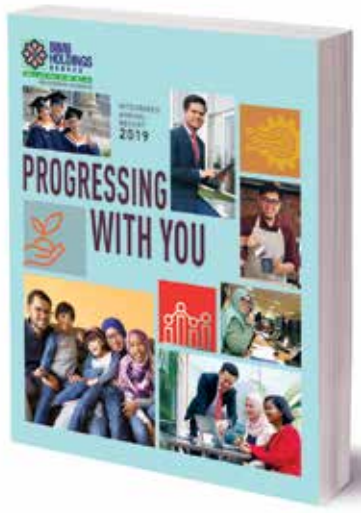
COVER RATIONALE



PROGRESSING WITH YOU

BIMB Holdings Berhad ("BHB")

Since 1997, BIMB Holdings Berhad has made a dynamic impact on social progress as it guides its subsidiaries towards realising sustainable futures for all under the strategic pillars of Responsible Finance, Inclusive Growth, Talent Enrichment, Ethical Practice & Reporting and Islamic Finance & Knowledge-Sharing. These pillars have nurtured strong and distinctive businesses that deliver real value to People, Planet and Prosperity.

Moving forward, a new restructuring is in the works to optimise our subsidiaries' advancement with greater autonomy, agility and responsiveness; while remaining solidly anchored on the Group's legacy of progressing all stakeholders. This coming of age is celebrated by the meaningful pictures that reflect the positive impact the Group has had on the lives of diverse stakeholders.

INSIDE THIS REPORT

02 About Our Report

Group Overview

06 Financial Highlights
08 Financial Calendar
09 Performance Highlights
12 Achievements
14 Our Purpose
16 Our Footprint
18 How We Are Structured
20 Our Business Entities
22 Group Corporate Information
26 Board of Directors
28 Profile of Directors
34 Chairmen of Shariah Committees
38 CEOs of The Group
42 Group Management Team
48 Letter To Shareholders

Sustaining The Group

60 Sustainability Statement
61 Sustainability Framework
64 Material Matters
66 Stakeholders' Engagement
68 Our Business Model
70 Delivering Values
74 Our Pillars

Management Discussion & Analysis

102 Economic and Sector Review
108 Reaping Results of Our Growth Strategy
114 Subsidiaries' Operational Review
119 Futureproofing Our Business for Progressive and Sustainable Prosperity

Group Governance

122 Shariah-Compliant Confirmation Statement
124 Chairman's Statement on Corporate Governance
126 Corporate Governance Overview Statement
- Leadership and Effectiveness
- Effective Audit and Risk Management
- Corporate Reporting and Relationship with Stakeholders

151 Additional Compliance Information
154 Statement of Risk Management and Internal Control
160 Statement on Directors' Responsibility

Financial Statements

162 Directors' Report
170 Statement by Directors
171 Statutory Declaration
172 Statements of Financial Position
174 Statements of Profit or Loss
175 Statements of Comprehensive Income
176 Statements of Changes in Equity
179 Statements of Cash Flows
182 Notes to the Financial Statements
323 Independent Auditors' Report

Shareholders' Information

333 Share & Warrant Holdings Statistics

Additional Information

339 Properties Owned by BHB Group
346 Regional Group Network

Disclosure Summary

347 FTSE4Good Bursa Malaysia ("F4GBM")
352 Global Reporting Inititative ("GRI") G4

ABOUT OUR REPORT

NAVIGATIONAL ICONS FOR CAPITAL REPORTING

We have in 2016 conducted a Materiality Assessment with the assistance of independent consultants. This assessment engaged internal and external stakeholders to solicit feedback on our Group's material matters and involved a review of our Materiality Matrix to identify factors impacting our delivery of value.

To help you navigate around our IAR, we use the following navigational icons to highlight our reporting of the six capitals of value creation, as prescribed in the International Integrated Reporting Council ("IIRC") Framework, as well as the material matters, or as we term it, our key priorities, that impact our value creation process.

STRATEGIC PRIORITIES TOWARDS VALUE CREATION

BIMB Holdings Berhad's sustainability strategic framework was developed towards the objective of becoming a Responsible Financial Entity. The five priorities that were identified have become the strategic priorities of the Group. These allow us to meet society's financial needs in the most sustainable and ethical manner possible.

KEY PRIORITIES

- Responsible Finance
- Inclusive Growth
- Talent Enrichment
- Ethical Practice & Reporting
- Islamic Finance & Knowledge-Sharing

Go paperless to help our environment. Instantly access an online copy of this Integrated Annual Report through your mobile device by scanning this QR code. To download the QR Code Reader, see the instructions.

SCAN THE QR CODE BY FOLLOWING THESE SIMPLE STEPS

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

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

Access it
Get access to the online Integrated Annual Report

HOW WE CAN FURTHER IMPROVE

Our Group believes in maintaining meaningful and frequent discourses with our stakeholders throughout the year. Such engagements not only serve to build trust, but also improve the effectiveness of our strategy development with timely and relevant adjustments as required in response to new developments in our operating environment. As such, we greatly value feedback and would welcome your enquiries on our reporting. Please contact Group Corporate Communications team at 03-2781 2943 / 2781 2903.

2018	2019	
		This Integrated Annual Report ("IAR") for the financial year ended 31 December 2019 provides our stakeholders with pertinent information on our strategic progress and is a tangible representation of our leadership's steadfast commitment in integrating our Group's strategy development with good business management and reporting practices. Our integrated approach to business management, guided by our Key Priorities, means that the interests of our key stakeholders and our responses to these are discussed at the appropriate junctures throughout our report. Further details and comprehensive disclosure of our sustainability efforts are available at BIMB Holdings Berhad corporate website – www.bimbholdings.com/sustainability.
		BANK ISLAM INTEGRATED ANNUAL REPORT Bank Islam Malaysia Berhad ("Bank Islam") is our wholly-owned subsidiary, focusing on the Islamic banking sector. It too publishes its own integrated annual report. bankislam.com/corporate-info/resources/annual-reports/
		TAKAFUL MALAYSIA ANNUAL REPORT Syarikat Takaful Malaysia Keluarga Berhad ("Takaful Malaysia") is our subsidiary, focusing on Takaful operations. It too publishes its own annual report. www.takaful-malaysia.com.my/corporate/investor/Pages/financialreports.aspx

GUIDING FRAMEWORK

While we are guided by the International Integrated Reporting Council ("IIRC") Framework in preparing this book, we also refer to the following frameworks:

- Malaysian Financial Reporting Standards
- Malaysia Companies Act 2016
- Bursa Malaysia's Sustainability Reporting Guide
- FTSE4Good Bursa Malaysia
- Global Reporting Initiative G4

ASSURANCE

Our Group adheres to the principles of good governance, such as ensuring the reliability and completeness of the information presented in this IAR. This IAR was reviewed by Annual Report Working Committee ("ARWC") members endorsed by the Board to ensure that it complies with the IIRC Framework, adequately presents the material matters that impact the Group and fairly represents our Group's integrated performance and how it compares with our strategic aspirations. Together with the annual financial statements, this report was submitted to the Audit Examination Committee ("AEC") to review and recommend to the Board for approval. The Board then gave the final approval for this IAR.

Our financial statements are audited by PwC Malaysia for the financial year ended 31 December 2019. Assurance of the information and data pertaining to our sustainability disclosure is provided by BHB Sustainability Steering Committee that reports to BHB's Board of Directors.

REPORTING SCOPE AND BOUNDARIES

The information in this IAR covers the 2019 financial year (1 January 2019 to 31 December 2019) and encompasses all business operations of BIMB Holdings Berhad ("BHB"), over which we have full control, and annual performance of our subsidiaries, unless stated otherwise. All significant items have been reported on a like-for-like basis; no major restatements were performed. This IAR should be read together with the information available on our website for a comprehensive overview of the Group.

USE OF FORWARD-LOOKING STATEMENTS

Throughout this IAR, we have used forward-looking statements that relate to the plans, objectives, goals, strategies, future operations and performance of our Group. Such statements usually contain words like 'anticipates', 'believes', 'estimates', 'expects', 'intends', 'may', 'plans', 'projects', 'should', 'would' and 'will', amongst others. We do not intend for these statements to be guarantees of future operating, financial or other results, as they involve risks, uncertainties and assumptions in their representation of various possible scenarios. As such, actual results and outcomes could differ significantly from those expressed or implied. Our Group makes no express or implied representation or warranty that the results anticipated by these forward-looking statements will be achieved. We are under no obligation to update either these forward-looking statements or the historical information presented in this IAR.

APPROVAL BY THE BOARD

The Board acknowledges its responsibility in ensuring the integrity of this report, through good governance practices and internal reporting procedures.

Signed by Chairman

TAN SRI HAJI AMBRIN BUANG
Chairman

LEADING THE WAY IN RESPONSIBLE FINANCING, WE POSITIVELY IMPACT THE SOCIETY BY PROMOTING ECONOMIC PROSPERITY, SOCIAL PROGRESS AND PROTECTION OF THE NATURAL ENVIRONMENT.

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER		2019	2018	2017	2016	2015
STATEMENT OF COMPREHENSIVE INCOME						
Revenue	RM'000	5,381,646	4,516,773	3,721,598	3,528,198	3,310,607
Profit Before Zakat and Tax	RM'000	1,205,014	1,065,455	948,330	869,201	834,436
Profit After Zakat and Tax	RM'000	935,369	801,421	703,630	629,664	612,947
Net Profit Attributable to Owners of The Company	RM'000	786,920	682,055	619,838	559,040	547,275
STATEMENT OF FINANCIAL POSITION						
Share Capital	RM'000	4,307,819	4,082,939	3,875,270	1,588,680	1,542,210
Shareholders' Equity	RM'000	5,894,432	5,025,719	4,533,939	3,882,852	3,413,658
Deposits from Customers	RM'000	46,752,714	49,433,546	45,870,596	45,491,753	43,118,529
Takaful Liabilities	RM'000	8,684,208	7,438,855	6,962,313	6,639,096	6,588,888
Financing, Advances and Others	RM'000	49,472,522	45,680,680	42,113,420	39,189,274	34,294,690
Investment Securities	RM'000	18,441,379	17,089,720	14,621,392	15,164,085	15,110,375
Total Assets	RM'000	77,263,493	72,388,541	65,784,634	63,145,127	57,363,828
PER SHARE DATA						
Earnings Per Share	sen	44.75	40.36	37.94	35.25	35.53
Net Assets Per Share	RM	3.34	2.97	2.77	2.44	2.21
FINANCIAL POSITION STRENGTH						
Financing to Available Fund Ratio	%	79.61	77.48	80.48	76.62	76.18
Gross Impaired Financing Ratio*	%	0.86	0.92	0.93	0.98	1.09
Net Impaired Financing Ratio**	%	(0.64)	(0.80)	(0.41)	(0.75)	(0.83)
EFFICIENCY* **						
Return on Equity	%	15.70	15.39	15.40	15.91	17.81
Return on Assets	%	1.25	1.16	1.09	1.05	1.11
DIVIDENDS						
Gross Dividend Per Share	sen	16.00	15.50	14.00	13.00	12.20
VALUATION						
Price Earnings Ratio	times	9.83	8.82	11.60	11.97	10.78
Market Capitalisation	RM'000	7,762,845	6,029,095	7,206,060	6,704,230	5,906,663

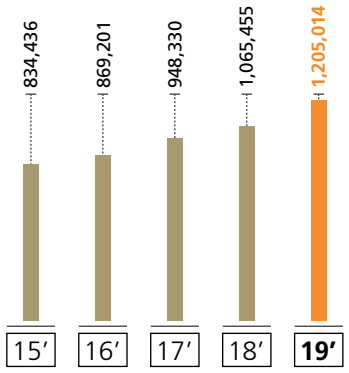
Notes:

* *Gross Impaired Financing Ratio = Gross Impaired Financing and Advances/Gross Financing and Advances*

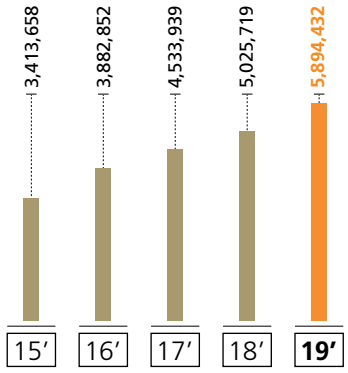
** *Net Impaired Financing Ratio = (Gross Impaired Financing and Advances – Impairment Allowances)/(Gross Financing and Advances – Impaired Allowances)*

*** *Efficiency ratios are derived based on Profit After Zakat and Tax*

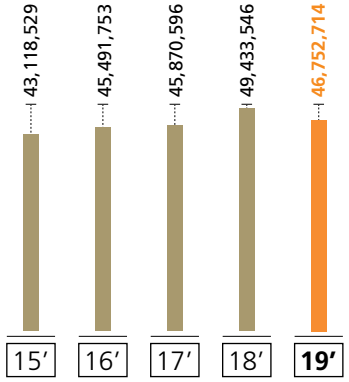
PROFIT BEFORE ZAKAT AND TAX (RM'000)



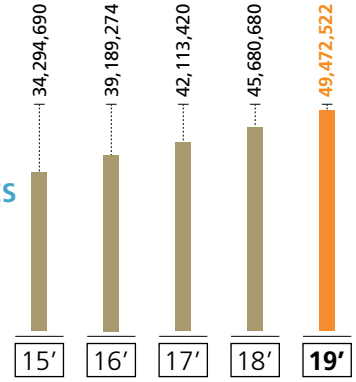
SHAREHOLDERS' EQUITY (RM'000)



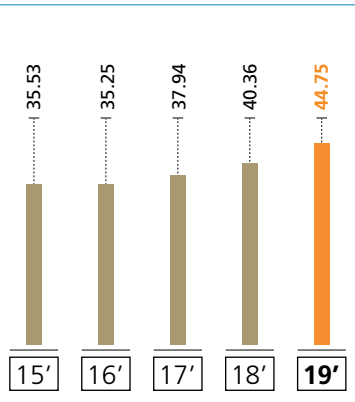
DEPOSITS FROM CUSTOMERS (RM'000)



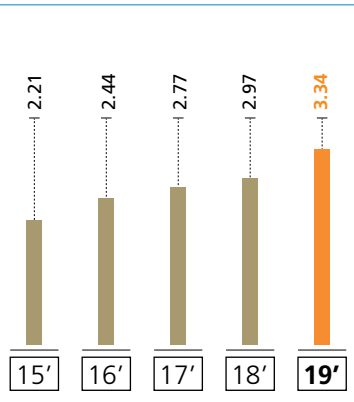
FINANCING, ADVANCES AND OTHERS (RM'000)



EARNING PER SHARE (SEN)



NET ASSETS PER SHARE (RM)



FINANCIAL CALENDAR

23rd ANNUAL GENERAL MEETING

Due to the COVID-19 pandemic, the notice, venue and date of the 23rd AGM will be announced separately in due course.

ANALYSTS BRIEFING

28 FEBRUARY 2020
Announcement of FY2019 Financial Results

28 AUGUST 2019
Announcement of 1H2019 Financial Results

FINANCIAL REPORT ANNOUNCEMENTS

27 FEBRUARY 2020
Quarterly report on consolidated results for the financial period ended 31 December 2019

29 NOVEMBER 2019
Quarterly report on consolidated results for the financial period ended 30 September 2019

28 AUGUST 2019
Quarterly report on consolidated results for the financial period ended 30 June 2019

23 MAY 2019
Quarterly report on consolidated results for the financial period ended 31 March 2019

PERFORMANCE HIGHLIGHTS

FINANCING, ADVANCES & OTHERS

TOTAL:
RM49.5 BILLION
+8.3%

TOTAL ASSET SIZE

TOTAL:
RM77.3 BILLION
+6.7%

TOTAL REVENUE

TOTAL:
RM5.4 BILLION
+19.1%

NET INCOME

TOTAL:
RM3.1 BILLION
+12.5%

PROFIT BEFORE ZAKAT AND TAX

TOTAL:
RM1.2 BILLION
+13.1%

PERFORMANCE HIGHLIGHTS

OPERATIONAL

GROUP TOTAL EMPLOYEES

MORE THAN
5,000

GROUP TOTAL CUSTOMERS

MORE THAN
7 MILLION

SUSTAINABILITY

STAFF VOLUNTEER HOURS

MORE THAN
11,000 HOURS

INVESTMENT IN STAFF TRAINING

MORE THAN
RM8 MILLION

STAFF TRAINING HOURS

MORE THAN
223,000 HOURS

PTPTN STUDENT ACCOUNTS

265,961
ACCOUNTS

NEW SME FINANCING

MORE THAN
RM1,022.7
MILLION

GROUP TOTAL CONTRIBUTION FOR CSR

MORE THAN
RM1.1
MILLION

RESPONSIBLE FINANCING

RM1.8
BILLION

SADAQA HOUSE'S TOTAL DISBURSEMENT

RM621,969

ACHIEVEMENTS

BANK ISLAM MALAYSIA BERHAD

- 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 – DanaInfra 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
- Excellence in Islamic Banking at the Global Business Leadership Awards 2019
- 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

SYARIKAT TAKAFUL MALAYSIA BERHAD

- The Edge Billion Ringgit Club Corporate Awards 2019 - Highest Growth In Profit After Tax Over Three Years
- The Edge Billion Ringgit Club Corporate Awards 2019 - Highest Return On Equity Over Three Year
- HR Asia Best Companies To Work for In Asia Award 2019 Takaful Malaysia (for the second time)
- Graduate Choice Award – Best Employer Brand 2019
- Takaful StarNite Innovation Award 2019
  Best Digital Initiative of the Year: Click for Cover
- Takaful StarNite Special Award 2019

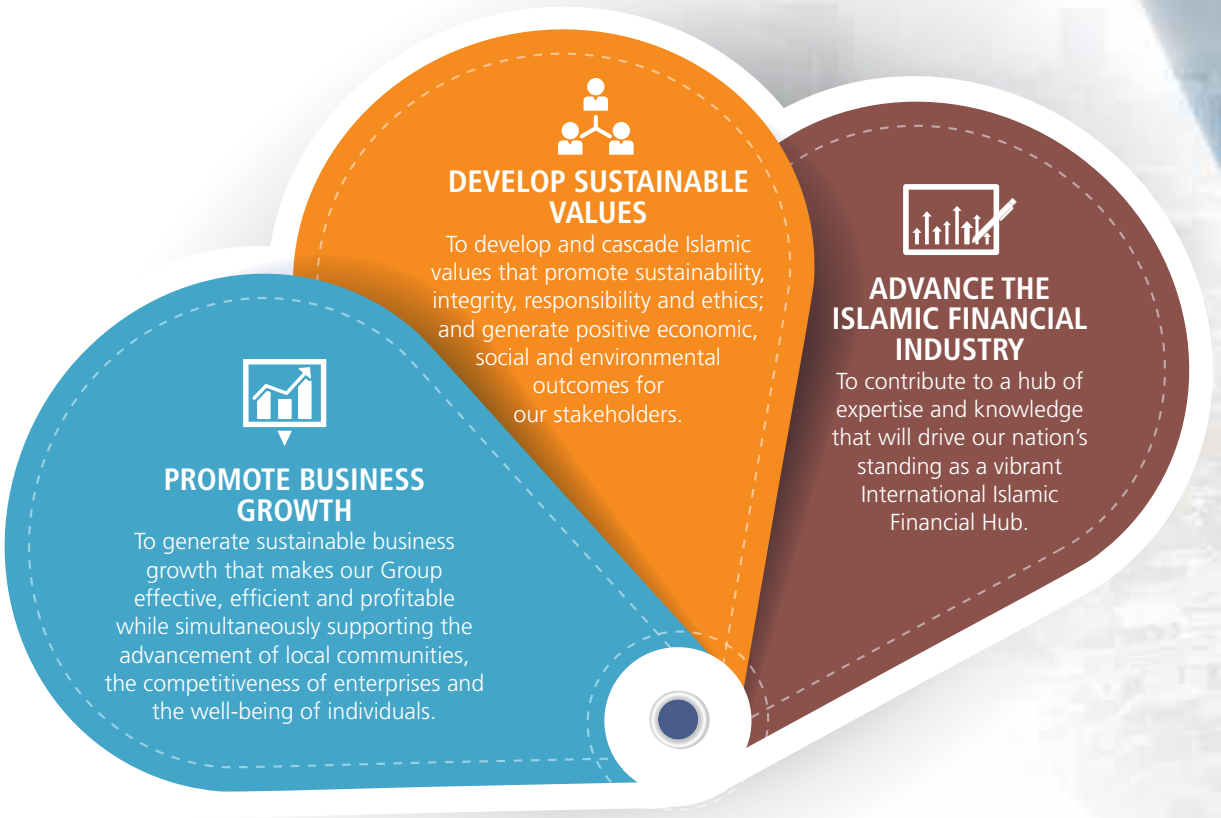
OUR PURPOSE

BHB was established as a Financial Holding Company, entrusted to Advance the Islamic Financial Industry while Promoting Progressive Growth and Developing Sustainable Values for its subsidiaries.

We are steadfast in our commitment to become a responsible financial entity that catalyses inclusive economic, social and environmental progress, in line with United Nations' Sustainable Development Goals ("UNSDG").

Throughout our history, we have transformed the country's economic landscape and played a significant role in pioneering and enhancing Shariah-compliant financial solutions; promoting integrity and professionalism based on Islamic values; and honing industry expertise to expand capabilities. In all they do, BHB ensures our subsidiaries are guided by principles and values that promote positive impacts and sustainable progress of the society.

As the first Islamic Financial Holding Company in Malaysia with a portfolio encompassing Islamic banking, takaful business and stockbroking activities, BHB has led the way in demonstrating how an Islamic financial institution can play a successful role in a modern economy. Today, our three operating subsidiaries stand as the first and leading Islamic financial institutions in their own right.



BHB's purpose today is to meet society's
financial needs in the most sustainable
and ethical manner possible, staying
anchored on Islamic values, while
focused on growing financial strength.

OUR FOOTPRINT

BIMB HOLDINGS BERHAD
199701008362 (423858-X)

BIMB Holdings Berhad is the first Islamic Financial Holding Company in Malaysia. A true pioneer of the industry, the Group offers a comprehensive spectrum of Islamic Financial & Banking services and products, through its three main subsidiaries.

BANK ISLAM
First & Leading Islamic Banking Institution in Malaysia

144
Branches

954
Self-Service Terminals

TAKAFUL malaysia
First & Leading Takaful Operator in Malaysia

24
Service Centres

Overseas subsidiaries
- PT Syarikat Takaful Indonesia
- PT Asuransi Takaful Keluarga

BIMB SECURITIES SDN BHD
First Full-Fledged Shariah-Compliant Stockbroking Firm in Malaysia

The only full-fledged Shariah online trading system
www.bisonline.com.my

MOBILE AND ONLINE CHANNELS

BANK ISLAM

TAP Mobile Banking-i

Internet Banking

Bank Islam GO Mobile App

TAKAFUL MALAYSIA

Online Sales Portal
– Click for Cover

Online Portals
– *my*Takaful Customer
– *my*Takaful Corporate Agent
– *my*Takaful Employee Benefits
– *my*Takaful Partners

BIMB SECURITIES

Shariah online trading system
www.bisonline.com.my

HOW WE ARE STRUCTURED

TABUNG HAJI	52.97%
Kumpulan Wang Simpanan Pekerja	12.95%
PNB Permodalan Nasional Berhad	5.32%
Amanah Saham Bumiputera	7.98%
OTHER	20.78%

BIMB HOLDINGS BERHAD
بي اي عيم بي هولديڤس برهد
199701008362 (423858-X)

BANK ISLAM
[198301002944 (98127-X)]
100%

SUBSIDIARIES OF CORE BUSINESS UNITS

- **100%** BIMB Investment Management Bhd
- **100%** Al-Wakalah Nominee (Tempatan) Sdn. Bhd.
- **100%** Farihan Corporation Sdn. Bhd.
- **100%** Bank Islam Trust Company (Labuan) Ltd
  - **100%** BIMB Offshore Company Management Services Sdn. Bhd.

TAKAFULmalaysia
[198401019089 (131646-K)]
59.45%

SUBSIDIARIES OF CORE BUSINESS UNITS

- **100%** Syarikat Takaful Malaysia Am Berhad
- **56%** PT Syarikat Takaful Indonesia

57.24%

42.73%

PT Asuransi Takaful Keluarga

BIMB SECURITIES SDN BHD
[199401004484 (290163-X)]
49%

SUBSIDIARIES OF CORE BUSINESS UNITS

- **100%** BIMSEC Nominees (Tempatan) Sdn. Bhd.
- **100%** BIMSEC Nominees (Asing) Sdn. Bhd.

51%

BIMB SECURITIES (HOLDINGS) SDN BHD
[199401004488 (290167-V)]
100%

Syarikat Al-Ijarah Sdn Bhd
[198301016921 (112330-P)]
100%

NOTES:
Shareholding structure as at 5 May 2020.

- Shareholders
- Core Business Units
- Other Business Units

OUR BUSINESS ENTITIES

BIMB HOLDINGS BERHAD
بي اي عيم بي هولديڤس برهد
199701008362 (423858-X)

MALAYSIA'S FIRST ISLAMIC FINANCIAL HOLDING COMPANY

BIMB HOLDINGS BERHAD

Established on 20 March 1997, we have made our mark as a significant contributor to the continued development and growth of the Islamic financial industry in Malaysia and the region. Today, we are an Islamic Financial Holding Company with an extensive portfolio of diversified businesses across the Islamic financial industry.

Our investment is focused on pioneering Shariah-compliant business entities, with involvement in Islamic banking, takaful business and stockbroking activities. Serving millions of customers across Malaysia, we remain dedicated in fulfilling our stakeholders' needs by staying true to Islamic principles and establishing ourselves as a responsible, professional and caring corporation with the highest level of integrity.

BANK ISLAM
[198301002944 (98127-X)]

TAKAFUL malaysia
[198401019089 (131646-K)]

بي اي عيم بي سيكوريتيس سندين برهد
BIMB SECURITIES SDN BHD
[199401004484 (290163-X)]

شريكة الاجارة سدن برين برهد
Syarikat Al-Ijarah Sdn Bhd
[198301016921 (112330-P)]

MALAYSIA'S FIRST ISLAMIC BANK

BANK ISLAM MALAYSIA BERHAD

Bank Islam Malaysia Berhad ("Bank Islam") was specifically created in 1983 to operate in full accordance with Shariah rules and principles, becoming the first full-fledged Islamic banking institution in Malaysia and Southeast Asia. Its creation acts as the catalyst for the rapid growth of the region's Islamic financial industry, spawning numerous banking entities in Malaysia and abroad.

Primarily a retail bank, Bank Islam offers a diversified range of solutions that meet its customers' financial needs. The Bank's structured operations and capable people from its consumer, deposit, corporate, commercial, SME and treasury businesses are dedicated to deliver exceptional banking experience to more than four million of its customers. It currently has the widest dedicated Islamic banking network in Malaysia with 144 branches and over 954 self-service terminals nationwide.

MALAYSIA'S FIRST AND ONLY PUBLIC-LISTED TAKAFUL OPERATOR

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

Syarikat Takaful Malaysia Berhad ("STMB") was incorporated on 29 November 1984. The Company has a paid up capital of RM196.8 million with total assets of RM10.3 billion at Group level as at 31 December 2019. In accordance with the Islamic Financial Services Act 2013 ("IFSA"), STMB separated its composite licence into two (2) licensed entities. STMB, now known as Syarikat Takaful Malaysia Keluarga Berhad ("STMKB") manages the Family Takaful business whilst Syarikat Takaful Malaysia Am Berhad ("STMAB") manages the General Takaful business. STMKB is the holding company and owns 100% of STMAB. Both STMKB and STMAB operate through a combined network of service centres across 24 locations nationwide.

MALAYSIA'S FIRST AND ONLY SHARIAH-COMPLIANT STOCKBROKING COMPANY

BIMB SECURITIES SDN. BHD.

Established in 1994, BIMB Securities Sdn. Bhd. ("BIMB Securities") is the first and only full-fledged Shariah-compliant stockbroking company in Malaysia. It provides an avenue for the investing public to trade in Shariah-compliant securities as well as other related services including share margin financing, investment advisory, nominees and custodian services, corporate advisory, underwriting and placement services.

As a registered Shariah Adviser under Securities Commission, BIMB Securities also provides Shariah advisory services for Islamic capital market products ("ICM") including Islamic investment funds, sukuk issuance and other approved ICM instruments, which is particularly useful for fund managers who do not have in-house Shariah advisers or any companies that seek third-party opinions on Shariah-related matters.

SYARIKAT AL-IJARAH SDN. BHD.

Syarikat Al-Ijarah Sdn. Bhd. ("Syarikat Al-Ijarah") was incorporated in 1983 as a private limited company. Its principal business activity is to seek and acquire assets, including properties, to be leased for the use of companies within BHB Group.

GROUP CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Haji Ambrin Buang
Chairman/Independent Non-Executive Director

Noraini Che Dan
Senior Independent Non-Executive Director

CHIEF EXECUTIVE OFFICER

Mohd Muazzam Mohamed

GROUP COMPANY SECRETARY

Maria Mat Said (LS 00094000)

AUDIT & EXAMINATION COMMITTEE

Chairman
Noraini Che Dan

Members
Mohd Tarmidzi Ahmad Nordin

Zahari @ Mohd Zin Idris

NOMINATION & REMUNERATION COMMITTEE

Chairman
Noraini Che Dan

Members
Mohd Tarmidzi Ahmad Nordin

Zahari @ Mohd Zin Idris

BOARD RISK COMMITTEE

Chairman
Mohd Tarmidzi Ahmad Nordin

Members
Noraini Che Dan

Zahari @ Mohd Zin Idris

SHARIAH SUPERVISORY COUNCIL, BANK ISLAM MALAYSIA BERHAD

Chairman
Professor Dato' Dr. Ahmad Hidayat Buang

Members
Dr. Ahmad Shahbari @ Sobri Salamon

Assistant Professor Dr. Uzaimah Ibrahim

Associate Professor Dr. Yasmin Hanani Mohd Safian

Dr. Shamsiah Mohamad
(Appointed w.e.f. 3 February 2020)

Professor Dr. Asmadi Mohamed Naim
(Appointed w.e.f. 3 February 2020)

Secretary
Saiful Anuar Hambali

SHARIAH ADVISORY BODY, SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

Chairman
Professor Dr. Muhamad Rahimi Osman

Members
Dr. Ahmad Sufian Che Abdullah

Dr. Marhanum Che Mohd Salleh

Megat Hizaini Hassan

Dr. Nik Abdul Rahim Nik Abdul Ghani

Mohd Tarmidzi Ahmad Nordin
Independent Non-Executive Director

Datuk Nik Mohd Hasyudeen Yusoff
Non-Independent Executive Director

Zahari @ Mohd Zin Idris
Non-Independent Non-Executive Director
(Appointed w.e.f. 3 February 2020)

Tan Sri Ismail Adam
Senior Independent Non-Executive Director
(Retired w.e.f. 3 January 2020)

SHARIAH ADVISORY COMMITTEE, BIMB SECURITIES SDN. BHD.

Chairman
Professor Emeritus Dato' Paduka Dr. Mahmood Zuhdi Haji Abdul Majid

Members
Ir. Dr. Muhamad Fuad Abdullah

Mohd Nazri Chik

CEOs IN THE GROUP

Mohd Muazzam Mohamed
Chief Executive Officer, BIMB Holdings Berhad
Chief Executive Officer, Bank Islam Malaysia Berhad

Dato' Sri Mohamed Hassan Kamil
Group Chief Executive Officer, Syarikat Takaful Malaysia Keluarga Berhad

Kamaruzaman Abdullah
Executive Director/Acting Chief Executive Officer, BIMB Securities Sdn. Bhd.
(Appointed w.e.f. 16 January 2020)

Rashid Ismail
Chief Executive Officer/Executive Director, BIMB Securities Sdn. Bhd.
(Retired w.e.f. 15 January 2020)

AUDITORS

Pricewaterhouse Coopers PLT
(LLP0014401 – LCA & AF 1146)
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur
Malaysia
Tel: +60 (3) 2173 1188
Fax: +60 (3) 2173 1288

REGISTERED OFFICE

BIMB Holdings Berhad
[Registration No. 199701008362 (423858-X)]
31st Floor, Menara Bank Islam
No 22, Jalan Perak
50450 Kuala Lumpur
Tel: +6(03) 2781 2999
Fax: +6(03) 2781 2998

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
[Registration No: 199601006647 (378993-D)]
11th Floor, Menara Symphony
No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel: +6(03) 7890 4700
Fax: +6(03) 7890 4670

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
16 September 1997
Stock Short Name: BIMB
Stock Number: 5258

DRIVING INCLUSIVE GROWTH, WE SUPPORT A THRIVING BUSINESS AND COMMUNITY BY CREATING OPPORTUNITIES ACROSS ALL SEGMENTS OF THE SOCIETY.

PENDIDIKAN
BERKUALITI
#AMALBankIs
AMAL
TANGGUNGJAWAB KORPORAT
4
PENDIDIKA
BERKUALITI

BOARD OF DIRECTORS

MOHD TARMIDZI AHMAD NORDIN

TAN SRI HAJI AMBRIN BUANG
CHAIRMAN

TAN SRI ISMAIL ADAM

DATUK NIK MOHD HASYUDEEN YUSOFF

NORAINI CHE DAN

ZAHARI @ MOHD ZIN IDRIS

PROFILE OF DIRECTORS

TAN SRI HAJI AMBRIN BUANG

Chairman
Independent Non-Executive Director

71 years old | Male | Malaysian

Date of Appointment:

2 February 2018

Qualifications:

- Master in International Business, University of South Carolina (USA)
- Degree in Economics, University of Malaya

Areas of Expertise:

Audit, Public Sector

Working Experience:

Present:

Chairman, Lingkaran Trans Kota Holdings Berhad

Previous:

- Auditor General of Malaysia
- Secretary General, Ministry of Education
- State Secretary, Selangor State Government
- Senior General Manager, KL International Airport Berhad
- Minister of Economics Affairs, Malaysian Embassy in Tokyo, Japan
- Deputy Director, National Institute of Public Administration
- Deputy Director, Malaysian Timber Industry Board
- Deputy Director, Small Scale Industry, Ministry of International Trade and Industry
- Deputy Director, Industries Division, Ministry of International Trade and Industry
- Private Secretary, Ministry of International Trade and Industry

Directorship of Other Public Companies:

- Lingkaran Trans Kota Holdings Berhad
- Gamuda Berhad

Membership of Board Committees in BIMB Holdings Berhad:

None

Meeting Attendance:

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2019

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any director and/or major shareholder of BHB, and has no conflict of interest in BHB.

NORAINI CHE DAN

Senior Independent Non-Executive Director

64 years old | Female | Malaysian

Date of Appointment:

1 April 2016 - Independent Non-Executive Director

3 January 2020 - Senior Independent Non-Executive Director

Qualifications:

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

Areas of Expertise:

Accounting and Finance

Working Experience:

Present:

Company Director

Previous:

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

Directorship of Other Public Companies:

- SP Setia Berhad
- Tenaga Nasional Berhad
- Bank Islam Malaysia Berhad

Membership of Board Committees in BIMB Holdings Berhad:

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

Meeting Attendance:

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2019

Declaration of Interest:

She has no conviction for offences within the past 5 years. She has no family relationship with any director and/or major shareholder of BHB, and has no conflict of interest in BHB.

PROFILE OF DIRECTORS

MOHD TARMIDZI AHMAD NORDIN

Independent Non-Executive Director

65 years old | Male | Malaysian

Date of Appointment:

29 June 2015

Qualifications:

- Associate, Chartered Insurance Institute (UK) ("ACII")
- Fellow, Malaysian Insurance Institute ("FMII")
- MBA in Islamic Finance, International Islamic University Malaysia ("IIUM")

Areas of Expertise:

Insurance, Takaful and Islamic Finance

Working Experience:

Present:

Company Director

Previous:

- Chief Executive Officer, Etiqa Takaful Berhad
- Associate Lecture, Malaysia Insurance Institute
- Director, Graham Miller (M) Sdn. Bhd.
- Head, General Takaful Division, Syarikat Takaful Malaysia Keluarga Berhad

Directorship of Other Public Companies:

None

Membership of Board Committees in BIMB Holdings Berhad:

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

Meeting Attendance:

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2019

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any director and/or major shareholder of BHB, and has no conflict of interest in BHB.

DATUK NIK MOHD HASYUDEEN YUSOFF

Non-Independent Executive Director

55 years old | Male | Malaysian

Date of Appointment:

1 June 2018 - Independent Non-Executive Director
1 September 2019 - Non-Independent Executive Director

Qualifications:

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

Areas of Expertise:

Accounting

Working Experience:

Present:

Group Managing Director and Chief Executive Officer, Lembaga Tabung Haji

Previous:

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

Directorship of Other Public Companies:

- Bank Islam Malaysia Berhad
- Al Hijrah Media Corporation
- TH Plantations Berhad
- Yayasan Tabung Haji

Membership of Board Committees in BIMB Holdings Berhad:

None

Meeting Attendance:

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2019

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any director and/or major shareholder of BHB, and has no conflict of interest in BHB.

