BANK ISLAM

INSPIRING PROGRESS

ENSURING SUSTAINABILITY FOR ALL

INTEGRATED ANNUAL REPORT **2023**

About Our Report

CORPORATE BOOK

CONTENTS

- Provides a comprehensive overview of the Group's performance for 2023 and the outlook for 2024

Aligned with our theme "Inspiring Progress, Ensuring Sustainability for All," Bank Islam Malaysia Berhad's Integrated Annual Report (IAR) 2023 offers a balanced view of both financial and non-financial performance, measured against key sustainability metrics. It demonstrates our commitment to deliver sustainable value for all stakeholders, built on a foundation of long-term value creation, responsible Islamic banking practices and positive contributions to a more sustainable future.

SCOPE AND BOUNDARY OF REPORTING

This IAR is produced and published annually, covering our financial and non-financial performance for the reporting period from 1 January to 31 December 2023, unless otherwise stated.

The report provides a complete and balanced review of the 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. It includes non-financial performance, opportunities, risks and outcomes attributable to/or associated with our key stakeholders, which directly or indirectly influence our ability to create sustainable value.

REPORTING FRAMEWORKS

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

- Malaysian Code on Corporate Governance (MCCG) 2021
- Companies Act 2016
- Malaysian Financial Reporting Standards (MFRS)
- Bank Negara Malaysia Corporate Governance Policy
- Bursa Malaysia's Main Listing Requirement on Sustainability Reporting
- Bursa Malaysia's Sustainability Reporting Guide
- Global Reporting Initiative (GRI) Sustainability Reporting Standards
- Task Force on Climate-Related Financial Disclosures (TCFD)
- The United Nations Sustainable Development Goals (UNSDGs)

This report was developed with reference to the following standards, guidelines, and best practices.

- Value Reporting Foundation (VRF)
- Malaysian Code on Corporate Governance (MCCG) 2021 by Securities Commission Malaysia
- Companies Act 2016
- Bank Negara Malaysia Corporate Governance Policy

This report is available online via the Bank Islam website.

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 of material issues to Bank Islam was conducted in 2022, followed by refinements in 2023, to ensure the list remains current and reflects the evolving landscape.

Identification of material issues was based on evaluating how we create value, the impact of the external operating context on the value creation, our stakeholders' material interest, 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 to our reporting disclosures, we present vital topics that influence the Group's strategy for creating long-term value for our key stakeholders.

For more details, refer to Material Matters on pages 48-55.

COMBINED ASSURANCE

The 2023 IAR was compiled following strict internal controls and governance protocols. The non-financial data within the report underwent a thorough review and validation by the Group Internal Audit team. PwC Malaysia has also provided external assurance on the financial statements and the pertinent financial information included in the report.

FORWARD-LOOKING STATEMENTS

This IAR contains certain forward-looking statements regarding Bank Islam's future performances and prospects. These statements and forecasts are based on current judgments, subject to uncertainties as circumstances evolve. Various factors may cause actual results to differ materially from those expressed or implied by these forward-looking statements, including emerging risks and other factors that might adversely impact our business and financial performance. Therefore, these forward-looking statements should not be construed as guarantees to Bank Islam's future performance.

APPROVAL BY THE BOARD

Bank Islam's Board acknowledges its responsibility in ensuring the integrity of this IAR, in the Board's assessment, addresses material issues to the Group's ability to create value and fairly represents Bank Islam's performance for the year 2023.

This Integrated Annual Report for the Financial Year Ended 31 December 2023 was approved by the Board on 15 April 2024 and signed on its behalf by:

Tan Sri Dr Ismail Haji Bakar
Chairman

CAPITALS

- FC Financial
- HU Human
- MF Manufactured
- IN Intellectual
- SR Social and Relationship
- NT Natural

STRATEGIC FOCUS AREAS

- SP Sustainable Prosperity
- CE Community Empowerment
- CC Customer-centricity
- VBC Values-based Culture
- RE Real Economy
- D Digitalisation

KEY RISKS

- CR Credit Risk
- ITR Information Technology (IT) Risk
- MR Market Risk
- SNC Shariah Non-Compliance (SNC) Risk
- LR Liquidity Risk
- RCR Regulatory/Compliance Risk
- OR Operational Risk
- CR Climate-Related Risk

STAKEHOLDERS

- IV Investors
- CU Customers
- EM Employees
- LC Local Communities
- GR Government and Regulators

MATERIAL MATTERS

- SRF Sustainable and Responsible Finance
- CESF Community Empowerment and Social Finance
- CX Customer Experience
- SSC Sustainable Supply Chain
- TD Talent and Development
- CRO Climate Risks and Opportunities
- GGC Good Governance and Conduct
- EHS Employee Well-being, Health and Safety
- DPS Data Privacy and Security
- DI Diversity and Inclusion
- EEI Emissions and Environmental Impact

UNSDGs

Inside 2023 Integrated Annual Report

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• Form of Proxy

Inspiring Progress

Ensuring Sustainability For All

Bank Islam Malaysia Berhad (Bank Islam or the Group) has been leading the way in advancing prosperity for all our customers for the past 40 years. As we continue to move forward, our core objective remains the same – to create sustainable value for all our stakeholders.

To achieve this, we have redefined our growth strategy and embraced innovative methods to future-proof our business. Our LEAP25 business strategy roadmap underpins our transformation journey, as we focus on driving sustainability, pursuing new opportunities, accelerating digital initiatives, and enhancing efficiency.

At the heart of our transformation programme is a customer-centric approach, coupled with our broad range of offerings and comprehensive digitalisation efforts. We believe this approach will help us to create new growth opportunities, while also enabling us to contribute to sustainability, green financing, Shariah-ESG and ESG-compliant investing.

As we commemorate 40 years of advancing prosperity for all, we take pride in our accomplishments and look forward to the opportunities ahead. Our unwavering commitment to providing innovative solutions and unparalleled customer experiences while staying true to our core values of integrity, excellence, and social responsibility.

Overview of Bank Islam

WHO WE ARE

Bank Islam, established on 1 July 1983 (20 Ramadan 1403H) holds the distinction of being Malaysia's inaugural Islamic bank and the first publicly listed Islamic bank in the Main Market of Bursa Malaysia on 8 October 2021. A full-fledged, pure-play Islamic bank with 135 branches and over 900 self-service terminals nationwide, Bank Islam provides banking and financial solutions that strictly adhere to the Shariah rules and principles. Our commitment remains steadfast towards fostering sustainable prosperity and upholding ESG values. Bank Islam is an official UN Global Compact Malaysia and Brunei participant, reflecting our commitment to global sustainability goals. Our core subsidiaries, BIMB Investment Management Berhad and BIMB Securities Sdn Bhd, are pioneers in Islamic financial services, namely investment and stockbroking.

We strive to create opportunities and improve lives by offering end-to-end financial solutions for our diverse customers, stakeholders, and communities. As the leading Islamic bank in Malaysia, we nurture responsible growth and progress, using our expertise and experience to help our customers achieve success and build a sustainable future for all.

VISION

The bank that advances **prosperity for all**

MISSION

To provide solutions that **deliver value**

OUR BRAND PROMISE

Assuring Trust. **Delivering Value.**

HIGHLIGHTS

- RETURN ON EQUITY (AFTER PAZT) **7.8%**
- DIVIDEND PAID **16.81** sen
- NET PROFIT (PROFIT AFTER ZAKAT & TAX (PAZT)) **RM553.1** million
- TOTAL CUSTOMERS **4.4** million
- PROFIT BEFORE ZAKAT & TAX **RM746.8** million
- TOTAL EMPLOYEES **4,908**

TAAT VALUES

- **T** Think Customer
- **A** Act with Integrity
- **A** Advance Beyond
- **T** Take Charge

2023 Key Highlights

FINANCIAL HIGHLIGHTS

PROFIT BEFORE ZAKAT AND TAX
RM746.8 million
(2022: RM746.9 million)

TOTAL ASSETS
RM91.0 billion
(2022: RM89.9 billion)

GROSS IMPAIRED FINANCING RATIO
0.9%
(2022: 1.3%)

NET RETURN ON EQUITY
7.8%
(2022: 7.5%)

CASATIA RATIO
39.9%
(2022: 36.8%)

ASSET GROWTH
1.2%
(2022: 12.1%)

FINANCING GROWTH
3.0%
(2022: 11.6%)

BUSINESS HIGHLIGHTS

Won Gold for **Banking, Investment & Insurance Category** at the 2023 Putra Aria Brand Awards

218.3 million
Volume of active inquiries and transactions via online platforms

Launched Ihsan Sustainable Investment Account (ISIA), the first Value-based Impact Investment, offering a unique avenue for purposeful investment in SDG-aligned financing assets with a social impact contribution through the *zakat* or Sadaqa House feature.

Launched Selangor **Halal SME Solution** webpage with Halal International Selangor to provide SMEs with access to comprehensive solutions

SUSTAINABILITY HIGHLIGHTS

Environmental

7 environment-friendly branches nationwide

Economic

SHARIAH-ESG ASSET PORTFOLIO
RM4.5 billion
(2022: RM2.9 billion)

Invested **RM12.8 million** in community enrichment

Official participant of the UN Global Compact Malaysia and Brunei

Social

EMPLOYEE ENGAGEMENT INDEX
78%

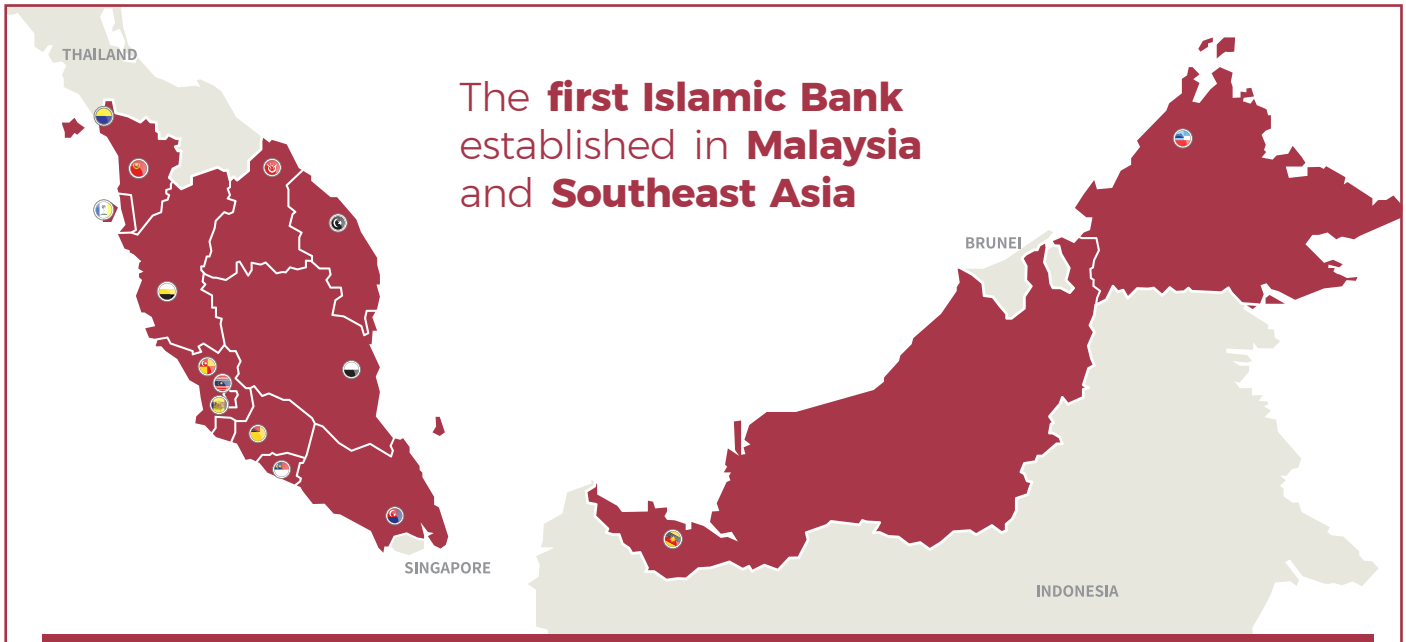
Disbursed **RM8.3 million** through Blended Financing Programme for microentrepreneurs

Provided BangKIT Business Grant to **125** *asnaf* entrepreneurs

Zakat paid **RM13.8 million**

Our Presence

Scan the QR code for the details of our BRANCH NETWORK or log on to **https://www.bankislam.com**



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

Branches

Central Region
45 Branches

- KUALA LUMPUR
- SELANGOR
- PUTRAJAYA

Contact Centres
- Menara Bank Islam, Kuala Lumpur
- Wangsa Maju, Kuala Lumpur

Green Branch
- Kajang, Selangor

Southern Region
24 Branches

- JOHOR
- MELAKA
- NEGERI SEMBILAN

Green Branch
- Senawang, Negeri Sembilan

Northern Region
26 Branches

- KEDAH
- PERLIS
- PULAU PINANG
- PERAK

Green Contact Centre
- Sungai Petani, Kedah

Green Branches
- Alor Setar, Kedah
- Sungai Petani, Kedah
- Butterworth, Pulau Pinang

Eastern Region
27 Branches

- KELANTAN
- TERENGGANU
- PAHANG

Green Branches
- Kubang Kerian, Kelantan
- Temerloh, Pahang

East Malaysia **13** Branches

- SABAH
- SARAWAK

WORKFORCE
4,908

TOTAL CUSTOMERS
4.4 million

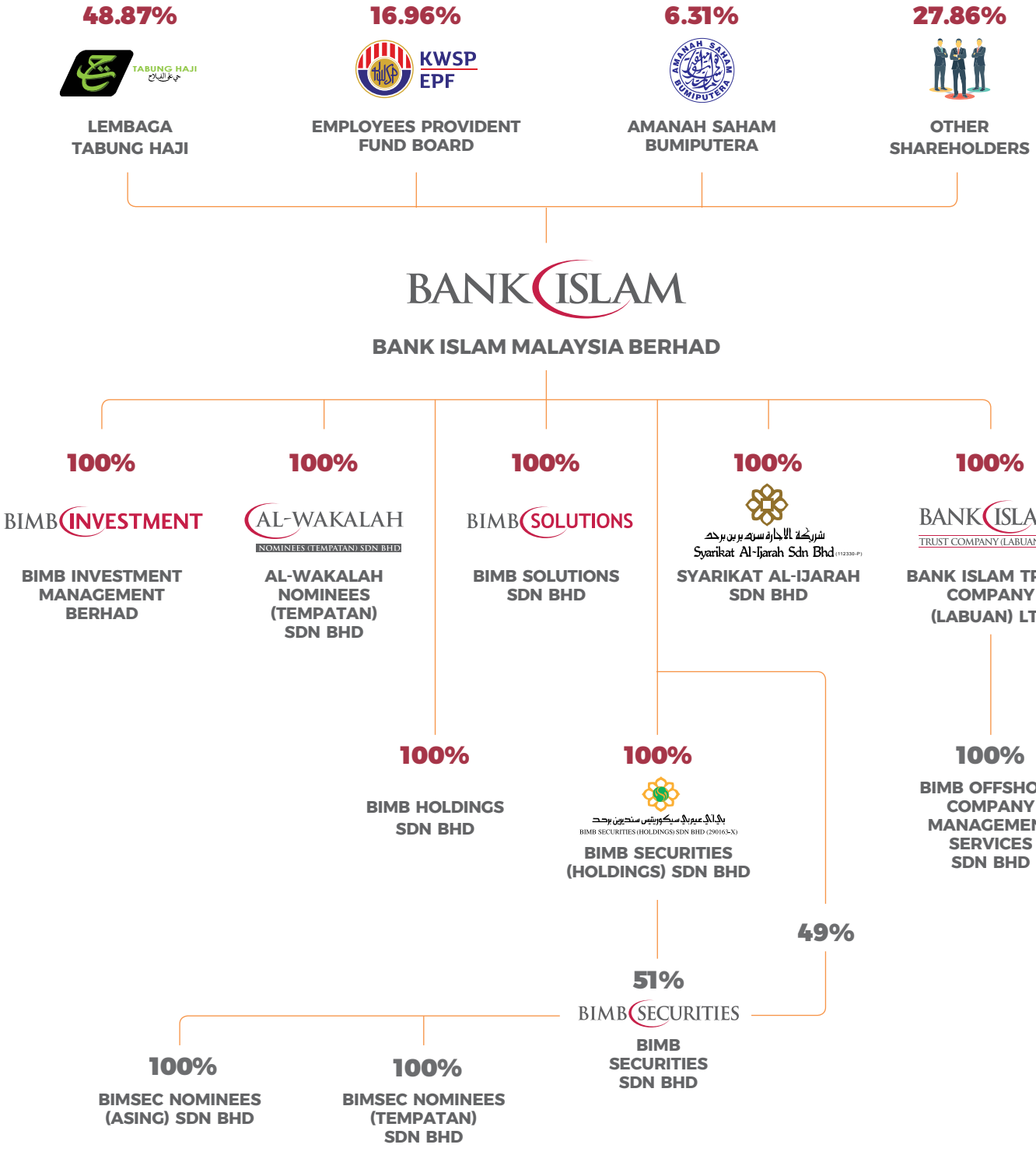
Cash Recycler Machines
496

Automated Teller Machines
486

Total of Self-service Terminals (SST) Nationwide
994

How We Are Structured: Group Corporate Structure

as of 29 March 2024



Awards & Recognition

THE EDGE ESG AWARDS 2023:

