

ADVANCING

PROSPERITY

FOR ALL



**A FULL-FLEDGED
PURE-PLAY
FINANCIAL INSTITUTION**

**DIGITAL ACCELERATION
TO PROVIDE HOLISTIC
FINANCIAL SOLUTIONS**

**COMMITTED TO
SUSTAINABLE PRACTICES
AND STRONG GOVERNANCE**





COVER RATIONALE

As the first full-fledged pure-play Islamic financial institution in the country, Bank Islam Malaysia Berhad ("BIMB") is committed to advancing prosperity and progress for all our customers.

Despite the unprecedented challenges presented by COVID-19, BIMB demonstrated its leadership by mobilising resources, leveraging on digitalisation to ensure business continuity, as well as reaching out to provide solutions to help those most impacted. From enhancing access to our services, providing financial help to SMEs as well as restructuring financings, we helped to alleviate financial difficulties and ensured livelihoods were preserved.

BIMB is also embarking on a five-year strategy roadmap, LEAP25 to deliver the promise of technology, redefine growth by fortifying our five business drivers: Social Finance, Wealth Management, Enterprises and Wholesale Banking, and Digital Bank. This will enable us to achieve organic growth as well as provide leadership in digital banking and social finance.

Moving forward, BIMB will continue to focus on integrating the principles of Shariah, Value-based Intermediation ("VBI") and ESG considerations to remain resilient in its pursuits.

The cover design highlights BIMB's reach – advancing prosperity to customers across all walks of life and economic segments. It also reflects BIMB's foray into digitalisation of its products and services.





THE BANK THAT ADVANCES PROSPERITY FOR ALL



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

DEAR SHAREHOLDERS,
**WELCOME TO BANK ISLAM
MALAYSIA BERHAD'S
2021 INTEGRATED REPORT**

ABOUT THIS REPORT



CORPORATE BOOK

CONTENTS

- Provides a comprehensive overview of the Group's performance for 2021 and the outlook for 2022

REGULATIONS COMPLIED

- Malaysian Financial Reporting Standard
- Companies Act 2016
- Bursa Malaysia's Sustainability Reporting Guide
- FTSE4Good Bursa Malaysia
- Global Reporting Initiative G4
- Malaysian Code on Corporate Governance (MCCG 2021)



This report is supplemented by disclosures that can be accessed online via www.bankislam.com

SCOPE AND BOUNDARY OF REPORTING

This Integrated Annual Report (IAR) is produced and published annually and covers our financial and non-financial performance for the reporting period of 1 January 2021 to 31 December 2021 unless otherwise stated.

The report provides a complete and balanced review of primary activities of the Group, namely our overall performance and the delivery of initiatives towards achieving our goals, providing material information relating to our strategy and business model, operating environment, material risks, stakeholder interests, performance, governance and prospects.

The boundary of the report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to/or associated with our key stakeholders, which have a significant influence on our ability to create value.

REPORTING FRAMEWORKS

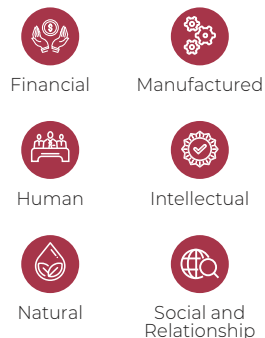
BIMB's integrated reporting process, as well as the contents of this report are guided by the principles and requirements of the following:

- International Integrated Reporting Framework (IIRF)
- Malaysian Code on Corporate Governance (MCCG 2021) by Securities Commission Malaysia
- Companies Act 2016
- Bank Negara Malaysia Corporate Governance Policy

Our **financial statements** for the Financial Year Ended 31 December 2021 have been prepared in accordance with:

- Malaysian Financial Reporting Standards (MFRS)
- International Financial Reporting Standards (IFRS)
- Companies Act 2016
- Bank Negara Malaysia Policy Documents and Guidelines
- Islamic Financial Services Act 2013

CAPITALS



STRATEGIC PILLARS



MATERIAL MATTERS



MATERIALITY AND MATERIAL MATTERS

This report aims to disclose information about matters that substantively affect our ability to create value over the short, medium and long-term and to deliver on our core purpose. A thorough assessment on material issues to BIMB was conducted in 2019. Material issues were identified based on an evaluation of how we create value, the impact of the external operating context on the value creation, the material interests of our stakeholders and the principal risks facing the Group.

The content of this report focuses on the issues, opportunities and challenges that are material to both our stakeholders and our business, which consequently impacts our performance.

By applying the principle of materiality into our reporting disclosures, we present vital topics that influence the Group's strategy in creating long-term value for our key stakeholders.

COMBINED ASSURANCE

The report development process is supported by our robust internal control and good governance practices. Assurance for this report is provided by our Board of Directors (Board), supported by external verification by PwC Malaysia, our auditors for financial information and providers of limited assurance on selected non-financial information.

FORWARD-LOOKING STATEMENTS

This IAR contains certain forward-looking statements relating to BIMB's future performances and prospects. These statements and forecasts are based on current assumptions, judgements and involve uncertainties as circumstances may change. Various factors may cause actual results to differ materially from those expressed or implied by these forward-looking statements such as a number of emerging risks as well as other factors that could adversely impact our business and financial performance. As such, these forward-looking statements should not be construed as guarantees to BIMB's future performance.

APPROVAL BY THE BOARD

BIMB's Board acknowledges its responsibility in ensuring the integrity of this IAR, which in the Board's opinion addresses material issues to the Group's ability to create value and fairly presents BIMB's performance for the year 2021.

This Annual Report for the year ended 31 December 2021 was approved by the Board on 15 April 2022, and signed on its behalf by:



Tan Sri Dr. Ismail Haji Bakar
Chairman

How To Navigate Our Report

KEY RISK



Credit Risk



Market Risk



Liquidity Risk



Operational Risk



Information Technology (IT) Risk



Shariah Non-Compliance (SNC) Risk



Regulatory/Compliance Risk



Climate Risk

STAKEHOLDERS



Investors



Employees



Government & Regulators



Customers



Local Communities

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BANK ISLAM MALAYSIA BERHAD



Message from the Chairman

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

IN THE NAME OF ALLAH MOST
GRACIOUS AND MOST MERCIFUL.

السلام عليكم ورحمة الله وبركاته

AND SALAM SEJAHTERA

“

IN 2021, WE BECAME THE
ONLY PUBLIC-LISTED,
FULL-FLEDGED ISLAMIC
FINANCIAL INSTITUTION
IN MALAYSIA.

”

TAN SRI DR. ISMAIL HAJI BAKAR
Chairman

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present to you Bank Islam Malaysia Berhad's (BIMB) first Integrated Annual Report. This is my first statement for BIMB as a listed entity, since the completion of our restructuring exercise from our former parent company, BIMB Holdings Berhad (BHB). BIMB is now accorded full autonomy in undertaking and pursuing our corporate and business strategies, as Malaysia's first full fledged pure-play Islamic financial institution on the Main Market of Bursa Malaysia.

This is an exciting moment for BIMB as the listing provides an advantageous position for BIMB to capitalise on the growth in Islamic finance and the Islamic capital market, and reinforces our efforts to expand our customer base. With a market capitalisation of RM6.2 billion, we are well positioned to deliver our five-year business strategy roadmap, LEAP25, which would redefine our growth and enable us to work in new ways to create stakeholder value.

2021 was a year of renewed optimism, as well as uncertainties. What was expected to be a year of recovery has brought the world to a halt with new waves of COVID-19 variants weighing down on the crucial veins of the economy. From uneven economic recovery to unequal access to vaccines, from widening income inequalities to disruptions in education, the pandemic had a disproportionate impact on the vulnerable in 2021. Aligned with our vision as a Bank that Advances Prosperity for All, BIMB responded to the challenges faced by our customers and the community by going beyond financial performance, standing alongside each of them, offering them aid to ease their difficulties.

COMMENDABLE FINANCIAL PERFORMANCE

During the year under review, BIMB delivered a commendable performance on the back of higher fund based income and lower impairment losses. We recorded a Group Profit Before Zakat and Taxation (PBZT) of RM704.2 million, a decline of 3.3% mainly due to lower non-fund-based income and higher operating expenses. The Group has declared an interim dividend of 10.93 sen per share for the year.

Our performance translates into an Earnings Per Share (EPS) of 21.87 sen and a Net Return on Equity (ROE) of 8.4% (after tax and zakat). Our sustained dividend payout is reflective of our unwavering efforts to withstand the year's challenges, as we continue to leverage on our strong fundamentals to achieve significant milestones.

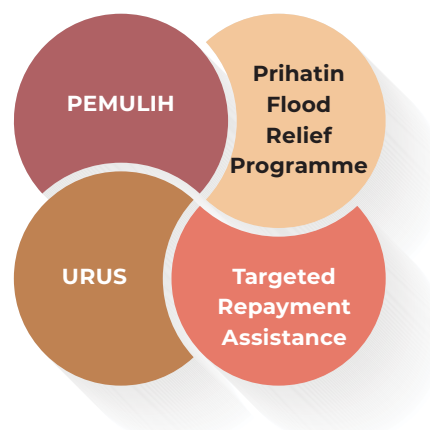
ADVANCING PROSPERITY FOR ALL

At BIMB, we are confident of our ability to create sustainable value for all our stakeholders. Central to this are our clear focus on meeting customers' expectations, our strong market position and a full suite of Shariah-compliant product offerings. We have taken a considered approach in the development and delivery of products and services, taking into account societal needs, while ensuring the efficiency of our operations to continuously improve customer experience.

We continue to enhance our offerings and services, in line with the evolving banking landscape. In 2021, we launched the DuitNow QR function on BIMB's GO Mobile Banking App and GO Biz by Bank Islam, an app targeted at Small and Medium Enterprise (SME) and Micro, Small and Medium Enterprise (MSME) customers. Sharp shifts in consumer preference to transact online have prompted us to further accelerate our ongoing digitalisation initiatives.

Our efforts were recognised when we were awarded the Most Helpful Bank during COVID-19 in Malaysia and fifth in Asia Pacific, by The Asian Banker in May 2021. We also ranked fourth out of 55 Malaysian brands on KPMG's Customer Experience Excellence Survey 2021.

DEFERMENT AND ASSISTED REPAYMENT SCHEMES



PROVIDED ASSISTANCE TO OVER

154,000 CUSTOMERS

INVOLVING **RM23** BILLION

Throughout 2021, to facilitate recovery from the pandemic, BIMB also provide assistance to its affected customers through various deferment and assisted repayment schemes, such as PEMULIH, Targeted Repayment Assistance, URUS and our Prihatin Flood Relief Programme. Through these various deferment schemes and measures, BIMB supported over 154,000 customers, involving RM23 billion, to help them get back on their feet.

BIMB also continued its focus on the socio-economic well-being of the country by sustaining income generation and the financial resilience of the B40 segment and asnaf-owned businesses facing the effects of the COVID-19 pandemic via our iTEKAD and BangKIT micro financing programmes. I am proud to highlight that we have exceeded our initial goal under LEAP25 helping 4,765 beneficiaries through our Islamic social finance initiatives within the first year.

BIMB's Sadaqa House has continued to make inroads among the public and its participating partners with more than RM3.3 million collected for the benefit of various causes and social projects. In 2021, we disbursed more than RM3.6 million in aid to 4,905 beneficiaries. To this end, we have played our role in helping Malaysians bounce back from a challenging climate, and we stand ready to do more in 2022 and beyond.

KEEPING CUSTOMERS SAFE ONLINE

BIMB's continued focus on digitalisation and automation of its banking operational processes means that information security remains our priority. It gained particular urgency

during the COVID-19 pandemic, when the use of digital platforms for banking transactions became a necessity.

While we work to enhance our systems' capability and stability, as well as making inroads into improving our customers' access to our digital platforms, we have also taken measures to prevent unauthorised access to our customers' personal information, ensuring they stay protected from unwarranted actions by undesirable parties. BIMB constantly reviews its security implementation to assess the vulnerabilities and control effectiveness, in addition to monitoring the latest developments in the information security threat landscape. We have made significant investments in updating our technology systems and platforms, and taken steps to establish the necessary policies, processes and procedures to enhance our general effectiveness in providing a truly secure banking experience for our customers.

We also took the necessary steps to inculcate strong security awareness among our employees through frequent information security training programmes as an essential part of BIMB's security effort.

For BIMB to remain relevant and competitive in this digital age, we have been proactive in addressing the concerns of our customers and eliminating any threats that might compromise their interest. We continue to keep abreast of the latest local and global trends, as we seek to become a digitally-enabled bank, capable of providing innovative yet secure digital banking solutions, and superior customer experience.



GREEN FINANCING OUTLOOK
UNDER LEAP25 STRATEGY, WE AIM
TO RAISE GREEN FINANCING TO
10 – 12%
OF TOTAL PORTFOLIO BY 2025.

MESSAGE FROM THE CHAIRMAN

COMMITTING TO SUSTAINABILITY

Building on our core strength as a pioneer in the Islamic banking and finance industry, we have been on a journey incorporating principles of Shariah, Value-based Intermediation (VBI) and ESG considerations in our products and service offerings. We are committed in the mobilisation of our six strategic objectives of Sustainable Prosperity, Values-based Culture, Community Empowerment, Customer Centricity, Real Economy and Digitalisation to position us in our next phase of growth and transformation.

During the year, we took major steps to cement our leadership in the areas of Green Financing and Shariah-compliant ESG Investing, both identified as growth-drivers for our business. BIMB already has one of the highest exposures to Green Financing within the Malaysian banking industry, with Green Financing accounting for approximately 4% of our total financing, which is well above the 1-2% recorded by most Malaysian banks. We are working to further build on this strength under our LEAP25 strategy, to raise this to 10-12% of our current portfolio by 2025, establishing BIMB as a dominant player in Malaysia's growth in Green Financing.

We are also helping our customers to transition to greener lifestyles, by increasing financing to areas not within the conventional definition of Green Financing, ranging from the purchase of electric vehicles to financing for households and small businesses that are switching to solar power.

Our approach to sustainability, Green Financing and ESG-compliant financing and investing is part of our comprehensive approach to growth, which recognises that embracing ESG is not just the right thing to do, but it is also good for business.

ENHANCING CORPORATE GOVERNANCE

BIMB is committed to upholding the highest standards of corporate governance, in line with the strong values that we hold as a company. During the year, we implemented several key policies and measures to not only align with regulatory requirements but also to meet the high expectations of our stakeholders.

As part of Board's commitment to effective stewardship, we undertook a comprehensive review of the Board Charter and the Terms of Reference of the Board and the Board Committees to ensure that they are up-to-date and in line with the latest recommendation of the Securities Commission's Malaysian Code of Corporate Governance (MCCG). We welcome the 2021 update of the MCCG for companies to integrate sustainability considerations into their strategy, which is very much in line with our commitment to strengthen our sustainability governance, our corporate strategy and our determination to play a larger role as a responsible corporate citizen.

We carried out a review of the Board succession-planning for the Group to ensure we meet the recommended best practices on the tenure of Independent Directors and the composition of Independent Directors. We also recently signed up as a Corporate Advocate of the Malaysian chapter of the 30% Club, a network of corporations that are working together to increase women's participation in the boardroom. Our corporate advocacy in the Club will help us to leverage on best practices in implementing new diversity, equity, and inclusion (DEI) policies, in knowledge sharing and setting diversity targets, while contributing to the larger plan of promoting DEI in the Malaysian Islamic finance industry.