PROFILE OF DIRECTORS

ZAHARI @ MOHD ZIN IDRIS

Non-Independent Non-Executive Director

77 years old | Male | Malaysian

Date of Appointment:

3 February 2020

Qualifications:

Senior Cambridge Certificate

Areas of Expertise:

Banking and Finance

Working Experience:

Present:

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

Previous:

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

Directorship of Other Public Companies:

Bank Islam Malaysia Berhad

Membership of Board Committees in BIMB Holdings Berhad:

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

Meeting Attendance:

None

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any director and/or major shareholder of BHB. As at 5 May 2020, he holds 25,000 ordinary shares in BHB.

TAN SRI ISMAIL ADAM

Senior Independent Non-Executive Director

69 years old | Male | Malaysian

Date of Retirement:

3 January 2020

Qualifications:

- Master of Arts (Economics), Vanderbilt University (USA)
- Bachelor of Arts (Hons), University of Malaya
- Diploma in Public Administration (Post-Baccalaureate Diploma), University of Malaya
- Advanced Management Program, Harvard Business School

Areas of Expertise:

- Public Administration & Management, Human Resources Management
- Organisational Transformation

Working Experience:

Present:

Company Director

Previous:

- Group Chairman, Prasarana Malaysia Berhad
- Director General, Public Service, Malaysia
- Secretary General, Ministry of Health
- Director General, National Productivity Corporation
- Chief Administration Officer, Department of Statistics
- Senior Project Officer, National Institute of Public Administration ("INTAN")
- Assistant Director of Trade, Ministry of Trade and Industry

Directorship of Other Public Companies:

Westports Holdings Berhad

Membership of Board Committees in BIMB Holdings Berhad:

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

Meeting Attendance:

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2019

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any director and/or major shareholder of BHB, and has no conflict of interest in BHB.

CHAIRMEN OF SHARIAH COMMITTEES

PROFESSOR DATO' DR. AHMAD HIDAYAT BUANG

Chairman, Shariah Supervisory Council,
Bank Islam Malaysia Berhad

58 years old

Male

Malaysian

Date of Appointment:
1 April 2015 (member since 1 April 2011)

Qualifications:

- Bachelor of Shariah, University of Malaya
- Master of Law (School of Oriental and African Studies), University of London
- Doctor of Philosophy (School of Oriental and African Studies), University of London

Areas of Expertise:
Islamic Commercial Laws (Fiqh Al-Muamalat)

Working Experience:

Present:

- Chairman, Shariah Supervisory Council, Bank Islam Malaysia Berhad
- Chairman Group Shariah Committee, MNRB Holdings Berhad
- Member, Independent Non-Executive Director, Takaful Ikhlas Family Berhad
- Professor, Department of Shariah and Law, Academy of Islamic Studies, University of Malaya

Previous:

- Director, Academy of Islamic Studies, University of Malaya
- Shariah Advisor, CIMB Bank Berhad
- Shariah Advisor, OCBC Bank
- Shariah Advisor, Commerce Tijari Bank
- Shariah Advisor, Amanah Raya Unit Trust Management Sdn. Bhd.
- Shariah Advisor, ASM MARA Unit Trust Management Berhad
- Shariah Advisor, I-Free Capital Pte Ltd (Singapore)
- Shariah Advisor, Bumiputra Commerce Trustee Sdn. Bhd.
- Shariah Advisor, Perbadanan Usahawan Nasional Berhad
- Member, Shariah Working Committee for Islamic Banking and Takaful, Bank Negara Malaysia
- Member, Islamic Education Coordination Advisory Council, Council of Rulers Malaysia
- Deputy Director, Research and Development, Academy of Islamic Studies, University of Malaya
- Head, Department of Shariah and Law, Academy of Islamic Studies, University of Malaya

Directorship of Public Companies: Nil

Membership of Committees in Subsidiaries: Nil

Meeting Attendance: 8/8

Declaration of Interest:
He has no conviction for offences within the past 5 years. He also has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

PROFESSOR DR. MUHAMAD RAHIMI OSMAN

Chairman, Shariah Advisory Body,
Syarikat Takaful Malaysia Keluarga Berhad

59 years old

Male

Malaysian

Date of Appointment:

1 January 2017 (member since 12 January 2010)

Qualifications:

- Doctor of Philosophy (PhD) in Islamic Banking, International Islamic University Malaysia (2007)
- Masters in Islamic Economics, University of Yarmouk, Jordan (1996)
- Bachelor of Arts in Shariah (Hons), University of Malaya (1987)

Areas of Expertise:

- Islamic Commercial Laws (Fiqh Al-Muamalat)
- Islamic Economics
- Islamic Banking and Takaful
- Halal Management

Working Experience:

Present:

- Chairman, Dean Council of Islamic Studies, Higher Learning Institutions of Malaysia
- Member, Amanah Saham Darul Iman ("ASDI")
- Member, Shariah Committee Coopbank Pertama ("CBP") (Feb 2019-Jan 2021)
- Associate Fellow, Malaysia Transport Institute ("MITRANS"), UiTM
- Member, Islamic Non-Government Organisation ("NGO-i"), Majlis Agama Islam Selangor ("MAIS")
- Member, Association of Shariah Advisors in Islamic Finance ("ASAS")
- Several other committees inside and outside the University

Previous:

- Dean of the Academy of Contemporary Islamic Studies ("ACIS"), Universiti Teknologi MARA ("UiTM"), Shah Alam (2013 – 2019)
- Director, Centre for Islamic Thought and Understanding ("CITU"), Universiti Teknologi MARA ("UiTM"), Shah Alam (2005-2013)
- Director, Zakat Research Institute of Malaysia ("IKaZ"), Universiti Teknologi MARA ("UiTM"), Shah Alam (2007-2010)
- Member, Curriculum Review Committee for Muamalat, Takaful, Islamic Banking and Finance of the Ministry of Higher Education Malaysia

Directorship in Public Companies: Nil

Membership of Committees in Subsidiaries: Nil

Meeting Attendance: 6/6

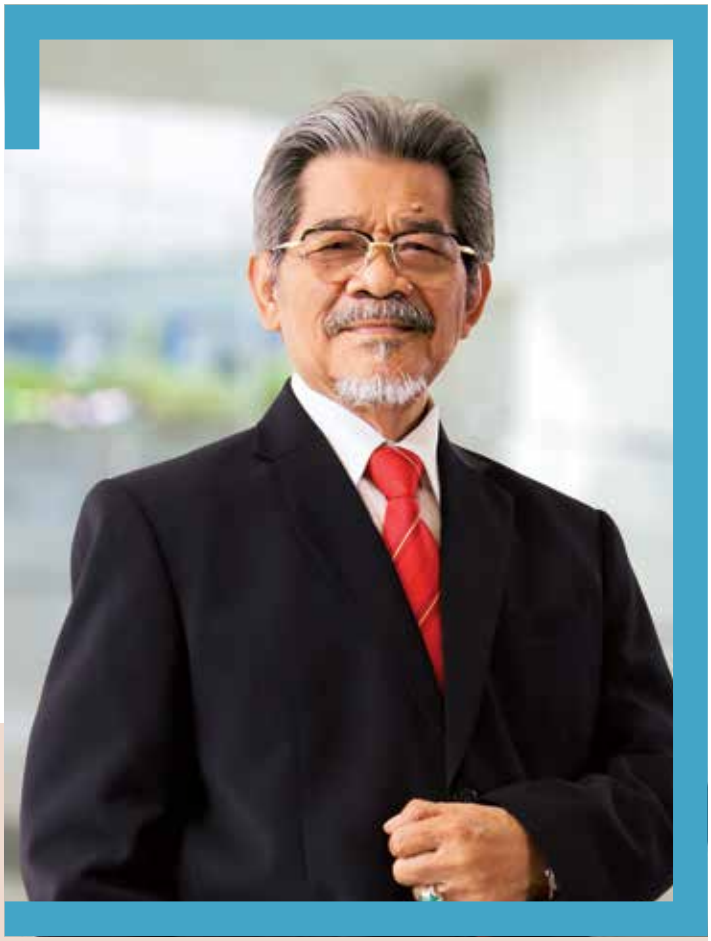
Declaration of Interest:

He has no conviction for offences within the past 5 years. He also has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

CHAIRMEN OF SHARIAH COMMITTEES

PROFESSOR EMERITUS DATO' PADUKA DR. MAHMOOD ZUHDI HAJI ABDUL MAJID

Chairman, Shariah Advisory Committee, BIMB Securities Sdn. Bhd.



73 years old

Male

Malaysian

Date of Appointment:
1 September 2016 (member since June 2008)

Qualifications:
- PhD (Shariah) University of Malaya
- M Phil (Southeast Asian Studies) University of Kent, England
- MA Shariah, University Al-Azhar, Cairo
- Dip Ed University Ain Shams, Cairo
- Bachelor Degree in Shariah & Law, Islamic Centre for Higher Studies

Areas of Expertise:
- History of Islamic Law
- Principles of Islamic Jurisprudence
- Administration of Islamic Criminal Law

Working Experience:

Present:
- Emeritus Professor, Academy of Islamic Studies, University of Malaya
- Chairman, Shariah Advisory Committee, BIMB Securities Sdn. Bhd.
- Chairman, Shariah Committee, Public Islamic Bank Berhad ("PIBB")
- Chairman, Shariah Committee, AIA Public Takaful Berhad
- Chairman, Majlis Dakwah Negara ("MDN")
- Chairman, Board of Directors, Universiti Pendidikan Sultan Idris ("UPSI")
- Member, Malaysian Institute of Integrity
- Member (Non-Independent Non-Executive Director), Board of Directors, PIBB
- Member, Shariah Advisory Board of as-Salihin Trustee
- Consultant of Foreign Affairs, Al-Madinah International University ("MEDIU")
- Approved Individual Shariah Advisor (by the Securities Commission Malaysia)
- Member, Shariah Advisory Panel, Amanah Saham Nasional Berhad
- Member, Shariah Committee, Amanah Mutual Berhad
- Shariah Adviser of I Synergy Group Limited
- Shariah Adviser of GA Skylight Berhad

Previous:
- Dean, Faculty of Shariah, University of Malaya
- Director, Academy of Islamic Studies, University of Malaya
- Professor, Department of Fiqh and Usul, University of Malaya
- Professor and Dean, Kuliyyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University Malaysia
- Dean, International Institute of Islamic Thought and Civilization ("ISTAC"), International Islamic University Malaysia
- Commissioner, The Human Rights Commission of Malaysia ("SUHAKAM")
- Member, Jemaah Ulama Negeri Kelantan, Majlis Agama Islam dan Adat Istiadat Melayu Kelantan
- Panel Member, Shariah Court of Appeal Kelantan
- Board member of Dewan Bahasa and Pustaka
- Board member of Pemegang Amanah Yayasan Pembangunan Ekonomi Islam Malaysia ("YaPEIM")
- Deputy Chairman, Lembaga Penasihat Penyelarasan Pelajaran dan Pendidikan Agama Islam ("LEPAI")
- Member, Board of Trustees, Yayasan Dakwah Islamiah Malaysia ("YADIM")
- Research Fellow, International Shari'ah Research Academy for Islamic Finance ("ISRA")

Directorship of Public Companies: Nil

Membership of Committees in Subsidiaries: Nil

Meeting Attendance: 4/4

Declaration of Interest:
He has no conviction for offences within the past 5 years. He also has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

Shariah Committees are responsible for ensuring that the conduct and businesses of the respective Companies are in accordance with Shariah rules and principles, and it is their responsibility to form an independent opinion based on stringent observation of the respective Companies.

CEOs OF THE GROUP

MOHD MUAZZAM MOHAMED

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

46 years old

Male

Malaysian

Date of Appointment:
5 December 2018

Qualifications:
- Member of the Chartered Institute of Islamic Finance Professionals ("CIIF")
- Member of the Malaysian Institute of Accountants ("MIA")
- Member of the Malaysian Institute of Certified Public Accountants ("MICPA")
- Member of the Chartered Institute of Public Finance and Accountancy ("CIPFA")
- Bachelor of Accounting, International Islamic University Malaysia

Areas of Expertise:
Finance, Audit and Consulting

Working Experience:

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

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

Directorship of Other Public Companies:
Nil

Declaration of Interest:
He has no conviction for offences within the past 5 years. He has no family relationship with any director and/or major shareholder of BHB, and has no conflict of interest in BHB.

DATO' SRI MOHAMED HASSAN KAMIL

Group Chief Executive Officer,
Syarikat Takaful Malaysia Keluarga Berhad

57 years old

Male

Malaysian

Date of Appointment:

- 1 April 2007 as the Group Managing Director
- 25 April 2017 re-designated as the Group Chief Executive Officer

Qualifications:

- Fellow, Society of Actuaries, USA
- Fellow, Actuarial Society of Malaysia
- Chartered Life Underwriter, American College, United States
- Master in Business Administration, University of Iowa, United States
- Bachelor of Science in Actuarial Science, University of Iowa, United States

Areas of Expertise:

Actuarial and Insurance/Takaful

Working Experience:

Present:

- Group Chief Executive Officer, Syarikat Takaful Malaysia Keluarga Berhad
- Chairman of the Board of Commissioners, PT Asuransi Takaful Keluarga and PT Syarikat Takaful Indonesia

Previous:

- Deputy General Manager, PT AIA Indonesia
- Senior Vice President and Chief Actuary, ING Insurance Berhad
- Deputy General Manager, Malaysian National Insurance

Directorship of Other Public Companies:

Nil

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

CEOs OF THE GROUP

KAMARUZAMAN ABDULLAH

Executive Director/Acting Chief Executive Officer,
BIMB Securities Sdn. Bhd.

54 years old

Male

Malaysian

Date of Appointment:
16 January 2020

Qualifications:
ACCA from Emile Woolf College, London

Areas of Expertise:
- Banking
- Audit & Accounting
- Research
- Fund Management
- Dealing in Equities

Working Experience:

Present:
- Executive Director/Acting Chief Executive Officer, BIMB Securities Sdn. Bhd.

Previous:
- Head of Dealing, MIDF Amanah Investment Bank Berhad
- Head of Dealing, Maybank Investment Berhad
- Fund Manager, Abrar Unit Trust Management Berhad
- Research Analyst, UMBC Securities (later known as Sime Securities)
- Assistant Accountant, Wayss & Freytag
- Corporate Banking, Bank of Commerce (M) Berhad (now known as CIMB Bank)
- Internal Auditor, Mayban Finance Bhd

Directorship of Other Public Companies:
Nil

Declaration of Interest:
He has no conviction for offences within the past 5 years. He has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

RASHID ISMAIL

Chief Executive Officer/Executive Director, BIMB Securities Sdn. Bhd.

59 years old

Male

Malaysian

Date of Retirement:
15 January 2020

Qualifications:
- Certified Practising Accountants, CPA Australia
- Chartered Accountant, Malaysian Institute of Accountants ("MIA")
- Bachelor of Business (major in Accounting), Edith Cowan University, Australia
- Diploma in Accountancy, Universiti Teknologi MARA ("UiTM")

Areas of Expertise:
- Stockbroking (Islamic and Conventional)
- Accounting
- Industrial Property
- Strategic Planning

Working Experience:

Present:
- Chief Executive Officer/Executive Director, BIMB Securities Sdn. Bhd.
- Director, BIMSEC Nominees (Tempatan) Sdn. Bhd.
- Director, BIMSEC Nominees (Asing) Sdn. Bhd.
- Member, Board of Trustee for Bumiputera Dealer's Representative Education Fund ("BDREF"), Securities Industry Development Corporation ("SIDC")
- Member, Board of Trustee for Bumiputera Trading Fund ("BTF"), Securities Industry Development Corporation ("SIDC")

Previous:
- Chairman, Association of Stockbroking Companies in Malaysia ("ASCM")
- Member, Bursa's Securities Market Operations Committee ("SMOC"), Bursa Malaysia Securities
- Member, Bursa's Market Participant Board Committee ("MPC"), Bursa Malaysia Berhad
- Chief Executive Officer, MIDF Property Berhad
- Director, Amanah Ascott Properties & Amanah Scotts Sdn. Bhd.
- Head, Strategic Planning, MIDF Berhad
- Director, MIDF Consultancy and Corporate Services, Amanah Ventures Sdn. Bhd. and Amanah Property Trust Manager Sdn. Bhd.
- Chief Executive Officer & Executive Director Operations, MIDF Sisma Securities Sdn. Bhd.
- General Manager & Company Secretary, PB Securities Sdn. Bhd.
- General Manager, Seagroatt & Campbell
- Head, Computer Section, Treasury Department, United Malayan Banking Corporation
- Head, Money Market Processing, United Malayan Banking Corporation

Directorship of Other Public Companies:
Nil

Declaration of Interest:
He has no conviction for offences within the past 5 years. He has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

GROUP MANAGEMENT TEAM

MOHD MUAZZAM MOHAMED
Chief Executive Officer

MOHAMAD AZLAN MOHAMAD ALAM
Chief Operations Officer

AZIZAN ABD AZIZ
Group Chief Financial Officer

MARIA MAT SAID
Group Company Secretary & Regulatory Compliance

ISKANDAR SHAH ZULKARNAIN
Head, Group Human Capital

WAN NORKHAIRI WAN SAMAD
Head, Group Corporate Communications

52
years old

Male

Malaysian

MOHAMAD AZLAN MOHAMAD ALAM

Chief Operations Officer

Date of Appointment:

- 27 April 2015

Qualifications:

- Member, Chartered Associations of Certified Accountants ("ACCA")
- Chartered Accountants of Malaysian Institute of Accountants ("MIA")
- Member, Institute of Chartered Secretaries and Administration ("ICSA")
- Advanced Diploma in Accountancy, MARA Institute of Technology ("ITM")

Working Experience:

Present:

- Chief Operations Officer, BIMB Holdings Berhad

Previous:

- Chief Financial Officer, BIMB Holdings Berhad
- Chief Risk Officer, RHB Islamic Bank Berhad
- Chief Financial Officer, RHB Islamic Bank Berhad
- Vice President, Finance & Administration Islamic Banking Division, RHB Bank Berhad
- Financial Controller cum Company Secretary, Malaysian Issuing House Sdn. Bhd.
- Assistant Manager, Business Assurance, Coopers & Lybrand Malaysia

Directorship in Public Companies:

Nil

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any directors and/or major shareholders of BHB, and has no conflict of interest in BHB.

GROUP MANAGEMENT TEAM

44
years old

Male

Malaysian

AZIZAN ABD AZIZ

Group Chief Financial Officer

Date of Appointment:

- 27 May 2019

Qualifications:

- Bachelor of Accounting and Finance, University of Plymouth
- Fellow, Association of Chartered Certified Accountants ("ACCA")
- Member, Malaysian Institute of Accountants (Chartered Accountant)

Working Experience:

Present:

- Group Chief Financial Officer, BIMB Holdings Berhad
- Chief Financial Officer, Bank Islam Malaysia Berhad

Previous:

- Equity Partner in Deloitte Southeast Asia and heading the M&A Transaction Services practice for Deloitte Malaysia
- Executive Director, Financial Advisory Services, with KPMG Malaysia
- Senior Manager, Financial Services Division, KPMG United Kingdom and Channel Islands

Directorship in Public Companies:

Nil

Declaration of Interest:

He has no conviction for offences within the past 7 months. He has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

53
years old

Female

Malaysian

MARIA MAT SAID

Group Company Secretary & Regulatory Compliance

Date of Appointment:

- 31 December 2009

Qualifications:

- Bachelor of Law, University of Malaya
- Licensed Company Secretary, Companies Commission of Malaysia

Working Experience:

Present:

- Group Company Secretary & Regulatory Compliance, BIMB Holdings Berhad
- Head, Legal and Secretarial Division, Bank Islam Malaysia Berhad

Previous:

- Senior Vice President, Tahan Insurance Malaysia Berhad
- Senior Manager, LOFSA
- Company Secretary/Legal Manager, Danamodal Nasional Berhad
- Legal Officer, Legal Department, Bank Negara Malaysia

Directorship in Public Companies:

Nil

Declaration of Interest:

She has no conviction for offences within the past 5 years. She has no family relationship with any directors and/or major shareholders of BHB, and has no conflict of interest in BHB.

GROUP MANAGEMENT TEAM

37
years old

Male

Malaysian

ISKANDAR SHAH ZULKARNAIN

Head, Group Human Capital

Date of Appointment:

- 14 October 2019

Qualifications:

- Masters in Business Administration, Universiti Utara Malaysia
- Bachelor of IT, Multimedia University, Malaysia.

Working Experience:

Present:

- Head, Group Human Capital, BIMB Holdings Berhad
- Chief Human Resources Officer, Bank Islam Malaysia Berhad

Previous:

- Director of HR, Al Rajhi Bank Malaysia (Sept 2015 – Oct 2019)
- Head of HR, HSBC Amanah Malaysia (Mar 2014 – Aug 2015)
- Senior HR Relationship Manager, Maybank Malaysia (Feb 2011 – Feb 2014)
- HR Business Partner, Shell Malaysia (Oct 2006 – Jan 2011)
- Executive, International Ops, Telekom Malaysia (Sept 2004 – Sept 2006)

Directorship in Public Companies:

Nil

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any directors and/or major shareholders of BHB, and has no conflict of interest in BHB.

60
years old

Female

Malaysian

WAN NORKHAIRI WAN SAMAD

Head, Group Corporate Communications

Date of Appointment:

- 11 May 2015

Qualifications:

- Degree in Mass Communications (Public Relations), Universiti Teknologi MARA

Working Experience:

Present:

- Head, Group Corporate Communications, BIMB Holdings Berhad
- Head, Corporate Communications, Bank Islam Malaysia Berhad

Previous:

- Senior Manager at Corporate Communications, Maybank Group

Directorship in Public Companies:

Nil

Declaration of Interest:

She has no conviction for offences within the past 5 years. She has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

TAN SRI HAJI AMBRIN BUANG
Chairman

GROUP PROFIT BEFORE ZAKAT AND TAX

RM1.2 BILLION

+13.1%

GROUP PROFIT AFTER TAX

RM935 MILLION

+16.7%

LETTER TO SHAREHOLDERS

In the name of Allah, The Most Gracious, The Most Merciful

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللهِ وَبَرَكَاتُهُ

and Salam Sejahtera

Dear Valued Shareholders,

The year 2019 has been a very meaningful year for all of us at BIMB Holdings Berhad ("BHB" or "the Group") as we not only navigated one of the most challenging business environment and operating landscape but made crucial inroads towards greater growth and sustainability.

The economy and the business environment will no doubt be ever-changing and challenging as we move forward. But one dominant theme will be Malaysia's Shared Prosperity Vision 2030 ("SPV2030") that will focus on creating a high-value, high-technology, and entrepreneurial economy as well as diversifying resources and growth potential. In addition, with the rise of Industry Revolution 4.0, digitalisation and automation, which are developing at an unprecedented pace, Malaysia's banking and financial services industry are set to completely change. These themes will be even more important now as Malaysia seeks to stabilise and set its course for recovery and growth in the long-term.

Opportunities for greater efficiency and competitiveness will emerge, but they also come with a call to stewardship and societal value creation, putting Islamic Finance at the forefront. In times of economic uncertainties and challenges, the tenets of ethical, sustainable and responsible finance practices underscored by Islamic finance is finding greater relevance as a viable and competitive option, evidenced by Islamic banks' growth outperforming conventional banks with double-digit earnings in 2019.

Against this backdrop, we are fully appreciative that to continuously grow, we have to be adaptive and agile to capitalise on opportunities. The Group has charted many significant achievements, with a continuous record-breaking financial performance and a five-year Profit Before Zakat and Tax ("PBZT") Compound Annual Growth Rate ("CAGR") of **8.1%**. The Group is now on the cusp of a planned move to allow our three subsidiaries – **Bank Islam Malaysia Berhad** ("**Bank Islam**" or "**the Bank**"), **Syarikat Takaful Malaysia Keluarga Berhad** ("**Takaful Malaysia**"), and **BIMB Securities Sdn. Bhd.** ("**BIMB Securities**") – to come into their own as independent entities.

This move is a momentous milestone for our subsidiaries, which have achieved maturity in their respective businesses and are capable and ready to forge their own paths of strength and progress. They are in a position to significantly boost and unlock their respective values for our shareholders.

These significant achievements are due in large part to the sound guidance from the Boards and senior Leadership bench who have steered a steadfast course for the Group and the subsidiaries. The Leadership and Management teams of each subsidiary are in a state of readiness with the right balance of skills, knowledge and breadth of experience to independently drive the business moving forward.

With the strong performance charted by BHB in 2019, earnings per share increased to 44.75 sen compared to 40.36 sen in the previous financial year, while our Return On Equity ("ROE") stood strongly at 15.7%.

EARNINGS PER SHARE INCREASED TO

44.75 SEN (2019)

COMPARED TO **40.36 SEN (2018)**

ANOTHER RECORD-BREAKING FINANCIAL PERFORMANCE

For the year in review, the Group showcased another record-breaking performance amid a challenging operating environment, due to our strong adherence to disciplined business management that is well balanced with progressive strategic initiatives for growth. For the financial year ended December 2019, the Group posted PBZT of **RM1.2 billion**, an increase of **13.1%** driven by higher-than-expected earnings from Bank Islam and Takaful Malaysia. Profit After Tax ("PAT") increased **16.7%** to **RM935 million** in 2019 against RM801 million in the previous corresponding period.

Islamic Banking

Bank Islam's PBZT for 2019 increased by **4.1%** to **RM843.5 million**. This was driven by an increase in total income due to strong net financing growth of **8.3%** which is more than double the industry's average financing growth of **4.1%** (as at December 2019), as well as an increase of **9.3%** in investment securities. Net financing stood at **RM49.5 billion** while investment securities was at **RM12.8 billion**.

Despite the strong financing growth, asset quality remained strong and resilient in 2019 against a robust credit risk assessment framework and prudent credit management practices. This was reflected by the low gross impaired financing ratio of **0.86%** at end December 2019 which was lower than the 1.51% registered by the banking system during the same period.

GROUP RETURN ON EQUITY

+15.7%

NET ASSET PER SHARE

RM3.34

+12.5%

Takaful

Takaful Malaysia recorded higher PBZT compared to the previous year, with an increase of **24%** to **RM417.7 million** from RM337 million in 2018. This was due to higher net wakalah fee income arising from the growth in the Family Takaful business, coupled with stronger net investment income. Profit After Zakat and Tax ("PAZT") rose by **25%** to **RM366.3 million**, increased from RM292.6 million as compared to the previous financial year.

Family Takaful's total gross contributions increased by **27%** from the previous year to **RM2 billion**, while General Takaful's total gross contributions increased by **2%** in 2019 to **RM723.6 million**. Over the last five years, Takaful Malaysia has charted a strong PAZT CAGR at **17.6%**.

Securities

Macroeconomic indicators such as economic growth, interest rates and policies can have an impact on BIMB Securities' business. Against a weak economic and market environment that underscored the year in review, BIMB Securities recorded a Loss Before Zakat and Tax ("LBZT") of **RM3.2 million** for 2019. While the institutional business segment dropped sharply in gross brokerage revenue contribution, retail business segment grew by **19%**.

More details on the financial performance of Bank Islam, Takaful Malaysia and BIMB Securities are noted in the Management Discussion and Analysis section on page 114.

STRONG RETURNS TO SHAREHOLDERS

With the strong performance charted by BHB in 2019, earnings per share increased to **44.75 sen** compared to 40.36 sen in the previous financial year, while our Return On Equity ("ROE") stood strongly at **15.7%**. Net asset per share improved to **RM3.34** as at end 2019 compared with RM2.97 for the same period in 2018.

Net profit attributable to shareholders rose **15.4%** or RM104.8 million to **RM786.9 million**.

The Board had declared an interim single tier dividend of **RM282.3 million** or **16 sen** per ordinary share for 2019, of which, approximately **63%** or **RM177.8 million** was distributed as cash dividend. The remaining **37%** amounting to **RM104.4 million** was distributed via the Dividend Reinvestment Plan ("DRP") as opted by shareholders at **RM3.68** per share. A total of **28,381,100** new ordinary shares were issued under the DRP.

PRIORITIES THAT DRIVE PURPOSE FOR PROGRESS

We are guided by five key PRIORITIES – **Responsible Finance, Inclusive Growth, Talent Enrichment, Ethical Practice and Reporting,** and **Islamic Finance and Knowledge-Sharing**. These priorities drive our purpose to build a sustainable, profitable and progressive business, and realise value for our stakeholders. These key priorities shape the strategies undertaken by our subsidiaries, and align our efforts to reflect our triple bottom line focus on people, planet and prosperity by catalysing positive economic, social and environmental outcomes for all our stakeholders.

As guided by these priorities, we took further steps in 2019 to strengthen our digital transformation capabilities. We looked at harnessing digital technologies that can deliver Shariah solutions and excellence to our customers and support the needs of our communities in fulfilling our social responsibility. The ongoing digital transformation initiative will continue to be an important building block towards long-term business sustainability.

We have also put in place efforts to elevate customers' experience with our businesses through initiatives that seeks to deliver relevant responsible and innovative financial programmes to suit their needs, deliver better accessibility, improve operational efficiency and increase productivity.

LETTER TO SHAREHOLDERS

Islamic Banking

We continue to reflect our adherence to Islamic finance tenets that seek growth and development while contributing to societal elevation, which is in line with the **Value-Based Intermediation** ("**VBI**") concept advocated by Bank Negara Malaysia ("**BNM**"). We made significant progress on our social finance initiatives through developing an Islamic crowdfunding platform, **Sadaqa House**. Sadaqa House leverages on financial technology application that allows the public to make online donations and contribute to various social causes of their choosing.

Providing our banking customers with excellence in service underscores all that we do to create better value. For the year in review, we looked to strengthen and grow our delivery channels which included advancing our digital and electronics payment channels.

As guided by our priority on Inclusive Growth, we place focus on helping the community, especially the underserved and underprivileged, to thrive together with us. The Bank's business strategy places emphasis on advancing financial inclusion where doing well for the business means empowering the community to do well for themselves. Part of Bank Islam's wide-spread financial inclusivity initiatives include structuring financing facilities that aim to encourage more women to capitalise on opportunities for entrepreneurship.

Takaful

In executing our business strategy, we aim to strengthen our role and impact as the Takaful operator by focusing on practices and conduct that generate positive impact and value. On this premise, we embedded tenets of sustainability within our implementation approach that allows Takaful Malaysia to create long-term value for our shareholders as well as benefit for the economy, community and environment.

In 2019, Takaful Malaysia continued to strengthen its business growth and emphasis on customers through the expansion of its digital strategy. Takaful Malaysia's sterling performance in 2019 was also duly attributable to the active execution of our inclusive business strategy and diversified distribution capabilities to reach out to different segments of customers, on top of our digital transformation.

Our digital strategy will be the key driver for our innovation, competitive advantage, and growth. The aim is to build a full-digital ecosystem with innovative products and services, and expand our focus beyond credit-related business in order to reach out to the wide retail customer base of major partner banks. This remains a huge untapped market for us in providing Takaful products to address the protection gap in Malaysia's population. The selling of retail Takaful products via mobile devices is now supported by a face-to-face digital-assist point-of-sales system equipped with a smart underwriting engine to facilitate a straight-sales processing for product advice, enrolment, payment, and certificate issuance in meeting the ever-rising consumer expectations.

With a growing online distribution presence, Takaful Malaysia continued embarking into digital solutions to offer a differentiated experience of customised services for corporate clients to strengthen its market reach in the **Employee Benefits** ("EB") segment, and strengthen the branding as a professional EB player to provide our corporate clients with healthy lifestyle and wellness programmes as a value-added benefit to build a healthy and productive workforce.

Securities

In 2019, BIMB Securities continued with its digital improvement journey which included upgrading and enhancing its mobile application and online trading platform, **www.BISonline.com.my**. Through the enhancements made towards being equipped with robotic and algorithmic trading features, clients can have a faster and more efficient trading experience. The upgraded platform gives investors access to Shariah-compliant stocks globally from selected markets of USA, Singapore and Hong Kong.

> **"BHB has led the way in demonstrating how an Islamic financial institution can play a successful role in a modern economy. Today, we have grown from strength to strength, serving millions of customers across the nation while being at the forefront of contributing to the growth of Malaysia's leading position as a vibrant International Islamic Financial Centre."**

Net profit attributable to shareholders

RM786.9million

+15.4%

PROGRESSING WITH YOU

I must say here that looking back, I am extremely proud of what we have achieved. All our three operating subsidiaries stand as the first and leading Islamic financial institutions in their own right in Malaysia since they were first established. As the first Islamic Financial Holding Company in Malaysia with an extensive portfolio of diversified Shariah-compliant businesses across the Islamic financial industry encompassing Islamic banking, Takaful business and stockbroking activities, BHB has led the way in demonstrating how an Islamic financial institution can play a successful role in a modern economy.

Today, we have grown tremendously, serving millions of customers across the nation while being at the forefront of contributing to the growth of Malaysia's leading position as a vibrant International Islamic Financial Centre. Over the years, we have certainly gone through our fair share of challenges, but what is inherent in the Group is the willingness to look deep within and boldly recalibrate and realign so that we always emerge more robust – by restructuring our business strategy, strengthening risk-and-credit management infrastructure, improving operational processes, and reinvigorating our workforce.

Since 2007, when we posted our highest annual profit before tax at that time and surpassed the **RM1 billion** mark in total revenue, we have continued to be on the path to sustainable growth and profitability. This is driven by the Group's commitment to always be adaptable and agile to the ever-changing operational landscape, while being anchored to Islamic values that promote sustainability, integrity, responsibility and ethics.

It is these values that allow us to constantly progress with our people, our community and our country. As a flagbearer for Islamic finance, sustainability is integral to our business growth and survivability. This has shown to be more important now than ever given the unprecedented challenges posed by the pandemic outbreak of novel coronavirus ("COVID-19") and the oil price slump, among others. It is during testing times like this that we double our efforts to ensure that we help our community so that we can all progress together.

The pandemic has caused a deep impact on our community, their businesses and their livelihood. In putting into practice Bank Islam's theme **Sustainable Prosperity for all in the community**, we have expeditiously rolled out multi-faceted relief plans that include a **Rescheduling & Restructuring** ("R&R") facility, **automatic deferment of all financing repayments for six months** for individual customers and Small Medium Enterprises ("SME") in support of BNM's relief plan, as well as implementing **SME Special Relief Facility ("SSRF") to help alleviate the short-term cash flow** predicament faced by SMEs. BHB and Bank Islam pledged RM1.6 million to be channelled to the various fund-raising programmes such as #MusaadahCOVID19 mission, Ministry of Health and Jabatan Kebajikan Masyarakat. The contribution will be used to assist the underprivileged communities and other affected stakeholders.

As the world and Malaysia evolves with conditions that are constantly changing, we too have to adapt and think about how we can do things better to ensure that we continue to deliver sustainable value to our shareholders.

I am heartened to note the level of business maturity of our operating subsidiaries. As we move towards realising the potential for each subsidiary, we are looking to transition the operating subsidiaries to be in a position that enables them to pursue opportunities that can unlock strategic values on their own merits. This corporate exercise involves the creation of separate and independent business entities with distinct businesses in Islamic banking, Takaful and securities, allowing for a more efficient utilisation of their balance sheets and capital management so that they can pursue growth strategies that are relevant to their particular businesses.

Arising from this planned transitioning exercise, the listing status that is currently held by the holding company, BHB, is expected to be transferred to Bank Islam, paving the way for Bank Islam to emerge as the one and only full-fledged Islamic bank to be publicly listed in the region. BIMB Securities will be part of Bank Islam moving forward, offering a full and complementary suite of Islamic services. Likewise, BHB personnel will be reallocated to Bank Islam seamlessly, delivering the same level of performance with pride. With Takaful Malaysia already a leader in the Islamic Takaful space, this entity is capably ready to stand on its own strengths and reap the potential that the market has to offer.

The proposed transition is expected to have a positive impact on potential earnings accretion through the streamlining of resources and infrastructure duplication, as well as reducing the complexity of group risk management. However, this proposed corporate exercise is subject to the approvals of the relevant regulatory authorities as well as shareholders, and market conditions moving forward.

LETTER TO SHAREHOLDERS

PROGRESSING WITH OUR PEOPLE AND OUR COMMUNITY

At BHB, we believe that we have a duty that goes beyond fiduciary obligations. We are guided by our Key Priorities and the VBI to drive Islamic finance to its next level of growth through actions that generate positive sustainable impact and value creation to the economy, community and the environment. We continuously invest in human capital and empower them so that they, in turn, can help make a significant impact towards building a sustainable business for inclusive growth.

Part of this commitment also determines that we serve the community in which we operate in, guiding and building them up as well, so that together, all can participate in shared prosperity.

One of the ways in which we approach this is through the SME Development Programme driven by Bank Islam that aims to empower the SME community with the skills and knowledge that are vital in improving their bankability and hone their competitiveness, especially in facing the challenging economic environment. The training programme involves comprehensive and structured modules that include digitalisation, basic accounting, charting growth, human resource, branding and marketing, financial management and governance to empower entrepreneurs to become more entrepreneurial and capitalise on opportunities for self-development, so that they can be in a position to contribute to the well-being of themselves, their families, their community and the country.

With the help of technology and the development of digitally-enabled financial services, Islamic finance is able to expand its reach to the underserved populations and increase financial inclusion. Through Bank Islam's mobile application **Go** and Takaful Malaysia's affordable online medical, term and accident coverage plans under **Takaful *my*Click MediCare, Takaful *my*Click Term** and **Takaful *my*Click PA** respectively, access to financial services are made more expandable and reachable to a wider segment of customers.