1. Gold Award, Best E (Environment) Fund category: Makmur myWakaf Fund (MWF)
2. Gold Award, Best S (Social) & G (Governance) Fund category: Makmur myWakaf Fund (MWF)
3. Gold Award, Best G (Governance) Fund category: Makmur myWakaf Fund (MWF)
4. Silver Award, Best Allocation Fund category
5. Silver Award, Best Overall Winner category: BIMB-Arabesque Shariah-ESG AI Technology Fund (BGSEAIT)
6. Silver Award, Equity Fund category: BIMB-Arabesque Shariah-ESG AI Technology Fund (BGSEAIT)

WORLD TOURISM AWARD 2023

1. The Best Islamic Banking

RAM LEAGUE AWARDS 2022

1. 3rd, Lead Manager by Programme Value category
2. 3rd, Lead Manager (Sukuk) by Programme Value category

THE ASSET ISLAMIC FINANCE AWARDS 2023

1. Best Sustainable and Responsible Investment (SRI) Sukuk

THE ASSET TRIPLE A AWARDS 2023

1. Highly commended, Best Individual in Trading (Malaysian Ringgit bond): Joseph Ng

MUSE CREATIVE AWARDS 2023

1. Platinum Winner: Video – Banking category, Title: "Doorway to Success with Bank Islam SME Banking"

CGC 28TH FI/FDI & SME AWARDS 2022

1. Top FI Partner in the SME category

LIFE AT WORK AWARDS

1. Promising Young HR (Malaysian organisation category) – Winner: Norlieyana Roos Affandey
2. CHRO Champion (Malaysian organisation category) – 1st Runner Up: Iskandar Shah Zulkarnain

BURSA EXCELLENCE AWARDS 2022

1. 2022 Best Institutional Bursa Malaysia-i Participating Organisation – 1st Runner Up: BIMB Securities Sdn Bhd

GRADUAN BRAND AWARDS 2023

1. Top 10 (4th place), Overall Ranking among Malaysia's Most Preferred Employers in 2023
2. 1st runner up, Banking & Financial Services Sector category

GRADUATES' CHOICE AWARDS 2023

1. No. 1 Employer of Choice, Islamic Banking category
2. 4th, Top Employer of Choice, Banking category
3. 5th, Top Employer of Choice, Investment Banking category
4. Top 1% Employer of Choice in the Overall Ranking in Malaysia

MALAYSIA'S 100 LEADING GRADUATE EMPLOYERS 2023

1. Top 10 (6th place), Overall Ranking
2. 1st runner up, Banking & Financial Services Sector category

Our Competitive Advantage

Banking on Shared Success: Advancing Prosperity for the Good of All

Sizeable green financing portfolio, **achieved Shariah-ESG assets target of more than RM4 billion**

Dedicated Centre of Social Finance **– Group Social Finance Division**

Robust Shariah Governance Framework

Values-based culture, with emphasis on **Shariah goals and VBI principles**

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

The Region's **First Full-Fledged** Islamic Banking Institution

Recognised by the **General Council for Islamic Banks and Financial Institutions (CIBAFI)** for sustainable development initiatives inclusive of ESG practices

Ihsan Sustainability Investment Account
Empowering clients to build a nature-positive economy, fostering environmental resilience and inclusive growth.

Malaysia's largest network of dedicated Islamic banking channels

Our Products & Services

OUR PRODUCTS

- Personal Financing
- House Financing
- ASB Financing
- Vehicle Financing
- SME Financing
- Credit Card
- Ar-Rahnu
- Takaful Protection
- Will Writing
- Deposit
  - Term Deposit Tawarruq (TDT)
  - Al-Awfar
- Investment Products
- Commercial and Corporate Financing Solutions
  - Term Financing
  - Trade Financing
  - Working Capital
  - Structured Financing or Programme-based Financing
- Investment Banking and Advisory
- Treasury and Markets
  - Money Market
  - Foreign Exchange (FX)
  - Fixed Income Markets
  - Structured Products

DIGITAL ECOSYSTEM

- Connected Systems (Strategy & Technology)
  - IT Blueprint
  - CODE S+
  - Data Analytics
  - Fintech Partnerships
  - Cloud-Native Digital Banking
  - Robotic Process Automation (RPA)
  - Electronic Know Your Customer (eKYC)
- Connected Processes (People & Channel)
  - Digital Academy
  - Bank Islam Shared Values
  - Digital bank through Be U
  - Mobile apps
  - Internet Banking

OUR DIGITAL FACILITIES

- Internet Banking
- GO by Bank Islam
- GO Biz by Bank Islam
- Be U by Bank Islam
- Sadaqa House
- SMEXpert
- eBanker Pro
- eMasjid
- Halal Integrated Platform
- BEST app
- BISonline
- Merchant Portal
- EZXcess
- Virtual Account Opening (VAO)
- InfaqPay
- eJamin (Collaboration with Dapat Vista (M) Sdn Bhd)
- Wealth Tech (Collaboration with Arabesque Asset Management Ltd)
- eWallet services (Collaboration with SnapNPay, kiplePay, GHL, MP@y and ME12PAY)

Significant Events 2023

January

18 January 2023
Bank Islam Clinches Putra Brand Awards 2022
Bank Islam won Bronze in the Banking, Investment, and Insurance categories at the Putra Brand Awards. The win signifies the Group's effort in brand building and recognises Bank Islam as one of the preferred brands in the financial services industry.

February

13 February 2023
Launch of e-Duit Programme in Jeniang, Kedah
Bank Islam, in collaboration with Bank Negara Malaysia (BNM), led the launch of the e-Duit Programme in Jeniang, Kedah. The launch is aimed at promoting cashless transactions among microentrepreneurs operating at the morning market in the rural town with more than 100 entrepreneurs signing up for the programme.

22 February 2023
Al-Awfar Crowns its 39th millionaire
Al-Awfar celebrated its 14th Anniversary and 39th RM1 million grand prize winner. Five other special draw prize winners received a BMW 302i car, while another four winners drove home a Honda CR-V each. The event also announced Junior Grand Prize winners, who were each awarded a MacBook Pro and cash prizes of RM100,000 and RM50,000 respectively.

March

17 March 2023
MoU Signing Ceremony with Mesinkira
Bank Islam has partnered with Mesinkira Sdn Bhd (Mesinkira) to introduce an integrated mobile business management solution. The collaboration aims to help underbanked microentrepreneurs digitise their operations by providing tools for inventory management, sales tracking, and financial reporting. This will empower small businesses to enhance their efficiency and access to new markets.

July

6 July 2023
Bank Islam 40th Anniversary Special Forum Perdana Ehwal Islam at Masjid Putrajaya
A special episode of the Forum Perdana Ehwal Islam Programme (TV1) was broadcast live from Masjid Putrajaya, marking Bank Islam's 40th Anniversary celebration. During the broadcast, Bank Islam announced a significant contribution of RM825,000 to the Rumah Baiti Jannati programme in collaboration with Dewan Bandaraya Kuala Lumpur. Additionally, the Ringgit to Ringgit initiative, amounting to RM400,000, was also launched, further highlighting the Group's commitment to shared prosperity.

June

25 June 2023
Handover of EPIC Homes by Sadaqa House
Sadaqa House and EPIC Society achieved a remarkable feat and made a positive impact by building a home in just three days. Volunteers from Sadaqa House, EPIC Society, and Malaysia Professional Accountancy Centre (MyPAC) students funded by Bank Islam came together for this project. The completed house was delivered to Rozi Tahir from the Semai Muslim community.

18 March 2023
YSM Agropreneurs Incubator Project at International Islamic University Malaysia
32 graduates of the YSM (Youth Single Mother) Agropreneurs Incubator Project have completed their intensive agricultural and entrepreneurship classes. The participants were trained in organic farming techniques and educated on marketing their products.

31 March 2023
The Signing of a Memorandum of Understanding between Bank Islam Malaysia Berhad and Yayasan Didik Negara (YDN)
Bank Islam signed a Memorandum of Understanding (MoU) with Yayasan Didik Negara (YDN) to support the Ministry of Education's (MOE) role in education. The signing was witnessed by the Education Minister, YB Fadhlina Sidek, Bank Islam GCEO, Dato' Mohd Muazzam Mohamed, and YDN CEO, Hardian Hadir.

6 April 2023
Ramadan Ihtimam Programme
Bank Islam organised the Ramadan Ihtimam Programme in Pengkalan Chepa, Kelantan, celebrating the holy month of Ramadan with the local community. Activities such as distributing '*Bubur Lambuk*' and *zakat* presentation to *asnaf* were organised, fostering shared prosperity in the community where we serve.

18 April 2023
AIBIM Ramadan Relief Programme 2023 – "Kempen Seorang Sekampit Beras"
Bank Islam joins hands with Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) for the annual Ramadan Relief Programme, which aims to offer essential support to disadvantaged communities, including food, clothing and other necessities during Ramadan.

April

May

8 June 2023
Bank Islam Mastercard Credit Card-i Campaign "TRIP TO UEFA 2023" Prize-giving Ceremony
Bank Islam launched an exclusive "Trip to UEFA 2023" campaign for Bank Islam Mastercard Credit Card-i cardmembers, offering a once-in-a-lifetime experience to watch the UEFA Champions League final match in Türkiye. The Grand Prize includes two tickets to the UEFA Champions League Final, two roundtrip flight tickets to Türkiye, four days and three nights of luxury accommodation, as well as cash allowance.

7 June 2023
Continued Collaboration with the Football Association Malaysia (FAM)
Bank Islam extended our collaboration with FAM to support the Harimau Malaya national football squad. This fourth renewal partnership, not only provides crucial support to the team but also offers fans a distinctive card design.

26 May 2023
Bank Islam 40th Annual General Meeting (AGM)
Bank Islam's 40th AGM was held virtually, with a live broadcast from Menara Bank Islam. Attended by the full quorum of Board members, the resolutions tabled were unanimously approved by the shareholders.

Significant Events 2023

7 July 2023
CGC 28th FI/DFI & SME Award 2023 – Award Top FI Partner in SME Category
Bank Islam clinches Top FI Partner Award at the 28th FI/DFI & SME Awards 2022 ceremony organised by Credit Guarantee Corporation Malaysia Berhad (CGC), held at the Grand Hyatt Kuala Lumpur.

8 July 2023
Launch of the New Al-Awfar
Bank Islam launched the enhanced version of our signature investment account, Al-Awfar, with exciting rewards for existing and new customers at IOI City Mall, Putrajaya. The New Al-Awfar – Wow! Banyaknya! Campaign offers amazing prizes worth more than RM18 million, along with 10 new categories for customers to win. Winners of the Al-Awfar yearly bonus draw now have the opportunity to win one kilogram of gold bar and two Harley Davidson motorbikes.

5 August 2023
Engagement with iTEKAD Microentrepreneurs in Kuching, Sarawak
Bank Islam is broadening access to our iTEKAD microfinancing programme for local farmers and entrepreneurs in Sarawak by partnering with Farm Direct Shop (FDS), a local social enterprise. Bank Islam hosted a briefing session in Kuching for local microentrepreneurs to inform them about the resources available to support their business growth. This initiative aims to empower and assist microentrepreneurs in expanding their businesses and reaching their full potential.

17 August 2023
Bank Islam's 40th Anniversary Celebration
As part of our 40th Anniversary celebration, Bank Islam unveiled our "40th Anniversary Cube" – a symbolic representation of its journey from inception to the present day, at Menara Bank Islam. Developed in collaboration with IBFIM (Islamic Banking and Finance Institute of Malaysia), the cube features several augmented reality sections within the timeline, allowing the public to scan with provided devices. This interactive and innovative approach offers visitors a unique and immersive experience, reflecting Bank Islam's commitment to progress and innovation over the past four decades.

August

October

5 October 2023
Certification of ISO 37001: 2016 Anti-Bribery Management System (ABMS)
Bank Islam has obtained the ISO 37001 Anti-Bribery Management System (ABMS) certification from ABAC Center of Excellence Sdn Bhd (ABAC), making it the first full-fledged Islamic financial institution in Malaysia to be awarded this prestigious accreditation. ISO 37001 is an international standard that specifies requirements and provides guidance for establishing, implementing, maintaining, reviewing, and improving an anti-bribery management system.

22 to 24 September 2023
Bank Islam Sports Carnival 2023
The Bank Islam held its Sports Carnival at Universiti Teknikal Malaysia Melaka (UTeM). The annual event provides Bank Islam's employees or BITIZENs the chance to gather and take part in various sporting activities, fostering teamwork and sportsmanship. This year, 1,343 athletes from seven contingents participated in 43 sporting events, strengthening camaraderie among BITIZENs.

29 August 2023
1H2023 Financial Results Announcement
The Group's Financial Results were announced on 29 August. Bank Islam reported a net profit of RM254.2 million for the six months ended 30 June 2023 (1H2023), an increase of 14.0% over the corresponding period in 2022.

22 August 2023
iTEKAD Strategic Collaboration Event
Bank Islam, the leading advocate of iTEKAD, was at BNM's inaugural 'Majlis Jalinan Kerjasama iTEKAD', officiated by the Prime Minister, Dato' Seri Anwar Ibrahim.

7 September 2023
Launch of Be U by Bank Islam VISA Debit Card-i
Bank Islam strengthens its digital banking presence with the launch of Be U by Bank Islam Visa Debit Card-i. This innovative card offers swift, secure, and contactless transactions worldwide at over 100 million Visa merchant locations. With five unique designs, it meets evolving consumer needs and demonstrates Bank Islam's commitment to modern and Shariah-compliant solutions.

11 September 2023
Launch of Bank Islam's Surau Abu Hurairah at Zoo Negara Malaysia
Bank Islam's Surau Abu Hurairah was officially launched at Zoo Negara Malaysia with the collaboration of the Ministry of Defense (MINDEF), the Malaysian Armed Forces (ATM), and the Malaysian Zoological Society. The project's goal was to provide a fully equipped, comfortable, and easily accessible place of worship for the visitors and staff of Zoo Negara. The surau was named after a companion of Prophet Muhammad SAW, Abu Hurairah, known for his kindness towards animals.

September

18-20 September 2023
Kuala Lumpur International Finance Forum 2023
Bank Islam was at the 18th Kuala Lumpur Finance Forum 2023, with the theme of "Harnessing Islamic Finance and Social Finance for a Sustainable Future." Bank Islam GCEO, Dato' Mohd Muazzam, delivered a keynote on "Unlocking the Potential of Embedded Finance in Empowering Islamic Finance".

16 September 2023
Bank Islam Media Community Drive 2023
The Bank Islam Media Community Drive, an event held to strengthen the strategic relationship between Bank Islam and the media fraternity, was held from Selangor to Penang. The objective was to thank the media for their support towards Bank Islam over the years. This treasure hunt format community drive saw the participation of 160 media personnel from 22 media agencies. The fun event was laced with CSR activities benefitting Pertubuhan Kebajikan Anak-anak Yatim/ Miskin Dar Hikmah in Gopeng, Perak.