PEOPLE AT THE CORE OF OUR TRANSFORMATION JOURNEY

Our colleagues, from those in our head office to those at the frontlines of serving our customers and communities, remain our most valuable asset. BIMB's Live Well programme which was introduced to promote our colleagues' mental &





emotional wellness in 2020, was expanded to include physical, spiritual and financial wellness last year. The programme was established to assist employees in addressing their personal and work-related challenges that may adversely affect their job performance and personal well-being.

By providing all 4,731 BIMB employees access to Naluri, a digital and customisable health solution, we have empowered our colleagues to manage their own mental and physical health in the most effective ways. BIMB has also offered support by providing employees the solutions, insights, tools, and access to relevant experts for them to seek professional help for their problems.

The prolonged pandemic also presented us with an opportunity to embrace a hybrid workplace model that seamlessly combines remote and office work. We are committed to investing in technology to enable better efficiency and accessibility to services that will produce a more conducive working environment. HUMANE, our human capital management system introduced in 2021 has accommodated our evolving workforce needs. Being cloud based, it allows efficient access to data and information, streamlining our human capital management process, contributing to better talent recruitment, and improved learning and development experience for employees.

The Group's efforts to improve internal capabilities have been continuous. Our current focus on developing internal digital, leadership and professional certification aims to fill our people development gaps, helping to upskill and re-skill them to keep abreast with the latest requirements of the finance industry.

We accelerated digital literacy and adoption through an in-house Digital Upskilling Programme with the intention of nurturing our talent pool. With the establishment of our Digital Academy in 2021, we will continue to identify and build capabilities among our high potential talents, which will contribute to our succession planning and internal talent

mobility efforts. All these are supported with continuous learning programmes of blended learning modules that go beyond the classroom.

ACKNOWLEDGEMENTS

At the end of a highly eventful year for BIMB, I would like to take this opportunity to express my deepest gratitude to BHB's Board members and employees for their service and contribution over the years. They have played a vital role in maintaining BHB's position as the premier and successful Islamic financial holding company in Malaysia, before handing over the torch to BIMB in October 2021. BHB's investments and pioneering legacy have left an indelible mark in the Islamic financial industry, which has been the stepping-stone for BIMB to shape its future as a leading Islamic financial institution.

My sincere appreciation to my colleagues on the Board and to BIMB's senior leadership team. I speak for the entire Group that we are saddened by the loss of our beloved member of the Board, Puan Noraini Che Dan. Her contributions to BHB and BIMB were invaluable and integral to the successful listing of the Group. My gratitude also goes out to Encik Zahari @ Mohd Zin Idris who retired from the Board during the year, for his service and unwavering commitment.

To all our stakeholders who have been an important part of our journey thus far, I thank you for your continued support and trust. And finally, my deepest appreciation goes to all our employees for the remarkable commitment they have shown to BIMB, living our TAAT values and setting us in a good position for our exciting journey ahead.

Tan Sri Dr. Ismail Haji Bakar
Chairman



Message from the Group Chief Executive Officer

“

BUILDING ON OUR CORE
STRENGTHS, BIMB AIMS TO BE
A CHAMPION IN OFFERING SHARIAH
ENVIRONMENTAL, SOCIAL AND
GOVERNANCE (SHARIAH-ESG)
TOTAL FINANCIAL SOLUTIONS”

MOHD MUAZZAM MOHAMED
Group Chief Executive Officer



MESSAGE FROM THE GROUP CHIEF EXECUTIVE OFFICER



THE MALAYSIAN ECONOMY EXPANDED BY 3.1%; SUPPORTED BY BNM MAINTAINING THE INTEREST RATE AT A RECORD LOW OF 1.75% THROUGHOUT THE YEAR, WITH THE LOW COST OF FUNDING SUPPORTING A REBOUND IN CONSUMPTION AND BUSINESS INVESTMENT

Dear Shareholders,

Bank Islam Malaysia Berhad ("BIMB or "the Group") continues to evolve as a business and 2021 was a pivotal year for us. In October, we became a public-listed company, giving the Malaysian public their first opportunity to invest in Malaysia's only public-listed, full-fledged Islamic banking group. 2021 also marked the completion of the first year of our LEAP25 corporate strategy that sets-out our goals and pathway for delivering sustainable value for our shareholders as we navigate what is increasingly being called the Next Normal.

OPERATING ENVIRONMENT

Our transformation journey in 2021 continued against a challenging backdrop, as the Malaysian economy faced renewed headwinds from the

resurgence of COVID-19 cases and the banking industry itself continuing to undergo a fundamental transformation.

The year began with forecasts of robust economic growth at the domestic and international levels. Bank Negara Malaysia ("BNM") projected that Malaysia's GDP would grow by 6% - 7.5%, in 2021, a marked turnaround from the 5.6% contraction in 2020. The recovery was underpinned by rising vaccination rates, the easing of movement restrictions, the rebound in economic activity and the continued impact of the government's stimulus spending.

This favourable scenario was projected to support the performance of the Malaysian banking sector. However, the strong growth in the domestic economy was undermined by the emergence of the highly-infectious Delta and Omicron variants of COVID-19 in the second-half of the year. The resulting restrictions on movement and economic activity led to softer economic conditions. Despite these challenges, the Malaysian economy expanded by 3.1% for the year as a whole.

The expansion was supported by BNM maintaining the interest rate at a record low of 1.75% throughout the year, with the low cost of funding supporting a rebound in consumption and business investment. However, the low-rate environment has also led to compressed interest rate margins across the banking industry, which has negatively impacted the banking sector's profitability.

Notwithstanding these challenges, the Malaysian banking industry showed remarkable resilience during the year. Financing growth in 2021 returned to pre-pandemic levels, rising by 4.1%, up from the 3% financing growth the year





before. At the same time, the ratio of non-performing financings in the Malaysian banking sector also declined to 1.4% in 2021, from the 1.6% recorded the year before. The improvement was driven by the household segment as banks continued to support viable borrowers facing temporary financial difficulties by offering repayment assistance packages.

BIMB continued to outperform the banking sector as a whole in both key areas. Our non-performing financing ratio for the year stood at 0.96%, even as our financing growth for the year rose by 6.4%. The strength of our performance in these areas reflects the effectiveness of the LEAP25 growth strategy that we have implemented.

Alongside the unique challenges caused by the COVID-19 pandemic, we have seen the acceleration of larger trends that are reshaping the banking industry itself. The shift to digital banking, the disruption caused by the rise of FinTech firms and the growing pressure for financiers to incorporate ESG considerations into their lending practices are reshaping the banking landscape itself.

STRATEGY AND TRANSFORMATION

At the heart of our strategy is our commitment to our values and purpose as an Islamic banking institution. The strong ethical framework gives us a major asset as the world embraces values-based financing. Building on our core strengths, BIMB aims to

be a champion in offering Shariah Environmental, Social and Governance ("Shariah-ESG") total financial solutions and to establish its leadership in social finance and digital banking.

Our roadmap for delivering these goals is laid-out in our LEAP25 corporate strategy plan, which was launched at the end of 2020. LEAP25 sets clear targets for the next five years, of growing our asset size to over RM100 billion, doubling our ESG-rated financing, sustaining superior industry Return-on-Equity, increasing our non-fund-based income contribution, creating a positive social impact and retaining high-performing talent.

These targets are anchored by the six pillars of Sustainable Prosperity, Values-based Culture, Community Empowerment, Customer-Centricity, Real Economy and Digitalisation. To achieve this aim, we are configuring our business around delivering cutting-edge products, enhancing customers' experience, accelerating our digital initiatives and deepening our strategic collaborations.

As we navigated the challenging backdrop of 2021, we actively executed growth strategies that are aligned with our LEAP25 targets. During the year, we expanded our Green Financing portfolio, actively pursued the non-Muslim consumer market and accelerated digitalisation across all areas of our business and operations. The effective execution of our strategy had a visible impact on our business performance and we aim to pick up the pace of transformation going forward.

While we have now entered a new phase of our growth strategy, our intention remains the same – to create sustainable value for our shareholders and delivering on our aim of being the Bank that Advances Prosperity for All.

MESSAGE FROM THE GROUP CHIEF EXECUTIVE OFFICER

OUR PERFORMANCE

I am pleased to share with you that BIMB delivered a commendable set of operational and financial results, despite the challenging operating environment and growing digital disruption in the banking landscape. Total revenue for the year stood at RM3,167.8 million. This marked a decline of 5.2% from 2020, reflecting the subdued economic environment and the continued impact of low interest rates.

For 2021, we achieved a Profit Before Tax and Zakat (PBZT) of RM704.2 million, which was 3.3% lower than the previous year. The decrease in PBZT during the year was mainly due to lower non-fund-based income, which was attributable to lower net gain from the sale of investment securities, and higher operating expenses. The higher operating expenses were inevitable as we increased our investment in technological infrastructure for our digitalisation agenda. This was offset by a lower modification loss arising from the financing moratorium granted to customers.

SEGMENTAL PERFORMANCE

The impact of our transformation strategy was visible across all areas of our business segments during the year, as we continue to focus on capturing new markets, delivering a truly engaging customer experience and leveraging on technology to drive growth.

Our Consumer Banking business grew strongly, despite the challenging environment. Consumer Banking remains our biggest earner and we have continued to innovate in this area, driving its continued growth. Net income for the segment rose by 13.4% to RM1.2 billion in 2021. The rise was

SEGMENTAL NET INCOME

CONSUMER BANKING:

**RM1.2
billion**

CORPORATE & COMMERCIAL

**RM415.6
million**

TREASURY

**RM241.4
million**

driven, mainly, by higher net fund-based income during the year.

Our Consumer Banking business continued to build on its core strengths, with our market share rising from 4.7% to 4.8%. Growth in our Consumer Banking financing portfolio was driven, mainly, by the rise in home financing and this trend is set to continue. Malaysia has a young, favourable demographic that supports continued household formation, which will underpin demand for our Islamic home financing products.

Our strategy for Consumer Banking recognises that we need to continue diversifying our offerings to keep delivering growth. Among the key strategies that we implemented in 2021 was to expand our targeting of the non-Muslim market segment and actively work to grow our Green Financing portfolio. Competition for these markets remains intense and we implemented key measures to drive growth, including

simplifying our financing process by implementing the Consumer Financing Process Review. We also intensified digitalisation for lead generation via digital platforms to deliver more convenient and personalised services to customers.

Our Consumer Banking saw minimal demand for assistance under the Financial Management and Resilience Programme ("URUS") programme during the year. As massive floods hit the country in late November 2021, BIMB responded by launching its Prihatin Programme for Flood and Disaster Relief Facility ("DRF") to assist flood-affected individuals and business financing customers in need of help. In line with our values, we will continue to offer financial support to customers in need, as parts of society continue to feel the strain from the impact of COVID-19.

Our Corporate and Commercial Banking business delivered a strong performance as our customer-centric approach, strong commercial relationships and focus on growth sectors allowed us to capitalise on improvements in the national economy. Net income for the year rose by 6.5% to RM415.6 million.

Throughout the year, Commercial Banking acted decisively to support our existing customers affected by the pandemic, including through assistance in instalment deferment, as well as by the rescheduling and restructuring of facilities. These measures were in line with the financial assistance programmes introduced by the Government to support the national economy. The performance of our Commercial business was negatively impacted by the overhang in the property market in 2021. However, we continued to develop new opportunities in property financing by targeting growing sectors, such as affordable housing. We also expanded our Green

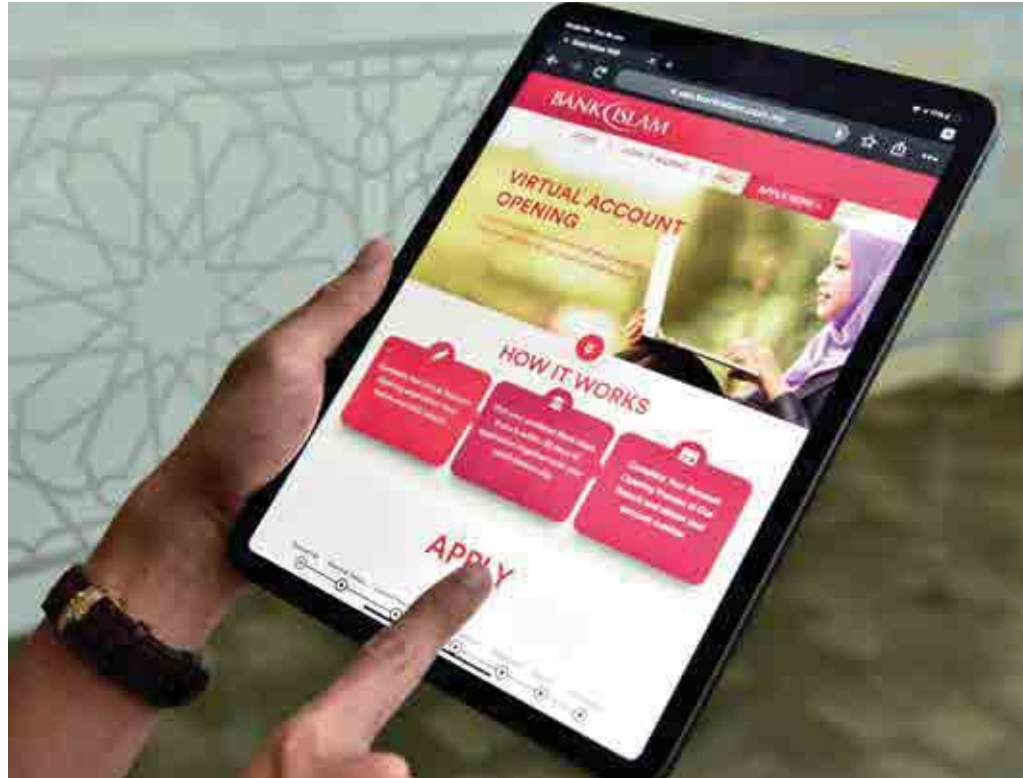
Financing initiatives beyond renewable energy and towards the wider green technology and green economy ecosystem. These will remain key growth areas for our Corporate and Commercial Banking business as we move forward. Commercial Banking will continue to build on our existing strengths while executing strategies to capture market share in selected high-value and high-growth target segments.

Our Treasury business registered net income of RM241.4 million for the period. The figure was 47.1% lower than the previous year, reflecting the impact of the challenging economic environment. The decline in Treasury's net income for 2021 was attributable to lower net gain from the sale of investment securities.

Going forward, Treasury will maintain a cautious approach to trading activities and remain prudent in its investment portfolio management and rebalancing activities. Our focus will be on growing fund-based income potential and implementing strategies to enhance yield pick-up.

ACCELERATING DIGITAL TRANSFORMATION

Digitalisation is one of the six pillars supporting our LEAP25 growth strategy and we are focused on enhancing our digital offerings, so that we are not just on par with our peers and competitors but emerge as a clear leader in digital banking. Central to our digital strategy is the effective leveraging of the vast amounts of data that we generate, in order to deliver a seamless and hyper-personalised customer experience across all our channels.



GO by Bank Islam



NUMBER OF
ACTIVE USERS

849,000

79% 



TOTAL NUMBER OF
FINANCIAL TRANSACTIONS

**47
million**

The banking landscape is evolving rapidly with the growth of online banking, e-payment systems and the rise of the FinTech companies, as consumers embrace online banking and e-commerce. The shift towards online transactions has been greatly accelerated by the pandemic and is forcing businesses to develop new strategies that adapt to and anticipate the changes, and BIMB has taken decisive action to capitalise on this opportunity.

This shift in consumer preference and the enhancements that we have already made to our digital offerings have driven rapid growth in our digital operations, with more than 90% of our transactions now conducted through electronic channels. The number of customers using our internet banking rose by 22% during the year, to 1.5 million, while the number of internet banking transactions grew even faster, rising by 50%.



