

MALAYSIA'S PREMIER
SHARIAH - COMPLIANT
FINANCIAL SERVICES GROUP



FINANCIAL HIGHLIGHTS

FY2019

BIMB HOLDINGS BERHAD
23rd ANNUAL GENERAL MEETING
26 AUGUST 2020

BHB GROUP FY2019 HIGHLIGHTS

Total Revenue

RM5.38 billion

Growth 19.1%

PBZT

**RM1.21
billion**

Growth 13.1%

Net Financing

**RM49.47
billion**

Growth 8.3%

[Industry = 4.1% Dec 2019]

Gross Fund Based
Income

RM3.2 billion

Growth 6.8%

ROE (based on PAZT)

15.7%

EPS 44.75 sen

Gross Impaired
Financing ratio

0.86%

[Industry = 1.53% Dec 2019]

Family Takaful
Gross Earned
Contribution

RM2.0 billion

Growth 27.0%

Total Assets

**RM77.26
billion**

Growth 6.7%

Takaful Assets

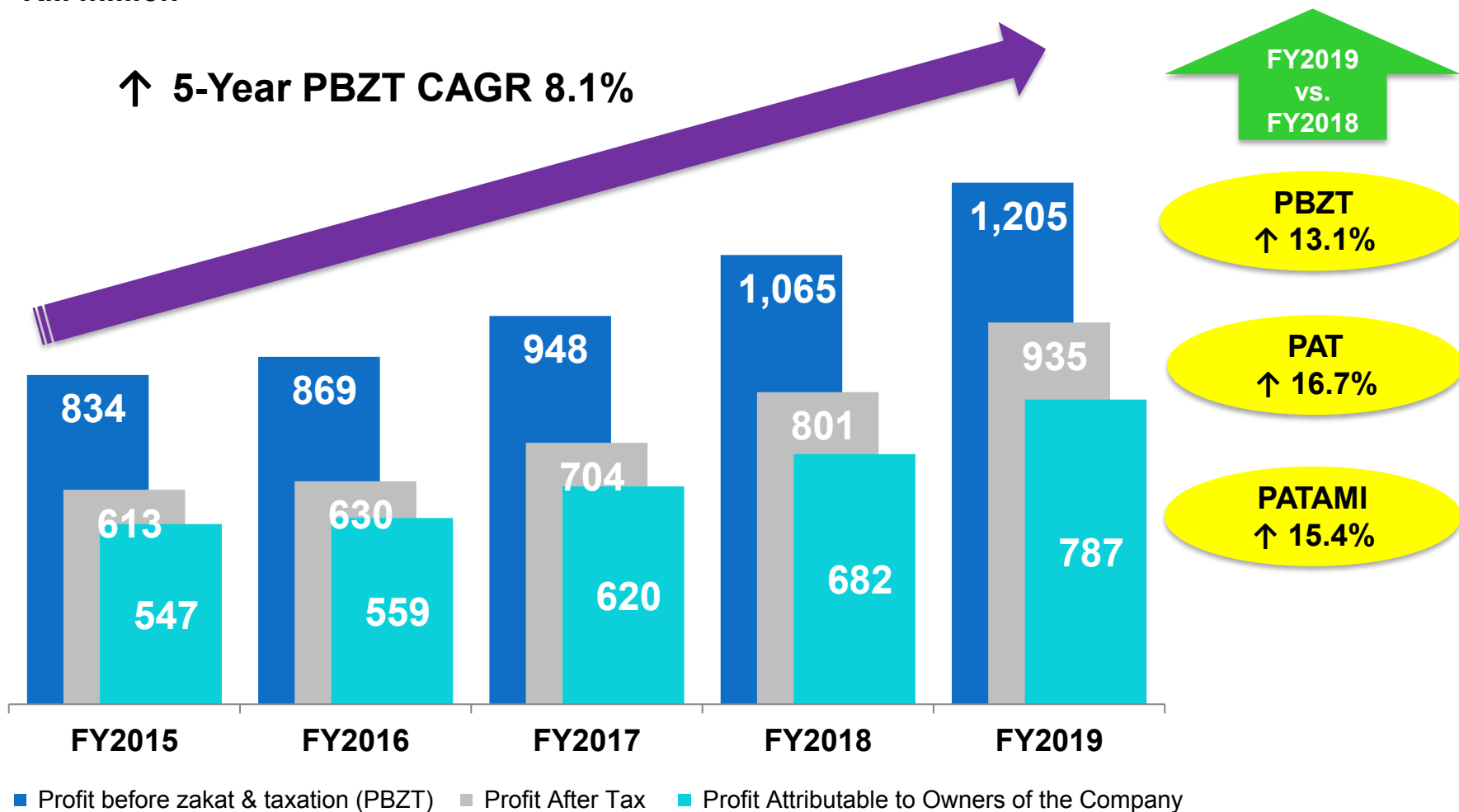
RM1.0 billion

YoY Growth 41.9%

PROFITABILITY – ANOTHER RECORD RESULTS FOR FY2019

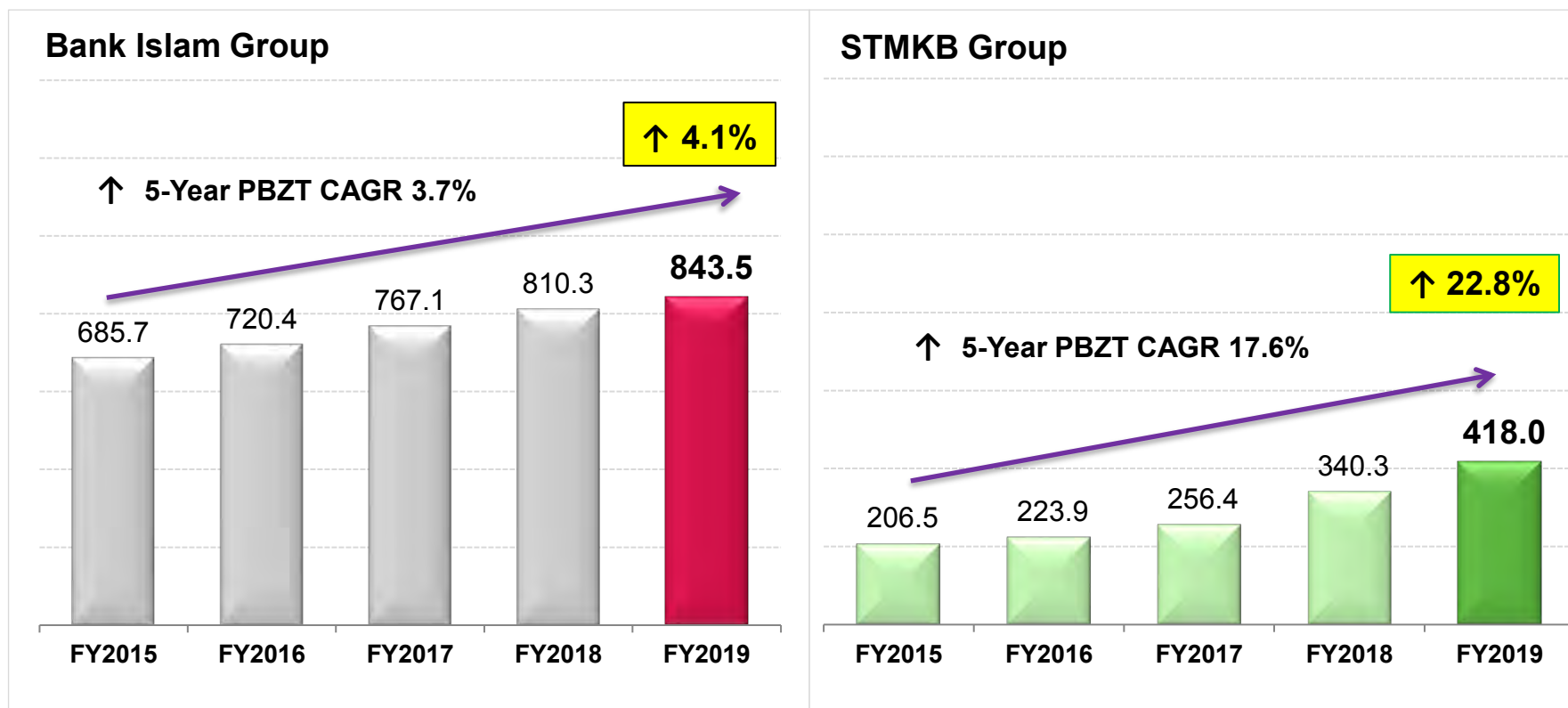
RM million

↑ 5-Year PBZT CAGR 8.1%

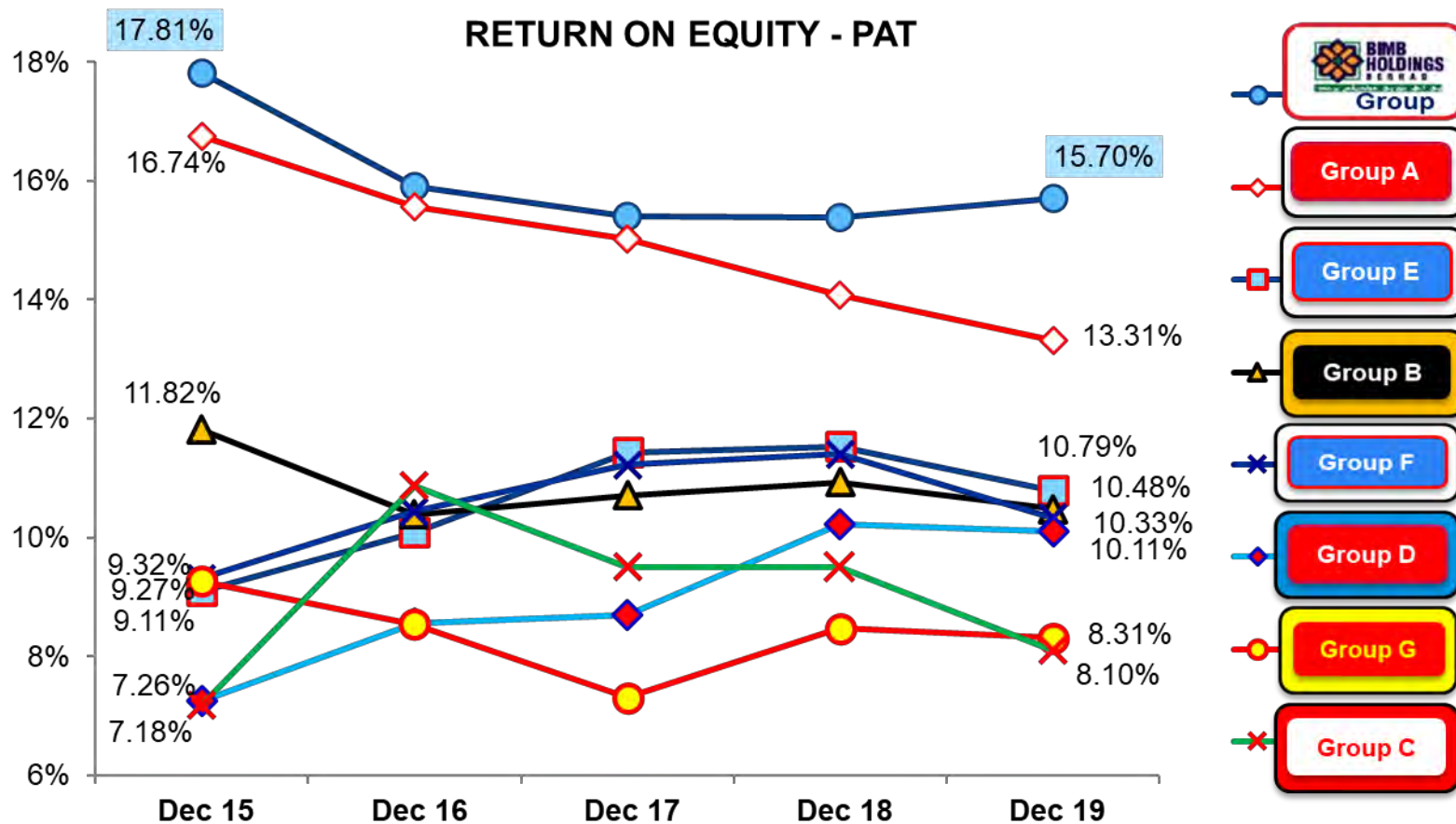


PROFITABILITY TREND – BHB GROUP

Profit before zakat and taxation (RM million)



SELECTED FINANCIAL HOLDING CONGLOMERATES



Excluding BHB Group, the other financial conglomerates operate both Islamic and conventional banking operations