15 September 2023
Sadaqa House Giving Day
Sadaqa House organised Giving Day, committed the disbursement of RM694,255 to three changemakers. This generous donation was distributed to benefit 55 congenital heart patients and 60 orphans or *asnaf*. At the event, MyVista, one of Sadaqa House's changemakers, fitted a prosthetic arm for one of the recipients, showcasing the impactful work of the initiative.

Significant Events 2023

11 October 2023
Bank Islam Investor Day
Bank Islam hosted our inaugural Investors Day to engage with key analysts and provide updates on the Bank's current financial standing and strategic plans moving forward. The event, attended by numerous investment analysts and fund managers from Kuala Lumpur, featured presentations aimed at providing insights into the Group's direction. Dato' Mohd Muazzam presented on the Bank's direction in a session titled "Driven by Purpose," followed by a presentation from the GCFO, Azizan Abdul Aziz, on Bank Islam's financial performance and sustainability.

17 October 2023
Issuance of the 5th Tranche of RM400 million Subordinated Sukuk Murabahah
Bank Islam has successfully issued our fifth tranche of RM400.0 million Subordinated Sukuk Murabahah under its RM10.0 billion Sukuk Murabahah Programme. This Sukuk Murabahah qualifies as Tier 2 regulatory capital for Bank Islam, in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components). This issuance enhances Bank Islam's capital adequacy, aligning it with the Basel III requirements.

23 October 2023
11th Joint Committee on Climate Change (JC3) Conference
Bank Islam took part in the JC3 Conference organised by BNM to advocate for action on climate change. Bank Islam GCEO was invited to be a speaker at the event, highlighting the Group's commitment to sustainability.

December

12 December 2023
Memorandum of Agreement (MoA) Signing with AWARIS
Bank Islam signed a MoA with Amanah Warisan Berhad (AWARIS) to enhance service accessibility and raise public knowledge on estate planning and administration. Bank Islam will serve as a distribution channel for AWARIS' inheritance management solutions, benefiting both Muslim and non-Muslim customers.

30 November – 12 December 2023
COP28 in Dubai
Bank Islam's GCEO was invited as a speaker at the Malaysian Pavilion during the UN Climate Change Conference (COP28) in Dubai. This international conference, also known as COP – Member States Conference for the United Nations Framework Convention on Climate Change (UNFCCC), brought together 86,000 attendees from around the world. The conference aims to address the pressing issue of reducing the destruction of nature caused by human activity. The discussions at COP28 highlighted the global community's efforts in tackling the climate crisis and emphasised the changes needed for future prosperity.

18 November 2023
Mangrove Tree Planting at Cherating, Pahang
Demonstrating commitment to protect biodiversity, Bank Islam organised a mangrove tree planting activity in Cherating, Pahang. A total of 170 volunteers from the International Islamic University Malaysia (IIUM), University Islam Pahang Sultan Ahmad Shah (UniPSAS), Drug Intervention Community (DIC) Pahang, Malaysian Nature Society (MNS) and local community members participated in this meaningful event.

25 October 2023

Launch of Ihsan Sustainability Investment Account (ISIA)

Bank Islam introduced the Ihsan Sustainability Investment Account (ISIA), offering an indicative 4.5% p.a. return over 24 months. Designed for high-net-worth individual and non-individual investors, ISIA focuses on ESG and SDG themes such as renewable energy and clean transportation.

25-26 October 2023

3rd Annual Islamic Fintech Leaders Summit

Bank Islam actively participated in the Islamic Fintech Leaders Summit, a prestigious forum bringing together leaders in Islamic finance to discuss the latest developments in Fintech. The event provided a platform for insightful discussions on how Fintech is shaping the future of Islamic finance. Bank Islam's Board member, Mohd Yuzaidi Mohd Yusoff, moderated a discussion session and facilitated valuable exchanges among industry players and experts.

26 October 2023

Raising Awareness on Financial Scams

As part of Bank Islam's efforts to raise awareness on banking and investment scams, Dato' Mohd Muazzam was featured as a panellist at Forum Perdana Ehwal Islam held live from JAKIM in Putrajaya.

November

11 November 2023

'BITIZEN Conquers Everest Base Camp (EBC)' Expedition

13 climbers from Kelab Bank Islam Athletics (BIA) embarked on the BITIZEN Conquers Everest Base Camp (EBC) expedition and successfully achieved their mission of reaching the EBC. Trekking to an impressive altitude of 5,364 meters, reaching the base camp signifies their determination, grit, athleticism, and spirit of adventure. This accomplishment reflects the team's resilience and passion for exploration.

8 November 2023

Bank Islam Integrity Run 2.0

Bank Islam organised the Integrity Run 2.0 for our staff, aiming to promote and raise awareness about the importance of upholding integrity while carrying out their duties. This event encouraged our employees to embody the values of honesty, transparency, and ethical behaviour in their work.

TAN SRI DR ISMAIL HAJI BAKAR
Chairman

Chairman's Letter

"In the name of Allah, the Most Compassionate, the Most Merciful

All praise is due to Allah, the Lord of the Worlds, and peace and blessings be upon the Prophet Muhammad, whom Allah send as mercy to the universe, which Allah make him a guiding and a rightly guided man, and an illuminating lamp.

And peace and blessing on his family and companions, and those who followed them benevolently until the Day of Judgment and then after.

May Allah's peace, mercy and blessings be upon you."

Dear Stakeholders,

In 2023, Bank Islam proudly celebrated its 40th anniversary of dedicated service. Since our inception, we have remained steadfast in our mission to build a financial ecosystem that is accessible and beneficial for all. Our commitment has seen us navigate through decades of transformative changes across Malaysia, and we find ourselves at a critical juncture where technological innovation intersects with pressing global challenges.

As a forward-thinking organisation, we recognise that adapting to change is imperative to meet the evolving needs and expectations of our customers and stakeholders. Digital innovation is at the forefront of our evolution, and we are committed to leveraging it to provide solutions that respond to the immediate demands of our times. Our foundational principles remain unwavering, and we continue to contribute to the prosperity and well-being of the communities we serve.

We reaffirm our pledge to uphold these values. We are confident that our growth will align with the broader progress and sustainability of the societies we serve, and we look forward to continuing our journey of innovation and service excellence for many years to come.

REFLECTING ON 2023

During the financial year, the global economy exhibited resilience, growing by 3.0% despite facing significant headwinds. This growth was primarily fuelled by the robust performance of the US economy and a notable recovery in the services sector, particularly tourism, which benefited from accumulated pandemic savings and increased spending. Despite a global trend toward tight monetary policies to address inflation, resilient labour markets supported sustained consumer spending.

Malaysia's economic landscape reflected these global trends but was also marked by its unique challenges and opportunities. Tied closely to global trade, Malaysia sought to leverage the recovery in international trade and tourism. However, the Ringgit experienced notable depreciation against the US dollar, reflecting broader economic pressures.

On the fiscal front, Malaysia responded proactively, issuing RM185.9 billion in Government Securities and Investment Issues, signalling strong financial management amid fluctuating markets. The demand for these instruments highlighted investor confidence and the resilience of Malaysia's financial markets in a turbulent global context.

Digital transformation within the banking sector has also intensified, underscored by rising customer expectations, ESG challenges, and enhanced risk management amid the rapid spread of automation. Digital adaptation has become the norm in this context, setting a benchmark for future advancements. In response, we accelerated our digitalisation initiatives, enhancing customer empowerment with digital tools like GO by Bank Islam and Be U by Bank Islam, fostering innovation through employee hackathons, and improving operational efficiency with IT system categorisation. We organised DIGIT23 to stay up-to-date with the latest developments and celebrate our achievements in digitalisation within the Group and future-proof ourselves in the evolving financial landscape. These actions align with our LEAP25 strategy, signalling our commitment to digital progress and industry leadership.

"Digital transformation within the banking sector has also intensified, underscored by rising customer expectations, ESG challenges, and enhanced risk management amid the rapid spread of automation."

Furthermore, our formidable capital adequacy and liquidity are vital pillars enabling us to navigate this evolving landscape adeptly. Through strategic foresight, we are resolutely focused on reinforcing our sustainability frameworks, refining our digital banking platforms, and strengthening our resilience to meet and exceed customer and stakeholder expectations consistently.

STRONG GOVERNANCE & LEADERSHIP

A key achievement in this area of ethical governance was Bank Islam securing the ISO 37001 Anti-Bribery Management System (ABMS) certification from ABAC Center of Excellence Sdn Bhd (ABAC). As the first full-fledged Islamic financial institution in Malaysia to receive this accreditation, it acknowledges our strong anti-corruption practices and firm commitment to zero-tolerance for bribery and corruption. This distinction reinforces Bank Islam's reputation as an ethical and responsible entity, further solidifying our position within the industry.

Strong corporate governance has been critical to Bank Islam's long-term success and growth. In 2023, our Board of Directors and leadership team focused on reinforcing our governance framework against rising ESG concerns, particularly our response to climate change. This focus reflects the critical need to align our business practices with emerging global sustainability standards and the growing imperatives of climate-related financial risks.

In response to the rapidly evolving ESG landscape, Board education emerged as a critical area of focus, underscoring the necessity for our directors to be well-versed in the latest sustainability trends and governance best practices. This year, we implemented comprehensive training programmes to deepen our board members' understanding of ESG factors, equipping them to make informed strategic decisions that reflect current realities and future imperatives. One of the programmes organised by the Group is the 2023 Directors' Conference where all directors within the Bank Islam took part in this event. With governance and sustainability as the theme, the 2023 Directors' Conference "Harmonising Talent and Governance: Leveraging ESG for Sustainable Retention" served as the platform for providing meaningful engagement and collaboration among directors, providing them with a dedicated space to exchange ideas, insights, and best practices, thereby cultivating a culture of collective learning and continuous improvement in governance practices. Amongst the topics covered were: (i) the alignment of Islamic Finance with ESG; (ii) an overview of the ESG regulatory landscape and the impact on the Group; (iii) integrating leadership with Islamic

Chairman's Letter

values and sustainability; and (iv) succession and retention of talents. In addition to the in-house training, our Board also consistently enhances their understanding by attending training organised by external parties on ESG covering the areas of sustainability, climate-related issues, and other relevant areas.

Recognising the instrumental role of diversity in fostering innovative leadership and effective decision-making, we have actively pursued a more inclusive Board composition. We believe that a truly diverse and inclusive Board will leverage differences in thought, perspective, knowledge, skill, industry experience, age and gender, all of which will ensure that Bank Islam retains its competitive advantage. Our Board is committed to maintaining diversity and inclusion in its composition and decision-making process. Achieving a 30% female representation on our Board this year marks a significant milestone, reflecting our commitment to enhancing the diversity of perspectives, expertise, and experiences at the highest levels of our organisation. As of 31 March 2024, our female representation at the Board level was at 33%, exceeding our 30% target.

In terms of age diversity, our Board maintains two distinct age categories, 50 to 60 years and 61 to 70 years, with a balanced mix between the two. We also maintain a good mix of skills and expertise in the current Board composition. The Board's diverse skill set and areas of expertise allow us to collectively bring a wide range of experience to bear in areas such as finance and accounting, risk management, actuarial science, banking, treasury, technology, and legal matters.

Exceeded initial target of

RM4 billion

in green financing to bolster the green economy by 2025

Indeed, these diversities allow for different perspectives and knowledge to be considered in decision-making.

EMBEDDING SUSTAINABILITY INTO OUR CORE

At Bank Islam, our commitment to sustainability is rooted in our Islamic banking principles, emphasising societal well-being. This foundational ethos has naturally guided our transition toward enhanced sustainability practices, aligning seamlessly with emerging standards and regulations and reinforcing our ambition to be sustainable banking leaders.

Our strategic approach to sustainability is encapsulated in our ambitious LEAP25 agenda, targeting RM4 billion in green financing to bolster the green economy by 2025. I am pleased to report that we have surpassed our Shariah-ESG asset target of RM4 billion ahead of schedule, demonstrating our proactive and effective implementation of sustainability initiatives.

Furthermore, in October 2023, we introduced the Ihsan Sustainability Investment Account (ISIA), a pioneering financial product to foster positive social and environmental outcomes alongside attractive financial returns. This account garnered RM1.1 billion in investments, offering clients a stable, short-term investment vehicle that mitigates the volatility typically associated with equities and fixed-income markets.

Our partnership with a third party for ESG rating enhancement further underscores our dedication to rigorous sustainability standards. This collaboration will refine our financing framework, enabling a deeper understanding of potential clients' environmental and social practices before extending financial support and ensuring alignment with our sustainability criteria.

We also continued to strengthen our social financing efforts. Through the iTEKAD microfinancing initiative, we have empowered 285 beneficiaries in 2023, driving social upliftment and financial inclusion. We aim to transition *zakat* recipients to *zakat* contributors, reflecting our broader goal of creating sustainable economic pathways for the underbanked and *asnaf* communities.

VALUE CREATION FOR STAKEHOLDERS

Our approach to a stakeholder economy focuses on delivering tangible value across our network, recognising each stakeholder group's distinct needs and contributions. Our ethical practices aim to address the expectations of our shareholders, employees, and communities, while placing strong emphasis on the Bank's financial performance.

For shareholders, delivering robust returns is paramount. We maintain our commitment to deliver sustainable and strong returns to our shareholders. In this regard, we are pleased to report that Bank Islam has declared two (2) interim dividends for the financial year ended 31 December 2023. The first and second interim dividend was declared on 30 November 2023 and 28 February 2024, respectively.

We view employees as the backbone of the Group and we take responsibility in creating a fair and engaging work environment. We introduced BITI-Friend in 2022, a pioneering platform designed to enhance employee well-being. This initiative facilitates access to peer support and promotes a culture where mental health is prioritised and seeking assistance is normalised, as evidenced by our positive Employee Engagement Index of 78%.

For the communities we serve, the expectation is for Bank Islam to contribute meaningfully beyond financial transactions. Our community engagement is exemplified by the Sadaqa House Orphan Fund, aiming to support orphan education. In 2023, we focused on enriching the lives of these children, not just financially but also through personal interaction with our employees actively participating in mentorship and engagement activities. The fund's impact is quantifiable, with RM1.6 million (RM1,599,939) raised last year, directly benefiting 71 individuals and demonstrating our integrated approach to community support and development.

LOOKING AHEAD

As we enter 2024, the global economic landscape presents a mixed picture of cautious optimism and lingering uncertainties. The International Monetary Fund (IMF) projects modest global growth. IMF is forecasting a deceleration from 3.0% in 2023 to around 2.7% to 2.9% in 2024, with many economies grappling to balance growth momentum against inflationary pressures and tight monetary policies. This global backdrop, particularly the stabilisation in services and potential recovery in technology sectors will influence financial markets worldwide, impacting banking sector dynamics from lending rates to investment flows.

In Malaysia, the economic outlook is more buoyant, with GDP growth anticipated to reach up to 4.7%, supported by a vibrant tourism sector and improving trade conditions. The Malaysian financial sector is expected to mirror this positive trajectory, capitalising on increased consumer spending and investment inflows. However, the banking sector must navigate the risks associated with global economic fluctuations and domestic policy adjustments, suggesting a year of strategic vigilance and adaptability.

Our approach will integrate diligent market analysis with innovative customer-focused products and expand our digital banking services. This strategy is aimed at responding effectively to the evolving needs of our customers and exploiting the positive growth trajectory projected for Malaysia. By doing so, we aim to not only navigate the challenges ahead but also emerge stronger, securing sustainable progress for our stakeholders and reinforcing our commitment to excellence in an uncertain economic climate.

APPRECIATION & ACKNOWLEDGEMENTS

On behalf of the Board, I sincerely appreciate those who have contributed to our progress this year. We thank Encik Azizan Ahmad for his dedicated service and wisdom, which have supported our Board's efforts. We also acknowledge Dr Yasmin Hanani Mohd Safian for her valuable input to our Shariah Supervisory Council. As they depart, we welcome Tuan Syed Hamadah Syed Othman and Associate Professor Dr Nurul Aini Muhamed, anticipating their contributions to our governance and oversight.

