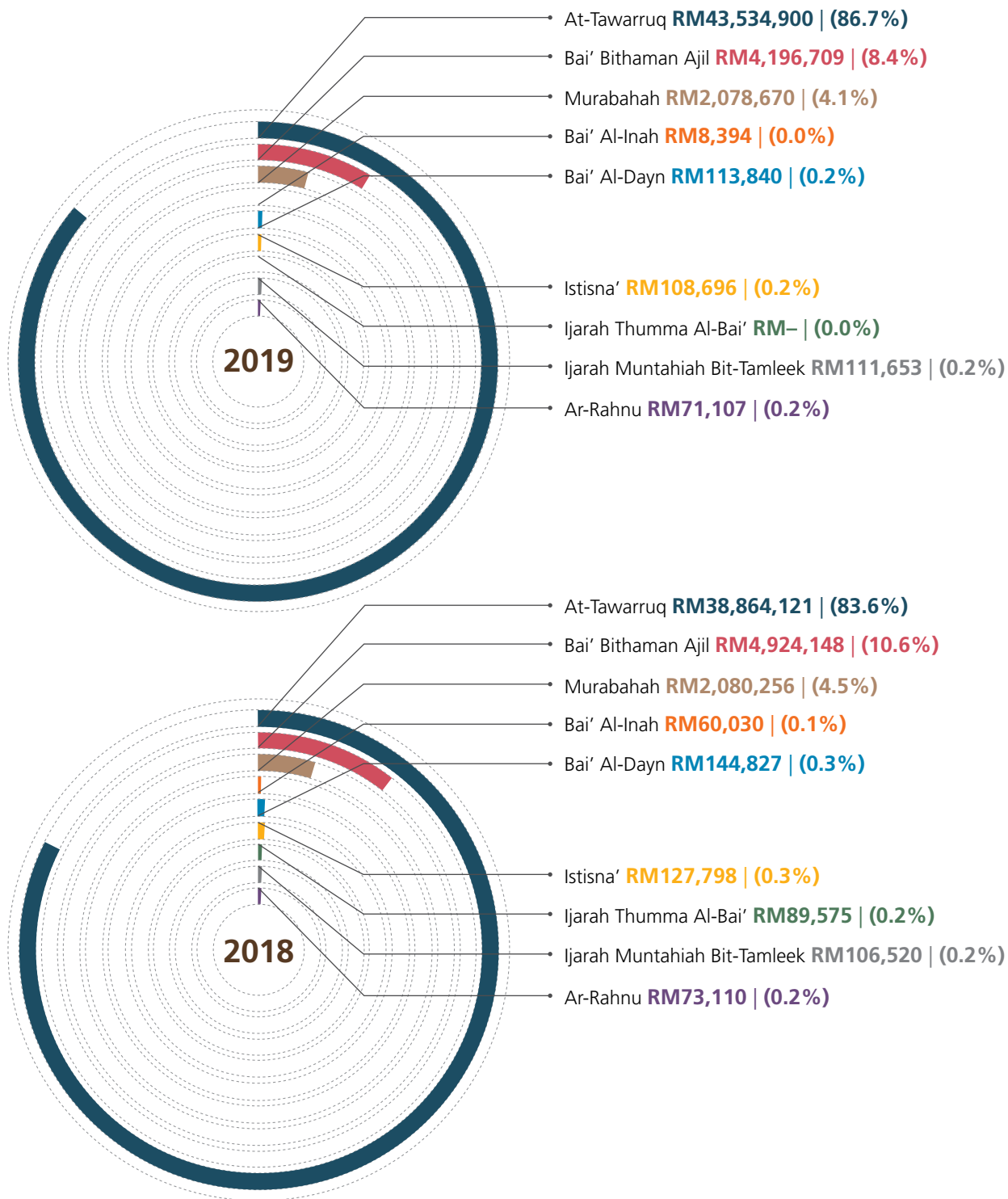
**Shareholders' Equity**

RM Million



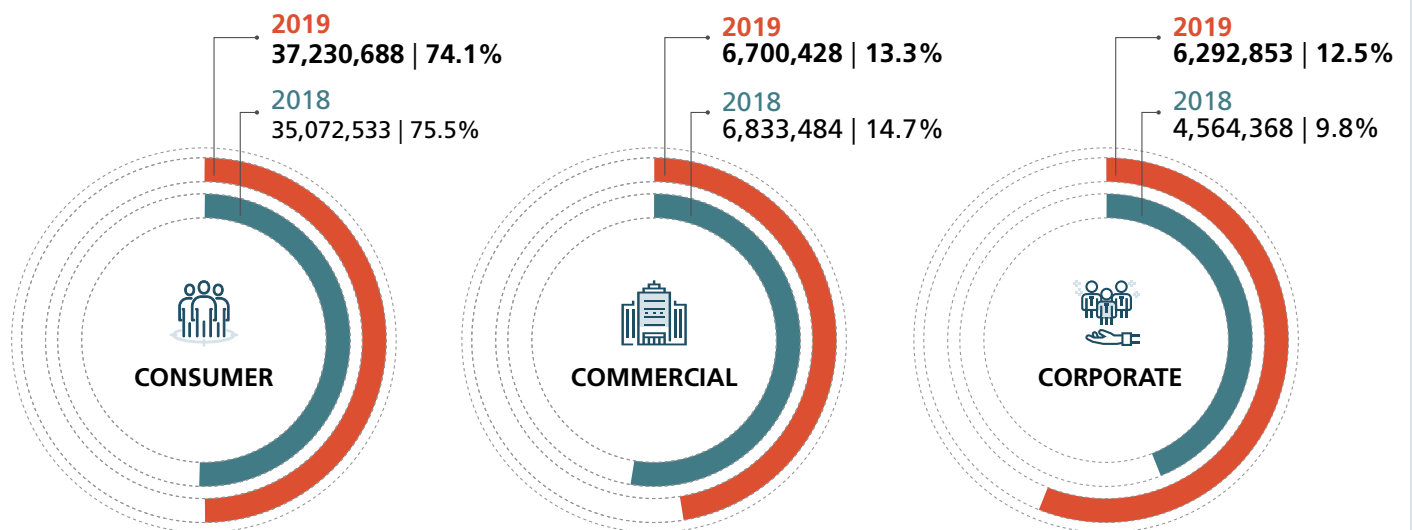
INVESTING IN BANK ISLAM

Financing
by Contract (RM'000)





Financing by Segment of Business Units (RM'000)



2019 PERFORMANCE

Reaffirmed at AA3/Stable/P1

by RAM Ratings with Net Stable Funding Ratio ("NSFR") readiness at **105.7%**

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



A reduction of
51%
in customer
complaints received



ATM uptime was
97.12%
while CDM uptime
was
95.68%



Internet Banking
financial transaction
volume grew by
133%



Implemented
**New Risk
Management
Policy -
Risk Control
Self Assessment**



**Internet
Security Policy**
established by
CISO Office



Established
**Bank Islam
Integrity Plan**
and Implemented
the Bank's Gift Policy

HIGHLIGHTS



Revenue Grew

YoY 9.2%

RM3.6

billion



Financing Growth

8.3%



Asset Growth

YoY 5.7%

RM67.6

billion



Net Impaired Financing

-0.8%



PAZT Increased

YoY 5.7%

RM627.6

million



Return on Equity

15.35%



Gross Impaired Financing

0.86%

for 2019



CASA Ratio

32.72%



Organised

Mega Conference

2019 to bring together

over **4,088** Bank Islam participants



Contributed over

6,600 volunteer

hours in helping more than

2,400 beneficiaries

during **Hari AMAL 2019**

Launched **AMAL Untuk Alam** with e-waste awareness initiative, beach plogging activity, marine conservation efforts and support for local fishermen at Pulau Tuba, Langkawi



RM621,969

disbursed to aid

114 beneficiaries in need

through **Sadaqa House**

AWARDS &



- **CITI'S PERFORMANCE EXCELLENCE AWARD**
from Citibank
- Ranked **TOP OF THE BLOOMBERG'S GLOBAL SUKUK LEAGUE TABLE**
(First half of 2019)
- **MOST INNOVATIVE ISLAMIC BANK**
Malaysia, 2019 at the 5th Annual Global Business Outlook Awards
- **TRANSPORT DEAL OF THE YEAR**
Danalnfra Nasional Berhad at The Asset Triple A Infrastructure Award 2019
- **READER'S DIGEST TRUSTED BRANDS PLATINUM AWARD 2019**
for the Islamic Finance Services category in Malaysia
- Joseph Ng (Bank Islam Malaysia Berhad)
RANKED 2ND FOR BEST INDIVIDUAL TRADING, MALAYSIA
(Asian Local Currency Bond Benchmark Review 2019) by The Asset
- **EXCELLENCE IN ISLAMIC BANKING**
at the Global Business Leadership Awards 2019

ACCOLADES



- **MALAYSIA BRAND LEADERSHIP AWARDS 2019**
at Malaysia's Best Brand Awards 2019
- **THE GLOBAL GOOD GOVERNANCE AWARD 2019**
Best Governed & Transparent Company (Bronze) at the 11th Annual Global CSR Conference:
The Global Corporate Governance & Transparency Summit & Awards 2019
- **BEST ISLAMIC BANK – MALAYSIA 2019**
by the International Investor Magazine Award 2019
- **BEST CORPORATE SOCIAL RESPONSIBILITY**
Malaysia 2019 by the International Investor Magazine Award 2019
- **EXCELLENCE IN QUALITY AND MANAGEMENT**
in the economics and business category at the Achievements Forum 2019
- **BEST ISLAMIC BANKING BRAND, MALAYSIA 2019**
by the Global Brands Magazine



CREATING THE RIGHT CARD FOR EVERY CUSTOMER!

Bank Islam's co-branded debit cards and credit cards cater to distinct lifestyle choices while offering ultimate privileges. From the first purely Shariah contract based credit card to debit cards based on the concept of Ujrah, Bank Islam continues to pioneer card solutions to provide the best rewards for selected customers.

CREDIT CARDS

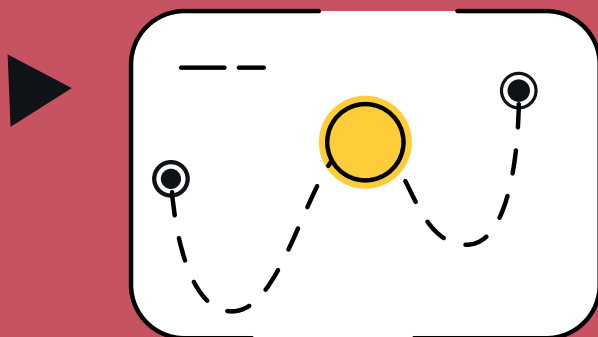
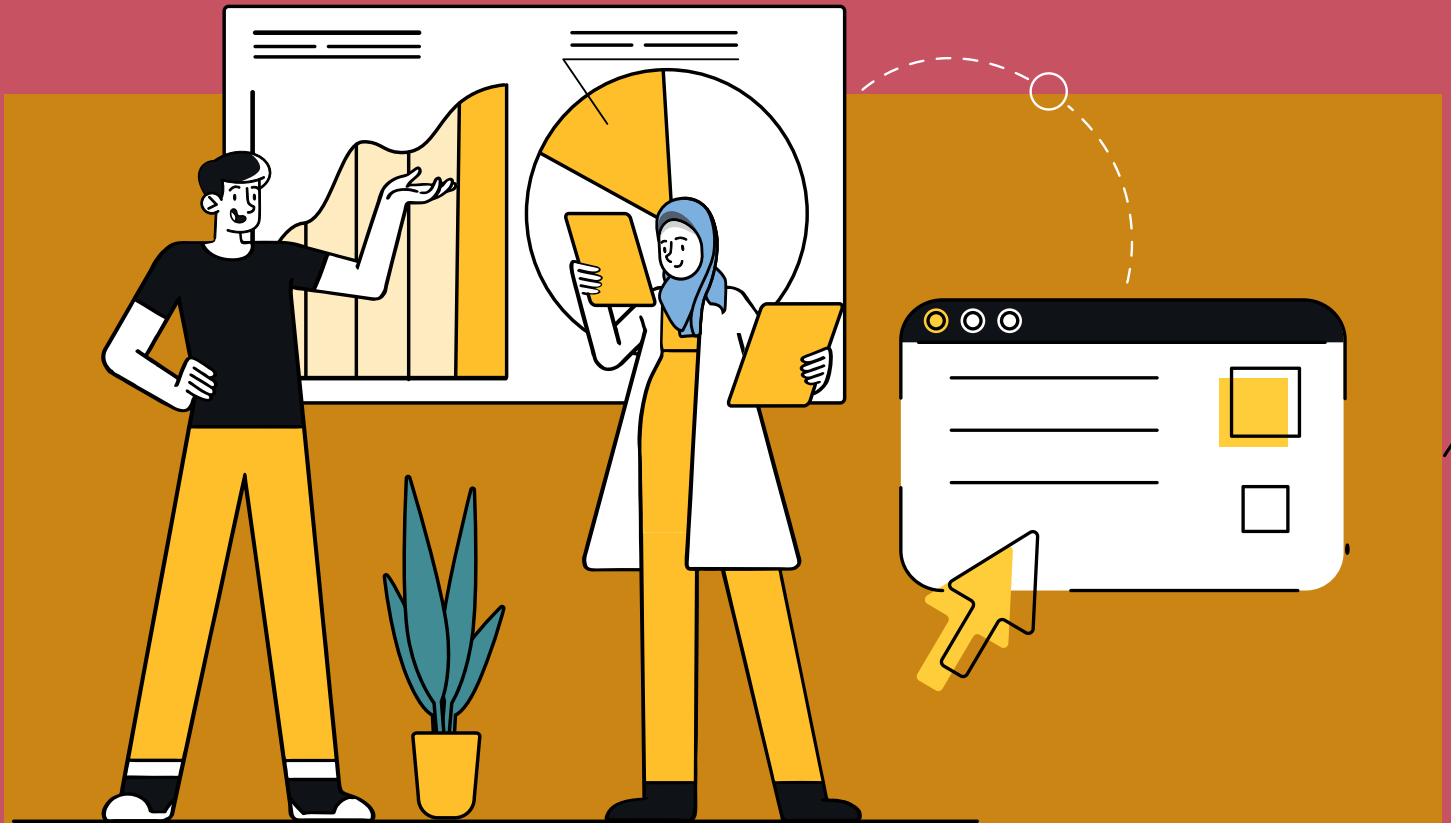


DEBIT CARDS



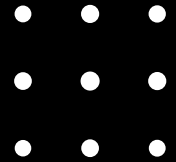


We uphold Shariah principles that bring out virtuous traits among the workforce by providing a workplace that engenders good business and ethical practices, and where employees are encouraged to do the right thing at all times to live up to the principles of excellence and integrity.



BANKING ON SHARED SUCCESS

NURTURING A VALUES-BASED CULTURE



OUR PURPOSE



Assuring Trust. Delivering Value

This tagline carries our promise of good governance, honest conduct and ethical decision-making which underscores Bank Islam's Value-based Intermediation ("VBI") focus and commitment.



The Bank that advances prosperity for all



To provide solutions that deliver value





Bank Islam's VBI Realisation Strategy emulates the Triple Bottom Line principle to stay on course for growth in revenue and profit while bringing about positive economic, social and environmental outcomes for all our stakeholders, towards becoming a leading bank of social finance and digital Islamic bank of choice.

SUSTAINABLE PROSPERITY

Produce strong financial results for the Bank; Increase fee-based business activities to improve profitability metrics; Balance growth with focus on capital accretive financing assets; Grow our financing portfolio in Halal & Green Economy; Include environment, social, governance ("ESG") considerations as part of the criteria for corporate financing; Enhance creation and delivery of investment fund products with focus on Shariah and ESG compliancy.

VALUES-BASED CULTURE

Adherence to Shariah goals and principles, and full regulatory compliance; Develop human resource guidelines that reflect values-based approach; Create holistic development programmes for all staff in line with the new mission and vision; Develop a Key Performance Indicator ("KPI") Scorecard framework embedding shared values.

COMMUNITY EMPOWERMENT

Establish and expand social finance solutions such as Sadaqa House and Waqf; Increase strategic alignment and impact of our corporate responsibility ("CR") initiatives; Participate in Waqf projects that have a positive impact to communities; Participate in impactful community programmes focused on enhancing inclusivity and upward social mobility; Collaborate with, and support, social impact organisations.

CUSTOMER-CENTRICITY

Increase customer satisfaction at all points; Develop customer-centric analytics; Practice a proactive service culture; Transform customer experience.

REAL ECONOMY

Expand our real economy portfolio; Increase and grow our SME portfolio; Promote Real Economy programmes as a responsible financial intermediary.

DIGITALISATION

Launch more digitalisation enabling goals via a digital blueprint; Focus on process optimisation; Enable omni channel and data monetisation; Establish a strong platform for cybersecurity resilience strategy for the Bank; Enhance the existing infrastructure; Improve our services within the digital ecosystem.

OUR PURPOSE

Our Guiding Principles

Bank Islam is mindful that sustainability as a corporate and business entity is determined by our actions and interactions. Over the years, Bank Islam has established clear guiding principles that govern every aspect of our operations – from the way every employee works, the long-term principles that anchor our strategies, and the macro impact we intend to serve our stakeholders. This is encapsulated by core values, VBI drivers, material matters and United Nation’s Sustainability Development Goals (“UNSDG”).

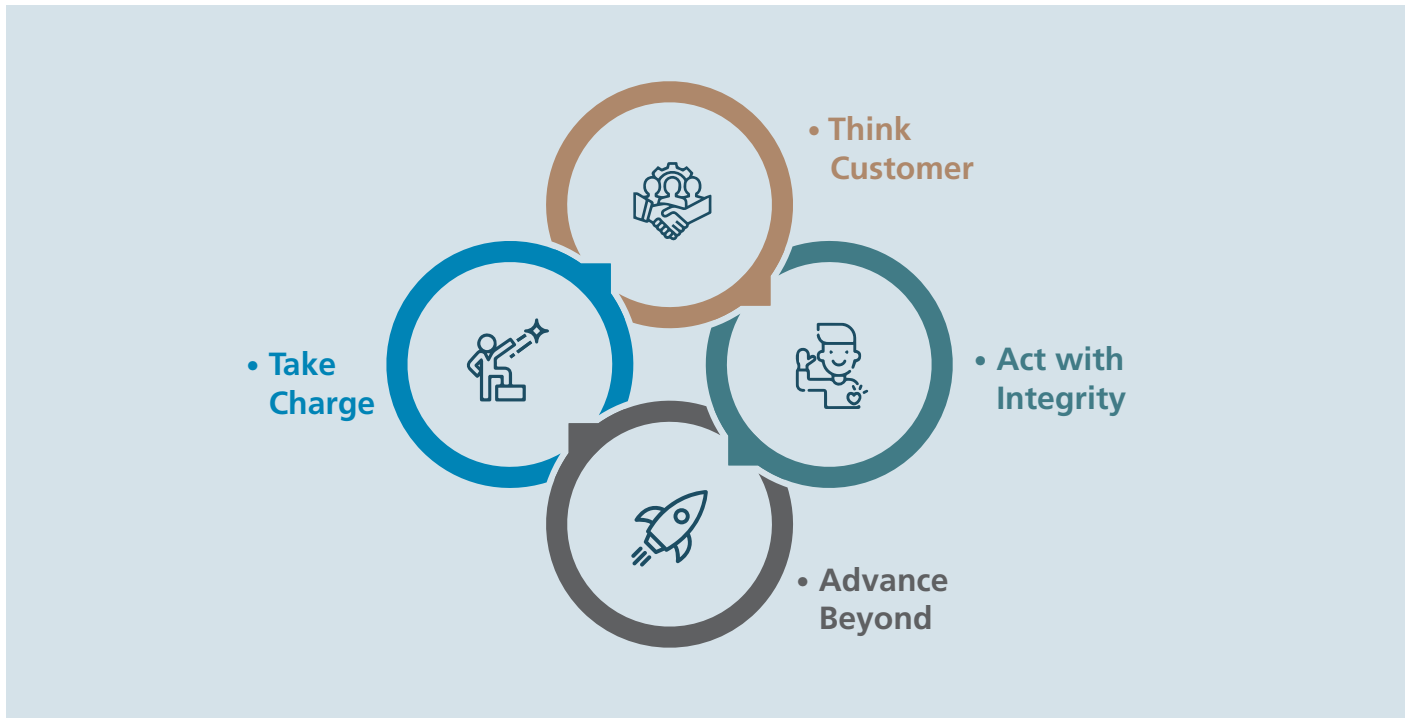
MATERIAL MATTERS

Our strategies are influenced by the material pillars of our holding company, BIMB Holdings Berhad: RESPONSIBLE FINANCE, INCLUSIVE GROWTH, TALENT ENRICHMENT, ETHICAL PRACTICE & REPORTING and ISLAMIC FINANCE & KNOWLEDGE SHARING, which are aligned to the ideals of the UNSDG as highlighted below.



TAAT VALUES

Our values define the high performing culture of Bank Islam and what distinguish us from other banks.



VBI DRIVERS



OUR VALUE CREATION

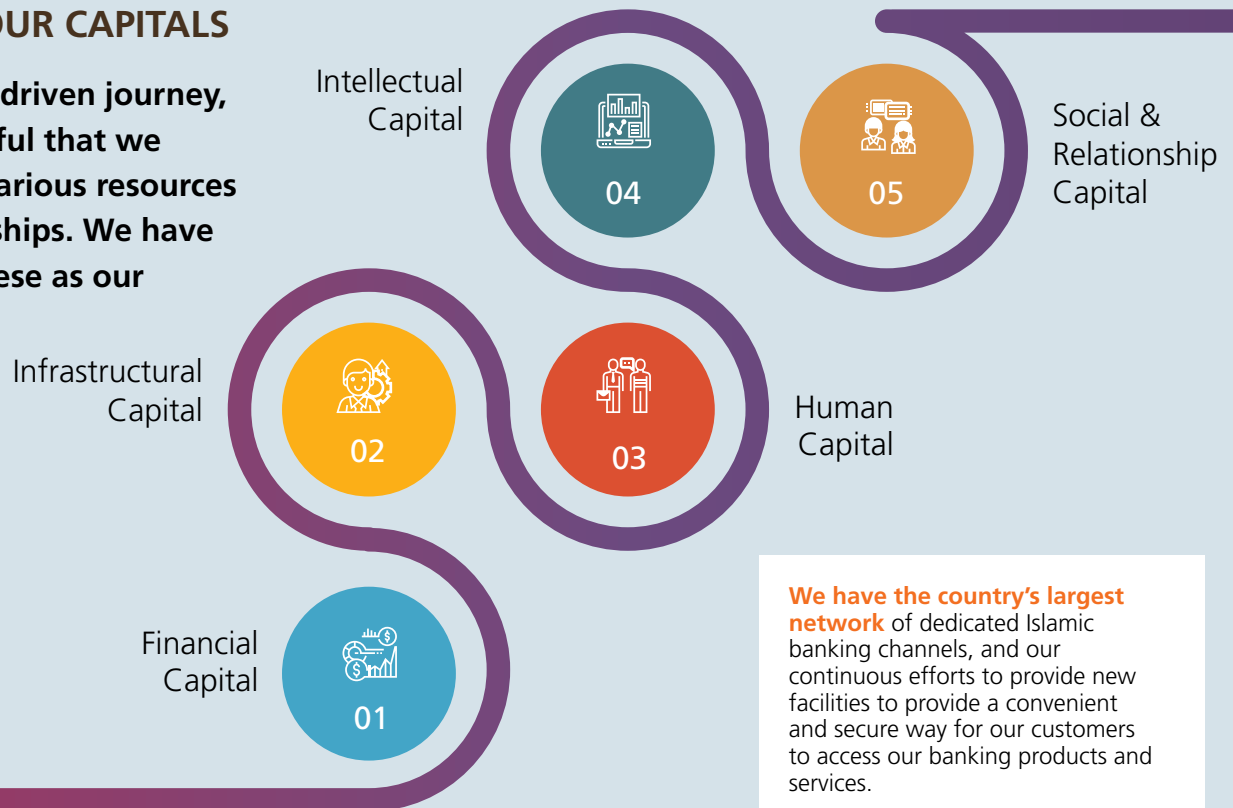
ADVANCING PROSPERITY FOR THE GOOD OF ALL, WE ARE BANKING ON SHARED SUCCESS

We are mindful of our commitment as a Value-based Intermediary (“VBI”). Staying attuned to ever changing trends and our stakeholders’ expectations and needs, we make prudent choices; guided by clarity of our vision and strategy towards delivering holistic long-term sustainable value to all our stakeholders.

Bank Islam’s sustainability as a corporate and business entity is determined by our interactions with the market environment and ability to effectively fulfil the needs of our stakeholders. This is encapsulated by our business model which enables us to translate our resources and relationships into outcomes that achieve our strategic goals, and create value over the short, medium and long term. In this value-driven journey, we are mindful that we depend on various resources and relationships. We have identified these as our key capitals.

VALUING OUR CAPITALS

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



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

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

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

We earn the trust of our stakeholders by looking after their best interest and ensure that their issues are addressed and resolved in the right manner.

We take great responsibility in ensuring we do not conduct any business dealings with corporations or entities that are involved in activities that are harmful to the society and environment.

We look after the well-being of our precious natural resources by providing support to companies or projects that generate benefits to the people through the implementation of environmental-friendly solutions and green technology.

We strengthen our resolve towards sustainability with our commitment to create long-term value for our stakeholders, contributing to the growth of our organisation, our people, the economies and the communities we operate in.

We strengthen the society by contributing towards socioeconomic progress, building financial resilience and social cohesion, as well as contributing to environmental wellbeing.

We have the country's largest network of dedicated Islamic banking channels, and our continuous efforts to provide new facilities to provide a convenient and secure way for our customers to access our banking products and services.

Our drive for digitalisation will enable us to offer a whole new customer experience as well as increase our financial inclusivity efforts to better serve the underserved community.

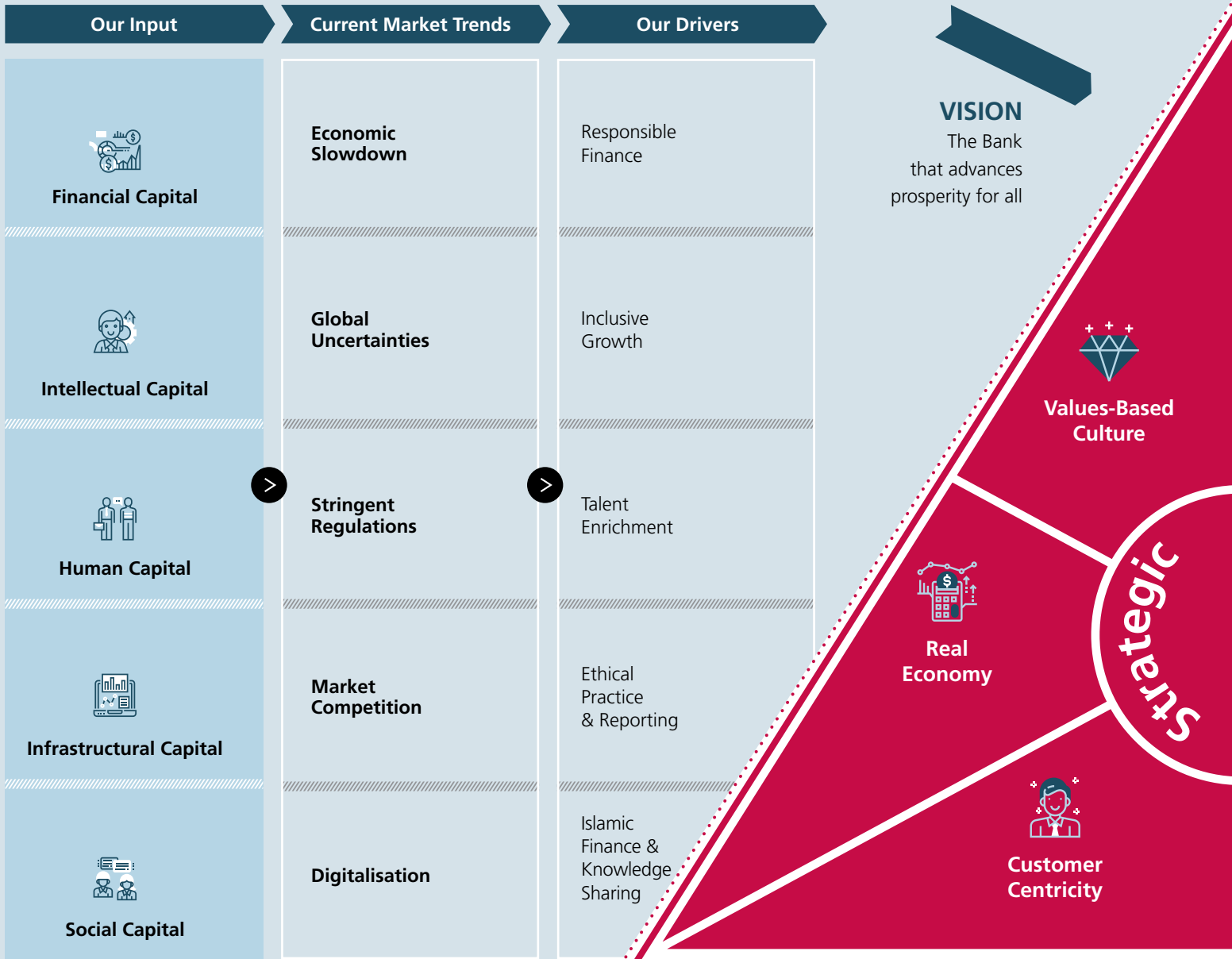
Financial and banking institutions around the world have been seeking our advices and consultations on Islamic financial structure and processes.

Our development programmes and work culture initiatives create highly capable and motivated employees, and also imbue them with values that are aligned with the Bank's culture and enable them to contribute positively to the progress of the society, industry and nation.

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

SUSTAINABLE
VALUE
CREATION

OUR BUSINESS MODEL



To become a leading Bank for social finance

Shared


Think Customer
 We ensure customer value is central in all decisions we make
 We serve our customers with integrity, care and consideration
 We aim to exceed our customers' expectations


Act with Integrity
 We adhere to our religious, moral and ethical principles
 We strive to do what is right at all times in accordance with laws and regulations
 We treat each other with respect and honesty

MISSION

To provide solutions that deliver value

Innovative Islamic Banking Solutions for

Consumers, Corporate, Commercial, SMEs, Investors, Treasury, Deposits & Cash Management

Creating Value for Our Stakeholders

Outcome



Customers

- RM1.4 billion profits paid to depositors
- RM175.6 million profits paid to investment account holders
- More than RM5.4 billion in new personal financing
- More than RM2.6 billion in new house financing
- 610,429 TAP subscribers
- 265,961 PTPTN student accounts
- Introduction of GO by Bank Islam for enhanced customer experience over mobile devices



Employees

- More than RM600 million paid in remuneration to employees
- 96.5% retention rate
- More than 195,774 employee training hours
- 376 employees promoted in 2019
- 131 employees obtained professional certificates in 2019



Government & Regulators

- Continuous commitment to driving and realising Value-based Intermediation principles
- Advance Malaysia as an Islamic financial hub, and key sectors within the industry, including Halal hub development
- Contribute to the stability of the industry's financial system
- Contribute to domestic economic growth
- Development of local talents in the relevant industry



Local Communities

- More than 11,200 beneficiaries from CR and zakat activities and programmes
- More than RM1.76 billion approved under the Green Financing Portfolio
- RM13.5 million in business zakat
- RM4.1 million invested in AMAL activities
- RM621,969 disbursed through Sadaqa House



Investors

- 15.35% return on equity
- 1.28% return on asset
- 18.64% total capital ratio
- RM312.9 million of dividends paid to shareholders

Providing Solutions that Deliver Value

Serving individuals, we improve access to financial services and enhance quality of life.