At Bank Islam, our Zakat fund continues to underpin our contribution to the community. For the year in review, the Bank collectively contributed more than **RM3.5** million in Zakat for the betterment of our community, making a positive impact on more than **11,000** beneficiaries.

Notable efforts for the year included building and repairing **14 homes** for underprivileged communities in Sabah under ***Projek Bantuan Rumah*** as well as our annual **Hari AMAL**, which is a nationwide Corporate Social Responsibility ("CSR") programme helmed by Bank Islam volunteers. Over 900 Bank Islam employees nationwide participated in community and environment initiatives at 15 locations across the country. We also helped **736 students** with the necessary school supplies including bags, stationaries and uniforms under our annual ***Jom Ke Sekolah*** programme.

We believe in providing our deserving communities support and enablement so that they in turn, can be empowered to live a better life and capitalise on opportunities. Over the years, we collaborated with ***Amanah Ikhtiar Malaysia*** ("AIM") on the **AMAL Musa'adah** programme that equips the underserved with the necessary means to earn a living. In 2019, we provided **56** beneficiaries with the relevant equipment and means to own their own business and become entrepreneurs.

Environmental causes were also a priority in our community contribution efforts. The **AMAL untuk Alam** initiative was kicked-off in 2019 with the aim of strengthening our contribution to the protection of natural environment and promotion of bio-diversity.

Efforts such as these can only be appreciated for its sustainable impact when educative and awareness elements are experienced by the people taking part in these initiatives. At the Bank, employees were educated on the adverse impact of e-waste on the environment and were encouraged to recycle their unwanted electronic products and devices such as batteries and charging cable in a responsible manner at Menara Bank Islam. We also embarked on efforts to raise environment pollution awareness by inviting the public as well as university students and partners such as **Solid Waste and Public Cleansing Management Corporation** ("SWCorp") to participate in a beach-plogging activity and help beautify the area at Pantai Sepat and Pantai Balok, Kuantan, Pahang.

For 2019, Takaful Malaysia carried out various community-based activities and programmes via their CSR umbrella **Takaful *my*Jalinan**. Two sub-brands under this CSR umbrella was introduced to further categorise the CSR activities undertaken. The sub-brands are **Takaful *my*Jalinan Kasih** which provides monetary assistance to the needy while the **Takaful *my*Jalinan Ilmu** complements the work of school teachers by helping students to excel in their studies.

Takaful Malaysia donated a total of **RM548,189** in 2019 in the form of contributions to various recipients nationwide, including education centres, charitable organisations and communities. Some of the recipients included indigenous children, needy students, paediatric patients, hospital patient welfare funds, as well as children with special needs.

Knowledge-sharing events were also conducted in order to impart exposure and understanding of various topics that can contribute towards life and business skills. We participated in the ***Karnival Kewangan Miri*** organised by BNM, as well as conducted a knowledge-sharing session on the fundamentals of insurance and Takaful with students and lecturers of Kolej Vokasional Datuk Seri Mohd Zin in Melaka.

Takaful Malaysia distributed Zakat contributions amounting to **RM500,000** to the respective Zakat offices in the central, southern, northern, east coast and east Malaysia regions. The Zakat contributions were made to fulfil our responsibility as an Islamic financial institution and to ease those who are in need of financial assistance. In propagating knowledge on Islamic finance, BIMB Securities has been collaborating with various universities and providing the opportunities for their students to undergo internship and training at the company itself. The company organised knowledge-sharing sessions with university students, including hosting an **Education Visit Programme** from Universiti Kebangsaan Malaysia ("UKM"), as part of its efforts to inculcate better appreciation and knowledge of Islamic finance and Shariah equity investments.

We participated and supported relevant practical educational activities organised by universities such as the **Investment Challenge Day** by Universiti Sains Islam Malaysia ("USIM") and the National Seminar on Islamic Capital Market II by Universiti Teknologi Petronas ("UTP"), among others.

As part of the larger BHB Group, BIMB Securities distributed its Zakat obligation via Bank Islam's programmes to ensure a more efficient and meaningful distribution.

Highlights of our corporate social responsibility activities and initiatives are available on page 82 of this report.

STRENGTHENED GOVERNANCE

As we continue to operate in an increasingly evolving and interconnected regulatory and financial landscape, ensuring high governance, compliance and ethics are key to managing risks and opportunities effectively and responsibly. The Board is committed to maintaining high standards of corporate governance, business integrity, ethics, and ensuring these values and behaviours are consistent across the businesses.

Led by Islamic principles and our values, we actively safeguard the interests of our stakeholders and maintain the trust that they have in us. The Group constantly reviews and enhances our Responsible Finance benchmarks to ensure positive outcomes for our stakeholders. We abide by the Malaysian Code on Corporate Governance 2017, BNM's Corporate Governance Policy as well as other guidelines published by Bursa Malaysia Securities, the Putrajaya Committee on Government Linked-Companies High Performance and the Minority Shareholders Watchdog Group ("MSWG").

While we are not immune to the impact of the macroeconomic challenges, we rely on our prudent approach and sound risk management practices to mitigate risks.

PROGRESSING FOR THE FUTURE

Malaysia's economy is expected to face a very challenging prospect following the COVID-19 pandemic, which has already taken a serious toll on the global economy. The large scale reversal in the global equities market, massive interest rate cuts and asset purchases programme by the major central banks as well as fiscal pump priming all over the world are the clear symptoms that the global economy requires a helping hand. In this respect, BNM and the Ministry of Finance have taken swift action to prescribe stabilisation policies in order to mitigate the economic impact arising from the virus spread.

These are extraordinary times, but this is when the efforts we have made to embed sustainability into every aspect of our operations, our culture and our mindset will stand us in good stead to tide us through. As a Group, we move into 2020 primed to leverage on our strengths to face the challenges ahead. Although the escalating headwinds on both the domestic and global fronts will have an impact on markets and business performance, our strong fundamentals and prudent risk management efforts see the Group to be in a well-prepared position to manage and mitigate the fallout. While we envision some level of impact on our earnings, our balance sheet is healthy, with capital, liquidity and asset quality remaining sturdy. These inherent strengths, together with strategies put in place, will help to buffer us as we navigate the impact from the contagion effect of COVID-19 and the oil price slump.

BHB has pursued and implemented a sound strategy that has enabled the Group to realise long-term value creation over the past decades for the country, the economy and its people. Notwithstanding the challenging landscape that we are operating in today, the Group is rooted in its commitment to be agile in capitalising on the opportunities that lie ahead. As we transition from a holding company into independent entities focused on their respective core expertise, we believe the strong foundation that has been built over the decades will allow these companies to unlock their vast potential, pave the way for better value creation for stakeholders, and grow from strength to strength.

Barring any unforeseen circumstances and given accommodative market conditions, we expect the transition to unfold smoothly, pending approvals from our regulators. It is certainly an exciting time for all of us ahead.

LETTER TO SHAREHOLDERS

APPRECIATION

As a Group, we have performed well and charted many significant milestones over the decades, despite headwinds. We are proud of all that we have accomplished in service to our People, our Community and our Country. The Board joins me in expressing our sincere appreciation to our shareholders for your continued trust and support in us. We would also like to extend our gratitude to the Shariah Supervisory Council, the Management team and employees of BHB, as well as the subsidiaries for their dedication and commitment. Our successes were made possible by all of you who always strive to give your best. It is indeed my privilege to work with all of you.

My sincere thanks go to the eminent individuals who make up the Board for their invaluable guidance and far-sighted vision. The Board and I would like to record our deep appreciation to **Tan Sri Ismail Adam** who retired from the Board on 3 January 2020, for his commitment and contribution during his tenure. We also welcome **Encik Zahari @ Mohd Zin Idris**, who was appointed to the Board on 3 February 2020 and look forward to working closely together and benefiting from his vast experience. I would also like to extend our grateful thanks to **Datuk Zamani Abdul Ghani**, who retired from his post as Chairman of Bank Islam on 1 March 2020, after nine years of dedicated service to the Board and his valuable contribution to the betterment and growth of Bank Islam.

My heartfelt appreciation goes to the regulatory authorities, the Ministry of Finance, Bank Negara Malaysia, Bursa Malaysia, the Securities Commission and other relevant regulatory authorities in the business segments we operate, for their guidance throughout the years.

We have faith that the tide will turn and the markets together with the economy will rebound once more. I look forward to the better future, which will undoubtedly be charted by the new entities towards greater sustainability and long-term value.

Thank you.

TAN SRI HAJI AMBRIN BUANG
Chairman

THE PATH AHEAD OF US

BIMB Holdings Berhad ("**BHB**") proposed to undertake a corporate exercise that aims to unlock significant value for shareholders and transfer its listing status to its wholly-owned subsidiary, Bank Islam Malaysia Berhad ("**Bank Islam**" or "**the Bank**"). The Group takes a dynamic stance in the overall timeline of the exercise as some slight impact is expected due to current market uncertainty and challenges.

UNLOCKING VALUE FOR SUSTAINABLE, FUTURE GROWTH

- Allows the entities to grow independently and deliver sustainable value as they will have more autonomy to pursue their corporate and business strategies and opportunities, as well as focusing on their own capital management initiatives.
- Allows for a more streamlined and efficient operational structure that enables stronger earnings accretion through the elimination of, or minimisation of resources and infrastructure duplication. Certainly, it will reduce the complexity of group risk management.
- Gives investors flexibility to better manage their investment exposure or to rebalance their portfolios in banking and Takaful industries according to their own investment objectives.
- BHB's proposal to transfer its listing to Bank Islam will give Bank Islam direct access to the equity capital market for fund-raising activities to support its organic growth.
- Takaful Malaysia will retain its listing status on Bursa Malaysia and allow investors to participate directly in the equity and future growth of the Takaful business.

PROPOSED CORPORATE EXERCISE INVOLVES FIVE COMPONENTS

01 A proposed placement of new shares to raise **RM800 million**. The proceeds, together with internal cash, will be used to settle outstanding Sukuk held by Lembaga Tabung Haji.

02 A **Scheme of Arrangement** ("SOA") to pay warrant holders a cash consideration for the cancellation of their exercise rights in respect to the warrants.

03 An internal reorganisation to dispose its entire stake in its stockbroking and leasing subsidiaries to Bank Islam.

04 BHB's entire shareholdings in Bank Islam and Takaful Malaysia will be distributed by way of distribution-in-specie to shareholders of BHB.

05 On completion of the distribution-in-specie, BHB shareholders will hold Bank Islam and Takaful Malaysia shares in proportion to their shareholding in BHB. BHB's listing status will then be transferred to Bank Islam.

BANK ISLAM

FOSTERING A PLATFORM FOR TALENT ENRICHMENT, WE GROW AND SUSTAIN A VITAL TALENT POOL FOR THE ADVANCEMENT OF THE INDUSTRY.

SUSTAINABILITY STATEMENT

OVERVIEW

STATEMENT OF PURPOSE

As the foremost Islamic financial institution in Malaysia, we place high focus on creating long-term sustainable value for our stakeholders. Sustainability at BHB is about investing in the bright future of our organisation and ensuring that what we do makes a positive and lasting impact on our community, our economy and our country.

Our purpose is to meet and support society's financial needs in a responsible and ethical manner, anchored on Islamic values. In undertaking this role, we ensure our efforts are underscored by values within ***Maqasid Al-Shariah*** that aim to achieve social and economic well-being as well as enhancing the welfare of the community.

This intent is embedded in our Strategy that articulates how our five (5) key pillars of **Responsible Finance, Inclusive Growth, Talent Enrichment, Ethical Practice and Reporting,** and **Islamic Finance and Knowledge-Sharing** drive our purpose to build a sustainable, resilient and progressive business that generates long-term value for our stakeholders. Through this purpose, we aim towards inclusive growth that creates economic opportunities within our business and the communities we operate in, ultimately supporting ongoing efforts to develop the real economy.

OUR APPROACH TO SUSTAINABILITY

As part of our commitment to sustainable and responsible growth, we seek to identify, assess and manage economic, environmental and social risks, challenges, impact and opportunities within a robust governance framework. We continuously review and refine our strategies to ensure that we remain well-positioned to leverage on opportunities to contribute positively to our stakeholders. As we continue to progress in our business, we seek to integrate economic, environmental and social considerations in everything that we do.

In all we do, we are committed in our obligation to contribute to the country's long-term and inclusive economic, social and environmental well-being. Our approach to sustainability is anchored on our commitment to build and progress in our area as a responsible Islamic financial institution that is imperative to the growth of our business and community, while creating value for all our stakeholders.

We draw guidance from the **Bursa Malaysia Securities Berhad's Main Market Listing Requirements** and **Global Reporting Initiative ("GRI") Standards** as well as the **United Nations' Sustainable Development Goals ("UNSDG")** to achieve a better and more sustainable future for all. Our efforts at sustainability are in line with **BNM's VBI** concept that aims to create a positive and sustainable impact to the economy, community and the environment.

SUSTAINABILITY FRAMEWORK

PILLARS

Our Sustainability Framework guides our strategy as we seek to progress with you. We are focused on delivering exemplary financial and social performance through innovative and ethical Shariah-based products and services. The pillars of our sustainability framework are developed in response to the needs and expectations of our stakeholders, and drive the initiatives and activities of our operating subsidiaries.

We are guided by Islamic values that are encapsulated within Shariah rules and principles. More specifically, our operating subsidiaries are all aligned under the common philosophy of ***Maqasid Al-Shariah***, which focuses on people's well-being through the preservation of **wealth, faith, lives, posterity** and **intellect**. In other words, for us and more importantly, our operating subsidiaries that include Bank Islam, Takaful Malaysia and BIMB Securities, to be sustainable for the long term, it is imperative for us to have a reason and purpose for our existence.

By progressing with you, we intend to do good for the people, and help them grow together with nation. Through financial solutions and corporate activities by our operating subsidiaries, we intend to help society to develop and keep the environment protected for the good of all. We do all these in an ethical manner, practicing sound judgement and good governance, thereby helping to promote better lives for everybody.

RESPONSIBLE FINANCE: Provide financial solutions that effectively deliver economic and social benefits, without bringing harm to the people and environment.

INCLUSIVE GROWTH: Promote participations from all segments of the society, especially the disadvantaged and underserved communities, in our financial activities and businesses.

TALENT ENRICHMENT: Invest in our people that allows them to develop and become an important contributor to our business and the society.

ETHICAL PRACTICE AND REPORTING: Realise ethical values by being honest, trustworthy and transparent in all our decisions and actions.

ISLAMIC FINANCE AND KNOWLEDGE-SHARING: Propagate our wealth of experience and knowledge to create a learned society and advance the industry.

SUSTAINABLE DEVELOPMENT GOALS

By aligning our pillars with the United Nation's Sustainable Development Goals ("**UNSDG**"), we look to an indication of measurement on our efforts to achieve our sustainability goals. The SDG constitutes a set of common criteria for improving the society and the world we live in with a number of "call-for-actions" adopted globally for building an inclusive, sustainable and resilient future.

Our activities and initiatives at "doing good" are matched with the SDG, and in this way, we are building our corporate strategy and business plan with the purpose of "doing good" for our stakeholders. Leaving no one behind, we are committed to creating economic growth for our business, the society and nation, while addressing important social needs and environmental issues.

SUSTAINABILITY FRAMEWORK

SUSTAINABILITY FRAMEWORK

RESPONSIBLE FINANCE

- 3 GOOD HEALTH AND WELL-BEING
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 6 CLEAN WATER AND SANITATION
- 13 CLIMATE ACTION
- 7 AFFORDABLE AND CLEAN ENERGY
- 17 PARTNERSHIPS FOR THE GOALS
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES

INCLUSIVE GROWTH

- 1 NO POVERTY
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 3 GOOD HEALTH AND WELL-BEING
- 14 LIFE BELOW WATER
- 4 QUALITY EDUCATION
- 15 LIFE ON LAND
- 7 AFFORDABLE AND CLEAN ENERGY
- 17 PARTNERSHIPS FOR THE GOALS
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCED INEQUALITIES

TALENT ENRICHMENT

- 4 QUALITY EDUCATION
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES

ETHICAL PRACTICE AND REPORTING

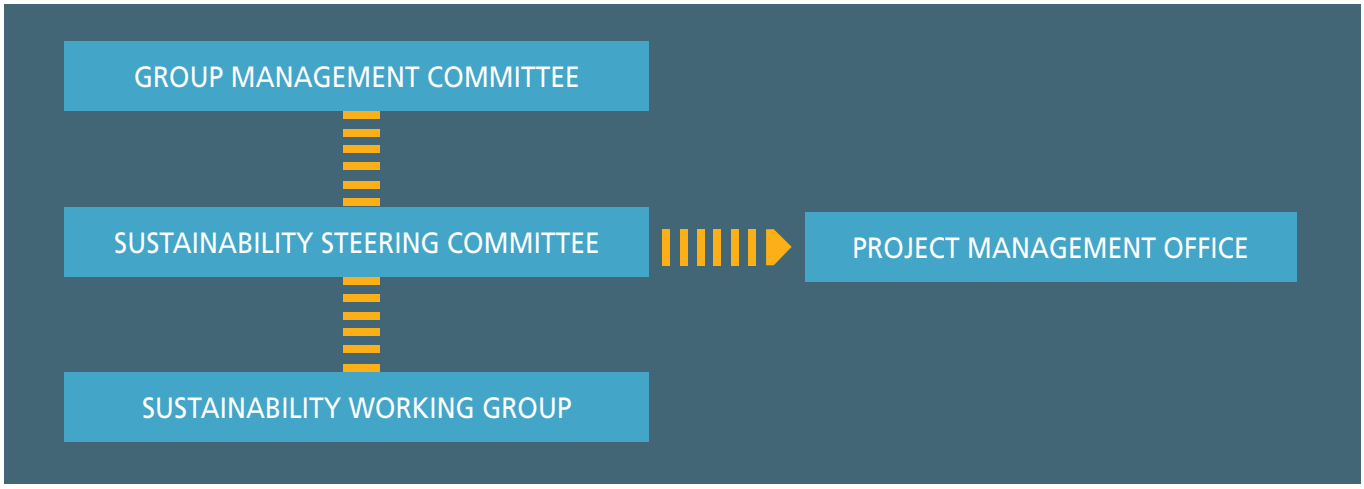
- 5 GENDER EQUALITY
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

ISLAMIC FINANCE & KNOWLEDGE SHARING

- 4 QUALITY EDUCATION
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 17 PARTNERSHIPS FOR THE GOALS

GOVERNING STRUCTURE

The Board of Directors has oversight of BHB and its sustainability implementation across subsidiaries of the Group. A structure has been put in place for the integration of **Environmental, Social and Governance ("ESG")** matters in the operating subsidiaries' business operations, and as a guidance for the formulation of their strategies.



ROLES AND RESPONSIBILITIES

The Group Management Committee is made up of CEOs of the operating subsidiaries, which include Bank Islam, Takaful Malaysia and BIMB Securities. The CEOs oversee their respective subsidiary's sustainability performance.

The Sustainability Steering Committee is responsible in providing guidance on the implementation of sustainability matters at the operating subsidiaries. Made up of key sustainability practitioners from the operating subsidiaries, members hold quarterly meetings to discuss on the overall strategy and ensure that all operating subsidiaries are aligned to the Group's purpose and strategic direction.

The Project Management Office advises the Sustainability Steering Committee in facilitating the implementation of sustainability-related initiatives at the respective operating subsidiaries. The committee formulates sustainability goals and framework as well provides the reporting on sustainability matters at BHB.

The Sustainability Working Group manages day-to-day sustainability matters and executes sustainability-related actions. Made up of representatives of relevant and key business and operational functions of BHB and its operating subsidiaries, the group is essential in ensuring that sustainability is embedded into the organisation as guided by our pillars.

MATERIAL MATTERS

In conducting our materiality assessment, we looked at factors that would greatly have an impact on our long-term sustainable growth as well as its impact to our stakeholders according to our strategic priorities. In formulating our sustainability strategy, we consider how these factors impact the interests of our internal and external stakeholders, as well as our impact towards economic, environment and social concerns. This assessment aims to facilitate the development of a strategy for long-term value creation for our stakeholders.

ECONOMIC ENVIRONMENT

ENSURING SUSTAINABLE BUSINESS OPERATIONS AMIDST CHALLENGES

Why is this important to us?

Our main aim is to ensure that we continuously create economic value from our business, demonstrate resilience in earnings and deliver consistent returns to our stakeholders. To do this, we keep a close pulse on the evolution of the financial and business landscape, and its impact on the economic environment.

The ongoing economic challenges which include trade tensions, policy uncertainties and fluctuations in commodity prices globally have an impact on business performances and the financial market landscape. To ensure continuous and resilient business sustainability, BHB looks towards consolidation and alignment as key elements in our business model and corporate strategy to unlock value for our shareholders.

REGULATORY LANDSCAPE

ALIGNING WITH DYNAMIC CHANGES IN REGULATIONS

Why is this important to us?

As a holding institution that oversees subsidiaries across banking and non-banking businesses in Malaysia, BHB places high importance on efforts to maintain a strong and stable financial sector with robust financial and operational resilience, supported by strong risk management and compliance capabilities.

As regulations change to keep abreast with the dynamic market such as with the implementation of Basel III prudential reforms for banks and enhancing valuation standards that drive capital requirements for the insurance sector, BHB impresses upon the importance of keeping aligned with the regulation changes and requirements for each separate business subsidiaries, as well as understanding the risks of the different regulatory requirements between our bank and non-bank subsidiaries.

COMPETITIVENESS

BEING AGILE AND ADAPTIVE TO REMAIN RELEVANT AND COMPETITIVE

Why is this important to us?

As a holding institution that oversees subsidiaries across banking, insurance and securities, we understand the need for fast actions to capitalise on opportunities, mitigate risks and address challenges that relate specifically to the differing concerns of each subsidiaries. For growth to progress within each of the businesses, there is a need for each subsidiary to be equipped to leverage and grow to their individual strengths. This includes implementing initiatives such as digitalisation and green financing.

STAKEHOLDERS' ENGAGEMENT

Effective communication and engagement with our key stakeholders are essential for us to develop an understanding on matters that are relevant to them.

Understanding those matters enable us to outline the strategic priorities that will guide our activities that best fulfil our stakeholders' needs and expectations. As an Islamic financial holding institution with a number of subsidiaries offering financial solutions, we are closely associated with the environment we operate in and the society we serve. Our relationship with our stakeholders, and the level of our engagement largely affect our ability to create and deliver value to them.

STAKEHOLDERS' ENGAGEMENT

Their importance	Their needs and expectations	Our engagement and response

INVESTORS

We provide investors with relevant information that allows them to make informed investment decisions in our Group.

Investors gave the Group the financial support and capital essential for us to grow.

- Sustainable financial returns and growth
- Progressive business strategy that ensures sustainable growth
- Liquidity and gearing
- Transparent reporting and disclosure
- Good governance

- Regular briefings on financial performance
- Publication of annual and quarterly financial reports
- Frequent meetings and sessions with business analysts and media to keep investors and public apprised of our business plans and performance

OPERATING SUBSIDIARIES

We synergise the business operations and activities within our various subsidiaries through our common understanding of the Group's purpose within the industry.

The operating subsidiaries drive our businesses and operations, which directly affect our financial performance and standing within the industry.

- Group synergy
- Common guiding principles

- Frequent meetings and discussions among the management of the subsidiaries
- Participation in Group events and initiatives

REGULATORS & GOVERNMENT

We contribute to the nation's economy and help advance the industry through combination of best business practices and sound governance.

The regulators and government provide the regulatory framework and policies that enable us to operate with integrity and in a competitive manner, which benefit the nation's economic landscape.

- Compliance with regulatory and legal requirements
- Investment in creating positive economic and social impacts
- Active participation in advancing the industry
- Responsible taxpayer

- Conducting compliance review and assessment, as well as development of policies and framework in accordance to ever-changing regulatory guidelines
- Frequent meetings and discussions with the regulatory bodies and relevant government agencies in determining the best way forward for the financial industry and ensuring economic stability
- Active participations in industry-led conferences and forums, as well as with relevant industry associations
- Consultations with the regulatory bodies' and relevant government agencies in supporting their sustainability efforts
- Provision of thought leadership in advancing the Islamic financial industry

CUSTOMERS

We interact with customers to determine their needs and find the right financial solutions for them.

Customers look to our operating subsidiaries' solutions that fulfil their particular needs, and drive our financial performance essential to the Group's growth.

- Innovative solutions that fulfil the current market needs
- Value for money solutions, including fair and competitive pricings
- Service excellence
- Convenient access to products and services
- Responsible products and services

- Focus on digitalisation efforts that include enhancement of online platforms and digital delivery channels
- Focus on service excellence, which put emphasis on service efficiency and improving customer experience through adoption of digital technology
- Focus on realising the needs of underserved segment
- Regular customer engagement and satisfaction surveys

EMPLOYEES

We keep our employees informed of our strategic priorities and guiding principles, and communicate with them to learn of their concerns.

Our employees are the heart and foundation of the Group, whereby their every action will determine the success of the Group.

- Fair and competitive remuneration
- Effective performance management and recognition
- Career development and advancement opportunities
- Access to welfare and wellness programmes
- Safe working environment
- Opportunity to make a difference

- Emphasis on active engagement between senior management and employees through townhall sessions and various communication channels
- Focus on corporate culture to ensure alignment with the Group's purpose and values
- Conducting of employees' development plan through training and knowledge-sharing programmes
- Addressing employees remuneration through performance management and industrial relations initiatives
- Conducting employees' engagement survey

SOCIETY & COMMUNITY

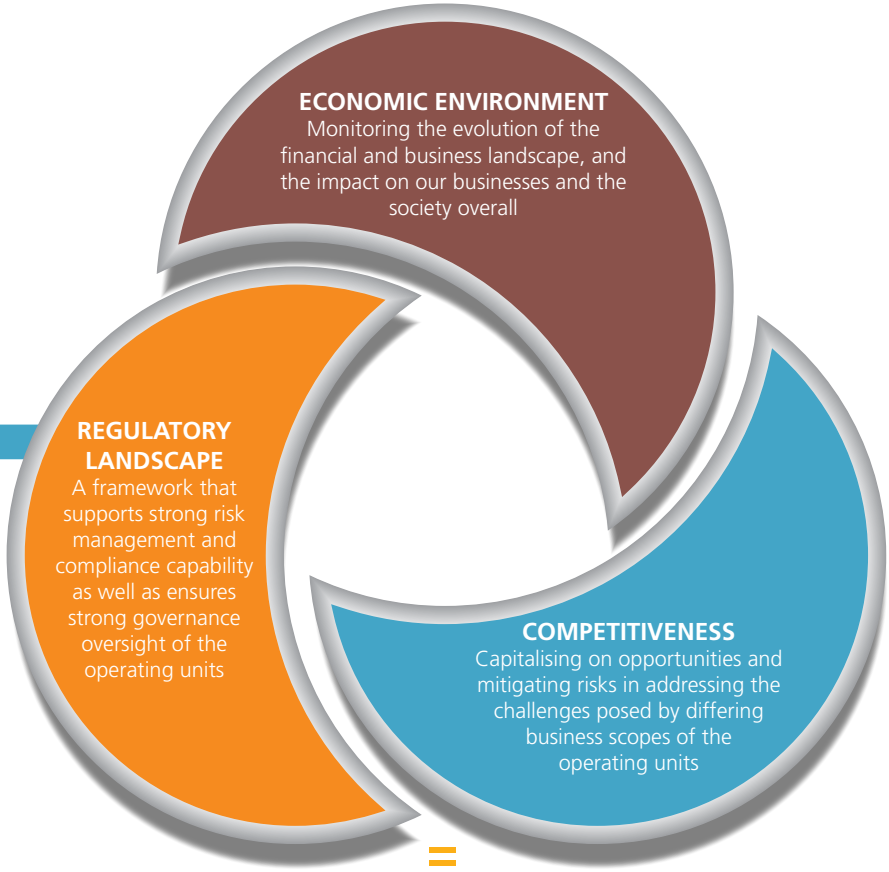
We seek to become a good corporate citizen by engaging the society and community on addressing their issues and needs.

A prosperous society and community contribute to the long-term viability and sustainability of the Group.

- Investment for the disadvantaged communities, with access to Zakat contributions
- Provide solutions that promote financial inclusivity, which include financial activities for the underserved and unbanked segments of society
- Trusted partner to promote socio-economic progress and environmental agenda that lead to a prosperous society

- Increased focus on matters related to sustainability with emphasis on providing responsible products and services, and acting responsibly
- Emphasis on initiatives and programmes that support that meet the priorities as advocated by UNSDG, and within the Triple Bottom Line principle
- Engagement with the disadvantaged communities to address their socio-economic needs, and enable their sustained participation in contributing to the nation's economic progress
- Collaborations with NGOs, charity organisations and relevant government agencies, as well as the public in addressing social and environmental issues

OUR BUSINESS MODEL



OUR RESOURCES

FINANCIAL
INTELLECTUAL
EMPLOYEES
INFRASTRUCTURE
SOCIETY AND CUSTOMERS
NATURAL

PILLARS

RESPONSIBLE FINANCE
Delivering financial solutions that bring both economic and social benefits

INCLUSIVE GROWTH
Empowering the community by promoting financial access and opportunity to all segments of the society

TALENT ENRICHMENT
Supporting our employees through development programmes and initiatives that engender work-life balance

ETHICAL PRACTICE AND REPORTING
Serving in the best interest of our stakeholders by doing the right thing and implementing good business practices

ISLAMIC FINANCE AND KNOWLEDGE-SHARING
Growing knowledge and awareness of the industry to advance the Islamic economy

Our business model seeks to align our operating units in creating value for stakeholders in a sustainable way. By managing our resources well, we are building competitive advantages that allow further growth for our businesses and help realise benefits for stakeholders.

STAKEHOLDERS

INVESTORS
OPERATING SUBSIDIARIES
REGULATORS AND GOVERNMENT
EMPLOYEES
CUSTOMERS
SOCIETY AND COMMUNITY

OPERATING UNITS

BANK ISLAM MALAYSIA BERHAD
Comprehensive suite of Islamic banking and financial solutions for individuals, business owners and corporate clients, ranging from deposit and financing products to wealth management and treasury services

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD
Extensive range of Takaful solutions to meet the diverse needs of customers from different backgrounds, from medical and home coverage to commercial cover and employee benefits

BIMB SECURITIES SDN. BHD.
End-to-end Shariah-compliant stockbroking and securities dealing services including investment research, underwriting and placement, and Shariah advisory

DELIVERING OUR KEY OUTCOMES WITHIN EES (ECONOMIC, ENVIRONMENTAL AND SOCIAL)

ECONOMIC

RM5.4 billion in Revenue with
RM1.2 billion Profit Before Zakat and Tax

ENVIRONMENTAL

RM1.76 billion under the Green Financing scheme as our Sustainability commitment

SOCIAL

More than **RM4.6 million** of Zakat and CSR funds distributed to over 11,000 beneficiaries

DELIVERING VALUES

The success of our collective organisations depends on how effective we are at enhancing or nurturing our resources to deliver values to our stakeholders. Effective utilisation of these resources for the benefit of our stakeholders determines our ability to maximise value creation for our stakeholders in the long run and sustains our long-term business.

RESOURCES

FINANCIAL

Our strong capital and the diversified businesses of our operating units enable us to continue supporting our stakeholders.

RM6.4 bil
in total equity

RM2.1 bil
in sukuk liability

100% stake
in Bank Islam with
RM5.1 bil
investment

59.5% stake
in Takaful Malaysia with
RM99 mil investment

100% stake
in BIMB Securities with
RM99 mil investment

100% stake
in Syarikat Al-Ijarah with
RM12.8 mil investment

INTELLECTUAL

The strong brand and differentiating factor of our respective operating units within the Islamic financial and banking sphere drive our business success.

A suite of diversified and fully Shariah-compliant products and services, which represent pure Islamic solutions for finance and banking, Takaful coverage and securities

Partnerships with key institutions, organisations and service providers for enhanced value proposition offerings

Operating units acknowledged as the leading organisations within their respective sectors (please refer to 'Achievements' section on page 12)

EMPLOYEES

Through training and learning experiences as well as other benefits such as a conducive work environment, our employees are motivated to serve for the betterment of the organisation and our customers.

- A diversified composition of more than **5,600** employees
- Strong governance and compliance culture
- Emphasis on Islamic values that promote trust, integrity and people-centred working environment

INFRASTRUCTURE

Our physical infrastructure creates accessibility for the wider audience, while our current emphasis on digital channels emerges better convenience as well.

144 Bank Islam branches nationwide including **954** self-service terminals

24 Takaful Malaysia service centres nationwide including two (2) oversea subsidiaries in Indonesia

Emphasis on IT infrastructure investment to promote new digital solutions as well as enhance mobile and online channels

SOCIETY AND CUSTOMERS

We play our role in advancing the nation's Islamic financial sector by catering to their specific needs, and create solutions that benefit all while harming none.

- More than **7 mil** customers served
- Leading the way in **Corporate and Social Responsibility** commitment ("CSR")
- Focus on providing initiatives and solutions related to **Social Finance**

NATURAL

We continue to take into account the impact of our businesses, as well as that of our business partners, on the environment, and strive to minimise negative impacts.

- Increased focus on environmental conservation efforts through adoption of **UNSDG** and **Triple Bottom Line** principles in initiating business and social initiatives
- Focus on energy and water conservation within internal operations
- Continued focus on facilitating financing for companies and corporations investing in **green technologies** and **renewable energy** solutions

DELIVERING VALUES

VALUE FOR THE STAKEHOLDERS

INVESTORS

Market capitalisation of **RM7.8 bil** as at end December 2019 (in comparison to RM6 bil as at end December 2018)

RM282.3 mil dividend paid out, with dividend yield of **3.6%**

DRP subscription rate of **37%**

- Return on equity (after tax) of **15.7%**
- Share price of **RM4.40** as at end December 2019 (RM3.56 as at end December 2018)
- Net assets per share of **RM3.34**
- Price to book of **1.22**
- Earnings per share of **44.75 sen**
- Price earnings multiple of **9.8x**

OPERATING SUBSIDIARIES

Guidance and alignment towards industry-led sustainable practices

Common avenue for cross-subsidiary resources and knowledge-sharing initiatives

Process and system synergy for greater business efficiency

REGULATORS AND GOVERNMENT

Compliance with all regulatory requirements

Advancing Malaysia as an Islamic financial hub

Contribute to the financial stability of the nation and domestic economic growth

Collaboration with governmental agencies in promoting the national **Shared Prosperity** agenda

RM315,639,000 of tax contribution

EMPLOYEES

More than **RM662 mil** paid in employee remuneration

More than **RM8.5 mil** invested in employees training and development

More than **54** new employment opportunities created

Employee retention rate of 100% and the operating units' retention rate as follow:

- Bank Islam: **96.5%**
- Takaful Malaysia: **94%**
- BIMB Securities: **83%**

SOCIETY AND COMMUNITY

More than **RM4.6 mil** of Zakat and CSR funds contributed

More than **11,300** beneficiaries under socio-economic initiatives

More than **RM1.76 bil** financing facility under Green Financing scheme

CUSTOMERS

Bank Islam

- More than **RM5.4 bil** in new personal financing
- More than **RM2.6 bil** in new house financing
- Introduction of **Go** mobile banking app for enhanced customer experience over mobile devices
- Largest **Global Shariah-ESG Equity Fund (RM857 mil)** and **Global ESG Sukuk Fund (RM219 mil)** in Malaysia

Takaful Malaysia

- **RM260 mil** of no claim payments made since 2009
- No claim payments of **RM9 mil** in 2019
- Launch of **Tamara**, an AI chatbot for improved customer support service
- Introduction of **Takaful *my*Click Term** and **Takaful *my*CI Cover** for wider portfolio of Takaful offerings

BIMB Securities

- Enhancement of **BISonline** (Online Trading platform) with Multi Browser capabilities
- Distribution and sharing of investment research and stock analysis to **24** major Institutional Clients
- Daily market updates and Market Insights via Telegram, Whatsapp and Facebook to more than **5,000** Retail clients
- Fundamental and Technical Analysis workshops conducted for over **500** clients

OUR PILLARS

RESPONSIBLE FINANCE

To shape a world where people and communities can thrive, we commit ourselves to upholding our societal and environmental responsibilities. We bring to market solutions that evolve along with the expectation of our stakeholders. While we continue to support our customers and business clients in their endeavours for better lives and profitably, we avoid rendering services to businesses or industrial sectors that might be harmful to society overall, or cause adverse impact on the environment. We make conscious decisions on ensuring that our customers are not liable to risk themselves or others through our products and services.

GREEN FINANCING

Total Financing Amount under Green Financing Portfolio 2019

RM1.76 BILLION

While the industrial and energy sectors continue to develop for the good of society, those developments should not come at the cost of environmental destruction that could lead to many other malaises. Bank Islam's Green Financing initiative encourages customers and the industry sector to be more aware of their responsibility towards the environment and the issue of climate change, as well as increase their participation in sustainable development.

The initiative supports projects that focus on **Renewable Energy** as well as developments that implement **Green Technology**. The Group's target is to increase the usage of more sustainable renewable energy and encourage development projects that promote environmental conservation and leave minimal impact on the environment. Bank Islam does this by providing financing facility to clients participating in such projects.