MESSAGE FROM THE GROUP CHIEF EXECUTIVE OFFICER

The growth in our mobile banking services has been even more impressive. Our multiple award-winning GO by Bank Islam mobile banking app saw massive growth as we continued to roll-out new features. The number of active users on GO by Bank Islam increased by 79% in 2021, to reach 849,000. At the same time, the total number of transactions on GO by Bank Islam tripled to reach 47 million, far exceeding our target of 21 million transactions for the year. As we move forward, we will continue to build on this momentum by accelerating the roll-out of new features on GO by Bank Islam.

We further extended our mobile banking offerings with the launch of the GO Biz by Bank Islam mobile app in July, which is targeted at SMEs and micro businesses. The app allows small merchants to manage their day-to-day business quickly and securely from their mobile devices. The app has been well-received and we on-boarded more than 7,000 merchants by the end of the year.

Even as we have grown our digital banking services, we have seen the traditional banking and financial model face serious disruption from the rise of the FinTech start-ups. The FinTech's have rapidly leveraged on their greater agility and an accommodating regulatory landscape to drive innovation in the industry. At BIMB, we see this as an opportunity and we have actively embraced collaboration with selected FinTech's in order to sharpen our own digital delivery. We aim to amplify the impact of these collaborations by leveraging on our unique advantages, credibility, large customer base, access to huge amounts of data and financial resources. Above all, we aim to enhance the impact of these collaborations by leveraging on the unique branding and position that we hold as Malaysia's leading Islamic bank.

Our digital growth strategy goes far beyond collaborations and enhancements. In 2020, we established the Centre of Digital Experience, or CDX, to drive innovation by experimenting with new business models and technology, and to assess the feasibility of their adoption by BIMB. CDX has embraced the opportunities for disruptive innovation that have arisen during the pandemic. We recognise that the shift to new technologies carries execution and security risks and we have acted to minimise these risks by ring-fencing CDX from the rest of BIMB.

We have also continued to leverage on digitalisation to drive operational efficiency across our company through increased process automation. A key initiative during the year was the accelerated implementation of Robotics Process Automation, which has allowed our staff to automate business processes on their own, cutting down on the number of work hours spent on routine tasks.



LOOKING AFTER OUR PEOPLE AND THEIR DEVELOPMENT

Our ability to effectively execute our growth and transformation strategy is dependent on having the right people in our workforce. To deliver on this, we have aligned our overall workforce strategy with the aspirations of the Group's LEAP25 strategic plan. For BIMB to progress and remain relevant in the face of the ever-challenging environment and increasingly competitive marketplace, developing our peoples' capabilities, as well as creating the appropriate culture and values are of utmost importance.

Digitalisation is at the heart of our corporate transformation and to ensure that our people are armed with the right skills to continue contributing to the continued growth of the bank, we have stepped-up investment in digital training. In 2021 we established our in-house Digital Academy and expanded our Digital Upskilling Programme, which offers training and certification, as we work to build a workforce that is both customer-focused and digitally-savvy.

Digitalisation is also the key in us being able to better serve our employees. The implementation of HUMANE is specifically geared towards fulfilling our human capital needs via a cloud-based self-service digital platform. With a user-friendly interface, the platform gives our employees the ability to manage their training progression as well as access career-related details such as payroll information, benefits and leave entitlements.

Competition for top talent remains fierce, and BIMB continues to refine our recruitment and reward structures to ensure that we are able to attract

and keep the right people. To that end, we continue to work hard on positioning BIMB as an employer of choice and our success in this area is seen in the consistently high rankings that BIMB receives in graduate employment surveys.

EMBEDDING SUSTAINABILITY INTO OUR BUSINESS

Our commitment to sustainability is deeply embedded in our business model as an Islamic bank and value-based intermediary. Islamic finance and ESG investing offer complementary capital-raising and investment approaches with many shared principles, such as being a good steward to society and the environment. This strong confluence of principles allows us to use a market-based approach to supporting our sustainability goals. As a key part of delivering this goal, BIMB is working to integrate a comprehensive ESG framework into our credit assessment process, which we aim to implement in 2022.

One of the key drivers for our business growth and achieving our sustainability goals is our focus on growing our Green Financing portfolio, which stood at more than RM2 billion at the end of 2021. Much of this financing has been directed to the Renewable Energy Green Building sector, thus far. As we move forward, we are now actively aiming to expand our presence in the wider green economy ecosystem, with a focus on mini-hydro and solar farm projects.





MESSAGE FROM THE GROUP CHIEF EXECUTIVE OFFICER

A key concern of Islamic finance is to eliminate poverty and serve human welfare, which aligns strongly with the objectives of the UN's Sustainable Development Goals ("UNSDG"). We took a landmark step in this direction during the year, when BIMB Investment launched Malaysia's first Waqf Featured Unit Trust Fund in March 2021. The Fund is an inclusive economic instrument based on philanthropic principles that aims to provide underserved members of society with access to quality essential services and is recognised as a Qualified Sustainable and Responsible Investment ("SRI") Fund under the Securities Commission (SC) Guidelines on Sustainable and Responsible Investment Funds. With its launch, BIMB Investment became the first fund management company to structure and design a waqf unit trust fund following the introduction of the Waqf-Featured Fund Framework by the SC in November 2020. As we move forward, we will continue to innovate in the area of social finance, not just because it makes good business sense, but also because it is an essential part of our identity as an Islamic banking and financial group.

Alongside integrating ESG considerations into our business, we are also working to reduce the negative environmental impact of our operations. We have launched a green branch initiative that will see the introduction of solar panels, rainwater harvesting, energy efficient lighting systems and auto sensors at selected BIMB branches. The concept will be trialled at our Temerloh branch.

OUTLOOK

BIMB anticipates a stronger performance in the year ahead, supported by a rebound in the Malaysian economy and higher growth in our targeted financing areas and we have actively positioned ourselves to capitalise on the continuing recovery.



BNM forecasts the Malaysian economy to grow at 5.5% - 6.5% in 2022. The growth of the economy will be supported by the pump-priming impact of Budget 2022. The total budget of RM332.1 billion, which includes targeted spending programmes, will have a strong multiplier effect across key sectors of the economy. Additionally, the further reopening of international borders will also boost Malaysia's vital tourism industry, with strong positive spillover effects on other key sectors of the economy.

In addition, the launch of the government's 12th Malaysian Plan will further catalyse growth over the period 2021 to 2025. The plan emphasises growth in high impact projects in infrastructure, technology, and efforts towards greening the economy. Under the Plan, the contribution of renewable energy within the national energy mix is set to increase, which will support our push to expand our Green Financing portfolio.

The national economy will also continue to benefit from the prevailing low interest rate environment. Many analysts expect BNM to maintain its Overnight Policy Rate ("OPR") at the current record low of 1.75% throughout the first-half of 2022, and see the growing possibility of a rate-hike in the second half of the year, in line with the global trend towards monetary tightening.



Malaysia's economic rebound will also be supported by continued global growth, with the International Monetary Fund (IMF) projecting that world economy will grow by 4.4% in 2022. Key domestic industries, such as manufacturing and services, are set to benefit from the global economic recovery as Malaysia is highly integrated into global supply chains. Questions about the strength of the global recovery persist, though. The ongoing disruption in global supply chains, rising inflation and energy prices, and growing geopolitical tensions centred on Eastern Europe all add elements of uncertainty to the global growth projections. Notwithstanding these risks, 2022 looks set to be a year of continued recovery.

The projected rebound, however, will not mean a return to the status-quo-ante and BIMB is actively positioning itself to capitalise on key trends that will define the next normal.

Sustainability considerations will continue to move to the centre of business and finance, with the SC integrating them into their latest updates to the Malaysian Code of Corporate Governance and BNM placing the transition to a greener economy at the heart of its new five-year Financial Services Blueprint 2022 – 2026. We welcome these initiatives as they play to our strengths and are aligned with our own business strategy. Competition in the area of Green Financing will intensify as banks increase the target size of their green portfolios. However, we believe that our strong track record in Green Financing, deep network of relationships in the Malaysian corporate world and our established position as a values-based lender gives us a competitive edge in this area.

One of the most lasting impacts of the COVID-19 pandemic has been the growth of digitalisation. The digital economy accounted for 22.6% of Malaysia's GDP by the end of 2021, but is projected to grow to 25.5% of GDP by 2025, driven by a rise in e-commerce and digital finance. To capitalise on this opportunity we will continue to invest in ensuring that we have the right people, the right technology and the right strategy to deliver the customised solutions that digital customers demand.

In conclusion, as we move forward, BIMB is focused on our goal of being The Bank that Advances Prosperity for All. To deliver on this, we will continue to accelerate the transformation of our company in line with our LEAP25 strategy by putting

customer-centricity at the heart of our business, widening our offerings and embedding digitalisation into all areas of our business and operations. This is how we will unlock new growth opportunities and this is how we will continue building sustainable value for our stakeholders.

ACKNOWLEDGEMENTS

Firstly, I wish to thank our customers for the support that they have shown us as we continue our transformation journey. I would also like to express my appreciation to our shareholders, who have placed their trust in us. We will continue working to be worthy of their confidence.

I wish to express my particular gratitude to our Chairman and Board of Directors for their effective stewardship of our company as we navigated the challenges of the last year. I also wish to thank my colleagues in the BIMB leadership team for the excellent job that they have done. I look forward to continuing to work with you in the year ahead.

Finally, I wish to express my gratitude to all members of our extraordinary workforce. It is your dedication that drives our success.

MOHD MUAZZAM MOHAMED

Group Chief Executive Officer



VISION
THE BANK THAT
ADVANCES
PROSPERITY
FOR ALL

MISSION
TO PROVIDE
SOLUTIONS THAT
DELIVER VALUE

OUR BRAND
PROMISE

ASSURING TRUST
DELIVERING VALUE

TAAT Values



- 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



- 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



- 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



- 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

WHO WE ARE



BIMB is Malaysia's first public listed Islamic Bank on the Main Market of Bursa Malaysia Berhad. Established in July 1983 as Malaysia's first Islamic Bank, BIMB has 141 branches and more than 900 self-service terminals nationwide. As a full-fledged and pure-play Islamic bank, BIMB provides banking and financial solutions that strictly adhere to the Shariah rules and principles and are committed to the ideals of sustainable prosperity and ESG values. The core subsidiaries of the BIMB Group are pioneers in various Islamic financial services, including investment and stockbroking, namely BIMB Investment Management Berhad and BIMB Securities Sendirian Berhad.

At BIMB, we are driven by our purpose to create opportunities and make lives better for everyone. We do this by offering end-to-end financial solutions that fulfil our customers' diverse needs and provide the platform for our stakeholders, including our people, investors and communities, to prosper.

As the leading and pioneering Islamic Bank in Malaysia, we bring a unique perspective to the financial landscape, with a commitment to nurturing responsible growth and progress. Using our capability, expertise and experience, we help those we serve achieve success and ultimately build a sustainable future for all.