Serving small & medium enterprises and large corporations, we contribute to economic growth, job creation and industry innovation.

Serving the nation, we support national goals and ensure stability and progress of the nation's financial standing.

Serving the community, we improve financial literacy, promote inclusiveness and contribute towards a sustainable future.

Priorities

Sustainable Prosperity

Community Empowerment

Digitalisation

and a digital Islamic Bank of choice through:

Values



Advance Beyond

We strive to continuously improve and innovate all parts of our business
 We respond and adapt quickly to possibilities
 We embrace curiosity, learning and new ideas



Take Charge

We are self driven and will always step up to overcome any challenges
 We work as one and make things happen together
 We act responsibly and with courage

SUSTAINABLE
VALUE
CREATION







ENGAGING OUR STAKEHOLDERS

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



Stakeholder engagement helps us understand how we fulfil our responsibility as a valuable partner for the nation and the industry; a good employer for our people; a sound investment for shareholders; a good corporate citizen for the communities where we live, work, and much more.



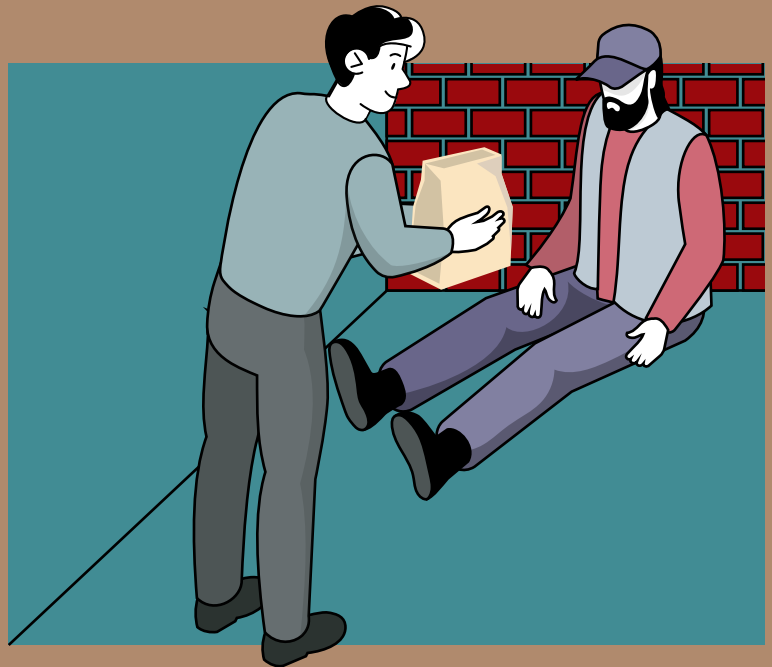
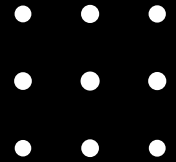
Stakeholders	Relevant Topics	Engagement Platforms
 <p>Customers</p>	<ul style="list-style-type: none"> • Products and services viability and access • Effectiveness of solutions in addressing needs • Quality of service delivery 	<ul style="list-style-type: none"> • Customer service and feedback channels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

We help communities to thrive together with us by running a business that generates positive social impact through greater financial inclusivity and innovative social finance solutions. We also give back to society via our corporate responsibility initiatives.



BANKING ON SHARED SUCCESS

ASSURING COMMUNITY EMPOWERMENT



STRATEGIC REVIEW

2019 Operating Landscape

Global & Domestic Economic Review

Expectations for an improved economy in 2019 were impeded by the prolonged US-China trade war and geopolitical tensions. These took a toll on business confidence, investment decisions, and global trade; leading to a significant decrease in manufacturing activity across developing and emerging economies. Though the impact on financial markets was cushioned by increased monetary policy accommodation, global expansion was at 2.9%, a notable drop from 3.7% in 2018.



Domestically, Malaysia's Gross Domestic Product ("GDP") moderated to its slowest pace in a decade at 4.3% in 2019 from 4.7% registered in 2018 in response to slowing global demand conditions and subdued growth of trading partners. Growth was mainly attributed to resilient private sector spending and continued expansion in the services and manufacturing sectors. Overall downside risks were cushioned by the broad-based economy, robust domestic consumption spending and stable labour market conditions.

BANKING & ISLAMIC BANKING REVIEW

Against this backdrop, the banking sector buckled down to prioritise liquidity and capital strength to better navigate through the prolonged challenging landscape. Acting as a bellwether to dampened economic sentiments, Bank Negara Malaysia ("BNM") lowered overnight policy rate by 25 bps to 3% in May 2019 – the first cut in three years. Additionally, the Statutory Reserve Requirement ("SRR")¹ was cut by 50 bps to 3%, releasing RM7.4 billion worth of liquidity to the financial system.

The buoyed capital position and low levels of non-performing loans provided buffers for Malaysian banks amidst a slower loan growth environment as the economic slowdown weighed on consumer sentiment and discouraged business investment. As 58% of Malaysian banks financing assets are derived from household borrowings², this challenged growth for the year and many banks responded by trimming operational costs, closing branches, and retrenching staff to maintain an average industry cost-to-income ratio of around 47%-48%.

The sector's net interest margin ("NIM") contracted between five and 10 basis points ("bps") in the year, following cuts to the policy rate and heated domestic competition for deposits. System Gross Impaired Loan ("GIL") ratio showed slight elevation at 1.61% as at end-September 2019¹.

Once again performing better than its conventional counterpart, Malaysian Islamic banks' financing grew by 8.3% in 2019, outpacing conventional banks' loans growth of 1.6%, bringing the share of Islamic financing to total system loans to 35% (2015: 27%)³ with the addition of RM63.38 billion to total assets in 2019. As at December 2019, total Islamic banking assets stood at RM835.19 billion, up 8.2% from RM771.81 billion recorded in the same month of 2018, according to data from BNM.



Financing for purchase of residential property⁴ was the biggest contributor to Islamic banking financing last year, with RM184.41 billion worth of financing recorded in 2019, an increase of 15% from RM160.35 billion recorded in 2018. Credit card financing also saw a big jump with total financing of credit cards in 2019 amounting to RM4.09 billion compared to RM3.68 billion the year before. Personal financing stood at RM60.5 billion, against RM58.92 billion the year prior. These were achieved with total impaired financing holding steady at RM8.82 billion, and total provisions of RM7.5 billion.

MARKET OUTLOOK

The year 2020 was expected to be a year of recovery underpinned by observed resilience in domestic demand and growing global equity. However, the prolonged global pandemic of the novel coronavirus (“COVID-19”), escalating war on oil price and Malaysia’s unexpected change in government have put a spanner in these projections.

Currently, at time of writing, a global recession is imminent as worldwide restricted movement controls have halted many industrial and commercial activities and disrupted supply chains. The aviation, tourism and hospitality sectors have been hit hard, and financial markets are registering drops amidst rising uncertainties and temporary closures of businesses.

Global Gross Domestic Product (“GDP”) growth is now projected to be weak at 1.3% due to the COVID-19 pandemic and reduced trade and investment. Malaysia’s economic growth is projected to be at its slowest pace since the 2009 financial crisis with prospects of negative growth leading to recession. GDP is projected to be at -2% to 0.5% in 2020¹.

In the banking sector, the sluggish economy and impact from the COVID-19 pandemic will particularly cause poor funding growth, an increase in Non-Performing Loans (“NPL”) and a decrease in profit rates. This will be exacerbated by the rising competition among banks and further expected reductions of Overnight Policy Rate (“OPR”).

In monitoring and assessing the balance of risks surrounding the outlook for domestic growth and inflation, BNM reduced the OPR by 25 basis points to 2.75% in January 2020, and further to 2.5% in March 2020. While the reduction in the OPR provides a more accommodative monetary environment to support projected improvement in economic growth, this will exert downward pressure on banks’ margins.

Given the challenging environment, banks will endeavour to sustain returns on equity (“ROE”). It is forecasted that apart from capital management activities, banks will buckle down on organic growth and build resilience in their business operations by improving fee income, boosting productivity and efficiency, and strengthening asset quality.

Moving forward, Islamic banking is expected to continue playing a big role in the local economy as Malaysia remains a centre of excellence for the global Islamic banking industry, and continues to be developed as a global hub. The strong foundation and regulatory infrastructure that have been instituted and strengthened over the years, as per the Financial Sector Blueprint 2011-2020, ensures the industry’s resilient growth and development.

Within these uncertain conditions, Islamic banking provides greater confidence over conventional banking as they are perceived to be bound to a higher moral standard, with earnings derived from tangible assets such as real estate and equity. Therefore, the contribution of Islamic financing to Malaysian banking system financing is likely to sustain, supported by the regulatory backdrop that provides a level playing field and banks that continue to promote Islamic products. Rating agencies forecast Islamic financing to grow above conventional loans in the medium term and Islamic banks credit profiles to remain broadly steady in the near term.

However, prudently responding to headwinds indicating slower loan growth as well as expected net interest margin (“NIM”) compression and the risk of deteriorating asset quality; Bank Islam’s focus moving forward will be on **pricing discipline, operational efficiency**, enhanced **Value-based Intermediary** (“VBI”) initiatives and continued emphasis on good risk management.

Sources

1. Bank Negara Malaysia Report 2019
2. S&P Global ratings 2019/2020
3. Malaysia Reserve: Islamic banking continues to expand in 2019
4. Fitch Ratings’ Report: Malaysia Islamic Banks Dashboard 2020

In the banking sector, the sluggish economy and impact from the COVID-19 pandemic will particularly cause poor funding growth, an increase in Non-Performing Loans (“NPL”) and a decrease in profit rates.

Key Market Trends in Islamic Banking

Islamic banking continues to lead as the largest sector in the Islamic finance industry, contributing to 71%, or USD1.72 trillion, of the industry's assets. The sector, led by Malaysia, United Arab Emirates and Saudi Arabia, is supported by an array of commercial, wholesale, and other types of banks. Yet commercial banking remains the main contributor to the sector's growth. With the advent of the Fourth Industrial revolution, the banking landscape is rapidly evolving. It is vital that Islamic banks stay mindful of emerging market trends in order to continue growing market share.

VALUE-ADDED CUSTOMER EXPERIENCE



Regardless of business fundamentals, banking consumers around the world want the same thing: superior and consistent customer experience in branches, online, or via a mobile app.

Payments are becoming invisible, seamless, and real-time and should be about more than just transactions. A whole slew of new value-added services, such as identity protection, real-time cash management, rewards and new purchasing insights that customers and merchants alike would value, should be the norm. Increasingly, differentiation and premium pricing will be driven by "payments" services.

Banks should aim to enhance their relevance with customers by increasingly providing them with real-time, contextual, and personalised services. Abundant customer data should enrich personalised experiences while increasing payment providers' responsibilities in the areas of privacy and security.

DIGITALISATION AND AUTOMATION OF BANKING & FINANCIAL SERVICES



In optimising share of market, banks are pushed to introduce online financial products and services encompassing every aspect of banking service, from product development to contact centres and compliance departments.

Digitalisation and automation are being harnessed to reach niche targets, provide more flexible options for banking consumers and improve cost efficiencies through streamlining of internal processes.

With the rapidly growing popularity of mobile banking, particularly among younger people, according to PwC's 2018 Digital Banking Consumer Survey, a growing number of digital-only banks with no physical branches, have emerged. Islamic banks are also catching up on this trend, with the launch of digital-only subsidiaries, such as Gulf International Bank's **Meem** in Bahrain and Saudi Arabia. Virtual banking is also set to become a reality in Malaysia with BNM expected to hand out the country's first digital banking licenses as soon as the regulation for the industry is finalised.

On the human resource front, banks are now challenged to develop internal tech teams that include big data, user interface and analytics experts to digitalise both product offerings and internal processes.

E-WALLET



The growth of e-Wallets has been particularly noticeable in recent years, as our nation moves towards a cashless society. During Budget 2020, the government outlined plans to move towards a cashless nation with initiatives that will push the adoption of e-Wallets in Malaysia. Familiarity and adoption of e-wallets have escalated in recent years as companies such as Boost, Grab and Touch n' Go intensified on the ground and traditional advertising promotion for their e-wallet offerings.

Axiata-backed Boost, reportedly has 4.8 million users and almost 115,000 merchants on its platform, while Touch n' Go e-Wallet reportedly has 5 million users and over 100,000 merchants registered⁵.

MAKING AN IMPACT ON CLIMATE CHANGE



Banks and capital markets firms are increasingly becoming aware of their social responsibility, and many are taking meaningful actions. Climate change is arguably the defining challenge of our times. In addition to the possible adverse impact on the environment, human life, and economies, the staggering cost of dealing with climate change is mounting. For instance, by 2100, rising sea levels could cost the world USD14 trillion⁶ a year.

Many banks are already committed to improving the environment and combatting climate change. Their actions include reducing their carbon footprint, financing low-carbon businesses, promoting green bonds, and being transparent about their environmental practices. But these initiatives are typically implemented from a corporate responsibility perspective rather than a risk management agenda.

Addressing climate risk in a proactive fashion could also help banks meet client needs. Clients will be increasingly looking to their banks for guidance and a better understanding of climate risk's potential impact on their financial and business profiles. BNM together with the industry is working to develop discussion papers on climate change and principal based taxonomy under the VBI strategy, tailored to Islamic banks in Malaysia.

GROWING DEMAND FOR TALENTS IN AUDIT AND COMPLIANCE



Greater regulation and guidelines from BNM have driven up hiring levels of regulatory compliance professionals and roles focused on financial crime protection such as anti-money laundering and investigations at all levels; from junior or entry level, right up to head of department roles. Not only does this apply to banks, but also insurance firms with employers vying for the same candidates.

The regulatory changes are creating new and more defined functions across the entire banking and financial services sector with audit and compliance hires growing tremendously. However, there is a scarcity of talent experienced in financial crime divisions. Adding to the challenge are the stringent requirements for hiring such talents due to regulatory restrictions and strict criteria for financial crime personnel.

Banks should remain true to their core identity as financial intermediaries: matching demand with supply of capital. Banks' competitive advantages should continue to be their ability to manage risk and complex financial matters, conducting business in a highly regulated market, driving innovation to serve client needs, protecting clients' privacy, maintaining trust, and increasingly cater to a greater good, placing themselves at the forefront of tackling large socioeconomic issues, such as climate change or social equity.

Sources

5. iPrice & App Annie: eWallets in Malaysia report from end of 2017 till Q3 of 2019
6. Environmental Research Letters, a study led by the UK National Oceanographic Centre

Insights & analysis sourced from:

- Hays Inside Story Banking & Financial Services Info Malaysia
- Randstad Malaysia 2020 Market Outlook report
- Deloitte Insight: 2020 Banking and Capital Markets Outlook

STRATEGIC REVIEW

Business Landscape Risks & Opportunities

As predicted by market trends, a powerful wave of disruption will hit the business landscape in the next decade, bringing with it new risks in technological, economic, geopolitical, demographic, talent and environmental fronts. These forces are forecasted to change how banking is done as well as expand the role and purpose of banks, heralding a new frontier for banking in the digital age.

TECHNOLOGY



The fusion of current technologies, such as machine learning and blockchain, and emerging ones such as quantum computing, creates new opportunities; but also engenders new risks beyond cybersecurity and privacy. Third-party relationships with external technology vendors, suppliers, or service providers could expose banks to information misuse and theft (insider risk), system failures, and business disruptions (operational risk), or regulatory non-compliance. Banks will face increased competition from Fintechs in the provision of virtual or digital banking services.

Bank Islam is laying the path towards becoming an Islamic Digital Bank in the long term and aims to establish a Digital Islamic Finance Accelerator to partner with Fintechs to gain competitive advantages in the short term. Currently, lack of resources in competing for new digital market share and gaps in more sophisticated solutions are key areas for Bank Islam to address, as detailed in its Digitalisation and Customer Centricity strategic objectives.


 *Review the Bank's Digitalisation and Customer Centricity strategic objectives on pages 48 and 49.*

ECONOMIC



Meanwhile, on the economic front, persistent low growth, low inflation/deflation, and near-zero interest rates are real possibilities for many advanced economies, particularly in light of unceasing geopolitical tensions and the current COVID-19 pandemic unprecedented impact on many sectors of economic growth. This could have material consequences for growth and profitability in the banking industry globally.

In the face of possible global recession, Bank Islam will have to fortify against an environment of slower financing growth and rising impairment through Sustainable Prosperity, Customer Centricity and Real Economy strategic objectives.

 *Review the Bank's Sustainable Prosperity, Customer Centricity and Real Economy strategic objectives on pages 48 and 49.*

TALENT



Many banks have started to explore automating manual, routine tasks by scaling technology across the enterprise. To take full advantage of technology, however, Banks should also focus on redefining and redesigning jobs to empower the higher-order work (requiring intuitive, creative, interpretive, and problem-solving skills) that humans can best handle. There is now a need to attract individuals who can connect the dots between technology and business. Tomorrow's banking leaders will need essential core attributes, such as: the aptitude for balancing business knowledge with tech fluency; managing complexity; strong interpersonal skills; the ability to facilitate change with an inspiring, forward-looking vision; and the ability to empower a diverse and inclusive workforce across physical and virtual environments.

As a growth imperative, Bank Islam continues to prioritise talent acquisition, reskilling and upskilling strategies in developing leaders that can keep up with work's rapid pace of change.

▶ Review the Bank's Values-based Culture strategic objective on pages 48 and 49.

ENVIRONMENT



Amidst greater competition, value-added benefits and investments will provide distinction. Loyalty becomes an increasingly important commodity to stakeholders. Concerns over climate change, health pandemics and social impacts will force banks to reprioritise their role in society and sacrifice short-term gains for brand loyalty and long-term sustainability.

Committed to advance as a VBI, Bank Islam is focused on gaining distinctions by growing Halal and Green financing portfolios. The Bank intends to intensify impactful outcome through promotion of established Social Finance projects such as **Sadaqa House**, **Waqf** and other community-based projects.

▶ Review the Bank's Sustainable Prosperity and Community Empowerment strategic objectives on pages 48 and 49.

REGULATORY LANDSCAPE



With divergence expected to continue, coupled with some geopolitical instability and the possibility of an economic downturn, financial institutions are now contending with numerous – often unfinalised – requirements with implications that have yet to be fully realised. Numerous changes to the capital and stress testing framework are also underway. Non-financial risks are also top of mind for regulators, as their consequences become more apparent across cybersecurity, privacy, business resiliency, compliance, operational risk, data governance, and data quality.

Bank Islam is committed to responding swiftly to changes in regulatory landscape and will continue its journey using the latest governance, risk and compliance technologies. The Bank is also nurturing a culture of integrity and governance driven by newly introduced TAAT values as part of its Values-based strategic objective.

▶ Review the Bank's TAAT Values on pages 33 and 36.




Review of Strategy and Operations




Standing strong on an established brand, sound customer base, healthy portfolio and asset as well as quality and leading Shariah expertise; Bank Islam has reached a maturity phase in its industry life cycle as a full-fledged Islamic bank. This phase of growth brings new opportunities and threats into the picture. While much can be gained from leveraging on current strengths and intensifying product and service delivery to the current customer base, growth is likely to be sluggish if the Bank is not quick to innovate, leverage on market trends, fill up gaps in customer centricity or explore untapped markets.

There is a need for quicker turnarounds through enhanced technology and digital capacity. Most other commercial banks are already ahead in the digital game. Given the Bank's small size relative to other banking groups, current investments in new IT systems, necessary talent acquisition and digital strategies will contribute to high cost-to-income ratio. For 2020 and 2021, total IT budget is estimated to be over RM200 million. Thus, the Bank is mindful of

the need to optimise on pockets of opportunities for growth while fortifying future sustainability with investments in new digital resources and infrastructure.

Moving ahead, the Bank steadfastly adheres to its Three-year Transformation Programme, underscored by a VBI focus and driven by six strategic objectives to be achieved at the end of 2021, as indicated in the chart below.

 <p>Sustainable Prosperity</p>	<p>Responsibly ensure business growth and sustainability and create long-term value for the stakeholders</p> <ul style="list-style-type: none"> • Produce strong financial results • Diversify business and revenue stream • Increase reach to targeted segments and the underserved • Increase fee-based business activities to improve profitability metrics • Balanced growth with focus on capital-accretive financing assets and optimised funding • Grow Halal and Green financing portfolios
 <p>Values-based Culture</p>	<p>Aspire towards Shariah goals and principles of VBI</p> <ul style="list-style-type: none"> • Institutionalise the TAAT values • Implement a holistic people strategy and organisational programme • Improve Bank-wide employee engagement score
 <p>Community Empowerment</p>	<p>Become the community's trusted and preferred Islamic retail financial service provider</p> <ul style="list-style-type: none"> • Establish & grow Social Finance projects such as Sadaqa House & Waqf • Focus on community-based projects

 <p>Customer Centricity</p>	<p>Actualise the principles of efficiency, competency and transparency in service delivery</p> <ul style="list-style-type: none"> • Increase customer satisfaction at all points to global standards • Cultivate a proactive service culture • Transform the customer experience • Develop customer-centric analytics
 <p>Real Economy</p>	<p>Grow wealth in the economy, enlarge sustenance and share of the economic pie, together</p> <ul style="list-style-type: none"> • Expand the real economy portfolio • Increase and grow SME banking portfolio • Promote Real Economy programmes as a responsible financial intermediary • Enhance credit assessments
 <p>Digitalisation</p>	<p>Spearhead the development of Halal digital community and solutions</p> <ul style="list-style-type: none"> • Coopetition – Digital Islamic Finance Accelerator (“DIFA”) • Data Monetisation • Implement and expand Robotic Process Automation (“RPA”) • Establish strong platform for Cybersecurity Resilience Strategy for the Bank • Enhance Mobile and Internet Banking • Establish an Islamic Digital Bank

To date, commendable progress has been made on the six strategic objectives. The recent appointment of a **Chief Business Officer**, and creation of **Strategic Relations Division** and **Centre of Social Finance** sets the Bank on the right path towards future progress. The introduction of **TAAT values** during the year has kicked off the development of a cohesive organisational culture. Also, the establishment of an **Assessment Centre** for hiring process, development programmes and succession management has empowered our commitment to talent development.

We believe these initiatives to strengthen our offerings and infrastructure in Islamic finance will further strengthen Malaysia’s leadership position and generate positive, sustainable impact to the economy, community and environment. We are in the right position to capitalise on the increasing demands for Islamic banking facilities and are poised to continuously offer innovative solutions to meet our customers’ requirements.



PERFORMANCE REVIEW 2019

Mohd Muazzam Mohamed

Chief Executive Officer

Bank Islam's 2019 business performance was anchored by a **2019-2021 Three-Year Transformation Programme** towards becoming a leading bank of social finance and digital Islamic bank of choice. The plan mobilises six strategic objectives premised on our role as VBI, namely, **Sustainable Prosperity, Values-based Culture, Community Empowerment, Customer Centricity, Real Economy and Digitalisation.**

refer to page 31 for more information on our VBI Realisation Strategy.



SUSTAINABLE PROSPERITY

Towards Sustainable Prosperity, we focused on producing strong financial results for our shareholders; increase fee-based business activities to improve profitability metrics; balance growth with focus on capital accretive financing assets; responsibly serve targeted and underserved segments; grow our financing portfolio in Halal & Green Economy; and include environment, social, governance ("ESG") considerations as part of the criteria for corporate financing.

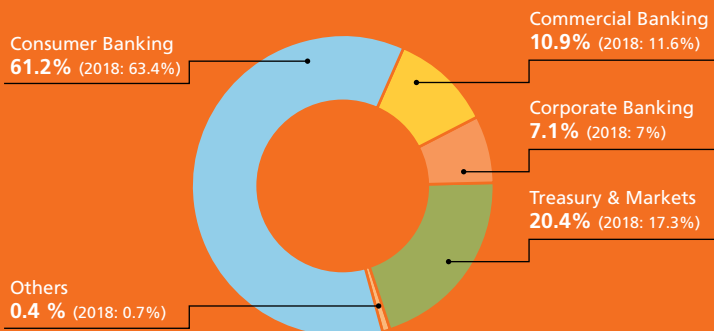
Bank Islam has always prioritised serving the essential frontline workers such as teachers, doctors and nurses who actively groom our nation's future leadership and nurture healthcare. During the year, we expanded this target to include civil services such as *Jabatan Bomba dan Penyelamat Malaysia* (Fire and Rescue Department of Malaysia) and the graduate community. We collaborated with regulated bodies such as MIA and MyPac in offering personal financing to those pursuing professional qualifications.

We also improved credit access to underprivileged communities through a collaboration with *Yayasan Pembangunan Ekonomi Islam* ("YaPEIM") on **Agent Banking** services for underserved areas. In addition, we collaborated with *Syarikat Jaminan Kredit Perumahan Berhad* ("SJKP") to provide home financing to the nation's underserved B40 population category.

Waqf home financing was also introduced on September 2019 when a memorandum of understanding with UDA Holding Berhad was signed to offer **Al-Waqf Home Financing** to potential customers for Taman Wakaf Seetee Aisah 2 at Seberang Jaya, Pulau Pinang. Other new services launched during the year, such as **SnapNPay** application, **Zakat Simpanan** and **e-Masjid** products helped attract more deposits to intensify CASA growth.

On the financing front, the Bank actively supported companies involved in the renewable energy sector as well as implementation of green technology solutions, such as solar farms and hydro-power as well as waste management projects that recycle and treat waste. More than RM1.7 billion in Green Financing was approved as at end December 2019.

Contribution to Bank's total revenue 2019





5.7%
Growth in Assets



15.3%
Return on Equity



Bank Islam also actively sought Sukuk arranger and manager roles, focusing on ESG-qualified sukuk. In 2019, Bank Islam was a joint lead manager for a total of over RM37.5 billion sukuk for Danalnfra-Pan Borneo Sukuk, PTPTN Sukuk, LPPSA, Telekomang Hydro One Sdn. Bhd. and Ministry of Finance Special Purpose Vehicle. In addition, we were the lead manager and principal adviser of over MYR27.5 billion sukuk issuance for Urusharta Jemaah Sdn. Bhd. issuance.

Environmental, social and corporate governance (“ESG”) assessment has also been embedded as part of the Bank’s preliminary credit evaluation process and pilot run testing for the new evaluation continues into 2020.

These initiatives towards realising Sustainable Prosperity and supporting sustainable ventures in our nation secured good financial results for the Bank. Amidst 2019’s challenging banking landscape where industry averages for asset growth and financing growth fell below 1%, the Bank gained good traction, meeting nearly all set Key Performance Indicator (“KPI”) targets.

Growth in Assets and Financing surpassed industry performance with increases of 5.7% and 8.3% respectively. Profitability was sustained with Return on Equity (“ROE”) of 15.3% and Return on Assets (“ROA”) of 1.3%. Gross Impaired

Financing stayed low at 0.9%; and Cost-to-Income Ratio was managed at 52.9%. Non-fund-based income ratio improved to 10.8% reflecting the increase in fee-based activities; while CASA grew 4.2%.

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

In terms of asset quality, the Malaysian banking system recorded an uptick in Gross Impaired Financing (“GIF”) ratio of 1.60% as at December 2019 from 1.49% in December 2018. Similarly, the Islamic banking system GIF as at December 2019 rose to 1.57% from 1.34% in December 2018. Both the overall and Islamic banking systems saw some uptick in asset quality indicators. The Bank has not only maintained its robust GIF ratio at below industry average, it saw an improved GIF ratio from 0.92% in 2018 to 0.86% in 2019. The Bank’s Financing Loss Coverage (“FLC”) ratio stood well above the 100%-mark at 179.3%. Indeed, Bank Islam’s endeavour to preserve asset quality has clearly outperformed that of the banking industry.

PERFORMANCE REVIEW 2019



VALUES-BASED CULTURE

The Bank has always placed utmost importance on creating a workplace where all employees are fully engaged, feel valued and excel in contributing to the Bank's vision and strategic aspirations. To progress on our VBI journey, it is imperative that we further strengthened to drive an internal transformation of culture. During the year under review, this was done through inculcation of the new TAAT core values among employees.

T Think
Customer



Act
with Integrity



Advance
Beyond



Take
Charge



Through TAAT, the Bank aims to bring out our employee's best traits and behaviours, unlock their potential, and foster a conducive environment for them to collectively better themselves to perform with integrity and achieve service excellence to realise the Bank's VBI goals.

A significant increase in employee engagement was achieved through a mega conference that reached out to all Bank Islam employees in the Eastern, Southern, Northern and East Malaysia regions. This served to create awareness of the Bank's vision and mission and was a platform for employees to provide feedback on the Bank's strengths, weaknesses and opportunities through surveys. More than 4,000 employees participated in the Employee Engagement Survey which achieved a 94% response rate.

A roadmap of the Bank's culture change initiative through TAAT values was also kicked off during the year with a number of Value Ambassadors appointed to lead culture initiatives and with Living TAAT Values workshops commencing in early October 2019 to enable employees to understand and adopt TAAT values in their daily work.

The values-based approach was also taken in developing human resource ("HR") guidelines, including incentives and evaluation. A refreshed framework for senior management's performance embedding TAAT values was also developed by April 2019. This provides a systematic and more holistic approach to evaluate staff performance going forward. In addition, HR policy was revised to facilitate better career paths for employees within the Bank.

The Bank has also established an assessment centre to improve the recruitment process in selecting the right candidates, enhance development programmes and succession management, and ensure more positive retention rates in an increasingly competitive environment for banking talents.

As an Islamic bank, strengthening governance in what we do entails adherence to Shariah goals and principles, as well as regulatory compliances. To this end, a Shariah review covering multiple business and support units, subsidiaries, sales campaigns, programmes, contracts, policies and documents was executed and completed during the year.

In enhancing employees' competency and appreciation on Shariah concepts applied to the Bank's products and services, nine Shariah training and briefing sessions were held for 1,218 Bank employees nationwide. This includes two Shariah town hall sessions for Risk Controllers to update them on new Shariah requirements issued by regulators, and lessons learnt from any Shariah non-compliance events in the Bank.





COMMUNITY EMPOWERMENT

In growing Community Empowerment, Bank Islam has established and is expanding Social Finance through platforms and tools such as Sadaqa House and Waqf; increasing strategic alignment and impact of our corporate responsibility (“CR”) initiatives; participating in Waqf projects that have a positive impact to communities; partnering impactful community programmes focused on enhancing inclusivity and upward social mobility; and collaborating with, and supporting, Social Impact organisations.

The Bank’s clear vision to become the leading bank for social finance is anchored upon its strength in connecting a variety of its products and services to Islamic social finance instruments including depositors’ Zakat payment services and many others.

The year under review saw the establishment of the **Centre of Social Finance** (“CSF”) to spearhead Bank Islam’s social finance initiatives. CSF’s main responsibilities include oversight of Zakat fund distribution and implementation of Waqf programmes, as well as management of the Bank’s Sadaqa House projects.