CASE STUDY 1

Batu Maung Waste Transfer Station

Eurasia Express Sdn. Bhd. operates the Batu Maung Waste Transfer station on behalf of Majlis Bandaraya Pulau Pinang ("MBPP"), the local authority of Penang Island. With the capacity to receive 80 tons of waste a day, the station serves the Northeast and Southwest districts of Penang Island. The establishment of the station allows MBPP to fully utilise its waste collection trucks within the city of Penang, as the trucks do not have to travel long to reach the station. The station is capable of reducing the volume of waste to be transferred to the landfill with its waste segregation and management process, which allows certain types of waste to be recycled. Additionally, with the reduction in waste volume, fewer trips are needed to transfer the waste to the landfill, further contributing to the reduction in carbon footprint.

Batu Maung Waste Transfer Station is designed and constructed with environmental preservation and mitigation in mind. Various measures were implemented to ensure that its construction and operation are in compliance with the regulations as stipulated by the Department of Environment, and that the surrounding area is environmentally protected and comply to guidelines such as Environmental Impact Assessment ("EIA"), Environmental Management Plan ("EMP") and Environmental Monitoring Report ("EMR"). The buildings within the facility itself are certified 'Green' as they were constructed to comply with the Green Building Index ("GBI") standard.

The station also features a water recycling and containment pond that enables rainwater to be harvested and recycled for consumption, reducing reliance on potable water. Additionally, the landscape surrounding the area is specifically designed and irrigated to utilise the usage of rainwater, further reducing potable water supply from the local water authority. The station provides a public recycle centre to support the "segregation at source" programme by the Penang state government, and encourage recycling and waste segregation among members of the public.

OUR PILLARS

CASE STUDY 2

Solar Farm Project

Gading Kencana has been operating the 30-megawatt ("MW") Large-scale Solar Photovoltaic ("LSSPV") plant in Bidor, Perak since November 2019, and the 8MW Solar Farm at Ayer Keroh, Melaka since December 2014. Both installations provide electricity supply to the national grid, and the 7-hectare Ayer Keroh plant has the distinction of being the world's most efficient plant capable of producing 1MW for every 0.61 hectares. In comparison, the world standard is 1MW for every 2.02 hectares.

Both plants generate electricity with solar power instead of fossil fuels, which decrease greenhouse gas ("GHG") emissions and significantly reduce carbon footprint. The solar farm in Melaka produces 11,500,000 kilowatt hours (kWh) per year while the LSSPV produces 53,651,000 kWh. Together, both plants help to reduce GHG emissions by 37,946 tons per year, equivalent to fuel displacement of about 18,970 cars off Malaysian roads.

Both plants are also significant to the socio-economic progress of the surrounding communities, by contributing to the rejuvenation of an abandoned land. The 50-hectare LSSPV has transformed the town of Bidor and the surrounding area, which used to be a tin mining spot. After running out of tin ore, the area has been abandoned until the construction of the plant. LSSPV contributed 304 new jobs for the locals living within the area while the Solar Farm in Melaka provided 230 jobs for the local populace. Both plants have made significant contributions to the nation's aspiration to increase the uptake of Renewable Energy ("RE").

Doing our part for the environment within the Oil & Gas sector

Bank Islam facilitated the implementation of green technology by providing financing for TiME Marine Services Sdn. Bhd. ("TiME Marine") for its 'Onshore Hydrocarbon Recovery from Sludge' project. The project is the result of PETRONAS Technology Challenge, a technology crowdsourcing initiative that aims to pursue innovative solutions to address PETRONAS operational challenges. TiME Marine's solution includes biodegradable chemical property and mechanical technology that can effectively recover hydrocarbon, water and other solids from oily sludge. By supporting this project, the Bank is promoting increased utilisation of green technology, especially in the petroleum industry.

BENEFICIAL PRODUCTS AND SOLUTIONS

Protecting Our Customers

Throughout the years, Takaful Malaysia has continuously developed and extended its range of competitive protection plan offerings. As part of the Company's product innovation technology and its quest to fulfilling the different needs of multiple groups of customers, a new tranche of Takaful solutions has been introduced during the year under review.

Takaful *my*Click Term — A comprehensive term plan that gives protection against unfortunate events and covers 39 critical illnesses at an affordable cost.

Takaful *my*CI Cover — A protection plan that pays a sum covered upon diagnosis of any of the 39 covered critical illnesses with coverage term options of 10 and 20 years for customers to choose from.

Takaful *my*Plus PA — An exclusive protection plan offered to Bank Islam customers that provides personal accident coverage with additional Hajj and Umrah benefits in addition to Aviation Personal Accident cover, Badal Hajj and Hospital Income benefits.

Takaful *my*Angkasa PA — A personal accident plan that covers death due to accident for members of *Biro Angkasa*.

Takaful *my*Travel Umrah — A protection plan for pilgrims performing Umrah, and solely distributed by travel agencies that have signed up with Takaful Malaysia as its corporate agent.

Takaful *my*SME — A takaful plan that provides needs-based customised solutions for SME business owners, where they have the options to select the type of coverage needed as well as set coverage limits and cover extensions in accordance to their business requirements.

OUR PILLARS

RESPONSIBLE INVESTING

BIMB Investment Management Berhad ("BIMB Invest"), a wholly-owned subsidiary of Bank Islam, continues to be at the forefront of Socially Responsible Investments ("SRI") with the widest range of Shariah-ESG investment solutions in Malaysia. By collaborating with Arabesque Asset Management firm and pioneering the implementation of the firm's S-Ray and Artificial Intelligence ("AI") technology into its range of investment solutions, BIMB Invest is ensuring that any investment is made in accordance to the rules and principles of Shariah, as well as the Company's Environmental, Social and Governance ("ESG") mandate. The utilisation of Big Data and AI technology is also significant in promoting sustainable investment practices, as society is evolving towards a more efficient, cleaner and healthier marketplace.

In an effort to further encourage the uptake of responsible investment solutions, BIMB Invest has brought to the market BIMB-ARASBESQUE i Global Dividen Fund 1 ("BiGDF1") fund for retail investors during the year under review. BiGDF1, Malaysia's first AI fund, was previously introduced in 2015 to cater to sophisticated investors with an initial investment of RM30,000. In comparison, the retail version of BiGDF1 requires an initial investment of only RM500, making it more attractive to a wider set of audience.

PROMOTING ENTERPRISING ENTREPRENEURS

Bank Islam is committed towards supporting local entrepreneurs, and developing them to become important contributors to the nation's economy and the betterment of the community.

Continuously promoting the growth of the SME sector and improving its service delivery, Bank Islam has opened 12 SME banking hubs in Alor Setar, Butterworth, Ipoh, Shah Alam, Bangi, Sri Gombak, Ayer Keroh, Batu Pahat, Johor Bahru, Kuantan, Kuala Terengganu and Kota Bharu.

SME Entrepreneur Development Programme 2.0

Bank Islam continued to provide development programmes for SME business owners, by collaborating with *Universiti Utara Malaysia* ("UUM") and SME Corp to create a structured training course for SME entreprenuers. With eight modules throughout the course, which include sales & marketing, operation & governance, financial management, business plan preparation and governance, the programme was intended to develop aspiring participants and inspire them to take their enterprise to greater heights.

Sarawak Energy's Vendor Financing Programme

RM300 million was allocated to improve access to financing and liquidity for vendors with secured contracts from Sarawak Energy. The programme was implemented in collaboration with Sarawak Energy and *Syarikat Jaminan Pembiayaan Perniagaan Berhad* ("SJPP"). The programme is a reflection of Bank Islam's commitment towards sustainable business practices, which include providing financing solutions to small-contract vendors for their economic betterment.

RESPONSIBILITY TO THE SOCIETY

Personal Financing-i

Bank Islam's Personal Financing business has always been geared towards lending support to the employees and workers in the health and education sectors. The Bank focuses on nurses and medical practitioners who are frontline personnel in ensuring the health of our society. The Bank also expends its effort in supporting teachers and lecturers who are largely responsible in guiding and inculcating the necessary values into our future generation.

Al-Awfar

The "New Al-Awfar", launched during the year under review, offers more attractive prizes for depositors, including an increase in the value of prizes of up to RM14 million. Al-Awfar, which was first introduced in 2009, is the first-of-its-kind investment account product with an attractive prize offer. Al-Awfar is a low-risk investment account based on Mudarabah concept where funds are invested in existing House Financing and Fixed Assets portfolio to ensure a strong sustainable investment. The "New Al-Awfar" offers opportunities for more winners with more exclusive prizes. With the incentive of prize offerings, Al-Awfar helps to promote bank savings among the general public, while offering them the chance to gain considerable returns from their deposit accounts.

OUR PILLARS

INCLUSIVE GROWTH

We are committed in using our financial expertise and resources for the good of all, providing an all-inclusive, long-term progress that benefits individuals, families, businesses and society. Our financial solutions and social initiatives are premeditated on enabling us to give back to the communities we live in, by supporting social enterprises, creating socio-economic opportunities and providing financial accessibility for the disadvantaged and underserved, as well as protecting our natural biodiversity for the sustained benefit of humankind on this planet.

SADAQA HOUSE

Sadaqa House connects the public with social projects they are interested in contributing towards. Through the use of online means and a digital payment system, Sadaqa House makes it easier for members of the public to donate to causes closest to their hearts. With additional contribution from Bank Islam through the utilisation of Zakat fund, Sadaqa House is an effective social finance initiative that enables collaboration between the general public and Bank Islam to distribute much-needed funds to non-governmental organisations ("NGOs"), charitable organisations or social enterprises for the betterment of the disadvantaged and underprivileged communities.

COLLABORATIVE ORGANISATIONS	DETAILS
***Institut Jantung Negara* ("IJN") Foundation**	**RM214,500** has been successfully raised for assisting 12 congenital heart disease patients, who come from poor backgrounds, to undergo heart surgery at IJN.
Universiti Teknologi Malaysia ("UTM") ***Jabatan Kemajuan Orang Asli*** ***Institut Latihan Perindustrian Kepala Batas*** ***Pejabat Agama Islam Daerah Tapah***	**RM95,000** has been successfully raised for the installation of Solar Power System at *Kampung Orang Asli Woh* Intake. The **92** *Orang Asli* (indigenous community) residents at the village will get the benefit of getting electricity supply from a renewable energy source instead of having to rely on a diesel generator. Four electrical engineering lecturers from UTM are responsible in the research and development of the solar power system installed at Woh Intake. 20 students from *Institut Latihan Perindustrian Kepala Batas* were involved in the actual installation of the system.
Yayasan Sultanah Bahiyah	**RM22,836.39** has been successfully raised to assist **10 women** micro-entrepreneurs from B40 families in purchasing business equipment.

Supporting Public Health Infrastructure

myWakaf was initiated by Association of Islamic Banking and Financial Institutions Malaysia ("AIBIM") to optimise the development of Waqf land for the purpose of generating benefits to the general public. Bank Islam has been appointed by *Majlis Agama Islam dan Adat Istiadat Melayu Perlis* ("MAIPs") as the leading bank in managing the fund for the construction of **Tunku Fauziah Hospital Dialysis Centre ("HTF")** on the Waqf land situated at Kangar, Perlis.

HTF requires about RM6 million in development and building cost, and its completion will further enhance the delivery of health services in the state of Perlis. Occupying 1,822 square meters of land, the two-story building will be able to accommodate 66 beds for patients with kidney problem. In building HTF, MAIPs has stated its commitment to ensuring HTF's prioritises the needs of underprivileged patients and those from poor economic backgrounds.

OUR PILLARS

AMAL Bank Islam

AMAL represents Bank Islam's pledge to community investment, and serving the health and wealth of society. Through AMAL, both BHB and Bank Islam connect with, and significantly give back to communities in which we operate. Opportunities are provided for BHB and Bank Islam employees to get involved in various forms of philanthropic endeavours, from volunteering and participating in community projects to funding and donating for noble causes.

Zakat funds sustain the AMAL initiatives that providing sustainable contributions to needy communities who are generally underserved, primarily in the areas of general welfare, education and medical access. AMAL-managed funds are also utilised to support environmental efforts, where the preservation of natural biodiversity will lead to socio-economic progress through cultivation of natural resources and ultimately, a better future for the next generation.

YEAR	2017	2018	**2019**
Amount of Business Zakat Paid Out	RM 12.9 million (FYE 2016)	RM 13.3 million (FYE 2017)	**RM 13.5 million (FYE 2018)**

The increasing amount of business Zakat paid out year-by-year has allowed Bank Islam to sustain its AMAL initiatives and programmes. The year under review saw more than **RM3.8 million** utilised as the Bank's contribution to the community, with more than **RM3.3 million** from Zakat fund.

Relationships are fostered with various NGOs, charitable bodies and other relevant agencies, and connected to the Bank's employees to provide them opportunities to give back to society, and protect the world's diverse lifeforms and precious resources from being ruthlessly exploited.

Projek Bantuan Rumah

An annual programme whereby Bank Islam, through its network of compassionate stakeholders, including its customers and business partners, identify various people that need urgent help in obtaining basic housing. The programme strives to solve the plight of those in need of proper housing with a conducive living environment for the family. Since its inception in 2008, **297** houses have been constructed or repaired across the country at the total cost of more than **RM9.2 million**. The year under review saw more than **RM850,000** allocated for the programme, with 14 families in Sabah receiving proper houses.

YEAR	2015	2016	2017	2018	**2019**
Location	**Kelantan**	**Negeri Sembilan Pahang**	**Melaka Negeri Sembilan Kelantan**	**Kedah**	**Sabah**
Beneficiaries	**28 Families**	**24 Families**	**28 Families**	**4 Families**	**14 Families**

Additional zakat funds totalling **RM960,000** has also been allocated during the year under review, for the provision of houses to **24** families in the state of Sarawak. Work on repairing and building new houses for those families are currently ongoing and is expected to be completed by year 2020.

Jom ke Sekolah

The escalating cost of living has pushed parents, especially the less fortunate, to forgo a lot of things they deem as luxury. Unfortunately, one of those luxury items is providing basic schooling necessities for their children. With this in mind, AMAL's *Jom ke Sekolah* programme was initiated for schoolchildren from poor economic backgrounds to have proper schooling necessities, which include school uniforms, stationeries, and some cash for them to spend. Conducted nationwide, the programme aims to lessen the financial burden of less fortunate parents and, with all the schooling provisions in place, to serve as a motivational factor for children to attend school.

The year under review saw **736** schoolchildren from the states of Melaka, Negeri Sembilan, Selangor, Kedah, Pulau Pinang, Terengganu and Sabah selected to receive assistance from this programme.

YEAR	2017	2018	**2019**
Amounts Spent	**RM 270,000**	**RM 174,600**	**RM 246,640**
Beneficiaries	**650 students from:** • **Pahang** • **Kedah** • **Sabah**	**582 students from:** • **Sarawak** • **Johor** • **Kelantan** • **Selangor** • **Perak**	**736 students from:** • **Melaka** • **Negeri Sembilan** • **Selangor** • **Kedah** • **Pulau Pinang** • **Terengganu** • **Sabah**

Hari AMAL

The increasing number of Bank Islam and BHB employees volunteering for the annual Hari AMAL event is an apt reflection of our employees' innate caring nature. Along with the increased number of volunteers, AMAL has managed to increase its scope of operations for the event, covering more areas and contributing to more beneficiaries.

Please read more about Hari AMAL in the 'Talent Enrichment' section of this report on page 92.

AMAL Musa'adah

In collaboration with *Amanah Ikhtiar Malaysia* ("AIM"), Bank Islam's AMAL Musa'adah programme is a commitment to support the underserved and underprivileged to earn a decent living and improve their overall economic situation. This is done by providing AIM selected participants with the means to enhance their small businesses. The year under review saw the programme contributing **RM69,299** worth of equipment and items, including kiosks and machineries, to help beneficiaries further develop their businesses. **56** beneficiaries in the state of Kedah received this contribution.

Helping the Blind

During the year under review, the AMAL team donated 50 Braille reference books for blind schoolchildren under *Yayasan Orang Buta Malaysia*. This RM4,500 worth of contribution reinforces a commitment to help the disabled and support them in leading better lives.

OUR PILLARS

FESTIVE CHEERS FOR THE UNDERPRIVILEGED

AMAL Ihtimam *(loosely translated as 'prioritising the well-being of others')* is an annual festive programme that brings festive cheer to orphans and elderly living in shelter homes, as well as to poor families who otherwise have no funds for a proper celebration. This programme provides an opportunity to reflect on the loneliness of those living in orphanages and shelter homes, and help bring some cheer to them.

Ramadan	Syawal	Korban
RM4,500 contributed to *Yayasan Chow Kit*, a 24-hour crisis and drop-in centre providing meals, activities, therapy, case management, and educational programmes for at-risk children of Chow Kit during "*Buka Puasa*" at Menara Bank Islam.	**RM66,750** worth of contributions to **250** *asnaf* and **223** poor students and children, including orphans across the country. The contributions included cash donations to five poor and elderly fishermen and a machine for towing boats in Terengganu, which were made in collaboration with *Lembaga Kemajuan Ikan Malaysia Terengganu*. Other beneficiaries included *Rumah Teduh* in Kangar, Perlis, a shelter home for children.	**RM27,250** worth of contributions for the fishing community in Batu Maung, Pulau Pinang. **101** *asnaf* including five beneficiaries who are disabled and diagnosed with chronic disease benefitted from the programme. The contributions were made in collaboration with *Lembaga Kemajuan Ikan Malaysia Pulau Pinang*.

Semarak Ramadan

In collaboration with ***Berita Harian***, a prominent newspaper publication, this programme shares the joy of Ramadan with members of the public and communities, with further contributions in the form of Zakat to the disadvantaged. The event typically involves "*Berbuka Puasa*" with the participating communities together with a food donation activity for food stall owners at *Bazaar Ramadans*.

***Semarak Ramadan* with Fire and Rescue Department's personnel of the Shah Alam station**

The event is a reflection of appreciation for *Bomba* personnel who are on duty in saving lives even during the fasting month of Ramadan. Bank Islam's management team was provided the opportunity to interact with members of the department together with their families, and even propose the right financial solutions for them.

***Semarak Ramadan* with the community of Kampung Sg. Baru, Melaka.**

RM25,000 worth of Zakat funds were contributed to the asnaf and students of the village. The contribution included RM5,000 donated to Masjid *Al-Hasaniah* at the village.

PROTECTING ENVIRONMENT, PRESERVING ECOSYSTEM

Businesses have a role in ensuring that the diversity of the natural environment is not adversely impacted by their activities and operations. To further promote this concern, the year under review saw AMAL initiating the **AMAL Untuk Alam** initiative to raise environmental awareness among Bank Islam's employees. For a start, an e-waste campaign was organised at Menara Bank Islam to encourage employees and other tenants of the building to donate unused electronic items for recycling.

Sets of stainless-steel straws were also distributed to all Bank Islam employees at the HQ and branches throughout the country, to encourage the practice of re-using everyday items. In addition, during the toxic waste chemical incident at Pasir Gudang, Johor, contributions of 50 cartons of isotonic drinks, 2,000 energy bars and 20 boxes of N95 masks were made available to volunteers assisting at the forefront.

Maintaining Heathy Lifestyles While Keeping the Environment Clean

During the year under review, Bank Islam organised its first ever beach plogging activity, and at the same time, contributed to the beautification of the beach itself. About 400 volunteers consisting of Bank Islam employees as well as participants from *Majlis Perbandaran Kuantan*, SW Corp, Alam Flora, *Kolej Universiti Islam Pahang Sultan Ahmad Shah, Kolej Vokasional Kuantan, Kolej Poly-tech Maram* and *Universiti Islam Antarabangsa* participated in cleaning up Pantai Sepat located near Kuantan, Pahang.

Plogging is a combination of "plucking" and "jogging," a multitasking activity that combines keeping the environment clean by collecting trash with actions that burn calories. Using this concept, volunteers for the event managed to collect more than **a tonne** of trash while jogging along a 2 km stretch of the picturesque Pantai Sepat beach.

The event also saw the AMAL team contributing five units of swings for visitors to the beach to enjoy, including six units of '*bangku santai*', along with other decorations meant to make the beach landscape more attractive. This effort was conducted in collaboration with SW Corp. During the event, the plight of some of the underprivileged within the area were not forgotten as cash contributions were made to three families in need.

OUR PILLARS

SUSTAINABLE COMMUNITY DEVELOPMENT AT PULAU TUBA

Background

Nestled about a 20-minute boat ride away from Langkawi, the lesser known Pulau Tuba was dubbed as 'a hidden gem of the Langkawi archipelago' by The Expat magazine. The island is home to more than 3,000 people, and contain three villages, Kampung Pulau Tuba, Kampung Lubuk Chempedak and Kampung Selat Bagan Nyior.

An idyllic traditional fishing village, Pulau Tuba is named after the Tuba plant which is a species native to the island. Pulau Tuba is primarily a fishing and farming community, with fishermen making up 60% of its population.

Under the **AMAL Untuk Alam – Sustainable Community Development** banner that promotes such initiative, the Bank helped to create a sustainable future for the local communities at Pulau Tuba and conserve precious marine resources, by contributing to the local fishermen's effort in creating their own "*unjam*".

Unjam is a **fish aggregating device ("FAD")** whereby man-made objects are used to attract fishes, making them easier to be found and caught, which will in turn help the fishermen to increase the amount of their catch. This effort will also contribute to the development of Pulau Tuba's budding fishing tourism industry.

By rallying the local community to clean up the beaches and providing the FADs for distribution into the sea, AMAL aligns with a commitment to realise **United Nations' Sustainable Development Goals ("UNSDG")**, which among others, include promoting **"Life Below Water" ("SDG 14")**.

Contribution and Activity Details

- Distribution of 20 FADs (Unjam) at Pulau Nyior Setali (10) and Pulau Lima (10), with BHB contributing RM10,000 for the construction of FADs
- Contribution of RM3,000 worth of grocery items to 30 *asnaf*, with each receiving RM300 worth of items
- The plogging activities saw participation of 200 students from four schools in Pulau Tuba (*SMK Langkawi, SK Pulau Tuba, SK Lubuk Cempedak, SK Selat Bagan Nyior*) as well as the local communities, where they are involved in cleaning up the beach of Pantai Tepi Laut, Pulau Tuba
- The programme was conducted in collaboration with *Lembaga Kemajuan Ikan Malaysia* ("LKIM"), *Majlis Pengurusan Komuniti Kampung* ("MPKK"), SW Corp and Langkawi Development Authority ("LADA").

Objectives

- To conserve and promote growth of precious marine resources within the area via distribution of FADs
- To preserve the cleanliness and natural ecosystem of the beach area via plogging activities
- To raise awareness on the importance of environmental protection and actions through engagement with the local communities
- To help promote sustainable development of the communities' economic activities through collaboration and engagement with the stakeholders and local communities
- To strengthen relationships with the local communities and stakeholders.

TAKAFUL MALAYSIA

Takaful Malaysia has continued to actively contribute to the betterment of the communities. Its approach is to build relationships that transcend race, gender and age, as the Company strives to create and implement solutions to social challenges in response to its stakeholders' demands and expectations.

ACTIVE IN EMPOWERING THE COMMUNITY

CONTRIBUTION AMOUNT		
2017	2018	**2019**
RM317,081	RM315,266	**RM548,189**

ZAKAT CONTRIBUTIONS	**RM500,000** DISTRIBUTED TO RESPECTIVE ZAKAT OFFICES AT ALL REGIONS

Takaful Malaysia CSR activities are clearly defined within the two categories (please see details below) as it continues to develop community-based activities and programmes.

Takaful *my*Jalinan Kasih provides monetary assistance to the needy, which also includes orphans and single mothers

Takaful *my*Jalinan Ilmu complements the work of school teachers by helping students to excel in their studies

Aidilfitri Treats

Takaful Malaysia provided festive cheer to disadvantaged children from welfare homes by treating them to shopping trips in prepration for the Aidilfitri celebrations.

WELFARE HOME	RECIPIENTS AND CONTRIBUTION DETAILS
Pusat Jagaan Telaga Kasih Nur Muhammad	• 30 children treated to a shopping trip • Involvement of 30 volunteers from Takaful Malaysia HQ • RM5,000 contributed to aid the welfare home in providing basic needs for the children
Home of Hope *Al-Khaadem*	Sponsored Raya apparel for 13 children from this home

OUR PILLARS

Cheer to Paediatric Patients

Takaful Malaysia celebrated Chinese New Year with 50 paediatric patients at *Hospital Canselor Tuanku Muhriz UKM* ("HCTM"). The patients were presented with a giftpack of toys and Ang Pows, and a donation of RM5,000 was made to the HCTM patient's welfare fund. The fund provides financial support and immediate medical assistance to underprivileged patients receiving treatment at HCTM.

An additional amount RM8,892 was also donated to HCTM along with four units of wheelchairs during Takaful Malaysia's visit to the hospital.

Helping the Disabled

Takaful Malaysia collaborated with Malaysian Association for the Blind and Al-Tasneem Sdn. Bhd. in launching a first-of-its-kind an electronic device called the e-Cane. The device assists blind or visually-impaired people in navigating their way around places, giving them the ability to lead an independent life. The launch event for the device was organised in conjunction with White Cane Awareness Day, which emphasises the importance of white canes in helping blind people to move freely and safely from place to place. Takaful Malaysia distributed 100 e-Cane devices worth more than RM400,000 for the blind and visually-impaired.

In addition, Takaful Malaysia donated RM20,000 to *Pusat Harian Kanak-kanak Spastik* Bandar Ipoh in Perak, which further emphasises its commitment to help the disabled. The centre has been providing care and shelter for the disabled, orphans, abandoned children and homeless for free since 1988.

Assisting the Students

Monetary assistance was provided for the following schools and its students. The event also provided a platform to reach out to the local communities and help them to understand the concept of Takaful better, as well as convey its importance in providing coverage and protection.

LOCATION	RECIPIENTS AND CONTRIBUTION DETAILS
***Sekolah Kebangsaan Sungai Lui*, Selangor**	• 77 indigenous schoolchildren • RM15,000 donated to the school
***Sekolah Kebangsaan Pulau Indah*, Selangor**	• 50 indigenous schoolchildren received RM300 each • RM15,000 donated to the school
***Sekolah Kebangsaan Sungai Megat Aris*, Perak**	• 30 students received RM300 each • RM15,000 donated to the school
***Sekolah Kebangsaan Tanjung Piandang*, Perak**	• 20 students received RM300 each • RM15,000 donated to the school

Additionally, RM30,000 was donated to ***Pusat Wakaf dan Zakat Universiti Sains Islam Malaysia* ("USIM")**, which benefitted 30 *asnaf* students of the campus. The donation will go a long way in helping them to pay for their study fees and cope with their daily needs.

Supporting Educational Needs

PROGRAMME	RECIPIENTS AND CONTRIBUTION DETAILS
Back to School Programmes	• 230 underprivileged primary school students from three primary schools received financial assistance for payment of the children's school administration fee and activity books, pocket money as well as purchase of back-to-school supplies. • A total of RM43,100 was contributed to the initiative.
Nurturing Reading Habits	• 120 books published by *Institut Terjemahan Buku Malaysia* ("ITBM") were distributed to *Surau Nurul Falah* in conjunction with "*Kempen Membaca Kebangsaan*".

BIMB SECURITIES

INVESTING IN EDUCATION FOR FUTURE LEADERS

BIMB Securities community-related activities are centred on sharing its financial knowledge and experience with students of higher learning institutions.

INITIATIVES AND ACTIVITIES	BENEFICIARIES
INVESTMENT CHALLENGE GAME	Students of *Universiti Sains Islam Malaysia*
EDUCATIONAL VISIT	Students of *Universiti Kebangsaan Malaysia*
NATIONAL SEMINAR ON ISLAMIC CAPITAL MARKET II	Students of *Universiti Teknologi Petronas*

OUR PILLARS

TALENT ENRICHMENT

Across our operating units, investment in our employees provide a long-term benefit to BHB and its subsidiaries. We are committed to building a workplace that is conducive to producing an engaged and inclusive workforce. Our efforts include developing talents to ensure that we have the right people to meet challenges and work together in achieving common strategy, as well as imbuing them with the right values that reflect the communities we operate in.

TRAINING AND DEVELOPMENT PROGRAMME

BHB's operating units continue to support their employees' professional lives through the respective training and development programmes. Cumulatively, the Group achieved more than 220,000 of employee training hours.

BANK ISLAM

In line with the ever-changing financial regulatory framework as well as the market landscape, Bank Islam's e-learning modules and online courses are intended to create a knowledgeable and skilled workforce, able to contribute to the Bank's competitiveness in this dynamic market environment. Courses and modules for employees include:

- Operational risk Awareness
- Anti-Money Laundering and Counter Financing of Terrorism Awareness
- Data Quality Management
- Unit Trust New System
- Investment Account
- Bank Islam Yellow Belt

TAKAFUL MALAYSIA

Takaful Malaysia adopts a cohesive talent management framework by developing five layers of succession planning groupings catering from top management to junior level officers:

- Leadership Development Programme
- Leadership Development Programme for High Potential
- Staff Talent Awareness and Retention Programme
- Leadership Intensive Talent Enrichment Programme
- Clerical Development Programme

BIMB SECURITIES

BIMB Securities is focused on elevating its employees' knowledge and upscaling them to become part of a multi-skilled workforce through the following:

- Training in Shariah matters
- Latest updates and information on Anti-Money Laundering/Counter Financing of Terrorism, Personal Data Protection and corruption management risk through e-Learning platform
- Employees-CEO engagement
- Engagement with Malaysia Financial Planning Council on getting BIMB Securities' dealers to be Certified Financial Planners in the future

Mega Conference 2019

Bank Islam's first mega conference provided an opportunity for its employees from all regions to congregate under one roof and get to know the Bank's latest updates and strategy. Taking place from 19-21 July 2019 at Putrajaya International Convention Centre, the event catered to a total of 4,088 Bank Islam participants. The event featured 68 sessions organised by both the internal staff and external parties, showcasing the latest updates and information on the Bank's strategies and initiatives. The aim was to ensure that the Bank's employees are well aware of the happenings within the Bank and what they can do to achieve its business objectives.

Additionally, participants were also able to engage with the external parties in some of the knowledge-sharing sessions organised during the event. Some of the sessions conducted included popular topics such as cybersecurity, which should prove a valuable learning experience for the participants to practice at their workplace.

Well-known corporate figures such as Dato' Sri Idris Jala, former CEO of Malaysia Airlines, and Tan Sri Abdul Wahid Omar, former President and CEO of Maybank, were also invited to speak about their experience working at large corporations. With their presence, the participants were able to gain some insights that should serve them well in performing their everyday work.

All in all, apart from being able to bond with colleagues from different regional areas, Mega Conference 2019 was a platform for participants to gain knowledge about market trends and what's happening within the Bank, and utilise the knowledge gained to achieve the Bank's strategic objectives.

Performance Culture

Bank Islam's incorporation of TAAT culture within its workforce complements the Bank's new Vision and Mission, which emphasise the deliverance of values to stakeholders. TAAT represents a set of values and culture that need to be adopted as the Bank strives to realise its vision and mission.

Think Customer

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

Advance Beyond

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

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

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

OUR PILLARS

Industrial Relations

The first Collective Agreement ("CA") between *Kesatuan Eksekutif Bank Islam Malaysia Berhad* ("KESETIA") and Bank Islam was concluded and signed on 1 March 2019 for the period of 1 January 2018 to 31 December 2020. The CA governs the Terms & Conditions of Employment between employee members of KESETIA and Bank Islam, which saw a revision to the remuneration of employee members. The conclusion of the CA is a significant milestone for both parties and demonstrated the Bank's continued commitment towards providing better benefits and enhancing employees' welfare.

Hari AMAL

This annual event is a platform to foster a spirit of care and responsibility to the community among Bank Islam's employees and affords them the opportunity to contribute to the betterment of the disadvantaged and underprivileged. In 2019, the event recorded volunteers from all Bank Islam regions nationwide contributing over 6,600 volunteer hours in helping more than 2,400 beneficiaries.

YEAR	2017	2018	2019
Contributions	RM 244,651.17	RM 120,548.33	RM 206,229.77
Volunteers	473	520	1,111
Locations	• Kuala Lumpur • Selangor • Pulau Pinang • Perlis • Kedah • Perak • Negeri Sembilan • Melaka • Johor • Kelantan • Terengganu • Pahang • Sabah • Sarawak	• Rawang and Kajang in Selangor • Perlis • Kedah • Perak • Pulau Pinang • Negeri Sembilan • Melaka • Johor • Pahang • Terengganu • Kelantan • Sarawak • Sabah	• Selayang and Sungai Buloh in Selangor • Kuala Lumpur • Perlis • Kedah • Pulau Pinang • Perak • Negeri Sembilan • Melaka • Johor • Pahang • Terengganu • Kelantan • Sabah • Sarawak

Employee Engagement Activities at Takaful Malaysia

Conducted a team engagement programme for bancatakful division to improve employee productivity and efficiency, as well as to ensure that the employees are committed to the Company's goals and values, and motivated to contribute to organisational success.

Hosted a bowling tournament for employees in keeping with the Company's teambuilding initiative to promote healthy lifestyles and enhance team bonding across the organisation.

Provided four units of ping pong tables and two dart sets for employees to use after work hours as part of the Company's Employee Wellness Programme that is aimed at promoting workplace health.

Organised a Hari Raya Aidilfitri gathering to celebrate team bonding amidst a festive workplace atmosphere.

Conducted the fully sponsored fitness programme, "*Cabaran Jom Kurus Takaful Malaysia*" to promoted healthy living and knowledge on proper dietary needs among employees.

Instilled a culture of teamwork through fun and challenging activities by organising a treasure hunt event with the involvement of 200 employees nationwide.

OUR PILLARS

ETHICAL PRACTICE AND REPORTING

As befits BHB's and its operating units' adherence to the Shariah rules and principles, we are committed to upholding the duties and responsibilities that have been entrusted upon us by our stakeholders, and doing the right thing for them. We serve the best interests of our stakeholders through good governance and conduct as well as by perpetuating integrity and transparency.

BANK ISLAM

Strengthening Security

With the increased proliferation of digital technology within the banking industry, cyber security has become a key concern as Bank Islam is about to embark on its own digitalisation initiatives. In protecting the interest of our customers and their data in a responsible manner, our approach is to conduct multiple cyber security programmes that focus on threats and vulnerabilities.

During the year under review, we have established the following frameworks and policy, designed to increase our readiness in handling the threats and eliminating vulnerabilities within the system:

- Technology Risk Management Framework
- Cyber Resiliency Framework
- Technology Risk and Cyber Resiliency Policy

A cyber security awareness programme was conducted in collaboration with relevant external parties during Bank Islam's Mega Conference 2019 to further increase awareness and knowledge of the Bank's employees on emerging and prevailing threats and trends.

Strengthening Integrity

ACT WITH INTEGRITY PROGRAMME	Held from 9 to 12 December 2019, the programme was conducted in conjunction with National Integrity Month and International Anti-Corruption Day. Along with the introduction of the Bank's TAAT-based culture, the programme was intended to further strengthen the uptake of one of TAAT's key aspects - "Act with Integrity" - among the Bank's workforce. Programme features included #ActwithIntegrity Kahoot! Contest and Hunt-for-Integrity activities for increasing awareness on acts of integrity and good conduct among the employees. Additionally, sharing sessions were conducted by prominent external figures who shared real-life consequences of corruption practices in delivering their anti-corruption messages.
INTEGRITY AND FRAUD AWARENESS PROGRAMME	Conducted for the benefit of the Bank's employees nationwide, the programme's main objective was to provide current issues related to ongoing fraud cases and, further promote acts of integrity and good conduct during the execution of any given task. Participants of this training programme included Personal Financing executives, Wealth executives and Banking Service Manager, as well as those involved in the Centralised Verification Unit and Central Financing Processing Centre. The Bank's trainees and new hires participated in the programme as well. All in all, the programme involved 1,213 participants.
INTEGRITY PROGRAMME FOR SENIOR MANAGEMENT	To further raise awareness and share knowledge on the importance of Corporate Liability, a talk on the subject matter was conducted specifically for the Board of Directors and senior management teams of BHB and Bank Islam.
VENDORS' INTEGRITY PROGRAMME	A briefing session on the Vendor's Code of Ethics guidelines was conducted for the Bank's selected vendors. Its main objective was to provide guidance on the roles and responsibilities of the vendors, as well as raise awareness on the proper procedures required in supplying goods and services to the Bank. A total of 221 vendors participated in the session.

OUR PILLARS

TAKAFUL MALAYSIA

Regulatory Changes

Takaful Malaysia continues to stay on top of the regulatory changes and developments of the industry as it strives to maintain a competitive edge in the market. Under the Life Insurance and Family Takaful ("LIFE") framework, BNM has continued to implement a number of initiatives whereby the investment-linked product ("ILP") policy document has been updated with wide-ranging changes that significantly impact the implementation of sustainability requirements and product disclosures.

The year under review has seen issuance of policy documents covering Fair treatment of Financial Consumers, Outsourcing, Credit Risk, Shariah Governance, Risk Management in Technology and Takaful Operational Framework. The imposed guidelines further strengthened the corporate governance on business models and processes that will eventually mitigate risks that have been threatening the financial soundness and safety of Takaful operators and insurance players.