Finally, we extend our profound thanks to all our stakeholders for your unwavering support. Your trust and collaboration inspire our journey forward, and together, we look to a future filled with promise and potential.

TAN SRI DR ISMAIL HAJI BAKAR
Chairman

DATO' MOHD MUAZZAM MOHAMED
Group Chief Executive Officer

From the Desk of the GCEO

"In the name of Allah, the Most Compassionate, the Most Merciful

All praise is due to Allah, the Lord of the Worlds, and peace and blessings be upon the Prophet Muhammad, whom Allah send as mercy to the universe, which Allah make him a guiding and a rightly guided man, and an illuminating lamp.

And peace and blessing on his family and companions, and those who followed them benevolently until the Day of Judgment and then after.

May Allah's peace, mercy and blessings be upon you."

Dear Stakeholders,

As we commemorate the 40th anniversary of Bank Islam, it is a moment of introspection and gratitude – a time to contemplate the very essence of our existence amidst a landscape teeming with banking institutions. The question arises: Why does Bank Islam exist? Our answer transcends the conventional success metrics; we aim to integrate profitable growth with meaningful value and purpose. We are committed to ensuring inclusivity, ensuring that our benefits reach everyone as an Islamic bank should and that no one is left behind.

This past year has showcased our commitment and resilience. Faced with a confluence of challenges – market volatility, escalating regulatory demands, and the imperative to integrate Environmental, Social, and Governance (ESG) considerations into our core strategies – we have not only sustained but thrived. I am pleased to report that Bank Islam has demonstrated commendable performance, achieving both profitability and growth.

OPERATING ENVIRONMENT

In 2023, Bank Islam navigated a challenging and unpredictable financial landscape, particularly regarding Malaysia's Overnight Policy Rate (OPR) expectations. At the end of 2022, forecasts indicated a potential rise in the OPR for early 2023, prompting the banking sector, including us, to adjust deposit rates in anticipation.

Contrary to these forecasts, the OPR remained unchanged in the early months of 2023, leading to an increased cost of deposits and, consequently, a reduction in our Net Income Margin (NIM) from 2.28% in 2022 to 2.06% in Q1 2023. This unexpected development required a strategic and prompt response to align our funding costs with the prevailing rates, thereby protecting our profitability.

Through targeted adjustments to our funding profile, we managed to mitigate the impact of the static OPR. These efforts resulted in a sequential improvement in our NIM to 2.11% in Q2, 2.17% in Q3 and further sustain the momentum to achieve a NIM of 2.13% in Q4, resulting in overall NIM of 2.12% for 2023. The strategy addressed the immediate challenge and reinforced our financial stability, showcasing our ability to respond effectively to market dynamics.

Given the importance of maintaining a healthy margin, we adopted a cautious approach to financing growth in 2023. This strategy was essential for ensuring long-term profitability, even though it led to a moderated pace of financing expansion. The focus was on recalibrating our funding strategies to enhance margins while continuing to support sustainable growth.

Credit quality also remained a key focus, especially in the uneven economic recovery post-COVID. We observed an improvement in our credit metrics, including a better pass-due-not-impaired (PDNI) ratio, indicating a positive shift in our asset quality and the effectiveness of our credit management.

PERFORMANCE HIGHLIGHTS

2023 was a year of robust financial stewardship and strategic agility for Bank Islam, as evidenced by our key performance metrics. Our net income rose 7.2% to RM2.5 billion compared to RM2.3 billion last year. This increase and improvements in operating income and fees demonstrate a strong revenue generation capability.

We registered a Group net profit of RM553.1 million for the financial year ended 31 December 2023 (FY2023), an improvement of 12.5% over the previous year. Accordingly, EPS and net Return on Equity (ROE) for the Group have improved to 24.57 sen and 7.8%, respectively, for FY2023. Our Return on Assets (ROA) maintained a stable trend at 0.6%, aligning with forecasts and marking a slight increase from the prior year. These figures underscore our ability to generate value for our shareholders and maintain asset efficiency.

The Net Income Margin (NIM) was slightly higher at 2.1% compared to the forecast for 2023, yet there was a decrease from the previous year's 2.3%. We managed the slight dip in NIM efficiently, reflecting our proactive measures to align finance costs with the static OPR environment.

We also saw a higher Non-Fund-Based Income (NFBI) Ratio of 9.0%, which was higher than the forecast, and the previous year, driven by capital gains from the disposal of investment securities, gains from unit trusts, and foreign exchange gains. This diversification of income streams played a critical role in bolstering our profitability.

Cost management was a key priority. The combination of lower NIM and higher operating cost has led to a slight deterioration in our Cost-Income Ratio (CIR), as seen in our CIR at both the Bank level (58.2%) and Group level (60.9%). We are committed to further driving efficiency and prudent expense management despite higher staff costs and administrative expenses.

Overall, Bank Islam marked its performance in 2023 with strategic decisions that balanced growth with profitability. We exercised discretion in financing activities, particularly Non-Retail, to preserve profitability margins. Our deliberate focus on managing margins and a commitment to asset quality positioned us well to face the anticipated challenges of 2024 with confidence. Our team's ability to respond effectively to market conditions has been a testament to our resilience and positions us for continued success.

STRATEGIC PROGRESS

Throughout the past year, we have steadfastly advanced along our LEAP25 Roadmap. A notable highlight has been the development of our sustainable and green portfolio. Initially, we aimed to cultivate a portfolio worth RM4 billion by 2025. Our proactive and strategic efforts are yielding results ahead of target and schedule, underscoring our effective strategy and implementation.

Nevertheless, we faced external headwinds that have affected our profitability goals, particularly the repercussions of the Ukraine-Russia conflict. Despite these challenges, our strategic initiatives have continued progressing, demonstrating solid execution. We are adapting our strategies to meet the demands of the changing economic landscape.

> We adopted a cautious approach to financing growth in 2023. This strategy was essential for ensuring long-term profitability, even though it led to a moderated pace of financing expansion.

From the Desk of the GCEO

As detailed below, our advancement in the LEAP25 initiative is underscored by progress across our six strategic pillars.

1. Sustainable Prosperity

The introduction of new investment account funds diversified our financial portfolio. The successful launch of the Ihsan Sustainability Investment Account (ISIA), with a substantial investment amount of over RM1 billion, underscores our aggressive pursuit of asset growth and our commitment to sustainability.

Our total assets increased primarily due to growth in financing and investment securities, offset by a decrease in cash and short-term funds. Gross financing, particularly in the Retail sector, experienced growth, reaffirming our strategic market positioning and the strength of our assets quality. Our total deposits and investment accounts also grew, contributing to a solid financial base. Furthermore, our ROE and NFBI ratio exceeded forecasts, thanks to gains from various financial activities.

In addition to resilient financial outcomes, we made significant progress in sustainability integration. We continued strengthening our position in green financing, particularly in renewable energy, energy efficiency, waste management, and water sector financing, aligning with the government's energy transition roadmap. Our capability to draw on deposits and investment accounts has enabled us to offer innovative financing solutions, as evidenced by the successful launch of the ISIA focusing on impact investing aligned with the UN Sustainable Development Goals.

We had mobilised over RM1 billion of investment fund through ISIA.

By the end of 2023, we had mobilised over RM1 billion of investment fund through ISIA. We aim to be at the forefront of providing clients with Islamic-led alternative funding structures, such as this, that will support clients' growth and contribute to the nation's economic agenda.

2. Value-based Culture

In 2023, we focused on strengthening the organisation's culture and driving sustainable behavioural change across all staff levels, affirming our commitment for a workplace culture that reflects our shared values.

We launched a comprehensive Behavioural Study in January 2023 to better understand and shape organisational culture through effective interventions to integrally change behaviour. The initiative aimed to dissect the corporate psyche and pinpoint factors influencing staff behaviour by applying behavioural science principles. This effort supports us in building effective risk management to prevent future undesired behaviour, and in doing so, staying ahead of regulatory requirements.

Our risk and compliance culture are bolstered by ongoing training and awareness programmes encompassing root cause analysis, operational risk management, and Shariah risk awareness. The update of Group policies and the introduction of frameworks like the Partnership Model and Learning Deliverables & Effectiveness frameworks have been instrumental in enhancing compliance and ethical leadership across the Bank.

On preparing our people to be future-ready, we conducted the Future Skills Study in January to identify and cultivate the skills needed to further drive the Bank's strategy. The high completion rate of Individual Development Plans (IDPs) by 93% of our employee is a testament to our commitment to self-improvement and skill development.

We also conducted two BITI-Pulse surveys to gain insights on employee perceptions and engagement level, allowing us to take actionable steps for improvement. These surveys explored themes on enabling environment and infrastructure, Diversity, Equity and Inclusion (DEI), work-life balance, mental resilience, flexible working arrangement and integrity. The overall positive responses for both pulse surveys were encouraging at 78% with a bank-wide response rate of 72%.

The year's Employee Engagement Index (EEI) stood at 78%, signifying strong alignment of employees' personal values with Bank Islam's initiatives for shaping the future of work in the organisation.

The high completion rate of Individual Development Plans (IDPs) by 93% of our staff is a testament to our commitment to self-improvement and skill development.

3. Community Empowerment

We continued to make strong headways in social finance, marking significant strides in societal development and welfare. Our commitment as a responsible corporate entity was evident through various initiatives aimed at uplifting communities and supporting microentrepreneurs, especially those unable to access commercial credit.

Central to our efforts were the iTEKAD BangKIT Microfinance programme, which employed the *Qardhul Hassan* (benevolent financing) concept to offer financial assistance without profit. Recognising that financial support alone is insufficient, we partnered with changemakers to provide vital training and business coaching, helping entrepreneurs enhance their business acumen and cash flow management. In 2023, we expanded these blended finance programmes across branches to broaden our reach and impact, resulting in RM8.3 million in disbursements, significantly surpassing our revised target by RM8.0 million.

In tandem, the BangKIT Business Grant (BBG) and the Sakeenah Home Ownership Programme (SakeenaHOPe) underscore our holistic approach to community support. The funding escalator as a whole including BBG initiative exceeded its disbursement target by 33.2%, allocating over RM1.3 million, while SakeenaHOPe successfully delivered housing solutions in collaboration with the Consumer Banking Division.

In 2023, we expanded these blended finance programmes across branches to broaden our reach and impact, resulting in RM8.3 million in disbursements, significantly surpassing our revised target by RM8 million.

Furthermore, through the Generic Debit Card programme, we allocated RM500,000 to Sadaqa House from annual fees, supplemented by additional contributions totalling RM274,016 in the first half of the year. The TruPoints Rewards campaign further augmented this support, raising RM30,000 for Sadaqa House by mid-2023, with subsequent contributions reaching RM5,690 by the end of August 2023.

A key development we noticed in 2023 is that other banks have started introducing their versions of iTEKAD. It underscores the essential role of collaborative efforts in expanding social finance. While Bank Islam has been a pioneer in this area, the collective involvement of larger banks, leveraging their resources and reach, could exponentially increase the positive impact on communities. Our goal is to inspire further adoption across the banking industry, amplifying the benefits of such programmes and fostering a more inclusive financial ecosystem.

4. Customer-centricity

Our commitment in 2023 was anchored in enhancing customer-centricity across all our services and operations. We focused on refining our offerings to meet the fundamental needs of our customers, mainly through digital innovations targeting holistic solutions in wealth management and customer experience.

Our drive towards digitalisation was marked by initiatives like the enhancement of our Queue Management System (QMS) and the success of our Digital Trooper–Phase II campaign, underscoring our push for digital banking excellence. The emphasis on critical e-channel transactions like Cash Withdrawal, 3rd Party Transfer, and DuitNow transfer ensured that our Self-Service Terminals (SST) remained reliable and accessible for customers.

Through customer-focused improvements, we achieved notable service excellence and customer satisfaction improvements. Our branches reported significant enhancements in Average Waiting Time (AWT) and Average Serving Time (AST), demonstrating our efficiency in customer handling. Additionally, our complaint management process saw a 40% reduction in total service/staff complaints, surpassing our targets and reflecting positively on our internal benchmarks and those set by the Central Bank and our charters.

Customer feedback has been overwhelmingly positive, as evidenced by our Net Promoter Score (NPS) increased from 45 to 67 and our Customer Satisfaction (CSAT) score from 83% to 90%. These improvements indicate a substantial rise in customer perception and experience with our services.

Our Net Promoter Score (NPS) increased from 45 to 67 and our Customer Satisfaction (CSAT) score from 83% to 90%.

From the Desk of the GCEO

5. Real Economy

We are driven by a commitment to promoting prosperity for all, underpinned by a focus on growing wealth in the economy on equitable terms. Within this context, our efforts in retail assets and SME banking were significant. We expanded our Ar-Rahnu services with 20 new counters, achieving a notable disbursement of RM24 million and bringing the total outstanding sales of the segment to RM168.7 million by the end of December. The launch of our Gold Account in November added a new dimension to our service offerings, generating RM125,000 in fee income and marking a successful integration into our suite of financial products.

The SME i-Gain Campaign was another highlight, exceeding its RM100 million target by reaching RM125.4 million in performance, demonstrating our effective engagement with SMEs. We also introduced new SME packages that provided comprehensive support through various products and services, facilitating 10 successful applications by year-end.

Our SME financing initiatives broadened to include diverse programmes like GO Halal Financing, SME Contract Financing, Biz Smart Property Financing, All Economic Sector Facility (AES) and SME Biz Grow Financing, which contributed to a significant RM100 million asset increase in 2023.

The SME i-Gain Campaign was another highlight, exceeding its RM100 million target by reaching RM125.4 million.

To enhance our halal economy portfolio, we engaged in strategic collaborations with Halal Development Corporation (HDC), Malaysia External Trade Development Corporation (MATRADE), Malaysian Investment Development Authority (MIDA) and SME Corporation Malaysia (SME Corp Malaysia), targeting an asset growth of RM150 million. These partnerships were enriched through various activities such as webinars, client engagement events, and participation in the MIHAS Exhibition, showcasing our commitment to the sector. The extension of our MoU with MATRADE until December 2024 further underscores our dedication to strengthening Malaysian SMEs growth to global expansion.

6. Digitalisation

To further drive our progress, we continue to embrace technology, automation, and digitalisation to refine our processes and achieve our strategic objectives. Our early start in developing a digital banking proposition has positioned us advantageously, especially in tapping into new market segments such as first jobbers and gig workers. We launched our cloud-native digital banking solution, Be U by Bank Islam, in 2022, with its debit card introduced to the public last year.

Furthermore, our targeted use of analytical tools yielded significant business insights. The Next Best Product (NBP) initiative efficiently distributed over 206,200 leads, achieving a follow-up rate of 73% and a conversion rate of 5.24%. These efforts notably increased assets by approximately RM513.2 million and deposits by RM1.9 million. Furthermore, our Product Holding Dashboards tracked a product holding rate of 3.1% by year's end, demonstrating successful cross-selling and up-selling via strategic data analysis.

The Group's active digitalisation programmes also saw substantial progress. Initiatives to introduce alternative payment form factors, such as tokenisation and mobile payment options in Google Pay and Apple Pay were planned, with full implementation set for 2024. In addition, we targeted enhanced digital efficiency in merchant services, mainly through the digital onboarding process, aiming for significant cost savings and operational streamlining.

Strengthening our core infrastructure was another key focus. The execution of IT Blueprint & API Tech Stack Phase 2 marks considerable advancements in IT operational effectiveness and digital transformation. It covers governance and process optimisation alongside key project deployments, including FAST Retail and Finance ERP. The drive towards data extraction and transformation facilitated automated reporting, underscoring our commitment to informed decision-making and operational agility.

Our approach to cloud computing through Cloud Blueprint Development is poised to provide the scalability and agility for future digital initiatives. Security and governance remained paramount, with mandatory annual penetration tests and quarterly vulnerability assessments conducted to safeguard our digital assets. Additionally, we enhance the accuracy of our data for regulatory reporting and internal analytics via concerted efforts in data quality reviews aimed to minimise errors.