Since its inception in 2018, Sadaqa House has collected over RM1.4 million that benefitted various social causes. During the year under review, more than RM340,000 was disbursed to impact 114 beneficiaries through IJN Foundation, Yayasan Sultanah Bahiyah and Universiti Teknologi Malaysia (“UTM”). The platform was enhanced and broadened during the year with the introduction of an easy SnapNPay feature via QR code and the addition of MyVista and Mercy Mission Malaysia to the list of Sadaqa House change-makers. A dedicated online payment service for this initiative is also in the pipeline to facilitate this act of charity.

Sadaqa House was internationally recognised when the initiative received Best Social Finance Initiative Award from Cambridge International Financial Advisory in conjunction with Islamic Retail Banking Award 2019.

CSF also launched myWakaf during the year to promote Waqf development as part of a shared collaboration between six banks under the Association of Islamic Banking and Financial Institutions Malaysia (“AIBIM”), namely, Affin Islamic Bank Bhd., Bank Islam Malaysia Bhd., Bank Muamalat Malaysia Bhd., Bank Rakyat, Maybank Islamic Bhd. and RHB Islamic Bank. The portal enables easier, more effective and tax-exempt waqf contributions by individuals to selected projects like education, healthcare, investment and economic empowerment.

Through this initiative, Bank Islam accelerated waqf collection for Majlis Agama Islam Perlis’ development of *Bangunan Wakaf MAIPs-Perkhidmatan Dialisis*, a haemodialysis service at the Tuanku Fauziah Hospital in Perlis. Other projects facilitated by myWakaf

A strategic alignment of Bank Islam’s AMAL Corporate Responsibility (“CR”) programme with business operations was also sought during the year. As a bid towards elevating awareness, social media was extensively utilised for promoting AMAL related activities where platforms such as AMAL Facebook, Bank Islam Facebook, Instagram and YouTube are already up and running.

include a boat waqf project in Perak, funding for Sekolah Menengah Islam Seremban, the Universiti Malaya Mobile Dental Clinic, and the Al-Bait Waqf fund in Sarawak.

A strategic alignment of Bank Islam’s AMAL Corporate Responsibility (“CR”) programme with business operations was also sought during the year. As a bid towards elevating awareness, social media was extensively utilised for promoting AMAL related activities where platforms such as AMAL Facebook, Bank Islam Facebook, Instagram and YouTube are already up and running.

Since 2017, the Bank has dedicated one day as ‘Hari AMAL’. This is a day of community service conducted by Bank Islam’s employees nationwide and involves helping to spruce up welfare homes or families in need, provide necessary support to uplift living conditions and contribute cash and necessities. During the year under review, 15 ‘Hari AMAL’ programmes were conducted simultaneously with participation of more than 1,000 Bank Islam volunteers spending over 6,600 hours for the benefit of 2,400 beneficiaries.

PERFORMANCE REVIEW 2019

Bank Islam also continued its 'Jom ke Sekolah' programme to expand educational opportunities for underprivileged children by providing them with full sets of school supplies and annual school fees. Five such programmes were conducted across Malaysia, benefitting over 700 students, with each of them receiving RM300 in zakat assistance.

In optimising resources and leveraging on expertise, the Bank engages and collaborates with other social organisations in environmental programmes. This generates win-win synergies including heightened awareness and publicity for the event and serves to deepen the Bank's relationship with diverse communities. In 2019, as part of the Bank's AMAL untuk Alam environmental drive, volunteers from BIMB Holdings and Bank Islam spearheaded marine conservation activities in Pulau Tuba in collaboration with Perbadanan Pengurusan Sisa Pepejal dan Pembersihan Awam ("SW Corp"), Majlis Pengurusan Komuniti Pulau Tuba ("MPKK"), Lembaga Kemajuan Ikan Malaysia ("LKIM"), and Langkawi Development Authority ("LADA").

Sponsorships and donations form another integral base by which the Bank drives social impact. In 2019, RM45,000 was contributed to UiTM's IDEX2019 as a means to foster marketplace innovations. RM10,000 was contributed towards the 2nd Islamic Fintech Summit to inspire Fintech uptake and strengthen engagement with the organiser, AIBIM.

Through Media Hunt 2019 at Negeri Sembilan, the Bank collaborated with the mainstream media institutions to positively benefit the community at Kampung Lonek and build ties with the Malaysian Armed Forces.

A host of impactful programmes targeting inclusivity and upward social mobility took place during the year. These included a focus on elevating industry knowledge through a continuation of seven ILMU Series Programme for students and academicians. The Bank was also honoured to be appointed a subject matter expert in VBI by Kolej Universiti Islam Antarabangsa Selangor ("KUIS") and conducted four workshops for the institution during the year.



CUSTOMER CENTRICITY

The Bank's success moving ahead will be in creating distinct value in our services, growing customer loyalty to gain share of pocket and addressing gaps in customer engagement. Harnessing the power of Customer Centricity, we aim to increase customer satisfaction at all points; develop customer-centric analytics; practice a proactive service culture; and transform customer experience.

The Bank collected and measured customer service benchmark indicators on several fronts during the year, and most were well within target. Customer survey questionnaires were finalised with AIBIM and other industry members and data collection began in mid-November 2019. In terms of service turnaround times, more than 80% of the branches achieved average waiting time of below 10 minutes and more than 90% of customers were served in less than five minutes. Turnaround time for financing all recorded less than five days and self-service terminals uptime was more than 95% barring instances of branch closures and upgrade exercises.

In transforming customer experience, Bank Islam launched its GO by Bank Islam mobile banking app over Google Play Store and Apple App Store in November 2019 to enhance availability of electronic banking services. The addition of more features and functions to enhance the app is on-going.

Within branches, a Service Excellence Campaign was reactivated to motivate branches to demonstrating excellent service behaviour through rewards. The campaign was held from March to November 2019 and tracked an increase in A+ behaviour towards the end of the campaign. Going further, training videos were uploaded in the Bank's portal during the year to enhance the soft skills of the Bank's frontliners towards providing fast, smart and courteous service. Further, a new Service Excellence Warriors initiative has also been introduced with the appointment of 'warriors' at branches to drive a positive customer experience. The selected 'warriors' are to undergo three courses in quarter two of 2020 to enhance their skill levels before being deployed for action.

More SME Hubs are being created to facilitate online credit application for SME financing. Two, in Ipoh and Sri Gombak respectively, were completed and operational during the year, bringing the total number of hubs to 12 as at end of 2019. Constant collaborations with SME trade unions and associations were also undertaken during the year in creating awareness of our SME products to the right target market. Bank Islam also participated in SME related events and our active presence garnered an invitation from Invest Selangor to participate in the Selangor International Expo 2019.

Towards increasing customer centricity, the Bank's Digital Banking Division is developing specific analytics such as Customer Analytics 360 to utilise Big Data in creating better products, improving customer relationships and exploring new market approaches in attracting customers.



REAL ECONOMY

Bank Islam is focused on making a positive difference to the Real Economy (“RE”), by growing our SME banking portfolio; assisting micro, small and medium enterprises (“MSMEs”) and promoting RE programmes as a responsible financial intermediary. This is a challenge at a time of economic uncertainties and initiatives embarked on adhered strictly to the prudent foresight of our risk management committee.

Bank Islam was proactive in exploring new avenues in supporting the nation’s economic growth by providing Shariah-based financing to the financial ecosystem supply chain. The Bank’s management risk committee has developed internal sectoral guidelines aligned with national development goals. This led to exploration of potential financing of working capital and machinery for the export-based manufacturing sector under the MATRADE and Malaysian Investment Development Authority (“MIDA”) Export Credit Programme; which resulted in RM180 million financial applications from eight customers under the manufacturing sector.

Early in the year, in addressing the credit gap for MSMEs, Bank Islam collaborated with Global Psytech Sdn. Bhd. to offer an innovative credit risk assessment solution called General Financial Insights (“GFI”). GFI utilises advanced risk assessment technologies to estimate the risk of providing financing to an applicant. In the absence of a traditional credit history, this allows the Bank to finance aspiring entrepreneurs who might otherwise be excluded from the financial system, and further catalyse MSMEs contribution to Malaysia’s economy by promoting more equitable economic growth, financial inclusion and increased participation of young business owners.

In serving underserved segments, the Bank launched a dedicated financing programme – Women In Business (“WinBiz”) - for women entrepreneurs in September 2019. WinBiz provides financing of up to RM1 million to meet working capital requirements and capital expenditures, with a repayment period of up to seven years, and is 70% guaranteed by the government.

The Bank remained committed to serving small businesses and enterprises through Ar-Rahnu micro financing. In addition to raising customers’ awareness and increasing its reach through various promotional initiatives, the Bank has also proceeded to increase Ar-Rahnu’s margin of financing. This move was implemented with an eye towards increasing its uptake in light of a more challenging business landscape.

In serving underserved segments, the Bank launched a dedicated financing programme – Women In Business (“WinBiz”) - for women entrepreneurs in September 2019. WinBiz provides financing of up to RM1 million to meet working capital requirements and capital expenditures, with a repayment period of up to seven years, and is 70% guaranteed by the government.

On the SME front several big wins were secured through the Bank’s active engagements with SMEs. These included training programmes, clinics and engagements to help educate SMEs; and intensified focus on unlocking opportunities through the SJPP Guarantee Scheme; the on-going PETRONAS SME Vendor Financing and a new SME Vendor Financing programme for Sarawak Energy Bhd (“SEB”), where a memorandum of understanding (“MoU”) signing ceremony was held on 30 October 2019.

The Bank has also presented product briefings to other government agencies and business associations such as SME Corp. Malaysia and Peniagawati to create awareness of our offerings through new channels.

The dynamic development of SME products and programmes led to an increase of our total financial approval of RM1.06 billion as compared to RM742.6 million in 2018.

Nurturing the Halal sector is another key agenda of the Bank, especially in supporting programmes that lead to halal job creation. The Bank has collaborated with Dagang Halal, JAKIM and SME Corp. Malaysia in several key Halal events such as Halal Expo – Road to Japan, Penang Halal Exhibition, Johor Halal Exhibition, Halal Fiesta Malaysia and Malaysia International Halal Showcase (“MIHAS”) 2019.

PERFORMANCE REVIEW 2019



DIGITALISATION

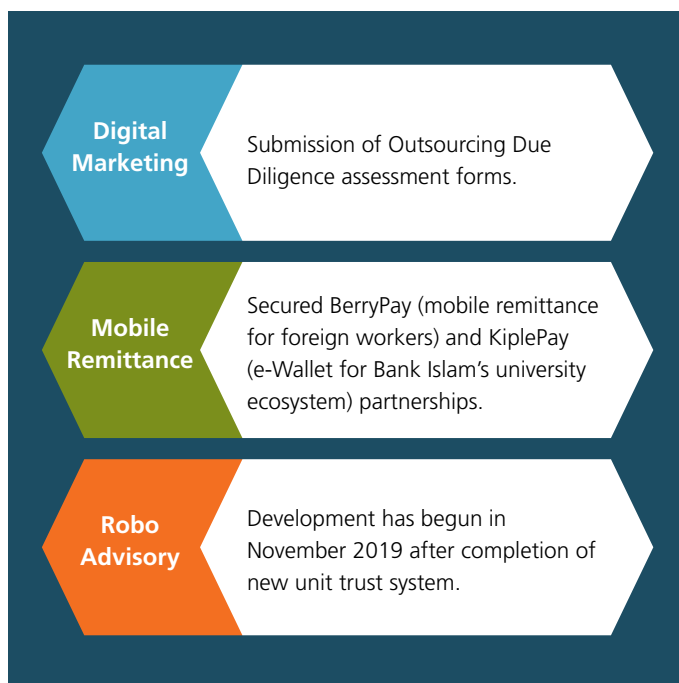
Through continued investment in Digitalisation, we are beginning our journey towards becoming an Islamic Digital Bank within the next decade. We are launching more Digital First enabling goals by improving our services within the digital ecosystem; focusing on process optimisation; enabling data monetisation and cooperation; and establishing a strong platform for cybersecurity resilience for the Bank.

In 2019, a Digital Banking Division was established to drive the Bank's digital transformation by creating and unlocking unprecedented value through sustainable and disruptive innovation. The team comprises personnel from various professional backgrounds to provide stronger dynamics in tackling the fast paced and ever evolving digital landscape.

The year saw groundwork being laid in creating shared ideas, developing frameworks and seeking approvals of plans for the Bank's digital future. Several workshops towards digital innovation ideation were conducted to grow shared aspirations among departments and teams involved in projects such as WinBiz and eBanker.

Tactics for the shorter term include designing and developing innovative products which are customer centric; accelerating and prioritising high impact Digital Initiatives; and improving visibility and reach in the Digital space.

Some of the progress made during the year on Digital First focus are:



In data monetisation, the Bank is developing specific analytics such as Customer Analytics 360 to improve decision-making based on historical data and leverage on Big Data for more insightful product development. Through data monetisation tactics, benefits such as increased number of customers using more than one product, increased number of funds, higher accuracy and reduced time can be harnessed.

Cooperation describes partnership in creating new markets between businesses that engage in both competition and cooperation. This is an increasingly viable option between banks and Fintechs in creating opportunities to cross sell while enjoying reduced costs, complementary resources and technological transfers. Cooperation initiatives on the SME Vendor Financing Platform have been embarked on by the Bank to realise process improvements. Moving ahead, the Bank plans to leverage on Digital Islamic Financial Accelerator ("DIFA") strategy to encourage and incubate the development of Islamic Fintech solutions through cooperation with Fintech partners.

With technology comes security risks. Hence efforts were also directed to establish a strong platform for cybersecurity resilience. Key policies that ensure data security and customers' privacy were instituted during the year with the establishment of Technology Risk Management Framework ("TRMF") and Cyber Resiliency Framework ("CRF"). Several key initiatives focusing on cyber threat and vulnerabilities were completed during the year including the vulnerability assessment and penetration testing on critical and Internet-facing systems and the annual Threat Hunting exercise. All in all, 13 programmes were launched and completed as part of the Bank's Cybersecurity Assurance programme.

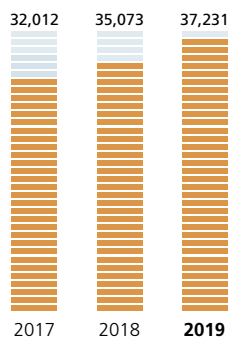
In sustaining cybersecurity awareness, at least once in every quarter, classroom sessions were conducted quarterly and a **Cyberweek Mega Conference 2019** event was held.

Planning of new events and implementation of more guidelines and processes for TRMF and CRF continues into 2020 where greater focus will be expended on continuing to comply and address gaps identified in the Risk Management in Technology ("RMIT") policy document.

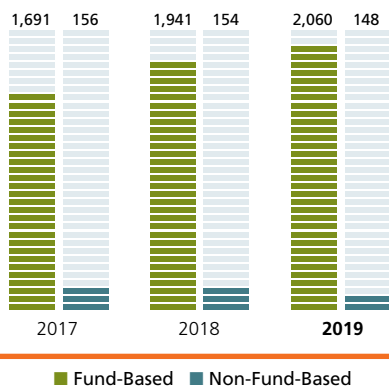
BUSINESS REVIEW 2019

Consumer Banking

Total Outstanding (RM million)



Income (RM million)



2019 KEY INITIATIVES

- Strengthen foothold in new and established target segments
- Broaden reach to the underserved
- Continued focus on salary deduction business model to eligible customers
- Collaboration with SJPP to facilitate home financing access to B40 category
- Introduction of Waqf Home financing
- Intensify card utilisation through campaigns
- Partner with Takaful Malaysia to launch new wealth management products
- Improve customer experience through launch of GO by Bank Islam mobile app and auto renewal of Bancatakaful customers via Auto Debit Authorisation Plan

2020 PLANNED INITIATIVES

- Venture into secured financing products
- Strategic partnerships with global fund houses to leverage on business intelligence
- Penetrate non-national car dealers to broaden vehicle financing portfolio and increase sales volume
- Balance fixed and variable financing rates as well as secured financing
- Leverage on digital enhancement for extended reach, more interactive marketing and simplified processes
- More collaborations in supporting real economy through targeted communities
- Improve customer experience through new features on GO by Bank Islam mobile app as well further utilisation of other digital platforms including QR Code payment

6.2%
Asset Growth



5.3%
Income Growth



BUSINESS REVIEW 2019

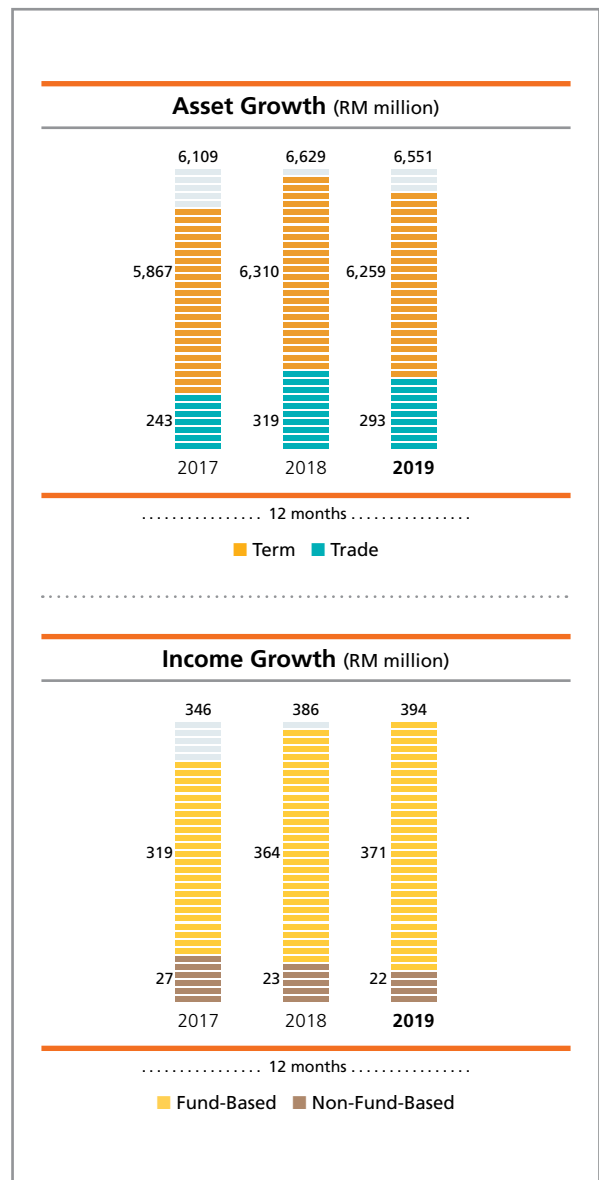
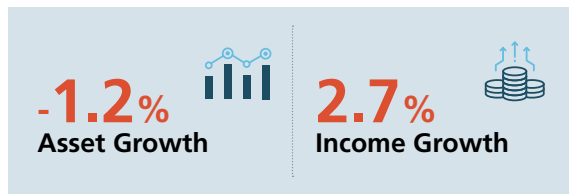
Commercial Banking

2019 KEY TACTICS

- Continued focus on secured financing
- Focus on Green Financing (renewable energy and waste management)
- Grow SME segment with SJPP/CGC guarantee scheme
- Grow supply chain financing/vendor financing to support growth in SME segment
- Grow trade business volume
- Defend asset quality position

2020 PLANNED INITIATIVES

- Continue focus on Green Financing (renewable energy and waste management)
- Focus on financing of community based projects such as financing of affordable homes project and infrastructure, public facility, education and healthcare
- Replicate existing Vendor Financing Programme model to other supply chain networks to grow the SME segment
- Focus on SJPP/CGC guarantee scheme to help grow SME segment
- Grow trade business volume and other fee-based income such as takaful and deposit



SME Banking

2019 KEY TACTICS

- Dedicated financing programme for women entrepreneurs
- Enhancement of TNB Vendor programme and development of other vendor programmes
- Collaboration with UUM and SME Corp for SME Development Programme (SME2.0)
- Participation in BNM Carnivals and roadshows
- Opening of 12 SME Banking hubs to expand delivery channel

2020 PLANNED INITIATIVES

- Establish branches as main sales channel for SME products
- Collaborate with other business units to cross sell products
- Promote real economy programmes
- Develop more vendor financing programmes and financing schemes for Sole Proprietor/Partnerships via SJPP guarantee
- Leverage on the Bank's internet banking and social media platforms as marketing and sales tools
- Continue collaboration with UUM and SME Corp for SME Development programme (SME3.0)

67%
Asset Growth



146%
Financing Approval
Growth



BUSINESS REVIEW 2019

Corporate Banking

2019 KEY TACTICS

- Realign financing appetite from asset-based financing to product or transaction based financing
- Focus on financing green technology projects and renewable energy sector
- Continuously support Healthcare, Food and Plantation sector
- Provide complementary consultancy and advisory services
- Strengthen business synergy with Lembaga Tabung Haji and other selected large corporations

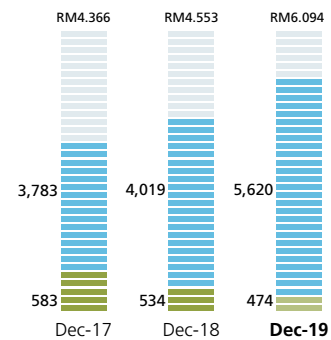
2020 PLANNED INITIATIVES

- Penetrate new segments via targeted approach
- Continue to explore Renewable Energy such as solar, small hydro and biogas
- Increase Bank Islam's visibility via networking in conference and dialogue sessions
- Diversify revenue stream with new asset class

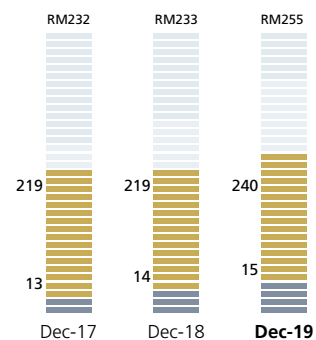
33.9%
Asset Growth

9.4%
Income Growth

Asset (TOS) Growth (RM million)



Revenue Growth (RM million)



Fund-Based Non-fund-based

Treasury and Markets

Asset Growth (RM million)



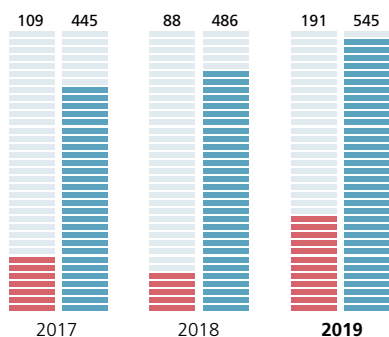
..... 12 months

Deposit/IA (RM million)



..... 12 months

Income Growth (RM million)



■ Non-Fund-Based ■ Fund-Based

2019 KEY INITIATIVES

- 5 VBI sukuk issued and distributed under JLA/JLM roles
- Focus on non-volatile income activities
- Aggressive marketing for both Deposits (“TDTS”) and Investment Account to increase the funding base
- Proactive management and rebalancing of Fair Value of Other Comprehensive Income (“FVOCI”) portfolio while preserving the portfolio yield

2020 PLANNED INITIATIVES

- Stay active in market making trades in the secondary market
- Sourcing, structuring and executing Shariah-compliant Sukuk
- Specialise in Green Sukuk issuance
- Increase sales and distribution income from fixed income flows and corporate Forex and Money Market sales activities
- Drive Forex business volume and profitability by leveraging on Money2Overseas to secure FX deals from existing and new customers
- Uphold customer service centricity
- Diversify customer base by providing competitive pricing and excellent service

1.5%
Asset Growth



28.2%
Income Growth



83%
Investment Account growth



48.3%
Contribution to Bank's Funding



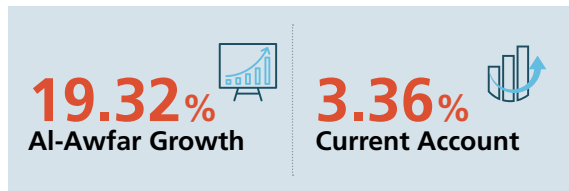
Deposits & Cash Management

2019 KEY INITIATIVES

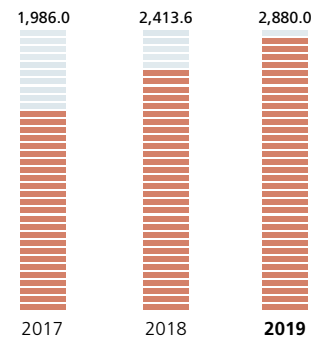
- Cooperative business via disbursement of financing facility to members credited into Bank Islam
- Introduction of new and enhanced products: Al Awfar 2.0 with increased cash prize, Al-Awfar SME, iGain SME, and eBanker Lite
- Special promotion to government's staff and selected private companies
- Attractive campaigns for deposit products, such as Go Umrah and Money Max
- SenangBiz campaign targeted to eligible sole proprietors and businesses to use our eBanker facility. This campaign includes waiver to monthly transaction fees and all IBG, IBFT and RENTAS transaction fees
- Collaboration with KiplePay to facilitate cashless transactions on university campus using mobile app
- Facility which allows customers to pay zakat from savings and investment accounts

2020 PLANNED INITIATIVES

- Extend current campaigns and launch more campaigns for existing and targeted customers
- More collaborations with other departments and potential business partners to optimise on synergies
- Engage with strategic partners by leveraging on CR activities
- Tailor-made programmes such as SAPPHIRE to enhance customer servicing
- Innovate products for new revenue lines
- Extend products to corporate customers

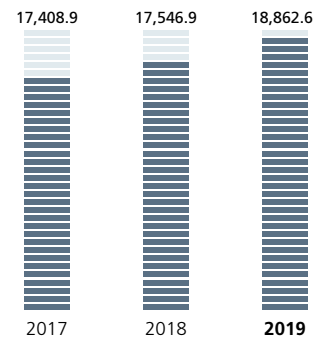


AL-AWFAR Growth (RM million)



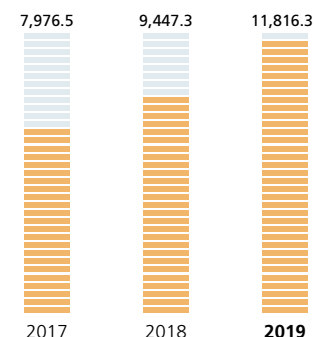
..... 12 months

CASATIA (RM million)






..... 12 months

Non-CASATIA (RM million)




..... 12 months

BANK ISLAM'S 2019 KEY RISKS & RISK MITIGATION

No	Risk	Definition	Mitigation Measures
1	 <p>CREDIT RISK</p>	<p>Risk of loss of revenue and/or principal arising from the inability of an obligor to fulfil its financial obligation in accordance with agreed terms.</p>	<ul style="list-style-type: none"> • Maintain a robust and prudent credit risk policy and limits to ensure credit default and losses are within the approved Risk Appetite. • Credit evaluation by the business are independently reviewed and constructively challenged by credit analyst prior to submission to Management and Board Committee for approval. • Independent post-credit review and post-mortem analysis is conducted regularly to assess and ensure asset quality standards are maintained. • Proactive and vigilant management at account level to prevent deterioration in asset quality. This includes granular portfolio risk reviews and monitoring. • All exposure and non-compliances including emerging risk are reported to Management & Board Committees.
2	 <p>MARKET RISK</p>	<p>The risk of losses in on- and off-balance sheet positions arising from movements in market prices/rates.</p> <p>Risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices/rates.</p>	<ul style="list-style-type: none"> • Maintain a robust market risk policy and limits based on best practices. • Proactive monitoring, analysis and reporting to ensure managing of market risk within the approved Risk Appetite. • Limits/Management Action Triggers are reviewed regularly to ensure an effective management of the risk. • All exposures and non-compliance are reported to Management & Board Committees.
3	 <p>LIQUIDITY RISK</p>	<p>Risk of adverse impact to the financial condition or soundness of the Group is adversely affected by an inability (or perceived inability) to meet its contractual obligations.</p>	<ul style="list-style-type: none"> • Maintain a comprehensive liquidity risk policy and limits and actively measures, monitors and manages liquidity risk within the approved Risk Appetite. • Preserve high quality liquid assets and well-diversified sources of funds as a liquidity risk buffer under both business-as-usual ("BAU") and stress conditions. • All exposures and non-compliance are reported to Management & Board Committees. • Successful transition to the new BNM's Policy Document on the Net Stable Funding Ratio ("NSFR") to ensure compliance by 1 July 2020.

**BANK ISLAM'S 2019 KEY RISKS
& RISK MITIGATION**

No	Risk	Definition	Mitigation Measures
4	 <p>OPERATIONAL RISK</p>	<p>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.</p>	<ul style="list-style-type: none"> • Maintain and actively manage operational risk in line with the Bank's operational risk policy and the approved Risk Appetite. • Risk units are embedded within significant activities and risk controllers in every division to enhance and ensure active monitoring of operational risks in the Bank. • Operational risk management is embedded as a key area in the assessment of risks within the Bank's products, services, processes and systems. • All operational risk issues and incidences are reported to Management & Board Committees with detailed root cause analysis and action plan.
5	 <p>INFORMATION TECHNOLOGY RISK</p>	<p>Any potential adverse outcome, damage, loss, violation, failure, disruption, theft or breach arising from the use of or reliance on computer hardware, software, electronic devices, systems, applications and networks or the existence of vulnerabilities such as software defects, capacity inadequacies, network vulnerabilities and control weaknesses.</p>	<ul style="list-style-type: none"> • Establish internal process and controls, which include among others, proper system development and project management approach, change management and system backup & recovery. • Listing of IT-related issues and incidents with close monitoring of rectification progress by the working level committees. • Where relevant, IT-related issues and incidents are escalated to the Management and Board Risk Committee.
6	 <p>SHARIAH NON-COMPLIANCE ("SNC") RISK</p>	<p>Risk that arises from the bank's failure to comply with the Shariah rules and principles as determined by the Bank's Shariah Supervisory Council as well as other relevant body or institution such as the Shariah Advisory Council of BNM and Securities Commission ("SC").</p>	<ul style="list-style-type: none"> • Ensure the soundness of Shariah governance framework through four dedicated functions - Shariah Research & Advisory, Shariah Risk Management, Shariah Review and Shariah Audit - as required under BNM Shariah Governance Framework. • All policies, products, services and processes are subject to Shariah assessment. • Operational risk management tools such as Risk Control Self-Assessment (including validation), Key Risk Indicators and Loss Event Management are extended and enhanced for the management of SNC risk. • All SNC issues and incidences are reported to Management, Board and Shariah Committee with detailed root cause analysis and action plans.












No	Risk	Definition	Mitigation Measures
7	 <p>REGULATORY/ COMPLIANCE RISK</p>	<p>Risk of losses arising through fines settlements or loss of business due to non-compliance with the relevant existing law and regulations or due to failure of the banking institution to correctly anticipate new regulations or laws.</p>	<ul style="list-style-type: none"> • Establish internal threshold limits for monitoring of customer transactions. • Ensure all requirements are complied with through Regulatory Compliance Self-Assessment forms. • Monitor all customers transactions through Customer Risk Profiling templates. • Identification and tagging of High-Risk Customers are tagged within the system. • On-site inspection by the Business Units within their respective area and scope. • Issues are highlighted to the CEO's Office and presented and deliberated at the Management and Board Risk Committee.



PROGRESSING WITH RESILIENCE

In Conclusion

2019 was a commendable year for the Bank as we adhered to the Three-year Transformation Programme, driven by VBI pillars amidst challenging operating landscape. The Bank's good performance and focus in delivering value beyond banking solutions was acknowledged by a series of industry awards and acknowledgements.