MARKET
CAPITALISATION

RM6.2
billion

REVENUE

RM3.2
billion

PROFIT BEFORE
ZAKAT & TAX

RM704.2
million

TOTAL EMPLOYEES

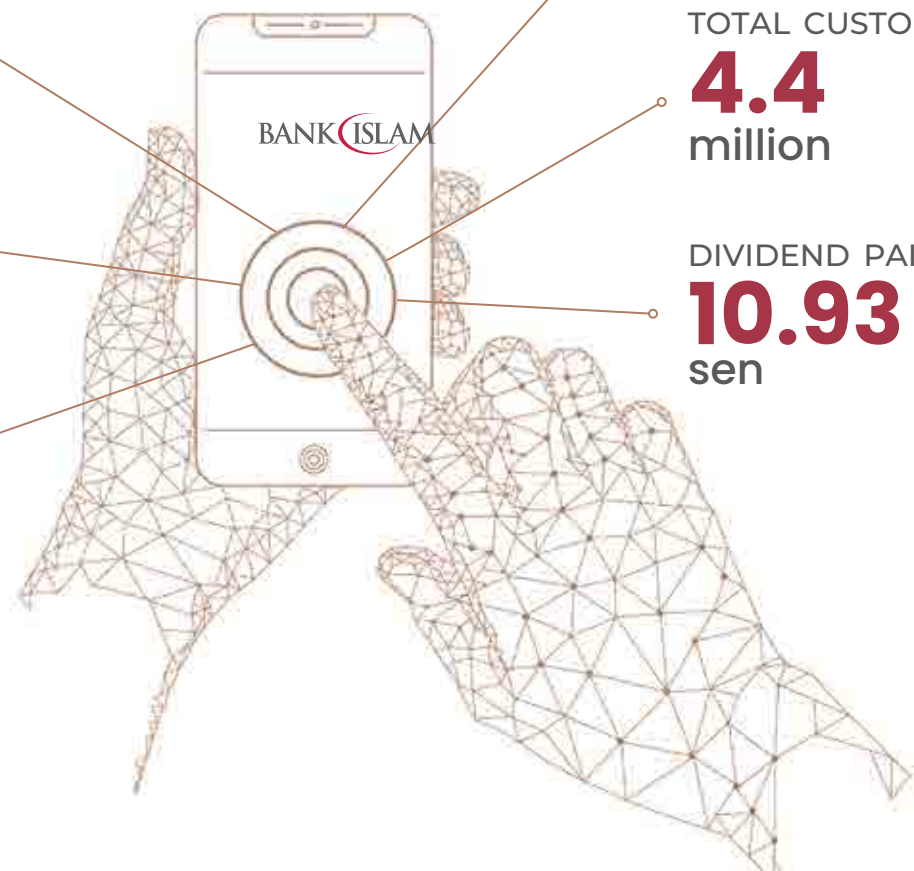
4,731
employees

TOTAL CUSTOMERS

4.4
million

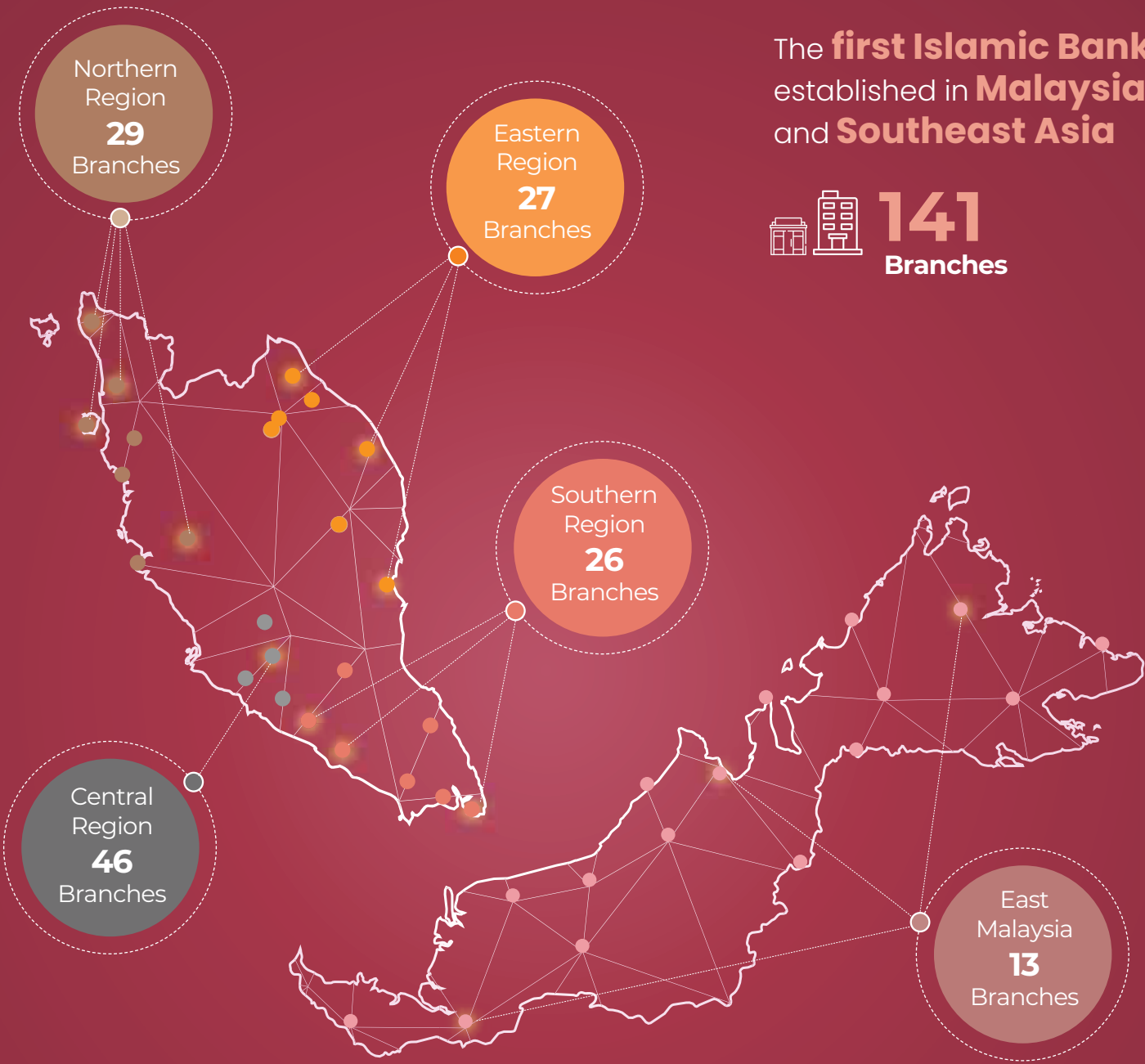
DIVIDEND PAID

10.93
sen





OUR PRESENCE



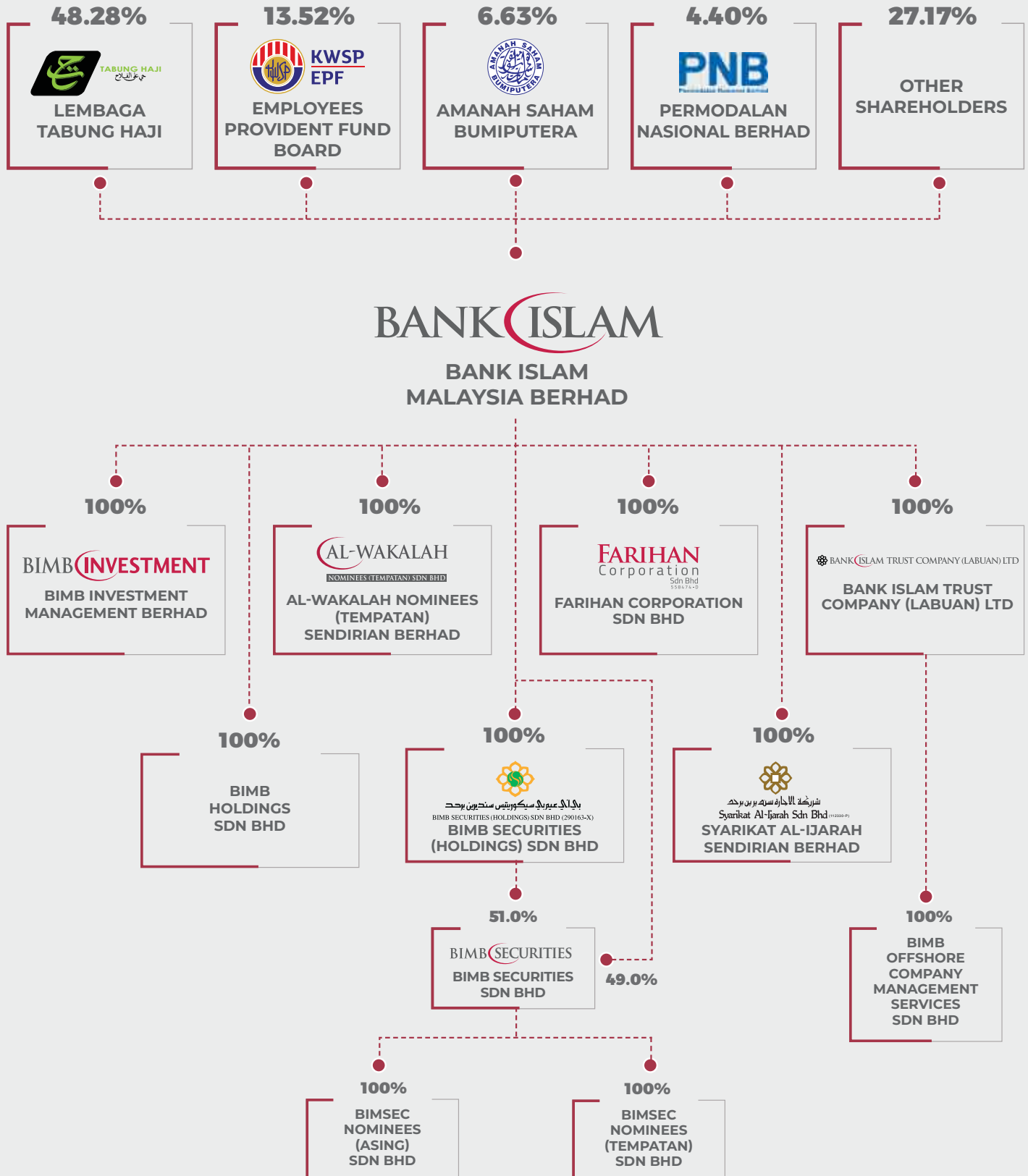
The **first Islamic Bank** established in **Malaysia** and **Southeast Asia**

 **141**
Branches

Total of Self-service Terminals (SST) Nationwide	Cash Recycler Machines	Automated Teller Machines
947	496	451

HOW WE ARE STRUCTURED

AS AT 31 MARCH 2022





WHAT WE DO

CORE BUSINESSES



CONSUMER BANKING

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



Strengths and Differentiation:

Competitive financing rates in the market

Substantial public impression for **Al-Awfar product that generates good returns** through attractive prizes.

Convenience for financing customers through our **“Doorstep Banking”** service

Award-winning debit card solutions with appealing co-branding initiative.



COMMERCIAL AND SME BANKING

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



Strengths and Differentiation:

Customised financing facilities that cater to **differing client needs**

Strong rapport with strategic partners for **comprehensive financial solutions**

Innovative offers for different customer appetite.

Provision of **special programmes** to **nurture SME entrepreneurs**



CORPORATE BANKING AND TREASURY

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

Strengths and Differentiation:

Highly ranked team of **qualified professionals** with required competency to **deliver the desired financial results**

Solid experience in facilitating projects as the **Lead Arranger and Book Runner**

Technical expertise in **structured and project financing**, especially in the **green and renewable energy sector**.



BIMB INVESTMENT MANAGEMENT (SUBSIDIARY)

A full-fledged fund management company with a comprehensive range of investment solutions, including advisory.

Sustainable and responsible investment solutions that are fully compliant with Shariah rules and regulations, and in accordance with ESG principles.

Strengths and Differentiation:

The only **bank-backed asset management company in Malaysia** to offer comprehensive **Shariah-ESG funds** and **investment solutions**.

BIMB Arabesque-i Global Dividend Fund 1 consistently ranked **first** for the past three years in terms of Total Overall Returns and Consistent Return, and currently the **largest Shariah-ESG Global Equity fund in Malaysia**.

Adoption of **advanced AI technology and Big Data analytics methodology** makes for efficient management of funds, leading to **consistently better returns** and responsible investment portfolio.

2021

KEY HIGHLIGHTS



BANK ISLAM



FINANCIAL HIGHLIGHTS

PROFIT BEFORE
ZAKAT AND TAX**RM704.2**
million

(2020: RM 728.2 million)

TOTAL
ASSETS**RM80.2**
billion

(2020: RM 74.6 Billion)

RETURN ON
EQUITY**11.1%**

(2020: 12.1%)

CASATIA
RATIO**39.6%**

(2020: 36.1%)

GROSS IMPAIRED
FINANCING RATIO**0.96%**

(2020: 0.67%)

ASSET
GROWTH**7.4%**

(2020: 10.4%)

REVENUE
CONTRACTION**-5.2%**

(2020: -8.3%)

FINANCING
GROWTH**6.4%**

(2020: 10.5%)

BUSINESS HIGHLIGHTS



HUMANE, became the first bank in Malaysia to implement a **cloud-based self-service** human capital management solution



Launch of GO Biz by Bank Islam app for business users



Crowned as the Strongest Islamic Retail Bank in Malaysia 2021 by Cambridge IFA



Expansion of BangKIT microfinancing facility to youth and university students entrepreneurs



First bank in Malaysia to deploy **mobile onboarding (MOB) channel** for retail customers





BUSINESS/SUSTAINABILITY/CORPORATE SOCIAL RESPONSIBILITY (CSR) RELATED

- Halal Financial Excellence Award, World Halal Excellence Awards 2021
- Best Islamic Finance Awards 2021
 - Best Islamic Asset & Fund Manager
 - Best Risk-Adjusted Returns (ESG Principle Investments Only)
- Malaysia National Business Awards 2021
- Global Finance - World's Best Islamic Digital Banks 2021
- Global Banking & Finance - Most Innovative Islamic Retail Banking App Malaysia 2021



AWARDS & RECOGNITION

- **Payments Network Malaysia (PayNet) 2021**
 - Best FPX Bank
 - Best FPX Acquirer
 - Best JomPAY Acquirer
- **Best FinTech Robo Mobile Applications Malaysia, The Asset ASEAN Awards**
 - Best Invest Mobile Application
- **Lead Manager Award 2020, RAM Ratings**
- **The Company of The Year Awards for Outstanding Community Support 2021, CSR Malaysia**

EMPLOYER/EMPLOYEE RELATED

- **2021 Most Preferred Graduate Employer, Graduates' Choice Award**
 - Top 5 in Banking
- **Malaysia's Most Preferred Employer, Graduan Brand Awards 2021**
 - 2nd Runner Up, Banking & Finance
- **Most Inspiring Leader, Employee Experience Awards 2021**





Sizeable Green Financing Portfolio, **targeted to double Shariah-ESG assets by 2025**



Dedicated Centre of Social Finance
- Group Financial Inclusion



Malaysia's Strongest Islamic Retail Bank

for 2021
(accorded by Cambridge IFA)



World's 3rd Largest Global
Shariah-ESG Equity Fund



Malaysia's Largest Network of Dedicated Islamic Banking Channels



Values-based Culture, with emphasis on **Shariah Goals and VBI Principles**



Strong balance sheet and performance track record, with **a AA3/Stable/P1 rating by RAM Ratings**

SIGNIFICANT EVENTS 2021



**11
Jan**

Contribution of RM400,000 from Sadaqa House's fund for humanitarian and flood relief efforts in several affected states.



**8
Feb**

Deployment of end-to-end mobile onboarding channel to provide door-step banking experience.



**14
Feb**

MoU signing ceremony with Noor Luminous to offer banking facilities through digital application called TheNoor.



**17
Feb**

Appointment of TM ONE as digital partner to accelerate BIMB's digital transformation.



**24
Aug**

Virtual MoU signing ceremony on the collaboration between BIMB and SME Corporation Malaysia.



**8
Oct**

BIMB became the first pure-play, full-fledged Islamic financial institution listed on the Main Market of Bursa Malaysia, taking over the listing status from BHB.



**2
Dec**

Launch of "Pay & Win with DD (DirectDebit)" campaign in collaboration with PTPTN.



**6
Dec**

MoU signing ceremony with the Bumiputera Agenda Steering Unit ("TERAJU") for the Awqaf Ummah Financing Programme for the provision of waqf project's financing.



22 Mar

Launch of BIMB-ARABESQUE Global Shariah Sustainable Equity Fund (BGSEF).



25 Mar

MoU signing ceremony with Malaysian Youth Council to extend BangKIT microfinance facility to the youth entrepreneur segment.



5 Apr

Launch of BIMB Investment's Makmur MyWakaf Fund.



9 Apr

Launch of JKMPay, a cashless payment assistance project by Social Welfare Department ('JKM').



29 June

MoU Signing Ceremony with Halal Development Corporation Berhad for the introduction of GO Halal Fund.



9 May

Contribution of 11 housing units to selected asnaf in Kuala Lumpur through Baiti Jannati (My Home, My Paradise) programme in collaboration with Kuala Lumpur City Hall ('DBKL') and the Ministry of Federal Territories.



22 Apr

Media briefing on the progress of the Group's restructuring plan and LEAP25 five-year business strategy.



31 Dec

Collaboration with Universiti Teknologi Malaysia (UTM) to provide solar-powered electric supply to a fishing community in Johor.



31 Dec

MoU signing ceremony with Malaysia External Trade Development Corporation (MATRADE) for the provision of customised solutions for SMEs and exporters in conjunction with Malaysia International Halal Showcase ('MIHAS') 2021.

OUR APPROACH TO VALUE CREATION

1

ANALYSE



OPERATING ENVIRONMENT

See pages 46 to 53

We constantly monitor and evaluate our operating environment to understand what is needed to enable us to thrive in today's dynamic banking environment. Key market trends affecting BIMB's business are:

- Moderate Economic Recovery
- Interest Rates and Other Financial Consequences
- Digitalisation
- Workforce Challenges
- Sustainability Concerns and Climate Change
- Geopolitics

STAKEHOLDER ENGAGEMENT

See pages 44 to 45

We conduct regular engagements with stakeholders in order to gain insights into their key needs and interests and to respond accordingly.



Customers



Local Communities



Employees



Investors



Government & Regulators

2

FORMULATE



MATERIAL MATTERS

See pages 54 to 57

We apply the principle of materiality by focusing on the issues, challenges and opportunities that materially impact our business and our ability to create value for our stakeholders.



Responsible Finance



Ethical Practice and Reporting



Inclusive Growth



Islamic Finance and Knowledge Sharing



Talent Enrichment

3

EXECUTE



CAPITAL RESOURCES

See pages 42 to 43



Financial

We drive capital appreciation for sustainable growth by reinvesting income and earnings that we generate back into our core business.



Manufactured

We develop and manage a broad range of physical assets and channels that enable us to deliver financial services and meet our stakeholders' needs.



Intellectual

We promote a values-driven culture and develop knowledge-based intangible assets that sustain our competitive edge in the market.



Human

Our people are at the heart of our organisation. We nurture the skills and knowledge of our employees and have built an inclusive culture that enables them to drive our growth.

Our success as a business is closely linked to the progress of the people, communities and businesses we serve; and as a stakeholder-centric organisation, BIMB strives to create value for everyone impacted by our business. We deliver this through our integrated model that recognises the connectivity and interdependency of the many factors that impact our ability to create stakeholder value, both now and into the future. This section describes our value creation story, which encompasses a range of factors, including our operating environment, stakeholder expectations, the capitals we utilise, our responses to the risks and opportunities that arise, and the overarching strategy that we have implemented.

RISKS & OPPORTUNITIES

See pages 58 to 61 

We maintain a robust risk management framework that enables us to mitigate risks and capitalise on the opportunities that we encounter in the course of business, and which underpins our effective value creation model.