> We will emphasise adapting our products and services to meet the demands of a changing market, enhancing our digital capabilities, and investing in the skills and technologies necessary for the future.

OUTLOOK

As we look toward the coming year, Bank Islam remains optimistic about future opportunities. Our proactive stance and strategic planning positions us well to navigate the evolving economic landscape, ensuring we continue to grow responsibly and sustainably.

The Malaysian economy is expected to show resilience in 2024, building on a recovery momentum that a quicker-than-anticipated resurgence in the tourism sector. With the Overnight Policy Rate (OPR) projected to stay at 3.0% into 2024 and a stable inflation outlook, the financial environment appears conducive to steady growth.

Additionally, government initiatives like the New Industrial Master Plan (NIMP) 2030 and the National Energy Transition Roadmap (NETR) are set to invigorate the economy further. These initiatives aim to transform key industrial sectors and align Malaysia's energy consumption with global sustainability standards, fostering growth and attracting investment in green energy, which aligns with the nation's commitment under the Paris Agreement.

In response to this landscape, Bank Islam's approach will be multifaceted. We intend to align our strategies with the nation's economic and environmental goals, mainly focusing on sectors identified for growth and sustainability. We will emphasise adapting our products and services to meet the demands of a changing market, enhancing our digital capabilities, and investing in the skills and technologies necessary for the future. This approach aims to capture strategic opportunities presented by Malaysia's economic policies and green initiatives. It ensures that our growth is aligned with our core values of responsible and ethical banking. Our focus for 2024 emphasises on growth, asset quality, liquidity and funding management, and profitability to lead Malaysia's Islamic banking sector.

ACKNOWLEDGMENT

I wish to take this opportunity to thank all our stakeholders who have been instrumental in our success and progress all these years. First, I must commend our dedicated employees, the backbone of Bank Islam, who demonstrate unwavering dedication and commitment.

Our heartfelt appreciation also goes to our astute Board of Directors whose insightful guidance and unwavering dedication has been instrumental in steering us toward our strategic objectives. We are equally grateful to our shareholders, whose steadfast confidence and support have been pivotal to our journey and success.

Furthermore, our collaborative relationship with regulators, particularly Bank Negara Malaysia (BNM), has been invaluable. We are thankful for their supportive and constructive role in fostering a positive and progressive financial ecosystem.

Most importantly, we sincerely thank all other stakeholders who have significantly shaped our journey. As we embark on the next phase of our journey, our commitment to delivering value and upholding your trust in Bank Islam remains resolute.

We look forward to continuing this journey together with you, fostering prosperity for all.

DATO' MOHD MUAZZAM MOHAMED
Group Chief Executive Officer

Financial Review by the GCFO

Over our 40-year history, we have proven our resilience by overcoming various economic and financial crises to become a bank that is practically synonymous with Malaysia.

AZIZAN ABD AZIZ
Group Chief Financial Officer

The financial year 2023 was a period marked by significant challenges, notably characterised by a competitive price war for deposits and the anticipatory impacts of a potential Overnight Policy Rate (OPR) hike. These factors influenced customer behaviour and intensified the competitive landscape for deposits throughout the year, particularly from the first to the third quarter. As a consequence, we observed an increase in our cost of funding and experienced pressure on our Net Income Margin (NIM).

Despite these external pressures, Bank Islam demonstrated resilience. By year-end, we achieved a NIM of 2.1%, reflecting a decrease of 16 basis points from 2.3% in 2022. While the banking sector at large grappled with similar issues, our Bank's relative containment of NIM decline is indicative of our diligent financial management and strategic positioning.

Additionally, we addressed the ongoing post-pandemic challenges affecting diverse customer segments by maintaining flexible rescheduling and restructuring options, underscoring the emphasis we place on our customers' financial well-being. Our approach is grounded in the belief that the Bank's sustainability is interlinked with that of our customers, reinforcing our focus on their financial health alongside our operational goals.

STRONG & RESILIENT GROWTH

Against the challenging backdrop, we reported a net profit of RM553.1 million, an improvement of 12.5% from the previous year. This growth is reflected in our enhanced earnings per share (EPS) and net Return on Equity (ROE), which stood at 24.57 sen and 7.8%, respectively.

The Group's net income rose 7.2% to RM2.5 billion, up from RM2.3 billion the previous year. This increase was significantly propelled by a 75.9% surge in non-fund-based income, amounting to an additional RM175.5 million. Key contributors to this rise included elevated gains from foreign exchange transactions and an uptick in investment income.

However, this positive trajectory was somewhat moderated by a slight 0.4% decline in net fund-based income, which decreased by RM8.3 million. The principal factor here was a reduction in our NIM, which declined by 16 basis points to 2.1% for FY2023, primarily due to the escalated cost of funds, despite an increase in financing. Furthermore, a rise in overhead costs and an expanded net allowance for impairment on financing and advances somewhat tempered our net income gains.

Notably, our total capital ratio remained robust, standing at 19.9%. This solid capital foundation enables us to issue financial instruments in the market at attractive rates and low costs to the Bank, thereby ensuring a sturdy capital position and supporting our ability to distribute favourable dividends.

Through strategic focus and operational resilience, Bank Islam has successfully navigated the complexities of the economic landscape, maintaining a trajectory of sustainable growth.

STRATEGIC MANAGEMENT

Bank Islam's strategy in 2023 centred on proactive balance sheet management, which is crucial for managing our NIM and liquidity requirements effectively. The year's strategic financial manoeuvres were underpinned by several key initiatives aimed at optimising our financial stability and growth:

- **Segment Composition and Funding Profile Rebalancing:** Our primary focus was on recalibrating our segment composition and funding profile mix. We aimed to enhance our current, savings and transactional investment accounts (CASATIA) ratio and operational accounts, particularly in the Retail sector, while consciously reducing our reliance on non-retail short-term deposits.
- **Deposit Drive Campaigns and Acquisition Strategies:** We actively pursued deposit drive campaigns and acquisition strategies, emphasising the Retail and SME segments. Additionally, leveraging our digital channels became an important component of our approach to support and align with our financing growth objectives.
- **Financing Portfolio Rebalancing:** An integral part of our strategy involved reviewing and rebalancing our financing portfolio. This effort was geared towards improving and optimising the asset yield across our various business pillars, ensuring a more profitable and sustainable asset allocation.

HEALTHY FINANCIAL POSITION

In 2023, Bank Islam's strategic financial management significantly strengthened our balance sheet. We achieved an increase in total assets and made a strategic shift in deposit composition, culminating in a more robust financial framework. Our asset quality saw a marked improvement, with the gross impaired financing ratio declining to 0.9% by the end of December, well below the industry average of 1.7%.

Our total assets grew by 1.2% to reach RM91.0 billion, fuelled by notable advancements in financing and investment securities, despite a downtrend in cash and short-term funds. Specifically, financing activities witnessed a 3.0% year-on-year increase to RM66.8 billion, largely driven by our Retail segment, particularly in House and Personal Financing.

We also experienced a constructive shift in our deposit composition over the year, with customer deposits and investment accounts growing by 1.2% to RM76.1 billion. This expansion was significantly bolstered by a 9.8% increase in CASATIA, which reached RM30.4 billion and represented a healthy 39.9% of our total customer deposits and investment accounts.

Moreover, Bank Islam maintained a robust Total Capital Ratio of 19.9%, emblematic of our strong capital base and adept liquidity management. Through these concerted efforts, we have solidified our financial position, ensuring sustained growth and stability in a challenging economic landscape.

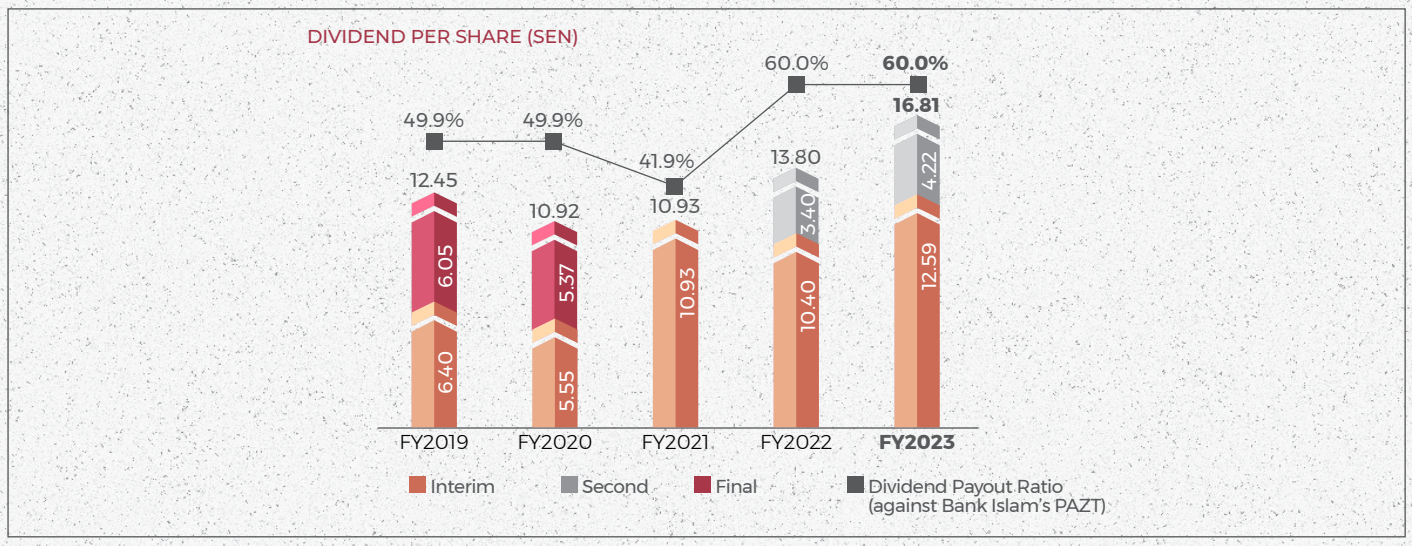
DELIVERING SHAREHOLDER VALUE

In 2023, we maintained our practice of delivering value to shareholders through steady and substantial dividend payouts, reflecting our solid financial health and recognising the importance of sharing success with our investors. Under our dividend policy initiated in 2022, the Bank allocated 60% of its Profit After Zakat and Tax (PAZT) to dividends, upholding our belief in fair compensation and appreciation for our shareholders' continued support.

For the fiscal year 2023, we announced a second interim cash dividend of 4.22 sen per share in the final quarter, leading to an annual total of 16.81 sen per share. This distribution is a testament to our strong profitability and our intention to maintain a transparent and rewarding relationship with our shareholders, thereby enhancing investor trust.

Additionally, the upward trend in our share prices throughout the year reflects growing investor confidence. With a Total Capital Ratio that consistently exceeds the 18% to 19% range, reaching 19.9%, our financial stability is evident and compares favourably with our industry peers. Looking ahead to 2024, we aim to uphold these rewarding financial results for our shareholders, supported by our robust capital base and dedication to financial prudence.

Financial Review by the GCFO



CAPITAL ALLOCATIONS INTO NON-FINANCIAL PERFORMANCE

We recognise the essential connection between our financial strength and our broader corporate responsibilities. Therefore, we strategically directed our resources into key growth areas and initiatives that reflect our responsibility towards our stakeholders and the environment:

- **Enhancing Digital and Customer-centricity:** Digital innovation lies at the core of our strategy to refine customer experiences, emphasising speed and adaptability in our service offerings. By embracing advanced technologies and hiring experts with deep digital acumen, we accelerate our digital journey. This approach aids in gathering and analysing customer insights, which supports our efforts to enhance NIM through improved customer engagement.
- **Embracing Sustainability:** Our identity as an Islamic financial institution is intertwined with our commitment to Value-based Intermediation (VBI) and adherence to Environmental, Social and Governance (ESG) standards. We ensure our operations are beneficial and ethical, aligning with Shariah principles. Our stance on avoiding coal financing reflects our environmental dedication. Additionally, we engage in activities aimed at promoting sustainability, such as making our branch operations more efficient, advancing paperless banking, and assessing flexible work options to achieve environmental and economic benefits.
- **Fostering Social Contributions:** The Sadaqa House initiative illustrates our approach to community engagement, offering a platform for meaningful wealth distribution. This programme allows us to extend support to those in need in a manner that is mindful of our financial framework and shareholder interests. Our actions in this area are designed to be impactful, measurable, and in harmony with our ethical banking standards.

OUTLOOK

As we look ahead to 2024, we remain positive about our growth prospects and financial solidity, even amidst anticipated challenges. Our focus will be on identifying and capitalising on strategic market opportunities, while adhering to prudent asset quality management to ensure sustained financial health.

Key to our forward-looking strategy is a commitment to capital preservation and thoughtful reinvestment approaches, which are integral to fostering growth and enhancing shareholder value. In parallel, we plan to diversify our client solutions beyond conventional financing, aiming to empower our clients' financial progress and value creation. This diversification will include innovative options like listing assistance and private equity fundraising initiatives.

Furthermore, we aim to augment our non-fund-based income and achieve financing growth that surpasses industry averages, all while upholding exemplary asset quality. We intend to expand our wealth management services and maintain a strong presence in the retail market. Growth in CASATIA, through strategic partnerships and support for cashless transactions, particularly in the retail and SME sectors, will remain a focal point.

We also expect better earnings growth with a bigger volume of financing. NIM is projected to stabilise due to continued efforts and expectations that the OPR will stay unchanged in 2024. The main focus will continue to be managing NIM via rebalancing our funding composition. Bank Islam's financing growth this year will be driven by both the retail and non-retail portfolios.

In summary, 2024 is viewed with optimism as we aim to leverage our core strengths, adapt to market dynamics, and continue our trajectory of sustainable growth and financial stability.

Performance Outlook Over the Short and Medium-Term

Metric	Short-Term	Medium-Term
Return on Equity (based on PAZT)	8.0%	9.0% to 10.0%
Cost-to-Income Ratio	58.0% to 59.0%	57.0%
Financing growth (year-on-year)	7.0% to 8.0%	
Gross Impaired Financing Ratio	< 1.1%	
Common Equity Tier I (CET I) Capital Ratio	13.9%	14.2%
Total Capital Ratio	20.4%	21.2%

Our Approach to Value Creation – How We Create Value

01 SETTING THE CONTEXT

Operating Environment

See page 43

Our value creation is shaped by factors such as economic conditions, regulations, and customer behaviour. Adapting to these elements is crucial for the Group to remain competitive and relevant.

Stakeholder Engagement

See page 38

We stay ahead of stakeholders' evolving needs by adopting an integrated approach to decision making and management, which enables us to deliver long-term value and maintain our position as a top Islamic bank in Malaysia.

- IV – Investors
- EM – Employees
- CU – Customers
- GR – Government and Regulators
- LC – Local Communities

Key Risks & Mitigation

See page 56

We proactively manage risks and capitalise on opportunities to grow our business and enhance long-term value, given the potential impact of these factors.

- CR – Credit Risk
- MR – Market Risk
- LR – Liquidity Risk
- OR – Operational Risk
- ITR – Information Technology (IT) Risk
- SNC – Shariah Non-Compliance (SNC) Risk
- RCR – Regulatory/ Compliance Risk
- CR – Climate-Related Risk

02 DEVELOPING OUR STRATEGIC DIRECTION

Material Matters

See page 48

To create sustainable value, we prioritise issues that significantly impact business and stakeholder value. We employ the materiality principle to guide our strategies and business decisions.

- SRF – Sustainable and Responsible Finance
- CESF – Community Empowerment and Social Finance
- CX – Customer Experience
- SSC – Sustainable Supply Chain
- TD – Talent and Development
- CRO – Climate Risks and Opportunities
- GGC – Good Governance and Conduct
- EHS – Employee Well-being, Health and Safety
- DPS – Data Privacy and Security
- DI – Diversity and Inclusion
- EEI – Emissions and Environmental Impact

Our Strategic Roadmap: LEAP25

See page 60

Our LEAP25 strategy is shaped based on market and stakeholder needs, thus reinforcing our status as a Value-based Intermediary (VBI).