<p>Collaboration with Global Psytech Sdn. Bhd. credit risk for MSME</p> 	<p>TOP Performance Award 2019 from SJPP as one of the top financier supporting the SME industry</p> 	<p>Best Governed & Transparent Company (Bronze) The Global Good Governance Award 2019</p> 
<p>Social Finance Platform SnapNPay Sadaqa via QR Code</p> 	<p>Best Islamic Bank, Malaysia 2019 International Investor Magazine Award 2019</p> 	<p>Transport Deal of the Year Danainfra Nasional Berhad at The Asset Triple A Infrastructure Award 2019</p> 
<p>Mobile Banking Completed Phase 1</p> 	<p>Best Islamic Asset & Fund Manager (3rd consecutive year) & Best Risk-Adjusted Returns for ESG Principle Investments Fund Manager (Malaysia) – Alpha Southeast Asia Best Islamic Finance Awards 2019</p> 	<p>Outstanding Employers for Year 2018/19 by EPF</p> 
<p>>RM1.7 billion approved Green Financing</p> 	<p>Awarded Citi's Performance Excellence Award Citibank</p> 	

Moving forward, Bank Islam continues to stay the course on our three-year strategic direction with new priorities identified. However, due to uncertainty of the macroeconomic outlook as a result of the COVID-19 situation, both domestically and globally, the current situation will have an impact on the Bank's earnings for 2020. As the current situation is unprecedented, and it is very difficult to predict the economic eventualities with a high degree of precision, Bank Islam is monitoring the situation closely and will continue to assess the possible ramifications on the earnings.

In these trying times, we will persevere to double our efforts in ensuring service deliverables to our level best by remaining focused on staying the course of our strategic direction. Sustainability remains the overarching theme in our strategic direction, and VBI at the heart of our business model even as we continuously review our strategies in light of the multi-faceted challenges that we face at this time.

This includes reprioritising defensive business and capital expenditure plans to sustain the Bank's capital and financial strength and resiliency. Keeping up with the change, we will continuously monitor and adjust key levers such as realigning product offerings, channel partners and our marketing approach to respond to changing market conditions, both now and after the epidemic ends.

Through our **Recovery and Rehabilitation** outfit, we have implemented a proactive model in determining expected dues. We are managing potential impairments ahead and already impaired cases by working closely with Agensi Kaunseling & Pengurusan Kredit ("AKPK"), an agency set up by BNM to help individuals in debt manage their financial situation.

- 1st for Sukuk Issues by Programme Value



- 2nd for Corporate Bonds and Sukuk Programmes by Value (Joint)

- 3rd for Sukuk Issues by Number of Issues
RAM League Tables 2018

Best Islamic Banking Brand
Malaysia 2019
Global Brands Magazine



Most Innovative Islamic Bank

Malaysia 2019
Global Business Outlook Awards



Awarded
Malaysia Brand Leadership Awards 2019
at Malaysia's Best Brand Awards 2019



2nd Runner up in
Most Popular Graduate Employer



in Banking & Financial Services Sector – Malaysia's 100 Leading Graduate Employers Award 2019

Ranked
Top of the Bloomberg's Global Sukuk league table
(First half of 2019)



Won
Al-Mansor Excellence in Islamic Financial Services Award at the Islamic Excellence Awards 1441H/2020



Excellence in Quality and Management'
in the economics and business category at the Achievements Forum 2019



SME Win Biz
for Women Entrepreneurs



Excellence in Islamic Banking
Global Business Leadership Awards 2019



With the strategic objective of **Customer Centricity** in mind, Bank Islam remains committed to help SMEs and households during these challenging times, by supporting the Government's introduction of a six-month automatic moratorium for financing as well as the restructuring of credit card balances effective 1 April 2020. This will provide a huge financial relief especially for those whose incomes are affected due to non-payment of salaries or layoffs, whereby savings from the moratorium can be used for daily essentials and necessities.

The Bank also prioritises the welfare of our people and will take strict measures to protect the safety and wellbeing of employees and safeguarding our working environment.

As the current situation is fluid, the Bank is taking a dynamic stance in not just recalibrating the current year's goal posts and targets but also our medium to

long-term strategic direction such as the anticipated corporate restructuring exercise in which case we expect some slight impact to the overall timeline to completion within the year.

Aside from challenges, the Bank is poised to leverage on opportunities. With the additional measures announced by BNM, the Bank continues to seek silver linings across all sectors without compromising on risk appetite, controls and due diligence in persevering our **Sustainable Prosperity** strategic objective. The Bank endeavours to maintain good **customer relationships**, in their times of need.

Last but not least, through partnership and collaboration, the Bank intends to continue to leverage on our **thought leadership of Islamic Finance**, and explore new opportunities such as the potential of Waqf as a financial tool.

2019 KPI REVIEW

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

SHAREHOLDER KPIs

	Target	Outcome
Grow profitability	Produce strong financial result with NIM above industry average.	<ul style="list-style-type: none"> Revenue grew YoY 9% to RM3.6 billion PBZT increased YoY 4% to RM843.5 million PAZT increased YoY 6% to RM627.6 million ROA upheld at 1.3%
Manage expenses and recover debts	Keep cost-to-income ratio below 55%. Total bad debt recovery (“BDR”) target at RM83.2 million.	<ul style="list-style-type: none"> Rolled out four cost saving initiatives for all Bank divisions Cost-to-income ratio increased slightly to 52.9% Total BDR surpassed target at RM107.1 million
Manage portfolio risks	Grow exposures prudently, aligned to risk appetite, with financing growth targeted at 8 to 10%; and asset growth targeted at 6 to 8%, gross impaired financing (GIF) below 1.2%, and net impaired financing ratio sustained below 0%.	<ul style="list-style-type: none"> Gross financing growth was 8.1% which surpassed banking system average of 0.8% Total assets grew by 5.7% which surpassed banking system average of 0.54% Asset quality remained resilient with GIF kept low at 0.86%, one of the lowest in the industry Net impaired financing ratio was below 0%
Improve asset composition	Achieve composition of 74:26 for financing mix, with CASA growth of more than 3%.	<ul style="list-style-type: none"> The Bank maintained its 74:26 financing mix CASA growth surpassed 3%

	Target	Outcome
Improve returns and earnings per share	Sustain returns to shareholder with return on equity of over 15%.	<ul style="list-style-type: none"> Shareholder equity was RM5.7 billion in 2019 Return on equity was 15.3% surpassing banking system average of 12.6% As a result, earnings per share for the year was 25 sen, up from 23.96 sen the previous year
Assure strong industry brand standing and repute	Maintain existing achievements in Brand Audit Rating & Accreditations.	<ul style="list-style-type: none"> Reaffirmed at AA3/Stable/P1 by RAM Ratings Net Stable Funding Ratio ("NSFR") readiness at 109.2%
Enhance business sustainability and strength	Redefine a culture of integrity, compliance and Zero Tolerance towards corruption. All staff to comply with the Bank's guidelines, Policy and Procedures.	<ul style="list-style-type: none"> The Bank's Integrity Plan was completed and launched during the Act With Integrity programme on 19 December 2019 A Gift Policy was established and approved on 29 September 2019 An Integrity Programme to Vendors was executed on 16 July 2019 An Integrity Programme to Senior Management was held on 29 October 2019 Knowledge sharing sessions on Integrity and Fraud Awareness were conducted for all employees New TAAT core values were introduced to inspire a high performance work culture: <ul style="list-style-type: none"> Think Customer Act with Integrity Advance Beyond Take Charge No penalties or warning letters were imposed on the Bank by the regulators for the year under review

2019 KPI REVIEW



INDUSTRY KPIs

	Target	Outcome
Advance industry strength and sustainability	Play an active role in the national strategic agenda for the Islamic finance industry.	<ul style="list-style-type: none"> • Provided leadership to industry-led schemes such as AIBIM's myWakaf initiative where Bank Islam representative leads as Chairman • Launched transactional portal for myWakaf in April 2019 • Organised SME Development Programme 2.0 in collaboration with Centre For University-Industry Collaboration ("CUIC") and University Utara Malaysia ("UUM") which attracted 80 participants
Organise Knowledge-sharing initiatives	Take a lead as an industry leader in Islamic finance and enhance the Bank's positioning as an industry expert.	<ul style="list-style-type: none"> • Organised Ilmu Sharing Series, <i>Seminar Perbankan Islam</i> and <i>Kembara Muamalah</i> in collaboration with universities and state religious authorities <ul style="list-style-type: none"> - 11 Ilmu Sessions were conducted with participation by 1,700 students and lecturers - 2 Masterclass for Islamic Banking and Social Finance were held in KL and Penang - 13 <i>Jelajah Kewangan Sosial</i> classes held in collaboration with JAWI, PPZ-MAIWP & Pusat Wakaf MAIWP - <i>Kembara Muamalah</i> was held in Sabah
Participate in industry events	Continue participating and contributing in industry events, seminars and panel discussions to build relationships among peer organisations and create presence of brand and philosophy in the marketplace.	<ul style="list-style-type: none"> • Guest speakers in MASHIA Conference 2019 and RE Conference 2019 • Participation in BNM Carnivals and roadshows • Participation in industry conventions and expos <ul style="list-style-type: none"> - Islamic Finance Rendezvous Series 2019, Penang in January 2019 - Halal Expo, KL Convention Centre January 2019 - Johor Halal Festival 2019, March 2019 - Penang International Halal Exhibition, March 2019 - Malaysia International Halal Showcase ("MIHAS") 2019, April 2019 - World Halal Convention, September 2019 - 5th Selangor International Expo, October 2019 - 3rd Selangor ASEAN - Business Conference, October 2019 - 2nd Selangor Smart City & Digital Economy Convention, October 2019 - Selangor R&D and Innovation Expo, October 2019 - Perak International Expo, November 2019



CUSTOMER KPIs

	Target	Outcome
Increase reach and penetration of Digital channels	Increase outreach and Bank's presence through e-channels and Agent Banking services. Enhance and expand Internet Banking ("IB"), e-Banker and Mobile Banking capabilities.	<ul style="list-style-type: none"> For corporate customers, a Fraud Monitoring System was introduced on the Bank's e-Banker corporate banking platform. SME customers were offered e-Banker Lite platform for their online banking needs. As at December 2019, a total of 6,204 subscribers e-Payment subscriptions were received; 4,740 of which were e-Banker subscriptions Bank Islam's unique TAP Mobile banking without internet connection brought in income of RM6.8 million In transforming customer experience, Bank Islam launched a GO mobile banking app in November 2019 to enhance availability of electronic banking services. The application is now available in Google Play Store and Apple App Stores
Enhance customer satisfaction	Prudent complaint management to eradicate the most common complaints. Introduction of service excellence programmes to drive customer loyalty. Improvements in customers' attrition through process improvement and centralisation.	<ul style="list-style-type: none"> There was an increase in 11% in complaints received, however all were resolved in less than 14 days as per BNM's Client Charter Training videos were introduced to enhance soft skills in frontline services In the pipeline, is the roll out of the Service Warrior Programme at branches Data collection for CSI Survey was carried out at the end of the year
Improve service turnaround time	Branch waiting time of less than 10 minutes. Branch serving time of less than five minutes. Consumer financing turnaround of five days. Self-Service Terminals ("SST") uptime of above 96.5%.	<ul style="list-style-type: none"> 56.2% branches achieved waiting time of less than 10 minutes, while 97.1% served customers in less than five minutes Consumer financing turnaround time reduced to 3.35 days SST uptime fell to 96.0% due to disruptions from branches' closure and upgrade exercise
Increase cyber resiliency in tandem with growing digitalisation	Establish frameworks for Technology Risk Management Framework and Cyber Resiliency. Implement a Cyber Security week to grow bank-wide awareness on cyber threats. Conduct enterprise security assessments on selected critical systems.	<ul style="list-style-type: none"> Establishment of Technology Risk Management Framework and Cyber Resiliency Framework Board approval of Technology Risk and Cyber Resilience Policy Completion of key cyber resiliency programmes including threat-led cyber risk management programme and enterprise security assessment Cultivating a cyber security and technology risk aware culture via Cyber Security week, classroom based sessions and the Bank Islam Mega Conference 2019.

2019 KPI REVIEW



EMPLOYEE KPIs

	Target	Outcome
To lead as an Employer of Choice	To maintain rankings in Employer surveys through outreach programmes that strengthen Employer Branding and offer scholarships to support students from underprivileged families towards professional tertiary qualifications.	<ul style="list-style-type: none"> Established relationships with three institutions of higher learning Established a partnership and process of recruiting students from underprivileged families to obtain professional qualifications or to pursue a degree in Islamic Finance The Bank once again ranked 2nd Runner Up in Most Popular Graduate Employer in Banking & Financial Services Sector of Malaysia's 100 Leading Graduate Employers Awards 2019 The Bank improved its ranking from 18th to 14th as a Top 20 Employer of Choice
Sustain high performing employee retention through the Bank's employee value proposition ("EVP")	Maintain staff attrition below 5%. Provide our people with opportunities for internal mobility to enhance professional and personal growth. Create a culture where employees feel engaged, valued and aspire to contribute to Bank's vision.	<ul style="list-style-type: none"> The Bank's high performing staff attrition rate was reduced to 0.7% Achieved Employee Engagement Index of 70% through Mega Conference 2019. Over 4,000 participants were engaged in 68 sessions Achieved 94% response rate on survey conducted to provide baseline measurements on perceptions of Bank's standing and goals
Enhance staff welfare	Provide more value-added benefits to staff.	<ul style="list-style-type: none"> Conclusion of Collective Agreement Between Kesatuan Eksekutif Bank Islam Malaysia Berhad ("KESETIA") & Bank Islam Malaysia Berhad Analysis and Implementation of New Salary & Benefits Structure conducted in April 2019 to further benefit the Employees and part of the Bank's Talent Retention Effort
Develop in-house talent pool	Provide courses and trainings to upskill employees, enhance English proficiency and elevate knowledge on Shariah and Islamic banking.	<ul style="list-style-type: none"> Implemented leadership programme for targeted talent pools that include the Branch Manager, Branch Service Manager, Middle Management and Senior Management English classes have started in August with a full time trainer to conduct English fluency classes. Eight classes have been conducted to date with 202 employees identified through placement tests. Nine Shariah training and briefing sessions were held covering 1,218 participants among the Bank's employees nationwide. The coverage of the sessions includes Shariah governance updates, Shariah risk management and Fundamental of Shariah in the business operations.

	Target	Outcome
Develop in-house talent pool (cont'd)	(see previous page)	<ul style="list-style-type: none"> Engaged the Association of Shariah Advisors in Islamic Finance for in-house certification programme of Certified Shariah Advisors ("CSA") and Certified Shariah Practitioner ("CSP"). Shariah officers of the Bank were also encouraged to enroll for certification programs and during this financial year a Shariah officer has been awarded Certified Shariah Advisor and Auditor ("CSAA") by Accounting and Auditing Organization for Islamic Financial Institutions.



ENVIRONMENT KPIs

	Target	Outcome
Impacting the development of a greener future through strategic business support	Continued focus on Green Tech Financing Scheme in line with national agenda to promote green tech and renewable energy.	<ul style="list-style-type: none"> RM1.8 billion total Green Financing comprising 23 customers in Renewable Energy projects and 9 customers under Other Green Financing
AMAL Untuk Alam ("Charity for Nature") initiatives to spread positive environmental awareness	Work with strategic partners in line with the United Nations Sustainable Development Goals ("UNSDG"), as the Bank believes that greater impact can be achieved if every party plays a part in ensuring that the earth's resources are preserved.	<ul style="list-style-type: none"> An awareness campaign for AMAL Untuk Alam was launched to build community awareness of the cause The Bank through its corporate responsibility brand, AMAL held a Beach Plogging event to foster community awareness of the responsibility of maintaining environmental cleanliness. The event, in collaboration with the Kuantan Municipal Council ("MPK"), Solid Waste Management and Public Cleansing Corporation ("SWCorp") and Alam Flora Sdn. Bhd. ("Alam Flora"), was held at Pantai Sepat, Kuantan, Pahang. About 500 participants, including local college students, participated in a two-kilometre jogging while collecting trash on the beach Within the Bank, a Minggu AMAL Untuk Alam campaign against e-waste was launched at Menara Bank Islam and stainless steel straws were distributed to 4,500 Bank Islam staff at the headquarters and across 144 branches

2019 KPI REVIEW



COMMUNITY KPIs

	Target	Outcome
<p>Uplifting society through Social Finance</p>	<p>Creation of Centre of Social Finance to manage Sadaqa House, zakat, waqf and public education.</p>	<ul style="list-style-type: none"> • Business Zakat payment amounting to about RM13.5 million was paid to all 14 states • More than RM3.4 million in the form of Wakalah zakat fund was distributed for a total of 10 programmes that benefit the disadvantaged and underprivileged communities • Sadaqa House disbursed RM621,969, which provides positive impact for 114 beneficiaries. These included contributions to: <ul style="list-style-type: none"> - IJN Foundation - RM214,500.00 was presented to 12 paediatric heart disease patients from underprivileged communities as assistance on heart surgery costs - University Teknologi Malaysia - Solar Power for Village (100% completion with disbursement of RM95,000). The project benefits 92 indigenous villagers who now have continuous electricity supply. The programme also improves the usage, care and maintenance skills among the indigenous people and reduce the cost of using electricity via a gasoline generator - Yayasan Sultanah Bahiyah - Disbursed RM18,536.39 to seven new recipients (single mothers and female entrepreneurs) as assistance towards purchasing business start-up equipment - MyVista - Disbursed RM13,888.50 for the provision of a new 3-D printing machine towards helping the organisation make bionic arms for disabled children
<p>Delivering positive value through AMAL Corporate Responsibility programme</p>	<p>We seek to invest in projects that create a positive and lasting impact on the lives of the underprivileged and surrounding environment. We are continuously seeking to adopt new innovative approaches and collaborations to deliver inclusive growth and advancement for the good of all.</p>	<ul style="list-style-type: none"> • Total 2019 investment in AMAL community and corporate responsibility projects: RM4.1 million (2018: RM3.9 million) • Zakat Paid in 2019 (including zakat Wakalah): RM13.5 million (2018: RM13.3 million) <p>(DETAILS ON AMAL ACTIVITIES ARE SHARED ON PAGE 75)</p>

CORPORATE RESPONSIBILITY

Shared Success Through Corporate Responsibility ("CR")

As a Shariah-guided Malaysian bank, our CR commitment is a vital aspect of our operations as it reflects our VBI-based role to contribute to the health and wealth of communities across the country; and our patriotic duty to shape a better future for our fellow citizens.

CR is a significant and positive contribution to people, businesses and communities who have supported and partnered with us through the last three decades.

The Bank has enhanced and aligned our CR initiatives as our institutionalised AMAL programme to contribute to social and environmental needs of the community.

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



COMMUNITY WELFARE AND EMPOWERMENT

Fostering the spirit of solidarity and compassion among communities.



EDUCATION

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



ENVIRONMENT

Increasing environmental awareness while minimising environmental impact for a cleaner and greener planet.

CORPORATE RESPONSIBILITY

14
families with
contributions
totalling over
RM850,000

Projek Bantuan Rumah is the Bank's purposeful corporate social initiative established in 2008 to address the plight of those who live in decrepit conditions and whose homes are destroyed. This flagship project involves channelling contributions to construct and rehabilitate houses for underprivileged families. Since its inception, more than RM8.2 million has been allocated to Projek Bantuan Rumah, allowing 279 marginalised families across the country to own and live in comfortable homes.

In 2019, 14 more families in Sabah were selected as beneficiaries of this programme, and the houses were built/repared with our contribution totalling more than RM850,000.

PROJEK BANTUAN RUMAH (HOUSING AID PROJECT)



Reached out
to over
595 individuals
in **2019**

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

Bank Islam management and staff (in total 235 individuals) across Malaysia organise and participate in these functions, taking the time to personally meet and engage with recipients of the programme in order to understand their needs further. Held during the months of *Ramadan*, *Syawal* and *Zulhijjah* we reached out to over 595 individuals in 2019. These comprised orphans, underprivileged individuals, the disabled, residents of welfare homes and asnaf.

AMAL IHTIMAM Fostering Empathy During Festive Months



115
Bank Islam
volunteers,
with over
RM218,000
of zakat fund
allocated

Bank Islam commits to improving educational opportunities for underprivileged communities through sponsorships, donations and meaningful contribution of resources.

Some of the new contributions for the year included 50 sets of braille reference books for 500 primary school children through Yayasan Orang Buta Malaysia, an organisation dedicated to promoting the welfare of the blind; and sponsorship of an International University of Malaya-Wales' event under the banner of Women's Empowerment.

Bank Islam once again sponsored the Ministry of Education's national Anugerah Surau Imarah Sekolah-Sekolah ("ASISS") in 2019 with RM15,749 of zakat funds. This programme, held in conjunction in conjunction with Maulidur Rasul, encourages Muslim students to invigorate prayer spaces in their schools by providing awards for the best primary and secondary school surau and musolla in the country.

Another annual sponsorship was the a prize of RM40,000 for the male and female champions of the national level Majlis Tilawah Al-Quran Tahun 2019 competition. The event reinforced Bank Islam's standing as the nation's leading Islamic bank committed to nurturing love for the values and messages within the Quran.

AMAL ILMU Encouraging Educational Pursuits



In providing schooling needs for children in need as part of the Bank's annual 'Jom ke Sekolah' campaign, we continued to contribute schooling necessities (full sets of uniform, tracksuits, bags, stationeries and cash) to needy students as part of our Jom ke Sekolah programme which was held at all regions, including East Malaysia. Besides easing the burden of underprivileged parents, the programme also acts as a motivation factor for children to attend school. The programme conducted from November to December 2019, saw the involvement of 115 Bank Islam volunteers, with over RM218,000 of zakat fund allocated.

RM69,000
was contributed
to **56** small
business owners
in Kedah

Our Musa'adah programme aims to nurture the sustainability of small business owners by growing potential through education and training, and providing financial support to start up or upgrade their businesses. Carried out in collaboration with Amanah Ikhtiar Malaysia ("AIM"), the programme's main aim is to help these businesses sustain independently in the long term.

More than RM69,000 was contributed to 56 small business owners in Kedah. Among the contributions made towards the programme were basic necessities, business capital, kiosks, machineries and equipment.

AMAL MUSA'ADAH Empowering Small Business Owners



CORPORATE RESPONSIBILITY

The year under review saw the setting up of AMAL *Untuk Alam* initiative with focus on creating activities that contribute to the protection and preservation of our natural environment. It is hoped that this builds awareness about the importance of conserving our natural environment among the general public.

Within the Bank, a *Minggu AMAL Untuk Alam* campaign against e-waste was launched at Menara Bank Islam and stainless steel straws were distributed to 4,500 Bank Islam staff at the headquarters and across 144 branches.

A Beach Plogging event - jogging while collecting trash - was held on 24 August at Pantai Sepat, Kuantan, Pahang to foster community awareness of the responsibility of maintaining environmental cleanliness. Plogging is a relatively new recreational activity that has a two-pronged approach as it promotes individual health improvement while maintaining environmental cleanliness.

The event was held in collaboration with MPK, SW Corp and Alam Flora and attracted about 500 participants, most of whom were local college

AMAL UNTUK ALAM Advocating Charity for Nature



students from Kolej Universiti Islam Pahang Sultan Ahmad Shah ("KUIPSAS"), Kolej Vokasional Kuantan, Kolej Poly-Tech Mara, and Universiti Islam Antarabangsa ("UIA").

Over 1 tonne of waste was collected during the event. The Bank also sponsored swings and benches for the benefit of all visitors who visit Pantai Sepat.

1,111
Bank Islam staff
and volunteers
spent a total
of over
6,600 hours
doing charity
work in
15 locations
across
Malaysia

On 19 October, a record total of 1,111 Bank Islam staff and volunteers spent over 6,600 hours doing charity work in 15 locations across the country. This was in celebration of Hari AMAL, the Bank's signature event to encourage employee volunteerism in charitable activities that will enhance and uplift the lives of communities and individuals in need. These mostly comprised gotong-royong activities such as cleaning, refurbishing, and reparation of homes of single mothers, community centres, women shelters, orphanages, recreational spaces and a hospital. The events were held simultaneously across the country and over 2,400 beneficiaries were served.

At the event held at Selayang Hospital, Bank Islam helped to clean surgical rooms, spruced up the children's waiting area at the main lobby, painted a colourful mural, and provided reading materials as well. A free health screening programme for the public was organised in conjunction with the event and donations and gifts were delivered to over

HARI AMAL Taking the Time to do Good for Others



100 patients in the paediatric ward, as well as nurses and doctors on duty.

More than RM100,000 of Zakat fund was distributed to beneficiaries by the participating branches of each state.

We continue to support our partners through our sponsorship activities and events for good cause. We provided essential items and resources for the benefits of the Hajj pilgrims through our sponsorship of Sahabat Korporat Tabung Haji. Other corporate and non-governmental organisations that received the Bank's support in terms of sponsorship during the year included Angkatan Belia Islam Malaysia, Yayasan Orang Buta Malaysia, MICPA, Yayasan Orang Kurang Upaya Kelantan, Persatuan Membantu Orang Kelainan Upaya Malaysia, Tabung Rayuan Hari Pahlawan, Persatuan Bunga-Bunga Syurga Down Syndrome and Kelab Sahabat Generasi Dinamik Malaysia.

In addition, the Bank was once again the main sponsor of the Innovation, Invention and Design Exposition ("IINDEX") by Universiti Teknologi MARA ("UiTM"). The Bank is proud to be associated with this annual international exhibition and competition as it is aligned with the third thrust of the National Higher Education Strategic Plan to enhance research and innovation as well as encourage collaboration between academia and industries. The annual event has become a highly regarded platform for researchers, academics, students as well as practitioners to unleash new ideas as well as to showcase their inventions and explore opportunities for commercialisation. The Bank

AMAL SPONSORSHIP Supporting Our Stakeholders



also sponsored educational related talks and events by University Kebangsaan Malaysia, The Perdana Foundation for Civilisation Dialogue, AIBIM, Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants, International University of Malaysia-Wales and Gabungan Persatuan Alumni Sekolah Berasrama Penuh Malaysia.

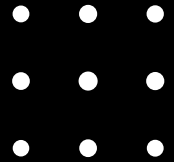
Other notable sponsorships for the year were in support of the media community through Malaysian Press Institute, Kembara Amal dan Kebajikan RTM and Sinar Harian.

We commit to serving our customers with competency, honesty and transparency in our day-to-day operations and deliver beyond expectations whenever we can as we are mindful of the trust our customers have invested in us as an exemplary Islamic Bank.



BANKING ON SHARED SUCCESS

DRIVING CUSTOMER CENTRICITY



LEADERSHIP

PROFILE OF DIRECTORS



Datuk Zamani Abdul Ghani

Chairman/Independent Non-Executive Director



NATIONALITY



AGE



DATE OF APPOINTMENT
1 March 2011

DATE OF RETIREMENT
1 March 2020

MEETING ATTENDANCE



Academic and Professional Qualifications

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

Areas of Expertise

Banking and Finance

Work Experience & Positions

Present

- Chairman, Raeed Holdings Sdn. Bhd.
- Chairman, IAP Integrated Sdn. Bhd.

Previous

- Deputy President, Kelab Alumni Kakitangan Bank Negara Malaysia
- Special Advisor, Attorney General's Chambers of Malaysia
- Deputy Governor/Special Advisor, Bank Negara Malaysia ("BNM")
- Executive Director, International Monetary Fund ("IMF")
- Asia Chair, Egmont Group of Financial Intelligence Units ("FIUs")
- Director, Bank Regulation Department, Bank Negara Malaysia ("BNM")
- Director General, Labuan Offshore Financial Services Authority ("LOFSA")
- Chairman, Financial Park Labuan
- Assistant Governor, Bank Negara Malaysia ("BNM")
- Member, Governing Council and Executive Committee, International Centre for Education in Islamic Finance ("INCEIF")

- Head, Bank Negara Malaysia's Representative Office in New York and London
- Director, Insurance Regulation & Supervision Department, Bank Negara Malaysia
- Member, Operations Evaluation Panel, Malaysian Anti-Corruption Commission ("MACC")
- Chairman, Credit Guarantee Corporation Malaysia Berhad ("CGC")
- Chairman, Danamodal Nasional Berhad
- Commissioner, Securities Commission Malaysia
- Member, Board of Directors, Lembaga Tabung Haji ("TH")

Directorship in Other Public Companies

None

Membership of Board Committees in Bank Islam

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

Meeting Attendance

9 of 10 Board Meetings held in the Financial Year ended 31 December 2019

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.



Datuk Nik Mohd Hasyudeen Yusoff

Non-Independent Executive Director

Academic and Professional Qualifications

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

Areas of Expertise

Accounting

Work Experience & Positions

Present

- Group Managing Director and Chief Executive Officer, Lembaga Tabung Haji ("TH")

Previous

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

Directorship in Other Public Companies

- BIMB Holdings Berhad
- TH Plantations Berhad
- Al Hijrah Media Corporation
- Yayasan Tabung Haji

Membership of Board Committees in Bank Islam

Nil

Meeting Attendance

10 of 10 Board Meetings held in the Financial Year ended 31 December 2019

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

NATIONALITY



AGE

55

DATE OF APPOINTMENT

1 October 2016

MEETING ATTENDANCE

10/10

PROFILE OF DIRECTORS



Noraini Che Dan
Independent Non-Executive Director



NATIONALITY



AGE



DATE OF APPOINTMENT
1 October 2016

MEETING ATTENDANCE

**Academic and Professional Qualifications**

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

Areas of Expertise

Accounting and Finance

Work Experience & Positions**Present**

- Company Director

Previous

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

Directorship in Other Public Companies

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

Membership of Board Committees in Bank Islam:

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

Meeting Attendance

10 of 10 Board Meetings held in the Financial Year ended 31 December 2019

Declaration of Interest

She has no conviction for offences within the past five years. She has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.



Zahari @ Mohd Zin Idris

Non-Independent Non-Executive Director



NATIONALITY



AGE

77

DATE OF APPOINTMENT
20 September 2002

MEETING ATTENDANCE

10/10

Academic and Professional Qualifications

Senior Cambridge Certificate

Areas of Expertise

Banking and Finance

Work Experience & Positions

Present

- Chairman, Bank Islam Trust Company (Labuan) Ltd
- Chairman, BIMB Offshore Company Management Services Sdn Bhd
- Chairman, BIMB Securities (Holdings) Sdn. Bhd.
- Chairman, BIMB Securities Sdn. Bhd.