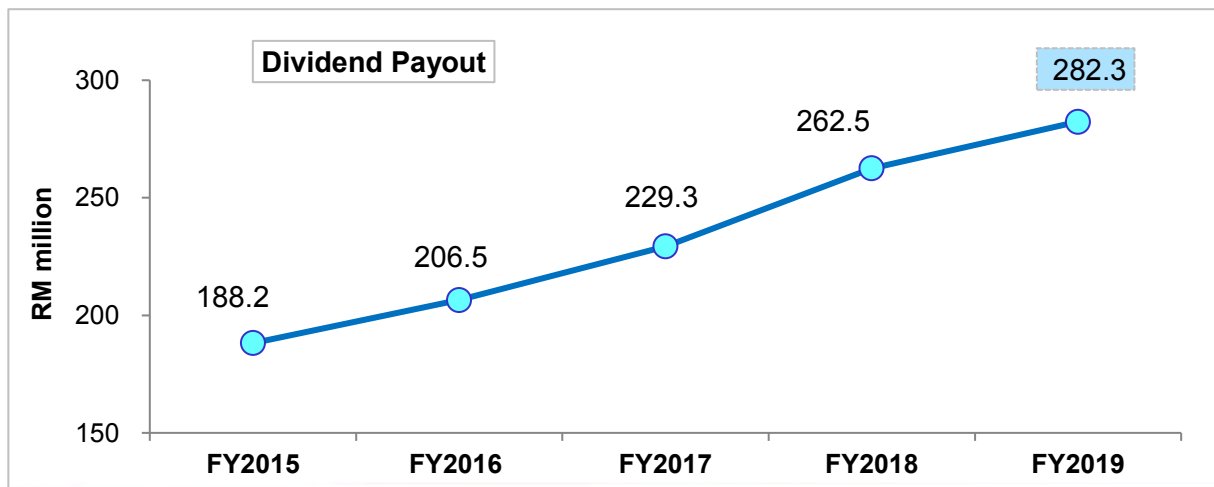
GROUP KEY FINANCIAL INDICATORS – Strong performance

	FY2019	FY2018	FY2017	FY2016	FY2015
Return on Equity (%) based on PAT	15.7%	15.4%	15.4%	15.9%	17.8%
Return on Assets (%) based on PAT	1.3%	1.2%	1.1%	1.0%	1.1%
Return on Equity (%) based on PATAMI	14.4%	14.3%	14.7%	15.3%	17.2%
Return on Assets (%) based on PATAMI	1.1%	1.0%	1.0%	0.9%	1.0%
Cost Income Ratio (%)	57.7%	57.5%	61.4%	58.7%	58.8%
Earnings per Share (sen)	44.75	40.36	37.94	35.25	35.53
Net tangible assets per share (RM)	3.34	2.97	2.77	2.44	2.21

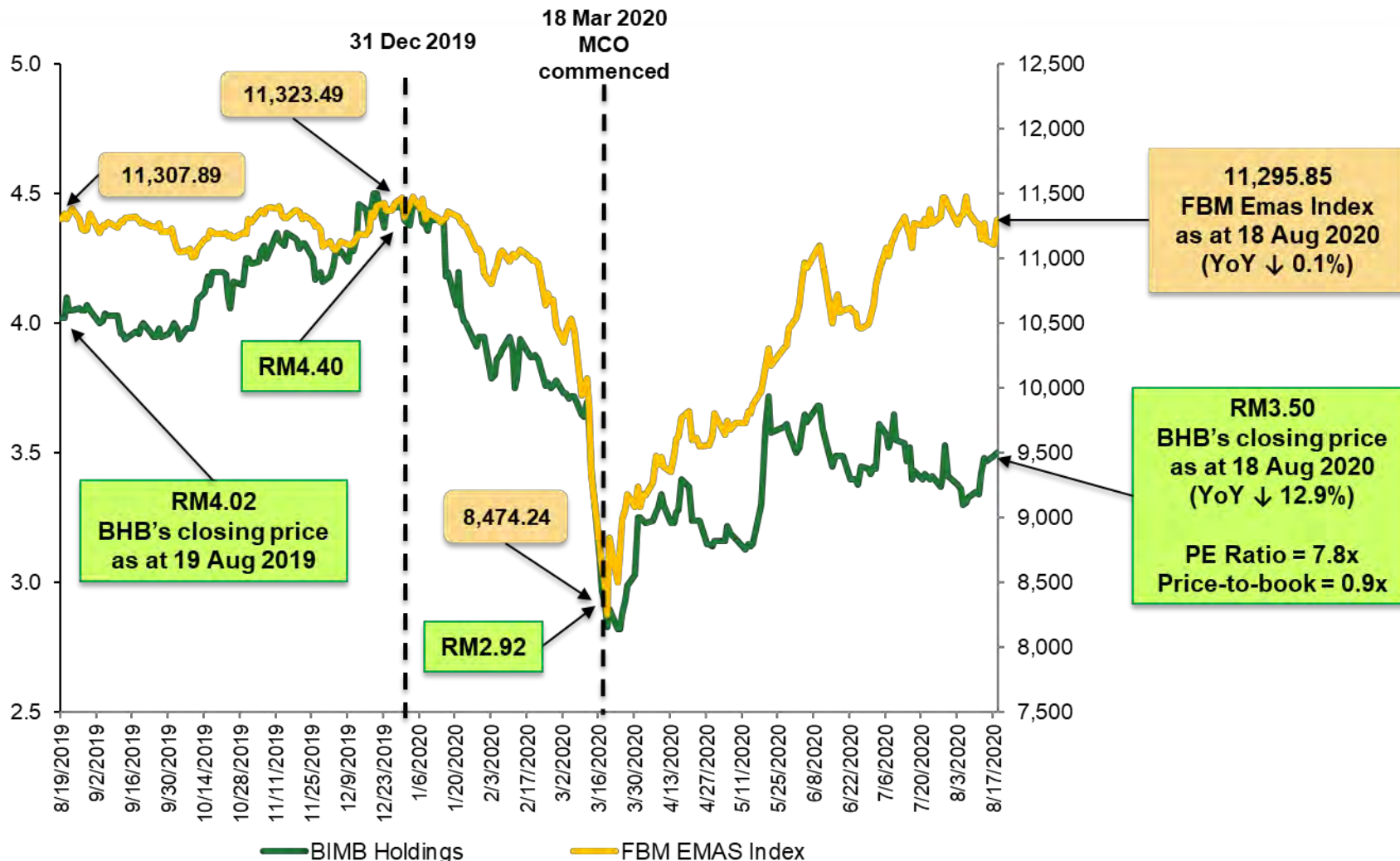
DIVIDEND PAYOUT TRENDS – bringing value to shareholders

Financial Year	Dividend Type	Paid-up Capital	Dividend Payout		% of Net Profit Attributable to Shareholders
		'000	%	RM'000	%
FY2015	Interim	1,542,210	12.2	188,150	89.18
FY2016	Interim	1,588,680	13.0	206,528	94.15
FY2017	Interim	1,637,741	14.0	229,284	93.41
FY2018	Interim	1,693,566	15.5	262,503	94.17
FY2019	Interim	1,764,283	16.0	282,285	80.75