- SP – Sustainable Prosperity
- RE – Real Economy
- CC – Customer-centricity
- VBC – Values-based Culture
- CE – Community Empowerment
- D – Digitalisation

03 PUTTING STRATEGY INTO ACTION

Performance by Capitals

See page 34

To ensure our business operations and growth are well-supported, we leverage six capitals, comprising both financial and non-financial resources. This enables us to effectively execute our value-creating strategy and seize opportunities for growth.

- **FC** **Financial Capital:** Our financial strength propels us forward. We use our earnings to finance our strategic aspirations, grow our business, and invest in the development of other types of capital.
- **HC** **Human Capital:** Our employees are the backbone of the Group. We invest in their development and skills to execute our strategic purpose with precision.
- **IC** **Intellectual Capital:** We blend innovation with heritage. Our technological advancements reinforce our VBI values and enhance our competitive edge.
- **NC** **Natural Capital:** Our sustainability journey starts with the environment. We're committed to reducing our ecological footprint by minimising our use of natural resources.
- **SR** **Social and Relationship Capital:** Our stakeholder relationships provide the trust and support needed to drive our strategy forward. Strong stakeholder relationships are the foundation of our shared and sustainable success.
- **MC** **Manufactured Capital:** Our branches, ATMs, offices, and other facilities are essential in meeting the financial needs of our customers and society at large. These assets provide the necessary infrastructure and resources to deliver our products and services effectively and enable a seamless customer experience.

04 DELIVERING SUSTAINABLE VALUE

How We Create Value

See page 30

Our ultimate purpose as an Islamic bank is to create sustainable value for our diverse range of stakeholders. This means generating strong financial returns for our shareholders, delivering essential financial products and services to our customers, nurturing the careers of our employees, fostering shared prosperity within our community, and contributing to a better future that benefits everyone.

Our Value Creating Business Model

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

OUR CAPITALS...

INPUTS

FC FINANCIAL CAPITAL
- Total Assets: **RM91.0 billion**
- Total Equity Group: **RM7.4 billion**
- Total Customer Deposit: **RM59.0 billion**
- Market Capitalisation: **RM5.7 billion**
- Total Asset Under Management: **RM0.8 billion**

MF MANUFACTURED CAPITAL
- A nationwide network of **135** branches and **994** self-service terminals
- Established **7** green branches across Malaysia
- Invested **RM122.4 million** in IT and technology

HU HUMAN CAPITAL
- Diversified workforce of **4,908** employees nationwide, made up of **2,508** males and **2,400** females
- Delivered **51** engagement sessions

SR SOCIAL AND RELATIONSHIP CAPITAL
- Served **4.4 million** customers
- Delivered **31** engagements with government/regulators and NGOs
- **RM12.8 million** investment made in community enrichment/contributed to community
- Played an active role in leadership initiatives such as JC3 and CEO Action Network

IN INTELLECTUAL CAPITAL
- Strong brand value with **40 years** of sustained success as the pioneering, pure-play, full-fledged Islamic financial institution

NT NATURAL CAPITAL
- Electricity usage of **16.2 million kWh**
- **48.5 million** sheets of paper used
- **212.1 million** litres of water consumed

... ENABLE VALUE-ADDING

OUR STRATEGIC ROADMAP: LEAP25

- SP Sustainable Prosperity
- CE Community Empowerment
- VBC Values-based Culture
- RE Real Economy
- CC Customer-centricity
- D Digitalisation

Read more on page 60

KEY RISKS AND MITIGATION

- CR Credit Risk
- MR Market Risk
- LR Liquidity Risk
- OR Operational Risk
- ITR Information Technology (IT) Risk
- SNC Shariah Non-Compliance (SNC) Risk
- RCR Regulatory/ Compliance Risk
- CR Climate-Related Risk

Read more on page 56

MATERIAL MATTERS

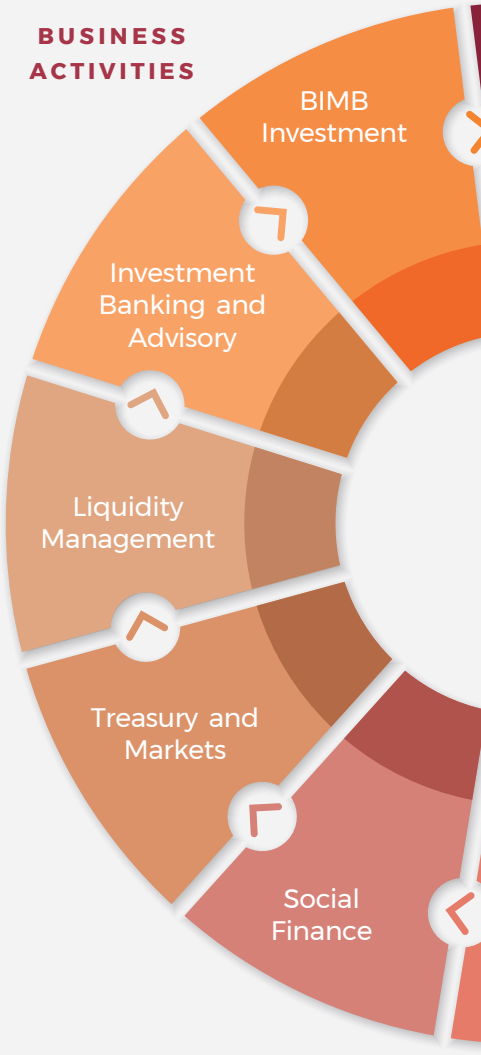
- SRF Sustainable and Responsible Finance
- CX Customer Experience
- TD Talent and Development
- GGC Good Governance and Conduct
- DPS Data Privacy and Security
- EEI Emissions and Environmental Impact
- CESF Community Empowerment and Social Finance
- SSC Sustainable Supply Chain
- CRO Climate Risks and Opportunities
- EHS Employee Well-being, Health and Safety
- DI Diversity and Inclusion

Read more on page 48

TAAT VALUES

Think
Customer

BUSINESS ACTIVITIES



VBI DRIVERS

- Sustainable Prosperity
- Community Empowerment

◆ VISION

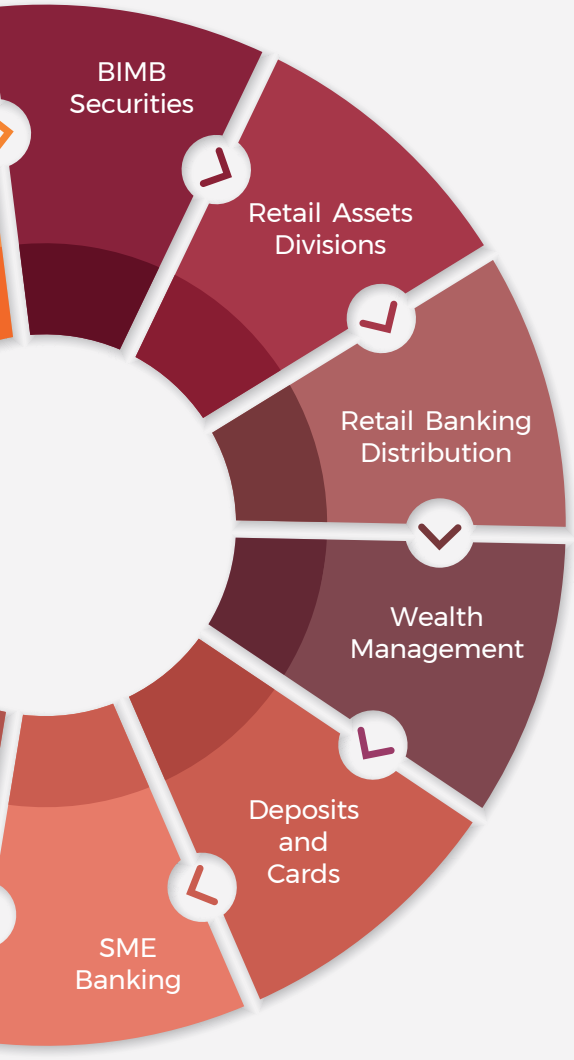
The Bank that advances prosperity for all.

◆ MISSION

To provide solutions that deliver value.

BUSINESS ACTIVITIES THAT CREATE...

Advance Beyond | Act with Integrity | Take Charge



OUTPUTS

- Providing value-driven, innovative and sustainable banking solutions
- Enhancing access to financial services and improving the quality of life
- Serving SMEs and large corporations to contribute to economic growth
- Supporting national progress and ensuring stability of Malaysia's financial sector
- Improve financial literacy, promote inclusiveness, and contribute towards a sustainable future

Values-based Culture | Real Economy | Customer-centricity | Digitalisation

... VALUE FOR OUR STAKEHOLDERS

OUTCOMES	STAKEHOLDERS
FC FINANCIAL CAPITAL • **RM361.6 million** paid out in dividends • Net Return on Equity of **7.8%** • Earnings per share of **24.57 sen**	IV GR
MF MANUFACTURED CAPITAL • Boasts over **3.4 million** active Internet/mobile banking customers • **218.3 million** active enquiries and transactions via online platforms	CU GR
HU HUMAN CAPITAL • Employee retention rate of **96.6%** • Total training hours (including mandatory eLearning): **291,931 hours** • **4,894** employees trained • **1,963** of females in decision-making roles	EM
SR SOCIAL AND RELATIONSHIP CAPITAL • Contributed **RM7.6 million** to charitable initiatives through Sadaqa House • Disbursed **RM8.3 million** through blended financing programmes • Reached **1,598** beneficiaries • **RM206.0 million** contributed to local suppliers • Zakat paid **RM13.8 million**	CU LC EM
IN INTELLECTUAL CAPITAL • Ranked **4th** in NPS within Malaysian financial industry • **372,722** number of downloads for Be U by Bank Islam mobile banking app	CU LC EM
NT NATURAL CAPITAL • Approved **RM4.5 billion** in green financing and assets. • **12,279.5 tonne CO_2e** total carbon emissions	CU LC EM

UNDERPINNED BY
OUR OVERARCHING GOVERNANCE

- Our unwavering adherence to the Shariah principles is a testament to our dedication to good governance, integrity and nation-building.

Performance by Capitals

HC Human Capital

Represents the economic value of Bank Islam's intangible human assets, encompassing knowledge, experience, and skills, which significantly contribute to our overall value.

INPUTS

- **4,908** total employees
- **RM817.8** million in staff costs
- **345** employee upskilling programmes
- **51** employee engagement sessions (at Bank level)

TRADE-OFFS

Investing in talent development requires a significant upfront financial commitment, diverting resources from other immediate operational areas. This strategic decision trades short-term financial flexibility for the long-term enhancement of our Human and Intellectual Capital.

OUTPUTS/OUTCOMES

	2022	2023
Employee retention rate (%)	95.9	**96.6**
Employee Engagement Index (%)	88	**78**
Salaries & Benefits (RM million)	788.4	**817.8**
No. of employees trained	4,677	**4,894**
No. of employees promoted	489	**495**
Average training per employee (man hours)	35	**60**
Health and safety incidents	145*	**18**

* ***Note:*** *The figure of 145 incidents reported in 2022 comprises occurrences at the office site, incidents en route, and injuries sustained during any bank-organised events outside of standard operational hours.*

ACTIONS TO ENHANCE OUTCOMES

- Offer a variety of talent development training programmes to promote self-driven, continuous learning.
- Provide competitive remuneration packages, performance-based incentives, and emotional intelligence training to our employees.
- Enhance employee engagement through various integral initiatives such as Leadership town halls, GCEO's blogs, Bank Islam Live Well programmes and other internal events that foster collaboration, open communication, learning, mental resilience and well-being.

FC Financial Capital

Refers to the funds available for achieving our growth and fulfilling financial commitments. Our ability to access and manage financial capital plays a critical role in our long-term value creation.

INPUTS

- Total Assets: **RM91.0 billion**
- Total Equity Group: **RM7.4 billion**
- Total Customer Deposit: **RM59.0 billion**
- Market Capitalisation: **RM5.7 billion**
- Total Asset Under Management: **RM0.8 billion**

TRADE-OFFS

Our financial capital is invested to create long-term value for shareholders and stakeholders by providing quality financial products to our customers, strengthening our digital offerings and acquiring the right skills and talents. Investments in digital transformation initiatives may require significant upfront costs without immediate returns, impacting short-term financial metrices such as profits and margins.

OUTPUTS/OUTCOMES

	2022	2023
Profit Before Zakat and Taxation (PBZT) (RM million)	746.9	**746.8**
Profit After Zakat and Tax (PAZT) (RM million)	491.7	**553.1**
Total Assets (RM billion)	89.9	**91.0**
Net Return on Equity (%)	7.5	**7.8**
Earnings Per Share (sen)	22.86	**24.57**
Dividend Payout Ratio (%)	60	**60**

ACTIONS TO ENHANCE OUTCOMES

- Regularly engage with investors and shareholders to manage their expectations on our financial decisions.
- Focus on the business units to drive the realisation of new business models to enhance product and service offerings.

MC Manufactured Capital

Comprises physical assets and infrastructure essential for our operations, such as buildings, technology systems, and equipment. Effective management of manufactured capital ensures smooth operations and helps us maintain a competitive edge.

INPUTS

- **135** branches
- **18** SME hubs
- **486** ATMs
- **29** Ar-Rahnu outlets
- **994** Self-service Terminals
- **7** Bureau de Change outlets
- **RM122.4** million investment in IT and technology

TRADE-OFFS

Expanding our physical infrastructure enhances accessibility and connectivity, potentially impacting short-term financial resources. We believe this strategic investment strengthens relationships with stakeholders, contributing to long-term financial sustainability.

OUTPUTS/OUTCOMES

	2022	2023
Volume of active enquiries and transactions via online platforms, including Internet Banking, and GO by Bank Islam and Be U by Bank Islam mobile banking app (million)	186	**218.3**
Value of active enquiries and transactions via online platforms, including Internet Banking, and GO by Bank Islam and Be U by Bank Islam mobile banking app (RM billion)	59.4	**62.7**
No. of active Internet/mobile banking customers, including Internet Banking, and GO by Bank Islam and Be U by Bank Islam mobile banking app (million)	2.9	**3.4**
No. of physical touchpoints per customer	7	**7**

ACTIONS TO ENHANCE OUTCOMES

- Expand our digital banking platform to deliver more inclusive and cost-effective financial solutions to customers.

Performance by Capitals

SR Social and Relationship Capital

Encompasses our relationships with all stakeholders, including society at large. Maintaining a strong reputation and positive relationships with stakeholders build trust and garner support for driving our strategic initiatives forward.

INPUTS

- **4.4** million total customers
- **RM9.6** million in financing (iTEKAD and funding escalator programmes)
- **2,245** SME customers
- **1,478** registered suppliers

TRADE-OFFS

We prioritise social impact over immediate financial gains. We invest human and financial capital to manage the programmes efficiently, aiming to build trust and long-term relationships with the underbanked segment. This, in turn, could benefit both our reputation and the wider economy by helping these individuals become financially included.

OUTPUTS/OUTCOMES

	2022	2023
No. of beneficiaries reached	10,545	**1,598***
No. of Sadaqa House beneficiaries reached	10,311	**1,331***
Total spent on Bumiputera businesses (RM million)	35.8	**28.1**
Total spent on local suppliers (RM million)	159.9	**206.0**
Total financing to SME customers (RM billion)	2.5	**2.7**
Total financing to MSME customers (RM million)	6.2	**8.3**
NPS Score	71	**67**

* ***Note:*** *The significant decrease in beneficiary recognition at Sadaqa House is a result of recalibrating the definition and measurement of social impact, aligning it with BNM's 2023-2026 Financial Inclusion Framework, which specifies social finance coverage.*

ACTIONS TO ENHANCE OUTCOMES

- Offer affordable financing tailored to the unique needs of underserved segments using our social finance instruments
- Enhance the capacity of Sadaqa House collection within the Community Economic Empowerment Ecosystem (C3e) to promote affordable housing ownership and secure microfinance.
- Foster upward mobility among iTEKAD microentrepreneurs, including promoting sustainability practices.