Previous

- Executive Director/Chief Executive Officer, Inter-City MPC (M) Sdn Bhd
- General Manager, Commercial Banking, Malayan Banking Berhad ("Maybank")
- Assistant General Manager, Malayan Banking Berhad ("Maybank")
- Deputy Zone Head, Head Office, Malayan Banking Berhad ("Maybank")
- Area Manager, Malayan Banking Berhad ("Maybank")
- Branch Manager, Malayan Banking Berhad ("Maybank")
- Assistant Branch Manager, Malayan Banking Berhad ("Maybank")
- Trainee Officer, Malayan Banking Berhad ("Maybank")

Directorship in Other Public Companies

BIMB Holdings Berhad

Membership of Board Committees in Bank Islam

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

Meeting Attendance

10 of 10 Board Meetings held in the Financial Year ended 31 December 2019

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

PROFILE OF DIRECTORS



Mohamed Ridza Mohamed Abdulla

Non-Independent Non-Executive Director



NATIONALITY



AGE

51

DATE OF APPOINTMENT
1 December 2010

MEETING ATTENDANCE

10/10

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

Previous

- Partner, Zaid Ibrahim & Co
- General Legal Counsel, Technip Asia Pacific
- Group Legal Advisor, Arab Malaysian Corporation Berhad
- Advocate and Solicitor, Corporate Department, Messrs. Rashid & Lee
- Trainer, Securities Industry Development Corporation ("SIDC") and Financial Sector Talent Enrichment Programme ("FSTEP")
- Member, Arbitration Panel, KL Arbitration Centre for Islamic Banking & Finance

Directorship in Other Public Companies

- Theta Edge Berhad
- BIMB Investment Management Berhad
- KPJ Healthcare Berhad

Membership of Board Committees in Bank Islam

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

Meeting Attendance

10 of 10 Board Meetings held in the Financial Year ended 31 December 2019

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.



Dato' Sri Khazali Ahmad

Independent Non-Executive Director



NATIONALITY



AGE

65

DATE OF APPOINTMENT
2 January 2018

MEETING ATTENDANCE

10/10

Academic and Professional Qualifications

- Master's Degree in Economics, University of Central of Oklahoma, Oklahoma, USA
- Bachelor of Economy (Hons) (Agricultural Economy), Universiti Kebangsaan Malaysia
- Diploma in Public Administration, National Institute of Public Administration ("INTAN")

Areas of Expertise

Economy, Finance and Tax Management

Work Experience & Positions

Present

- Company Director

Previous

- Director General of Customs, Royal Malaysia Customs
- Sabah Federal Secretary, Prime Minister's Department
- Deputy General of Customs (Management), Royal Malaysia Customs
- Special Functions Officer to Chief Secretary to the Government of Malaysia, Prime Minister's Department
- Section Chief, Tax Analysis Division, Ministry of Finance
- Principal Assistant Director, Tax Analysis Division, Ministry of Finance
- Malaysia Trade Commissioner to Beijing, Ministry of International Trade and Industry
- Principal Assistant Director, International Trade Division, Ministry of International Trade and Industry

- Assistant Director, International Trade Division, Ministry of International Trade and Industry
- Principal Assistant Secretary, Ministry of Health
- Education Attaché, Malaysia Student Department, High Commission of Malaysia, London
- Assistant Director, Public Service Department

Directorship in Other Public Companies

- Shangri-La Hotels (Malaysia) Berhad
- Favelle Favco Berhad
- Muhibbah Engineering (M) Berhad
- Cuscape Berhad

Membership of Board Committees in Bank Islam

- Member, Board Audit and Examination Committee
- Member, Board Information Technology Committee

Meeting Attendance

10 of 10 Board Meetings held in the Financial Year ended 31 December 2019

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

PROFILE OF DIRECTORS



Azizan Ahmad

Independent Non-Executive Director



NATIONALITY



AGE

66

DATE OF APPOINTMENT
2 January 2018

MEETING ATTENDANCE

10/10

Academic and Professional Qualifications

Diploma in Agriculture, Universiti Putra Malaysia

Areas of Expertise

Banking and Credit Management

Work Experience & Positions

Present

- Company Director

Previous

- Principal Consultant for School of Credit, Agrobank
- Executive Vice President, President/CEO Office, Agrobank
- Chief Credit Officer, Agrobank
- Chief Commercial Officer, Agrobank
- Executive Vice President, Credit Management Division, Bank Muamalat (M) Berhad
- General Manager, Human Resource Division, Malayan Banking Berhad ("Maybank")
- General Manager, Credit Control Division, Malayan Banking Berhad ("Maybank")
- Regional Manager, Malayan Banking Berhad ("Maybank")
- Credit Manager/Senior Credit Manager, Malayan Banking Berhad ("Maybank")
- Credit Officer/Senior Credit Officer, Malayan Banking Berhad ("Maybank")

Directorship in Other Public Companies

Export-Import Bank of Malaysia Berhad ("EXIM Bank")

Membership of Board Committees in Bank Islam

- Chairman, Board Risk Committee
- Member, Board Nomination and Remuneration Committee
- Member, Board Information Technology Committee
- Member, Board Financing Review Committee

Meeting Attendance

10 of 10 Board Meetings held in the Financial Year ended 31 December 2019

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.



Mohd Yuzaidi Mohd Yusoff

Independent Non-Executive Director



NATIONALITY



AGE

57

DATE OF APPOINTMENT
1 July 2019

MEETING ATTENDANCE

5/5

Academic and Professional Qualifications

- M Sc. Business Administration, San Diego State University, USA
- B Sc. Computer Science, Northern Illinois University, USA

Areas of Expertise

- Business Process Management
- Strategic Planning
- Risk and Quality Management
- Digital Economy

Work Experience & Positions

Present

- Independent Non-Executive Director, Malaysia Digital Economy Corporation Sdn Bhd ("MDEC")

Previous

- Group Chief Strategy and Corporate Governance Officer, PST Ventures Sdn Bhd
- Co-Founder and Managing Director, Clear Minds Sdn Bhd
- Senior Manager, Accenture

Directorship in Other Public Companies

- Muslim Professionals Forum Berhad
- PADU Corporation

Membership of Board Committees in Bank Islam

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

Meeting Attendance

5 of 5 Board Meetings held in the Financial Year ended 31 December 2019

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

Board Committees:



Board Audit and Examination Committee



Board Nomination and Remuneration Committee



Board Strategic Review Committee



Chairman/Chairperson



Board Risk Committee



Board Financing Review Committee



Board Information Technology Committee



Member

LEADERSHIP

PROFILE OF SHARIAH SUPERVISORY COUNCIL



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

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

01

Professor Dato' Dr Ahmad Hidayat Buang

Chairman

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

He is currently a Professor at Department of Shariah and Law, Academy of Islamic Studies, University of Malaya and also a Senate Member of the University. He served as the Academy's Director from October 2006 to January 2011. He also served as Deputy Director (Research and Development) of the academy in 2006 as well as Head of Department of Shariah and Law from 1997 to 1999 and from 2015 to 2018.

Professor Dato' Dr Ahmad Hidayat is currently holding a post as Chairman of Group Shariah Committee for MNRB Holdings Berhad and is an independent Director of Takaful Ikhlas Family 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 of Islamic Banking and Takaful for Bank Negara Malaysia and a member of the Islamic Education Coordination Advisory Council for the Council of Rulers Malaysia.

02

Ustaz Dr Ahmad Shahbari @ Sobri Salamon

Member

Ustaz Dr Ahmad Shahbari @ Sobri Salamon was first appointed as a member of the Shariah Supervisory Council in 1984 and previously the Chairman of the Shariah Supervisory Council of Bank Islam until 31 March 2015. He is also the Chairman of the Shariah Committee of BIMB Investment Management Bhd. Ustaz Dr Ahmad Shahbari started his career in 1978 as a lecturer at Universiti Kebangsaan Malaysia ("UKM") for its Shariah Department, Faculty of Islamic Studies and was appointed as an Associate Professor in the Shariah Department in 1984. He had two stints as a lecturer at International Islamic University of Malaysia; the first was on secondment at the university's Kulliyah of Economics from 1983 to 1984, and for the second stint, he lectured for Ahmad Ibrahim Kulliyah of Law from 1986 to 1996. Later, he was appointed as the Executive Director of Pusat Rawatan Islam from 1996 to 1999 and afterward was appointed as the Executive Chairman of the company until 2015.

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

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

PROFILE OF SHARIAH SUPERVISORY COUNCIL

- Associate Professor, Faculty of Shariah and Law, Universiti Sains Islam Malaysia ("USIM")
- Doctor of Philosophy in Islamic Studies, University of Exeter, United Kingdom
- Master in Islamic Studies, University of Birmingham, United Kingdom
- Bachelor of Shariah Islamiyyah, Al-Azhar University, Egypt

- Assistant Professor, Ahmad Ibrahim Kuliyyah of Laws, International Islamic University of Malaysia
- Doctor of Philosophy, University of Wales, United Kingdom
- Master in Comparative Law, International Islamic University of Malaysia
- LLB (Shariah), International Islamic University of Malaysia
- LLB, International Islamic University of Malaysia

03

Associate Professor Dr Yasmin Hanani Mohd Safian

Member

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

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

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

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

04

Assistant Professor Dr Uzaimah Ibrahim

Member

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

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

Assistant Professor Dr Uzaimah was accredited as a Syar'ie lawyer in 1995 and has conducted various researches on Islamic commercial law, Islamic jurisprudence, Islamic banking law, derivatives and securitisation as well as takaful and corporate responsibility. She has also given numerous presentations in seminars and workshops, and contributed substantially to Halsbury's Laws of Malaysia published by Malayan Law Journal in 2002 and Halsbury's Law of Malaysia published by Lexis Nexis in 2019.

- Professor, Islamic Business School (IBS), Universiti Utara Malaysia (“UUM”) College of Business
- Bachelor of Syariah (Hons) (al-Fiqh wa al-Tasyri’) University of Jordan
- Master (Fiqh and Usul Fiqh), International Islamic University Malaysia (“IIUM”)
- PhD (Fiqh and Usul Fiqh), International Islamic University Malaysia (“IIUM”)
- Chartered Islamic Finance Professional (“CIFP”)

- Bachelor of Syariah (first class honors), University of Malaya (“UM”)
- Master of Syariah, University of Malaya (“UM”)
- PhD in Foundation of Jurisprudence (*Fiqh and Usul Fiqh*), University of Jordan

05

Professor Dr Asmadi Mohamed Naim

Member (w.e.f. 3 Feb 2020)

Professor Dr Asmadi Mohamed Naim has been appointed as a member of the Shariah Supervisory Council in February 2020. He is currently a Professor at the Islamic Business School (“IBS”) Universiti Utara Malaysia (“UUM”) College of Business.

At present, Professor Dr Asmadi Mohamed Naim is a Member of Shariah Advisory Council, Securities Commission (“SAC of SC”), registered Shariah Advisor of SC since 2013, member of Shariah Expert panel JAKIM, Jamaah Ulama Majlis Agama Islam & Adat Istiadat Melayu Kelantan as well as Sintok Agro Sdn Bhd since September 2018.

Professor Dr Asmadi Mohamed Naim is an expert in the field of Islamic Jurisprudence (*Shariah*) and Islamic Finance. He has experience serving as IBS’s Dean and Associate Professor at College of Business, UUM respectively.

Prior to joining Bank Islam, Professor Dr Asmadi Mohamed Naim was a Shariah consultant for Hong Leong Group between 2008 and 2010. He was also Shariah Advisory Council Member, Bank Negara Malaysia from 2013 to 2019, and a Council Member for Zakat Committee for the State of Kedah from 2013 to 2015. He was also a member of Editorial Board for several publications covering Islamic Finance Review, Islamic Economics and Business, Islamic Business Studies and Legal Studies. His published works include discussion on Shariah concepts on products and services offered by Islamic Finance and Takaful industry.

06

Dr Shamsiah Binti Mohamad

Member (w.e.f. 3 Feb 2020)

Dr Shamsiah Binti Mohamad has been appointed as a member of the Shariah Supervisory Council in February 2020.

She is currently a freelance Shariah adviser and Shariah Committee Member of various institutions including Association of Islamic Banking Institutions Malaysia (“AIBIM”), Pertubuhan Peladang Kebangsaan (“NAFAS”), Lembaga Zakat Selangor, Bursa Malaysia, Medic IG Holdings and Syariah Advisory Council Member for Securities Commission Malaysia (“SAC of SC”).

Prior to joining Bank Islam, Dr Shamsiah Binti Mohamad was Senior Researcher, International Shari’ah Research Academy for Islamic Finance (“ISRA”), Associate Professor at Department of Fiqh and Usul, Academy of Islamic Studies, University of Malaya, appointed Shariah Specialist at Islamic Capital Market Department, Securities Commission, Shariah Advisory Council Member, Bank Negara Malaysia and member of Shariah Research as well as Shariah Expert Panel at JAKIM.

She has published several books on Islamic Economics, Banking and Finance, Profit on Islamic Jurisprudence, Pawn Broking in Islam, multiple articles in Jurnal Syariah as well as weekly columns in Sinar Harian newspaper among others. Her areas of expertise include Islamic Jurisprudence (*Shariah*) and Islamic Finance.

- Head of Shariah Division, Bank Islam Malaysia Berhad
- Master of Business Administration (MBA) in Islamic Banking & Finance from International Islamic University Malaysia ("IIUM")
- Bachelor of Shariah from University of Malaya ("UM")
- Certificate (Distinction) in Internal Auditing for Financial Institutions ("CIAFIN") from Asian Institute of Chartered Bankers ("AICB")
- Certified Qualification in Islamic Finance ("CQIF") from Islamic Banking & Finance Institute Malaysia ("IBFIM")

07

Ustaz Saiful Anuar Hambali

Secretary

Ustaz Saiful Anuar Hambali has been in the banking industry for over 22 years and is currently the Head of Shariah Division of Bank Islam Malaysia Berhad. He is the Secretary of Shariah Supervisory Council of Bank Islam and sits in several internal committees of the Bank including Management Committee, Financing Committee A, Underwriting & Investment Committee, Management Risk Control Committee and Vice Chairman of Sadaqa House & Zakat Committee.

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

PROFILE OF CEO



NATIONALITY



AGE

46

DATE OF APPOINTMENT
5 December 2018

Mohd Muazzam Mohamed

Chief Executive Officer

Mohd Muazzam Mohamed was appointed Chief Executive Officer of Bank Islam and BIMB Holdings on 5 December 2018.

He is a member of the Chartered Institute of Islamic Finance Professionals ("CIIF"), Malaysian Institute of Accountants ("MIA"), Malaysian Institute of Certified Public Accountants ("MICPA"), and the Chartered Institute of Public Finance and Accountancy. He graduated with a Bachelor of Accounting from the International Islamic University of Malaysia and his expertise lies in the areas of Finance, Audit and Consulting.

Prior to his role as CEO, he was the Chief Financial Officer of Bank Islam Malaysia Berhad; Non-Executive Director of BIMB Securities Sdn Bhd; Director of BIMB Securities (Holdings) Sdn Bhd; Alternate Director of Amana Bank PLC (Sri Lanka); Director of Al-Wakalah Nominees (Tempatan) Sdn Bhd, a partner of KPMG Malaysia and Executive Director of KPMG Management Consulting.

MANAGEMENT COMMITTEE

Business Units



01



02



03



04



05



06



07

Bank Islam's business units are the key drivers of business growth, through strategic delivery of products and services to key market segments.

-
- 01 **Mizan Masram**
Chief Business Officer
 - 02 **Zamree Mohamed**
Head, Consumer Banking
 - 03 **Hamid Mohd Noor**
Head, SME Banking
 - 04 **Mohd Noor Jab**
Head, Deposits & Cash Management
 - 05 **Zaharin Mohd Ali**
Head, Corporate Banking
 - 06 **Adi Asri Baharom**
Head, Treasury & Markets
 - 07 **Ahmad Haliman Abdul Halim**
Head, Commercial Banking

Corporate & Operations Support Units



01



02



03



04



05



06



07

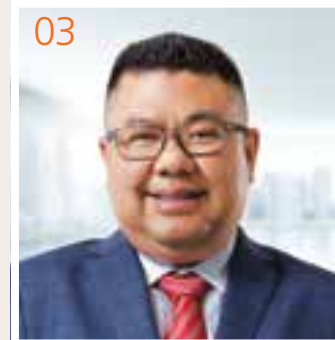
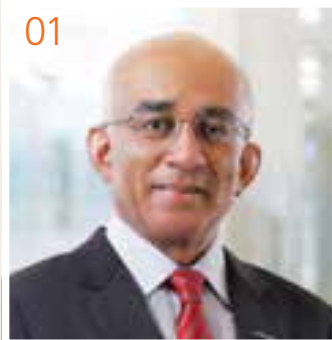


08

Bank Islam's corporate & operations support units provide efficient infrastructure and systems to enhance business delivery.

- 01 **Mohd Nazri Chik**
Group Chief Shariah Officer/
Strategic Relations
- 02 **Mohamed Iran Moriff Mohd Shariff**
Chief Operating Officer
- 03 **Azizan Abd Aziz**
Chief Finance Officer
(Appointed w.e.f. 27 May 2019)
- 04 **Zainal Azlan Zainudin**
Chief Technology Officer
- 05 **Noor Farilla Abdullah**
Chief Strategy Officer
- 06 **Mohd Ariff Moideen Kutty**
Head, Recovery & Rehabilitation
- 07 **Maria Mat Said**
Head, Legal And Secretarial
- 08 **Iskandar Shah Zulkarnain**
Chief Human Resources Officer

Independent Units



Bank Islam's independent units provide oversight and governance to ensure all activities are aligned to core principles and frameworks.



- 01 **Khairul Muzamel Perera**
Chief Credit Officer
- 02 **Alina Sylvia Appoo**
Chief Risk Officer
- 03 **Nik Azmir Nik Anis**
Chief Compliance Officer
- 04 **Zalfitri Abd Mutalip**
Chief Internal Auditor
- 05 **Azmi Samuri**
Chief Information Security Officer

PROFILE OF MANAGEMENT COMMITTEE

BUSINESS UNITS

01 **Mizan Masram** Chief Business Officer

Encik Mizan Masram has been in the finance industry for more than 23 years. He joined Bank Islam in 2009 as Head, Recovery & Rehabilitation Division before being appointed as Chief Business Officer on 1 January 2020. Encik Mizan has contributed tremendously to seamless process enhancement and uplifting organisation's performance while holding the position of Head, Recovery & Rehabilitations Division. He is currently responsible for the overall positioning and strategic formulation of three main business divisions namely Consumer Banking, Deposit & Cash Management & SME. Encik Mizan holds a Diploma in Business Studies majoring in Business from the Association of Business Executives, UK

02 **Zamree Mohamed** Head, Consumer Banking

Encik Zamree Mohamed has 25 years of experience in the banking industry. He joined Bank Islam in 2004 and served in various positions at branch & regional office level, primarily in Consumer Sales Marketing. Encik Zamree was appointed as AGM of Consumer Sales Management in 2016 and was recently promoted to his current position as the Head of the Bank's Consumer Banking division where he oversees the Bank's fund-based and fee-based income position as well as promotes all the consumer products. Encik Zamree holds a Master in Business Administration ("MBA") from Universiti Teknologi MARA ("UiTM").

03 **Hamid Mohd Noor** Head, SME Banking

Encik Hamid Mohd Noor has 38 years experience in credit related field in the banking industry and asset management company. He joined Bank Islam as Assistant General Manager, Commercial Banking Division in 2013 from Prokhas Sdn Bhd ("MoF Inc") and was responsible in managing the Working Capital Guarantee Scheme and Industry Restructuring Financing Guarantee Scheme under Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP"). Encik Hamid holds a Diploma in Accountancy from Universiti Teknologi MARA ("UiTM").

04 **Mohd Noor Jab** Head, Deposits & Cash Management

Encik Mohd Noor Jab has served in various positions at Branch and Regional Office levels, primarily in retail sales. In 2017, Encik Md Noor was appointed as Head of Branch Operation and Supervision. Prior to 2017, he was with Bank Islam's branches and regional offices, where he held the position of Branch Manager for 6 years, Head of Credit Administration for Northern Region for 2 years, Regional Consumer Business Manager ("RCBM") - Perak for 6 years and Regional Manager ("RM") Southern Region for 5 years. Encik Mohd Noor holds current position as Head of Deposits and Cash Management since April 2019. Encik Mohd Noor holds a Bachelor Degree with honours in Business Administration (Finance) from UUM.

05 **Adi Asri Baharom** Head, Treasury & Markets

Encik Adi Asri Baharom holds a Master of Business Administration (Finance) from San Francisco State University, USA. He has more than 30 years of experience in commercial/investment banking and corporate advisory encompassing Treasury and Debt Capital Markets, Risk Management, Investments, Corporate Finance, Project Finance and Strategic Planning.

Prior to joining Bank Islam, Encik Adi Asri was Executive Vice President, Treasury and Capital Markets at Bank Muamalat Malaysia Berhad. His past work experience include various senior management positions at Malaysian Rating Corporation Berhad ("MARC"), PT Bank Bumiputera Indonesia Tbk, PT Danareksa ("Persero"), and Perwira Affin Bank Berhad. He started his career at Amanah Merchant Bank Berhad in 1987.

Encik Adi Asri brings with him more than three decades of experience in a variety of roles in the field of Finance and Treasury Management to contribute and support the Bank's business strategies and performance.

06 **Ahmad Haliman Abdul Halim** Head, Commercial Banking

Encik Ahmad Haliman Abdul Halim has 22 years of experience in the banking industry. He joined Bank Islam in 2014 as the Head of Business in Commercial Banking, where he has been driving the commercial banking business. He was appointed to his current post in March 2019 with the role of overseeing Bank Islam's Commercial Banking portfolio. Encik Ahmad Haliman holds a Master in Business Administration from Winthrop University, South Carolina, USA and a Bachelor's Degree in Finance from University of North Carolina, Charlotte USA.

PROFILE OF MANAGEMENT COMMITTEE

07 Zaharin Mohd Ali

Head, Corporate Banking

Encik Zaharin Mohd Ali has 24 years of experience in the banking industry. Since starting his career in 1995 as an executive trainee with a foreign bank, he has served in various departments primarily in sales and services related functions. Encik Zaharin joined Bank Islam in 2010 as Head of Business in Commercial Banking, where he was entrusted to drive the performance-based sales culture within the division. Since promoted as Head of Corporate Banking in January 2015, he has been responsible in overseeing Bank Islam's Corporate Banking portfolio. Encik Zaharin holds a Bachelor of Accountancy from University of Central England, UK.

CORPORATE & OPERATIONS SUPPORT UNITS

01 Ustaz Mohd Nazri Chik

Group Chief Shariah Officer/Strategic Relations

Ustaz Mohd Nazri Chik, a certified Shariah Advisor and Auditor ("CSAA-AAOIFI") has over 17 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 to lead the Shariah Division and is responsible for strengthening the Bank's Shariah governance practices and facilitating the offering of Shariah-compliant products and services.

He sits in the Accreditation Panel of Finance Accreditation Agency. Apart from that, he is a member of the Professional Development Committee, Association of Shariah Advisors Malaysia, a Distinguished Trainer of Islamic Banking and Finance Institute Malaysia, a director of Terengganu Incorporated Sdn Bhd, a member of Baitulmal and Investment Committee of Selangor State Islamic Religious Council and academic adviser to several public and private universities.

Ustaz Mohd Nazri is currently the Group Chief Shariah Officer of BIMB Holdings Berhad, Deputy Chairman of the Shariah Supervisory Council of Amana Bank PLC (Sri Lanka) and a Shariah adviser to BIMB Securities Sdn Bhd, Kelantan State Economic Development Committee and Malaysian Centre for Professional Accountancy ("myPAC"). He is also a registered Shariah Adviser with the Securities Commission Malaysia. He completed the Certificate in Internal Auditing for Financial Institutions ("CIAFIN") examinations with distinction. Ustaz Mohd Nazri holds a Master's degree and Bachelor's Degree in Shariah (Islamic Jurisprudence) from University of Malaya where he continued on as an academician.

02 Mohamed Iran Moriff Mohd Shariff

Chief Operating Officer

An accountant by trade, Encik Mohamed Iran Moriff Mohd Shariff began his career at Messrs PriceWaterhouse, specialising in the audit of Banks and Financial Institutions before furthering his studies and subsequently working in the United Kingdom for 10 years. Encik Iran joined the Consumer Banking Division of Bank Islam in October 2009. Encik Iran later moved to the Internal Audit Division in June 2012, initially as the Deputy Chief Internal Auditor and was later appointed Bank Islam's Chief Internal Auditor in May 2014. Encik Iran was appointed Bank Islam's Chief Operating Officer on 1 June 2017, and most recently completed the Chartered Bankers programme. A Certified Public Accountant ("CPA") and a fellow member of the Association of Chartered Certified Accountants ("ACCA"), Encik Iran holds a Masters in Business Administration from Strathclyde Business School, Glasgow and Bachelors in Accountancy from University of East Anglia, Norwich, UK.

03 Azizan Abd Aziz

Chief Finance Officer
(Appointed w.e.f. 27 May 2019)

Encik Azizan graduated from the University of Plymouth with a Bachelor of Accounting and Finance. He is also the Fellow, Association of Chartered Certified Accountants ("ACCA") and a Member of Malaysian Institute of Accountants (Chartered Accountant).

Prior to accepting this position, Encik Azizan was an Equity Partner in Deloitte Southeast Asia and leading the M&A Transaction Services practice for Deloitte Malaysia. Prior to working in Malaysia, he was attached with KPMG United Kingdom and Channel Islands holding a position of Senior Manager in KPMG's Financial Services Division. His experience in the UK includes statutory audit of banks, namely HSBC Holdings Plc, Dresdner Bank UK Plc, Islamic Bank of Britain, Prudential and ING Holdings.

04 Zainal Azlan Zainudin

Chief Technology Officer

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

05 Noor Farilla Abdullah

Chief Strategy Officer

Puan Noor Farilla Abdullah has spent most of her professional career in business transformation, programme management and complex project implementation. She started her career in Accenture where she consulted with agencies and organisations involved in driving the Multimedia Super Corridor implementation. Puan Noor Farilla joined Bank Islam as Chief Strategy Officer in January 2019, having delivered large scale merger integration and transformation program in financial services in the last 14 years. She is presently spearheading the transformation agenda for the Bank called CODE21, which holistically addresses the critical elements of culture, operational excellence and digitalisation. She graduated from the University of Warwick with a Bachelor's Degree in Economics.

06 Mohd Ariff Moideen Kutty

Head, Recovery & Rehabilitation

Encik Mohd Ariff Moideen has over 20 years of experience in the Islamic banking industry. He was appointed to his current position in January 2020. He is responsible for overseeing the Bank's crucial credit recovery and collection operations. Prior to assuming his current position, he was the Head of Corporate Recovery Department, responsible for managing and overseeing the Bank's overall collection and recovery activities for Corporate, Commercial, SME including Labuan Offshore and Treasury portfolio.

Encik Mohd Ariff holds a Bachelor's Degree in Business Administration from Universiti Utara Malaysia and is an Associate Member of Asian Institute of Chartered Bankers ("AICB").

07 Maria Mat Said

Head, Legal and Secretarial

Puan Maria Mat Said has about 28 years of experience in the banking industry, performing legal and company secretary functions. She has been with Bank Islam since 2005 and was appointed as Bank Islam's Company Secretary in early 2009. Her areas of responsibility include provision of legal and corporate secretarial services for the Bank. As the Company Secretary, Puan Maria ensures proper governance within the Bank. Later in 2009, Puan Maria was appointed as the Group Company Secretary where she also acts as the Company Secretary for BIMB Holdings Berhad. Puan Maria holds a Bachelor of Law from University of Malaya.

08 Iskandar Shah Zulkarnain

Group Chief Human Resources Officer
(Appointed w.e.f. 14 October 2019)

Iskandar Shah Zulkarnain has over 15 years of experience in managing human resources for corporations and banks. He was appointed to his current position on 14 October 2019. He also serves as Head of Group Human Capital for BIMB Holdings Berhad. Prior to joining Bank Islam, he was the Director of Human Resources of Al Rajhi Bank Malaysia. He brings with him professional experience in strategic human resources management and has delivered many key HR projects during his tenures at Al Rajhi, HSBC Amanah, Maybank, Shell and Telekom Malaysia.

INDEPENDENT UNITS

01 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 sits on the Board of Amana Bank Ltd (Sri Lanka) as a Non independent Director and is also a Board Member of RAEED Holdings Sdn Bhd and IAP Integrated Sdn Bhd. At Bank Islam, he also serves as the Chairman of the Underwriting and Investment Committee and also Chairs the Investment Committee at BIMB Investment Management Berhad. A Chartered Company Secretary by profession, Encik Khairul is an Associate Member of the Institute of Chartered Secretaries & Administrators, London and is a Certified Professional in Islamic Finance ("CPIF") accorded by the Chartered Institute of Islamic Finance Professionals.

PROFILE OF MANAGEMENT COMMITTEE

02 Alina Sylvia Appoo

Chief Risk Officer

Ms Alina Sylvia Appoo has over 20 years of banking experience focusing predominantly on Market Risk in Malaysia and the Asian region. She joined Bank Islam in 2012 as Head of Market & Operational Risk, and was appointed as Chief Risk Officer in August 2017. She oversees the risk management function of the Group covering Market & Liquidity Risk, Capital Adequacy and Stress Testing, Operational Risk and Credit Risk Portfolio Reporting which includes operationalising the Risk Appetite Statement. Prior to joining the Bank, Ms Alina held key leadership and management positions in related fields at various local banks. She has been instrumental in change management initiatives within Market Risk including driving required changes arising from Basel II & III together with systems enhancements for Treasury and Risk. Ms Alina has a Bachelor's Degree in Mathematics (Hons.) from Universiti Sains Malaysia and is a Certified Professional in Islamic Finance ("CPIF") accorded by the Chartered Institute of Islamic Finance Professionals.

03 Nik Azmir Nik Anis

Chief Compliance Officer

Encik Nik Azmir Nik Anis has over 23 years of banking experience in the areas of Compliance, Operational Risk Management, Anti-Money Laundering and Banking Operations. He joined Bank Islam in 2013. As the Chief Compliance Officer, his primary roles and responsibilities include managing the Bank's overall compliance and regulatory risk. He is also the Bank's Chief Integrity and Governance Officer overseeing the Integrity & Governance Department. He acts as key liaison officer to the regulators and is the Bank's Money Laundering Reporting Officer ("MLRO"). Encik Nik Azmir holds a Bachelor of Arts in Economics from University of Pittsburgh, USA and a Master in Business Administration from Nottingham Trent University, UK. He has also been accorded as a Certified Professional in Anti-Money Laundering/Counter Financing of Terrorism by the International Compliance Association, UK and the Certified Professional in Islamic Finance ("CPIF") by Chartered Institute of Islamic Finance Professionals. He attended the Advance Compliance Academy Certification Programme offered by University of California at Berkeley, United States. He is currently The Compliance Officers' Networking Group's ("CONG") Chairman for 2019 & 2020.

04 Zalfitri Abd Mutalip

Chief Internal Auditor

Encik Zalfitri Abd Mutalip has over 24 years of audit experience in the banking industry. He began his career in 1994 where he gained extensive audit experience in the field of management, operations and credit involving the branches, regional offices, automobile financing centres and head office departments/divisions including investigation audit. He joined Bank Islam in October 2007 and has served as the Head of Branch Audit, Head of Head Office Audit and Head of Credit Audit prior to being appointed as the Acting Head of Internal Audit Division in June 2017. He is currently the Chief Internal Auditor of Bank Islam since January 2019. He completed the Certificate in Internal Auditing for Financial Institutions ("CIAFIN") examination with distinction. He is a Chartered Member of the Chartered Institute of Islamic Finance Professionals ("CIIF") which carries the designation of Chartered Professional in Islamic Finance ("CPIF"). Encik Zalfitri holds a Bachelor of Science in Business Administration (Finance) from Denver University, USA.

05 Azmi Samuri

Chief Information Security Officer

Encik Azmi Samuri has over 20 years of work experience in the field of Information Technology. He joined Bank Islam in May 2015 and has served the Bank as the Chief Information Security Officer ("CISO") since 2017. Prior to joining Bank Islam, he was a central banker serving in multiple departments including Technology Risk Specialist Unit as well as Banking and IT Supervision.