Highest dividend payout

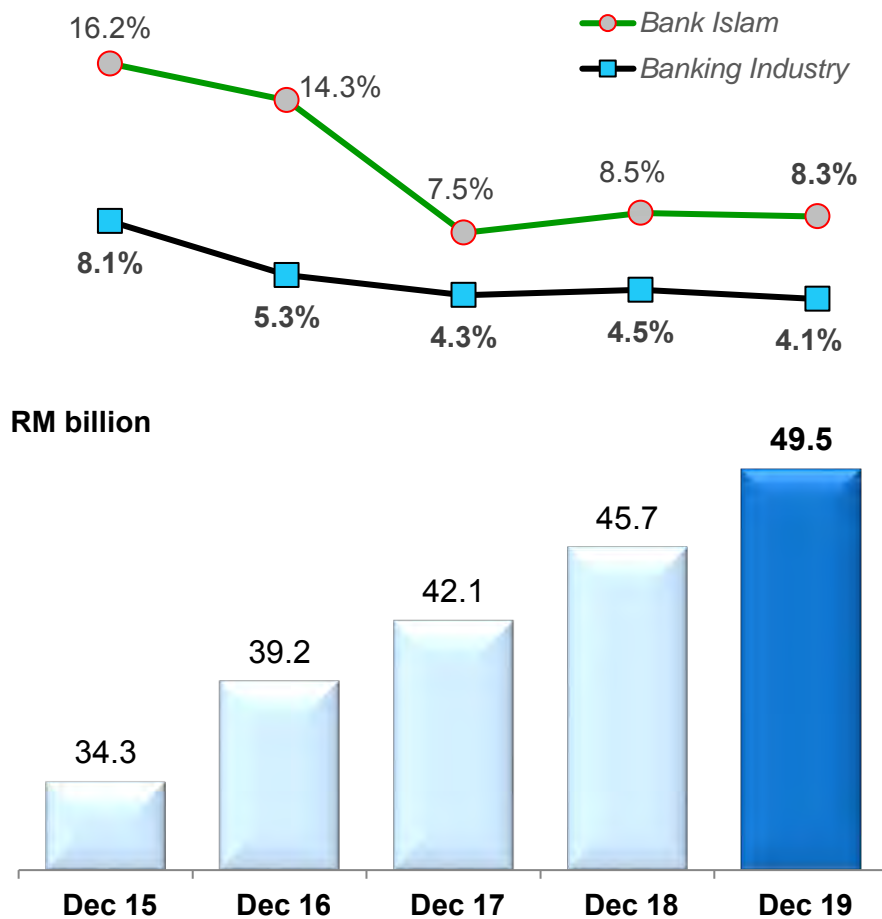


1-YEAR BHB SHARE PRICE vs. FBM EMAS INDEX TREND



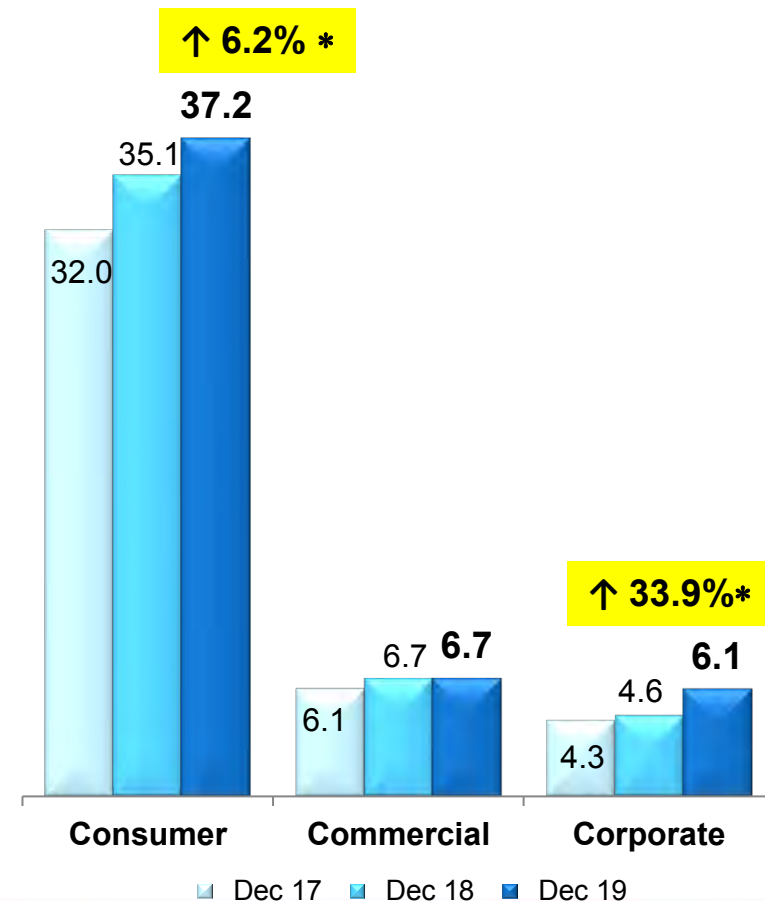
HEALTHY FINANCING GROWTH

Healthy net financing growth
and higher than banking industry growth



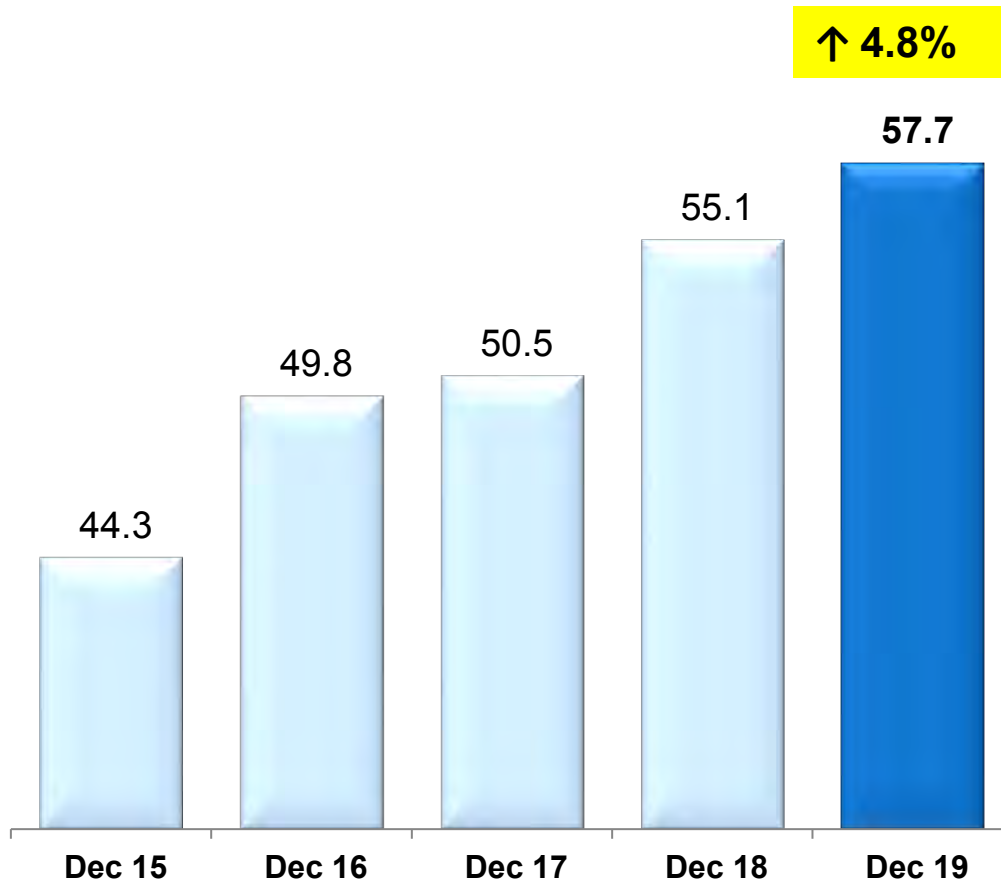
Gross financing growth of 8.1%*

RM
billion

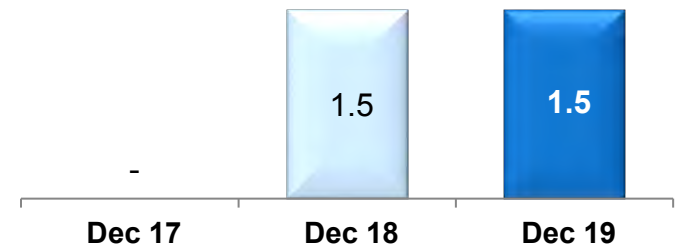


FUNDING

TOTAL DEPOSITS & INVESTMENT ACCOUNTS RM Billion



RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS RM Billion



CASA DEPOSITS & TRANSACTIONAL INVESTMENT ACCOUNT

RM million	Dec 15	Dec 16	Dec 17	Dec 18	Dec 19
Total Deposits	43,595	45,950	46,209	49,909	47,477
<i>of which: CASA Deposits</i>	15,288	14,136	15,482	15,081	15,711
Investment Accounts (URIA)	676	3,812	4,260	5,177	10,240
<i>of which: Transactional IA</i>	461	1,517	1,994	2,595	3,211
Total Deposits & Investment Accounts	44,271	49,762	50,469	55,086	57,717
➔ CASA Deposits & Transactional IA	15,749	15,653	17,476	17,676	18,922