IC Intellectual Capital

Encompasses our intangible assets, including intellectual property, digital systems, and proprietary solutions. This capital holds significant importance in the banking sector, where innovation and technological advancements drive industry changes.

INPUTS

- **8** new digital solutions and technologies developed
- **17** campaigns for various products and **11** new products launched
- **3** new standards and certifications adopted

TRADE-OFFS

Investing in training, Agile CoE, Innovation Labs, and tech upgrades initially strains finances but offers long-term gains in cost savings and revenue growth. However, it may require additional infrastructure investment and impact existing systems, affecting manufactured capital in the short term.

OUTPUTS/OUTCOMES

	2022	2023
No. of downloads of GO by Bank Islam mobile banking app (million)	1.9	**2.1**
No. of downloads of Be U by Bank Islam Mobile Banking App	N/A	**372,722**
No. of awards won	21	**23**

ACTIONS TO ENHANCE OUTCOMES

- Implement Agile methodology through Agile Centre of Excellence (CoE) for efficiency.
- Establish Innovation Labs and CoEs to foster cost savings, an innovation culture, and bridge technology-business gaps.
- Prioritise technology resilience, platform development, and tailored training programmes.

NC Natural Capital

Encompasses the natural resources we depend on, such as water, land, and energy. Although our industry may not be as directly impacted by natural capital as others, we actively promote sustainable practices and work to mitigate environmental risks.

INPUTS

- **16.2 million kWh** of electricity use
- **12,033.3 kWh** of energy use
- **91,260.4 kWh** of renewable energy use
- **212.1 million litres** of water consumed
- **48.5 million** sheets of paper used
- **3** green products launched

TRADE-OFFS

Investing in energy-efficient technologies involves initial expenses, but over time, it can lead to considerable energy savings and reduced operational costs.

OUTPUTS/OUTCOMES

	2022	2023
Total Carbon Emissions (tCO_2e)	12,262.4*	**12,279.5**
Emissions Avoided from Green Initiatives (tCO_2e)[1]	N/A	**84**
Energy Consumption (kWh)	16.5 million	**16.2 million**

* *Total carbon emissions in 2022 have been restated due to the expansion of operational boundaries.*

[1] *This report presents data on the impact of our green initiatives, launched in 2022. It reflects the performance of our efforts for the first year (2023).*

ACTIONS TO ENHANCE OUTCOMES

- Implement energy efficiency solutions efforts aimed at reducing energy consumption in installed offices and branches.
- Mobilise employees to actively manage waste within the workplace.

Stakeholder Engagement

Our long-term success is closely tied to the success of our internal and external stakeholders. With this in mind, we place a strong emphasis on engagement and collaboration with them. By understanding their unique needs and perspectives, we are better equipped to shape our strategies and implement initiatives that not only meet but surpass their expectations. We are committed to fostering lasting relationships and pursuing mutual success through unified efforts.

Employees

EM

WHY ARE THEY IMPORTANT?

Our employees, or also known as BITIZENs, are crucial to our success. From junior level to senior Board members, each individual plays a critical role in aligning with our internal culture and Shariah principles.

ENGAGEMENT PLATFORM

- Internal communication channels including the employee portal, HUMANE portal (online Human Capital Management System), SAP Jam platform and e-mail communication
- Town halls and engagement sessions with the senior management
- Training and development programmes
- Internal initiatives and activities for and among the Group's workforce
- Employee engagement survey

Customers

CU

WHY ARE THEY IMPORTANT?

Our customers are the driving force behind Bank Islam's success. Through every transaction, we strive to provide the best possible products, services, and banking solutions to meet and exceed their expectations.

ENGAGEMENT PLATFORM

Digital touchpoints:

- Mobile applications including GO by Bank Islam, Be U by Bank Islam, SME Expert, BEST app and BISonline
- Internet banking
- Corporate website
- Social media platforms including Facebook, Instagram, YouTube and Twitter

Contact Centre:

- Brick and mortar:
  - 135 branch networks
  - 18 SME Hubs
  - 29 Ar-Rahnu Outlets
  - 7 Bureau de Change
  - 994 Self-service Terminals
- Customer surveys and focus groups
- Webinars and online discussion forums

Government & Regulators

GR

WHY ARE THEY IMPORTANT?

Proactive engagement with the government and regulatory stakeholders are critical to achieving our vision of holistic wealth creation and driving Malaysia's financial industry growth.

ENGAGEMENT PLATFORM

- 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

Local Communities

LC

WHY ARE THEY IMPORTANT?

Engaging with community stakeholders, such as local residents, citizen associations, and NGOs, can improve legitimacy, decision-making, and competitiveness.

ENGAGEMENT PLATFORM

- 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 into tackling current concerns or issues for better sustainability efforts
- CSR initiatives

Investors

IV

WHY ARE THEY IMPORTANT?

Our investors have a vested financial interest in Bank Islam's performance as shareholders in the business. By engaging with them, we build trust in a long-term relationship where we understand their concerns and keep them fully apprised of our strategies.

ENGAGEMENT PLATFORM

- 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 We Create

EM Employees

Value Created for Employees

- Increase motivation and job satisfaction
- Deepen a sense of purpose and meaning
- Provide access to opportunities for learning, development, and growth
- Strengthen the connection to the Group's values and purpose

Value Created for Bank Islam

- A diverse workforce rich in backgrounds, experiences, and perspectives
- A workplace culture that embraces continuous learning and encourages experimentation
- Talent attraction and retention
- A positive employer branding

Risks

- Declining employee engagement and motivation
- Loss of talent and institutional knowledge
- Higher stress levels, burnout, and conflict within the workplace

Opportunities

- Build a more engaged, productive, and resilient workforce

Business Initiatives

- Upskill and reskill our employees through tailored training programmes
- Develop a pipeline of future leaders through leadership programmes

Value Creation Indicators

- Employee retention rate
- Employee engagement score or rating
- Number of training hours
- Health and safety incidents

CU Customers

Value Created for Customers

- Offer personalised client solutions that are tailored to customers' needs
- Provide cutting-edge solutions in response to evolving trends like digitalisation and sustainability
- Provide secure, swift, and dependable options in both physical and digital banking
- Address customer concerns and needs efficiently across multiple engagement platforms

Value Created for Bank Islam

- Enhanced customer satisfaction and loyalty
- A competitive advantage in the market, especially for customers seeking modern and ethical banking solutions
- Reduced operational costs and improved service delivery
- A strong reputation that attracts new customers and retains existing ones, leading to increased revenue streams

Risks

- Declining mobile banking quality from slow response times and frequent outages drives customers to switch banks
- Escalating risk of financial scams, highlighting the need for robust preventive measures to avoid customer litigation

Opportunities

- Maintain strong customer satisfaction in branches and self-service terminals
- Develop a new mobile banking app to address architectural flaws of the previous version
- Ensure the new app's independence from Internet Banking, eliminating current dependencies
- Revamp the app design and user interface for a more intuitive and appealing experience

Business Initiatives

- Embrace remote banking trend by strengthening non-voice support channels like AI-powered ChatBot Adam and LiveChat for seamless customer interactions

Value Creation Indicators

- NPS
- Customer satisfaction rankings
- Response time
- Downtime and recovery time
- Number of complaints
- Number of transactions at branches

GR Government and Regulators

Value Created for Government and Regulators

- Foster regulatory alignment and compliance culture, easing burdens on regulators
- Implement industry standards and best practices for a robust and efficient financial system

Value Created for Bank Islam

- Legal and regulatory frameworks that guide financial sector development

Risks

- Failing to contribute to proposed regulations can lead to unfavourable rules, increasing compliance costs and operational burdens
- A lack of clarity on regulatory expectations and priorities can cause inefficiencies and legal risks

Opportunities

- Promote a level playing field and foster a healthy, stable market environment
- Influence the development of regulations that are practical, and supportive of innovation in the banking industry

Business Initiatives

- Participate in industry-wide events to share best practices through our memberships and associations within the sustainability community

Value Creation Indicators

- Tax contribution

LC Local Communities

Value Created for Local Communities

- Foster social unity and inclusivity through community-driven initiatives
- Unlock financial opportunities for microentrepreneurs with social finance and credit building
- Raise microentrepreneurs awareness about integrating sustainable practices into their business operations
- Facilitate access to credit specifically for financing SDG-aligned assets, in accordance with the nation's goals and framework
- Expand social finance reach through Sadaqa House

Value Created for Bank Islam

- Improved brand reputation and stronger customer relationships
- Attract a larger pool of customers and collaborators who value ethical practices and social responsibility

Risks

- Miss out on potential growth areas
- Lose customers to competitors who are perceived as more socially responsible
- Risk to the Bank's reputation

Opportunities

- Lead in providing Shariah-ESG integrated financial solutions, with a focus on digital banking innovation and social finance initiatives
- Scale up public contributions toward projects that cater to the needs of underserved communities

Business Initiatives

- Boost Sadaqa House's collection capacity for greater economic empowerment through affordable housing and secured microfinance
- Foster upward mobility and sustainability practices among iTEKAD microentrepreneurs

Value Creation Indicators

- Sadaqa House collection
- Number of social finance beneficiaries

Value We Create

IV Investors

Value Created for Investors

- Gain comprehensive understanding of the Bank's operations and financial performance to make strategic decisions
- Optimise return on investment and ensure sustainable dividend payouts

Value Created for Bank Islam

- Receive positive reports and feedback from business analysts, media, and stakeholders
- Ensure fair valuation of the Bank's shares and securities
- Enhance access to capital when necessary

Risks

- Loss of investor confidence, influenced by inadequate performance, risk management, or governance
- Negative public perception and erosion of investor trust due to insufficient engagement and transparency

Opportunities

- Enhance investor engagement through open and consistent communication on strategic plans and performance outcomes
- Foster strong relationships with analysts to increase investor confidence

Business Initiatives

- Roadshows and conferences
- Analyst's briefings
- Virtual engagement sessions
- Media briefings
- Inaugural Corporate Investor Day

Value Creation Indicators

- Share price
- Dividend per share
- Total dividend paid to shareholders

Building a Sustainable Future: How Bank Islam Engaged Stakeholders in Our ESG Journey

We embarked on an enhanced sustainability journey in 2023 with a focus on raising ESG awareness and integrating this knowledge into the daily operations of our employees. A significant step in this journey was the organisation of the 2nd Bank Islam Sustainability Workshop in November.

Objective: To foster a culture of sustainability across all divisions within the Bank.

What We Did: We organised a Sustainability Workshop where we discussed and developed sustainability and ESG action plans for the Bank's divisions. We invited customers to share their sustainability experiences with the management and invited experts to provide insights on various topics, such as UNSDGs, human rights, waste management, renewable energy, sustainability products, and regulatory changes.

Outcomes: The workshop enhanced sustainability awareness among participants, leading to ongoing improvements in environmentally supportive financial services. It also generated practical initiatives, deepened understanding of international reporting standards, and reinforced the Bank's long-term commitment to sustainability and global development goals.

Operating Environment

GLOBAL ECONOMY & OUTLOOK

ECONOMIC OVERVIEW

Looking back at 2023, the global economy encountered numerous challenges that significantly impacted the banking sector. These included a slowdown in global GDP growth, particularly in China and Eurozone, and an inflation spike driven by geopolitical strife and supply chain complications, which led major central banks to hike interest rates aggressively. The banking sector also grappled with heightened borrowing costs and cautious investment sentiment due to increased market volatility and economic uncertainty, fuelled further by geopolitical conflicts such as the Russia-Ukraine war and Israel-Hamas.

In response, the banking market saw varied effects: increased interest rates initially improved banks' net interest margins, but the economic slowdown later pressured profitability through rising loan defaults and declining loan demands. The quality of credit suffered, with a potential prolonged slowdown prompting banks to increase loan provisions and tighten lending standards. Investment banking activities, especially in areas like IPOs and mergers, were dampened by the volatile markets. The banking industry faced a challenging year, necessitating adaptability and strategic risk management to maintain long-term resilience amidst these turbulent times.

Link to Risks: CR MR LR OR RCR

OUTLOOK

In 2024, the global economic landscape is expected to witness a slight dip in growth, with the International Monetary Fund (IMF) forecasting a growth of 2.9%, compared to 3.0% in 2023. This dip is largely attributed to modest growth in advanced economies like the US and Europe, primarily due to challenges such as constrained lending, a slowdown in manufacturing, and vulnerability to geopolitical tensions.

A potential soft landing is on the horizon in 2024, with expectations that major global central banks will commence rate cuts starting from the second quarter. This strategic adjustment could provide a much-needed impetus to the economy.

In the UK, economic forecasts suggest that headline inflation will align closer to the Bank of England's 2% target by 2024, buoyed by a decline in global energy prices. This adjustment is anticipated to ease inflationary pressures, contributing to a more stable economic environment.

Overall, the year 2024 is poised to present a mixed economic scenario, with emerging markets expected to be the primary drivers of growth. In contrast, advanced economies will likely face ongoing challenges. This diverse global economic landscape underscores the importance of strategic planning and adaptability in navigating future uncertainties.

Operating Environment

MALAYSIAN ECONOMY & OUTLOOK

ECONOMIC OVERVIEW

In 2023, Malaysia's economy faced cautious optimism and complex challenges amid global uncertainty. Domestic demand, driven by increased household and government spending, supported the economy and created lending opportunities for Bank Islam. Export sectors like electronics and commodities performed well, offering potential for Bank Islam's support through trade financing and other services.

Government interventions sustained economic activity and indirectly benefited Bank Islam by providing a stable financial environment. Despite these positives, the Bank contended with an array of challenges: a global economic downturn, rising inflation, supply chain disruptions, and a depreciating Malaysian ringgit, all of which exerted pressure on trade and investment dynamics.

As 2023 concluded, the Bank faced a more pronounced impact from the economic slowdown, testing its resilience and adaptability.

Link to Risks: CR MR LR OR RCR

Looking ahead to 2024, Bank Islam forecasts Malaysia's economy to expand by 4.7%, in line with official projections. This anticipated growth is expected to be underpinned by continued strong private consumption, a resilient labour market, government cash transfers, and an uptick in tourist arrivals. Investment is likely to sustain its upward trend, supported by ongoing infrastructure projects and construction developments.

The rebound in net exports, previously constrained in 2023, is expected to make a positive contribution in the upcoming quarters, aided by the conclusion of the global semiconductor downcycle. Nonetheless, external risks such as a potential sharper global slowdown and geopolitical tensions could threaten these forecasts.

Inflation is predicted to remain moderate at 2.7% in 2024, slightly higher than the 2.5% observed in 2023, indicating a well-managed inflationary environment facilitated by effective monetary policy measures. BNM has maintained the OPR at 3.00% since May 2023, navigating concerns over currency strength, inflation, and economic growth. The OPR is expected to stay stable through the end of 2024, signifying a consistent monetary policy stance.

The Malaysian job market is expected to improve in 2024 and 2025, propelled by positive domestic economic developments and a resurgence in external trade. This positive outlook is supported by recent labour force statistics, indicating unemployment rates have returned to pre-pandemic levels of 3.3%.

Globally, economic growth slowed to 3.0% in 2023, amid challenging conditions characterised by stringent monetary policies and high inflation. Although global trade growth slowed, the reopening of economies and recovery in tourism activities partially offset the reduction in goods trade, allowing supply chain conditions to normalise.

Malaysia's economic performance in 2023, achieving a full-year growth of 3.7%, was impacted by reduced external demand affecting the manufacturing sector and a decline in services sector growth as post-pandemic spending normalised amidst rising living costs. However, government expenditure remained steady, contributing to economic stability alongside private expenditure, though at a more moderate pace.

For 2024, the global economy is anticipated to grow more slowly, affected by high interest rates and a slowdown in China, the world's second-largest economy. Despite these pressures, a gradual normalisation of economic conditions is expected in the latter half of 2024, with inflation easing and monetary policies becoming more accommodating.

Domestically, Malaysia's slower GDP growth in 2023 creates a favourable base for 2024, supported by the global tech upcycle, tourism revival, and robust investment approvals. While the first half of 2024 may pose challenges, the second half is expected to see significant growth acceleration, underpinning Bank Islam's optimistic GDP growth forecast of 4.7%, driven by a rebound in the manufacturing sector and export-oriented growth. Nevertheless, external developments could present risks to these projections.