While a majority of his career was in the banking industry, he had also served in several technology companies including a regional IT service provider with responsibilities in various areas such as end-user support, data center operation and network infrastructure. Encik Azmi holds a Bachelor Degree in Computer Science from UMIST, Manchester, United Kingdom.

PROFILE OF REGIONAL MANAGERS



Ahmad Fauzi Mohd Akhir

Head of Regional Office

Encik Ahmad Fauzi Mohd Akhir has more than 28 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 29 Bank branches in Perak, Kedah, Pulau Pinang and Perlis. Encik Ahmad Fauzi holds a Bachelor of Science in Accounting from Fairleigh Dickinson University, USA.



NORTHERN REGION

29
BRANCHES



Abdullah Ibrahim

Head of Regional Office

Encik Abdullah Ibrahim has more than 30 years of experience in banking. He joined Bank Islam in January 1987. He currently holds the position of Regional Manager Southern Region overseeing 27 branches in Johor, Melaka and Negeri Sembilan. Encik Abdullah holds a Master of Business Administration ("MBA") from University Utara Malaysia.



SOUTHERN REGION

27
BRANCHES



Abdul Malek Abdullah

Head of Regional Office

Encik Abdul Malek Abdullah has more than 34 years of experience in the banking industry. He joined Bank Islam in 2006 and he now holds the role of Head of Regional Office in East Malaysia Region where he oversees 13 branches in the state of Sabah and Sarawak. Encik Abdul Malek holds a Diploma in Banking Studies from Universiti Teknologi MARA.



EAST MALAYSIA

13
BRANCHES

LEADERSHIP

PROFILE OF REGIONAL MANAGERS

**Zameran Jusoh**

Head of Regional Office

Encik Zameran Jusoh has more than 15 years of experience in the banking industry and has been with Bank Islam since 2004. He is currently the Head of Regional Office of Central Region in which he oversees a total of 48 branches comprising of 17 branches in Wilayah Persekutuan Kuala Lumpur, 29 branches in the state of Selangor and 2 branches in Wilayah Persekutuan Putrajaya.

Encik Zameran holds a Master's Degree in Business Administration (International Management) from RMIT University, Melbourne, Australia.


CENTRAL REGION
48
BRANCHES

**Rosmawati Mohamed Zin**

Head of Regional Office (appointed w.e.f. 1.4.2020)

Puan Rosmawati Mohamed Zin begins her career in 1992 at D&C Bank and has been with Bank Islam since January 2010. She has served as branch manager from 2010-2014 before joining Commercial Banking division from 2015-2017. Prior to her current appointment as Regional Manager, she has served the Deposit & Cash Management division for about 3 years. Puan Rosmawati now heads the Regional Office of the Eastern Region, comprising 27 branches in the states of Terengganu, Kelantan and Pahang. She holds a Bachelor in Resources Economic from Universiti Putra Malaysia ("UPM").


EASTERN REGION
27
BRANCHES

**Wan Rosita Wan Mohamed**

Head of Regional Office (retired w.e.f. 31.3.2020)

Puan Wan Rosita Wan Mohamed has over 33 years of experience in the banking industry, and has been with Bank Islam since January 2005. She now heads the Regional Office of the Eastern Region, comprising 27 branches in the state of Terengganu, Kelantan and Pahang. Puan Wan Rosita holds a Bachelor of Science Degree in Finance from Indiana State University, USA.


EASTERN REGION
27
BRANCHES

PROFILE OF HEADS OF SUBSIDIARIES



Najmuiddin Mohd Lutfi

BIMB Investment Management Berhad

Encik Najmuiddin Mohd Lutfi is the Chief Executive Officer and Director of BIMB Investment Management Berhad ("BIMB Investment") since 2015. BIMB Investment was incorporated in 1993 and is a wholly-owned subsidiary of Bank Islam Malaysia Berhad. He has 20 years of experience in the financial services industry and was formerly with a central bank and local and foreign asset management companies. Encik Najmuiddin graduated with an MBA and Bachelor of Science in Business Administration from the University of Missouri – St. Louis, USA, alumni of the Judge Business School Advanced Leadership Program of the University of Cambridge, UK, registered with the Federation of Investment Managers Malaysia ("FIMM") and holds the Securities Commission's Capital Markets Services Representative's License.

CHIEF EXECUTIVE OFFICER



Masdayana Md Setamam

Bank Islam Trust Company (Labuan) Ltd

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

She has over 15 years of experience in Offshore Trust industries and held various positions including Compliance Manager, Business Continuity Management Division Coordinator as well as Business Risk Officer. During this time, she was also appointed by the Board of Directors of BTL to be the Manager and authorised officer of BIMB Offshore Company Management Services which was the subsidiary company of BTL. In addition, on 1 January 2020, she has been appointed as the Head, Labuan Offshore Business by Bank Islam Malaysia Berhad to oversee and be responsible for BTL and Bank Islam Labuan Offshore business growth in Labuan IBFC. Puan Masdayana holds a Bachelor's Degree in International Business from University Malaysia Sabah.

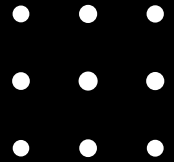
**CHIEF EXECUTIVE OFFICER/
PRINCIPAL OFFICER**

We promote local businesses that are involved in the production of goods and services, putting emphasis on growing the Small and Medium Enterprise ("SME") sector which can fortify our national economy, create new opportunities for a sustainable future and contribute to better GDP growth for the country.



BANKING ON SHARED SUCCESS

STIMULATING THE REAL ECONOMY



CORPORATE INFORMATION

Board of Directors

Chairman

Datuk Zamani Abdul Ghani

(Retired w.e.f. 1 March 2020)

Members

Zahari @ Mohd Zin Idris

Mohamed Ridza Mohamed Abdulla

(Re-designated as Non-Independent Non-Executive Director
w.e.f. 1 December 2019)

Datuk Nik Mohd Hasyudeen Yusoff

(Re-designated as Non-Independent Executive Director
w.e.f. 1 September 2019)

Noraini Che Dan

Dato' Sri Khazali Ahmad

Azizan Ahmad

Mohd Yuzaidi Mohd Yusoff

(Appointed w.e.f. 1 July 2019)

Professor Emeritus Tan Sri Dato'

Dr Abdul Shukor Husin

(Resigned w.e.f. 1 April 2019)

Datuk Zaiton Mohd Hassan

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



BOARD AUDIT AND EXAMINATION COMMITTEE

Chairman

- **Noraini Che Dan**

Members

- **Zahari @ Mohd Zin Idris**
- **Mohamed Ridza Mohamed Abdulla**
- **Dato' Sri Khazali Ahmad**
- **Mohd Yuzaidi Mohd Yusoff**
(Appointed w.e.f. 5 March 2020)
- **Datuk Zamani Abdul Ghani**
(Retired w.e.f. 1 March 2020)
- **Datuk Nik Mohd Hasyudeen Yusoff**
(Ceased w.e.f. 1 September 2019)
- **Datuk Zaiton Mohd Hassan**
(Resigned w.e.f. 18 February 2019)

BOARD STRATEGIC REVIEW COMMITTEE

Chairman

- **Mohd Yuzaidi Mohd Yusoff**
(Appointed w.e.f. 1 September 2019)
- **Datuk Nik Mohd Hasyudeen Yusoff**
(Ceased w.e.f. 1 September 2019)

Members

- **Mohamed Ridza Mohamed Abdulla**
- **Noraini Che Dan**
- **Azizan Ahmad**
(Ceased w.e.f. 1 April 2019)
- **Datuk Zaiton Mohd Hassan**
(Resigned w.e.f. 18 February 2019)

BOARD RISK COMMITTEE

Chairman

- **Azizan Ahmad**
(Appointed as the Chairman w.e.f. 1 September 2019)
- **Datuk Nik Mohd Hasyudeen Yusoff**
(Ceased as the Chairman w.e.f. 1 September 2019)

Members

- **Zahari @ Mohd Zin Idris**
- **Noraini Che Dan**
- **Mohd Yuzaidi Mohd Yusoff**
(Appointed w.e.f. 1 August 2019)
- **Datuk Zamani Abdul Ghani**
(Retired w.e.f. 1 March 2020)
- **Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin**
(Resigned w.e.f. 1 April 2019)
- **Datuk Zaiton Mohd Hassan**
(Resigned w.e.f. 18 February 2019)

BOARD NOMINATION AND REMUNERATION COMMITTEE

Chairman

- **Noraini Che Dan**

Members

- **Zahari @ Mohd Zin Idris**
- **Azizan Ahmad**
(Appointed w.e.f. 1 April 2019)
- **Datuk Zamani Abdul Ghani**
(Retired w.e.f. 1 March 2020)
- **Datuk Nik Mohd Hasyudeen Yusoff**
(Ceased w.e.f. 1 September 2019)
- **Professor Emeritus Tan Sri Dato' Dr Abdul Shukor Husin**
(Resigned w.e.f. 1 April 2019)
- **Datuk Zaiton Mohd Hassan**
(Resigned w.e.f. 18 February 2019)

BOARD FINANCING REVIEW COMMITTEE

Chairman

- **Zahari @ Mohd Zin Idris**

Members

- **Azizan Ahmad**
- **Datuk Zamani Abdul Ghani**
(Retired w.e.f. 1 March 2020)
- **Datuk Nik Mohd Hasyudeen Yusoff**
(Ceased w.e.f. 1 September 2019)
- **Datuk Zaiton Mohd Hassan**
(Resigned w.e.f. 18 February 2019)

BOARD INFORMATION TECHNOLOGY COMMITTEE

Chairman

- **Mohamed Ridza Mohamed Abdulla**

Members

- **Dato' Sri Khazali Ahmad**
- **Azizan Ahmad**
- **Mohd Yuzaidi Mohd Yusoff**
(Appointed w.e.f. 1 August 2019)

SHARIAH SUPERVISORY COUNCIL

Chairman

- **Professor Dato' Dr Ahmad Hidayat Buang**

Members

- **Ustaz Dr Ahmad Shahbari @ Sobri Salamon**
- **Assistant Professor Dr Uzaimah Ibrahim**
- **Associate Professor Dr Yasmin Hanani Mohd Safian**
- **Professor Dr Asmadi Mohamed Naim**
(Appointed w.e.f. 3 February 2020)
- **Dr Shamsiah Mohamad**
(Appointed w.e.f. 3 February 2020)
- **Sahibus Samahah Dato' Dr Haji Anhar Haji Opir**
(Resigned w.e.f. 1 November 2019)

CHIEF EXECUTIVE OFFICER**Mohd Muazzam Mohamed****COMPANY SECRETARIES**

- **Maria Mat Said**
(LS0009400)
- **Norhidayati Mohamat Salim**
(MIA 27364)

REGISTERED ADDRESS

Bank Islam Malaysia Berhad (98127-X)
32nd Floor, Menara Bank Islam
No 22, Jalan Perak
50450 Kuala Lumpur
Tel : (6) 03 2088 8000
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Web : www.bankislam.com

AUDITORS

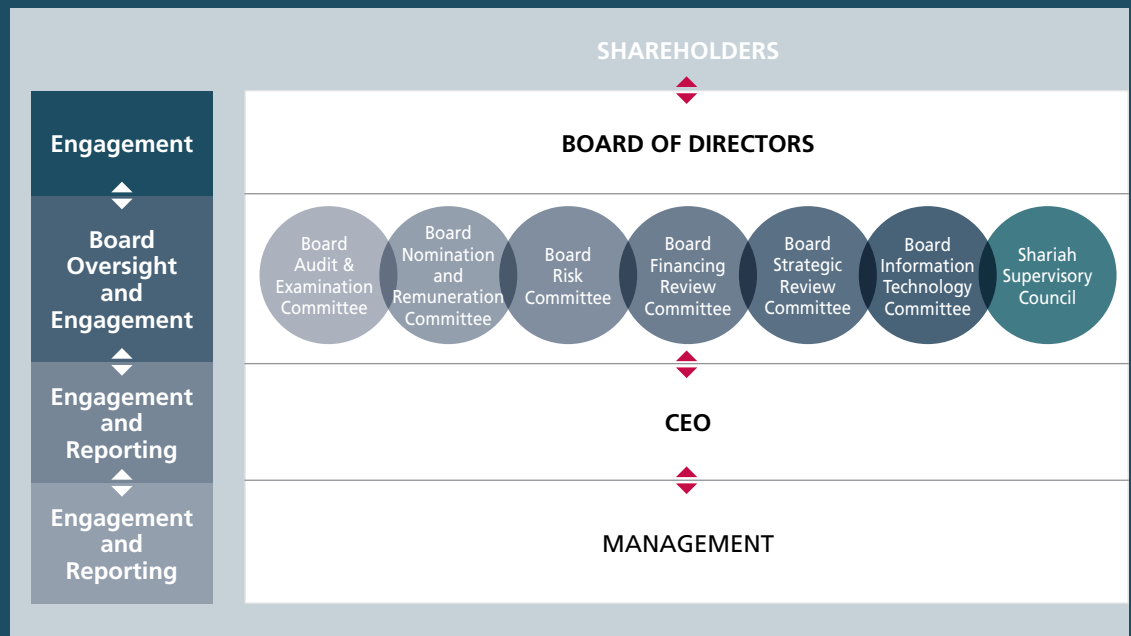
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Fax : +60 (3) 2173 1288

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Bank Islam (“the Board”) is committed in ensuring strong corporate governance principles and practices in the organisation, and places much emphasis on sound internal controls and risk management systems, and ethical behaviour based on Shariah rules and principles. An independent Shariah Supervisory Council (“SSC”) reports directly to the Board, providing necessary oversight and engagement to ensure all decisions are aligned to Shariah principles.

CORPORATE GOVERNANCE FRAMEWORK

The governance structure of Bank Islam is illustrated below:



Bank Islam’s corporate governance framework is in line with the recommended practices of Bank Negara Malaysia’s (“BNM”) Corporate Governance Policy issued on 3 August 2016 (“BNM CG Policy”), the Malaysian Code on Corporate Governance issued in 2017 (“MCCG 2017”) and other relevant requirements as outlined under the respective guidelines by BNM.

SECTION A: THE BOARD

Principle A: Board Leadership and Effectiveness

The overall responsibility of promoting the sustainable growth and financial soundness of Bank Islam, setting the direction and oversight to the management of the business and operations of Bank Islam, lies with the Board.

Board Values and Conduct

The Board Charter 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. The Board Charter includes principles on the following matters:



Code of Ethics

The Board sets the tone within Bank Islam and applies ethical standards of behavior through its code of ethics. Our Code of Ethics is based on the Code of Ethics for the Financial Services Industry issued by the Financial Services Professional Board, the Company Directors' Code of Ethics issued by the Companies Commission of Malaysia and such other code of ethics issued by the relevant governing authorities.



Conflicts of Interests

A director, upon acceptance of his/her appointment and subsequently upon coming to his knowledge, must declare any conflicts of interest including whether such interest arises through close family members. The Director shall abstain from participating in discussions and decisions on matters which directly involve him, in the event of any conflicts of interest.



External Professional Commitment

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



Whistle-blowing Policy

The Whistle-blowing Policy ensures that there is an avenue for reporting and/or disclosing of any wrongdoings, malpractices or irregularities committed by employees and/or external parties against the Bank's interest. Datuk Zamani Abdul Ghani is the designated Non-Executive Director responsible for the effective implementation of the policy's during the period under review.




There were four (4) whistle-blowing cases lodged for the financial year 2019 which was similar to last year's number. All the cases were reported via email to whistle@bankislam.com.my. Only the Chief Compliance Officer ("CCO") whom is the designated Whistle-blowing Coordinator has access to the email. The cases were investigated by the Integrity & Governance Department. Outcome of the investigations were approved by Datuk Zamani Abdul Ghani and were shared with the Board Audit & Examination Committee without identifying the whistle-blower. Consequence management if any were deliberated and decided in the Management's Disciplinary Committee.




STATEMENT ON CORPORATE GOVERNANCE

ROLES OF THE BOARD AND BOARD COMMITTEE

Board Activities

Strategic matters considered by the Board in 2019 include the following:

Area of Focus	Strategic Matters Considered by the Board in 2019
 <p>Strategy and Business Planning</p>	<ul style="list-style-type: none"> Reviewed the Strategic Directions of the Bank for the next three (3) years until 2022; Reviewed and approved strategy and business plan including the annual capital expenditure, budget, capital plan, corporate scorecards and Key Performance Indicators (“KPI”); Ensure that the KPI is in line with the Bank’s strategy and business plan; Reviewed and challenged the Management’s views/assumptions on the proposed strategy and business plan to ensure informed decision is made in the interest of the Bank; Approved the Bank’s strategy and business plan for the financial year 2020 based on the approved strategic directions which embed the elements of Value-based Intermediary (“VBI”) as the overarching theme. VBI is the Bank’s new business model which aims to deliver a sustainable performance with a strategic focus to support economic, social and environmental development, guided by the Shariah principles and goals; Reviewed the progress of the strategic initiatives and key operational issues of the Bank; and Approved proposals for new products and services to ensure the Bank’s offering remains relevant and competitive.
 <p>Financial and Business Performance</p>	<ul style="list-style-type: none"> Approved the audited financial statements and payment of final dividend for shareholder’s approval; Reviewed the Bank’s business performance based on the financial reports presented to the Board; Reviewed performance of the CEO and the Management against the approved KPIs; and Approved the appointment of external auditors.
 <p>Risk Management</p>	<ul style="list-style-type: none"> Reviewed and approved risk management related policies, credit policies, and other significant operational policies based on the recommendations of the Board Risk Committee (“BRC”); and Approved the review of the authority limits of the financing committees and discretionary power for Central Financing Processing Centre to ensure better credit prudence and efficiency in the approval process.

Area of Focus	Strategic Matters Considered by the Board in 2019
 <p>Compliance</p>	<ul style="list-style-type: none"> Oversee the establishment, implementation and effectiveness of the compliance function, with the assistance of the Board Risk Committee (“BRC”) and the Board Audit & Examination Committee (“BAEC”).
 <p>Governance</p>	<ul style="list-style-type: none"> Oversee the implementation of the Bank’s overall governance framework to be in line with the requirements under the Companies Act 2016, BNM Corporate Governance Policy, Shariah Governance Framework for Islamic Financial Institutions and other best practices which include adoption of new Constitution, review of Board Charter, Code of Conduct, Terms of Reference for the SSC and Shariah Governance Updates; and Oversee the implementation of the National Anti-Corruption Plan (“NACP”) which include renaming the existing Ethics and Integrity Department to Integrity and Governance Department (“IGD”) and enhancing the reporting structure in IGD.
 <p>Human Capital and Succession Planning</p>	<ul style="list-style-type: none"> Oversee the process for nomination, remuneration and succession plan of the Board, Board Committees, SSC, CEO and key Senior Management personnel; Approved the Board succession plan taking into account the factors on the tenure of the directors, the skill gaps in the current Board and the requirement of the BNM CG Policy; Approved the review of Board Committees’ composition; Approved the appointment of nominee directors in companies where Bank Islam has interest in; Reviewed Board Annual Evaluation Exercise; Approved the revised salary structure and new benefit scheme for employees to ensure it is competitive and in line with the industry practice and to instill a performance driven culture; and Approved the Culture Change initiatives based on four (4) new core values namely Think Customer, Act with Integrity, Advance Beyond and Take Charge.



STATEMENT ON CORPORATE GOVERNANCE

Key Responsibilities of Board Members

The key responsibilities of the board members are as follows:

Role	Key responsibilities
<p>Chairman</p> <p>Datuk Zamani Abdul Ghani Independent Non-Executive Director <i>(retired with effect from 1 March 2020)</i></p>	<ul style="list-style-type: none"> • Provide leadership for the operation, governance and meetings of the Board; • Set the agenda for Board meetings and encouraging debate to ensure sound decision-making; • Oversee the performance evaluation of the Board and its Committees; and • Communicate with stakeholders and ensure stakeholders' views are communicated to the Board.
<p>Members</p> <p>Datuk Nik Mohd Hasyudeen Yusoff Non-Independent Executive Director</p> <p>Zahari @ Mohd Zin Idris Non-Independent Non-Executive Director</p> <p>Mohamed Ridza Mohamed Abdulla Non-Independent Non-Executive Director</p> <p>Noraini Che Dan Independent Non-Executive Director</p> <p>Dato' Sri Khazali Ahmad Independent Non-Executive Director</p> <p>Azizan Ahmad Independent Non-Executive Director</p> <p>Mohd Yuzaidi Mohd Yusoff Independent Non-Executive Director <i>(appointed with effect from 1 July 2019)</i></p> <p>Professor Emeritus Tan Sri Dato' Dr Abd Shukor Husin Non-Independent Non-Executive Director <i>(resigned with effect from 1 April 2019)</i></p> <p>Datuk Zaiton Mohd Hassan Non-Independent Non-Executive Director <i>(resigned with effect from 18 February 2019)</i></p>	<ul style="list-style-type: none"> • Review and approve strategic and policy matters of the Bank's business and operations; • Scrutinise, measure and review the performance of the Management in implementing the approved strategies and policies; • Review the Bank's accounting and financial reporting system, ensure implementation of the Bank's governance, and ensure systems of internal control and risk management are appropriate and effective; • Oversee the Bank's compliance with regulatory requirements; and • Review succession plans for the Board, SSC and Senior Management.

The Chairman and the Chief Executive Officer have clear and distinct roles which are clearly defined in the Board Charter. The key responsibilities of the Chief Executive Officer are as below:

Role	Key responsibilities
<p>Chief Executive Officer Mohd Muazzam Mohamed</p>	<ul style="list-style-type: none"> • Develop and provide the strategic direction of Bank Islam's business plan; • Ensure the Bank's strategies, corporate policies and day-to-day business affairs are effectively implemented and managed; • Ensure that the Board's decisions are implemented and the Board's directions are responded to; • Keep the Board fully informed of all important aspects of the Bank's operations and ensure sufficient information is disseminated to the Board; and • Provide strong leadership and effectively communicate the vision, management philosophy and business strategies of the Bank to the employees.

The Board is assisted by the Company Secretary who is responsible for advising the Board on issues relating to corporate governance and compliance, assisting the Board in managing information flows and meetings and managing stakeholder communication. The Company Secretary is Maria Mat Said.

Authority and Delegation

The Board has delegated its authority to various Board committees to enable them to oversee specific areas, but remains fully accountable for any delegated authority. The six (6) Board Committees comprise of the Board Audit & Examination Committee ("BAEC"), Board Risk Committee ("BRC"), Board Nomination and Remuneration Committee ("BNRC"), Board Financing Review Committee ("BFRC"), Board Strategic Review Committee ("BSRC") and Board Information Technology Committee ("BITC"). An overview of each Board Committee can be found on pages 117 to 119 of this Integrated Annual Report.

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

Key Matters Reserved for the Board	
<ul style="list-style-type: none"> • Strategic policy matters • Financial results and declaration of dividends • Any significant operating and credit policies • Risk appetite setting • Capital management plan • Authority limits • Any corporate exercise which involve acquisition or divestment or strategic interest 	<ul style="list-style-type: none"> • Major acquisition of capital expenditure • Appointment and remuneration of directors, SSC members, the CEO and key Senior Management officers • Entry into any related party transaction • Any new outsourcing proposals

Board and Board Committee Meetings

The Board and Board Committee meetings are held regularly to discuss key matters involving strategic, governance and operational issues.

The Directors will be provided with all materials, including previous Board minutes five (5) days in advance to allow sufficient time for Directors to review and analyse relevant information. Decisions and conclusions arrived at during Board meetings are clearly recorded in the minutes and circulated in a timely manner after the Board meetings. The draft minutes are then tabled at the following meeting for confirmation and thereafter signed by the respective Chairperson.

Ten (10) Board meetings were held during the financial year ended 31 December 2019, in line with the required frequency as stipulated in the Terms of Reference of the Board. Dates of meetings are determined well in advance to enable the Directors to plan ahead. Apart from the members of the Board, meetings are also attended by the Chairman of the SSC and the Chief Executive Officer.

Annual Board Offsite Meeting

Each year, the Board and the senior management attend a three-day offsite meeting held in various regions on rotation basis. In 2019, the offsite meeting was held in Alor Setar, Kedah. During the offsite meeting, the Board had engagement sessions with the corporate clients and staff at branches. These sessions gave the opportunity for the Board to have a deeper understanding of the Bank's business environment and operations.

STATEMENT ON CORPORATE GOVERNANCE

TOTAL HOURS OF BOARD AND BOARD COMMITTEE MEETINGS
135 HOURS 35 MINUTES
AVERAGE NUMBER OF HOURS SPEND ON EACH BOARD AND BOARD COMMITTEE MEETING
2 HOURS 23 MINUTES
Board Meeting Hours
25 Hours 35 Minutes
Average Number of Hours Spend on Each Board of Directors' Meeting
2 Hours 33 Minutes
ALL EXISTING BOARD MEMBERS HAVE COMPLIED WITH THE ATTENDANCE REQUIREMENT AS STIPULATED IN THE BNM CG POLICY OF NOT LESS THAN 75%

Board Attendance

The Board is satisfied with the level of time commitment by each Director towards fulfilling their roles in the Board and Board Committees. In the financial year ended 31 December 2019, all the Directors attended at least 75% of the Board meetings held, in compliance with BNM CG Policy.

Summary of Board and Board Committees meetings attendances and time spent in 2019 are set out below:

BOARD OF DIRECTORS		
Number of Meeting held in 2019		10
Name	Meeting Attendance	%
EXISTING MEMBERS		
Datuk Zamani Abdul Ghani • Independent Non-Executive Director/Chairman	9/10	90
Datuk Nik Mohd Hasyudeen Yusoff • Non-Independent Executive Director	10/10	100
Zahari @ Mohd Zin Idris • Non-Independent Non-Executive Director	10/10	100
Mohamed Ridza Mohamed Abdulla • Non-Independent Non-Executive Director	10/10	100
Noraini Che Dan • Independent Non-Executive Director	10/10	100
Dato' Sri Khazali Ahmad • Independent Non-Executive Director	10/10	100
Azizan Ahmad • Independent Non-Executive Director	10/10	100
Mohd Yuzaidi Mohd Yusoff • Independent Non-Executive Director • Board member since 1 July 2019	5/5	100
FORMER MEMBERS		
Professor Emeritus Tan Sri Dato' Dr Abd Shukor Husin • Non-Independent Non-Executive Director • Resigned w.e.f. 1 April 2019	2/4	50
Datuk Zaiton Mohd Hassan • Non-Independent Non-Executive Director • Resigned w.e.f. 18 February 2019	1/1	100

BOARD AUDIT & EXAMINATION COMMITTEE ("BAEC")

Number of Meeting held in 2019			8
Name	Meeting Attendance	%	
EXISTING MEMBERS			
Noraini Che Dan • Independent Non-Executive Director/Chairman	8/8	100	
Datuk Zamani Abdul Ghani • Independent Non-Executive Director	8/8	100	
Zahari @ Mohd Zin Idris • Non-Independent Non-Executive Director	8/8	100	
Mohamed Ridza Mohamed Abdulla • Non-Independent Non-Executive Director	8/8	100	
Dato' Sri Khazali Ahmad • Independent Non-Executive Director	8/8	100	
FORMER MEMBERS			
Datuk Nik Mohd Hasyudeen Yusoff • Non-Independent Executive Director • Ceased to be a Member w.e.f. 1 September 2019	5/5	100	
Datuk Zaiton Mohd Hassan • Non-Independent Non-Executive Director • Resigned w.e.f. 18 February 2019	1/1	100	

BAEC Meeting Hours

20 Hours 30 Minutes

Average Number of Hours Spend on Each BAEC Meeting

2 Hours 33 Minutes

ALL EXISTING BAEC MEMBERS HAVE COMPLIED WITH THE ATTENDANCE REQUIREMENT AS STIPULATED IN THE BNM CG POLICY OF NOT LESS THAN 75%

BOARD RISK COMMITTEE ("BRC")

Number of Meeting held in 2019			9
Name	Meeting Attendance	%	
EXISTING MEMBERS			
Azizan Ahmad • Independent Non-Executive Director/Chairman • BRC Chairman since 1 September 2019	8/9	89	
Datuk Zamani Abdul Ghani • Independent Non-Executive Director	8/9	89	
Zahari @ Mohd Zin Idris • Non-Independent Non-Executive Director	9/9	100	
Noraini Che Dan • Independent Non-Executive Director	9/9	100	
Mohd Yuzaidi Mohd Yusoff • Independent Non-Executive Director • BRC Member since 1 August 2019	3/3	100	
FORMER MEMBERS			
Datuk Nik Mohd Hasyudeen Yusoff • Non-Independent Executive Director • Ceased to be the Chairman w.e.f. 1 September 2019	6/6	100	
Professor Emeritus Tan Sri Dato' Dr Abd Shukor Husin • Non-Independent Non-Executive Director • Resigned w.e.f. 1 April 2019	1/2	50	
Datuk Zaiton Mohd Hassan • Non-Independent Non-Executive Director • Resigned w.e.f. 18 February 2019	1/1	100	

BRC Meeting Hours

32 Hours 35 Minutes

Average Number of Hours Spend on Each BRC Meeting

3 Hours 37 Minutes

ALL EXISTING BRC MEMBERS HAVE COMPLIED WITH THE ATTENDANCE REQUIREMENT AS STIPULATED IN THE BNM CG POLICY OF NOT LESS THAN 75%

ACCOUNTABILITY

STATEMENT ON CORPORATE GOVERNANCE

BOARD NOMINATION & REMUNERATION COMMITTEE ("BNRC")

		Number of Meeting held in 2019	8
		Name	Meeting Attendance %
BNRC Meeting Hours			
13 Hours 15 Minutes			
Average Number of Hours Spend on Each BNRC Meeting			
1 Hour 40 Minutes			
ALL EXISTING BNRC MEMBERS HAVE COMPLIED WITH THE ATTENDANCE REQUIREMENT AS STIPULATED IN THE BNM CG POLICY OF NOT LESS THAN 75%	EXISTING MEMBERS		
	Noraini Che Dan • Independent Non-Executive Director/Chairman	7/8	88
	Datuk Zamani Abdul Ghani • Independent Non-Executive Director	7/8	88
	Zahari @ Mohd Zin Idris • Non-Independent Non-Executive Director	8/8	100
	Azizan Ahmad • Independent Non-Executive Director • BNRC Member since 1 April 2019	5/5	100
	FORMER MEMBERS		
	Datuk Nik Mohd Hasyudeen Yusoff • Non-Independent Executive Director • Ceased to be a Member w.e.f. 1 September 2019	6/6	100
	Professor Emeritus Tan Sri Dato' Dr Abd Shukor Husin • Non-Independent Non-Executive Director • Resigned w.e.f. 1 April 2019	2/3	67
	Datuk Zaiton Mohd Hassan • Non-Independent Non-Executive Director • Resigned w.e.f. 18 February 2019	1/1	100