BIMB SECURITIES

BIMB Securities has also put in place the appropriate corporate governance framework to set the strategic direction of the Company towards sustainability and long-term success and ensuring proper business conduct in increasing client's trust and build a competitive Shariah-compliant organisation. BIMB Securities also adopts the principles and corporate governance conduct as stipulated in Best Practices for Islamic Stockbroking services undertaken by Participating Organisations. BIMB Securities has an effective compliance programme to ensure compliance with the applicable rules, securities laws, and regulatory requirements, guidance and business conduct as well as internal policies and procedures which qualified BIMB Securities as an eligible Participating Organisation under the Green Lane Policy of Bursa Malaysia Securities.

KEY POLICIES and GUIDELINES WITHIN BHB'S OPERATING UNITS

Anti-Money Laundering and Counter Financing of Terrorism	Prevent business from being misused as a medium for suspicious activities
Whistle-Blowing Policy	An avenue for immediat e reporting or disclosure of any wrongdoing, misconduct, malpractice or irregularity to the relevant authority
Anti-Bribery and Corruption Policy (Bank Islam) **Anti-Corruption Policy (Takaful Malaysia)**	Zero-tolerance policy towards corruption, bribery and unethical behaviour
Personal Information Record and Management Framework (Takaful Malaysia)	Established in accordance with requirements of BNM's policy document on Management of Customer Information and Permitted Disclosure, and Code of Practice on Personal Data Protection for the Insurance and Takaful Industry
Product Transparency and Disclosure Operational Guidelines (Bank Islam)	Requirements for disclosure on products and services, including products and services promoted or sold by third party
Vendor's Code of Ethics (Bank Islam)	A guideline for employees in carrying out the expected duties when dealing with vendors, sub-contractors and sub-vendors, and their staff
Board Charter	Our Board Charter contains the broad requirements that adhere to the principles of good corporate governance. In protecting the interests of BHB's stakeholders, our Board of Directors is expected to be fully committed in promoting and sustaining a strong culture of good corporate governance and uphold high standards of business integrity and professionalism when carrying out their duties and responsibilities in line with ethical values and Islamic principles
Directors' Code of Ethics	Our directors adhere to the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia, which provides guidance for proper standards of conduct, sound and prudent business practices, as well as standards on ethical behaviour for directors based on the principles of integrity, responsibility and sincerity
Shariah Principles	We are licensed under the Islamic Financial Services Act 2013 and regulated by Bank Negara Malaysia. In conducting Islamic finance businesses, we are guided by the Shariah Governance Framework

OUR PILLARS

ISLAMIC FINANCE AND KNOWLEDGE-SHARING

As an Islamic Financial Holding Company that houses several pioneering Islamic banking and financial institutions, we have the intrinsic obligation to support the advancement of the Islamic economy, and grow the knowledge of financial instruments based on Shariah rules and principles.

Signature Public Education Programme

Bank Islam has made it's mission to further propagate the knowledge of Islamic banking and financial system to members of the public as well as various educational institutions. As the pioneer and source of Shariah guidance, the Bank has been active in engaging with various local and international organisations in an advisory capacity.

ILMU Knowledge Series	Organised annually since 2016, the programme provides opportunities for the students and lecturers at higher learning institutions to gain practical knowledge of Islamic banking and finance from the actual practitioners. The Bank aims to utilise the programmes as a way to train future leaders and practitioners in the field of Islamic banking and finance, leading to the sustainment of the Islamic financial industry. The programme is intended to serve as a complement to the academic programmes offered by the universities.	In 2019, about 800 students from various universities participated in the programme.
Jelajah Kewangan Sosial Islam	Organised in collaboration with Pusat Pungutan Zakat MAIWP, *Pusat Wakaf* MAIWP and ***Jabatan Agama Islam Wilayah Persekutuan*** (Religious Department of Federal Territory), the programe promotes public awareness and knowledge on matters and topics related to Zakat, Waqf and Sadaqa.	In 2019, the programme was conducted during Friday prayers at 13 mosques within Kuala Lumpur, and were attended by a total of about 17,000 visitors.

Kembara Muamalah	This awareness and educational programme on the fundamentals of Islamic banking is designed to reach out to members of the public and local communities within venues such as mosques, corporate offices and government agencies.	In 2019, the programme was conducted in the state of Sabah from 11 to 13 July, covering 12 mosques, six offices and a university, with about 300 participants.
Islamic Banking and Social Finance Masterclass	A seminar on Islamic banking and social finance, specifically for Islamic social media influencers and *da'i* (a person who participates in *da'wah* activities, the act of inviting people to get engaged with Islamic topics and matters). The programme is meant to inspire the public to gain related knowledge and further propagate the subjects through influencers.	In 2019, more than 70 participants attended the seminar.

Enhancing Visibility of Shariah Values

BIMB Securities continues to promote the viability of Islamic stockbroking and securities services through various engagements with institutional and retail clients:

- Site visits to various public companies
- Engagement with Lembaga Tabung Haji through knowledge-sharing and property talk sessions
- Economic presentation to Employees Provident Fund
- Oil & Gas Teach-in Sessions with BIMB Investment
- Fundamental and Technical Analysis workshops as well as knowledge sharing for Retail Clients

BIMB Securities has also taken in eight interns from *Universiti Sains Islam Malaysia, Universiti Teknologi MARA, Universiti Malaya* and Sunway University. The interns are expected to gain and share their knowledge on stockbroking dealings based on Shariah rules and principles.

ADHERING CONTINUOUSLY TO ETHICAL PRACTICE AND REPORTING, WE UPHOLD OUR CORE VALUES AND PRINCIPLES THAT REFLECT OUR STAKEHOLDERS' TRUST IN US.

MANAGEMENT DISCUSSION & ANALYSIS

ECONOMIC AND SECTOR REVIEW

For the year under review, we operated against a challenging global macroeconomic backdrop which was marked by the slowest growth pace in a decade. Despite this landscape, BIMB Holdings Berhad ("BHB" or "the Group") performed above expectations and continued to scale up our focus for growth.

2019 GLOBAL ECONOMIC REVIEW

Weak Global Growth

Global growth in 2019 recorded its weakest pace since the global financial crisis a decade ago at 2.9% in 2019, according to estimates from the International Monetary Fund. Most major economies fell short of expectations and underperformed in 2019 versus forecasts, given the prolonged US-China trade war, uncertainty over Brexit, and geopolitical tensions.

The rising trade barriers and associated uncertainty weighed on business sentiment and activity globally, taking a toll on business confidence, investment decisions, and global trade. Momentum in manufacturing activity weakened substantially to levels not seen since the global financial crisis. Although Asia was caught in the prolonged uncertainty driven by weak trade and investment, the region still remained as the fastest-growing region in the world, accounting for approximately two-thirds of global growth in 2019.

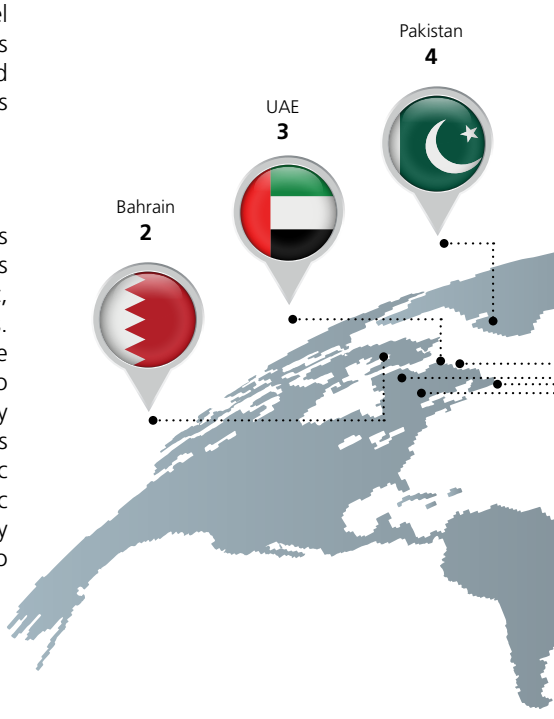
Swift Action by the Central Banks

Given that global economies seemed to be on the way to a recession, there was a notable shift by the central banks towards accommodative monetary policies with interest-rate cuts as well as a massive quantitative easing measures being instituted. The fiscal authorities have also been actively pump priming the economy via a series of fiscal stimulus measures to ward off the recession risks.

Growth remains susceptible to volatile commodity prices and the far-reaching impact from the virus pandemic posed by novel coronavirus ("COVID-19") which continues to weigh heavily and deeply on fiscal and external balances, while leaving higher levels of debt.

Global Impact from COVID-19

What started as an outbreak of the virus COVID-19 in China at the end of 2019 has now developed into a global pandemic, posing a significant risk on global economies. Concerns over travel and mobility have hit tourism-related businesses hard, also paralysing factories and businesses in many countries. At the time of writing, it remains highly uncertain as to when the pandemic would reach its peak. Therefore, economic policies are expected to be expansionary and extremely accommodative in order to minimise the blow.



2018-2019 HIGHLIGHTS

Islamic finance industry comprised

1,389 full-fledged Islamic financial institutions and windows.

Islamic finance industry assets grew by a CAGR of

6% **to USD2.44 trillion** in 2017 from 2012. The 2017 total was contributed by 56 countries.

Islamic banking accounted for

71% or **USD1.7 trillion**, of the industry's total assets in 2017 – a CAGR of 5%.

Iran, Saudi Arabia and **Malaysia** remain the largest markets, contributing a static share of

65% of the total, or **USD1.6 trillion.** **Saudi Arabia** and **Malaysia**'s total Islamic finance assets grew **8%** and **16%**, respectively.

Takaful grew by a CAGR of

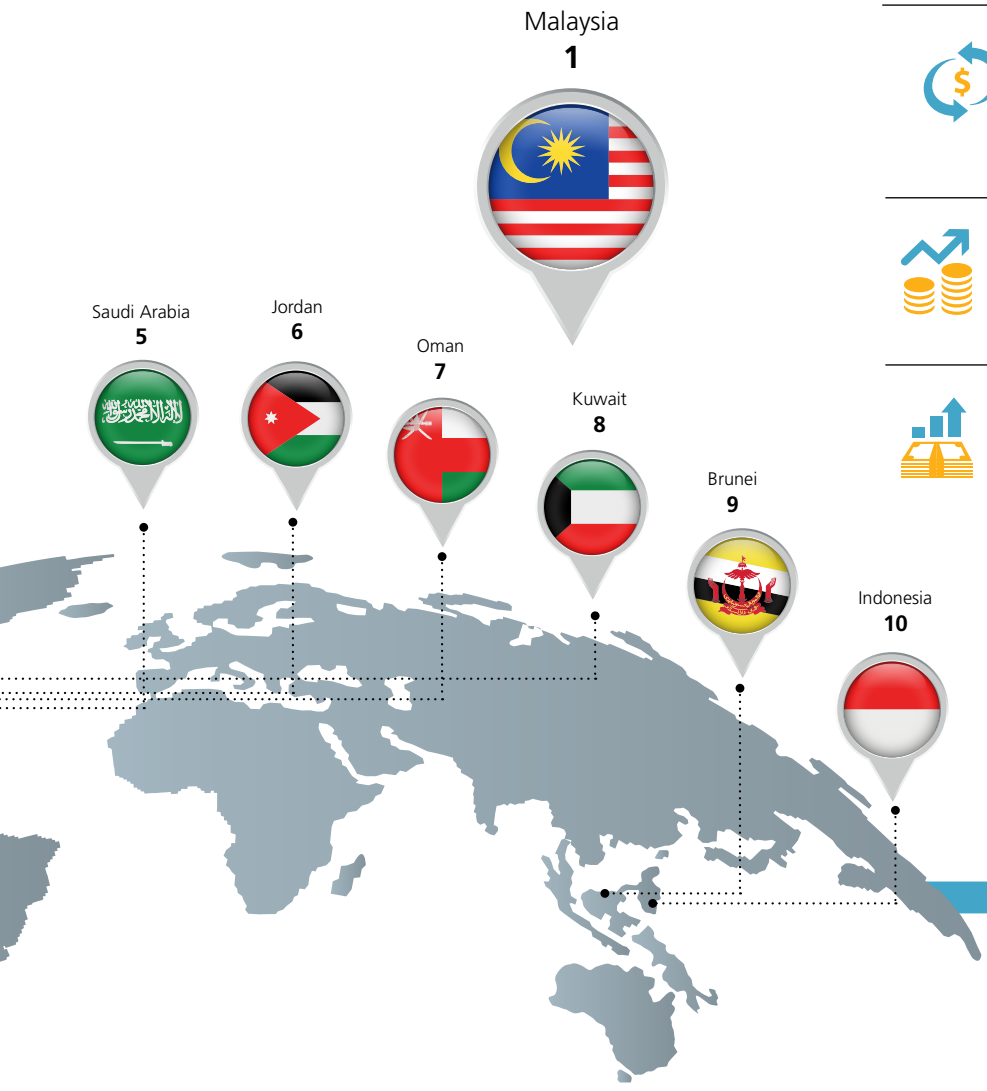
6% by 2017 but remains miniscule at **USD46 billion**, accounting for just 2% of total assets.

Sukuk grew by a CAGR of

9% to **USD426 billion** in total sukuk outstanding as of 2017, amounting to 17% of total industry assets.

Islamic funds grew by a CAGR of

16% to **USD110 billion**, or 4% of total Islamic finance assets.



THE MOST DEVELOPED ISLAMIC FINANCE MARKETS

Countries Ranked by IFDI 2018 Values

The IFDI universe measures performance of 131 countries.
Source: ISLAMIC FINANCE DEVELOPMENT REPORT 2018

MANAGEMENT DISCUSSION & ANALYSIS

ECONOMIC AND SECTOR REVIEW

In Malaysia, Islamic banks' growth continued to outperform conventional banks with earnings registering a double-digit growth. As at end 2019, financing by Islamic financial institutions accounted for 39.2% of total banking sector financing compared to 37.7% in 2018. Total funds placed with Islamic banks now represent 38.0% of total banking sector deposits, up from 36.6% in 2018.

2019 MALAYSIA ECONOMIC REVIEW

Impacted by External Headwinds but Held Resilient in 2019

Malaysia's Gross Domestic Product ("GDP") growth moderated to 4.3% in 2019, which was the lowest since the global financial crisis in 2009. Growth in 2019 was affected by strong external headwinds as a result of the intensified China-US trade war which, had been inflicting damage since 2018 and causing a fall in exports, supply disruptions especially in the commodity sector and contraction in the investment activities following lukewarm performance in the residential property construction.

Despite the challenges, growth was largely supported by the consumer spending, which has been growing at above-trend growth throughout the year. This was made possible following supportive labour market conditions which saw the unemployment rate hovering at 3.2% to 3.4% during the year, a level that is deemed full employment.

OPR and SRR were Reduced

In view of the slowing economy, the overnight policy rate ("OPR") was cut by 25 basis points to a nine-year low of 3%, and the Statutory Reserve Requirement ("SRR") was brought down by 50 basis points to 3% in November.

These measures were consistent with the monetary policy stance of supporting a steady growth path amid price stability and helped to release much needed liquidity into the financial system and spur economic activities.

2019 MALAYSIA FINANCIAL SECTOR PERFORMANCE

Digitalisation Driving Innovation in Financial Sector

The year saw financial technology ("fintech") disruption reshaping the industry and continued to be the driving theme for the financial sector. Underscoring the importance of fintech innovation, Bank Negara Malaysia ("BNM") has been actively advocating for fintech to be an integral part of the national initiative to drive digitalisation to remain competitive.

These initiatives range from banking digitalisation to e-payment platforms and electronic data management as well as crowdfunding, among others. BNM also released guidelines that open the way for technology players and other non-financial institutions to participate in this sector through virtual banking opportunities.

Modest Growth for Banking Sector

Malaysian banks fared well in 2019 amid the impact from external headwinds and uncertainties brought on by the US-China trade tensions, Brexit and slower global demand which affected business confidence. Despite these, Malaysian banks demonstrated reasonably healthy profits and asset quality, with more than sufficient capital buffers against potential stress, although they contended with compressed margins and some credit pullbacks.

The banking sector saw moderate growth in both earnings and loan, reflecting a slowdown in lending momentum and cautious sentiment on the country's economic growth. Banks continued to be selective in preserving stable asset quality which supported the low credit costs by the banks given the accommodative interest rates.

Islamic Banks Outperformed Conventional Counterparts

While the growth of banking assets slowed down in many global Islamic finance markets, Malaysia continued to be one of the sources of industry growth[1]. The resilient growth and development of Islamic finance in the country has been due to the strong foundation and regulatory infrastructure that has been put in place with the Financial Sector Blueprint 2011-2020 underway in its implementation.

In Malaysia, Islamic banks' growth continued to outperform conventional banks with earnings registering a double-digit growth. As at end 2019, financing by Islamic financial institutions accounted for 39.2% of total banking sector financing compared to 37.7% in 2018. Total funds placed with Islamic banks now represent 38.0% of total banking sector deposits, up from 36.6% in 2018[2].

There is growing demand for more utilisation of Islamic financial services as a funding tool over conventional loans, given that the Islamic banking industry has broadened in breadth and depth.

[1] *Islamic Finance Outlook 2020 Edition - S&P Global Ratings*

[2] *Bank Negara Annual Report 2019*

Financing by Islamic financial institutions accounted for

39.2%

total banking sector financing in 2019 compared to

37.7% in 2018.

Total funds placed with Islamic banks now represent

38%

of total banking sector deposits, up from

36.6% in 2018.

The Family Takaful industry's new business grew by

25%

in 2019 compared to

13%

in the same period a year ago.

General Takaful industry recorded a double-digit growth of

21%

in 2019 compared to

9%

in the same period a year ago.

2019 MALAYSIA TAKAFUL SECTOR PERFORMANCE

The insurance and Takaful sector's earnings remained relatively stable in 2019 with stronger growth seen from the Takaful segment business. The domestic Takaful industry continued to charter resilient growth across major business lines and surpass its conventional counterparts with healthy growth momentum, due to a lower base, stable domestic consumption, and increasing consumer awareness.

As at 31 December 2019, the Family Takaful industry's new business grew by 25% compared to 13% in the same period a year ago. The sterling business growth is in tandem with the strong demand for credit-related Takaful from the business growth of mortgage and consumer loans arising from the Government's aspiration to achieve 40% total Islamic banking assets target by the end of 2020. Together with the initiative under Budget 2020 to split the tax relief of Employees Provident Fund ("EPF") contributions and Takaful contributions, the national insurance penetration rate is expected to increase as taxpayers take advantage of the tax relief benefits.

Correspondingly, the General Takaful industry recorded a double-digit growth of 21% compared to 9% in the same period a year ago on account of the progressive impact of the tariff liberalisation and moderating economic growth. Following the implementation of Motor de-tariffication in July 2017, BNM continued in carrying out assessments on the impact of phased liberalisation. The General Takaful industry is anticipated to soar as a result of further liberalisation, witnessing more innovative Takaful solutions with competitive benefits and pricing to be introduced to suit the diverse consumer needs.

MANAGEMENT DISCUSSION & ANALYSIS

ECONOMIC AND SECTOR REVIEW

2019 SECURITIES MARKET PERFORMANCE

The challenges faced on the economic front coupled with ongoing domestic political uncertainties was reflected in the 2019 benchmark FBMKLCI which was down 6%, closing at 1,595.72 points. Nevertheless, the FBM Hijrah Shariah Index and the broader FBM Emas Shariah Index recorded positive growth of 0.8% and 3.9%, respectively.

Despite the Malaysian market performance in 2019, its dividend yields continue to see a rise as companies have been returning capital to shareholders in the light of declining investments.

GLOOMY OUTLOOK FOR 2020 BUT ISLAMIC FINANCE TO ASSERT RESILIENCE

Possible Global Recession

The global economy is facing a confluence of risks, which is causing severe disruptions on economic activity with significant damage on longer-term development prospects. At the time of writing this report, the COVID-19 outbreak has triggered extreme reactions in financial markets as it grapples with a cascading effect from business disruptions as many countries globally implement restrictive movements and lockdown measures. At the same time, factory shutdowns in China and elsewhere, and fears of more disruption in other parts of the world, have been affecting supply chains. Oil prices collapsed as a price war broke out between the Kingdom of Saudi Arabia and Russia.

Coupled with the risks of escalated trade disputes, the upcoming US presidential elections, tightening of central bank policies and the lingering effects of a tepid growth in 2019, a scenario of global recession looks very likely.

Malaysia to Face Effects of Economic Challenges

Malaysia would be facing economic challenges in the wake of COVID-19, compounded by the adverse reactions from global economic conditions. The overall impact of the outbreak on the Malaysian economy will, however, depend on the duration and spread of the outbreak as well as policy responses by authorities. The landscape we are operating in is unprecedented and it is challenging to predict the economic and financial eventualities with a high degree of precision.

BNM has introduced various relief measures to assist those affected by the COVID-19 outbreak and 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 repayment and payment financing, financing limits, drawdown on prudential capital and liquidity buffers as well as other measures such as review on financial, statistical and regulatory reporting requirements.

BNM had also instituted two OPR cuts in a span of less than three months which brings the rate to 2.5% and most recently, a 100 basis points reduction in SRR from 3% to 2%. The move is expected release a total of RM30 billion liquidity into the system. The Government's Economic Stimulus Package 2020 and the Prihatin Rakyat Economic Stimulus Package, together with BNM's measures are aimed to help to cushion the

economic fallout and provide sizable support to households and businesses. The expansionary monetary policy, measures such as the moratorium on loan payments, discounts on utilities and other such demand management policies are aimed to steer the country's economy to a more sustainable path going forward.

Judging from the large-scale reversal in the global equities market alongside the massive interest rate cuts and quantitative easing measures as well as a series of fiscal injection, global growth is expected to contract. Consequently, major economies are preparing themselves with unconventional policy responses that will ensure more cash will be distributed into the hands of the public. If history is any guide, a coordinated policy response would yield a V-shape recovery as was the case during the Global Financial Crisis in 2008 and 2009. Only time will tell.

Consequently, Malaysia's GDP growth is expected to be muted at between -2.0% and +0.5%, according to BNM.

Financial Sector to Face Slower Growth but Islamic Finance Contribution to Grow

Banks in Malaysia are expected to face a challenging operating environment following the COVID-19 pandemic and are expected to register slower loans growth compared to 2019 given the challenges. However, local banks declared higher dividend pay-outs during the fourth-quarter 2019 financial results and their capital positions are envisaged to remain solid. While measures such as the six-month moratorium on loan repayments will have an impact on revenues and provisions, they are viewed as revenue deferment rather than revenue loss.

The domestic banking industry's Common Equity Tier-1 capital and total capital ratios stood at a relatively high 13.8% and 17.9%, respectively as at end-December 2019 as they have been building up capital buffers in line with Basel III requirements.

Fitch Ratings opines that the contribution of Islamic financing to Malaysian banking system loans is expected to rise further, supported by the regulatory backdrop that provides a level playing field as banks continue to promote Islamic products. Islamic banks' loss-absorption buffers are envisaged to provide adequate support to withstand the near-term challenges.

The Takaful sector is growing faster than conventional insurance sector and is poised to sustain its robust growth curve, taking into account the low penetration rate, rising urbanisation, escalating medical costs, ageing population and increasing consumer awareness.

Banks in Malaysia are expected to face a challenging operating environment following the COVID-19 pandemic and are expected to register slower loans growth compared to 2019 given the challenges. However, local banks declared higher dividend pay-outs during the fourth-quarter 2019 financial results and their capital positions are envisaged to remain solid. While measures such as the six-month moratorium on loan repayments will have an impact on revenues and provisions, they are viewed as revenue deferment rather than revenue loss.

MANAGEMENT DISCUSSION & ANALYSIS

REAPING RESULTS OF OUR GROWTH STRATEGY

In 2019, the Group focused on deepening and broadening our offerings, driving operational efficiencies and elevating stewardship in driving sustainable and socially responsible business practices.

MOHD MUAZZAM MOHAMED
Chief Executive Officer
BIMB Holdings Berhad
Bank Islam Malaysia Berhad

Revenue increased

+19.1%

to **RM5.4 billion** versus RM4.5 billion in 2018

Net profit rose

+15.4%

year-on-year to **RM786.9 million** against RM682.1 million in 2018

Earnings per Share

44.75sen

The Group's main focus for 2019, as it had been over the last few years, was to strengthen the core businesses and build resilient sustainability for its main subsidiaries **Bank Islam Malaysia Berhad** ("**Bank Islam**" or "**the Bank**"), **Syarikat Takaful Malaysia Keluarga Berhad** ("**Takaful Malaysia**"), and **BIMB Securities Sdn. Bhd.** ("**BIMB Securities**").

The strategy that has been in place and guides the Group and the subsidiaries towards realising growth value are entrenched in our five key PRIORITIES of Responsible Finance, Inclusive Growth, Talent Enrichment, Ethical Practice & Reporting and Islamic Finance & Knowledge-Sharing. These priorities form the framework for our subsidiaries' strategies in the banking, Takaful and securities sectors. They are anchored on Islamic values of ***Maqasid Al-Shariah*** and allow our business operations to become distinct entities that are effective, efficient and profitable to benefit our customers, community, the economy and our country.

In 2019, the Group focused on deepening and broadening our offerings and driving operational efficiencies while maintaining capital discipline in order to maximise long-term returns to our shareholders. The Group elevated its stewardship in driving sustainable and socially responsible business practices and increased our investments to upskill our talented workforce.

Despite a very challenging macroeconomic and cautious market landscape, the successful execution of our corporate strategy, effective employment of our capital and people, together with the proactive engagement with all stakeholders, contributed to strong business growth and delivered another year of record earnings in 2019.

The Group charted an increase of **19.1%** in total revenue at **RM5.4 billion** versus RM4.5 billion in 2018, which was driven by strong earnings, in particular, from its banking and Takaful operations. Net profit rose **15.4%** year-on-year to **RM786.9 million** against RM682.1 million in 2018. Our results demonstrated the resilience and the diversified strengths of our subsidiaries, disciplined cost control, prudent risk management practices and contributions of our talented workforce.

Beyond financial performance, the Group and its subsidiaries were acknowledged for its many achievements through various industry recognitions and awards, for which we are appreciative and grateful. Our list of accolades is further elaborated on page 13 of this Integrated Annual Report.

MANAGEMENT DISCUSSION & ANALYSIS

REAPING RESULTS OF OUR GROWTH STRATEGY

MANAGING OUR MATERIAL MATTERS

In developing our strategies, we take into consideration the importance of various factors on our business priorities that can have an impact on growth as well as risks that if well managed, become our opportunities. In carrying out our materiality assessment, we look at macro-economic conditions and changing needs of our stakeholders. This is important to facilitate the development of a strategy for our long-term value creation and sustainability.

1. Economic Environment – Ensuring Sustainable Business Operations amid Challenges

Our priority is placed on creating economic value from our businesses, demonstrating resilience in earnings and delivering consistent returns to our stakeholders. We closely monitor the economic landscape as well as trends and evolution of the financial and business environment. To ensure continuous and resilient business sustainability, BHB looks towards consolidation and alignment as key elements in our business model and corporate strategy to unlock value for our shareholders.

RISKS	ACTION
Exposure to risk of mismatch between investment assets and financial obligations due to economic factors	**Takaful Malaysia** • Invest in high quality Sukuk with longer terms to maturity • Regularly monitor the mismatch level as part of ongoing strategy to reduce exposure • Monitor liquidity position to ensure adequate liquidity to honour financial obligations

2. Regulatory Landscape – Aligning with Dynamic Changes in Regulations

The financial sector in Malaysia operates on a highly regulated environment. As a holding company that oversees subsidiaries across banking and non-banking businesses in Malaysia, BHB places high importance on efforts to maintain a strong and stable financial sector with robust financial and operational resilience, supported by strong risk management and compliance capabilities.

RISKS	MITIGATION ACTION
Increased diversity in regulations governing banking, Takaful and securities business such as differing capital adequacy obligations	**The Group** • Corporate exercise for subsidiaries to come into their own as independent entities to manage their highly-specialised business in accordance to their respective regulatory environment • Corporate exercise allows for faster, relevant and empowered decision making against respective regulatory and business obligations
Lack of compliance to law, rules and obligations of the banking, Takaful and securities sectors that could lead to commercial and reputational loss	**Bank Islam** • Formation of **Integrity Plan** • Establishment of **Gift Policy** • Establishment of **Anti-Bribery and Corruption Policy** • Conducted comprehensive **Corruption Risk Assessment** to establish **Corruption Risk Management Framework** • Implementation of **Anti-Bribery Management System** • Embracing regulatory compliance by conforming to the laws, regulations, guidelines and specifications relevant to Islamic banking business processes and industry's best practices **Takaful Malaysia** • Implementation of **Anti-Money Laundering and Counter Financing of Terrorism Policy** • Establishment of **Personal Information Record and Management Framework** • Implementation of **Fraud Management Policy** • Implementation of **Whistle-Blowing Policy** • Implementation of **Anti-Corruption Policy** • Embracing regulatory compliance by conforming to the laws, regulations, guidelines and specifications relevant to Takaful business processes and industry's best practices

	BIMB Securities A review of all the policies and procedures including; • Guidelines on **Prevention and Detection of Fraud and Corruption** • Guidelines on **Whistle-Blowing** • Guidelines on **Management of Cyber Risk** • **Anti-Money Laundering and Terrorism Financing** for improving its business process control and ensuring effective governance measures to prevent corruption and mitigate any cyber and other operational risks

3. Competitiveness – Being Agile and Adaptive to Remain Relevant and Competitive

We operate in an increasingly competitive landscape where new business and technological trends are emerging. We understand the need for fast actions to capitalise on opportunities, mitigate risks and address challenges that relate specifically to the differing concerns of each subsidiaries. For growth to progress within each of the businesses, there is a need for each subsidiary to be equipped to leverage and grow to their individual strengths.

RISKS	ACTION
Technology adaption crucial to support evolving customer behaviour putting pressure to evolve or risk obsolescence	**Bank Islam** • Implementation of Digital First initiative, designed to enhanced customers' experience through newly developed digital and online applications, and increase number of services that are accessible via digital means • Implementation of Robotic Process Automation that will result in automation of labour-intensive and repetitive processes across the Bank • Establishment of a holistic data analytics capability within the Bank to promote data-driven and informed decision-making process **Takaful Malaysia** • Launched new online takaful solutions via the Click for Cover online sales portal with multiple payment gateways • Introduced chatbot Tamara, an artificial intelligence that provides customers real-time answers via available digital platforms • Implemented facelift and design updates of various online portals for customers and intermediaries • Upgraded data centre infrastructure to support growing business • Migrated from former Takaful Integrated System ("TIS") core application and infrastructure to a new sustainable platform **BIMB Securities** • Upgraded mobile application and online trading platform which includes algorithmic trading capabilities and access to selected global trading markets

PRUDENT APPROACH TO RISK MANAGEMENT AND ENHANCED GOVERNANCE

As the year progressed, we reviewed and enhanced our risk management processes by engaging a consultant to independently assess our risk and exposure, including stress testing portfolios and closely monitoring weak credits amid the ongoing challenging market environment. The prudent management of our businesses underpinned the soundness and sustainability of our strategy across our subsidiaries.

The Group's committed efforts to build a strong organisation of integrity and governance was recognised when BHB was selected as one of the top 20 finalists in PwC Malaysia's Building Trust Awards 2019, an award which recognises efforts made towards building trust through their communications and interactions with stakeholders.

For the year, our efforts at Bank Islam included reviews on policies such as Gift Policy, Anti-Bribery Policy, Vendor Code of Ethics and Whistle-Blower Programme, among others, to ensure governance oversight was strengthened. Part of this review included an engagement with a consultant to provide

MANAGEMENT DISCUSSION & ANALYSIS

REAPING RESULTS OF OUR GROWTH STRATEGY

independent assessment of our risk and exposure to bribery as well as the gaps and strengths in the embedded controls. The Bank also conducted realignment of Anti Money Laundering/Combating the Financing of Terrorism ("AML/CFT") policy and procedures with the revised BNM's AML policy, and validate the effectiveness of the controls implemented at the various business units.

Takaful Malaysia rationalised its investment policies and continued to tactically implement prudent and vigilant investment strategies to manage risks amid the challenging market environment. In consultation with the Board Investment Committee, asset allocation was reviewed and positioned strategically towards achieving the long-term returns while minimising volatility and value at risks of the managed portfolios. We focused on asset classes that provided a stable and predictable recurring income, namely Sukuk and money market instruments. In line with our strategic asset allocation, our equity exposure remained low throughout the year under review, limiting the impact of equity market volatility. These efforts were taken to protect and augment the overall investment performance.

As a result of prudent strategy in addressing the market challenges, 2019 saw an improvement in Takaful Malaysia's investment income underpinned by better performance from Sukuk portfolios capitalising on the low interest rate environment to realise gains from existing holdings. While there remained a certain amount of volatility in equity portfolio performances as a result of the overall market conditions, this was cushioned by low asset allocation in equity and the performances of other asset classes. Deposit instruments also continued to register higher income reflective of the higher asset allocation into these asset classes as Takaful Malaysia remained defensive considering the uncertainties in the market.

Part of understanding and adopting prudent risks measures is having good insights to the various sectors and its potential when investing. For the year in review, BIMB Securities undertook to conduct various company and site visits to public listed companies ("PLCs") to understand their strategies and potential which are reflected in their advisory and research services.

DIGITAL TRANSFORMATION

We look to leverage on digital technology as an enabler for our subsidiaries to better serve our customers and our community. Digitalisation allows the Group to drive priorities of financial inclusion for inclusive growth. Our subsidiaries remain committed to expand the omni-channel experience – from the physical to digital – in a progressive manner to meet the diverse needs and wants of all our stakeholders.

In this regard, Bank Islam was recognised for its efforts to grow electronics payment ("e-payment") in the country. Bank Islam received three awards at the **Malaysian e-Payments Excellence Awards ("MEPA")** 2019 in the categories of **Best Customer Experience ("Direct Debit")**, **Best Direct Debit Bank** and **Best FPX Bank**. These wins underscore our continuous efforts to be at the forefront of digital banking in Malaysia.

PEOPLE AS THE CORNERSTONE OF OUR PROGRESS

A great company starts, sustains and attains success with great people. It has only been through the commitment and dedication of our people that we have been able to drive our business forward to build long-term value for our shareholders. This is in line with one of our five Key Priorities which is Talent Enrichment.

Across our three subsidiaries, we work to foster an environment where our employees can feel fully engaged and valued, and know that what they do, in turn, creates value for the subsidiaries and the Group. Our efforts have created an engaged and motivated workforce. We will continue to develop efforts that build on the strengths of our people, as we believe that we can only grow when our people grow.

BANK ISLAM

- Ranked in 14th place among the **Top 20** companies in **Malaysia's 100 Leading Graduate Employers Awards 2019**
- A score of **70%** for **Employee Engagement Survey**
- Introduction of **TAAT (Think Customer, Act with Integrity, Advance Beyond, Take Charge)** core values for employees
- Establishment of Bank Islam's Integrity Plan
- Employer Branding Outreach programme

TAKAFUL MALAYSIA

- Selected for the second time as recipient of '**HR Asia Best Companies to Work for in Asia Award 2019**'
- Voted for the second time in a row as the Top 5 for the 'Graduate Choice Award – Best Employer Brand 2019' under the insurance industry category
- Inter division staff engagement programmes to boost productivity and efficiency

BIMB SECURITIES

- Elevating employees' knowledge and upscaling them to be multi-skilled
- Continuous training for employees under Bumiputra Training Fund ("BTF") allocation provided by Securities Industry Development Corporation ("SIDC")
- Conducted in-house technical analysis and fundamental analysis workshops

Continuous learning and upscaling of skills and talents are necessary to build a capable team. To ensure our people possess the right skillsets and mindsets for the business of the future, we provide them with relevant training and career development opportunities. Collectively, employees across the Group clocked in over **220,000 hours** of training and development programmes that address core competencies as well as soft skills in 2019.

BANK ISLAM

- **195,774.1** hours of training clocked by employees
- **98%** of the employees met the 16-hour learning requirement in accordance with our Human Resources policy
- **73%** met the **Individual Development Plan** requirements for three types of training curriculum - soft, leadership and technical - in accordance with BNM's requirement
- Achieved **2.5% Staff Training Expenses** utilisation, which is within BNM's requirement of 2.67%

TAKAFUL MALAYSIA

- **25,051** training hours clocked by employees
- **RM1.1 million** investment in employee learning and development
- Leadership Development Programme
- Leadership Development Programme for High Potential
- Staff Talent Awareness & Retention Programme
- Leadership Intensive Talent Enrichment Programme
- Clerical Development Programme

BIMB SECURITIES

- **1,870** hours of training clocked by employees
- Intake of eight interns from *Universiti Sains Islam Malaysia, Universiti Teknologi MARA, Universiti Malaya* and Sunway University
- Conducted continuous Shariah training
- Conducted health and well-being talks

Succession planning is important to the Group as we move into a new era so as to ensure its continued sustainable growth for many more decades to come. Many of our bright talents have scaled the management rungs from within the Group and are now in leadership positions themselves. We have in place Leadership Assessment programmes that aim to identify and harness the potential of the next generation of leaders.