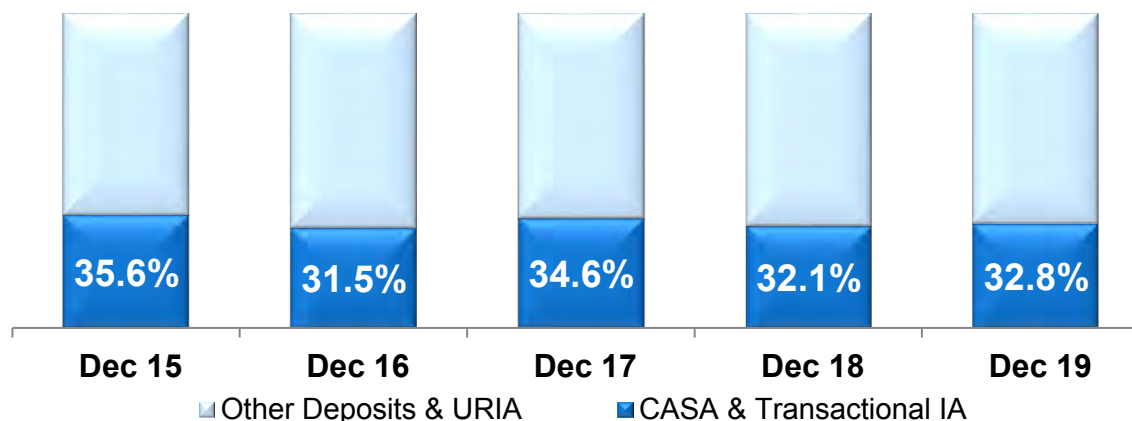


↑ 4.2%

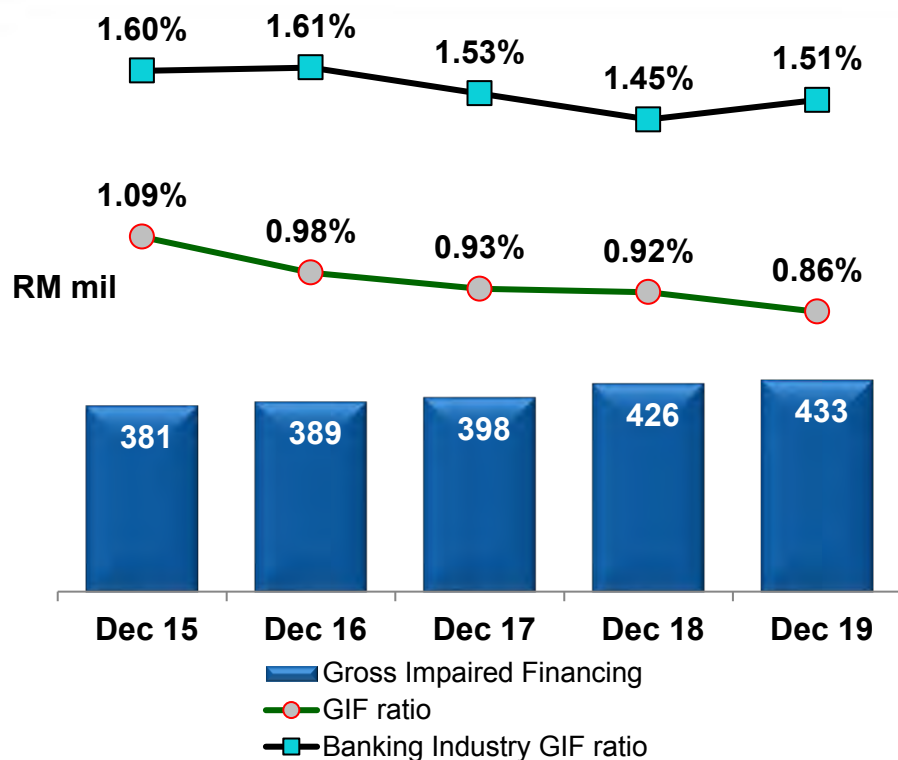
↑ 23.7%

↑ 7.0%

**CASA & Transactional IA against
Total Deposits & Investment Accounts**



ASSET QUALITY

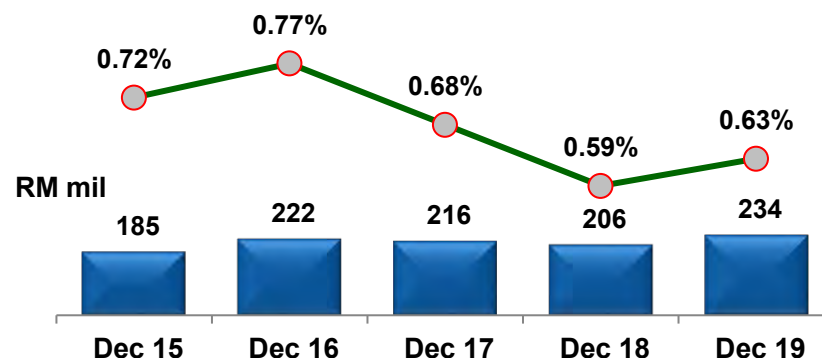


Financing Loss Coverage	Dec 15	Dec 16	Dec 17	Dec 18	Dec 19
Bank Islam	174.6%	175.4%	160.0%*	187.8%*	179.3%*
Banking Industry	96.3%	90.2%	82.9%	97.9%	89.6%

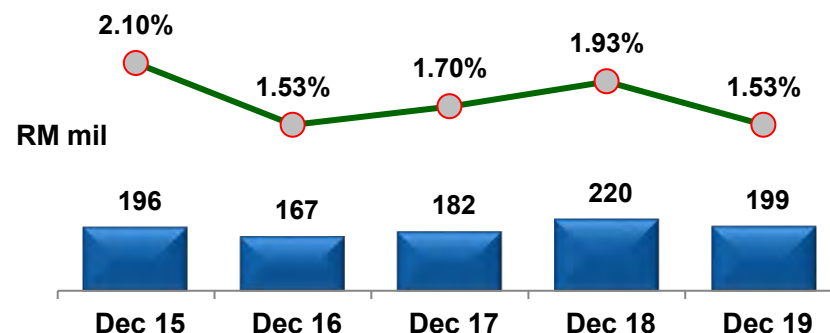
* inclusive of regulatory reserve

Gross impaired financing of which:

Consumer



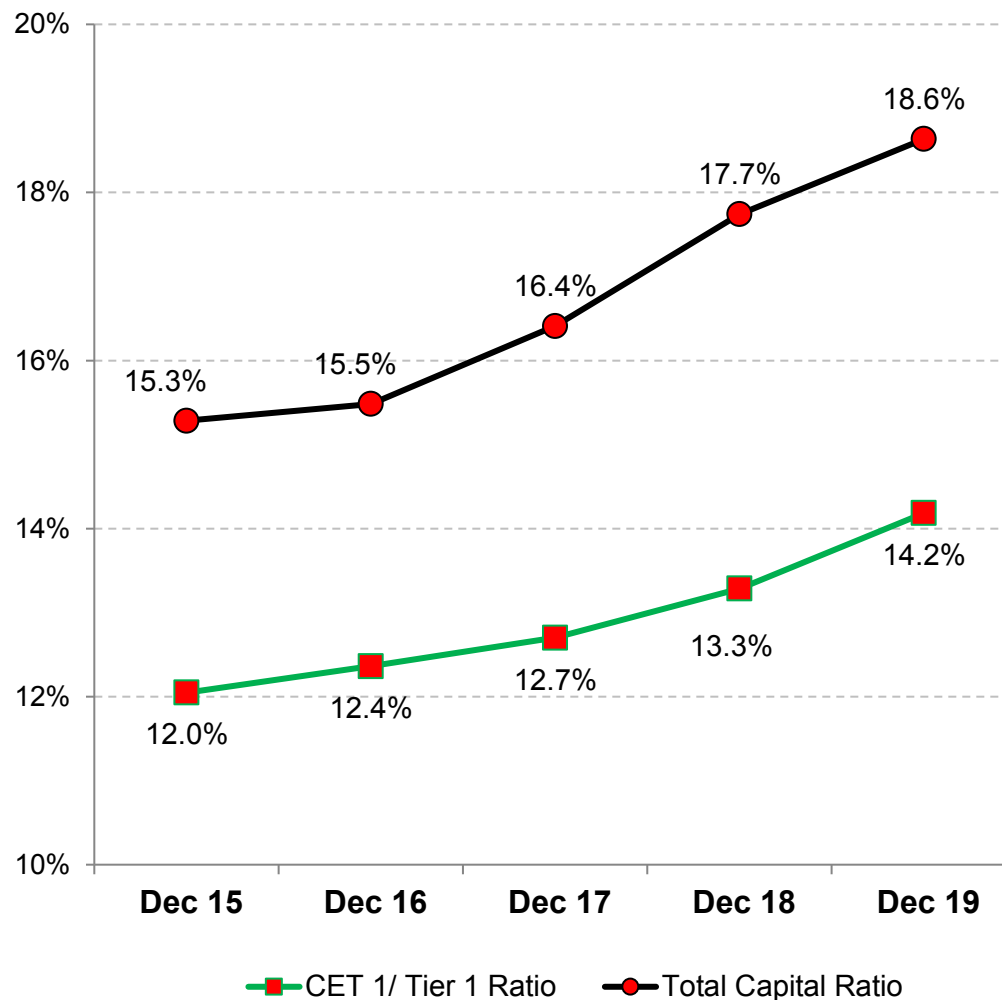
Corporate and Commercial



CAPITAL ADEQUACY

Minimum capital adequacy requirements
(including the capital conservation buffer (CCB)):

	2016	2017	2018	2019
CET 1 Capital Ratio	5.125%	5.750%	6.375%	7.000%
Tier 1 Capital Ratio	6.625%	7.250%	7.875%	8.500%
Total Capital Ratio	8.625%	9.250%	9.875%	10.500%
of which CCB	0.625%	1.250%	1.875%	2.500%



BHB GROUP: ACHIEVEMENTS



BANK ISLAM MALAYSIA BERHAD

- Citi's Performance Excellence Award from Citibank
- Ranked top of the Bloomberg's Global Sukuk league table (First half of 2019)
- Most Innovative Islamic Bank – Malaysia, 2019 at the 5th Annual Global Business Outlook Awards
- Transport Deal of the Year – DanaInfra Nasional Berhad at The Asset Triple A Infrastructure Award 2019
- Reader's Digest Trusted Brands Platinum Award 2019 for the Islamic Finance Services category in Malaysia
- Excellence in Islamic Banking at the Global Business Leadership Awards 2019
- Malaysia Brand Leadership Awards 2019 at Malaysia's Best Brand Awards 2019