Risks identified:

	Credit		Information Technology (IT)
	Market		Shariah Non-Compliance (SNC)
	Liquidity		Regulatory/Compliance
	Operational		Climate

STRATEGY See pages 62 to 71

We have developed a comprehensive corporate strategy that incorporates our business objectives and stakeholder needs, as well as clear performance benchmarks, to drive our growth and create sustainable value.



4

VALUE CREATION



WE CREATE SUSTAINED
VALUE FOR ALL OUR
STAKEHOLDERS,
ENABLING US TO REALISE
OUR STRATEGIC VISION
OF LEAP25.



Social and Relationship

We build strong stakeholder relationships that are critical to our business success, while contributing meaningfully to the communities in which we operate



Natural

We work to minimise our environmental impact by optimising the use of the natural resources required for our operations.



SUSTAINABLE PROSPERITY

- Emphasis on strong financial results across the board
- Focus on fee-based business activities and growing wholesale banking portfolio
- Implementation of Integrated Wealth Management Business Model
- Grow green economy portfolio with incorporation of ESG considerations
- Enforce cost management, optimisation and savings Initiatives

DIGITALISATION

- Active digitalisation through various programmes covering channel, data governance and business growth
- Enhance mobile banking proposition with GO by Bank Islam mobile app to incorporate additional functions to cater to the broadening customers' need and segments
- Strengthen the core enabler and IT infrastructure
- Centre of Digital Excellence to provide novel digital banking proposition
- Engaging and adopting new ways of working through deployment of new and emerging technologies

CUSTOMER-CENTRICITY

- Promote proactive service culture with focus on customers' satisfaction at all points
- Transformation journey towards superior customer experience
- Emphasis on all-encompassing wealth-creation solutions for retail customers
- Deliver operational excellence
- Develop analytics capability
- Communicating with empathy, reinforcing trust and establishing credibility with customers during challenging times

REALISING VBI

COMMUNITY EMPOWERMENT

- Uplift social finance nurturing through application of waqf, zakat, sadaqah and other related instruments within the financial landscape
- Focus on community-based projects
- Increase strategic alignment and impact of BIMB's CSR initiatives
- Emphasis on partnerships with beneficial organisations and institutions to effect positive socio-economic impact

REAL ECONOMY

- Promote programmes and collaborations to make inroads in the focus areas
- Grow financing portfolio in the Halal economy
- Enhance growth enablers through expansion of the businesses' reach and touch points as well as improved processes
- Delivery of platforms that provide business insights as well as training for the lead generation

VALUES-BASED CULTURE

- Agility and adaptation to new ways of working in light of current environment
- Strengthening the talent pool and leadership bench
- Reinforcing risk and compliance culture
- Organisational construct to deliver through widening of the workforce capability, from conceptualisation and execution of business strategies and deliverables
- Create holistic development programmes for the employees in line with the mission and vision
- Inspiring new ways of business and conducts through a process of unlearning and relearning

HARNESSING CAPITALS

Capitals are stocks of value we depend on as the inputs to our business model, and which are increased, decreased or transformed through our business activities and outputs.

Our capitals are the resources and relationships that are essential to our business. We create value and deliver on our strategy by transforming the various capitals. We seek to operate and grow inclusively, responsibly and sustainably, thereby maximising value creation and minimising any negative impacts.

Hence, our long-term relevance as a business depends on these capitals' availability, utilisation, and consequent value delivered. When deciding how to manage our business, we consider the trade-offs between capitals: we aim to maximise positive outputs and outcomes and limit negative impacts.

Capitals key to our long-term value creation include **Financial Capital**, **Manufactured Capital**, **Intellectual Capital**, **Human Capital**, **Social & Relationship Capital** and **Natural Capital**.



FINANCIAL CAPITAL

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

HOW WE CREATE VALUE:

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



HIGHLIGHTS

- Common Equity Tier-1 Ratio – **13.2%**
- Total Equity – **RM6.4 billion**
- Total Deposit – **RM67.4 billion**



MANUFACTURED CAPITAL

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

HOW WE CREATE VALUE:

We provide several access points and banking methods to facilitate options and to improve customer experience. We strive to introduce new operation channels adopting latest advances in technology.



HIGHLIGHTS

- **141** Bank Islam branches nationwide with **451** ATMs
- **17** SME Hubs
- **7** Bureau de Change outlets
- **9** Ar-Rahnu outlets
- **RM15.7 million** investment in IT infrastructure

HARNESSING CAPITALS



INTELLECTUAL CAPITAL

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

HOW WE CREATE VALUE:

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



HIGHLIGHTS

- Strong franchise value as the nation's only public-listed, full-fledged Islamic banking group with reputation as a pioneer in the field and the industry's source of reference, and provider of an extensive suite of diversified and fully Shariah-compliant products and services.
- Enhanced value propositions through growing strategic partnerships with key institutions, organisations and public agencies
- In addition to Sadaqa House, the introduction of Waqf House Financing facility and microfinancing initiatives have strengthened BIMB's role as a major player within the social finance sphere.
- Continuous growth of ESG-compliant fund that incorporated the novel Artificial Intelligence (AI) features



HUMAN CAPITAL

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

HOW WE CREATE VALUE:

To maintain a conducive working environment with performance-based culture, we have incorporated the TAAT values in all of our employees' working aspects. We invest in our people with training and development programmes to attract, cultivate and retain talent. We implement initiatives to grow internal talent for upward mobility.



HIGHLIGHTS

- Diversified composition of 4,731 employees
- More than **RM8.8 million** invested in employees' capability and capacity enhancement
- Highly qualified professionals certified to operate in the field of Islamic finance
- Strong governance and compliance culture with emphasis on Islamic values that promote trust, integrity and acceptable working culture



SOCIAL AND RELATIONSHIP CAPITAL

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

HOW WE CREATE VALUE:

We are committed to build positive relationships with our network of partners, vendors, customers and the community at large through effective products and services, policies, and contributions. Through our AMAL and Sadaqa House initiatives, we aim to become a force of good to realise positive impact for all of our stakeholders.



HIGHLIGHTS

- More than **4.4 million** customers
- Proponent of enterprises for societal well-being with strong CSR and social finance initiatives
- Commitment towards sustainability with compliance with the principles of ESG and UN SDG



NATURAL CAPITAL

Our focus on natural capital impacts our operational costs as well as sustains business value and environmental well-being.

HOW WE CREATE VALUE:

As a financial institution, we can positively impact the environment in the communities and ecosystems where we operate through our operations as well as businesses that utilise our product and service innovations. We promote environmental principles, alongside social and governance aspects in our customer screening. We have an increasing Green Financing portfolio to ensure sufficient financial support to the renewable energy market. We also adopt sustainable practices as far as possible both internally and externally reducing our overall carbon footprint.



HIGHLIGHTS

- Continued focus on facilitating financing for corporations investing in green and renewable energy solutions with more than **RM2.2 billion** of financing approved under Green Financing
- BIMB Invest Management achieved a total ESG-compliant fund size of **RM1.43 billion** (Asset Under Management)
- Continuous commitment in realising the Sustainability and VBI agenda that include the preservation of the planet's biodiversity for the good of all
- Climate change and resource use strategies that guide both BIMB and our customers to positively manage the environmental impacts from business and operations

OUR VALUE CREATING BUSINESS MODEL

Our business model demonstrates how we leverage our six capitals to create value in the form of outputs and outcomes and how we ensure the sustainability of our business for our stakeholders.

OUR CAPITALS...

...ENABLE VALUE-ADDING

...ACTIVITIES

INPUTS

FINANCIAL CAPITAL

- Total Assets: **RM80.2 billion**
- Total Equity: **RM6.4 billion**
- Total Customer Deposit: **RM67.8 billion**
- Total Asset Under Management: **RM1.43 billion**
- Liquidity Coverage Ratio: **180.1%**
- Market Capitalisation: **RM6.2 billion**

INTELLECTUAL CAPITAL

- Strong brand value with **almost 40 years** of sustained success as the pioneering, pure, full-fledged Islamic financial institution
- Strong reputation as the **GLOBAL source of reference** for the Islamic financial industry
- Strong value proposition through **partnerships** with key organisations, institutions, and public agencies

HUMAN CAPITAL

- A diversified workforce of **4,731** employees nationwide, made-up of **2,437** males and **2,294** females
- An agile, performance-based, purpose-led culture driven by **TAAT values**
- Over **RM8.8 million** invested in upskilling employees through training and development programmes

MANUFACTURED CAPITAL

- Dedicated network of **141** branches and **947** self-service terminals nationwide
- Concentrated effort to enhance delivery of digital solutions and deployment of automated processes through **major investment in IT development and infrastructure**, including cyber-security
- Continuous **investment in promoting mobile applications and online channels** including GO mobile banking app, Sadaqa House and Internet Banking

SOCIAL AND RELATIONSHIP CAPITAL

- More than **4.4 million** customers served
- Beneficial **engagements with government, regulators and NGOs** to strengthen relationships and contribute to the betterment of the industry and society
- Adoption of sustainable practices based on realising the **UN SDGs** and **ESG** objectives

NATURAL CAPITAL

- Continued commitment to **Green Financing** effort, which focuses on financing within the renewable energy, green technology, and waste management sectors
- Emphasis on corporate and social initiatives that promote positive environmental impact
- Electricity usage of **1,900,000 kWh** (reduction of 80,000 kWh from 2020)
- **10,363** reams of paper (reduction of 8,721 reams from 2020)

MARKET TRENDS

Stringent Regulations

Market Competition

Digitalisation

Global Uncertainties

Economic Slowdown

STRATEGIC PRIORITIES

- Sustainability Prosperity
- Values-based Culture
- Customer-Centricity
- Community Empowerment
- Digitalisation
- Real Economy

KEY RISKS

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- IT Risk
- Regulatory / Compliance Risk
- Shariah Non-Compliance (SNC)
- Climate Risk

MATERIAL MATTERS

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

BUSINESS ACTIVITIES

1 →
CONSUMER BANKING

2 →
DEPOSITS AND CASH MANAGEMENT

3 →
COMMERCIAL BANKING

4 →
SME BANKING



VBI

Community Empowerment

Entrepreneurial Mindset

VISION

The Bank that Advances Prosperity for All
THAT CREATE...

MISSION

To provide solutions that deliver value
...VALUE FOR OUR STAKEHOLDERS.

TAAT VALUES

Think Customer | Act with Integrity | Advance Beyond | Take Charge

14:30 PM

OUTPUTS

5
**TREASURY
AND MARKETS**

- ◆ Providing solutions that deliver value
- ◆ Serving individuals, we improve access to financial services and enhance quality of life

6
**CORPORATE
BANKING**

- ◆ Serving SMEs and large corporations, we contribute to economic growth, job creation and industry innovation

7
**BIMB
INVESTMENT
MANAGEMENT**

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

8
**BIMB
SECURITIES**

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

DRIVERS

Good Self-Governance

Best Conduct

OUTCOMES**CUSTOMERS**

- **RM979 million** in profits paid to depositors and investment account holders
- More than **RM5 billion** provided for new personal financing
- More than **RM3 billion** provided in new home financing
- More than **RM209.7 million** provided in new vehicle financing
- More than **RM2.2 billion** approved in new Green Financing projects
- Ranked **4th in customers experience score** within the banking industry as conducted by KPMG Malaysia

EMPLOYEES

- **RM698 million** paid in salaries and benefits
- **423** employees promoted with **258** obtaining professional certifications
- Employee retention rate of **96.62%**
- **Flexible working arrangement** to enable remote and virtual engagements that prioritise workers' safety
- **Most preferred employer in Malaysia** awards (Graduan Brand Awards 2021)

INVESTORS

- **RM366.5 million** paid out in dividend
- **8.4%** return on equity
- Earnings per share of **21.87 cents**

COMMUNITIES

- A total of **RM2.8 million** invested in AMAL activities
- A total of **RM11.8 million** of Zakat paid out to 14 Zakat authorities
- More than **RM3.6 million** disbursed through Sadaqa House for the well-being of the beneficiaries
- **RM1.6 million** worth of BangKIT micro financing distributed to help the micro-entrepreneurs in addition to training programmes

REGULATORS & GOVERNMENT

- **Compliance** with all regulatory requirements
- Guidance and alignment towards **industry-led sustainability practices** with continuous commitment towards VBI
- **Participation in the creation of ESG book** as commitment towards ESG incorporation in all business initiatives
- Contribution of **RM228 million** in corporate tax

UNDERPINNED BY
OUR OVERARCHING GOVERNANCE

- Premised on the Shariah Principles, we commit to upholding the highest level of integrity in our everyday decisions and actions, in our efforts to uplift our communities and our nation.

STAKEHOLDER ENGAGEMENT

Regular engagements with our keys stakeholders help us understand. We gain insights that help us shape sound strategies and effectively implement initiatives by having discussions and collaborating with them.



CUSTOMERS

Stakeholders

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

Topics of Relevance

- Products and services viability and access
- Effectiveness of solutions in addressing needs especially during the pandemic
- Financial assistance in coping with tough times
- Quality of service delivery
- Solutions' security
- Rollout of digital solutions

How We Engage

- Myriad of channels that include
 - Digital touchpoints:
 - Internet Banking
 - Corporate Website
 - Mobile applications including GO by Bank Islam; GO Biz by Bank Islam; SMExpert; BEST Invest and BISOnline;
 - Contact centre
 - Brick and mortar:
 - 141 branch networks
 - 17 SME Hubs
 - 12 Vehicle Financing Sales Hub
 - 9 Ar-Rahnu branches
 - 7 Bureau De Change
 - 947 Self-service Terminals
- Social media platforms including Facebook, Instagram, YouTube and Twitter
- Customer surveys and focus groups
- Webinars and online discussion forums

Value Created

- RM979 million in profits paid to depositors and investment account holders
- Disbursed more than RM5 billion in new personal financing; more than RM3 billion in new home financing and more RM209.7 million in new vehicle financing
- Expansion of iTEKAD (iTEKAD 2.0) and BangKIT micro financing
- Formed strategic partnerships with Universiti Malaysia Kelantan (UMK) and Majlis Belia Malaysia (MBM) to support youth entrepreneurs.
- Launched Makmur myWakaf fund, a multi-currency, Shariah-compliant global mixed asset fund
- Financial assistance packages rendered via various packages including Enhanced Targeted Repayment Assistance (ETRA), Targeted Repayment Assistance (TRA), PEMULIH Repayment Assistance (PRA), Financial Management and Resilience Programme (URUS), Flood Relief Assistance, etc.
- Continuous improvement and addition of new features to GO Mobile Banking app



EMPLOYEES

Stakeholders

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

Topics of Relevance

- Career-planning and advancement
- Concerns on the pandemic effect on the Group's performance
- Personal development initiatives to for addressing work-life balance
- Knowledge of the Group's strategic direction during this volatile period

How We Engage

- Internal communication channels including the internal portal, HUMANE portal (Online Human Capital Management System), SAPJAM platform and e-mail communication
- Digital town hall and discussion sessions with the senior management
- Online training and development programmes
- Internal activities and initiatives among the Group's workforce
- Employee Engagement Survey

Value Created

- Paid more than RM698 million in employee remuneration
- Delivered more than 264,530 training hours for employees
- Created more than 26 new employment opportunities
- Promoted 423 employees
- Sponsored more than 258 employees to obtain Professional Certificates
- Recorded an employee retention rate of 96.62%
- Proclamation of a clear policy commitment on workforce diversity



GOVERNMENT & REGULATORS

Stakeholders

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

Topics of Relevance

- Business resiliency that ensures the stability of the financial system
- Regulation and reporting updates
- Support for the national agenda

How We Engage

- Industry meetings, discussions and dialogues with relevant agencies
- Provision of thought leadership and insights within the industry
- Participation in government-led as well as global initiatives and programmes

Value Created

- Continued commitment towards economic recovery efforts and socio-economic progress via roll-out of various initiatives designed to help businesses and people impacted by the pandemic.
- Continuous commitment towards VBI implementation so as to realise the sustainability and ESG objectives
- Involved in JKMPay as pioneer partner to the solution
- Payment gateway provider for MyBayar Saman with Royal Malaysian Police (PDRM)
- MATRADE, HDC and SME Corp partnerships to enhance support for SMEs.
- Supporting BNM's initiatives including financial assistance and micro financing.
- Facilitated the social finance agenda
- Paid RM228 million in corporate taxes to the Government



LOCAL COMMUNITIES

Stakeholders

We seek to engage with communities to effectively address their issues and needs, and better understand our role in contributing to the society's health and wealth.