BANK ISLAM

- Assessment Centres - implemented assessment as part of selection process and DNA for the participants of special programmes - Future leaders, Young Leaders Programme, Mini CEO and Future BSM Programmes

TAKAFUL MALAYSIA

- Comprehensive leadership development programme for potential leaders
- Adopting a talent management framework by developing five layers of succession planning groupings from top management to junior level officer

BIMB SECURITIES

- Soft skills training on leadership and decision-making courses for selected middle and junior level officers

MANAGEMENT DISCUSSION & ANALYSIS

SUBSIDIARIES' OPERATIONAL REVIEW

BANK ISLAM: ON STEADY PATH FOR PROGRESSIVE GROWTH

Record-Breaking Profit Performance

Bank Islam recorded an increase in net profit of **5.7%** to **RM627.6** million as revenue rose **9.2%** to surpass **RM3.6 billion** for the first time ever, which contributed to our best profit performance to date. The higher total income was driven by strong net financing growth of **8.3%** and an increase in investment securities of **9.3%**.

As at 31 December 2019, deposits and investment accounts ("IA") saw a year-on-year increase of **RM2.6 billion** or **4.7%**. The Bank's capital position remained healthy to support continuous business growth with a Total Capital Ratio of **18.7%** as at end 2019.

Expanded Breadth of Offerings that Drive Sustainability

We are committed to delivering relevant products and services that help our customer segments meet their needs for inclusive growth. This is a reflection of our value creating business model with its fundamentals embedded in the Value-Based Intermediation ("VBI") principles that aims to contribute and impact the real economy while elevating societal needs. For the year in review, Bank Islam continued its focus on green financing, social finance and impacting the real economy by supporting the Small and Medium Enterprises ("SME").

Green Financing

As the green technology and renewable energy sectors continue to grow, Bank Islam stands alongside to support these efforts as drivers of sustainability based on Environment, Social and Governance ("ESG") tenets through Green Financing. For 2019, we breached our internal **RM1 billion** target for Green Financing during the year, an increase of almost threefold to **RM1.76 billion** as compared to RM632 million from the previous year.

We are proud to note that BIMB Investment Management Berhad ("BIMB Investment"), a wholly-owned subsidiary of Bank Islam was conferred as the **ESG Asset Manager of the Year 2019** by **The Asset Triple A Islamic Finance Awards 2019** for its significant contributions and achievements in ESG, sustainability and asset management in Asia. BIMB Investment manages more than RM1 billion of Shariah-ESG assets, making it the **largest Shariah-ESG asset manager in Malaysia**. Its Global Shariah-ESG equity fund is now the **largest global equity fund in Malaysia** and ranked the **world's third largest** global equity Shariah-ESG fund.

Social Finance

We leveraged on fintech to develop **Sadaqa House**, a crowdfunding platform that allows anyone to donate to various social causes via online platforms. To ensure that real impact is delivered to the right target, all contributions undergo stringent monitoring and integrity process. In 2019, Sadaqa House collected **RM1.4 million** that has since been channelled to active **change-makers** including *Institut Jantung Negara* ("IJN") Foundation, *Yayasan Sultanah Bahiyah* ("YSB") and *Universiti Teknologi Malaysia* ("UTM"). This platform earned the Bank the accolade of the **Best Social Finance Initiative 2019** at the 5th Islamic Retail Banking Awards ("IRBA").

The Bank launched a **myWakaf** portal during the year to catalyse **Wakaf** contributions as part of the Association of Islamic Banking and Financial Institutions Malaysia's ("AIBIM") objective to promote Wakaf development in consultation with state Islamic Religious Councils. The portal enables easier, more effective and tax-exempt Wakaf contributions by individuals to selected projects like education, healthcare, investment and economic empowerment.

SME Financing

SME financing rose exponentially by **151%** to **RM178 million** with a **65%** increase in total assets for SME financing in 2019. Bank Islam intensified it support for SMEs through collaborations with Government Linked Corporations ("GLCs") and other large corporations through vendor development and financing programmes.

We also helped SMEs to improve their business skills and knowledge which go a long way towards making them more competitive. We worked with *Universiti Utara Malaysia* ("UUM") and SME Corp on the **SME Development Programme 2.0**, which had overwhelming response from participants, doubling in participation size from the year before.

We extended support to women entrepreneurs and launched the **Women in Business ("WinBiz")** programme that offers a comprehensive range of banking facilities that meet the working capital requirements and capital expenditures of private limited women-owned businesses.

Moving Forward

In the immediate term, Bank Islam places high priority on supporting customers who are affected by the COVID-19 pandemic through its Rescheduling & Restructuring ("R&R") facility that aims to provide financial assistance to all individuals and business customers. The programme allows customers to pay lower monthly repayment so that they can better manage their cash flow. This is over and above supporting BNM's relief plan which includes automatic deferment of all financing repayments for six months. The Bank is also implementing an SME Special Relief Facility ("SSRF") to help alleviate the short-term cash flow predicament faced by SMEs during this period of volatility.

For the next three years, the Bank remains focused on its clear strategy to deliver sustainable performance that impacts positively on the economy, community and environment premised on VBI principles. As always, we will continuously monitor, review and recalibrate where needed against primary drivers that include OPR and GDP, among others. We will continue to bank on initiatives that drive us towards operational, culture and digital excellence, as governed by the Bank's core values and Shariah principles.

We will harness digital innovation to create customer experiences that are relevant, convenient, reliable and safe; harness the capabilities of ecosystem partners to co-create new products and services; and help our customers improve their own businesses.

Having set a strong foundation for growth, we are ready to take on the mantle as the leading full-fledged Islamic financial institution under the corporate restructuring exercise that has been proposed. Under this exercise, BHB will transfer its listing to Bank Islam that will allow the Bank to gain direct access to the equity capital market for its fund-raising activities to support its organic growth.

MANAGEMENT DISCUSSION & ANALYSIS

SUBSIDIARIES' OPERATIONAL REVIEW

TAKAFUL MALAYSIA: MAINTAINS MARKET LEADERSHIP

Stellar Chart-Topping Financial Performance for 2019

For the year in review, Takaful Malaysia recorded a sterling performance and registered record net profit with double-digit growth on the back of ongoing digital initiatives, solid business expansion strategy, operational efficiency and underlying financial strength.

Takaful Malaysia posted a record net profit of **RM366.3 million** for 2019 on the back of a **25.2%** increase in its Profit After Zakat and Tax ("PAZT") from RM292.6 million registered in the previous financial year. The double-digit growth profit of 25% outpaced the industry. Total gross contributions rose by **19.1%** to **RM2.8 billion** in 2019 as compared to RM2.3 billion recorded in the last financial year end.

Operating revenue increased by **18.4%** to **RM3.1** billion as compared to RM2.6 billion in 2018 contributed by solid performance in our underwriting activities, higher net Wakalah fee income arising from the growth in the Family Takaful business and higher net investment income.

Family Takaful business generated gross contributions of **RM2 billion** for FY2019, an increase of **27%**, compared with RM1.6 billion in the previous year. The increase was mainly attributable to higher sales from credit-related products. General Takaful business generated gross contributions of **RM723.6 million**, an increase of **2%** over the previous year's RM709.3 million, which came mainly from fire and commercial classes.

Takaful Malaysia's Return on Equity ("ROE") continued to exceed the **30%** level with an actual achievement of **33.1%** from 32.7% in the previous financial year. Earnings Per Share ("EPS") rose to **44.16 sen** as compared to 35.79 sen in 2018 while total assets grew by **15.8%** to **RM10.3 billion** from RM8.9 billion in the last financial year.

Expanding Digital Footprint as the Driver of Innovation and Competitive Advantage

The digital strategy has become the driver of our innovation, competitive advantage and growth. In positioning Takaful Malaysia at the forefront of the digital transformation in the Islamic insurance industry, we reinforced our digital solutions whilst transforming our business structure in meeting the customer expectations on the back of the evolving business landscape. The inevitable advancement of financial technology has driven Takaful Malaysia in earmarking substantial investment to integrate information and operational technologies in optimising performance, driving efficiency and enhancing the quality of product offerings and value-added services. We aimed to enhance our customer experience by delivering a differentiated and seamless experience of customised services to the consumers.

We continued efforts to upgrade our data centre infrastructure to support the growing business as well as implemented new infrastructure capabilities to increase productivity, improve sales and turn-around-time while reducing operating expenses. We successfully migrated our former Takaful Integrated System ("TIS") core application and infrastructure to a new sustainable platform in keeping with current technologies and gaining better business value.

The introduction of our artificial intelligence chatbot, **Tamara**, provides real time response to enquiries related to our online products, No Claim Discount ("NCD"), certificate maturity, windscreen confirmation, status of benefit payouts and many more. Takaful Malaysia also introduced a face-to-face digital-assist point-of-sales system equipped with a smart underwriting engine for its premier bank partners that allows them to promote and market simple protection plans directly to their customer base. The face-to-face marketing via mobile devices provided allowed the bank partners to facilitate transactions seamlessly with straight-through paperless processing through automated underwriting.

Expanding Growth Organically

Takaful Malaysia continues to lead in Family Takaful business, with business mainly derived from the Credit-Related and Group Employee Benefits products. As part of our ongoing efforts to sustain the Company's market leader position, we have diversified our product distribution by expanding our distribution channels. We leveraged on our leading position in single contribution products whilst focusing on retail regular contribution products channeled via bancatakaful and online distribution channels to further diversify our business portfolios. Takaful Malaysia also implements robust and efficient business processes to sustain our strategic partnerships with premier Islamic banks.

Our achievement for the year in review was mainly driven by our **bancatakaful** initiatives which resulted in higher sales from credit-related products and our effective penetration strategy through our distribution network by reaching out to more civil servants to market our mortgage and fire protection plans for the housing loan provided by the *Lembaga Pembiayaan Perumahan Sektor Awam* ("LPPSA").

In view of the stiff competition faced by the General Takaful industry under liberalised market conditions, we manage this risk by offering innovative products and leverage on our digital strategy to grow the business whilst enhancing customer experience. On the General Takaful business front, we remained as the top two leading General Takaful operators in the industry. We improved our General Takaful portfolio and registered total gross contributions of RM724 million in 2019, with an increase in customer acquisitions through our Fire and Personal Accident classes. We also achieved a **double-digit growth of 40%** for our online Motor Takaful business offered via our innovative **Click for Cover Online Sales Portal**.

Moving Forward

While we remain cautious of the market environment in 2020, we expect the Takaful industry to outperform the conventional insurers in view of growing demand for Takaful products. Takaful Malaysia is poised to further expand its market share in 2020.

To sustain its market leading position, the company will continue with its innovative strategies via the implementation of its digital strategy, introduction of online solutions, strategic partnerships with leading Islamic banks, growing non-motor business and implementation of brand awareness initiatives in order to expand the business focus beyond credit-related business to reach out to the wide retail customer base of major partner banks.

We will further strengthen our distribution capabilities for general Takaful business in view of greater potential to enlarge the Takaful market share in the general insurance and Takaful sector.

MANAGEMENT DISCUSSION & ANALYSIS

SUBSIDIARIES' OPERATIONAL REVIEW

BIMB SECURITIES: FOCUSED ON DRIVING GROWTH

Economic Challenges Impacted Trading

Market sentiment for 2019 was challenging and was reflected in the trading activities conducted by investors, in which the benchmark index FBMKLCI ended the year down 6.0% from 2018's close. A combination of soft domestic corporate earnings and risk aversion among some investors dampened trading activity. While the benchmark FBMKLCI did not fare as well as the other benchmark indices in the region, the FBM Hijrah Shariah Index and the FBM Emas Shariah Index recorded positive growth of 0.8% and 3.9% respectively.

The reduction in Malaysia's weightage in the MSCI Emerging Markets Index had an impact to the overall foreign portfolio flows, as investors tracked the index shift allocations to other global markets which contributed to the significant outflow of foreign funds of USD2.7 billion in 2019.

Muted Financial Performance for 2019

Given the challenges the market faced in 2019, BIMB Securities reflected the muted trading activity and charted a Loss Before Zakat and Taxation ("LBZT") of **RM3.2 million** for 2019.

BIMB Securities experienced a sharp 47% drop in gross brokerage revenue contribution from the Institutional Business segment in 2019 compared to 2018. This was because most of the institutional investors, including government linked investment companies ("GLICs") and government linked companies ("GLCs"), moved their portfolios to overseas markets to seek better returns as well as reduced their portfolios in equity to fixed income instruments that offered higher yields/ returns.

However, gross brokerage revenue from the Retail Business segment increased by 19% as compared to 2018 as retail traders dominated the equity market in 2019. Income from Non-Dealing activities also increased by 40% in 2019 as compared to 2018 with the increase in fees and number of funds advised by the Shariah Advisory as well as increase in income from share margin financing.

Increase in Retail Activities

The increase in retail trading activities that grew in 2019 was also in line with the increase in the number of active Retail accounts opened for the year. As at end of 2019, 3,249 new accounts and active accounts were opened and traded compared to 1,192 new accounts as at 31 December 2018.

BIMB Securities also conducted in-house technical analysis and fundamental analysis workshops with its retail investors to impart securities trading knowledge. This type of initiative goes a long way in inculcating deeper knowledge into Islamic and securities trading as part of its efforts towards the key priority of **Islamic Finance & Knowledge-Sharing**.

Moving Forward

As the securities business is deeply inter-linked with economic performance and market sentiment, we expect the year ahead to continue to be challenging against the uncertainties surrounding COVID-19 and its impact on the world. As at time of writing this report, global equity markets have trended downwards.

We will continue to be vigilant on managing risks and capitalising on market opportunities ahead of the expected recovery from COVID-19. Within the organisation, we will continue with efforts to develop our people, while enhancing our trading platform towards digital enhancements, as well as augmenting our offerings to our customers.

MANAGEMENT DISCUSSION & ANALYSIS

FUTUREPROOFING OUR BUSINESS FOR PROGRESSIVE AND SUSTAINABLE PROSPERITY

The operating environment going forward will continue to be challenging and requires us to be alert to risk mitigating measures as well as proactive in seeking growth opportunities. In the near term, we have some expectations of impact to our earnings following the extraordinary market and economic conditions. However, the Group has built a strong foundation of resilience and sustainability that allows us to enter 2020 on a solid footing. We will continue to reap the benefits of years of business strengthening and sustainability building efforts, while buttressing our risk management measures as we contend with the challenging future ahead of us.

The corporate exercise that we aim to undertake, following regulatory and shareholder approvals as well as considerations to market conditions will be an apt and timely step towards futureproofing our business. This stance is critical to the Group as part of our main objective of creating sustainable value for our stakeholders. Each of our business has grown organically to a level where it is ready and able to chart its own course. They will have the focus and agility to pursue their distinct business strategies in pursuit of their aspirations, with the ability to make faster and empowered decisions.

The Group's corporate strategy has seen each of the business well-supported by a strong balance sheet while our established track record of cost discipline as well as our prudent risk practices will enable each of the subsidiary to continue to manage and grow the business despite an increasingly uncertain and volatile environment.

PROPAGATING ISLAMIC FINANCE AND KNOWLEDGE-SHARING, WE ASPIRE TO ADVANCE MALAYSIA AS A LEADING HUB FOR ISLAMIC FINANCE SOLUTIONS.

SHARIAH-COMPLIANT CONFIRMATION STATEMENT

الحمدلله رب العالمين، والصلاة والسلام على سيدنا محمد، الذي أرسله الله رحمة للعالمين، هاديا مهديا،

السلام عليكم ورحمة الله وبركاته and 'Salam Sejahtera'

In carrying out the roles and responsibilities of the Shariah Committees, as prescribed in the policy documents and guidelines issued by the regulators namely Bank Negara Malaysia and the Bursa Malaysia Securities Berhad for the respective financial industries and in compliance with our letters of appointment, we on behalf of the Shariah Committees of the respective Companies within BIMB Holdings Berhad Group, namely Bank Islam Malaysia Berhad, Syarikat Takaful Malaysia Keluarga Berhad and BIMB Securities Sdn. Bhd. hereby submit the following confirmation for the financial year ended 31 December 2019.

The Management of the respective Companies is responsible to ensure that the conducts and businesses of each of the Companies are in accordance with Shariah rules and principles, and it is our responsibility to form an independent opinion based on our review on the respective Companies and thenceforth produce this Confirmation Statement.

We have reviewed, interalia, products, transactions, services, processes and documents of the respective Companies to ensure its compliance with Shariah. In performing our roles and responsibilities, we had obtained all the information and explanation which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the respective Companies have complied with Shariah.

At the Management level, the Companies have implemented Shariah governance practices in compliance with guidelines that are relevant to the respective industries, which include Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia and Best Practices in Islamic Stockbroking Services Undertaken by Participating Organisation issued by the Bursa Malaysia Securities Berhad. Such governance practices include the establishment of internal Shariah compliance functions encompassing Shariah audit, Shariah risk management, Shariah review and Shariah research to facilitate and support new product development activities, Shariah training, management of Shariah non-compliance risks, Shariah audit and Shariah review and the necessary coordination with us on matters that require our decision.

We have assessed the Shariah review and Shariah audit reports presented to us and have examined, on a test basis, the transactions, relevant documentation and procedures adopted by the Management of the respective Companies. Our assessments were planned and performed in a way that would ensure all the information and explanations considered necessary were obtained in order to provide us with sufficient evidence to give reasonable assurance that the respective Companies have not violated Shariah.

We also confirm that every incident of Shariah non-compliance event has been brought to our attention and we have subsequently noted that the corrective as well as preventive measures have been taken by the respective Companies in order to avoid the same from occurring in the future. Any Shariah non-compliant income has also been disposed of to charitable causes upon approval by us.

We had also reviewed the computation and payment of Zakat by the respective Companies.

In relation to the above, based on the information provided and disclosed to us, we, the Chairmen of the Shariah Committees of the said respective Companies within BIMB Holdings Berhad, do hereby confirm that, to the best of our knowledge, the businesses, operations and activities of the respective Companies for the year ended 31 December 2019 had been conducted in conformity with Shariah.

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

Allah knows best.

PROFESSOR DATO' DR AHMAD HIDAYAT BUANG
Chairman
Shariah Supervisory Council
of Bank Islam Malaysia Berhad

PROFESSOR DR MUHAMMAD RAHIMI OSMAN
Chairman
Shariah Advisory Body of Syarikat
Takaful Malaysia Keluarga Berhad

PROFESSOR EMERITUS DATO' DR MAHMOOD ZUHDI HAJI ABDUL MAJID
Chairman
Shariah Advisory Committee
of BIMB Securities Sdn. Bhd.

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

Dear Shareholders,

I am pleased to present the BHB Corporate Governance Overview Statement of 2019, which reiterates BHB's commitment to corporate governance in our business practices and in fulfilling stakeholders' expectations.

BHB has a robust corporate governance framework in place as part of its commitment to foster a culture of compliance that values personal and corporate integrity, accountability and continuous improvement.

In 2019, the Board focused on fulfilling its oversight responsibilities within BHB's key operating subsidiaries. One of the most important aspects of my role as Chairman is to foster diversity and competency of the Board to enable balanced, intelligent and insightful decisions to be made. Our Directors have the right range and balance of skills, expertise and attributes that enable us provide support to our subsidiaries.

As part of the effort by the Company to equip Directors with the right skills, BHB conducted a Directors' Conference 2019, specifically designed to improve the effectiveness of the Boards against established standards of good practice, for all Directors within the Group.

In conjunction with the introduction of Section 17A of the Malaysian Anti-Corruption Commission Act and the National Anti-Corruption Plan ("**NACP**") that will come into effect on 1 June 2020, BHB and its key operating subsidiaries have also established the action plan and the Anti-Bribery and Corruption policy. I am pleased to inform that the Group is targeting to be accredited with ISO 37001 Anti-Bribery Management System ("**ABMS**") certification in first quarter of 2021.

The Board would like to congratulate our Datuk Nik Mohd Hasyudeen Yusoff for being appointed as the Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji ("**LTH**"), a holding company of BHB on 1 September 2019. Due to his appointment, Datuk Nik Mohd Hasyudeen has been re-designated from Independent Non-Executive Director to Non-Independent Executive Director representing LTH.

At the beginning of 2020, Tan Sri Ismail Adam retired as the Senior Independent Non-Executive, a position he has held for the past nine (9) years. Due to his retirement, the Board appointed Puan Noraini Che Dan to be the Senior Independent Non-Executive Director as an intermediary for other directors and point of contact for shareholders and other stakeholders. To ensure compliance in terms of the composition of the Board, BHB welcomed Encik Zahari @ Mohd Zin Idris as a Non-Independent Non-Executive Director. Encik Zahari's years of experience in the Banking industry will help to steer the Group to greater heights. Further details of the directors can be found on page 28 to 33 of this Integrated Annual Report. The Board wishes to express its gratitude and heartfelt appreciation to Tan Sri Ismail Adam for his valuable input and insightful contribution to BHB and for laying the foundations of strengthening governance in BHB.

The Board spent a considerable time in 2019 focusing on implementation of BHB's strategies and monitoring the progress of the upcoming corporate restructuring exercise. The Board also continues to devote time to strengthening oversight functions in relation to governance, internal control and risk management across the Group.

I would like to take this opportunity to thank our shareholders and other stakeholders for placing their confidence in our business and their continued partnership with BHB in our journey.

TAN SRI HAJI AMBRIN BUANG
Chairman
BIMB Holdings Berhad

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

CORPORATE GOVERNANCE ("CG") AT BHB

BHB is committed to upholding high standards of corporate governance. The Board recognises the importance of corporate governance to preserve stakeholders' trust, safeguard their interest and enhance their value in line with the Group's objective to be the premier Islamic financial services provider.

This CG Overview Statement summarises the main corporate governance practices and policies in place during the 2019 financial year relating to the consolidated entity comprising BHB and its subsidiaries. It has been prepared in compliance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad and is to be read together with the Corporate Governance Report 2019 ("CG Report 2019") of the Company which is available on BIMB Holdings Berhad's website: http://www.bimbholdings.com. The CG Report 2019 elaborates on BHB's application of each of the Practices set out in the MCCG 2017 for the financial year under review.

LEADERSHIP AND EFFECTIVENESS

BHB'S GOVERNANCE FRAMEWORK

BHB has a robust corporate governance framework in place as part of its commitment to foster a culture of compliance that values personal and corporate integrity, accountability and continuous improvement.

The Board sets the direction of the corporate governance principles, upholds governance, and seeks to build an ethical culture. The Board continuously strives to refine the Company's corporate governance practices and processes to maintain the Group's competitive edge. As recognition of the Board's commitment in the area of corporate governance, BHB has received the following awards:

- 2019 Building Trust Awards;
- ESG Asset Manager of The Year - The Asset Triple a Islamic Finance Awards 2019;
- Top 20 for Corporate Governance Disclosure – MSWG 2019; and
- Top 30 for Overall Corporate Governance and Performance – MSWG 2019.

BHB's corporate governance framework is consistent and complies with the Companies Act 2016 ("**the Act**" or "**CA 2016**"), Bank Negara Malaysia's Corporate Governance Policy ("**BNM CG Policy**"), Malaysian Code on Corporate Governance 2017 ("**MCCG 2017**"), Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements ("**MMLR**"), Corporate Governance Guide ("**CG Guide**") 3rd Edition by Bursa Securities, and MSWG's Malaysia – ASEAN Corporate Governance Scorecard. The application of the respective principles and best practices on corporate governance are highlighted in the various sections of this CG Overview Statement.

BHB's established structures, processes and policies help ensure compliance with laws and regulations and provide clear lines of sight for decision-making and accountability. The Company's corporate governance practices are reviewed regularly and will continue to be developed and refined to meet the needs of the Company, taking into account best practices and guidelines.

The Board approves the Company's governance framework where specific powers of the Board are delegated to the relevant Board Committees and Management based on the specialised skills such as financial information review, human capital management, internal controls and risk management as well as governance, procurement and investment matters, as depicted below:

SHAREHOLDERS

have the ultimate decision-making authority at the Annual General Meeting where the re-appointment of the Board of Directors and re-appointment of External Auditors are approved.

THE BOARD

is accountable to the shareholders for the performance of the Company. It directs and monitors the business and affairs of the Company on behalf of the shareholders and is responsible for the Company's overall strategy objectives, direction, performance and corporate governance of the Company, with some oversight delegated to the Board Committees.

SHAREHOLDERS AND THE BOARD OF DIRECTORS JOINTLY

provide oversight of the control and management of BHB.

CHIEF EXECUTIVE OFFICER ("CEO") AND THE MANAGEMENT

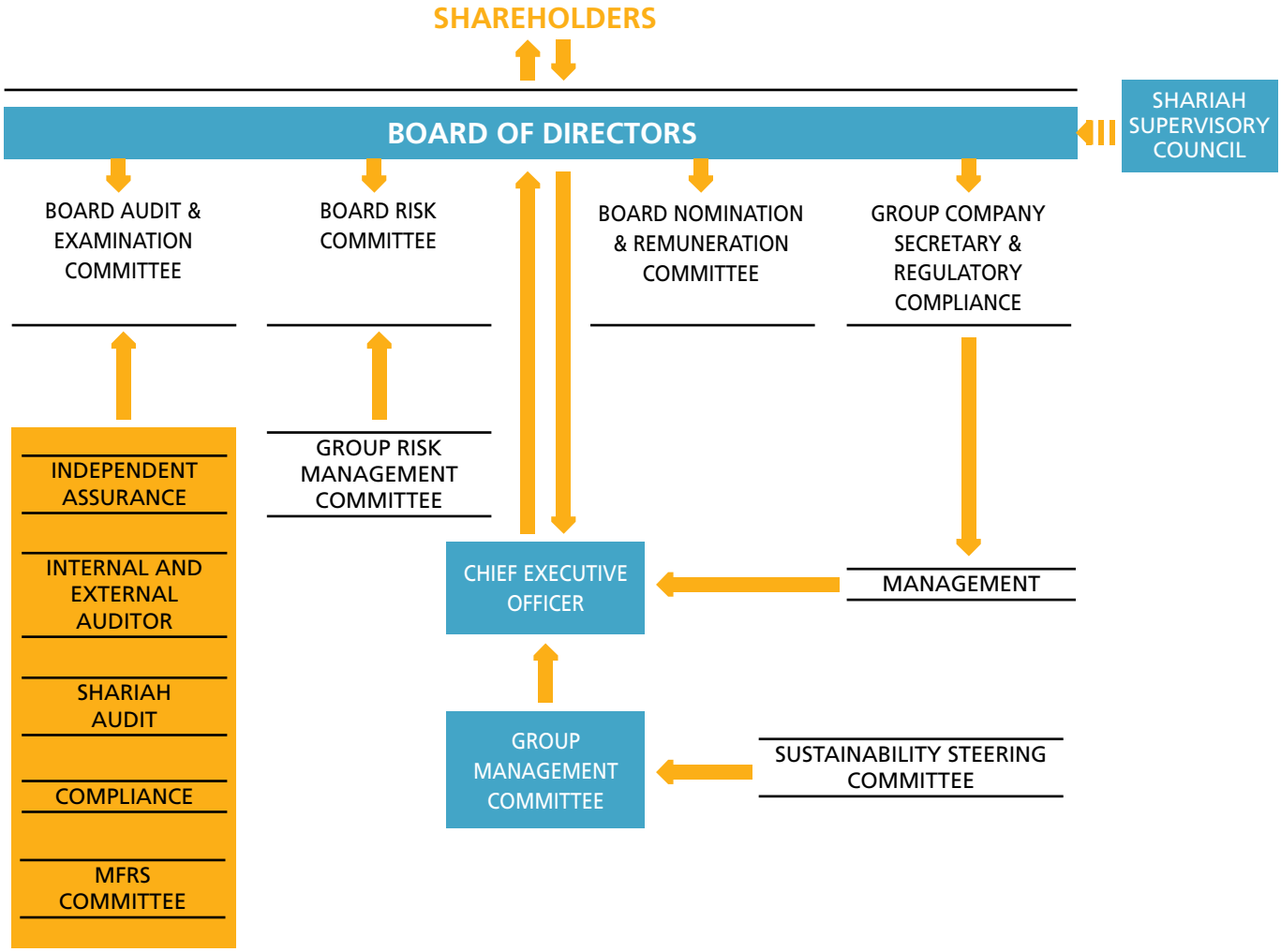
is responsible for the sound and prudent day-to-day management of the Company in accordance with the direction of the Board. The Board delegates to the CEO, together with the Management, the authority for managing BHB's business to achieve its corporate targets and plans.

GOVERNANCE MODEL

is supported by the Board Charter, Authority Limit and Procurement Policy, Terms of Reference and Code of Conduct and Ethics.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)



SUBSIDIARY GOVERNANCE

The Board operates on the basis that each subsidiary is a separate and distinct legal entity, requiring compliance with local laws and regulations.

The Board maintains control and performs oversight of the subsidiaries through the appointment and removal of the directors on the board of the subsidiaries. Members of the Board may be appointed as a director on each major subsidiary, thus ensuring a continuous flow of information and promoting alignment to the Group's strategic direction. While lines of reporting are maintained to the Group, the boards of each subsidiary remain the final approving authority of that entity.

BOARD ROLES AND RESPONSIBILITIES

The roles of the Chairman and the Chief Executive Officer are separate and clearly defined in the Board Charter. Whilst the Chairman provides leadership of the Board, the day-to-day management of the Company is delegated to the CEO and his Key Senior Officer. The Key Senior Officer assists the CEO in operational and strategic decision-making and collectively reviews areas such as governance, operations, financial performance, budget, internal control and risk matters across the Group.

The Board is also responsible to periodically review and approve the overall strategies, business and significant policies of BHB. The Board sets a proper standard to ensure that the Group operates with integrity and complies with the relevant rules and regulations.

ROLE	KEY RESPONSIBILITIES
Chairman *Tan Sri Ambrin Buang*	• Provide leadership to the Board and steer the Board to achieve its objectives for the operation, governance and meetings of the Board; • Set the agenda for Board meetings and encouraging debate to ensure sound decision-making; • Ensure that decision making are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are brought to the Board's attention, and that directors received the relevant information on a timely basis; • Oversee the performance evaluation of the Board and its Committees; • Communication with stakeholders and ensuring stakeholders' views are communicated to the Board; and • Lead efforts to address the Board's developmental needs.
Senior Independent Non-Executive Director *Puan Noraini Che Dan*	• Provide a sounding board for the Chairman; • Act as intermediary for other Directors; • Promote high standards of corporate governance and ensure that the Company's obligations to its stakeholders are complied with; • Ensure the composition of the Board meets the relevant requirements and regulations; and • Being available to stakeholders as an alternative channel of communication.
Non-Executive Directors • *Puan Noraini Che Dan* • *Encik Mohd Tarmidzi Ahmad Nordin* • *Encik Zahari @ Mohd Zin Idris*	• Scrutinise, measure and review the performance of the Management; • Constructively challenge and assist in the development of strategy; • Review the Group financial information, ensure systems of internal control and risk management are appropriate and effective; and • Review succession plans for the Board/key Senior Management.
Executive Directors *Datuk Nik Mohd Hasyudeen Yusoff*	• Act in the best interest of the Company and its shareholders; • Conduct/manner of the nominee director in exerting influence of the shareholders; and • To update the Board of any material issues discussed or decided at the subsidiary or investee company level.
Chief Executive Officer *Encik Mohd Muazzam Mohamed*	• Develop the strategic direction of the Company; • Deliver overall strategy and annual targets of the Group; • Lead the Key Senior Officers in ensuring their primary responsibility over the day-to-day business affairs and management of the Company are effectively managed; • Lead and support each of BHB's businesses and the functions of Human Resource, Strategy and Development and Corporate Affairs; and • Represent BHB externally to all stakeholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

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

Corporate governance advisory

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

Compliance advisory

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

Information flows and meetings

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

Stakeholder communication

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

Details of the Board and Key Senior Officer's roles and responsibilities are specified clearly in the Board Charter. To ensure that the Board Charter remains relevant, the Board Charter is reviewed every two (2) years, or when there are material changes to the governance structure, process or procedures. In addition to the Board Charter, in discharging its duties, the Board is also guided by its Terms of Reference, a document which specifies the Board's role, power, duties and function. The Board Charter and Terms of Reference are available at BHB's website www.bimbholdings.com.

MATTERS RESERVED FOR THE BOARD

The Board has delegated certain authorities to Management, including the day-to-day operations of the Company.

However, the Board Charter as well as its Terms of Reference prescribes that the following matters are specifically reserved for the Board:

- Strategic policy matters which include business plan, budget and corporate structure;
- Financial results and declaration of dividends;
- Any significant operating and credit policies;
- Risk appetite setting;
- Capital management plan;
- Authority limits including discretionary authority;
- Any new outsourcing proposals;
- Succession Planning;
- Declaration of dividends;
- Any corporate exercise which include acquisition or divestment of strategic interest;
- Major acquisition or disposal of capital expenditure;
- Appointment and remuneration of Directors, the CEO and key Senior Management officers;
- Entry into any related party transaction;
- Review on the adequacy and integrity of the Company's internal control system; and
- Oversight and evaluation of the conduct and performance of the Company.

BOARD ACTIVITIES

The business and affairs of the Group are managed under the direction and oversight of the Board, who also has the responsibility to periodically review and approve the overall strategies, business, performance and significant policies of BHB. The roles and responsibilities of the Board are set out in the Company's Board Charter which are available on BHB's corporate website. Among the key activities of the Board during FY2019 were as follows:

Strategy	Reviewed and deliberated the following updates and strategy papers: • Business strategy, budget for financial year ending 2019 and projections for BHB, key operating subsidiaries and its wholly owned subsidiaries; • Indicative share valuation of BHB's subsidiaries, excluding Syarikat Takaful Malaysia Keluarga Berhad; • Update on Project Caliph (Corporate Restructuring Exercise of BHB Group); • Quarterly financial report and Related Party Transaction and Related Party Balances for BHB and its Group; • Zakat computation for BHB and its Group; • Proposed Dividend Reinvestment Plan by BHB; • Proposed Renewal of Directors' and Officers' Liability Insurance; • Proposed Renewal of Group Term Family Takaful and Group Personal Accident Takaful for Directors; • Proposed Interim Single Tier Dividend for the Financial Year Ending 31 December 2019; and • Session with BHB's nominees director as well as the Chief Executive Officer of the Key Operating Subsidiaries on quarterly basis.
Risk, Compliance and Oversight	Reviewed and deliberated the following reports and approval papers: • Updated proposed audit fees from External Auditors; • Notification on the 34th AGM of Syarikat Takaful Malaysia Keluarga Berhad; • Proposed Adoption of the new Constitution of BHB; • Shariah Review Report on BHB and its subsidiaries (BIMB Securities (Holding) Sdn. Bhd. and Syarikat Al-Ijarah Sdn. Bhd.); • Proposed Revision to Authority Limit and Procurement Policies; • Management Representation Letter to PricewaterhouseCoopers; • Application to Authorities in relation to the Proposed Dividend Reinvestment Plan; and • Notification on the Implementation of National Anti-Corruption Plan ("**NACP**") in BHB and Bank Islam Malaysia Berhad.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

Governance and Succession Planning	Reviewed and deliberated the following reports and approval papers: • Annual Board Evaluation for the FY2019; • Proposed Appointment of BHB's nominee director in Bank Islam Malaysia Berhad; • Proposed Appointment of LTH's nominees as Non-Independent Non-Executive Director of BHB; • Proposed Re-appointment of Tan Sri Ismail Adam as a Senior Independent Non-Executive Director; • Board Succession planning for BHB Group of Companies; • Directors' Training for year 2019; • Proposed Re-appointment of Encik Mohd Muazzam Mohamed as the Chief Executive Officer of BHB; • Request in relation to the Short Notice of Resignation by the Ex-Group Chief Financial Officer; • Effect on the Appointment of Datuk Nik Mohd Hasyudeen Yusoff as the new Group Managing Director and Chief Executive Officer of LTH; • Amendment of BHB's Memorandum and Articles of Association; • Declaration of directorship and professional commitment by Directors; and • Declaration of Independence by Independent Directors.

BOARD MEETINGS

Directors receive meeting materials five (5) days prior to each Board meeting to allow sufficient time for Directors to review and analyse relevant information. The deliberations and decisions made during Board meetings are clearly minuted and action items for Management are communicated to the relevant parties within seven (7) days after each meeting. The draft minutes are then tabled at the following meeting for confirmation and thereafter signed by the Chairman and filed within ten (10) days.

The Board has a minimum six (6) scheduled meeting in a year, the dates of which are scheduled in advance to enable the Directors to plan ahead. In addition to the scheduled meetings, special meetings may be convened as and when required. All Directors attended more than 75% of Board meetings during the financial year 2019. The Chief Executive Officer, Group Chief Financial Officer and Company Secretary as well as other Management (if required) are also invited to attend the Board meetings to support the Board with further information on the matters being deliberated.

BOARD CONDUCT

The Board is committed in applying the ethical standards of behaviour as set out in its Board Code of Conduct and Ethics and in conducting itself in a way that is consistent with the Board Charter.

Directors are required to declare any conflicts of interest including whether such interest arises through close family members. In the event of any conflict of interest, the Director shall abstain from participating in discussions and decisions on matters which directly involve him.

Each Director has devoted sufficient time to carry out his/her responsibilities, maintain a sound understanding of the Company's business and keep up-to-date with market and regulatory developments. The Board Charter states that a Director, upon acceptance of his/her appointment must declare to the Board details of all other significant businesses and interests, indicating broadly the time spent on such commitments. The maximum number of external professional commitments of each Director must not be more than ten (10) unless with prior approval of the Board.

All Directors comply with the MMLR of not holding more than five (5) directorships in listed issuers at any given time.

The Board is satisfied that the current number of directorships held by the Board Members does not impair their ability or judgment in discharging their roles and responsibilities.