- The Global Good Governance Award 2019 – Best Governed & Transparent Company (Bronze) at the 11th Annual Global CSR Conference: The Global Corporate Governance & Transparency Summit & Awards 2019
- Best Islamic Bank – Malaysia 2019 by the International Investor Magazine Award 2019
- Best Corporate Social Responsibility – Malaysia 2019 by the International Investor Magazine Award 2019
- Excellence in Quality and Management in the economics and business category at the Achievements Forum 2019
- Best Islamic Banking Brand, Malaysia 2019 by the Global Brands Magazine

SYARIKAT TAKAFUL MALAYSIA BERHAD

- The Edge Billion Ringgit Club Corporate Awards 2019 - Highest Growth In Profit After Tax Over Three Years
- The Edge Billion Ringgit Club Corporate Awards 2019 - Highest Return On Equity Over Three Year
- HR Asia Best Companies To Work for In Asia Award 2019 Takaful Malaysia (for the second time)

- Graduate Choice Award – Best Employer Brand 2019
- Takaful StarNite Innovation Award 2019 Best Digital Initiative of the Year: Click for Cover
- Takaful StarNite Special Award 2019

CORPORATE DIRECTION 2020

BANK ISLAM MALAYSIA BERHAD

....will continue staying the course on our 3-year journey



VBI = Sustainability = Business Strategies


What are the strategic focus for 2020?

As we face challenging times ahead, status quo is not an option. We need to move from **Good to Great**




SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD


- Dynamic combination of growth, profitability and solvency to create value for all stakeholders
- Pursue growth while staying true to the fundamental principles that have shaped our success




Stable business growth to maintain its market leader position, supported by bancatakaful leadership and strong presence in government servant market, and higher demand in general takaful products




Stable and prudent investment yield under the low yield sukuk/GII and volatile equity market environment.




Sustainable shareholders and underwriting profits in the competitive and uncertain market environment



Market leader at the forefront of the digital transformation in expanding digital footprint and delivering innovative takaful solutions to support business growth and customer centricity



Strong operational efficiency, optimal expense structure with disciplined expense management



Sound and resilient financial fundamentals with strong capital position

QUESTIONS RECEIVED FROM MSWG

Strategy/ Financial Matters

1 On 11 December 2019, BIMB Holdings announced a series of major exercises including placement of new shares, internal reorganization, transfer of listing status to create separate and independent business entities with distinct business in Islamic banking, takaful and securities. The Proposals was expected to be completed in the third quarter of 2020. (Announcement dated 11 December 2019).

What is the current status of the proposals? Given current challenging environment, is the estimated timeline for completion of the exercises still intact?

Our Response

- ❖ We have submitted the corporate exercise proposal to Bank Negara Malaysia (“BNM”). Nevertheless, we understand that the pandemic crisis is an unprecedented predicament, hence decisions are of course, subject to the duration of Movement Control Order (MCO) and the containment of the pandemic crisis.
- ❖ Therefore, barring any further unforeseen circumstances or hiccups, we can endeavour to complete the exercise within 4th quarter 2020 to 1st quarter 2021.
- ❖ An announcement will be made in due course once the approval received from BNM.

QUESTIONS RECEIVED FROM MSWG

2

Revenue of the Group increased 19.1% in FY19 to RM5.4 billion, compared to RM4.5 billion the year before, driven by strong earnings from Islamic banking and takaful business. Meanwhile, net profit attributable to owners of the Company increased 15.37% year-on-year to RM786.92 million from RM682.08 million.

In view of economic slowdown which in turn translate to lower financing needs and demand for family and general takaful, does BIMB expect to post similar strong performance in FY20?

Our Response

- ❖ To date, BNM has cut the OPR a total of 125 basis points in 2020. These cuts will potentially cause a drag on Bank Islam's and the banking industry's earnings. The Bank's floating rate financing comprises 91% of total gross financing as at end December 2019. Consequently, we would expect a compression on the Bank's Net Income Margin (NIM) for the financial year 2020.
- ❖ As of June 20, total financing growth for the banking industry was higher by 4.13% y-o-y (May: 3.91%). The upturn was supported by increase in financing for both Household and Non-household, rising by 3.54% (May:3.19%) and 4.95% (May:4.91%) in June. Meanwhile, industry gross impaired financing ratio (GIFR) improved to 1.46% in June'20. The overall performance suggests that financing activities have been improving despite bleak economic prospects.
- ❖ As such we can expect income performance from the banking sector and hence that of Bank Islam to moderate yet sustainable supported by the series of government stimuli cushioning the impact to businesses and BNM's accommodative stance.
- ❖ Consequently, STMKB's business is relying on credit-related products and transaction, hence the outlook for takaful business will be flattish for the remainder of the year.

QUESTIONS RECEIVED FROM MSWG

3 As of 12 August 2020, the Integrated Annual Report of Bank Islam Malaysia Berhad has not been made available on the Bank's corporate website. What are the key targets met and those not met by the Bank?

How has the Bank performed in FY19 in terms of return on equity, common equity tier-1 ratio, total capital ratio and cost to income ratio?

Our Response

- ❖ Both BIMB Holdings (BHB) and Bank Islam have satisfactorily met key targets set for the financial year 2019. This is further explained in BHB's annual report on pages 69 to 73; and that of Bank Islam on pages 68 to 74.
- ❖ Bank Islam's FY2019 performance:

	FY2019	FY2018
Return on Equity (based on PBZT)	15.3%	15.8%
Cost Income Ratio	52.9%	52.2%
Common Equity Tier-1 Capital	14.2%	13.3%
Total Capital Ratio	18.6%	17.7%

QUESTIONS RECEIVED FROM MSWG

4 Local banks have granted an automatic six-month moratorium for all their individual and SMEs customers starting from 1 April 2020 to 30 September 2020 to help relieve clients' financial burden.

4a What is the size of the loan involved under the six-month moratorium to Bank Islam's total financing, advances and others (FAO)?

Our Response

Auto Moratorium	% of portfolio
Retail portfolio	95%
SME portfolio	73%
Non-SME portfolio	35%

QUESTIONS RECEIVED FROM MSWG

4b

What is the percentage of Bank Islam's total FAO that have been restructured and rescheduled (R&R) due to the COVID-19 pandemic? Under the R&R loan segment, which are the most affected sectors within Bank Islam's total LAF?