		Number of Meeting held in 2019	12
		Name	Meeting Attendance %
BFRC Meeting Hours			
15 Hours 25 Minutes			
Average Number of Hours Spend on Each BFRC Meeting			
1 Hour 17 Minutes			
ALL EXISTING BFRC MEMBERS HAVE COMPLIED WITH THE ATTENDANCE REQUIREMENT UNDER THE TERMS OF REFERENCE OF NOT LESS THAN 75%	BOARD FINANCING REVIEW COMMITTEE ("BFRC")		
	EXISTING MEMBERS		
	Zahari @ Mohd Zin Idris • Non-Independent Non-Executive Director/Chairman	12/12	100
	Datuk Zamani Abdul Ghani • Independent Non-Executive Director	11/12	92
	Azizan Ahmad • Independent Non-Executive Director	12/12	100
	FORMER MEMBERS		
	Datuk Nik Mohd Hasyudeen Yusoff • Non-Independent Executive Director • Ceased to be a Member w.e.f. 1 September 2019	9/9	100
	Datuk Zaiton Mohd Hassan • Non-Independent Non-Executive Director • Resigned w.e.f. 18 February 2019	1/1	100

BOARD STRATEGIC REVIEW COMMITTEE ("BSRC")		
Number of Meeting held in 2019		5
Name	Meeting Attendance	%
EXISTING MEMBERS		
Mohd Yuzaidi Mohd Yusoff • Independent Non-Executive Director/Chairman • BSRC Chairman since 1 September 2019	3/3	100
Mohamed Ridza Mohamed Abdulla • Non-Independent Non-Executive Director	5/5	100
Noraini Che Dan • Independent Non-Executive Director	3/5	60
FORMER MEMBERS		
Datuk Nik Mohd Hasyudeen Yusoff • Non-Independent Executive Director • Ceased to be the Chairman w.e.f. 1 September 2019	2/2	100
Azizan Ahmad • Independent Non-Executive Director • Ceased to be a Member w.e.f. 1 April 2019	0/0	0/0*
Datuk Zaiton Mohd Hassan • Non-Independent Non-Executive Director • Resigned w.e.f. 18 February 2019	0/0	0/0*

* The first BSRC meeting was held on 17 April 2019

BSRC Meeting Hours
15 Hours 15 Minutes

Average Number of Hours Spend on Each BSRC Meeting

3 Hours 3 Minutes

TWO OUT OF THREE EXISTING BSRC MEMBERS HAVE COMPLIED WITH THE ATTENDANCE REQUIREMENT UNDER THE TERMS OF REFERENCE OF NOT LESS THAN 75%

BOARD INFORMATION TECHNOLOGY COMMITTEE ("BITC")		
Number of Meeting held in 2019		5
Name	Meeting Attendance	%
EXISTING MEMBERS		
Mohamed Ridza Mohamed Abdulla • Non-Independent Non-Executive Director/Chairman	5/5	100
Dato' Sri Khazali Ahmad • Independent Non-Executive Director	5/5	100
Azizan Ahmad • Independent Non-Executive Director	5/5	100
Mohd Yuzaidi Mohd Yusoff • Independent Non-Executive Director • BITC member since 1 August 2019	5/5	100

BITC Meeting Hours

12 Hours 54 Minutes

Average Number of Hours Spend on Each BITC Meeting

2 Hours 35 Minutes

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

Board Composition

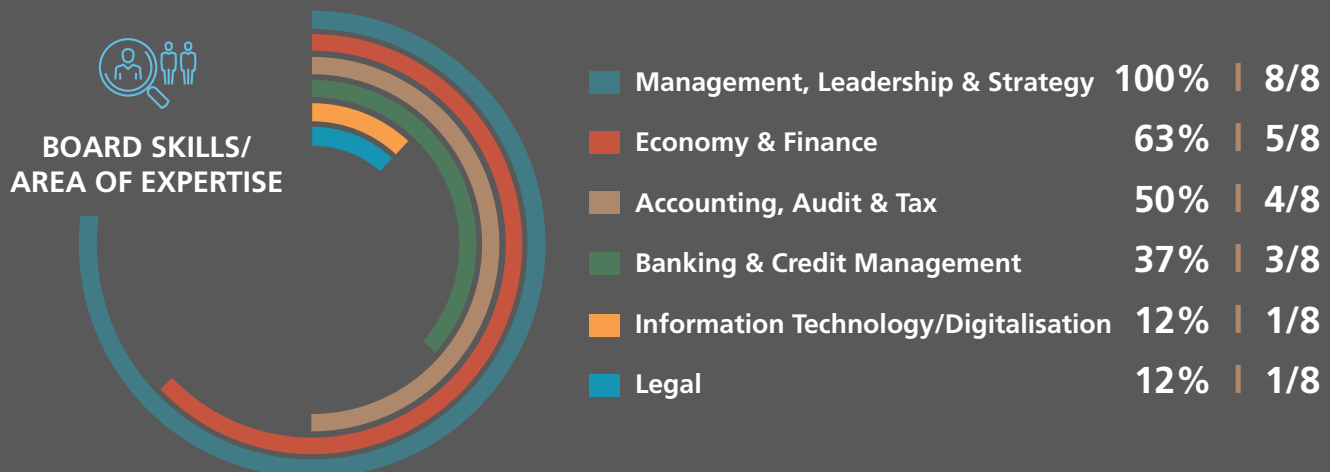
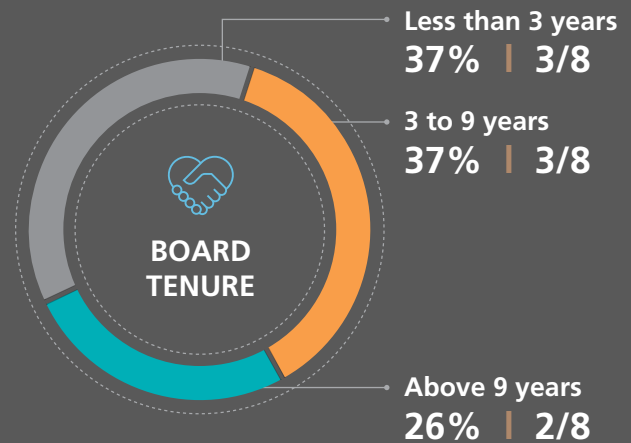
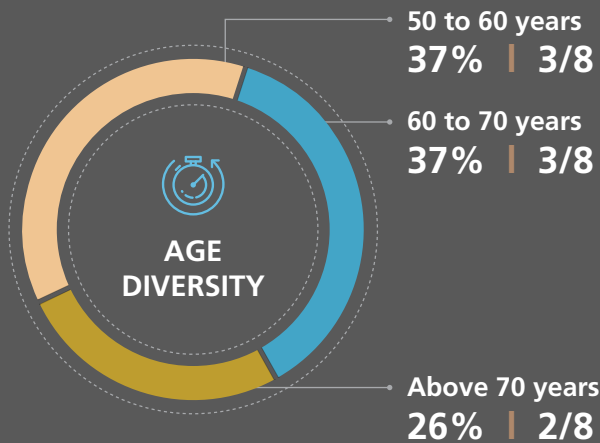
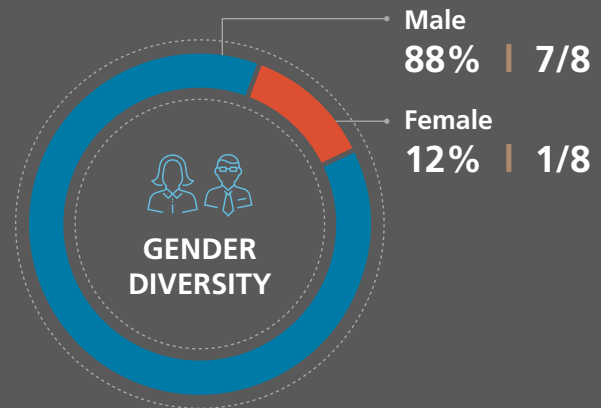
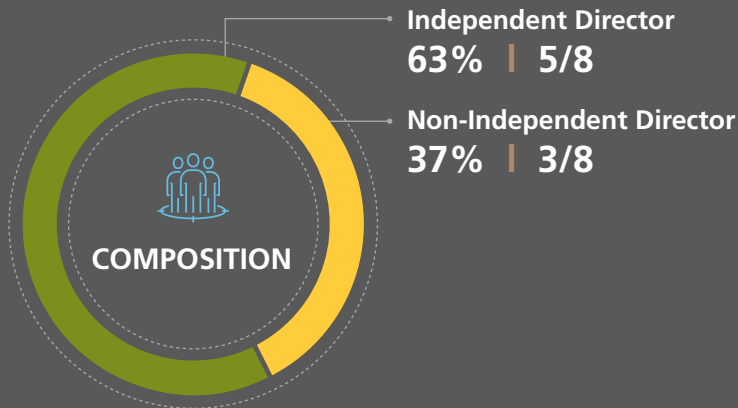
During the financial year under review, there were two (2) resignations by the Non-Independent Directors while one (1) new Independent Director was appointed. Meanwhile, two (2) Independent Directors were redesignated as Non-Independent Directors. As at 31 December 2019 the Board comprised of eight (8) Directors, five (5) of whom are independent.

This composition complies with the BNM CG Policy requirement to have majority Independent Directors on the Board. The Chairman of the Board being an Independent Director, provides an effective check and balance in the functions of the Board. Details of each Director can be found on pages 82 to 89 of this Integrated Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

Board Diversity

As part of our belief that diversity has a positive impact on the Bank, the Board is committed to diversity and inclusiveness in its composition and deliberations. The Board considers diversity from a number of different aspects, including gender, age, educational background, professional experience, skills, knowledge and length of service.



Board Independence

There is a high level of independence of the Board, as five (5) out of eight (8) Board Members are Independent Directors. The Board undertakes a rigorous review to determine the independence of the Director. The following are taken into account to determine the independence of the Directors:

- ability to act independently in character and judgment and free from any association or circumstances that may impair his independence;
- involvement in any significant business or contractual relationship with a value of above RM1.0 million; and
- tenure for a period no longer than nine (9) years. The Board may, however, decide to retain a member as an Independent Non-Executive Director beyond the nine (9) years period, subject to the approval of the shareholders and BNM.

Board Commitment

The Board Charter states that a Director must commit sufficient time to carry out his duties and declare to the Board details of all other significant business and interests. The Board is satisfied that each Director has devoted his/her time sufficiently to carrying out his/her responsibilities.

The Board Charter also stipulates that the maximum number of external professional commitments of each Director must not be more than ten (10), of which the number of directorship in listed companies must not be more than five (5), unless with prior approval of the Board. To date, all Directors complied with the said requirements. The Board is satisfied that the current number of external professional commitments held by the Board Members does not impair their ability or judgement in discharging their roles and responsibilities.

Succession Planning

The BNRC is responsible for developing succession plans and to identify and recommend candidates for the Board to ensure that the Board is made up of directors with appropriate skills, experience, expertise and diversity. The BNRC also oversees the appointment and succession planning for key Senior Management.

In 2019, there were changes in the Board composition as follows:

- Resignation of two (2) Non-Independent Non-Executive Directors:
 - Datuk Zaiton Mohd Hassan (*resigned with effect from 18 February 2019*); and
 - Professor Emeritus Tan Sri Dato' Dr Abd Shukor Husin (*resigned with effect from 1 April 2019*).

- Appointment of one (1) Independent Non-Executive Director:
 - Mohd Yuzaidi Mohd Yusoff (*appointed with effect from 1 July 2019*).
- Redesignation of Independent Non-Executive Directors to Non-Independent Directors:
 - Datuk Nik Mohd Hasyudeen Yusoff (*redesignated as Non-Independent Executive Director with effect from 1 September 2019 following his appointment as the Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji*); and
 - Mohamed Ridza Mohamed Abdulla (*redesignated as Non-Independent Non-Executive Director with effect from 1 December 2019 as his tenure has reached more than nine (9) years*).

In view of the above, the BNRC and the Board have deliberated on the Board succession plan taking into account the factors on the tenure of the directors, the skill gaps in the current Board and the requirement of BNM CG Policy. A pool of talents have been identified as potential successors for the Board.

Appointment of new Directors

There is a formal and transparent process for the appointment of a new Director, which the BNRC oversees. The BNRC considers the proposals for the appointment of new Directors and makes a recommendation to the Board on the suitability of candidates. As part of the assessment of suitability of a candidate, an interview with the candidate is conducted by the BNRC. The BNRC determines whether the candidates satisfy the requisite skills and core competencies in accordance with the Company's Policy on Fit and Proper Criteria for Key Responsible Persons, BNM CG Policy, MCCG 2017 and BNM's Guideline on Fit & Proper. The Board decides on a proposed appointment based on the BNRC's recommendation. Upon selection by the Board, an application for the appointment of a director is submitted to BNM for approval.

Reappointment of Directors

A Director who is due for reappointment is assessed by the BNRC who will submit its recommendation to the Board for deliberation and approval. Upon the Board's approval, a submission is made to BNM for its approval three (3) months prior to the expiry of the Director's tenure.

Recommendations to the shareholders for any Directors' re-election and reappointment is based on the Directors' performance. Directors who are due for re-election at the forthcoming AGM are Zahari @ Mohd Zin Idris, Mohamed Ridza Mohamed Abdulla and Mohd Yuzaidi Mohd Yusoff.

STATEMENT ON CORPORATE GOVERNANCE

Professional Development and Continuous Education for Directors

Bank Islam is dedicated to the on-going development of its Directors to ensure that each Director possesses the knowledge and skills necessary to discharge their responsibilities.

The Bank has adopted a policy on directors' training which includes the following:

- Newly appointed Director will undergo a 3-day induction programme with the Management. To ensure the newly appointed Director has a good understanding on the business operation, governance as well as risk associated with the Bank, he/she will be briefed on the Group's governance structure, business operations together with important regulations and laws including branch visitation;
- Newly appointed Director will complete Director's Core Training Programme under the Financial Institutions Directors' Education Programme ("FIDE Forum") and directors' training programme by International Shariah Research Academy ("ISRA") within two (2) years upon the Director's appointment to the Board;

- All Directors are encouraged to attend at least two (2) training programme in a year for topics that are relevant to enable them to discharge their roles and responsibilities effectively;
- In-house training for the Directors will also be organised to ensure they are always up-to-date with important topics and latest regulations.

Except for the newly appointed director, Mohd Yuzaidi Mohd Yusoff, all other Board members have attended and completed the Director's Core Training Programme under FIDE within the period stipulated under the Director's Training Policy of the Bank. In 2019, the Group Corporate Secretarial Office organised a Directors Conference for all directors within the Group. The topics covered are on the role and functions of the Board, related party transactions, conflict of interest and conflict of duty as well as Corporate Liability for corruption.

Trainings attended by the Directors in 2019 are as follows:

Role	Organiser	List of Training/Conference/Seminar/Workshop Attended
Datuk Zamani Abdul Ghani	<ul style="list-style-type: none"> • Bank Islam (Internal) • ICLIF • ICLIF • ISRA • ICLIF • ICLIF • BIMB Holdings Berhad (Internal) 	<ul style="list-style-type: none"> • Information Technology ("IT") Roadmap and Digital Journey • "Lets Get Real" on Anti-Bribery • Understanding Liquidity Risk Management in Banking • Islamic Finance for Board of Directors • Anti-Money Laundering/Counter Financing of Terrorism - Banking Sector • Emerging Risks, the Future Board and Return on Compliance • Directors' Conference 2019
Zahari @ Mohd Zin Idris	<ul style="list-style-type: none"> • ISRA • Bank Islam (Internal) • BIMB Holdings Berhad (Internal) 	<ul style="list-style-type: none"> • Islamic Finance for Board of Directors • Tax Awareness Training for Directors • Directors' Conference 2019
Datuk Nik Mohd Hasyudeen Yusoff	<ul style="list-style-type: none"> • Bank Islam (Internal) • ICDM • ISRA • BIMB Holdings Berhad (Internal) 	<ul style="list-style-type: none"> • Information Technology ("IT") Roadmap and Digital Journey • Powertalk Revisiting The Misconception of Board Remuneration • Islamic Finance for Board of Directors • Directors' Conference 2019
Noraini Che Dan	<ul style="list-style-type: none"> • Bank Islam (Internal) • FIDE • Bank Islam (Internal) • BIMB Holdings Berhad (Internal) 	<ul style="list-style-type: none"> • Information Technology ("IT") Roadmap and Digital Journey • Chartered and Fellowship Masterclass ("CFM") • Tax Awareness Training for Directors • Directors' Conference 2019

Role	Organiser	List of Training/Conference/Seminar/Workshop Attended
Mohamed Ridza Mohamed Abdulla	<ul style="list-style-type: none"> Bank Islam (Internal) RSA Conference Microsoft FIDE Forum FIDE Forum ISRA Professional Knowledge Centre Bank Islam (Internal) FIDE BIMB Holdings Berhad (Internal) 	<ul style="list-style-type: none"> Information Technology (“IT”) Roadmap and Digital Journey RSA Conference 2019 Microsoft Executive Briefing Centre BNM-FIDE FORUM Dialogue with the Deputy Governor on the Draft Risk Management in Technology (“RMIT”) Policy Rethinking Strategy Islamic Finance for Board of Directors Bank Tech Asia 2019 Tax Awareness Training for Directors 4th Distinguished Board Leadership Series: Digital to the Core Directors’ Conference 2019
Dato’ Sri Khazali Ahmad	<ul style="list-style-type: none"> Bank Islam (Internal) ISRA Professional Knowledge Centre BIMB Holdings Berhad (Internal) 	<ul style="list-style-type: none"> Information Technology (“IT”) Roadmap and Digital Journey Islamic Finance for Board of Directors Bank Tech Asia 2019 Directors’ Conference 2019
Azizan Ahmad	<ul style="list-style-type: none"> Bank Islam (Internal) ISRA Professional Knowledge Centre BIMB Holdings Berhad (Internal) 	<ul style="list-style-type: none"> Information Technology (“IT”) Roadmap and Digital Journey Islamic Finance for Board of Directors Bank Tech Asia 2019 Directors’ Conference 2019
Mohd Yuzaidi Mohd Yusoff	<ul style="list-style-type: none"> ICDM FIDE Forum Bank Islam (Internal) FIDE Forum ICDM Securities Commission BIMB Holdings Berhad (Internal) ISRA MDEC 	<ul style="list-style-type: none"> MKD Directors Talk Series #2: When Disruption Meets Tradition Dialogue on Innovation and Fintech in the Financial Services Industry Tax Awareness Training for Directors 4th Distinguished Board Leadership Series: Digital to the Core International Directors Summit 2019 Fintech Conference Directors’ Conference 2019 Islamic Finance for Board of Directors MDEC Islamic Fintech Dialogue Roundtable

Board Evaluation

The annual Board Effectiveness Evaluation (“BEE”) was conducted to assess the performance and effectiveness of the Board, its committees and the individual director. The BEE also examined the fitness and properness, contribution and performance, calibre and personality of the directors. A peer assessment is performed to evaluate the effectiveness of the Chairman, individual

director, the Independent Directors and the nominee Directors. The results of the evaluation are tabulated and reviewed by the Board.

Based on the 2019 BEE, the results showed that the Board is satisfied with the overall conduct of the Board and Board Committee meetings, participation by the members, the effectiveness of the Chairman of the Board and Board Committees as well as the performance of the Independent Directors.

STATEMENT ON CORPORATE GOVERNANCE

BAEC

Chairman

Noraini Che Dan

Members

Datuk Zamani Abdul Ghani
(retired w.e.f. 1 March 2020)

Zahari @ Mohd Zin Idris

Mohamed Ridza Mohamed
Abdulla

Dato' Sri Khazali Ahmad

Mohd Yuzaidi Mohd Yusoff
*(appointed w.e.f. 5 March
2020)*

Former Members Who Served During the Year under Review

Datuk Nik Mohd
Hasyudeen Yusoff
*(ceased to be a member w.e.f.
1 September 2019)*

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

BOARD COMMITTEES

Board Audit & Examination Committee ("BAEC")

Role

Assist the Board in ensuring a reliable and transparent financial reporting process and internal control system are in place within the Bank and provide an independent oversight on the effectiveness of the internal and external audit functions.

BAEC Activities in 2019

Reviewed the following

- Internal audit reports on the Head Office, the branches and identified critical units of Bank Islam;
- Shariah audit reports on relevant units/functions of Bank Islam;
- IT system audit reports;
- Investigation reports on fraud and negligence cases in the Bank;
- Significant matters highlighted by the Management or the external auditors and reviewed the progress of the action plan;
- Audit plans by the external auditors and internal auditors and its progress;
- Report on whistle-blowing cases; and
- BNM Thematic Review on MFRS9.

Reviewed and recommended to the Board the following

- The unaudited interim financial statements and the audited financial statements;
- Proposed dividend payment;
- The appointment of new external auditor, Messrs. PricewaterhouseCoopers; and
- Implementation of the National Anti-Corruption Plan ("NACP") which include renaming the existing Ethics and Integrity Department to Integrity and Governance Department ("IGD") and enhancing the reporting structure in IGD.

The BAEC received reports and updates from the external auditors and were made aware of all relevant issues of concern during the year. In 2019, the BAEC had three (3) meetings with the external auditors of which one (1) meeting was a session without the presence of the Management.

Meetings

Eight (8) meetings were held during the financial year ended 31 December 2019, in line with the required frequency as stipulated in the Terms of Reference of the BAEC. Apart from the BAEC members, the meetings were also attended by the Chief Executive Officer, the Chief Internal Auditor and the Chief Compliance Officer.

Board Risk Committee (“BRC”)

Role

Assist the Board in ensuring that a sound and robust risk management framework as expected by BNM is in place and effectively implemented. The BRC provides an independent oversight on the Management’s activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah risk and other risk and ensures that the risk management process is in place and functioning.

BRC Activities in 2019

Reviewed and deliberated the following reports

- Risk management report covering credit risk, market risk, operational risk and Shariah non-compliance risk;
- Emerging risk report;
- Technology Risk and Cybersecurity report;
- Compliance report covering Anti-Money Laundering/Counter Financing of Terrorism (“AML/CFT”), regulatory compliance and update on new policies and regulations;
- Risk Management in Technology (“RMiT”) gap analysis;
- Complaints Management report; and
- Ethics & Integrity Investigation report.

Reviewed and approved the following

- Strategies for liquidity management;
- Stress test scenario and its methodology for capital management;
- Credit scoring methodologies for credit management;
- Trading and investment strategies for Treasury;
- Limits for credit and market risk management;
- Renewal of outsourcing service provider;
- Product programs proposed by the business units to ensure it is in line with the target risk profile and risk acceptance criteria of the Bank; and
- Review of Administrative Authority for Credit Matters.

Reviewed and recommended to the Board the following

- The risk appetite setting for the Bank to ensure it is in line with the corporate strategy and direction;
- The implementation of the Internal Capital Adequacy Assessment Process (“ICAAP”) for the Bank;
- New product/services proposed by the business units;
- Significant business and operating policies of the Bank; and
- Review of Discretionary Power for Central Financing Processing Centre.

Meetings

Nine (9) meetings were held during the financial year ended 31 December 2019, in line with the required frequency as stipulated in the Terms of Reference of the BRC. Apart from the BRC members, the meetings are also attended by two (2) SSC representatives, Chief Executive Officer, the Chief Risk Officer, the Chief Credit Officer, the Chief Shariah Officer, and the Chief Compliance Officer.

BRC

Chairman

Azizan Ahmad
(appointed as Chairman w.e.f. 1 September 2019)

Members

Datuk Zamani Abdul Ghani
(retired w.e.f. 1 March 2020)

Zahari @ Mohd Zin Idris

Noraini Che Dan

Mohd Yuzaidi Mohd Yusoff
(appointed w.e.f. 1 August 2019)

Former Members Who Served During the Year under Review

Datuk Nik Mohd Hasyudeen Yusoff
(ceased to be the Chairman w.e.f. 1 September 2019)

Professor Emeritus Tan Sri Dato’ Dr Abd Shukor Husin
(resigned w.e.f. 1 April 2019)

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

STATEMENT ON CORPORATE GOVERNANCE

BNRC**Chairman**

Noraini Che Dan

.....▶

Members

Datuk Zamani Abdul Ghani
(retired w.e.f. 1 March 2020)

Zahari @ Mohd Zin Idris

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

.....▶

Former Members Who Served During the Year under Review

Datuk Nik Mohd Hasyudeen Yusoff
(ceased to be a Member w.e.f. 1 September 2019)

Professor Emeritus Tan Sri Dato' Dr Abd Shukor Husin
(resigned w.e.f. 1 April 2019)

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

Board Nomination and Remuneration Committee ("BNRC")**Role**

Assist the Board on the process for nomination, remuneration and succession plan of the Board, Board Committees, SSC, the Chief Executive Officer and key Senior Management personnel.

BNRC Activities in 2019**Reviewed and recommended to the Board the following**

- The appointment of one (1) new Independent Non-Executive Director and two (2) new SSC members;
- The reappointment of one (1) Independent Non-Executive Director, two (2) Non-Independent Non-Executive Directors and five (5) SSC Members;
- Review of the Board and Board Committees' composition;
- Board Succession Plan taking into account factors on the tenure of the directors, skill gaps in the current Board and the requirement of the BNM CG Policy;
- Establishment of pool of directors for succession plan;
- Nomination of candidate for the Chairman's position;
- The appointment of new nominee directors in companies where Bank Islam has interest in;
- The appointment of new Heads of Division to fill up vacancies of several positions;
- Renewal of contract of service of Senior Management and their remuneration;
- Succession Management Plan;
- Annual reward for Senior Management based on their performance and KPIs;
- Review of the employees' remuneration and benefits based on study undertaken by the external consultant;
- Remuneration policy for Senior Management/Material Risk Takers;
- Review of Employees Code of Conduct; and
- Review of Human Resources Policy.

Meetings

Eight (8) meetings were held during the financial year ended 31 December 2019, in line with the required frequency as stipulated in the Terms of Reference of the BNRC. Apart from the BNRC members, the meetings are also attended by the Chief Executive Officer. The Chief Human Resources Officer will also be invited to facilitate deliberation of issues under his purview.

Board Financing Review Committee (“BFRC”)

Role

Review financing and/or investment proposals approved by the Financing Committee ‘A’ and/or Underwriting & Investment Committee of the Management based on the limits determined by the Board and exercise the authority delegated by the Board to approve any investment or financing/credit related proposals for connected party.

BFRC Activities in 2019

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

- 67 new investment or financing/credit proposals; and
- 107 review of existing investment or financing/credit proposals.

Approved any connected party transactions under BNM Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks.

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

Board Strategic Review Committee (“BSRC”)

Role

Assist the Board to oversee, supervise and monitor the implementation of identified key strategic matters and any corporate exercises involving the Bank that the Board has endorsed or approved.

BSRC Activities in 2019

Reviewed and deliberated the following

- Strategic Management Dashboard;
- Bank Islam culture change initiatives;
- Performance Management and KPI of Senior Management to be in line with the Bank’s strategy and business plan;
- New Performance Management and Development framework for 2020;
- Implementation of Sadaqa House plan;
- Activities to build Bank Islam as innovating organisation;
- Digital Banking initiatives; and
- Bank Islam branding initiatives.

Reviewed and recommended to the Board the Bank’s 3-year strategic business plan, budget and financial projection

Meetings

Twelve (12) meetings were held during the financial year ended 31 December 2019, in line with the required frequency as stipulated in the Terms of Reference of the BFRC. Apart from the BFRC members, the meetings are also attended by the Chief Executive Officer, the Chief Credit Officer and Heads of the respective business units.

Meetings

Five (5) meetings were held during the financial year ended 31 December 2019, in line with the required frequency as stipulated in the Terms of Reference of the BSRC. Apart from the BSRC members, the meetings are also attended by the Chief Executive Officer and the Chief Strategy Officer.

BFRC

Chairman

Zahari @ Mohd Zin Idris

◀.....

Members

Datuk Zamani Abdul Ghani
(retired w.e.f. 1 March 2020)

Azizan Ahmad

◀.....

Former Members Who Served During the Year under Review

Datuk Nik Mohd Hasyudeen Yusoff
(ceased to be a Member w.e.f. 1 September 2019)

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

BSRC

Chairman

Mohd Yuzaidi Mohd Yusoff
(appointed as the Chairman w.e.f. 1 September 2019)

◀.....

Members

Noraini Che Dan

Mohamed Ridza Mohamed Abdulla

◀.....

Former Members Who Served During the Year under Review

Datuk Nik Mohd Hasyudeen Yusoff
(ceased to be the Chairman w.e.f. 1 September 2019)

Azizan Ahmad
(ceased to be a Member w.e.f. 1 April 2019)

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

STATEMENT ON CORPORATE GOVERNANCE

BITC

Chairman

Mohamed Ridza Mohamed Abdulla

Members

Dato' Sri Khazali Ahmad

Azizan Ahmad

Mohd Yuzaidi Mohd Yusoff
(appointed w.e.f. 1 August 2019)

Former Members Who Served During the Year under Review

Nil

Board Information Technology Committee ("BITC")

Role

Assist the Board in overseeing the implementation of strategies of Information Technology ("IT") and digitalisation activities including e-banking initiatives of the Bank.

BITC Activities in 2019

Reviewed and deliberated the following

- Three (3) years Digital Transformation Plan and its progress updates;
- IT gaps based on BNM Risk Management in Technology ("RMiT") policy document;
- Audit issues relating to IT;
- Progress of IT Blueprint;
- Progress implementation of the Cyber Security and Technology Risk Management 3 Years Roadmap;
- IT Capex budget requirements;
- Report on Cybersecurity initiatives; and
- Enhancement of core banking system.

Meetings

Five (5) meetings were held during the financial year ended 31 December 2019, in line with the required frequency as stipulated in the Terms of Reference of the BITC. Apart from the BITC members, the meetings were also attended by the Chief Executive Officer, the Chief Technology Officer and the Chief Information Security Officer.



Remuneration for Board of Directors

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

The remuneration structure for Non-Executive Directors takes into consideration relevant factors including:

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

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

A review of the remuneration is conducted every three (3) years. The review takes into account comparison against the industry peers and FIDE Forum Directors' Remuneration Report 2015.

Details of Directors' remuneration during the financial year are disclosed in Note 32 on page 214 of Bank Islam's Financial Statements.

Remuneration Policy for Senior Management Team ("SMTs") & Material Risk Takers ("MRTs")

Bank Islam's Remuneration Policy for SMTs/MRTs which has been reviewed by the BNRC and approved by the Board, applies to all SMTs & MRTs within the Bank to promote transparent and adequate remuneration. The policy exists to set forth appropriate governance around the Total Rewards of the Bank's SMT/MRTs for their contributions to the Bank keeping in view the roles and responsibilities of these individuals from the perspective of performance excellence, risk management, compliance and sustainability.

Components of Remuneration

Remuneration Component	Approach
Base Salary	Basic wage paid to an employee as guarantee for service/work rendered to the company.
Fixed Allowance(s)	Guaranteed cash paid under various classifications to compensate for miscellaneous job-related expenses.
Benefits	Non-wage remuneration provided in addition to other cash compensation.
Variable Pay	Annual non-guaranteed, performance-based cash payments/bonus and profit sharing awards.
Long-Term Incentive	Rewards system designed to enhance individual long-term performance by providing rewards tied to the Bank's annual performance and/or growth.

Deferred Cash Mechanism & Pool Setting Approach

Mechanism	Approach
Total Cash Benchmark	Variable Pay in the form of Performance Bonus or equivalent Short-Term Incentive may be awarded to the Bank's SMT/MRTs as compensation for driving superior performance throughout the performance year or term of employment (Full-Term Contract or otherwise gainfully employed).
Determination of Amount Deferred	The deferment of payment of a portion of variable pay will be adopted in view of managing any financial risk associated with SMT/MRTs compensation, while adhering to necessary compliance with legislations set forth by Bank Negara Malaysia.
Pool Setting Approach	Funding of the Bank's determined Variable Pay and the subsequent Cash Deferral for the SMT/MRTs, where applicable, is simulated taking into account market competitiveness, funding rates and overall affordability.