BOARD DIVERSITY AND COMPOSITION

As at the date of reporting, the Board consist of five (5) Directors, comprising:

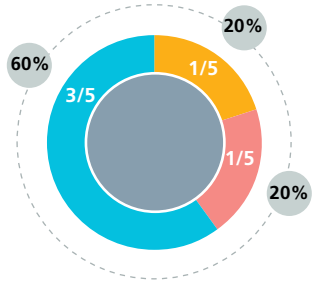
(a) One (1) Non-Independent Executive Director;
(b) One (1) Non-Independent Non-Executive Director; and
(c) Three (3) Independent Non-Executive Director.

Currently, the Board complies with the requirement of majority Independent Directors under the MMLR and the BNM CG Policy. Within the Board there is diversity and a wealth of knowledge, experience and skills in the area of accountancy, banking, takaful, audit, corporate finance, risk management and public administration.

The Board is committed to ensuring diversity and inclusiveness in its composition and deliberations and the Company embraces the proposition that having a diverse Board would have a positive, value-relevant impact on the Company. In this regard, the Board considers diversity from a number of different aspects, including gender, age, educational background, professional experience, skills, knowledge and length of service. Details profile of each member of the Board is provided on pages 28 to 33 of this Integrated Annual Report.

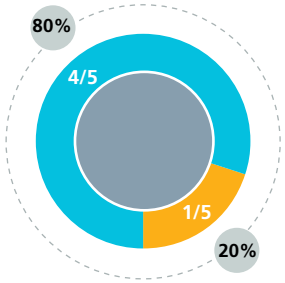
The following diagram gives a brief overview of the Board of Directors' diversity in terms of independence, skill/experience, gender, age, tenure and directorship composition.

1. Composition



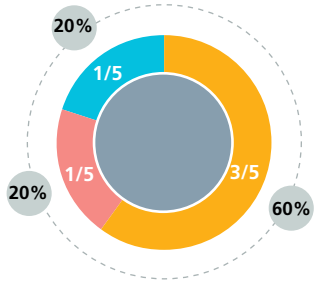
- Independent
- Non-Independent Executive
- Non-Independent Non-Executive

2. Gender Diversity



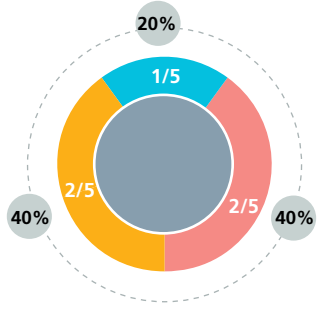
- Male
- Female

3. Age Diversity



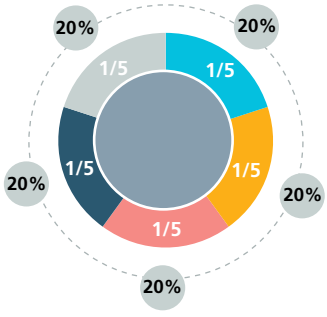
- 50 to 60 years
- 60 to 70 years
- Above 70 years

4. Board Tenure



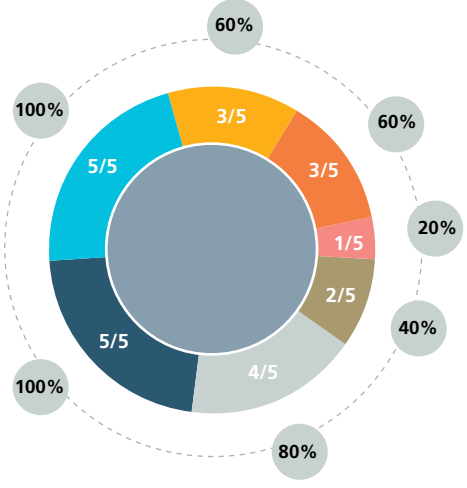
- Less than 1 years
- 2 to 3 years
- 4 to 5 years

5. Directorship in Public/Listed Company (including BHB)



- 1 Public/Listed Company
- 2 Public/Listed Company
- 3 Public/Listed Company
- 4 Public/Listed Company
- 5 Public/Listed Company

6. Board Skills/Area of Expertise



- Banking
- Takaful
- Stock Broking & Fund Management
- Accounting & Audit
- Management, Leadership & Strategy
- Governance & Integrity
- Risk Management

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

BOARD COMMITTEE

The Board established its principal Committees to exercise oversight in specific areas. The Board Committees structure during the financial year under review is set out below. It includes the Board Committees' Roles and Responsibilities, Membership, Attendance and Composition. The Terms of Reference of the respective Board Committees can be found at the Company website: www.bimbholdings.com.

MEETINGS ATTENDANCE RECORD (1 JANUARY 2019 TO 31 DECEMBER 2019)							
Board of Directors	Tan Sri Ambrin Buang	Puan Noraini Che Dan	Encik Mohd Tarmidzi Ahmad Nordin	Datuk Nik Mohd Hasyudeen Yusoff[2]	Encik Zahari @ Mohd Zin Idris[1]	Tan Sri Ismail Adam[3]	Overall Percentage of the Board Meetings Attended by the Members 100%
Attendance	11/11	11/11	11/11	11/11	Nil	11/11	

TOTAL BOARD MEETINGS HOURS: 23 HOURS 55 MINUTES			
BOARD COMMITTEES	**BOARD AUDIT & EXAMINATION COMMITTEE ("BAEC")**	**BOARD NOMINATION & REMUNERATION COMMITTEE ("BNRC")**	**BOARD RISK COMMITTEE ("BRC")**
Chairman	Puan Noraini Che Dan Attendance: 8/8 (100%)	Puan Noraini Che Dan[4] Attendance: 4/5 (80%) Tan Sri Ismail Adam[3] Attendance: 5/5 (100%)	Encik Mohd Tarmidzi Ahmad Nordin Attendance: 6/6 (100%)
Members	Encik Mohd Tarmidzi Ahmad Nordin Attendance: 8/8 (100%) Encik Zahari @ Mohd Zin Idris[1] Attendance: Nil Tan Sri Ismail Adam[3] Attendance: 7/8 (88%) Datuk Nik Mohd Hasyudeen Yusoff[2] Attendance: 5/5 (100%)	Encik Mohd Tarmidzi Ahmad Nordin Attendance: 5/5 (100%) Encik Zahari @ Mohd Zin Idris[1] Attendance: Nil Datuk Nik Mohd Hasyudeen Yusoff[2] Attendance: 3/3 (100%)	Puan Noraini Che Dan Attendance: 5/6 (83%) Encik Zahari @ Mohd Zin Idris[1] Attendance: Nil Tan Sri Ismail Adam[3] Attendance: 6/6 (100%) Datuk Nik Mohd Hasyudeen Yusoff[2] Attendance: 4/4 (100%)
Objective	Responsible to support the Board in ensuring that there is a reliable and transparent financial reporting process and internal control system within the Company and oversee the effectiveness of the internal auditors and external auditors of the Company. To oversee the integrity of the financial statements in compliance with legal and regulatory requirements and applicable accounting standards.	To establish a formal and transparent procedure for the appointment of directors, Chief Executive Officer, Board Committee members and key senior management personnel. To assess and evaluate the performance and effectiveness of the individual directors, independence of independent directors and members of the Board Committees as a whole. To recommend a framework of remuneration for directors and Board Committees. To ensure the compensation structure is competitive and consistent with the Company's culture, objectives and strategy.	To oversee the Group activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah risk and other risk. To ensure the principles and requirements of managing risk are consistently communicated and adopted throughout the Company. To ensure that the risk management process is in place and functioning effectively.
Meeting Hours	**11 Hours 15 Minutes**	**4 Hours 30 Minutes**	**8 Hours 50 Minutes**

BOARD AND BOARD COMMITTEES MEETING CALENDAR					
Total Hours of the Board & Board Committees' Meetings **48 Hours 30 Minutes**	**Jan** **BOD – 9, 31** **BAEC – 31**	**Feb** **BRC – 25**	**Mac** **BNRC – 18, 26** **BOD – 18, 27** **BRC – 26** **BAEC – 26**	**Apr** **BOD – 16, 30** **BAEC – 30**	**May** **BAEC – 31** **BRC – 31** **BOD – 31**
	July **BAEC – 26** **BRC – 29** **BNRC – 29** **BOD – 31**	**Sept** **BNRC – 3** **BRC – 26** **BAEC – 26** **BOD – 29**	**Oct** **BAEC – 31** **BOD – 31**	**Dec** **BRC – 3** **BNRC – 4** **BAEC – 4** **BOD – 5**	

Notes:

1 *Encik Zahari @ Mohd Zin Idris is appointed as the Board of Directors and members of BAEC, BNRC and BRC w.e.f. 3 February 2020*
2 *Datuk Nik Mohd Hasyudeen Yusoff had been re-designated to Non-Independent Executive Director w.e.f. 1 September 2019 due to his appointment as the GMD and CEO of Lembaga Tabung Haji. In view of his re-designation, he had ceased to be a members of BAEC, BNRC and BRC w.e.f. 1 September 2019*
3 *Tan Sri Ismail Adam has retired as the Board of Director, Chairman of BNRC as well as members of BAEC and BRC w.e.f. 3 January 2020*
4 *Puan Noraini Che Dan has been re-designated to Senior Independent Non-Executive Director and has been appointed as the Chairman of the BNRC w.e.f. 3 January 2020*

The Board Committees members are appointed by the Board on the recommendation of the BNRC. The Board Committees membership are structured to spread responsibility and make best use of the range of skills across the Board. Membership of the various Board Committees are reviewed regularly and is structured to provide the appropriate overlap of membership to ensure cohesive information flow between the Board Committees. The Board Committees members are expected to attend each Board Committee meeting, unless there are exceptional circumstances that prevent them from doing so. Each Board Committee is entitled to seek information from any employees of the Company and to obtain professional advice as the Board Committee deems appropriate in its discretion.

During each Board of Directors' meeting, the Chairman of the respective Board Committee shall then present to the Board its recommendations for the Board's approval accordingly. This permits the Board to raise any comments/views on all deliberations. All deliberations and recommendations must be minuted and approved by each Board Committee and confirmed by the Chairman of each Board Committee at their respective Board Committee meetings.

The Chairman of the Board Committee reports on matters dealt with the respective Board Committee meetings to the Board, with the exception of the Shariah Supervisory Council, whose Chairman reports to the Board of BHB. Minutes of the respective Board Committees are also presented at the Board of Directors' meeting for further discussion and direction, if any.

Based on the Annual Evaluation of each standing Board Committee for the financial year under review, the Board unanimously resolved that each Board Committee has discharged its roles and responsibilities effectively as guided by its respective Terms of Reference.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

BOARD NOMINATION AND REMUNERATION COMMITTEE ("BNRC") REPORT

BNRC

CHAIRMAN

Puan Noraini Che Dan
Senior Independent Non-Executive Director
(Chairman w.e.f. 3 January 2020)
(Member w.e.f. 11 October 2016)

Tan Sri Ismail Adam
Senior Independent Non-Executive Director
(Retired w.e.f. 3 January 2020)

MEMBERS

Encik Mohd Tarmidzi Ahmad Nordin
Independent Non-Executive Director

Encik Zahari @ Mohd Zin Idris
Non-Independent Non-Executive Director
(Appointed w.e.f. 3 February 2020)

Datuk Nik Mohd Hasyudeen Yusoff
(Ceased w.e.f. 1 September 2019)

The BNRC consists of a majority of independent non-executive directors and is chaired by Puan Noraini Che Dan, a Senior Independent Non-Executive Director who is also not a Chairman of the Board. The current composition of the BNRC complies with the BNM CG Policy and the MMLR. Details of the composition and the meetings attended by each member can be found in the CG Report 2019.

During the financial year under review, five (5) BNRC meetings were held. This satisfies the BNRC Terms of Reference, which requires the BNRC to meet at least once a year.

Further information on the BNRC's roles and responsibilities as highlighted in its Terms of Reference is available on the Company's website at www.bimbholdings.com.

THE BNRC ACTIVITIES IN 2019

Some the key activities of the BNRC during the financial year ended 31 December 2019 were as follows:

Nomination	• Identify any potential vacancies in the board of the respective subsidiaries and the skill gaps; • Review the background, skills and experience of potential qualified candidate that could fill in the said vacancies and the skill gaps on the Board and the board of its subsidiaries; • Review succession plans for the Board; • Conducted interview sessions to assess the suitability of the potential candidates to be appointed to the Board and/or the board of its subsidiaries; • Recommend the appointment of nominee director of BHB at the respective subsidiaries; • Consider the re-appointment and re-election of Directors and the re-appointment of the Chief Executive Officer; • Consider the proposal to renew the employment contract of key senior management of the Company; and • Assess and consider the proposal from a major shareholder in relation to appointment of its nominee director in BHB.
Remuneration	• Review and recommend the quantum and basis of bonus payments to the Management and staff of the Company; and • Assess and recommend the total remuneration for renewal of employment contract of key senior management of the Company.
Governance	• Review the status of independence of an Independent Non-Executive Directors of the Company; • Review the overall size and composition of the Board and the board of its subsidiaries and the Group pool of directors; • Ensure a diverse Board composition for an effective and well-functioning Board; • Review and made recommendations on the composition of Board Committees; • Conduct annual Board Evaluation of the Board and Board Committees; • Review the results of the annual Board Evaluation; • Review and recommend the training needs of each Director; • Review the Board Nomination and Remuneration Committee's Overview report; and • Assess the involvement of the Chairman in relation to the issue of 1MDB.

The BNRC reviewed the size, composition and diversity of the Board as well as the mix of experiences and competencies of each members of the Board. Following the assessment and recommendation by the BNRC, the Board views that the current size and composition of the Board is conducive for appropriate decision-making and incorporates a diversity of opinions, perspectives and skills to act on the best interest of the Company as a whole.

In view of the need to ensure proper processes are in place to manage succession matters at the Board level, the Board delegated the responsibility to establish a formal and transparent process for the nomination and appointment of new Directors to the BNRC. Such responsibilities include screening and identification of candidates, performing the fit and proper evaluation and assessment on the candidates' capability to discharge their duties effectively and efficiently prior to making recommendations to the Board for approval. The BNRC also ensures that the candidates process the appropriate skills, experience and expertise relevant to the BHB's business, core competencies, experience, commitment and integrity to effectively discharge their role as a director.

INDEPENDENT DIRECTOR

BHB recognises the important contribution of the Independent Directors in line with the requirement under the BNM CG Policy where a majority of its Directors must be independent. The presence of a majority of Independent Directors on the Board facilitates an effective and independent oversight over the Management, and provides the necessary checks and balances in ensuring the Company operates in a safe and sound manner.

To ensure the independence of the Independent Directors is maintained, all Independent Directors are required to declare their independence on a monthly basis. Through the annual evaluation and independence assessment of the Directors, the Independent Directors are also assessed on their ability to provide strong and valuable contributions to the Board's deliberations in the best interest of BHB, without any interference.

For the year under review, the BNRC has considered the independence of each Independent Director in office and has concluded that each Independent Director has met the independence criteria as set out in the MMLR as well as the BNM CG Policy. The Board is generally satisfied that each Independent Director has remained independent in their character and judgement and is free from relationships or circumstances which could affect the Director's judgement.

The Board adopts the policy that limits the tenure of its Independent Directors to nine (9) years, pursuant to Step Up 4.3 of the MCCG. Currently, none of the Independent Directors has served the Board for more than nine (9) years.

SUCCESSION PLAN

Succession planning is essential for the Board's corporate governance practices as the Board believes that the membership and composition of the Board should be reassessed from time to time. This is to ensure continuity towards meeting the Group's long-term goal and objectives.

The Board assisted by the BNRC is responsible for the recruitment and selection process of potential candidates. This process includes reviewing the Group's talent pool in identifying the desirable competencies and skills to ensure that there is an appropriate dynamic of skill, experience, expertise and diversity on the Board. The Board assisted by the BNRC also oversee the appointment and the succession planning of the Key Senior Officer.

INDUCTION PROGRAM

A comprehensive induction programme has been established to ease a new Director into their role and to assist them in understanding BHB and Group's business strategy and operations. Any newly appointed director will undergo an induction programme lasting at least two-days. The programme includes a session with the Chief Executive Officer and the Company Secretary covering BHB's governance structure, business, reporting procedures and access of information, and a session with the Key Senior Officer of the respective key operating subsidiaries to provide better understanding of the Group's core business and its whole operation.

In addition, the director's handbook consisting of the Board Charter, the Company's Constitution, the Board and Board Committee's Terms of Reference, the latest Annual Report of BHB and other relevant policies and guidelines is also made available to the director. The induction programme is organised as soon as practicable upon the appointment of the Director.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

DEVELOPMENT AND TRAINING

The Board recognises the value of enhancing their skills and knowledge on relevant new laws and regulations, the changing business environment and risk profile as well as the latest developments and key challenges in the financial and Takaful sector that may affect their roles and responsibilities. Topics covered at external training attended by the Directors during the financial year were finance, regulatory development, risk management, governance and sustainability.

During the financial year under review, apart from external trainings that were attended by the Directors, the Company Secretary also coordinated internal training which focuses on (i) role and functions of the Board, a performance perspective; (ii) role of the Corporate (or Holding Co) Board; (iii) Related Party Transaction, Conflict of Interest and Conflict of Duty; and (vi) Corporate Liability as part of the Board's Continuing Development to enable them to discharged their responsibilities.

Details of the conference, seminar and training programmes attended by each Director in 2019 can be found in the CG Report 2019.

BOARD EVALUATION

An objective and well-managed board evaluation process can lead to substantial improvement in the Board's effectiveness which will eventually bring significant benefits to the Company. Through a Board and Peer Annual Assessment ("**Board Evaluation**"), the BNRC undertakes a formal and transparent process to assess the effectiveness of individual Directors, Board Committees and the Board as a whole.

Based on the 2019 Board Evaluation results, the Board and Board Committees are satisfied with their existing composition and are of the view that, with the current mix of skills, knowledge, experience and strength of the existing Directors, the Board and the Board Committees are able to discharge their duties effectively.

The BNRC concluded that the Directors and respective Board Committees as a whole have remained effective and have consistently met high performance standards and all expectation. This indicates that the Directors have continuously fulfilled their responsibilities as Members of the Board and Board Committees.

DIRECTORS' REMUNERATION

The BNRC is authorised to review the remuneration framework for Directors and Key Senior Officers of BHB to ensure that their compensation is competitive and consistent with industry standards and is in line with BHB's culture, objectives and strategies.

The remuneration of the Directors is reviewed regularly to ensure the Directors are reasonably remunerated and reflects their role, responsibilities and efforts in discharging their fiduciary duties. The remuneration framework as approved by the shareholders at the 22nd Annual General Meeting on 15 May 2019 are as follows:

BIMB HOLDINGS BERHAD		RETAINER FEES (PER ANNUM) RM	CHAIRPERSON'S PREMIUM (PER ANNUM) RM	MEETING FEES (PER MEETING) RM
Board	Chairman	48,000	72,000	5,000
	Member	48,000	n/a	3,000
BAEC	Chairman	24,000	12,000	5,000
	Member	24,000	n/a	3,000
BRC	Chairman	24,000	12,000	5,000
	Member	24,000	n/a	3,000
BNRC	Chairman	12,000	12,000	5,000
	Member	12,000	n/a	3,000

BIMB HOLDINGS BERHAD		OTHER EMOLUMENTS PER ANNUM (RM)		
		VEHICLE ALLOWANCE	MEDICAL	LEAVE PASSAGE
Board	Chairman	120,000	18,000	40,000
	Member	24,000*	18,000	30,000

Notes:

** The entitlement only for director that holds the position of Senior Independent Non-Executive Director.*

The details on the aggregate remuneration of Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries during 2019) are as follows:

DIRECTOR	TOTAL DIRECTORS' REMUNERATION FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019 (RINGGIT MALAYSIA)				
	DIRECTORS' FEES	MEETING FEES	TOKEN OF APPRECIATION	BENEFITS IN-KIND	OTHER EMOLUMENTS*
Tan Sri Ambrin Buang Independent Non-Executive Director/ Chairman	**Total: 400,058**				
	120,000	60,000	40,000	8,227	171,831
Tan Sri Ismail Adam Senior Independent Non-Executive Director • Chairman, BNRC • Member, BAEC and BRC • Retired w.e.f. 3 January 2020	**Total: 336,893**				
	120,000	100,000	40,000	8,227	68,666
Mohd Tarmidzi Ahmad Nordin Independent Non-Executive Director • Chairman, BRC • Member, BAEC and BNRC • Retired as Director, Syarikat Takaful Malaysia Keluarga Berhad on 1 April 2019	**Total: 359,127**				
	138,000	105,000	40,000	16,227	59,900
Noraini Che Dan Senior Independent Non-Executive Director • Chairman, BAEC • Chairman, BNRC w.e.f. 3 January 2020 • Member, BRC • Director, Bank Islam Malaysia Berhad	**Total: 738,407**				
	337,200	109,180	40,000	8,227	243,800

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

DIRECTOR	TOTAL DIRECTORS' REMUNERATION FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019 (RINGGIT MALAYSIA)				
	DIRECTORS' FEES	MEETING FEES	TOKEN OF APPRECIATION	BENEFITS IN-KIND	OTHER EMOLUMENTS*
Datuk Nik Mohd Hasyudeen Yusoff Non-Independent Executive Director • Ceased as Member of BRC, BAEC and BNRC on 1 September 2019 • Director, Bank Islam Malaysia Berhad	**Total: 632,527**				
	268,320	75,780	30,000	32,227	226,200
Encik Zahari @ Mohd Zin Idris Non-Independent Non-Executive Director • Appointed w.e.f. 3 February 2020	**Total: Nil**				
	Nil	Nil	Nil	Nil	Nil

Notes:

** Vehicle Allowance, Directors' Training, Leave Passage and Medical Claim.*

KEY SENIOR OFFICER REMUNERATION

The remuneration package for the Key Senior Officer is structured to link rewards to corporate and individual performance. It comprises salary, allowances, bonuses and other customary benefits as accorded by comparable companies. A portion of the Key Senior Officer's compensation package is variable and is determined by performance during the year against individual KPIs in a scorecard aligned with corporate objectives. The BNRC reviews the performance of the Key Senior Officers annually and submits its recommendations for remuneration to the Board.

Details of the Chief Executive Officer's remuneration can be found in Note 41 on page 260 of this Integrated Annual Report.

The remuneration bands of the Chief Executive Officer and the Key Senior Officer of BHB are as follows:

TOTAL REMUNERATION (BASIC SALARY, FIXED ALLOWANCES, BONUS, BENEFIT IN-KIND AND OTHER EMOLUMENTS) (RM)	NUMBER OF KEY SENIOR OFFICER (INCLUSIVE OF CEO)
<750,000	2
750,000 up to 1,000,000	2
1,000,001 up to 1,250,000	1
1,250,001 up to 1,500,000	2
1,500,001 and above	1
Total	8

REMUNERATION SUMMARY OF THE CHIEF EXECUTIVE OFFICER AND SENIOR MANAGEMENT

PERFORMANCE REVIEW OF THE BNRC

Based on the Board Evaluation 2019, the Board is satisfied with the performance of the BNRC and its members and that it has discharged its responsibilities in accordance with its mandate and Terms of Reference.

EFFECTIVE AUDIT AND RISK MANAGEMENT

BOARD AUDIT & EXAMINATION COMMITTEE ("BAEC") REPORT

The Board Audit & Examination Committee ("**BAEC**") was established on 21 July 1998 by the Board of Directors to ensure high corporate governance practices and to provide oversight on the Group's financial reporting and internal control. The BAEC is guided by its Terms of Reference which was last reviewed on 5 December 2018.

MEMBERSHIP AND MEETINGS

During the financial year under review, eight (8) BAEC meeting were held. This satisfies the BAEC Terms of Reference, which requires the BAEC to meet at least four (4) times a year. Details of the BAEC members and their attendance records at the BAEC meetings are as follows:

NO	NAME	STATUS	NO OF MEETINGS ATTENDED
1.	Noraini Che Dan Chairman	Senior Independent Non-Executive Director	8/8
2.	Mohd Tarmidzi Ahmad Nordin Member	Independent Non-Executive Director	8/8
3.	Zahari @ Mohd Zin Idris *Appointed as member w.e.f. 3 February 2020*	Non-Independent Non-Executive Director	-
4.	Tan Sri Ismail Adam *Retired as member w.e.f. 3 January 2020*	Senior Independent Non-Executive Director	7/8
5.	Datuk Nik Mohd Hasyudeen Yusoff *Ceased as member w.e.f. 1 September 2019*	Independent Non-Executive Director (until 31 August 2019) Non-Independent Executive Director (w.e.f. 1 September 2019)	5/5

The BAEC detailed roles and responsibilities are set out in its Terms of Reference, which is available on the Company's website at www.bimbholdings.com.

During the financial year ended 31 December 2019, Datuk Nik Mohd Hasyudeen Yusoff was re-designated from Independent Non-Executive Director to Non-Independent Executive Director w.e.f. 1 September 2019 and accordingly ceased to be member of the BAEC. In addition, in early 2020, Tan Sri Ismail Adam who retired as Director of BHB on 3 January 2020, had also ceased to be a member of the BAEC. Encik Zahari @ Mohd Zin Idris, who join the Board of BHB on 3 February 2020, was appointed to be the member of BAEC on the same day.

As at 31 December 2019, the BAEC comprises three (3) Independent Directors, all of whom are Non-Executive Directors. The Chairman of the BAEC namely Puan Noraini Che Dan, is not the Chairman of the Board of Directors. Puan Noraini also a member of the MIA as well as the MICPA, in line with the requirement under Paragraph 15.09 (1) (c) of the MMLR. The composition of the BAEC is in line with Paragraph 15.09 (1) (a) and (b) of the MMLR and Paragraph 12.3 of the CG Policy.

The Chief Executive Officer, Group Chief Financial Officer and Group Company Secretary, who is also the Secretary to the BAEC attend BAEC meetings. The Chief Internal Audit, the External Auditor and other Officers from the key operating subsidiaries were invited to the meetings to deliberate on matters within their purview.

Action items were issued by the Group Company Secretary on decisions made and action required. These were circulated to the Management and the respective stakeholders seven (7) days after the meeting.

After the meeting, the BAEC Chairman updates the Board on the matters deliberated. Matters reserved for the Board's approval are tabled at the Board of Directors' meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

THE BAEC AUTHORITY

The Board has established a transparent and appropriate relationship with its external auditors, internal auditors, Management and key operating subsidiaries with the BAEC. The BAEC had clear authority to investigate any matter within its Terms of Reference. It has full access to and co-operation from Management and full discretion to invite any BHB's Nominee Director or Directors of the respective key operating subsidiaries to attend its meeting. The external auditors of the key operating subsidiaries will also be invited to the BAEC when necessary. The BAEC shall have the necessary resources from the Group and has access to the information needed to discharge its function effectively. The BAEC is also able to obtain at the Company expenses, any professional advice including the advice of independent professional and to secure the attendance of the external adviser at its meeting if it considers necessary to fulfill its obligations.

THE BAEC ACTIVITIES IN 2019

The summary of the activities performed by the BAEC for the financial year ended 31 December 2019 are as follows:

Internal Audit

- Reviewed and approved the 2019 Internal Audit Plan for BHB and its wholly owned subsidiaries, namely Syarikat Al-Ijarah Sdn. Bhd. and BIMB Securities (H) Sdn. Bhd. on 26 March 2019. Ensure the internal audit plan comprehensive of scope coverage, procedures and frequency as well as adequacy and competency of internal audit resources.

  Reviewed the Internal Audit methodology in assessing the risk levels of various auditable areas based on the impact and likelihood of the inherent risk, the control in place and the existence of effective risk transfer in minimising potential losses from negligence or fraud.

  The approved plan was established based on the staff strength of five (5) auditors with an estimated requirement of 107 man-days and a projected audit fee of RM22,100.00.

- Deliberated on the Internal Audit Report for BHB and its wholly owned subsidiaries issued by the Internal Auditor, which amongst others focused on the effectiveness and adequacy of governance, risk management and internal control, audit rating and recommendation. The Internal Audit report also include the Information Technology Audit which assess the adequacy of the IT information system and the necessary back-up systems to cover for contingencies or disaster.

- Ensured that appropriate corrective actions were taken by Management in a timely manner to address control weaknesses, policies and other areas identified by the Internal Auditors and other control functions.

- Reviewed the independence of the Internal Auditors. It was brought to the BAEC attention that there had been no conflicts of interest arising from the Internal Audit engagements in financial year 2019 and had conducted its internal audit as stated in the Audit Charter.

External Audit

- Evaluated the selection of new external auditor for the financial year ended 31 December 2019. The selection of the external audit firms is conducted by the BAEC and subsequently the final three (3) external audit firm conducted a presentation to the BAEC. The evaluation of the external audit firms was assessed based on:

  (1) Audit Scope;

  (2) Firm's qualification and team experience;

  (3) Audit approach;

  (4) Auditors Independent; and

  (5) Expectation to value-add.

  Based on the evaluation, the BAEC deliberated and recommended for the Board the appointment of Messrs. PricewaterhouseCoopers PLT as the new external auditor replacing the Messrs KPMG Desa Megat PLT, who has served the Company since November 2002. The change is in line with good corporate governance of revisiting the appointment of the Company's External Auditors from time to time.

- Deliberated and approved on behalf of the Board, the external auditor's 2019 audit plan encompassing the audit approach, roles and responsibility, the nature and scope for the year's audit, audit fees, reporting schedule, potential key audit risk matters, Information Technology ("**IT**") approach, transition plan, reliance with Internal Auditor and value-added services. The external auditor informed that focus for the Group will be on areas related to IT security and control over key financial information systems that are used to record and process critical financial data. The objective of the IT audit review is to assist the external auditor to form an opinion on the financial statements.

- Evaluated the independence and objectivity of the external auditor by reviewing the fees and the list of non-audit services provided by the external auditor to BHB and the Group.

  The BAEC requested that justification is to be provided by the Management on the external auditor's audit fee. The BAEC was informed that the audit fees were justified with an additional value added-services to BHB Group, at no additional cost. The value added services are as follows:

  (1) Sustainability workshop

  A workshop to understand Bank Islam's strategy in adopting Value Based Intermediary ("**VBI**"). With the support of the external auditor's Sustainability team, the external auditor will be able to provide insight from other financial institutions that have embarked in its sustainable journey and recommend key areas that the Bank Islam could focus on.

  (2) Red teaming exercise for Cybercrime

  To incorporate a value-added initiative to undertake a Red Team Exercise for the Group with the objective to provide recommendations to help improve the Group's cyber resilience. A Red Team consist of a team of skilled and specialist ethical hackers.

  (3) Business Continuity Management ("**BCM**")

  To conduct a high level BCM review to ensure the programme remains resilient and is aligned to the Bank Negara Malaysia Guidelines and ISO 22301 – Business Continuity Management.

- The BAEC exercised its right as stipulated in its Terms of Reference, to hold meetings with the external auditor without the presence of the Management to enable open discussion with the BAEC.

  During the financial year under review, three (3) meetings were held without the Management's presence, namely on 31 January 2019, 26 July 2019 and 31 October 2019.

- Assessed the performance of the external auditor by reviewing the timeless of service deliverables. The external auditor was able to complete the audits for BHB and the Group within the timelines sets as evidenced below:

  (1) The audited financial statement for the financial year ended 31 December 2018 were signed off by the external auditor on 27 March 2019;

  (2) Report on limited review for the financial period 30 September 2019 was signed off by the external auditor on 31 October 2019; and

  (3) No past audit lapses were observed on the external auditor in the past assurance engagements.

Financial Reporting

- On 31 January 2019, the BAEC endorsed and recommended to the Board the audited financial statements of BHB Group for the financial year ended 31 December 2018 for approval.

  The review of the consolidated audited financial statements of BHB Group were based on the following:

  (1) Assurance from the Management and the External Auditors that the financial statements disclosures were in compliance with relevant statutory requirements and the Malaysian Financial Reporting Standards;

  (2) Reasonableness of accounting policies and estimates applied;

  (3) Reporting on-going concerns;

  (4) Highlight on key accounting development including MFRS 16 and MFRS 17; and

  (5) Pertinent audit matters highlighted by the External Auditors.

- Reviewed the unaudited quarterly financial result of BHB Group and the draft announcement before recommending them for the Board's approval for submission to Bank Negara Malaysia, Bursa Securities as well as Securities Commission. The recommendations were made upon deliberation comprising the following:

  (1) Key audit matters; and

  (2) The condensed consolidated interim financial statement has been prepared in accordance with the Malaysian Reporting Standard 134, Paragraph 9.22 of the MMLR and International Accounting Standard 34.

- Recommended the proposed interim single tier dividend for the financial year ending 31 December 2019. The BAEC reviewed and received assurance from the Management, based on the solvency test conducted, that the distribution of interim single tier dividend was in accordance with the provisions made under the CA, 2016.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

Related Party Transactions

- On 26 March 2019, the BAEC reviewed all related party/ recurrent related party transaction entered into by BHB Group for the financial year ended 31 December 2018 and the Circular to Shareholder with regard to the proposed renewal of Shareholders' mandate for existing related party transactions of a revenue or trading nature. The same was recommended to the Board that BHB Group complied with the MMLR.
- Reviewed the disclosure on the related party transactions and related party balances of BHB Group on quarterly basis i.e., 31 January 2019, 30 April 2019, 26 July 2019 and 31 October 2019 and in compliance with the MMLR.

Annual Reporting

- Reviewed and endorsed the BAEC's overview report, Statement of Risk Management and Internal Control and content of other disclosures pursuant to the MMLR for the Board's approval.

Other Activities

- Reviewed the report on compliance six (6) times a year. The report highlighted the status of compliance of the Company and its key operating subsidiaries pursuant to the following regulatory requirements:

  (1) Capital Market & Financial Law

  - Capital Markets & Services Act 2007
  - Islamic Financial Services Act 2013
  - Malaysian Financial Reporting Standard
  - Bank Negara Malaysia's Financial Reporting for Islamic Institutions
  - Bank Negara Malaysia's Observation Period Reporting (Capital Adequacy Ratio and Liquidity Coverage Ratio)

  (2) Main Market Listing Requirement

  (3) Companies Act 2016

  (4) Corporate Governance

  - Bank Negara Malaysia's Policy on Corporate Governance
  - Malaysian Code on Corporate Governance 2017
  - Whistle-Blowing Policy

  The Management highlights any non-compliance to the BAEC and make recommendations on the control and mitigation plans.

- Endorsed and recommended to the Board on the Zakat computation for BHB and its subsidiaries namely Syarikat Al-Ijarah Sdn. Bhd. and BIMB Securities (H) Sdn. Bhd. for the financial year ended 31 December 2018.
- On 26 July 2019, the BAEC had a session with the nominee directors of BHB that sit as a director at STMKB and STMAB to discuss on matters relating the financial reporting and key audit matters.

PERFORMANCE REVIEW OF THE BAEC

Based on the annual evaluation on the effectiveness of the Board, its Committees and the members of the Board, it was revealed that the Board is satisfied with the performance of the BAEC and its members. The BAEC has discharged its duties in accordance with its Terms of Reference and in line with the requirements of MCCG, BNM CG Policy and MMLR.

INTERNAL AUDIT FUNCTION

Independence and Responsibilities

The internal audit function is to undertake independent review and assessment on the adequacy, efficiency and effectiveness of risk management, internal control and governance practices implemented by the Management. The Internal Auditors of BHB and its subsidiaries (save for Syarikat Takaful Malaysia Keluarga Berhad) is carried out by the Internal Audit Division ("**IAD**") of Bank Islam and is independent of the activities or operations of other operating units in the Group. To maintain its independence, proficiency and professionalism as outlined in the Audit Charter, the internal audit function reports to the BAEC and administratively to the Chief Executive Officer.

The IAD is led by the Chief Internal Auditor namely Encik Zalfitri Abd Mutalib ("**Encik Zalfitri**"). Encik Zalfitri has over 20 years audit experience in the financial and banking industry. Encik Zalfitri is a Certified Public Accountant and a Fellow member of the ACCE. He is also a Certified Internal Auditor for Financial Institution.

The primary responsibilities of the IAD are to undertake regular and systemic reviews of the risk management process, internal control and governance practices of BHB and its Group in conformance with the International Professional Practices Framework and the Internal Audit Charter so as to provide reasonable assurance that the risk management process, internal controls and governance practices are operating satisfactorily and effectively and are in line with the Group's goals and objectives.

The internal audit functions of Bank Islam and Takaful Malaysia are carried out by their respective internal audit divisions.

Methodology and Framework

IAD evaluates the effectiveness of the risk management process and the adequacy and effectiveness of controls in responding to the risks within the organisation's governance, operations and information systems. The IAD shall have an effective audit methodology to assess the risk profile and vulnerabilities of each auditable area.

The IAD adopts a risk-based methodology which focuses on the following three (3) components:

i. Impact and likelihood of the inherent risk;

ii. The respective controls in place; and

iii. Existence of effective risk transfer and loss impact reduction practices in minimising potential losses from negligence or fraud.

To effectively manage its functions and perform the audit engagement, IAD adopt the standards and principles outlined in the Internal Control Framework of Committee of Sponsoring Organization of the Treadway Commission ("**COSO**") and the objectives set by the Institute of Internal Audit's International Professional Practices Framework which comprises core principle for the Professional Practice of Internal Auditing, the definition of Internal Auditing and Code of Ethics.