Our Response

- ❖ The Bank has proactively engaged almost all customers in anticipation of the ending of the six-month moratorium in September 2020.
- ❖ Number of customers in need for R&R as at to date are at minimal level (Retail: 0.05%; SME: 7.7%; Non-SME: 9.3%). This is because of the Bank's business model is premised on package employer financing for retail portfolio, secured by way of salary deduction, hence a mitigating factor to buffer impact of asset quality deterioration.
- ❖ The Bank has approved a sizeable number of R&R applications received to date (Retail: 51%; SME: 30.%; Non-SME: 46%), where the rest are pending approval subject to fulfilment of eligibility criteria.
- ❖ Currently, the Bank deemed Hotel, Transportation, Restaurant, Travel Agency and Oil & Gas as vulnerable sectors with exposure of close to RM1 billion (2% of Bank's gross financing).

4c

What is the expected size of day-one modification loss to Bank Islam due to the six-month moratorium on hire purchase loans?

Our Response

We estimate a total modification of approximately RM100 million for the first 6 months of the financial year 2020 for all affected financing products.

QUESTIONS RECEIVED FROM MSWG

5 Gross impaired loan (GIL) of the Group remain low at 0.86% as at 31 December 2019, compared to 0.92% in the year before, while net allowance for impairment on financing and advances increased by 2.74% or RM2.23 million year-on-year to RM83.68 million from RM81.45 million the year before.

Based on BIMB Holdings' assessment, to what extent will its GIL and allowance for impairment on loan rise further in FY20 bearing in mind the COVID-19 pandemic?

With expected increase in allowance for provision after the six-month automatic loan moratorium on 30 September, how will the net credit cost trend in FY21?

Our Response

- ❖ Industry impaired ratio stood at 1.5% in 2019, BNM's stress test revealed a range of post-shock impairment impact ranging from 2.8% for baseline scenario to 7.2% for adverse scenarios. As of June'20, industry gross impaired financing ratio (GIFR) improved to 1.46%.
- ❖ In line with industry's expectations, Bank Islam does expect a possible uptick in our GIFR ratio. Nevertheless, our track record shows that Bank Islam has maintained its asset resiliency below industry average for almost a decade, and even below 1% in the past 2 years. As such, we do not envisage any uptick to be too significant this year, well within industry baseline projections.
- ❖ In addition, the Bank's financing loss coverage ratio stood at 179.3%. This is well above that of industry's 89% and serves to buffer any potential impact by asset deterioration.
- ❖ We expect the Bank's credit cost to be around 0.30% to 0.40% from 0.17% as at Dec'19.

QUESTIONS RECEIVED FROM MSWG

6 Deposits from customers declined 5.45% y-o-y to RM46.75 billion (FY18: RM49.43 billion) with the Negotiable Islamic Debt Certificates declined 73% or RM2.69 billion to RM991.55 million from RM3.68 billion the year before (Note 18 – Deposits from customers, Notes to the Financial Statements for FY19).

Meanwhile, investment accounts of customers rose 94.49% to RM9.8 billion from RM5.04 billion due to increase in unrestricted investment amounts (maturity) to RM6.59 billion from RM2.44 billion (Note 19 – Investment accounts of customers, Notes to the Financial Statements for FY19)

Why is there a sharp drop in customers' deposits and a sharp increase in fund in investment accounts? Is there a change in the funding strategy of the Bank?

Our Response

- ❖ The Bank is leveraging on funding strategy which strengthens both liquidity and capital preservation. Unlike conventional deposits, the Unrestricted Investment Account (URIA) is premised on the concept of profit loss sharing mechanism. As such, upon deriving at the capital ratio, the Risk Weighted Assets (RWA) of the underlying asset to the IA is excluded hence resulting in a more favourable capital ratio, by about 2%.
- ❖ From our observation, the current economic condition has also influenced the customer preferences and appetite in relation to their deposits.

QUESTIONS RECEIVED FROM MSWG

7 BIMB Holdings paid 16 sen dividend per share to shareholders in FY19. This translated into a dividend payout ratio of 35.75%.

Will there be a significant change in dividend payout ratio in FY20 which has consistently hovered around 35% to 38% the past four years?

Our Response

- ❖ We do not foresee any significant change to dividend payout ratio. However, this is subject to BNM's approval.

QUESTIONS RECEIVED FROM MSWG

8 Other overhead expenses increased 21.2% to RM932.54 million from RM769.38 million with significant increase in the following:

What are the reasons for the increase in those expenses? What is the measurable impact from increase A&P spending?

Our Response

	FY2019	FY2018	Increase %	Remarks
	RM'000	RM'000		
Advertisement & publicity	181,164	125,311	44.57	<p><u>Bank Islam:</u></p> <ul style="list-style-type: none"> Higher advertisement cost in 2019 with advertisement in 3 newspapers (The Star, Harian Metro and Sinar) compared to only a newspaper in 2018 (Sinar). Sponsorship costs increased with 41 events sponsored in 2019. (2018: 21 events) Higher marketing expenses for Al-Awfar Campaign. <p><u>STMKB:</u> Higher marketing expenses in line with business growth from Bancatakaful and Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA).</p>
Agency related expenses	60,210	13,642	341.36	This in line with the increase in the credit related business of STMKB during the year.
Other expenses	53,964	12,336	337.45	<p>Mainly due to STMKB's other expenses which increased in line with the increase in the credit related business of STMKB.</p> <p>The measurable impact that can be seen is in the form of ease of doing business for customer and maintaining our presence in the marketplace together with some improvement in the process and IT infrastructure</p>

Thank You والسلام



FINANCIAL HIGHLIGHTS 1H2020

PBZT

**RM574.1
million**

Reduction 7.5%

Total Revenue

RM2.4 billion

Reduction 9.9%

ROE (based on PAZT)

12.6%

EPS 20.25 sen

- ❖ The Group warded off major challenges triggered by the Covid-19 pandemic, posting a Group PBZT of RM574.1 million for the 1H2020, 7.5% lower than the same period in 2019.
- ❖ The decline in earnings was mainly due to:
 - Lower net financing income arising from multiple downwards revisions of the Overnight Policy Rate (“OPR”). To date Bank Negara Malaysia (“BNM”) has cut a total of 125bps. An OPR of 1.75%, is considered the lowest OPR recorded since 2004. These cuts will potentially cause a drag on Bank Islam’s and the banking industry’s earnings. The Bank’s floating rate financing comprises 91.5% of total gross financing as at end June 2020. Consequently, we would expect a compression on the Bank’s Net Income Margin (NIM) for the financial year 2020.
 - Recognition of modification loss due to the moratorium exercise. Pursuant to the moratorium on repayment of financing, a modification loss of RM97.8 million has been recognised.
 - Lower sales generated from takaful business.
- ❖ Despite, the above Group’s ROE remained strong at 12.6%.