Mandatory deferral – Bonuses (short-term incentives) can be deferred over time subject to forfeiture or adjustment

Bonus Malus – Refers to the part of the deferred bonus that has not yet been paid out and can be 'reclaimed' because, for example, an acquisition's due diligence is not carried out thoroughly.

Clawback – This is applied to a bonus that has already been paid out. It can be reclaimed by the employer in, for example, cases of gross negligence or non-compliance.

The breakdown of the total amount of remuneration awards in respect of SMTs and MRTs in 2019 is as follows:

Element	No of SMTs and MRTs	Total Amount
Basic Salary, Fixed Allowance & Bonus	31	RM22.47 million
Benefits-in-Kind other Emolument	31	RM4.44 million

Percentage Fixed vs Percentage Variable

Fixed Remuneration	59.3%
Variable income (Bonus)	40.7%

STATEMENT ON CORPORATE GOVERNANCE

Principle B: Effective Audit and Risk Management

The Board is responsible for having in place an effective governance, risk management and internal control framework to ensure the Bank remains resilient and sustainable. The Board Audit & Examination Committee (“BAEC”) and the Board Risk Committee (“BRC”) assist the Board in discharging these duties.

Board Audit and Examination Committee (“BAEC”)

The BAEC is chaired by Noraini Che Dan, who is a member of the Malaysian Institute of Accountant (“MIA”) and a member of the Malaysian Institute of Certified Public Accountants (“MICPA”). Out of the five (5) members of the BAEC, three (3) members are Independent Non-Executive Directors. Apart from having members who are experienced in the field of accounting, the BAEC also comprised members that have experience in banking, economy, finance, legal and tax management. Collectively, the BAEC members possess a wide range of necessary skills to discharge its duties effectively.

The list of trainings attended by all members of the BAEC to keep themselves informed of relevant developments in accounting and auditing standards can be found on page 133.

Internal Auditors

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

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

The IAD undertakes the audit of entities within the Bank, its subsidiaries and related parties of the Bank. The annual Audit Plan is reviewed and approved by the BAEC prior to the start of each financial year. It 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 BAEC on a regular basis. Resolution of the audit findings and recommendations are performed by the Management and closely observed by the Management Audit Committee whose members comprise of the members of the senior management. In addition, Shariah audit reports including their findings, risks and recommendations are notified and deliberated at the SSC meetings.

The IAD is committed to provide an independent, objective assurance and advisory services that will add value and improve the Bank’s operations.

External Auditors

The suitability, objectivity and independence of Bank Islam’s External Auditors are assessed by the BAEC annually. The assessment includes the ability of the external auditor in meeting the Bank’s requirements, business insights and ideas, service efficiency and effectiveness as well as value management. The BAEC meets at least once a year with the external auditors without the presence of the Management.

Board Risk Committee (“BRC”)

The BRC and the Management Risk Control Committee (“MRCC”) have been established to ensure the effectiveness of the Bank’s risk management framework and policies. The BRC is chaired by Azizan Ahmad. Out of the five (5) members of the BRC, four (4) members are Independent Non-Executive Directors.

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

Principle C: Board Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

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

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

As a wholly-owned subsidiary of BIMB Holdings Berhad, a listed company on Bursa Malaysia, Bank Islam leverages on BIMB Holdings Berhad’s investor relations activities in disseminating relevant and material information about the Bank to its stakeholders.

Disclosure on Investor Relations activities can be found in BIMB Holdings Berhad’s Integrated Annual Report 2019 and their website www.bimbholdings.com.

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

The overall responsibility of promoting the sustainable growth and financial soundness of Bank Islam, setting the direction and oversight to the management of the business and operations of Bank Islam, lies with the Board.

Composition

The SSC has five (5) members until 31 October 2019, which is in line with the requirement of Principle 2 of the Shariah Governance Framework ("SGF"). However, the SSC membership was reduced to four (4) on 1 November 2019, upon the resignation of SS Ustaz Dato' Dr Anhar Opir following his appointment as member of the Shariah Advisory Council ("SAC") of BNM. The Bank has been given temporary approval by BNM to operate with four (4) SSC members until 30 April 2020. As at 3 February 2020, two (2) new SSC members have been appointed, namely Professor Dr Asmadi Mohamed Naim and Dr Shamsiah Mohamad. With these new appointments, the SSC composition has now complied with the requirement of Principle 2 of the SGF.

Members of the SSC have diverse backgrounds, experience and knowledge. Each SSC member is an expert in their respective specialised field such as Islamic law, Islamic banking, capital market, takaful, waqf, zakat, fatwa, halal industry etc. 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 support the depth and breadth of the Shariah deliberations.

Duties and Responsibilities

In addition to the Board's oversight accountability on Shariah compliance, the SSC was established to perform an oversight role on all Shariah matters and to advise the Bank in ensuring its business affairs and activities comply with Shariah. The SSC's primary duties and responsibilities are outlined in the Terms of Reference which is available at www.bankislam.com.

Authority

The SSC has the authority to do the following:

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

Code of Conduct

In accordance with its Code of Conduct, SSC members are expected to possess good character, competence, diligence and capability of making sound judgment. To ensure the quality and consistency of the decisions, the SSC has formulated the Methodology and Means of Decision Making to arrive to a decision on a given issue by applying the *usul fiqh* discipline and making reference to Shariah standards, fatwa and resolutions of Shariah authority councils and *fiqh* academies. It also enables the SSC and the Bank to review previous decisions at the request of the Bank or on its own initiative.

Responsibilities of the Bank Towards Shariah Compliance

The Bank works with the SSC to ensure that all business activities, products, services and operations are Shariah-compliant. 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. Therefore, it is the responsibility of the Bank to perform the following:

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

STATEMENT ON CORPORATE GOVERNANCE

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

- To comply with SSC decisions and establish Shariah requirements in its entire products, services, legal documentations and activities; and
- The Bank shall not change its allegiance and obedience to the SSC decisions to suit its convenience.

Appointment and Reappointment of Members

The Board, on the recommendation of the BNRC, decides on the appointment and reappointment of the SSC members, subject to BNM's written approval.

The Board ensures that the SSC members have the necessary credibility, integrity and calibre and the required skills and knowledge.

The appointment and reappointment of the SSC members is subject to the Fit and Proper Criteria adopted by Bank Islam as required under Principle 4 of the SGF and Fit and Proper policy document issued by BNM.

The Bank has obtained approval for the reappointment of all SSC members for the period commencing 1 April 2019 until 31 March 2021.

SSC Meeting Hours
28 Hours
Average Number of Hours Spend on Each SSC Meeting
3 Hours 6 Minutes
ALL SSC MEMBERS HAVE COMPLIED WITH THE ATTENDANCE REQUIREMENT UNDER THE BNM SHARIAH GOVERNANCE FRAMEWORK OF NOT LESS THAN 75%

SSC Meetings

Summary of SSC meetings attendance and time spent in 2019 are set out below:

SHARIAH SUPERVISORY COUNCIL ("SSC")		
Number of Meeting held in 2019		9
Name	Meeting Attendance	%
EXISTING MEMBERS		
Professor Dato' Dr Ahmad Hidayat Buang • Chairman	9/9	100
Ustaz Dr Ahmad Shahbari @ Sobri Salamon	9/9	100
Assistant Professor Dr Uzaimah Ibrahim	8/9	89
Associate Professor Dr Yasmin Hanani Mohd Safian	9/9	100
FORMER MEMBER		
SS Ustaz Dato' Dr Anhar Opir • Resigned w.e.f. 1 November 2019	7/8	88

Nine (9) meetings were held during the financial year ended 31 December 2019, in line with the required frequency as stipulated in the Terms of Reference of the SSC. Apart from the members of the SSC, meetings are also attended by two (2) directors as permanent invitees. Their presence at the meetings improves the quality of engagement between the Board members with SSC members, and increases their appreciation towards Shariah deliberations and decisions. However, the Board members' presence does not affect the independent deliberation by the SSC members in their informed decision making. The Board receives regular updates on significant matters deliberated during the SSC meetings and minutes of the SSC meetings are circulated to the Board.

Training

In line with Principle 4 of the SGF, SSC members undergo continuous training to keep abreast with the development in the banking industry and to enhance their skills and knowledge in discharging their responsibilities effectively.

During the financial year, all five (5) of the SSC members had enrolled in the Certified Shariah Advisor ("CSA") by the Association of Shariah Advisors in Islamic Finance Malaysia ("ASAS"). The certification was commissioned by BNM to motivate professionalism among Shariah advisors. This initiative by ASAS was mentioned in the Malaysian Financial Blueprint 2011-2020 under Agenda 3.2 to develop Malaysia as reference centre for Islamic financial transactions.

Trainings attended by the SSC members in 2019 are as follows:-

Name of SSC Members	Organiser	Training Programme
Professor Dato' Dr Ahmad Hidayat Buang	<ul style="list-style-type: none"> • ASAS 	<ul style="list-style-type: none"> • Certified Shariah Advisor ("CSA") - Level 2 Modules: <ul style="list-style-type: none"> - Legal Documentation For Islamic Financial & Capital Market Services - Islamic Capital Market - Applied Shariah Research & Finance – <i>Jami' Fiqh</i> - Islamic Banking Product and Services - Risk Management - Corporate and Shariah Governance - Takaful
Ustaz Dr Ahmad Shahbari @ Sobri Salamon	<ul style="list-style-type: none"> • ASAS • ISRA 	<ul style="list-style-type: none"> • Certified Shariah Advisor ("CSA") - Level 2 Modules: <ul style="list-style-type: none"> - Islamic Banking Product and Services - Applied Shariah Research & Finance – <i>Jami' Fiqh</i> • 14th International Shariah Scholars Forum 2019 – Islamic Social Bank Prospects & Challenges
Assistant Professor Dr Uzaimah Ibrahim	<ul style="list-style-type: none"> • ASAS 	<ul style="list-style-type: none"> • Certified Shariah Advisor ("CSA") - Level 2 Modules: <ul style="list-style-type: none"> - Applied Shariah Research & Finance – <i>Jami' Fiqh</i> - <i>Usul Mazahib</i> - Critical Analysis of Contemporary Resolution In Islamic Finance - Risk Management - Corporate and Shariah Governance
Associate Professor Dr Yasmin Hanani Mohd Safian	<ul style="list-style-type: none"> • ASAS • ISRA 	<ul style="list-style-type: none"> • Certified Shariah Advisor ("CSA") - Level 2 Modules: <ul style="list-style-type: none"> - Legal Documentation For Islamic Financial & Capital Market Services - Islamic Capital Market - <i>Usul Mazahib</i> - Islamic Banking Product and Services - Critical Analysis of Contemporary Resolution In Islamic Finance - Risk Management - Corporate and Shariah Governance • 14th International Shariah Scholars Forum 2019 – Islamic Social Bank Prospects & Challenges.
SS Ustaz Dato' Dr Anhar Opir	<ul style="list-style-type: none"> • ASAS 	<ul style="list-style-type: none"> • Certified Shariah Advisor ("CSA") - Level 2 Modules: <ul style="list-style-type: none"> - Islamic Banking Product and Services - Applied Shariah Research & Finance – <i>Jami' Fiqh</i> - <i>Usul Mazahib</i> - Risk Management

STATEMENT ON CORPORATE GOVERNANCE

Remuneration

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

A review of the remuneration is conducted every three (3) years.

Evaluation

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

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

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

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

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



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

BOARD RESPONSIBILITY

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

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

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

- b) Reviewing and approving relevant policies and procedures to manage risks in accordance with the Group's strategic vision and overall risk appetite;
- c) Designing, implementing and monitoring the effective implementation of risk management and internal control system;
- d) Reporting in a timely manner to the Board on any material changes to the risks and the corrective and mitigation actions taken.

MANAGEMENT RESPONSIBILITY

The Management is accountable to the Board and is responsible to ensure effective management of key issues relating to the overall risk management of the Group. This includes taking appropriate and timely corrective actions as required. The Management has assured the Board that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management framework and internal control systems adopted by the Group. The management roles include:

- a) Monitoring and assessing the overall risk profile of the Group including emerging risks such as credit risk, market risk, liquidity risk, operational risk, Shariah non-compliance risk and IT risk;

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

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

ACCOUNTABILITY

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

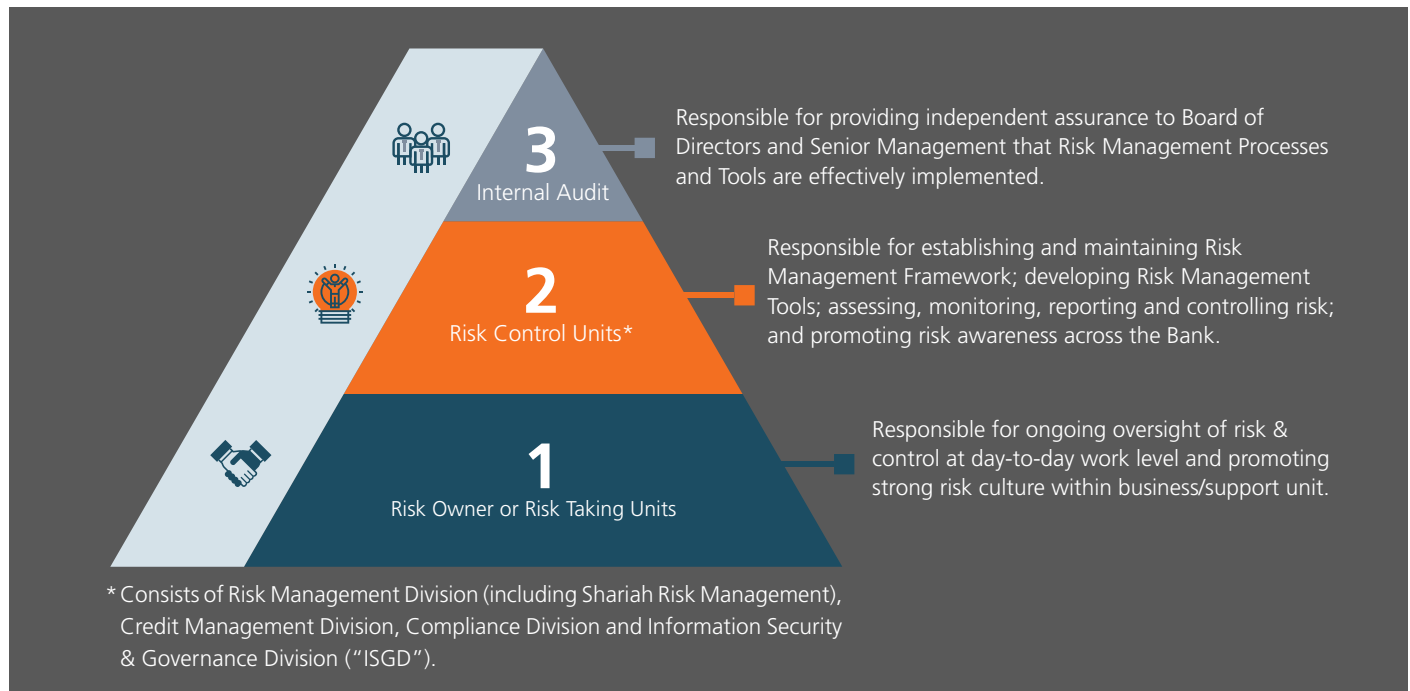
Risk Governance

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

BOARD OF DIRECTORS					
The Group's ultimate governing body which plays a critical role in ensuring sound and prudent policy and practices in the Group. It provides an effective check and balance mechanism in the overall management of the Group.					
BOARD COMMITTEES					
BOARD FINANCING REVIEW COMMITTEE ("BFRC")	BOARD RISK COMMITTEE ("BRC")		BOARD STRATEGIC REVIEW COMMITTEE ("BSRC")		
Responsible for: <ul style="list-style-type: none"> Reviewing all investment and financing/ credit related proposals above specified limits 	Responsible for: <ul style="list-style-type: none"> Overseeing the Group's activities in managing the following risk: <ul style="list-style-type: none"> Credit Risk Market & Liquidity Risk Operational Risk Compliance Risk Any other relevant risks 		Responsible for: <ul style="list-style-type: none"> Overseeing, supervising and monitoring the implementation of identified key strategic matters and any corporate exercises 		
MANAGEMENT COMMITTEES					
FINANCING COMMITTEES	BUSINESS CONTINUITY MANAGEMENT COMMITTEE ("BCMC")	MANAGEMENT RISK CONTROL COMMITTEE ("MRCC")			ASSET & LIABILITY MANAGEMENT COMMITTEE ("ALCO")
Responsible for: <ul style="list-style-type: none"> Assessing/ approving credits and investment/ capital market proposals 	Responsible for: <ul style="list-style-type: none"> Reviewing the Bank's BCM issues and making appropriate recommendation 	Responsible for: <ul style="list-style-type: none"> Performing the oversight functions to ensure effective risk management of key issues relating to the overall risk management of the Group 			Responsible for: <ul style="list-style-type: none"> Overseeing and deliberating key issues relating to Group's asset and liability management and market risk
		OPERATIONAL RISK CONTROL COMMITTEE ("ORCC")	RECOVERY MANAGEMENT COMMITTEE ("RMC")	DATA MANAGEMENT COMMITTEE ("DMC")	
		Responsible for: <ul style="list-style-type: none"> Facilitating MRCC in the management of key issues on operational risk 	Responsible for: <ul style="list-style-type: none"> Overseeing recovery issues and related operational strategies on recovery 	Responsible for: <ul style="list-style-type: none"> Overseeing Data Management initiatives and establish appropriate action plan to resolve issues on data management 	

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

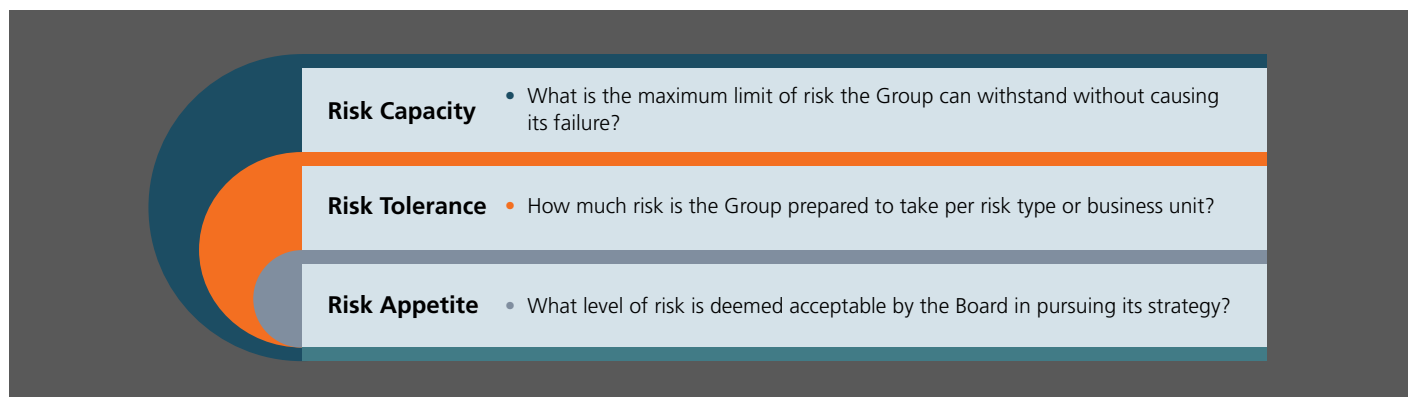
THREE LINES OF DEFENCE APPROACH



Risk Appetite

A critical component of the Group's Risk Management Framework is the Group's risk appetite framework, which enables the Board and Management at all levels to communicate, understand and assess the types and level of risks that the Group is willing to accept in pursuing its strategies. The Group's risk appetite has been integrated into its Corporate Direction and Business Plan and is changeable based on business and market conditions. It is determined based on the following elements:

RISK APPETITE ELEMENTS



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

Risk Management Process

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



Under this approach, active involvement of the Board, Senior Management and staff of all levels are required in the risk management process to ensure a uniform view of risks across the Group.

Risk Culture

Risk culture is key to the long-term effectiveness of the Group's risk management strategy. As encapsulated in the Group's Risk Management Tagline, *Managing Risk is Everyone's Business*,

building a strong risk culture is the responsibility of the Board, Senior Management and all employees of the Group. To ensure this, the risk management process and approach has been embedded in all the Group's core business processes, functions and activities.

The Group's risk culture evolves over time and is a reflection, amongst others, of senior management actions, effective enforcement of policies, guidelines and communication strategies.

Shariah Non-Compliance Risk

Shariah non-compliance risk (“SNCR”) is part of the operational risk and is defined as “the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Group may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia (“SAC”), standards on Shariah matters issued by the Bank pursuant to section 29(1) of the IFSA and section 33E(1) of the DFIA, or decisions or advice of the Shariah committee”¹. The responsibility of managing SCR is spearheaded by the Group’s Shariah Risk Management Department that is guided by the Risk Management Framework and Shariah Risk Management Guideline. The documents detail out the Shariah risk management processes and tools in order to provide a consistent framework for managing SCR across the Group.

Shariah risk management is a discipline that systematically identifies, measures, monitors and controls SCR to mitigate the occurrence of SNC events within the Group. Being part of operational risk,

it leverages on the same principles, processes and tools of operational risk. However, the tools are modified to suit the regulatory requirements on Shariah governance in order to provide a robust and consistent approach in managing SCR.

Information Technology Risk

Information Technology (“IT”) risk (including cyber risk) is the business risk associated with the use, ownership, operation, influence, involvement and adoption of technology within the Group. It also consists of technology-related events that could potentially impact the business. Banking industry heavily relies on technology and Bank Islam is of no exception. Such reliance exposes the Group to IT-related risks such as cyberattacks and system disruptions. To mitigate this, Bank Islam has established a framework and policy as well as put in place appropriate control measures and processes continuously being reviewed and enhanced. The Group also continued to invest in the latest IT infrastructure and tools as well as human capital development.

The responsibility for IT risk is spearheaded by the Information Security & Governance Division (“ISGD”). While it is responsible to establish, maintain and enforce IT risk policies and guidelines, it also works closely with IT Division, especially in identification, assessment, mitigation and monitoring of IT risk in the Group. In managing IT risk, the Group is among others, taking the following steps:

- i. Implementing IT risk management strategy that reflects the culture, appetite and tolerance levels of the Group, taking into consideration technology, budgets and regulatory requirement;
- ii. Designing policies and internal controls - policies and internal controls are designed to reduce technology related risks to an acceptable level and the effectiveness of those controls are monitored;
- iii. Performing risk assessment - risk assessment exercise is performed by looking at vulnerabilities and threats including those related to emerging technologies, making reference to audit findings, loss events, IT projects, etc; and
- iv. Monitoring process – reviews are conducted to ensure controls are adequately implemented and if not available, interim actions to mitigate the risk are applied.

Compliance Culture

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

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

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

¹ BNM’s Shariah Governance Policy, 2019.

ACCOUNTABILITY

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The following achievements and key compliance activities were introduced in 2019:

- Accredited with the Best Independent Assessment for Retail Standalone Category 2019 by PayNet;
- Established the Compliance Risk Assessment (“CRA”) methodology to ensure Compliance Risk is effectively managed;
- Jointly organised TAAT Integrity Programme with Group Human Resources participated by Board of Directors and Senior Management through knowledge sharing videos;
- Jointly organised “Act with Integrity” programmes with Group Human Resources in conjunction with the National Integrity Month and International Anti-Corruption Day;
- Re-enforced awareness on whistle-blowing and integrity during the Bank’s inaugural Mega Conference 2019;
- Introduced Bank Islam’s Gift Policy as guidance on acceptance and giving gifts under circumstances the Bank deems permissible;
- Held annual talk on Vendor’s Code of Ethics Guidelines (“VCOE”) for the Bank’s vendors and suppliers in order to provide guidance on their role and responsibilities in accordance to business ethics and corruption;
- Embarked on proof of concept for Artificial Intelligence-based solutions for AML/CFT transaction monitoring;
- Embarked on the development of e-KYC onboarding solution to enable safe and secure non face-to-face onboarding process;
- Embarked on Phase 2 full automation of customer risk profiling for financing customer onboarding;
- Developed the Materiality Risk Assessment Methodology to assess materiality of each outsourcing activity and its impact to the Bank;
- Manage issues pertaining to data and compliance to Statutory Reporting Enforcement Framework (“SREF”) through newly set-up Data Management Committee (“DMC”) and Data Management Working Team (“DMWT”);
- Strengthened the compliance culture through the Compliance Governance Working Group (“CGWG”) with the strong involvement by Business Compliance Officers and Enterprise Risk Units;
- Provided continuous awareness instilling integrity culture and shared current fraud/integrity issues through Integrity & Fraud Roadshow/Programmes during induction programmes and to Bank’s staff across the regions nationwide;
- Conducted continuous training and awareness to the respective agents of Compliance (i.e. Enterprise Risk Units, Business Compliance Officers and business representatives) in setting the expectation from Compliance;
- Enhanced capacity AML/CFT capacity building initiatives as well as awareness across the Bank, primarily on branches and business units; and
- Secondment of compliance staff to business divisions to enhance technical competencies and provide solutions in handling regulatory requirements.

ETHICS, INTEGRITY & TRUST

In advancing through a 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. 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 Bank's Integrity Division oversees and advances our journey towards greater Ethics, Integrity and Trust.

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

RECRUITMENT & SELECTION POLICY

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

- Declaration and undertaking not to disclose any confidential information and materials;
- A 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
- A declaration that they understand their roles and responsibilities in handling and safeguarding the Bank's IT and information assets.



WHISTLE-BLOWING POLICY

The Whistle-blowing Policy was 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.

The Bank has reviewed and enhanced its whistle-blowing channels during the year. These initiatives are to ensure greater confidentiality of whistle-blowers. The channels are as disclosed below:

1. Email to whistle@bankislam.com.my;
2. Bank Islam Integrity Hotline: 1-800-22-0091;
3. Write-in or meet in person with the Whistle-blower Coordinator on the 30th Floor, Menara Bank Islam, No 22, Jalan Perak, 50450 Kuala Lumpur; or
4. Online submission through Bank Islam Staff Portal:
Bank Islam Staff Portal > Whistle-blowing Policy > Disclosure Form

ANTI-MONEY LAUNDERING AND COUNTERING FINANCING OF TERRORISM ("AML/CFT") POLICY

Bank Islam has established a comprehensive AML/CFT Framework for the Bank to do business in compliance with the laws, regulations and policies governing AML/CFT. The framework outlines the preventive measures and procedures undertaken by the Bank to mitigate the risk of the Bank from being abused as a conduit for money laundering and terrorism financing ("ML/TF") activities.

The AML/CFT Policy is drawn upon in accordance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act ("AMLATFPUAA") 2001 and Bank Negara Malaysia's ("BNM") Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions ("AML/CFT & TFS for FIs") Policy Document. The Policy sets out the high-level standards towards building a more reliable and robust AML/CFT compliance regime within the Bank, facilitates consistency in managing the AML/CFT compliance risk across all units within the Bank, and sets out the Bank's policy statements in respect of the general principles and critical measures to which the Bank adheres to.

Pursuant to the Bank's AML/CFT Policy, the employees within the Bank are required to adopt Risk-based Approach ("RBA") for onboarding of customers and implement the AML/CFT Compliance Programme components. This includes customer due diligence ("CDD") requirements, monitoring of customer activities, reporting of suspicious transactions, record-keeping, AML/CFT training, independent audit function, protection of customer information and enforcement actions for non-compliance to the AML/CFT requirements. It also outlines the roles and responsibilities as well as establishes clear accountability of the Board of Directors, Senior Management and all employees within the Bank. The Board has an oversight responsibility for establishing the AML/CFT policies or procedures and minimum standards for AML/CFT compliance. At the same time, the Senior Management is accountable for the implementation and management of AML/CFT compliance programmes in accordance with the policies and procedures as approved by the Board.

In tandem with Bank Islam's AML/CFT policy and compliance programme, it reinforces the Bank's level of integrity in the financial industry. It builds up confidence and trust from the public, investors and stakeholders. While leveraging on fulfilling the regulatory requirements in AML/CFT compliance, Bank Islam is moving forward to enhance good governance by implementing a robust AML/CFT framework. Improving worldwide compliance with AML/CFT standards benefits the entire international financial architecture. In addition, a solid AML/CFT controls increase public confidence in financial institutions and national system and promote the integration of markets and investments through cross-border financial intermediation and direct foreign investment. Establishing a robust AML/CFT regime is, therefore, not only in the interest of the Bank and our country but also of the international financial system and community as a whole.

GIFT POLICY

Bank Islam implemented its Gift Policy on 29 September 2019 as a guide to all employees of Bank Islam in accepting and giving gifts when dealing with the Bank's customers, associates, vendors, consultants, a panel of solicitors, analysts and agents. A clear list of permissible and non-permissible gifts is listed with clear indications on which gifts may be accepted, given and managed in appropriate circumstances by maintaining best practices and standards of ethics and integrity at all times. All employees of Bank Islam are required to strictly adhere to the procedures outlined in this policy when discharging their duties and responsibilities.

The policy guides employees on what should or should not be accepted as a present, award or token of appreciation from business associates with a value not exceeding RM300. However, it must be stressed that accepting gifts from vendors or particular business associates is deemed inappropriate and falls under the non-permissible category. The Bank has established a specific condition on the types of permissible gifts and non-permissible gifts.

Clearance procedures and processes have also been established. In order to reflect the visibility and disclosure of the gift acceptance, employees are required to obtain approval and clearance from the relevant authority regardless of the value by submitting the Gift Acceptance Declaration Form and paying attention to the conditions stated therein. The Gift Acceptance Declaration Form is available online to all employees at Ethics & Integrity Portal.

The policy also covers the proper reporting procedure for reporting attempted or possible bribes. If an employee receives a request for bribe or is offered a bribe, he/she must report this incident to his/her immediate supervisor or submit a complaint to the Whistle-blower Coordinator via the Bank's whistle-blowing channels.

INTEGRITY PLAN AND ANTI-BRIBERY AND CORRUPTION POLICY

The Bank's Integrity Division completed Bank Islam's Integrity Plan during the year and launched it during the Act with Integrity programme on 19 December 2019. The plan, made available to all employees through Ethics & Integrity Portal, formulates guidelines towards the adoption of high performance work culture with high integrity and strong governance. All employees are always required to follow the Bank's Guideline, Policy and Procedures to deliver their job correctly and professionally.

In conjunction with the formation of the Integrity Plan, the Bank organised an Integrity Programme to Vendors on 16 July 2019 to fully brief vendors on expectations and new protocols in the procurement process as part of the new guidelines.

Knowledge sharing sessions on Integrity and Fraud Awareness were held during the year to ensure all employees gained a good understanding and awareness of the plan and its guidelines. These sessions are scheduled to continue in 2020 in line with the anticipated establishment of an Anti-Bribery and Corruption Policy and Corruption Risk Management Framework.



We invest in technology as a critical driver in helping us deliver our goals, through the implementation of process automation, exploration of digital channels and establishing potential partnerships with technology partners. These drive our gradual move towards developing an ecosystem of Islamic financial solutions within the digital space.



BANKING ON SHARED SUCCESS

HARNESSING THE POTENTIAL OF DIGITALISATION