Topics of Relevance

- Growing expectation on the Group's contribution to the overall well-being of the marginalised communities
- Economic concerns and social issues
- Financial education and knowledge

How We Engage

- Maintaining relationships with the Non-governmental organisations (NGOs) and other relevant organisations
- Reaching out to the marginalised communities to gather information and better understand their plights
- Partnerships with relevant institutions and organisations to gain insight in tackling current concerns or issues for better sustainability efforts
- CSR initiatives

Value Created

- 1,000 tablets distribution to underprivileged students nationwide.
- Flood relief efforts
- Solar panel installation at Tg Surat, Johor
- RM1.6 million financing for entrepreneurs via BangKIT micro financing
- Wacana Selasa webinar on Facebook Live, every Tuesday, discussing various issues with esteemed panelists.
- Handed over 11 housing units to selected asnaf under the "Baiti Jannati" or "My Home, My Paradise" programme, in partnership with the Kuala Lumpur City Hall (DBKL) and the Ministry of Federal Territories.



INVESTORS

Stakeholders

We provide updated and detailed disclosures that allow investors to make informed investment decisions, and seek their input on our performance and strategic decisions.

Topics of Relevance

- The pandemic impact on the Group's financial performance including its business outlook
- Deliverance of the expected financial performance in light of the listing exercise
- Addressing the wider sustainability and ESG concerns

How We Engage

- Annual General Meetings, Extraordinary General Meeting, Court Convened Meeting and Analysts Briefings
- Participated in relevant conferences, roadshows, e-conferences, e-forums and webinars
- Constant meetings and discussions with business analysts and fund managers

Value Created

- 11.1% Return On Equity
- 0.9% Return On Asset
- 18.56% total capital ratio
- RM366.5 million of dividends paid to shareholders

OPERATING ENVIRONMENT & KEY MARKET TRENDS

BIMB's ability to continue creating value for our stakeholders is strongly tied to our ability to navigate the fast-evolving operating environment. Our external operating context has a direct impact on our profitability, the risks that we face and our strategic decision-making.

TRENDS	DESCRIPTION	IMPACT														
<div>➔</div> <div>Trend 1</div> <div>MODERATE ECONOMIC RECOVERY</div>	<p>The Malaysian economy returned to growth in 2021, despite the ongoing challenges arising from the pandemic. The recovery came with a high degree of uncertainty, though, as the government imposed various measures throughout the year to halt a resurgence in the number of COVID-19 cases. The government's reimposition of a total lockdown in the middle of the year hit economic growth, undermining BNM's original forecast of a 6% to 7.5% expansion in GDP for the year. The gradual lifting of movement restrictions and the resumption of most economic activity, as well as the acceleration of the National COVID-19 Immunisation Programme, continued government stimulus and the spillover effect of the global economic recovery, supported a pick-up in growth, and the country saw a GDP expansion of 3.1% for the year.</p> <p>GDP Growth (%)</p> <table><tr><th>Year</th><th>GDP Growth (%)</th></tr><tr><td>'16</td><td>4.4</td></tr><tr><td>'17</td><td>5.8</td></tr><tr><td>'18</td><td>4.8</td></tr><tr><td>'19</td><td>4.4</td></tr><tr><td>'20</td><td>-5.6</td></tr><tr><td>'21</td><td>3.1</td></tr></table>	Year	GDP Growth (%)	'16	4.4	'17	5.8	'18	4.8	'19	4.4	'20	-5.6	'21	3.1	<ul style="list-style-type: none">• The subdued economic growth in 2021 and weak consumer sentiment in the first half of the year resulted in a less-supportive environment for the banking industry than had originally been forecast.• The shifting economic outlook throughout the year had a strong impact on consumer sentiment and behaviour. The Consumer Sentiment Index (CSI) remained below the 100-point threshold level, which indicates optimism, throughout the first half of the year, as consumers remained cautious due to the continued impact of COVID-19. The CSI fell to a low of 64.3 points in the second quarter of the year, following the reimposition of the Movement Control Order (MCO) in May. The gradual reopening of the economy led to a rebound in consumer confidence in the second half of the year, with the CSI rising to 101.7 in the third quarter of 2021. This marked the first time the index had risen above the 100-point optimism threshold since the third quarter of 2018.
Year	GDP Growth (%)															
'16	4.4															
'17	5.8															
'18	4.8															
'19	4.4															
'20	-5.6															
'21	3.1															
<div>➔</div> <div>Trend 2</div> <div>INTEREST RATES AND OTHER FINANCIAL CONSEQUENCES</div>	<p>In direct response to the pandemic, BNM progressively reduced the interest rate to a record low of 1.75% in 2020 and maintained it at that level all through 2021. The record low rate supported a rebound in consumption and business investment but also led to compressed interest rate margins across the banking industry, which has negatively impacted the banking sector's profitability.</p> <p>BNM's sharp rate cuts and decision to maintain low interest rates is in line with the actions of central banks around the world. The low rate environment has supported a global economic recovery but has also led to growing inflationary pressure in the international financial system.</p>	<ul style="list-style-type: none">• Low interest rates led to margin compression, which has impacted top line performance throughout the banking sector.• Conversely, the low cost of funding encouraged businesses and consumers to seek new loans. Financing growth in Malaysia rose to 4.1% in 2021, similar to the pre-pandemic figure in 2019.• Inflationary pressure rose in 2021 and became more prominent in the second half of the year due to a combination of easy-money policies, rebounding consumer demand and growing production and logistics bottlenecks.														

STRATEGIC REVIEW

The impact of the COVID-19 pandemic remained pervasive across all areas of our operating environment in 2021, but society and businesses have effectively adapted to the new reality. At BIMB, the robust measures that we instituted in response to COVID-19 in 2020 proved adequate to allowing us to manage the continued impact of the pandemic in 2021.

As always, the new year offered both new challenges and new opportunities. This section sets-out how we managed the former and worked to capitalise on the latter in 2022.

HOW WE RESPONDED

- We targeted our business towards areas of the economy that offered strong growth prospects during the year. Our Consumer Banking business continued to focus on demand from the household sector. Our Corporate and Commercial business expanded in areas including finance for affordable housing and Green Financing.
- We worked closely with our customers and clients to ensure that they had the necessary support, including by offering financing deferrals and the restructuring of facilities.
- We continued to provide social finance and forms of direct support to vulnerable segments of society that remained affected by the challenging economic conditions.

OUTLOOK

BNM projects that the Malaysian economy will grow by 5.5% in 2022, driven by a recovery in domestic demand and stronger growth in the external sector. The recovery will be supported by the shift to the endemic phase of COVID-19, the pump-priming impact of Budget 2022, a stronger labour market, the gradual reopening of international borders and strong global growth, all of which will be supportive of a stronger performance by BIMB. The growth prospects for the economy come with downside risk, though. Disruption to global supply chains, rising inflation and energy prices, and growing geopolitical tensions add a high degree of uncertainty and BIMB will maintain a prudent stance as we move forward.

LINK TO

Capital



Stakeholders



Material Matters



- BIMB continued to diversify our non-interest income as a hedge against interest rate movements.
- We tapped into the growing demand for financing from consumers and businesses eager to take advantage of lower interest rates, resulting in our financing book growing by 6.4% in 2021, which is considerably above the industry average.

We expect BNM to maintain the current record low interest rate of 1.75% throughout the first half of 2022. We see a higher possibility of a rate hike in the second-half of the year, in order to curb inflationary pressure, but the timing or actual occurrence of any rate hike will be subject to prevailing economic conditions.

Capital



Stakeholders



Material Matters



OPERATING ENVIRONMENT & KEY MARKET TRENDS

TRENDS



Trend 3

DIGITALISATION

DESCRIPTION

The banking and financial services landscape is rapidly being reshaped by digital technology with the growth of online banks, e-payment systems and the rise of the FinTech companies, as consumers embrace online banking and e-commerce. The COVID-19 pandemic has rapidly accelerated the shift towards online transactions as consumers demanded non-touch options and movement restrictions made online shopping a more convenient option.

The traditional banking model also continued to face disruption from the rise of the FinTech's start-ups, which have continued to drive innovation in the industry by leveraging on their greater agility and a regulatory landscape that has fast-evolved to accommodate them.

Rapid digitalisation has also seen a rise in cybersecurity risks, with the total number of cyber-attacks reaching a new global all-time high in 2021, as criminals developed new attack tools and exploited the rapid shift to online services.

Total Non-Financial Transaction Volume (Million)

GO BY BANK ISLAM MOBILE BANKING APP

20' 167

21' 454

INTERNET BANKING

20' 484

21' 584

Total Financial Transaction Volume (Million)

GO BY BANK ISLAM MOBILE BANKING APP

20' 14

21' 47

INTERNET BANKING

20' 98

21' 147

Total Financial Transaction Value (Billion)

GO BY BANK ISLAM MOBILE BANKING APP

20' 5.7

21' 16.5

INTERNET BANKING

20' 28.8

21' 40.1

Note:

1. Non-Financial Transaction involves no monetary movement e.g. balance enquiry, add favourite account, change password, change transaction limit, download e-statement, etc.
2. Financial Transaction involves monetary movement e.g. transfer to own account, DuitNow Transfer, TH transfer, SSPN transfer, etc.

IMPACT

- Banks have had to respond to the surge in demand for online services by developing new strategies and products and increasing their capacity to handle digital transactions.
- The rapid shift to digital finance drove strong demand for our online and mobile offerings. More than 90% of BIMB's transactions are now conducted through electronic channels. The number of our Internet Banking users rose by 22%, to 1.5 million during the year, with the total number of internet banking transactions rising by 50%.
- Our GO by Bank Islam mobile banking app saw a 79% surge in user numbers, to reach 849,000 users, and the total number of transactions on the app tripled to reach 47 million.
- Malaysia, like many other countries, saw a rise in the number and intensity of cyber threats during the year. National cybersecurity agency, MyCert, received more than 10,000 reports of cybersecurity incidents in 2021, with 71% of them related to fraud.

STRATEGIC REVIEW

HOW WE RESPONDED

- Digitalisation is one of the six pillars supporting our LEAP25 growth strategy and we continued to invest heavily in our digital infrastructure and services in 2021. This included spending to harden our cybersecurity defences in order to ensure the integrity of our systems and to safeguard our customers' data.
- We rolled-out a range of enhancements to our GO by Bank Islam app and online banking services to meet the evolving needs of our customers.
- We introduced GO Biz by Bank Islam app to capture growth in the small and micro-entrepreneur market and launched a collaborative effort with target micro-entrepreneur groups to help them migrate their transactions online.
- In 2020, BIMB Invest launched its Shariah Sustainability Robo-Intelligence digital investment platform called "BEST Invest" to help investors build their portfolios, offering a range of Shariah-ESG unit trust funds. The award-winning app has garnered more than 15,000 users at the end of 2021. BIMB Invest shall continue to enhance the app from time to time for better user experience.

OUTLOOK

- Malaysia's digital economy is projected to grow from 22.6% of GDP at the end of 2021 to 25.5% of GDP by 2025 and banks will have to continue adapting to the accelerating shift by governments, businesses and consumers towards online and digital transactions. This fundamental shift will continue driving demand for our digital services.
- The award of five (5) digital banking licenses by BNM in 2022 will drive innovation and excite the industry as consumers will soon have a breadth of options to choose from in how they transact and manage their finances.

LINK TO

Capital



Stakeholders



Material Matters



OPERATING ENVIRONMENT & KEY MARKET TRENDS

TRENDS

DESCRIPTION

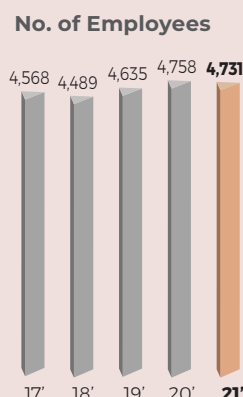
IMPACT



Trend 4

WORKFORCE CHALLENGES

It is essential that we have the right people in our workforce in order to deliver on our growth strategy and execute our corporate transformation plans. Competition for talent remains intense, though, and the labour market has also faced disruption as a result of the COVID-19 pandemic, which has seen many qualified individuals opt for gig jobs and remote working, rather than traditional corporate careers. As a values-based financier, we face the added dimension of ensuring that our people are aligned with our strong corporate values.



- The massive changes in the operating environment since the beginning of the pandemic have revealed gaps in skills and preparedness in the human resources base across the economy, as businesses were forced to adapt to labour disruptions, new ways of working and increased digitalisation.

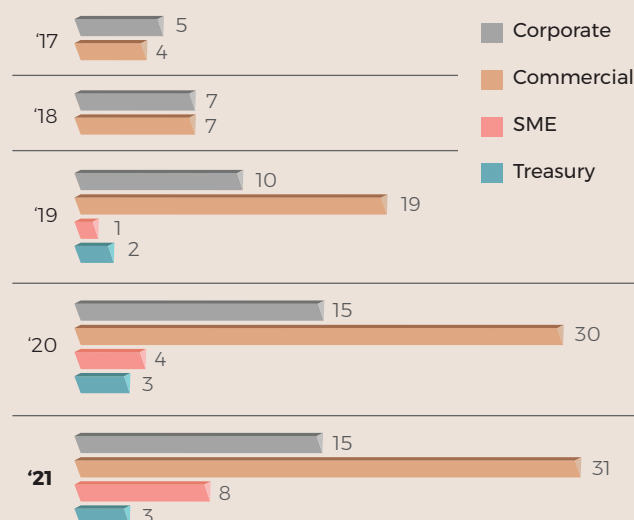


Trend 5

SUSTAINABILITY CONCERNS AND CLIMATE CHANGE

Concerns around sustainability matters and environmental stewardship continue to move to the centre, as awareness about the threat from climate change continues to grow. This has led to the lending practices of banks, including BIMB, coming under increased scrutiny, with growing demand for transparency about their environmental impact from regulators, clients, investors and other stakeholders. On the domestic regulatory front, both the SC and BNM released rules and guidelines during the year that emphasised the need for companies to integrate sustainability considerations into corporate strategy and corporate governance. This marks another step towards the emergence of a green economy framework for the nation.

Number of Green Technology Customers



- A key development over the last several years has been the strong growth in appetite for climate-aligned and net-zero investment opportunities across Asia, with many investors now conducting carbon footprint analysis. This mirrors the global growth in demand for ESG-compliant investments.
- Tighter environmental regulations are gradually changing lending practices as banks start to incorporate ESG considerations into their financing evaluation processes.