Based on the annual risk assessment, the IAD will draw up an audit plan covering all audit assignments to be performed over the financial year period. This annual audit plan will be tabled and approved by the BAEC or the Board of Directors.

Scope and Resources

The BAEC reviews the adequacy and relevance of the scope, functions, resources, procedures, risk based internal audit plans and results of the internal audit processes, with the IAD. It also reviews and approves the Annual Internal Audit Plan, which include the audit scope, methodology and practices, timing and resources, assessment of risk, comparison of actual versus budgeted time spent on assignments and audit fee.

The audit covered during the financial year includes, but is not limited to accounting and finance, legal, secretarial and regulatory compliance, human resources, information technology, corporate communication, strategic management and subsidiaries.

Amongst the key areas reviewed during the financial year ended 2019 are:

i. Procurement and Finance;

ii. Media and Communication;

iii. Corporate Governance;

iv. Human Resources;

v. Regulatory and Shariah Compliance;

vi. Operation and Risk Management;

vii. Investments;

viii. Corporate Strategy;

ix. Information Technology;

x. Cyber Security;

xi. Fraud and Bribery; and

xii. Business Continuity Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

Based on the audit carried out in the financial year ended 31 December 2019, amongst the risk covered are non-compliance with regulatory requirements, non-compliance with procedures and policies, ineffective human resource management, deficiencies in procurement management, breach of cyber security and non-Shariah compliance.

During the financial year under review, IAD issued a total of four (4) audit report of which two (2) for BHB (operations and IT) one (1) for BIMB Securities (H) Sdn. Bhd. and one (1) for Syarikat Al-Ijarah Sdn. Bhd.

The scope of the Internal Audit reports covers improvement opportunities, audit findings, management responses and corrective actions in areas with significant risks and internal control deficiencies. All Internal Audit Reports on the Company and its wholly-owned subsidiaries were tabled to the BAEC for deliberation. The Management are present at the BAEC meetings to respond and provide feedback on the progress of business process improvement opportunities identified by IAD. The Minutes of the BAEC meetings are subsequently tabled to the Board for notification.

As at 31 December 2019, a total of RM22,100.00 fees was payable to IAD, based on the staff strength of five (5) internal auditors with an estimated of 107 man-days.

IAD Activities in 2019

The summary of the activities of the IAD for the year under review are as follows:

a) Preparation of the Audit Plan for approval of the BAEC. The Audit Plan was developed based on assessment of the significant potential risk exposure of the auditable areas;

b) Provide independent and objective assurance on the adequacy of internal controls implemented to mitigate risk exposures. Prepare audit report consist of observations, improvement opportunities, management responses, deadline and person in charge for implementation or corrective actions have been issued to the respective stakeholders;

c) Follow-up on the Management corrective actions on audit issues raised by the IAD. Determine whether corrective actions taken had generally achieved the desired results;

d) Report to the BAEC, the final audit report highlighted in the audit plan coverage, audit scope and risks covered, audit rating, significant audit findings, findings escalated for Management's immediate action and status of corrective actions;

e) Reported to the BAEC the adequacy, reliability, integrity and compliance of:

- Risk management, internal controls and governance processes;
- Information Technology, stress testing procedures and practices and the back-up system to cover for contingencies and disaster;
- Regulatory reporting, accounting records, financial reports and management information;

f) Review compliance with relevant legal, regulatory and internal policies as well as in compliance with Shariah rules and principles as determined by the Shariah Supervisory Council and Shariah Compliance Policy; and

g) Provide an independent review on the related party transaction between Lembaga Tabung Haji, BHB and its subsidiaries.

BOARD RISK COMMITTEE ("BRC") REPORT

BRC

CHAIRMAN

Encik Mohd Tarmidzi Ahmad Nordin
Independent Non-Executive Director

MEMBERS

Puan Noraini Che Dan
Senior Independent Non-Executive Director

Encik Zahari @ Mohd Zin Idris
Non-Independent Non-Executive Director
(Appointed w.e.f 3 February 2020)

Datuk Nik Mohd Hasyudeen Yusoff
Non-Independent Executive Director
(Ceased w.e.f 1 September 2019)

Tan Sri Ismail Adam
Senior Independent Non-Executive Director
(Retired w.e.f 3 January 2020)

During the financial year under review, six (6) BRC meetings were held. This satisfies the BRC Terms of Reference, which requires the BRC to meet at least six (6) times a year.

The BRC was established on 26 July 2016 to assist the Board in ensuring that the Group has in place a sound and robust risk management framework and such framework had been effectively implemented to enhance the Group's ability to achieve its strategic objectives.

Further information on the BRC's roles and responsibilities as highlighted in its Terms of Reference is available on the Company's website at www.bimbholdings.com.

HOW THE BRC OPERATES

BRC meetings are planned ahead for the following financial year. The proposed schedule of meetings is tabled to the Board and later communicated to the BRC members. The BRC members are provided with the meeting papers and updates of outstanding matters from the previous meeting or matters discussed at the Group Risk Management Committee meeting prior to the meeting.

The Chief Executive Officer, the Group Chief Financial Officer, the Group Company Secretary, the Chief Economist, the Chief Risk Officer and the Chief Compliance Officer of the respective key operating subsidiaries attend the meetings. Other attendees, whether internal or external are invited to present the matters within their purview.

Action items are issued by the Group Company Secretary on decisions made and action required. These were circulated to the Management and the respective stakeholders seven (7) days after the meeting for their further action.

The Chairman of the BRC updates the Board on key matters deliberated at the BRC's meeting. In addition, minutes of the BRC meeting are tabled to the Board for notification. Any members of the Board may enquire or seek clarification on the matters deliberated by the BRC as recorded in the minutes.

THE BRC ACTIVITIES IN 2019

The BRC activities in the year under review are summarised as below:

- Monitored and discussed the risk reports of the key operating subsidiaries and where appropriate provided guidance to the Management;
- Deliberated the Group's strategic risks, corresponding key operational risks and key controls taken to manage the risks;
- Reviewed the Statement of Risk Management and Internal Control, which summarises the risk management practices and internal controls implemented by the Management;
- Reviewed the Board Risk Committee's overview report;
- Streamlined the risk reporting to facilitate easier monitoring of the risk associated to the key operating subsidiaries;
- Deliberated the risk management dashboard (market risk, operational risk, credit risk, concentration risk, liquidity risk, capital adequacy and insurance risk movement), the risk parameters and stress test tabled by the key operating subsidiaries;
- Reviewed the compliance reporting in accordance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, Islamic Financial Services Act 2013, Personal Data Protection Act 2010 including other regulatory requirements and Shariah non-compliance, tabled by the key operating subsidiaries;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

- Deliberated on the initiatives to mitigate the deterioration in General Takaful Fund of Syarikat Takaful Malaysia Am Berhad;
- Deliberated on the implementation of National Anti-Corruption Plan (NACP) in line with Section 17A of Malaysian Anti-Corruption Commission Act 2009;
- Reviewed reports on risk incidents which occurred in the financial year and deliberated the adequacy and effectiveness of preventive and corrective actions taken;
- Reviewed the risk appetite statement and key emerging risk of key operating subsidiaries; and
- Oversaw the functions of the Group Management Risk Committee.

GROUP RISK MANAGEMENT COMMITTEE

The BRC is supported by the Group Risk Management Committee ("**GRMC**") which is chaired by the Chief Risk Officer of Bank Islam. The other members of the GRMC are the Group Chief Financial Officer, Chief Risk Officer and the Chief Compliance Officer of each key operating subsidiaries as well as the Chief Economist of Bank Islam and BIMB Securities. The GRMC assists the BRC to effectively manage the key risk areas of the Company and Group and to ensure that an appropriate risk management system and internal controls are in place and functioning effectively. The GRMC is responsible for:

- developing and co-ordinating the Company's risk management framework within the Group on an on-going basis;
- consolidating, assessing and reporting risk information from across the Group; and
- ensuring the implementation of the risk management process across the Group.

The Company risk management process is a step-by-step process as follows:

During the year under review, the GRMC met six (6) times. The GRMC collates and reports to the BRC the risk associated to the subsidiaries. The risks include credit risk, market risk and operational risk. Emerging issues and compliance risks are also deliberated in the GRMC meetings and further action is taken by the relevant key operating subsidiaries prior reporting the same to the BRC.

PERFORMANCE REVIEW OF THE BRC

The BRC continues to diligently exercise its risk oversight responsibilities by ensuring that risk management is an integral part of strategic planning and decision-making for the achievement of the Group's strategic and long-term objectives.

Based on the Board Evaluation 2019, the Board is satisfied with the performance of the BRC and its members and that it has discharged its responsibilities in accordance with its mandate and Terms of Reference.

CORPORATE REPORTING AND RELATIONSHIP WITH STAKEHOLDERS

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

CORPORATE DISCLOSURE POLICY ("CDP")

A CDP has been formulated to enhance BHB's corporate governance, particularly in the area of transparent disclosure to the public. The purpose of the CDP is to enable Shareholders and Stakeholders to access business information beyond the Company's financial disclosure. In addition, it ensures that both the Board and Management are able to communicate effectively with Stakeholders on a timely basis.

INVESTOR RELATIONS/STAKEHOLDERS POLICY

The Company has in place an Investor Relations ("**IR**") Policy to ensure that stakeholders, investors and the investment community, both local and international, as well as the general public are provided with relevant, timely and comprehensive information about BHB. The objective of the IR Policy is to lay down the principles and practices to be adopted by BHB in handling its communication so that investors and potential investors could make an informed investment decision and for the public at large to have a clear understanding of the Group and its objectives.

Channels of dissemination of relevant and material information include:

- Quarterly and Full Year Financial Results Announcements
- Analysts Briefing Presentations
- Conference and Roadshows
- Media Coverage
- IR section of the website

CONDUCT AT GENERAL MEETINGS

In 2019, BHB held its AGM on 15 May 2019 with the Notice of the Agenda of the AGM issued to the shareholders on 19 April 2019 (this being 25 days before the meeting).

Shareholders were encouraged to access the Integrated Annual Report online as part of the Company's commitment to the environment and to achieve cost efficiencies. Shareholders were still provided with the Integrated Annual Report in CD-ROM format, a summarised version of the Financial Statements, Notice of AGM and Proxy Form.

All Directors, External Auditors and Chief Executive Officers of respective key operating subsidiaries were present at the AGM to answer the shareholders' questions. The AGM was conducted by poll/e-voting in accordance with Paragraph 8.29A of the MMLR (voting by poll). The outcomes of the voting on the proposed resolutions were disclosed to the market and posted on the Company's website after the AGM. Minutes of the AGM were made available to the Shareholders four (4) weeks after the AGM.

CONCLUSION

The Board considers that BHB has complied and applied the Principles of the MCCG in year 2019, except for the following:

Practice 4.5	The Board must have at least 30% woman Directors
Practice 6.1	The board has in place policies and procedures to determine the remuneration of directors and senior management and made available on the company' website.
Practice 7.2	The remuneration of Top-5 key Senior Management on a named basis
Practice 12.1	Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting
Practice 12.3	To facilitate voting in absentia (Shareholders exercising their voting without being physically present at General Meeting)

The Board has identified those Practices were there is a departure and these departure will be address as follows:

- An explanation for the departure;
- Disclosure of alternative practice adopted and how the alternative practice achieves the intended outcome;
- Actions which BHB has taken or intends to take; and
- The timeframe required to achieve application of the prescribed Practice.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

Practice 4.5

The BNRC oversees the overall composition of the Boards and Board Committees in terms of appropriate size, skills, gender diversity and the balance between Executive Directors, Non-Executive Directors and Independent Directors through annual reviews.

The Board is mindful of appointing Directors who have diverse skills, experience, age and gender, and remains committed to achieving at least 30% female representation on the Board whilst ensuring that overall diversity remains a central feature.

During the financial year, Puan Noraini Che Dan is the sole woman director out of five (5) members of the Board representing 20%.

Practice 6.1

The remuneration package for the senior management is structured to link rewards to corporate and individual performance. It comprises salary, allowances, bonuses and other customary benefits as accorded by comparable companies. A portion of the Senior Management's compensation package has been made variable and is determined by performance during the year against individual KPIs in a scorecard aligned with the corporate objectives as approved by the Board.

The Board intends to publish the Directors and Senior Managements' Remuneration Framework onto BHB's website in year 2020.

Practice 7.2

The Board decided not to disclose on a named basis, the top five (5) Senior Management's remuneration components including salary, bonus, benefit in-kind and other emoluments in bands of RM50,000. The Board viewed that such disclosure would be disadvantageous to the Group's business interests, in which the disclosure of that sensitive information may resulted to excessive competition for talent in the banking industry.

The Company will closely monitor developments in the market in respect of such disclosure for future consideration.

Practice 12.1

The Company had always issued the Notice of the AGM more than 21 days prior to the date of the AGM and for the 21st AGM in 2018, the Notice was issued 28 days prior to the AGM. However, due to unforeseen circumstances, the notice of the 22nd AGM was issued 26 days prior to the AGM.

The Company is taking the necessary steps to ensure the Notice of the AGM is issued 28 days prior to the date of the AGM.

Practice 12.3

BHB has yet to facilitate voting in absentia and remote shareholders' participation at general meetings. As an alternative, shareholders who are unable to attend general meetings are entitled to appoint any person(s) as proxy or the Chairman of the meeting to vote on their behalf at the general meeting.

BHB will explore and consider the recommendations in the MCCG on the use of technology and remote voting for Shareholders' participation and voting in absentia at the 23rd Annual General Meeting.

This Corporate Governance Overview Statement was approved by the Board of Directors of BIMB Holdings Berhad on 30 April 2020.

Further information in the application of the practices captured in the Principles of MCCG during the financial year, please refer to the Corporate Governance Report 2019 which can be found in the Company's website www.bimbholdings.com.

ADDITIONAL COMPLIANCE INFORMATION

1. SHARE BUYBACKS

BHB did not purchase any of its own shares during the financial year ended 31 December 2019.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

BHB had on 11 December 2013 issues 426,715,958 Free Detachable Warrants pursuant to the Renounceable Rights Issue of 426,715,958 new ordinary shares of RM1.00 each in BHB in respect of the financial year ended 31 December 2013. Details of the warrant holdings is set out on page 336 of the Integrated Annual Report.

BHB did not issue any options, warrants or convertible securities in respect of the financial year ended 31 December 2018.

3. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

BHB did not sponsor any ADR or GDR programme in the financial year ended 31 December 2019.

4. NON-AUDIT FEES

Non-audit fees payable to the External Auditors, Messrs. PricewaterhouseCoopers and its affiliates amounted to RM486,000 for the Group and RM150,000 for the Company.

5. PROFIT GUARANTEE

BHB did not give out any profit guarantee during the financial year under review.

6. LIST OF PROPERTIES

The list of BHB's properties is set out on pages 339 to 345 of the Integrated Annual Report.

7. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

Save as disclosed below and the related party transactions disclosed in Note 46 of the Financial Statements, no other material contract entered into by BHB or its subsidiary companies involving Directors and/or major shareholders' interest was still subsisting at the end of the financial year or entered into since the end of the previous financial year.

(a) A Deed Poll dated 25 October 2013 was executed by BHB constituting the issuance of 426,715,958 Free Detachable Warrants pursuant to the Renounceable Rights Issue of 426,715,958 new ordinary shares of RM1.00 each in BHB ("Right Share") together with 426,715,958 Free Detachable Warrants.

ADDITIONAL COMPLIANCE INFORMATION

8. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or Management arising from any significant breach of rules/guidelines/legislations by the relevant regulatory bodies during the financial year under review.

9. VARIATION ON RESULTS

There was no variation in results (differing by 10% or more) from any profit estimated forecast or projection of unaudited results announced.

10. GENERAL MANDATE

BHB Group had at the last AGM obtained a general mandate from its shareholders to allow BHB and/or its subsidiaries, in their normal course of business, to enter into recurrent transactions of a revenue or trading nature with related parties ("RRPTs") which are necessary for its day-to-day operations, on terms not more favourable to the related party than those available in the general public and not to the detriment of the minority shareholders. The RRPTs Mandate is valid until the conclusion of the forthcoming AGM of the Company. The breakdown of the aggregate value of the recurrent related party transaction made during the financial year are as follows:

NATURE OF TRANSACTIONS	RELATED PARTY/ PRINCIPAL ACTIVITIES	INTERESTED DIRECTOR AND/OR MAJOR SHAREHOLDERS	AGGREGATE VALUE MADE DURING THE FINANCIAL YEAR RM'000	PREVIOUS ESTIMATED AGGREGATE VALUE AS DISCLOSED IN THE CIRCULAR TO SHAREHOLDERS DATED 19 APRIL 2019 RM'000
• Rental of office premises payable by Bank Islam to TH.	**TH** TH is principally involved in providing pilgrimage management services, saving and depository services, investment holding and rental of buildings.	Interested major shareholder TH is a major shareholder of BHB with 52.97% shareholding as at 5 May 2020. Interested Directors 1) Datuk Nik Mohd Hasyudeen Yusoff being the Group Managing Director and Chief Executive Officer of TH is also a Director of BHB and Bank Islam. He has no direct/ indirect shareholding in TH, BHB and Bank Islam.	25,295	25,608

NATURE OF TRANSACTIONS	RELATED PARTY/ PRINCIPAL ACTIVITIES	INTERESTED DIRECTOR AND/OR MAJOR SHAREHOLDERS	AGGREGATE VALUE MADE DURING THE FINANCIAL YEAR RM'000	PREVIOUS ESTIMATED AGGREGATE VALUE AS DISCLOSED IN THE CIRCULAR TO SHAREHOLDERS DATED 19 APRIL 2019 RM'000
		2) Puan Noraini Che Dan and Encik Zahari @ Mohd Zin Idris are Directors of Bank Islam and they are also Directors of BHB. Puan Noraini Che Dan has no direct/indirect shareholding in Bank Islam and BHB. Encik Zahari @ Mohd Zin Idris has no direct shareholding in Bank Islam. As at 5 May 2020, Encik Zahari hold direct interest of 25,000 shares in BHB. 3) Encik Mohd Muazzam Mohamed, the Chief Executive Officer of BHB is also the Chief Executive Officer of Bank Islam. Encik Mohd Muazzam Mohamed has no direct/indirect shareholding in BHB and Bank Islam.		
• *Rental of office premises payable by Bank Islam to Takaful Malaysia.	**Takaful Malaysia** Takaful Malaysia is principally involved in family and general takaful business.	Interested Directors 1) Datuk Nik Mohd Hasyudeen Yusoff being the Group Managing Director and Chief Executive Officer of TH is also a Director of BHB and Bank Islam. He has no direct/ indirect shareholding in TH, BHB, Takaful Malaysia and Bank Islam. 2) Puan Noraini Che Dan and Encik Zahari @ Mohd Zin Idris are Directors of Bank Islam and they are also Directors of BHB. Puan Noraini Che Dan has no direct/indirect shareholding in Bank Islam, Takaful Malaysia and BHB. Encik Zahari @ Mohd Zin Idris has no direct shareholding in Bank Islam and Takaful Malaysia. As at 5 May 2020, Encik Zahari hold direct interest of 25,000 shares in BHB. 3) Encik Mohd Muazzam Mohamed, the Chief Executive Officer of BHB is also the Chief Executive Officer of Bank Islam. Encik Mohd Muazzam Mohamed has no direct/indirect shareholding in BHB, Takaful Malaysia and Bank Islam.	2,791	2,965

There is no amount due and owing to BHB by its related parties pursuant to the RRPTs.

Notes

* *The rental sum of the properties was arrived at or estimated based on the on-going or expected market rate at the time the tenancy agreement was or to be executed.*

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("Board") is pleased to provide the following Risk Management and Internal Control Statement (the "Statement") which outlines the nature and scope of risk management and internal controls of the Group during the financial year ended 31 December 2019. This Statement has been made in line with the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

The Board is committed and acknowledges its responsibility to oversee the system of risk management and internal controls within the Group, including reviewing the adequacy, integrity and effectiveness to safeguard shareholders' investments and the Group's assets.

The Board has received assurance from BHB's CEO and the Group Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement.

Taking into consideration assurances from the Management and the input from the relevant assurance providers, the Board is of the view that the systems of risk management and internal control are performing satisfactorily and are adequate to safeguard the shareholders' investments, customers' interest and the Group's assets. The Group will continue to implement new measures to strengthen its internal control and risk management environment.

BOARD RESPONSIBILITY

The Board recognises that a sound system of internal control and risk management practices are essential in ensuring good corporate governance. Such a system is designed to manage an acceptable risk profile rather than eliminate the risk of failure to achieve the Group's business objectives; and can only provide reasonable (and not absolute) assurance against material misstatement, fraud or loss.

As a Financial Holding Company ("**FHC**"), continuous enhancements are being made to the system of internal control in line with the Board's commitment to improve the Group's governance, risk management and internal control framework and control culture. The environment for the proper control of the Group's business operations is also in line with Bank Negara Malaysia's ("**BNM**") regulatory framework.

At BHB level, the internal control oversight responsibilities are carried out by the following committees:

- **Board Audit & Examination Committee ("BAEC")**

  The main responsibility of the BAEC is to assist the Board in assessing the effectiveness of the Company's internal control systems and overseeing the internal control of the accounting system. This is to ensure that appropriate methods and procedures are in place to attain the level of assurance required by the Board. The BAEC reviews the quarterly reports relating to regulatory developments, compliance and operational deficiencies identified within the Company. The minutes of the BAEC are circulated to the Board for information.

  The Terms of Reference is available on the Company's website www.bimbholdings.com

- **Board Risk Committee ("BRC")**

  The BRC is responsible for assisting the Board on risk management, overseeing the Management's activities in managing significant risk areas and ensuring that the risk management framework is in place and functioning effectively. At the Management level, the BRC is supported by the Group Risk Management Committee ("**GRMC**") to oversee the risk management matters relating to the Group risk management activities. The minutes of the BRC are circulated to the Board for information.

  The Terms of Reference is available on the Company's website www.bimbholdings.com

In respect of the key operating subsidiaries, in particular Bank Islam Malaysia Berhad ("**Bank Islam**") and Syarikat Takaful Malaysia Keluarga Berhad ("**Takaful Malaysia**"), the internal control oversight function is carried out by the respective subsidiaries' BRC. At BIMB Securities Sdn. Bhd. ("**BIMB Securities**"), the risk management and internal control oversight function is carried out by its Board Audit and Risk Committee ("**BARC**").

The risk management control structure and processes in place throughout the Group are reviewed from time to time to cater for the changes in the business environment. BHB's BAEC and BRC together with the respective BAEC/BRC/BARC at the key operating subsidiaries regularly review and monitor the Management's approach and actions in addressing key risks at the Company and subsidiary level. It also provides the Board and the Management with the platform to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles and risk appetites. This process had been in place and continued to be the Group's practice for the financial year under review and up to the date of approval of this Statement for inclusion in this Integrated Annual Report.

In addition to the above, two (2) Management Committees at Group level, namely the Group Management Committee ("**GMC**") and GRMC, were established to assist the Board. The GMC focuses on the group synergy within the Group whilst the GRMC assists the Board in managing the risk and internal control of the Group. Through these committees, the Management has oversight over the relevant key operating subsidiaries on the following matters:

MANAGEMENT RESPONSIBILITY

The Management is accountable for implementing the Board's policies and procedures on risks and control. Its role includes but is not limited to the following:-

- Identify risks relevant to the business, implementation of strategies and the achievement of its objectives;
- Implement regular risk management reporting, monitoring and review as part of its risk management framework;
- Identify changes to risks or emerging risks, take actions as appropriate, and promptly bring these to the attention of the Board;
- Discuss the tolerance level for each of the operational business and ensuring that they are within the accepted parameters set by the relevant regulatory bodies;
- Implement the policies approved by the Board; and
- Report in a timely manner to the Board any changes to the risk profile and any corrective action taken.

Assurance in relation to the risk management and internal control is also obtained from the key operating subsidiaries confirming that their risk management and internal control is operating adequately and effectively, in all material aspects. Any material risk management and internal control deficiencies will be presented to the respective subsidiaries' BRC/BAEC/BARC and subsequently to their respective Boards.

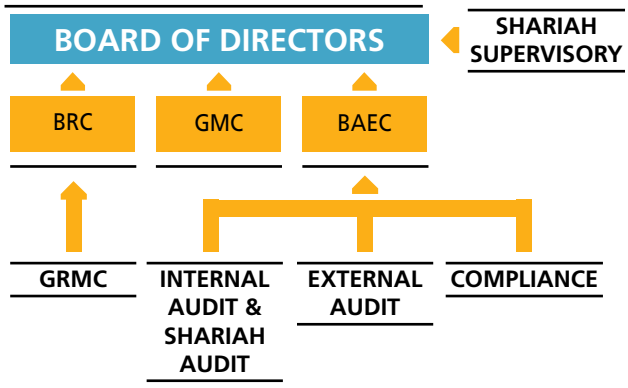
STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

KEY INTERNAL CONTROL STRUCTURE

The Board has established the following key processes to review the adequacy and effectiveness of the system of internal controls, including:

- **Risk Management Framework**

  The Board has established an organisational structure and charter with clearly defined lines of responsibility, authority limits and accountability in association with the Group's business and operational requirements in order to maintain a sound control environment. The organisational structure is as follows:



  Risk management is considered an integral part of the Group's day-to-day operations to facilitate BHB in achieving its objectives and to protect its shareholders and stakeholders' interest. Risk management is embedded in the Group's key processes and monitored through a Risk Management Dashboard ("**RMD**") report. The Group's key operating subsidiaries report their risks via the RMD at their BRC six (6) times a year. BIMB Securities reports its risks via the RMD at its BARC on quarterly basis.

  The Group's risk management framework is in place to ensure that there is an effective on-going process in place to manage risk across the Group. This process is regularly reviewed by the Board through the BRC which provides oversight over the risk management activities for the Group. The BRC also assists the Board to review the Group's overall risk management philosophy, frameworks, policies and models. In discharging its overall duties and responsibilities, the BRC is supported by the GRMC which monitors and evaluates the effectiveness of the Group's risk management system on an on-going basis.

  In addition to the risk management framework, the Group's key operating subsidiaries, namely Bank Islam and Takaful Malaysia have implemented the Internal Capital Adequacy Assessment Process ("**ICAAP**") framework to ensure that the Group maintains adequate capital levels consistent with the risk profiles including capital buffers to support the Group's current and projected demand for capital under existing and stressed conditions.

  Each key operating subsidiary has appointed its own qualified risk officer who is responsible for monitoring, assessing and managing the risks associated with its business and operations. The RMD of each subsidiary is tabled at the GRMC, and where relevant, subsequently tabled at BHB's BRC.

  The BRC or the BAEC/BARC (as the case may be) of the key operating subsidiaries will update their respective Boards on any new regulatory or statutory requirement that could impact the internal control and the risk management principles, policies, procedures and practices of the Companies and its subsidiaries.

- **Risk Appetite**

  The BRC, through the Group's key operating subsidiaries, establishes the risk appetite and risk tolerance for the relevant entities. The defined risk appetite and risk tolerance are periodically reviewed by the respective Management and the respective Boards in line with the Group's business strategies and operating environment. Such review includes identifying and setting new risk appetite metrics for the business entity or removal of risk appetite metrics that are no longer applicable and updates on the risk appetite thresholds to be in line with the Group's business strategy and risk posture. The main business and operations inherent risks that were considered in the risk appetite review include regulatory compliance risk, credit risk, market and liquidity.

- **Board Audit and Examination Committee ("BAEC")**

  The BAEC of BHB reviews the adequacy of internal controls within the company based on the assessment performed by the internal auditors. Similarly, the BAEC of the key operating subsidiaries reviews relevant matters pertaining to its internal accounting controls on quarterly basis. In addition, the BAEC of BHB and its key operating subsidiaries also review and assess the adequacy of the scope and effectiveness of the internal and external audit functions. The BAEC assesses the independence and the quality of the external auditors' resources.

  All significant findings by the internal auditors, external auditors and regulators are reported to the BAEC for review and deliberation. The BAEC reviews and ascertains that mitigation plans are implemented by Management to safeguard the interests of the Group and upkeep proper governance. The risk responses and internal controls that the Management has initiated are documented and recorded in the BAEC meeting minutes.

  Pursuant to Paragraph 15.17(f) of the Listing Requirements of Bursa Malaysia Securities Berhad, three (3) separate meetings with the external auditors were conducted with the BAEC of BHB without the presence of the Management, to discuss on any issues relating to the Group during the financial year ended 31 December 2019.

- **Board Risk Committee ("BRC")**

  The Group BRC are kept informed by its subsidiaries of their risk management policy statement and framework including the strategies, policies, the risk tolerance levels, governance and reporting structure.

  At the key operating subsidiaries level, reviews and assessments were carried out on the adequacy of the risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these risks are operating effectively. In addition, they would also review the adequacy of relevant policies at the subsidiaries in meeting the relevant regulatory requirements including capital plan, dividend policy, investment and financing policy, single customer limit, business continuity plan, etc.

- **Group Management Committee ("GMC")**

  The GMC was re-established on 9 January 2019 to focus on group synergy. The GMC serves as a platform to discuss strategic issues, strengthen coordination and create Group synergies in order to meet the Group's objectives and create shareholder value.

  The Chief Executive Officer of BHB is the Chairman of the GMC and the members comprise the Group Managing Director or CEO of the respective key operating subsidiaries.

- **Group Risk Management Committee ("GRMC")**

  The GRMC has been established to identify and review the key risk areas of the Group. It ensures that appropriate risk management systems and internal controls are in place and functioning effectively. The GRMC is also responsible for assessing the adequacy of infrastructure, resources and systems for effective risk management, and where necessary to embark on the Group's initiative to share facilities and mobilise resources. In addition, the GRMC reviews the risk management periodic reports presented by the key operating subsidiaries on risk exposure, risk portfolio composition and risk management activities six (6) times a year.

  The GRMC is chaired by the Chief Risk Officer of Bank Islam who was appointed by the CEO of BHB on 1 July 2019. Members consist of the Group Chief Financial Officer, the Chief Economist of Bank Islam and BIMB Securities as well as the Chief Risk Officer and the Chief Compliance Officer of the key operating subsidiaries.

- **Internal Audit**

  The internal audit function of BHB and its subsidiaries (save for Takaful Malaysia) is carried out by the Internal Audit Division of Bank Islam. For Takaful Malaysia, the internal audit function is carried out by its own independent internal audit department.

  The Internal Audit assesses compliance with policies and procedures and the effectiveness of the Group's internal control systems. The Internal Audit undertakes regular reviews of BHB and its subsidiaries' operations and business processes. It examines and evaluates the adequacy and efficiency of financial and operating controls and highlights significant risks and non-compliance. Where applicable, the Internal Audit will provide recommendations to improve the management of risks, control and governance processes. The BAEC regularly reviews the status of rectification actions on the findings or recommendations by the internal auditors. Further details on the internal audit activities are provided in BHB's BAEC report.

  Internal audit is performed on all key divisions in the Group, and provides the respective BAEC an independent assurance on the operational, financial, compliance and risk related activities within the Group. The risk-based internal audit plan is approved by the AEC of the key operating subsidiaries on annual basis. All internal audit observations are highlighted in the internal audit reports and reviewed by the BAEC.

- **Shariah Advisory and Shariah Audit**

  It is a fundamental requirement for an Islamic financial institution to have its entire business practices and operations based on Shariah rules and principles. Islamic finance derives its value proposition from the application of Shariah contracts in financial transactions that provide for different risks and return profiles. Adherence to Shariah principles under such distinct contracts preserves the validity and sanctity of any Islamic financial transactions. As such, BHB is committed to upholding these principles by its strict observance of the Shariah Governance Framework outlined by Bank Negara Malaysia ("**BNM**").

  The Shariah advisory function of BHB and its subsidiaries (save for Takaful Malaysia and BIMB Securities) is carried out by the Shariah Supervisory Council of Bank Islam ("**SSC**"). For Takaful Malaysia and BIMB Securities, the Shariah advisory function is carried out by its own independent Shariah committee.

  One of the key responsibilities of the SSC/Shariah committees is to advise its respective Boards on Shariah matters in relation to business operations and Shariah compliance, auditing the operational aspect of BHB and endorsing the zakat computation and distribution.

  The Shariah audit function of BHB and its subsidiaries (save for Takaful Malaysia) is carried out by the Shariah Division of Bank Islam. For Takaful Malaysia, the Shariah audit is carried out by its own independent Shariah department.

  The Shariah audit assesses matters relating to Islamic business operations and activities, particularly on Shariah compliance related matters based on the Shariah Compliance Policy. The principal objective is to provide an independent assessment and assurance to add value and improve the degree of compliance in relation to BHB's Islamic business operations as well as ascertaining a risk sound and internal control for Shariah Compliance.

  The same methodology used in internal audit is used in carrying out the Shariah audit, which includes audit planning, substantive procedures, reporting and follow up on remedial actions.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the internal control systems are described below:

Board Meetings	At a minimum, the Board meets six (6) times a year and has a formal agenda on matters for discussion. The CEO leads the presentation of board papers and provides explanation on pertinent issues. A thorough deliberation and discussion by the Board is a prerequisite before arriving at any decision. In addition, the Board is kept updated on the Group's activities and operations on a timely and regular basis.
Group Organisation Structure	The Board has established an organisational structure with clearly defined lines of responsibility, authority limits, and accountability aligned to business and operational requirements which support the maintenance of a strong control environment.
Limit of Authority Matrix	The Group has clearly defined lines of authorities to facilitate prompt responses in the continuously evolving business environment, effective supervision of day-to-day business conducts and accountability. The establishment of Limit of Authority ("**LoA**") matrix clearly outlines the Board and Management's limits and approval authorities across various key processes. The LoA is approved by the Board and is subject to regular review and enhancement to ensure it reflects changes in accountability and risk appetite of the Group.
Standard Operating Procedures	Documented Standard Operating Procedures ("**SOPs**") for all departments of BHB and its subsidiaries are approved by the respective Management. The SOPs serves as a day-to-day operational guide to ensure compliance with financial and operational controls as well as the applicable laws and regulations. All SOPs are reviewed and updated regularly to reflect current risks, new regulatory requirements and current operations.
Human Resources Policies and Procedures	The Human Resources policies and procedures of BHB and its subsidiaries encompasses areas of human resources management such as the recruitment of new employees based on "fit and proper" criteria, performance appraisals, training and development.
Annual Business Plan and Budgeting Process	The Group's budget is prepared based on the annual business plans of BHB's key operating subsidiaries. The budget and business plans are approved by the respective Boards and subsequently endorsed by BHB's Board. Actual performances of the subsidiaries are reviewed against the targeted results on a quarterly basis to allow for a timely response and for corrective actions to be taken, thus ensuring that business targets are met. The subsidiaries' performances are assessed against the budget, business plans and relevant key financial indicators.
Information Technology ("IT") System	IT is key in supporting the service efficiency and delivery systems of the Group. The IT Risk Framework was developed to ensure that risks are correctly identified and mitigated accordingly. Bank Islam and Takaful Malaysia have developed their IT policies to address issues of security and risk related to IT. The subsidiaries continue to upgrade their IT systems to enhance efficiency of their business operations and services.

Performance Review	The Board receives and reviews Management reports on the Group's financial and operational performance, risk management as well as legal and regulatory matters on a quarterly basis. The report on financial performance highlights the key financial indicators, including ratios on profitability, capital adequacy and asset quality. The actual performance of BHB and its key operating subsidiaries are assessed against approved budgets and business plans, key financial indicators and industry benchmark. The assessment enables the Management to identify any significant deviations and gaps for remedial measures to be implemented where necessary.
Whistle-Blowing Policy	There is an established process for reporting anyone suspected to be abusing or circumventing processes and controls. All staff are accorded the opportunity to report via the whistle-blowing mechanism with the assurance that the report will be dealt with confidentially and that the reporter's identity will be protected.
Shariah Compliance Policy	The policy is formulated to enable BHB to communicate its Shariah governance framework and strategies towards the effective and efficient Shariah governance throughout the Company in line with the Shariah rules and principles, provisions of the Islamic Financial Services Act 2013, BNM's Shariah Governance Framework for Islamic Financial and the relevant resolutions of the Shariah Advisory Council of BNM ("**SAC**") as well as SSC of Bank Islam's decision regarding BHB.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide 3 ("**AAPG 3**") (Revised 2018), *Guidance for Auditors on Engagements to Annual Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("**MIA**") for inclusion in the Annual Report of the Group for the financial year ended 31 December 2019.

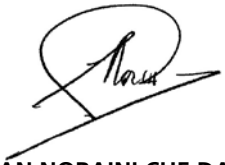
Based on the review conducted, the external auditors have reported to the Board that nothing has come to their attention that would cause them to believe that this Statement:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 (Revised 2018) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

This statement is made in accordance with the resolution of the Board dated 30 April 2020.



PUAN NORAINI CHE DAN
Chairman
Board Audit & Examination Committee

ENCIK MOHD TARMIDZI AHMAD NORDIN
Chairman
Board Risk Committee

STATEMENT ON DIRECTORS' RESPONSIBILITY

This statement is prepared pursuant to the Companies Act, 2016 and the Listing Requirements of Bursa Securities. The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their cash flows for that year then ended.

In preparing the financial statements for the year ended 31 December 2019, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured applicable Financial Reporting Standards have been followed; and
- prepared the financial statements on a going concern basis.

The Board has the overall responsibility to take all steps as are reasonably necessary to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board dated 14 May 2020.