STRATEGIC REVIEW

HOW WE RESPONDED

- We strengthened our human resources policy to align it closely with our LEAP25 growth and transformation strategy. To build the workforce that we need, we intensified investment in our human capital to ensure that we are able to recruit and retain the right people, and continued upskilling our existing workers. We sharpened digital skills training across our workforce so that our people can better deliver on our goal of customer-centricity, as well as to achieve productivity gains in a tight labour market.

OUTLOOK

The challenge of being able to attract and retain the right people will remain constant, as the nature of the skills needed by BIMB and our peers and competitors will continue to evolve as we seek to stay ahead of the rapid changes that are reshaping the business and banking landscape. Accordingly, we will continue to look at our recruitment and reward practices to ensure that we remain an employer of choice for the people that we are seeking to attract.

LINK TO

Capital



Stakeholders



Material Matters



- As the global effort to tackle climate change grows, BIMB is moving rapidly to take a leading role in contributing to Malaysia's transition to a lower-carbon economy. Under our LEAP25 strategy, we aim to double our Shariah-ESG financing from the current 4% of total financing by 2025.
- Additionally, we continued to expand our range of Shariah-ESG investment products to capitalise on growing demand for sustainable investments.
- We are also working to integrate a comprehensive ESG framework and deeper climate change analysis into our credit evaluation process by mid-2022.

Moving forward, we are optimistic about the growing opportunities the transition to a low-carbon economy will present for BIMB, including through increased green and sustainable infrastructure finance capabilities.

Capital



Stakeholders




Material Matters





OPERATING ENVIRONMENT & KEY MARKET TRENDS

TRENDS	DESCRIPTION	IMPACT
 Trend 6 GEOPOLITICS	<p>The banking industry is strongly affected by geopolitical developments, which have implications for our operating environment. Beyond the regulatory and policy changes and other direct impacts that might result from political changes, political volatility also influences customer and client needs and behaviour. On the domestic front, Malaysia saw a change of government in September, with a period of uncertainty leading-up to that change. On the international stage, the biggest development was the inauguration of the new Biden administration in the United States, which has led to a series of changes in economic and strategic policies that have had global ramifications.</p>	<ul style="list-style-type: none">• In Malaysia, the change of government and the accompanying changes in various policies, including the easing of movement restrictions and continued pump-priming were supportive of economic growth, and the new government's more clearly defined policies to grow the green economy play to BIMB's strengths.• Globally, the economy and wider operating environment continued to be impacted by a range of issues including the continuing trade tensions between the US and China, the decision to restrict oil production by the OPEC+ group and rising tensions in Eastern Europe.

STRATEGIC REVIEW

HOW WE RESPONDED

- BIMB continuously refines our risk management framework, which has allowed us to mitigate the impact of geopolitical risks that manifest through various channels. This includes the use of currency hedging strategies to manage the effects of volatility in international exchange rates.
- We embraced the opportunity to further grow our Green Financing portfolio offered by the new Malaysian government's increased emphasis on the green economy under Budget 2022 and the 12th Malaysia Plan.

OUTLOOK

The geopolitical outlook for the year ahead and the medium-term beyond remains highly unpredictable. Geopolitical tensions centred on Eastern Europe have the potential to be highly disruptive to the economic recovery that had been projected to gather pace in 2022. On the domestic front, investors and businesses will continue to take note of political developments ahead of a general election that must be called by May 2023. As we move forward, BIMB will continue to monitor and strengthen the prudential safeguards that we have in place.

LINK TO

Capital



Stakeholders



Material Matters





MATERIAL MATTERS

Our material issues are those that matter most to our stakeholders and have an impact on our sustainability and ability to create value in the short, medium and long-term.

These Material Matters influence how the Board and Management steer the Group forward. Our ability to create value is impacted by a multitude of factors, including the operating environment, our responses to the risks and opportunities presented by these material matters and our strategy.

With an in-depth understanding of our material matters, we can better define our strategies and resource allocation plans, thereby positioning our Group to implement meaningful actions and anticipate sustainability challenges. Identifying the Group's material issues is the first step toward understanding the internal and external factors that affect our business, while promoting the alignment of our strategy with the interests of our stakeholders.

The Group identified five material matters, namely, **Responsible Finance**, **Inclusive Growth**, **Talent Enrichment**, **Ethical Practice and Reporting** and **Islamic Finance and Knowledge Sharing**.



STRATEGIC REVIEW

In championing the Group's Material Matters, we designed various programmes and initiatives at the organisation level based on relevant business and stakeholder issues and expectations. Where possible and necessary, we engaged our stakeholders to drive clear outcomes. Such outcomes are also aligned to local regulations and industry best practices. We have mapped the outcomes to our organisational strategies and VBI principles and the globally recognised United Nations Sustainable Development Goals or the UN SDGs.

At BIMB, we believe that the role of Banks as intermediaries go beyond access and affordability of finance, including catalysing financing solutions to mitigate universal problems such as poverty, inequalities and social justice, and environmental well-being. Our process includes raising awareness of how our customers and our network of stakeholders can address some of these issues through responsible business practices and responsible investments. Through VBI and Shariah-compliant financing, we will continue to strengthen our orientation to the SDGs relevant to Malaysia and where our local industry and leaders can meaningfully make a difference.

MATERIAL MATTERS IDENTIFICATION PROCESS:**IDENTIFICATION**

We identify matters that may impact the execution of our strategy. This is a group-wide effort taking into account input from all business and support units, and incorporating feedback from stakeholders.

PRIORITISATION

From the list of identified matters, we prioritise those that most significantly impact our ability to successfully execute our strategy and deliver long-term value to our stakeholders.

VALIDATION


Those matters that are material to value creation are integrated into our balanced scorecard, which is used to set objectives, drive behaviours, measure performance and determine the remuneration of our people.

**Responsible Finance**

We commit ourselves to upholding societal and environmental responsibilities by bringing to the market solutions that promote economic and social benefits. We make a conscious decision to design ethical products and incorporate integrity into our services for the good of all. We support ethical projects and customers in catalysing a multiplier effect to the positive impact they bring.

UN SDGs


MATERIAL MATTERS




Inclusive Growth

We believe in equal opportunity for all by empowering the community. We invest in making our financial products and services accessible to all. We ensure that our social initiatives can reach out to the disadvantaged and underserved communities and, in the process, enhance our relationships and contribute to socio-economic progress for the long term.

UN SDGs






Talent Enrichment

We are focused on supporting our employees throughout their professional lives by conducting various training sessions and development programmes, as well as promoting values that engender conducive working environment and performance-based culture. We listen to our staff to determine their needs, and value their skills and contributions through fair remuneration and career advancement initiatives.

UN SDGs



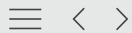
STRATEGIC REVIEW



Ethical Practice and Reporting

We are committed to doing the right thing and stand by our stakeholders in almost any circumstances. We are accountable and serve their best interest through good business practices that uphold integrity, transparency and responsible products.

UN SDGs



Islamic Finance and Knowledge-Sharing

We have an intrinsic objective to grow knowledge and awareness of the Islamic banking and finance industry. We are also committed to advance the industry, and increase the uptake of our brand of Islamic banking and finance solutions beyond the region.

UN SDGs





KEY RISKS AND OPPORTUNITIES

1 CREDIT RISK

Definition

Risk of loss of revenue and/or principal arising from the inability of an obligor to fulfil its financial obligation in accordance with agreed terms.

Mitigation

- Maintain a robust and prudent credit risk policy and limits to ensure credit default and losses are within the approved Risk Appetite.
- Credit evaluation by the business is independently reviewed and constructively challenged by credit analysts prior to submission to Management and Board Committees for approval.
- Independent post-credit review and post-mortem analysis is conducted regularly to assess and ensure asset quality standards are maintained.
- Proactive and vigilant management at account level to prevent deterioration in asset quality. This includes granular portfolio risk reviews and monitoring.
- All exposure and non-compliances, including emerging risk, are reported to Management & Board Committees.

2 MARKET RISK

Definition

Risk of losses in on-and off-balance sheet positions arising from adverse movements in market prices/rates.

Mitigation

- Maintain a robust market risk policy and limits based on best practices.
- Proactive monitoring, analysis and reporting to ensure that management of market risk is within the approved Risk Appetite.
- Proactive review of all market risk parameters in line with the current economic environment.
- Market Risk Limits/Management Action Triggers are reviewed regularly to ensure effective management of the risk.
- All exposures and non-compliances are reported to Management & Board Committees promptly.

3 LIQUIDITY RISK

Definition

Risk of adverse impact to the financial condition of the Group, or the soundness of the Group being adversely affected by an inability (or perceived inability) to meet its contractual obligations.

Mitigation

- Maintain a comprehensive liquidity risk policy and limits based on best practices.
- Proactive monitoring, analysis and reporting to ensure the management of liquidity risk is within the approved Risk Appetite.
- Liquidity risk limits are reviewed regularly to ensure effective management of this risk factor.
- Proactive review of all liquidity risk parameters in line with regulatory requirements and current economic environment.
- Preserve high quality liquid assets and well-diversified sources of funds as liquidity risk buffer under both business-as-usual ("BAU") and stress conditions.
- All exposures and non-compliances are promptly reported to Management & Board Committees.

4 OPERATIONAL RISK

Definition

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, which includes legal risk and Shariah Non-Compliance risk.

Mitigation

- Maintain and actively manage operational risk in line with the Group's operational risk policy and approved Risk Appetite.
- Risk & Compliance Units are established within significant activities and risk controllers are appointed in every division to enhance and ensure active monitoring of operational risks in the Group.
- Proactive review of critical business operations' resilience to risks arising from challenges posed by COVID-19 pandemic.
- Operational risk is embedded as a key area in the assessment of risks within the Group's products, services, processes, and systems.
- Various ORM tools, comprising proactive and reactive tools, are applied to provide a robust and consistent approach in managing Group-wide operational risk.
- All operational risk issues and incidents are reported to Management and Board Committees with detailed root cause analysis and action plan.



KEY RISK AND OPPORTUNITIES

5 INFORMATION TECHNOLOGY (IT) RISK

Definition

Any potential adverse outcome, damage, loss, violation, failure, disruption, theft or breach arising from the use of or reliance on computer hardware, software, electronic devices, systems, applications and networks or the existence of vulnerabilities such as software defects, capacity inadequacies, network vulnerabilities and control weaknesses.

Mitigation

- Establish internal process and controls, which include among others, proper systems development and project management approach and methodology, change management, security tool implementation, proactive security monitoring and system backup & recovery.
- Continuous assessment and review of security vulnerabilities and security control effectiveness.
- Enhanced monitoring of cybersecurity arising from challenges posed by the COVID-19 pandemic.
- Close monitoring of rectification progress by the relevant working-level and management committees.
- Where relevant, IT-related issues and incidents are escalated to the Board Risk Committee or Board IT Committee.

6 SHARIAH NON-COMPLIANCE (SNC) RISK

Definition

Risk of legal or regulatory sanctions, financial loss or non-financial implications, including reputational damage, which the Group may suffer arising from failure to comply with the rulings of BNM's Shariah Advisory Council (SAC), standards on Shariah matters issued by BNM, or decisions or advice of the Group's Shariah Supervisory Council.

Mitigation

- Ensure the soundness of Shariah governance framework through four dedicated functions - Shariah Research & Advisory, Shariah Risk Management, Shariah Compliance and Shariah Audit - as required under BNM Shariah Governance Framework.
- All policies, products, services and processes are subject to Shariah assessment.
- Operational risk management tools such as Risk Control Self-Assessment (including validation), Key Risk Indicators and Loss Event Management are extended and enhanced for the management of SNC risk.
- All SNC issues and incidences are reported to the Management, Board and Shariah Committee with detailed root cause analysis and action plans.

7 REGULATORY/COMPLIANCE RISK

Definition

Risk of legal or regulatory sanctions, material financial loss, or reputational loss suffered as a result of failure to comply with the laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to BIMB's banking activities.

Mitigation

- The deployment of Business Compliance Officers at Business and Support Units to facilitate the identification and management of Compliance Risks.
- Formulation of Compliance Risk Assessment (CRA) methodology to assist in identifying and measuring the Compliance risks level, i.e. Critical, High, Medium and Low.
- Formulation of Compliance Review Plan for both Compliance Monitoring & Testing and Shariah Compliance Review to prioritise the resources.
- Implementation of the Institutional Risk Assessment (IRA) to strengthen and address the ML/TF risks at branches and business units.
- Adoption of Robotic Processing Automation in managing the AML System alert.
- Formulation of Corruption Risk Management (CRM) to identify potential corruption risks, and assess the identified risks in terms of likelihood and impact.
- Establish internal threshold limits for monitoring of customer transactions.

8 CLIMATE RISK

Definition

Risk of losses resulting from adverse climate change impacts arising from physical and transition risk including extreme weather events, sea level rise, droughts and floods, and policy changes such as carbon taxes.

Mitigation

- Develop and implement an ESG Risk Framework covering identification, mitigation and monitoring of climate change risk.
- Implementation of the BNM Climate Change Principles-based Taxonomy (CCPT) to classify financing exposures according to severity of climate risk.
- Conducting ESG due diligence of new and existing financing customers that carry elevated climate risk indicators based on sector and business activity.
- Maintain robust and prudent climate risk policy and limits in-order to reduce and minimise exposure to sectors with the highest climate risk exposure, i.e. coal power generation and mining.
- Climate risk exposures and mitigation efforts are reported to the Management and Board Committees.



STRATEGIC ROADMAP: LEAP25

BIMB aims to be a champion in offering Shariah Environmental, Social and Governance (Shariah ESG) total financial solutions and to establish its leadership in social finance and digital banking.



Our roadmap for delivering on these goals is laid-out in our new LEAP25 corporate strategy, which sets clear targets to be reached by 2025 of:

Growing our asset size to over RM100 billion

Doubling our ESG-rated financing

Reducing our cost-to-income ratio below 50%

Sustaining superior industry Return-on-Equity of above 15%

Increasing our non-fund-based income contribution

Creating a positive social impact

Nurturing and retaining high-performing talent

The LEAP25 strategy is anchored on six strategic pillars that are rooted in and reinforce BIMB's status as a Values-Based Intermediary (VBI). The strategies aligned with these six pillars provide us with the resilience to navigate the uncertain post-pandemic operating environment that is increasingly being referred to as the next normal.

STRATEGIC REVIEW

OUR SIX PILLARS

Our strategic pillars are tightly integrated and their components are complementary, with benefits from improvements in one reinforcing progress across the others. For example, to better meet our clients' needs, we increased our focus on digitalisation and expanded our product offerings. This, in turn, improves the Group's resilience, supports diversification, drives efficiency and reduces cost and operational risk, while providing an improved experience for our customers.

Our continued growth will be driven by our transformation as we implement the strategies defined by these six pillars, cementing our aspiration towards leadership in digital banking and social finance.

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PERFORMANCE REVIEW

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STRATEGIC PILLARS 1: SUSTAINABLE PROSPERITY

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BIMB's commitment to delivering sustainable prosperity is both a growth opportunity and a values-based obligation. The pillar encompasses both the actions that we take to strengthen the financial position of the Group and our commitment to growing sustainable finance business.

The effectiveness of the strategies implemented to strengthen our financial position saw us sustaining performance on a range of key targets, including Return on Equity (ROE), Return on Assets (ROA) and above-industry growth in our deposits, financing and assets. A fuller discussion of our strong performance across our key financial metrics can be found in our GCFO's Statement on pages 72 to 75.

Our sustainable prosperity initiatives are closely tied to our LEAP25 targets of growing our non-fund-based income contribution and doubling our ESG-rated financing by 2025. Despite the continued challenges of the operating environment in 2021, we took substantial steps towards delivering on these targets during the year, both in terms of diversifying our income streams and on growing our Green Financing.

With the impact of the record-low interest rate environment being felt on the performance of the entire Malaysian banking industry, we continued to pursue strategies to grow our fee-based income as an effective hedge and to strengthen future income streams, resulting in a sustained non-fund-based income ratio of 11.1% for the year.

Across the Group, we implemented effective strategies to diversify our revenue streams and build a more sustainable income model. This includes strategies to embark on an Integrated Wealth Management Business model, such as developing capabilities in big data, customer segmentation and group cross-selling synergy. Since the SME division was carved out and established in 2018, the Bank has stayed the course to advance from a financing-centric to ecosystem play in terms of its Enterprises portfolio, leveraging on the Halal platform. Through its Wholesale Banking proposition, the Bank intends to promote purposeful mobilisation of capital to help clients achieve sustainable growth. This means a higher business portfolio growth from Corporate and

STRATEGIC REVIEW

Commercial Banking of RM324.9 million (2.36% growth) and correspondingly higher net income of RM415.6 million (6.5% y-o-y). Initiatives have been put in place for greater business synergy such as account planning and synchronisation of digital capabilities.

Our Consumer Banking Division continued to strengthen collaboration with various professional associations, as well as running targeted promotions aimed at government servants. By offering products and services tailored to these specific segments, we aim to grow our market penetration of the more resilient mass-affluent sector. At the same time, our Corporate Banking Division continued to pursue growth by focusing on supporting the essential economic areas of Healthcare, Food, Infrastructure, Plantations, Green Technology and Renewable Energy. By maintaining a focus on strategic partnerships and strong customer service, it aims to cultivate, nurture and grow high-quality new customers in the targeted sectors in order to maintain the strength of its asset quality and income streams.

The examples above are just some of the many measures that BIMB is taking in-order to increase our resilience and ensure the sustainability of our business. A fuller description of the specific actions in this direction taken by our various business divisions can be found in the Business Review section of this report on pages 84 to 105.

The continued evolution of the Malaysian economy will be impacted by advances in sustainable technologies and the rising demand for sustainable financing options. This will require BIMB, and the Malaysian banking sector, to keep adapting to be able to support new, emerging, industries and help customers in impacted industries transition. BIMB has already taken substantial steps in this direction and our success in these areas is measurable.

Under our LEAP25 strategy, we aim to double our Shariah-ESG rated financing assets by 2025, establishing us as a dominant player in Malaysia's Green Financing industry. We have already made substantial progress towards this goal. At the end of 2021, our Green Financing stood at RM2.2 billion, accounting for 4% of our total financing portfolio, and about 2.8% of our total assets. Analysts see this well above the 1% to 2% of most other banks in the country. With the Malaysian government giving greater priority to the green economy under the 12th Malaysia Plan (2022-2026), the degree of competition in the Green Financing market is set to intensify. BIMB believes that we will maintain a strong competitive advantage though, backed by our sustained track record in Green Financing, our strategic relationships in the Malaysian corporate world and our leading position as a values-based financier.

It is not just demand for Green Financing that is set to drive growth in our sustainable finance operations; the appetite for ESG-compliant investments has also risen sharply. Building on our strength as a global leader in Shariah-ESG investment funds, we have continued to grow the number and size of sustainable investment products that we offer. As of 2021, Shariah-ESG funds accounted for more than 65% of our total RM1.43 billion in assets under management, and we have continued to drive innovation in this area. In 2021, for example, we launched Malaysia's first Waqf Featured Unit Trust Fund in March 2021. We also continued to capitalise on the demand for ethical and Shariah-compliant financing instruments by serving as lead manager or joint lead manager on 15 sukuk issues that qualified for an ESG rating in 2021. Moving forward, we will continue to push the frontiers in the Shariah-ESG investments industry in line both with our growth strategy and with our values as an Islamic bank.

STRATEGIC PERFORMANCE REVIEW



At BIMB, our growth strategy and corporate culture are underpinned by our strong values as an Islamic banking institution and VBI. Our Shariah governance framework establishes our form as an Islamic Bank, but it is our commitment to our values that enables us to achieve the intended outcomes of Islamic Finance.

We believe that our robust ethical framework will be a major asset as the world increasingly embraces values-based financing and investment practices, and us embedding them it into every aspect of our business and operations and at the very heart of our growth strategy. Accordingly, we have aligned our overall Human Resources strategy with our LEAP25 strategy, where our people's capabilities, culture and values are of the utmost importance. Putting these values into action, as part of the restructuring exercise that has seen BIMB emerge as an independent and public listed company in 2021, we are undertaking a concerted effort to ensure that the BIMB Group develops a cohesive common culture centred around our core values.

In March, we introduced the 8 Conducts Behavioural Competencies to employees bank-wide. These are eight fundamental traits and behaviours that will serve as a moral compass for our people as we seek to build a high-

performance workforce. The 8 Conducts are anchored by our TAAT (Think Customer, Act with Integrity, Advance Beyond, Take Charge) values, integrated into the Group's policies, guidelines and frameworks. To inculcate the 8 Conducts in the Group's work culture, we have carried-out awareness and engagement programmes continuously throughout the year, and integrated these behavioural competencies into our employees' annual performance reviews. We have also acted to strengthen the risk and compliance culture at BIMB through a series of programmes to drive the internalisation of compliance culture amongst our workforce at all levels.

Recognising the very human side of the work experience, we established the Bank Islam Live Well Programme, which offers our people a holistic wellness programme that supports their physical, emotional, mental, spiritual, and financial well-being. We also provide employees with education, tools and access to relevant experts, enabling them to receive professional help for their issues confidentially. The value and effectiveness of the programme was proven by the crucial support provided to many of our employees during the COVID-19 pandemic and it will remain a key part of our approach to strengthening the values-based-corporate culture as we move forward.

STRATEGIC REVIEW

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STRATEGIC PILLARS 3: CUSTOMER-CENTRICITY

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Our customers are at the very heart of our business and our ability to keep growing depends on our ability to meet not just their needs, but their ever-increasing expectations. Strengthening customer-centricity is, therefore, at the very core of our LEAP25 strategy. For BIMB, this means embedding a customer first mind-set in all our planning and configuring our business around a customer-centric approach.

With more than 90% of our transactions now going through electronic channels, increased digitalisation will be critical to delivering on this goal, but our approach goes well beyond that, encompassing the customer experience at our physical branches, the quality of our client relationships and integrating customer-centricity into our corporate culture.

Our digital initiatives have included the development of specific apps that are tailored to the needs of individual customer segments, such as the GO by Bank Islam mobile banking app for our retail customers, BEST Invest for mutual fund investors and GO Biz by Bank Islam mobile app for SME/MSME customers. To ensure that we continue to deliver a high level of service, we have continued to enhance the functionality of these apps to deliver greater convenience for our customers and keep-up with their evolving needs. To further integrate digitalisation into our customer-centric approach, we are also leveraging on developing our data analytics capability to provide customers with more personalised and satisfying services and experiences.

Even as we accelerate the rollout of our digital customer solutions, we have maintained our focus on improving customer experience at our branches. We have continued to invest in training frontline staff and new technology to improve customer experience and deliver a seamless service between our physical and digital channels. We also continued to strengthen services for our business customers at branches, with the launch of five new SME Hubs. The new launches bring the number of Hubs to 16, covering all regions, thus increasing the number of customer touchpoints and allowing us to better-serve our customers' needs.

Commitment to delivering on customer-centricity is a key part of our HR strategy and we have continued to invest in ensuring that our people understand, and have the skills to deliver on our customer first approach. Our digital upskilling programme, which we are expanding across our company, includes a strong customer-focused component. We have also continued investing in training and upskilling the staff at our SME Banking Division, enabling them to provide our business customers with the heightened level of service they require in the fast-evolving business landscape.

The steps we took during the year are key to our goal of enhancing customers' experience. However, our focus on customer-centricity goes beyond any particular initiative; rather it represents a major shift in the way that we will approach our business as we move forward.

STRATEGIC PERFORMANCE REVIEW



In a year when society and the country continued to feel the impact of the global pandemic, BIMB continued to raise the bar on our community empowerment initiatives, both through our social finance initiatives and by maintaining our focus on financing community-based projects.

During the year, we raised a total of RM3.31 million through Sadaqa House, our principal social finance vehicle, and disbursed a total of RM2.0 million in 2021, to more than 4,700 beneficiaries among the more vulnerable sections of society. Sadaqa House has continued to innovate in the way that it works to empower communities, and in the way that it allows donors to extend their support, by strengthening digital channels, continuing to forge strategic partnerships and developing new structures.

Additionally, we expanded our iTEKAD and BangKIT affordable micro-finance programmes to assist small and micro-entrepreneurs through one of the most difficult periods they have faced by providing them with start-up capital or financing for business expansion. The schemes continue to provide a pathway for unbanked and underbanked micro-entrepreneurs to move into the formal banking sector, thus building longer-term prosperity.

Staying true to our values as an Islamic bank, we also continued to provide repayment assistance for our customers in need, under the Financial Management and Resilience Programme (URUS) during the year. However, the demand for assistance under the scheme declined sharply during the year as the economy gradually recovered.

In addition to our direct social finance initiatives, we continued to support national development and community empowerment through increased financing for affordable home projects in strategic locations that are targeted at the B40 and M40 segments by providing bridging financing for the developments. In 2021, we approved RM138.9 million in financing for five affordable housing projects, which far exceeded our target for the year of two projects with total financing of RM50 million. Likewise, we also surpassed our financing target for infrastructure and public facility projects by approving a total of RM111.9 million for eight projects in 2021, which, once again, exceeded our target of RM50 million for the year.

STRATEGIC REVIEW



Through building strategic partnerships, sharing knowledge and providing our clients with customised financial solutions, BIMB continues to play a catalytic role in the development of Malaysia's economy, particularly in the SME segment and the Halal Industry.

During the year, we continued to build new strategic partnerships and strengthen existing ones, including with key government agencies, such as the Halal Development Corporation (HDC), SME Corporation Malaysia (SME Corp. Malaysia), Malaysia External Trade Development Corporation (MATRADE). Our collaboration with these agencies allows us to leverage on their strengths and offerings to build the capacity of our clients in the SME and Halal industry sectors, including by helping them access government-backed credit guarantee schemes like the SJPP and CGC Guarantee Scheme.

The Malaysian economy has, repeatedly, proven its resilience but many entrepreneurs in the SME segment and the Halal Industry remain unaware of the opportunities and support available to them. To raise awareness and help them build capacity as they adapted to the pandemic conditions, we organised a series of webinars with our strategic partners to provide information and insights on growth opportunities and financial management.

As the Malaysian business landscape adapted to the new reality during the pandemic, we continued to help our clients build the resilience needed to navigate the post-pandemic next normal, by providing them with access to financing and resources to embrace digital and technological solutions to remain competitive. To support their growth, we introduced a range of new financing programmes specifically catering to the needs of SMEs, including the Go Halal SME Financing, with a portfolio size of RM100 million; the SME Automation & Digitalisation Facility (ADF); and the All Economic Sectors Facility (AES) schemes.

As we move forward, BIMB will continue to support the development of the SMEs and the Halal Industry in accordance with the national economic agenda and as key growth-drivers for the Bank under our LEAP25 strategy.

STRATEGIC PERFORMANCE REVIEW

STRATEGIC PILLARS 6: **DIGITALISATION**

Digitalisation will be a critical driver in allowing us to achieve our targets under the LEAP25 growth strategy and emerge as a leader in Malaysia's digital banking landscape. To that end, throughout 2021, we continued to invest in developing new digital products and services, forged strategic collaborations with digital innovators and re-oriented our work culture to embrace digitalisation at every level. At the heart of digital strategy is our aim of delivering a seamless and hyper-personalised customer experience across all of our physical and digital assets. 2021 was a year of major accomplishments for us in these areas as we accelerate a bank-wide transformation of the way that we work and deliver our services.

The banking landscape continued to evolve rapidly during the year, as the ongoing pandemic continued to see customers shift to online banking and e-commerce as they embraced contactless options. The investments made in our digital services and infrastructure over the last two years left us well-positioned to capitalise on this shift. Throughout 2021, we saw strong growth in user numbers and transactions across all our key digital platforms, with more than 90% of transactions being conducted through electronic channels by the end of 2021. Our Internet Banking users recorded a more than 20% rise to 1.5 million users, during the year, with the total number of Internet Banking transactions rising by 50%.

Even more encouraging was the growth in numbers for our GO by Bank Islam mobile banking app. The number of active users for the app surged by 79% to reach 849,000 and the total number of transactions almost tripled to reach 47 million, which far exceeded our goal of 21 million transactions for the year. The growth in the number of users and transactions was driven not only by the changing consumer behaviour caused by the pandemic but also by the roll-out of new features on the platform to meet customers' rapidly changing needs. GO by Bank Islam is central to our digital growth strategy and as we move forward, we will accelerate the rollout of additional features and functionality to position it as a super app.

STRATEGIC REVIEW

As part of our increasingly refined digital strategy, we also developed specialised and carefully targeted apps for different areas of our business. We continued to drive digital innovation in Islamic finance with BIMB Investment's award-winning BEST Invest App that utilises robo-intelligence to assist investors in goals-based investing and has now garnered more than 15,000 transacted users. We also took a step to strengthen our position in another key market area with the launch of the Halal Digital Ecosystem for SMEs, or SMEXpert mobile app, to support their growth by enabling wider networking and knowledge enhancement.

We further extended our mobile banking offerings for SMEs and micro businesses by launching the GO Biz by Bank Islam mobile app in July. The app allows small merchants to manage their day-to-day business quickly and securely through their mobile devices and we successfully on-boarded more than 7,000 active users. We see vast potential for expanding the GO Biz by Bank Islam user base and during the year we initiated a project to tie-up with small traders at the famous Pasar Besar Siti Khadijah market in Kota Bharu, which has seen some 400 of the market's 1,300 traders migrating from cash to digital payments via the DuitNow QR offered through GO Biz by Bank Islam. We aim to migrate the remaining traders in the market in successive phases and the project will serve as a blueprint for our focused expansion into the micro-business market.

The banking sector continues to face potential disruption from other increasingly digital intermediaries such as FinTech's. BIMB has embraced the challenge and the opportunity that this provides. In 2021, BIMB initiated collaboration with selected FinTech's in order to leverage on their agility and innovation while utilising our credibility as a leading Islamic bank, our customer base and our financial resources to scale-up the results.

During the year, we also laid the groundwork to disrupt the Malaysian Islamic banking market with the planned launch of our new digital banking proposition for 2022. The digital infrastructure for the new digital banking proposition is developed and tested by our dedicated Centre of Digital Experience Division, demonstrating the capacity that we have built to undertake large and complex digital projects with accelerated timelines. The launch of the new digital banking proposition will mark a major push by BIMB into establishing our leading position in Malaysia's digital Islamic Financial Industry.

Achieving our digital ambitions will also require us to integrate technology more thoroughly into all our operations in order to drive efficiencies and remain competitive. During the year, we took measures to strengthen our digital core by digitalising our HR and recruitment processes and upgrading key infrastructure, such as our cheque clearing system and our Digital Vendor Financing Platform (VFP) that services our customers under Petronas and Sarawak Energy Bhd. Critically, we also accelerated the digital upskilling of our workforce with the launch of our in-house Digital Academy and by expanding our digital training and certification programme.

These initiatives form the first steps of our digital strategy under LEAP25. As we move forward, digitalisation is set to emerge as a key engine of our future growth and for delivering on our goal of becoming a customer-centric organisation.