OPERATING ENVIRONMENT (KEY MARKET TRENDS SHAPING OUR BUSINESS)

MARKET CONDUCT

Providing customers access to unbiased and relevant information to make informed financial decisions suited to their preferences.

Potential Impact

- Balancing transparency with customer privacy protection requires careful consideration and robust data security measures.
- Distinguishing itself through transparency and focusing on customers' needs has the potential to draw in new customers and set Bank Islam apart from its competitors.

How We Responded

- Focused on educational resources and tools to empower the customers to make informed decisions on their finance management.
- Transitioned towards automated services including robo-advisory services as well as the mechanism to ensure customers protection from unfair or deceptive business practices.

Outlook

- Increasing emphasis on financial literacy, with customers becoming more digitally savvy and having access to a vast amount of information.
- Growing demand for personalised financial services due to the advancements made in AI and data analytics.

Operating Environment

ADVANCING THE DIGITALISATION OF THE FINANCIAL SECTOR

Transforming operations and services through technology improves efficiency and personalisation while also posing new security challenges.

Potential Impact

- Cultivating an environment conducive to technological innovation by prioritising and supporting greater use of technology such as machine learning and AI.
- Enhancing product offerings and service delivery channels to ensure a streamlined customer journey and greater customer satisfaction.
- Reassessing the rationalisation of physical product and channel offerings, ensuring their continued relevance to customers' needs.
- Adopting practices that enable us to be agile and respond quickly to changing customer demands.
- Improving the customer proposition by exploring new opportunities in digital business.

How We Responded

- Implemented digital upskilling programmes to keep the workforce competitive and current in the dynamic digital financial sector.
- Introduced a digital onboarding process for customers, eliminating the need for physical branch visits.
- Prioritised technology resilience and platform development, leading to a significant reduction in critical incidents reported.

Outlook

- Growing digital comfort widens Bank Islam's consumer base but demands consistent digital accessibility and user-friendliness in product updates.
- The combination of Islamic finance and digital technology provides an opportunity for Bank Islam to lead in Shariah-compliant digital financial solutions.
- Rising dependence on digital technology increases the risk of cyberattacks; Bank Islam must prioritise security measures and cyber awareness to safeguard customer data and uphold trust.

CLIMATE CHANGE & SUSTAINABILITY

Growing demand for green financing options along with the mandate for Malaysian financial institutions to adopt TCFD recommendations by 2024.

Potential Impact

- Redirecting investment to progressively allocate capital from carbon-intensive industries towards more environmentally friendly or sustainable sectors.
- Enhancing transparency and disclosure requirements with a focus on environmental considerations, alongside financial and climate resiliency.

How We Responded

- Developed reports and disclosures in compliance with the latest regulatory standards and enhanced climate risk monitoring.
- Explored the conversion of sukuk programmes to align with ESG principles for potential issuance of Bank Islam's first Green Sukuk.
- Prioritised supply chain management to embed ESG and minimising environmental footprint.

Outlook

- Stricter reporting and transparency are required from institutions.
- Need for financial institutions to integrate sustainable practices and apply the use of advanced financial technologies for ESG data management.

EXPANDING MARKETS FOR ISLAMIC FINANCIAL SERVICES

Offering diverse Shariah-compliant options like sukuk and takaful insurance while promoting sustainable finance growth through VBI expansion and social finance instruments for underserved segments such as microentrepreneurs and SMEs.

Potential Impact

- Diversification of financial products and services, resulting in a multitude of options for customers looking for a more ethical and responsible financial solution.
- Expanding Bank Islam's reach and expertise in social finance, creating a more impactful and sustainable model in the long run.

How We Responded

- Introduced the *Mudarabah* microfinancing initiative through our Centre of Social Finance.
- Explored the untapped market for communities that are looking for financial-inclusive solutions.

Outlook

- An increase in the number of Shariah-compliant products and services that are aligned with sustainability and climate considerations, and increased integrations within the conventional financial offerings.
- Increasing market diversity through the expansion of the Islamic capital market to support government funding projects and infrastructure, along with a growing geographical reach into the non-Muslim market.

THE EVOLVING WORLD OF WORK

Utilising AI and IoT to empower the Bank's digital workforce, balancing flexibility with face-to-face interactions, and effectively managing generational diversity in the workplace.

Potential Impact

- Managing the changing dynamics of the post-pandemic work environment.
- Adapting our approach to talent attraction and retention to align with shifting expectations and associated challenges.

How We Responded

- Introduced Flexible Working Arrangement (FWA) where employees have the freedom to work in ways that best suit them.
- Implemented a DEI (Diversity, Equity, and Inclusion) policy.
- Embedded DEI considerations in all relevant programmes and initiatives.

Outlook

- Balancing flexibility with in-person interactions is recognised as vital for shaping future work dynamics.
- Increasing demand for digital skills in the banking sector with many prioritising digital qualifications.

Material Matters

Material Matters are crucial for enhancing stakeholder value creation, offering a roadmap for strategic decisions that align with sustainability goals and stakeholder expectations. In 2023, Bank Islam's inaugural materiality assessment marked a pivotal step towards identifying and prioritising sustainability issues critical to our operations and stakeholder interests.

MATERIALITY PROCESS & REALIGNMENT

In 2023, we conducted a comprehensive analysis and engaged with stakeholders to identify the most critical environmental, social, and governance (ESG) topics for our company. We benchmarked these topics against leading standards like GRI, FTSE4Good, and Bursa Malaysia's guidelines. This process resulted in a materiality matrix, which highlights key areas like economic performance and climate change as "Material Matters" that require our focus.

Reflecting on the insights from 2023 and internal deliberations, we refined these topics for this year's report. We narrowed our focus from 15 initial topics to 11 key areas, ensuring a more strategic approach and increased relevance to our stakeholders.

The realignment process entailed several significant adjustments, including merging topics for cohesion, and renaming topics for clarity. This iterative refinement underscores our commitment to a dynamic and responsive sustainability strategy.

Updates To Our Material Matters

Sustainable and Responsible Finance: Renamed following the merger of 'Sustainable Economic Performance' and 'Purposeful Financial Services', this material topic reflects a commitment to integrating economic performance with social and environmental impact considerations.

Collaboration & Partnerships: This material topic has been dissolved and its aspects have been incorporated into other areas to strengthen cross-functional collaboration and partnerships.

Emissions and Environmental Impact: Renamed following the merger of 'Energy and Climate Change' and 'Environmental Stewardship', this revision aims to create a unified approach to carbon emissions management and environmental stewardship.

Employee Well-being, Health, and Safety: Expanded to include 'Labour Standards and Practices' to encompass a broader focus on employee wellness and safety.

Community Empowerment and Social Finance: The previous 'Community Enrichment' material topic is renamed to better reflect its focus on enabling community empowerment and driving inclusive finance.

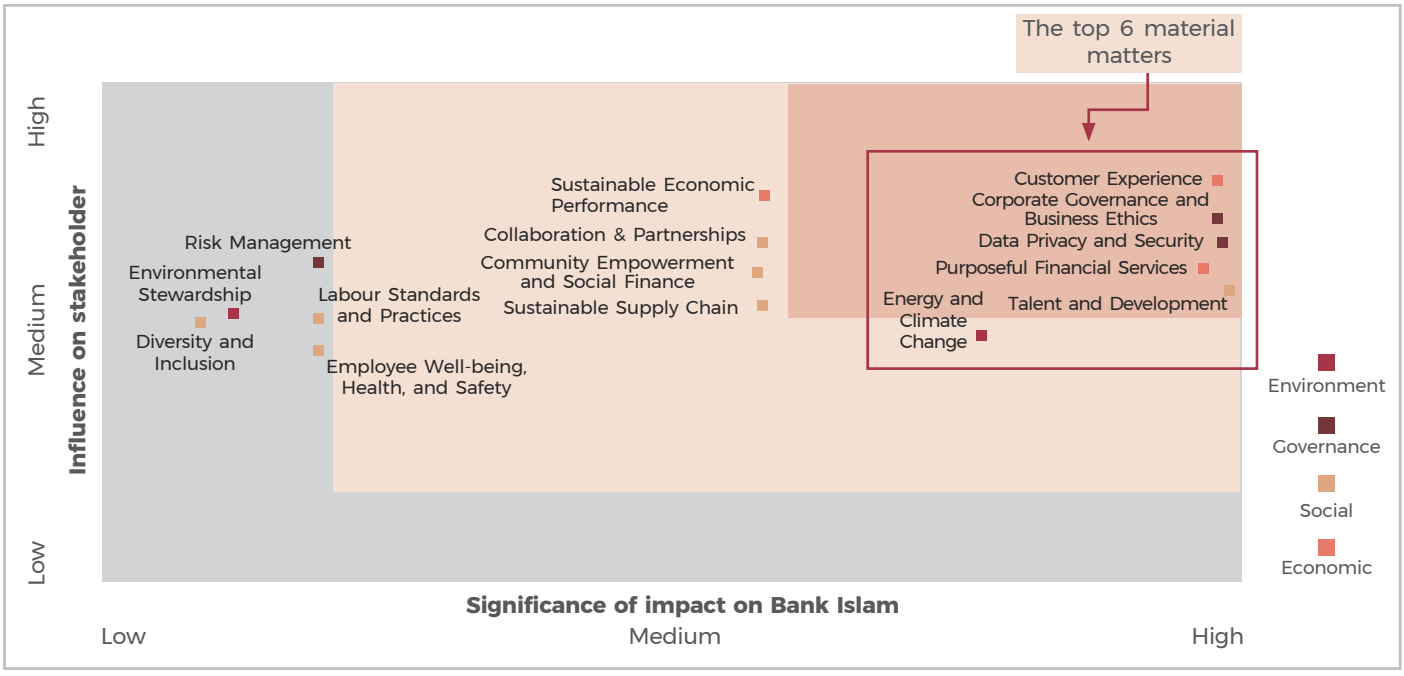
Sustainable Supply Chain: Formerly known as 'Social (Supply Chain)', it has been renamed and reclassified to align with broader governance principles.

Good Governance and Conduct: Previously 'Corporate Governance and Business Ethics', it has been renamed to reflect the commitment to ethical banking and governance.

Climate Risks and Opportunities: Reconceptualised from 'Risk Management', this material topic is now focused on emphasising the management of climate-related risks and identifying opportunities.

Bank Islam's Updated Material Matters

MATERIALITY MATRIX



Note: *Some terminology within the materiality matrix has been updated to reflect changes made since the initial materiality assessment in 2022. This update involved a more holistic approach to enhance the clarity of our material matters.*

MANAGEMENT APPROACH TO MATERIAL MATTERS

ECONOMIC

SUSTAINABLE AND RESPONSIBLE FINANCE

Why is this important?

Business Context

We are dedicated to integrate sustainable and responsible finance into our core operations, aligning ourselves with national and global development goals to significantly enhance our reputation and appeal to ethically-conscious customers. By prioritising social and environmental responsibility alongside financial stability, we aim to drive impactful, long-term value for our stakeholders.

For more information on Sustainable and Responsible Finance, please see pages 109-113.

Risks

- Prioritisation and integration of sustainability-related factors into financial products and services may lead to financial uncertainties such as financial underperformance, where the returns might not be as expected.
- Transitioning to a more sustainable and greener financial portfolio may open up the Group to additional associated costs such as transition costs and regulatory compliance costs.

Opportunities

- Promote long-term value creation by exploring investment in new markets or sectors that can generate financial returns coupled with positive social and environmental impacts.
- Promote engagement with customers on the effectiveness and viability of sustainability-related products and services.
- Strengthen the Group's current reputation and commitment within the social finance sphere.

Our Approach

- Focus on financial stability, customer-centricity, technological advancement, ESG integration and social responsibility.
- Align with broader trends in Islamic and sustainable banking.
- Being strategic and prudent in making sustainability-related investments.

Material Matters

CUSTOMER EXPERIENCE

Why is this important?

Business Context

We prioritise customer-centricity as a strategic focus, showcasing our dedication to placing the customer at the heart of our decision-making processes. This not only fosters trust and loyalty but also drives growth in a dynamic financial landscape.

For more information on Customer Experience, please see pages 114-117.

Risks

- Increased preference for remote banking, potentially exposing vulnerable customers to financial fraud risks.

Opportunities

- Enhance the reliability and performance of GO by Bank Islam mobile banking app, ensuring a seamless and satisfying experience for our customers.

Our Approach

- Place a strong emphasis on understanding customers' feedback and preferences on banking needs.
- Facilitate customers' interactions through multiple channels, ensuring convenience and efficiency.
- Deliver a seamless and personalised banking experience through innovation and technology.

ENVIRONMENTAL

EMISSIONS AND ENVIRONMENTAL IMPACT

Why is this important?

Business Context

We recognise the financial imperative of managing carbon emissions. Climate change poses significant threats, including infrastructure damage and supply chain disruptions, which could undermine our long-term viability. Proactive environmental action mitigates these risks, ensuring a more resilient and sustainable future for our organisation.

Risks

- Introduction of new and evolving regulations by BNM and Bursa Malaysia pose a challenge for compliance and adapting to regulatory changes.
- Potential impacts on the Group's operations and external exposures due to climate change, including physical risks, regulatory changes, and reputational risks associated with sustainability.
- The need to align with customers' increasing expectations for the Group's involvement in climate change initiatives, which can affect customer satisfaction and loyalty.
- Risk of escalated operational costs due to rising energy prices and resource scarcity, which can impact the Group's profitability and sustainability efforts.

Opportunities

- Foster a culture of energy efficiency through targeted initiatives.
- Expand financing for green sectors and diversify our product and service offerings, empowering customers to make financial decisions that minimise their environmental impact.
- Initiate dialogue with customers facing significant environmental risks and actively assist them in transitioning towards more sustainable practices.
- Integrate ESG risk assessment into all stages of lending and investment decisions.
- Undertake scenario planning and stress testing exercises to better manage climate risks and identify green investment possibilities.

EMISSIONS AND ENVIRONMENTAL IMPACT (CONTINUED)

For more information on Emissions and Environmental Impact, please see pages 118-121.

Our Approach

- Implement key initiatives such as transitioning to renewable energy sources, embracing energy-efficient practices, and advocating for low-carbon solutions.
- Engage with stakeholders in climate change awareness and action.
- Implement eco-friendly initiatives across operations to promote environmentally responsible practices.
- Allocate resources to invest in sustainable technologies that align with environmental sustainability objectives.
- Uphold a longstanding policy of not providing financial support for coal projects, demonstrating our commitment to a cleaner and more sustainable energy sources.

SOCIAL

EMPLOYEE WELL-BEING, HEALTH AND SAFETY

Why is this important?

Business Context

We maintain strict adherence to labour standards, encompassing fair wages, equal opportunities, professional development, and a safe work environment. This commitment enhances the Group's social responsibility reputation and showcases our dedication to ethical practices. Simultaneously, our investments in employee well-being foster a positive work culture, attract top talent, and contribute to our long-term organisational sustainability.

For more information on Employee Well-being, Health and Safety, please see pages 122-129.

Risks

- Our workforce within the organisation may be exposed to well-being, health, and safety risks within their work environment, which could impact their health and productivity.

Opportunities

- Continuously strengthen and improve our policies and practices related to employee well-being, health, and safety.
- Promote efforts to increase awareness and education on safety protocols, healthy habits, and ergonomics.

Our Approach

- Prioritise employee well-being, health, and safety in a safe and supportive work environment.
- Refine workforce initiatives through bi-annual Pulse surveys and programme evaluations.

Material Matters

TALENT AND DEVELOPMENT

Why is this important?

Business Context

Investing in talent and development is essential because it enables us to stay competitive in a changing financial environment, ensuring our readiness to deliver stakeholder value, while also preparing our workforce for future challenges, fostering agility, resilience, and purposefulness.

For more information on Talent and Development, please see pages 130-138.

Risks

- Perceived gaps in the necessary skills and knowledge may lead to skills mismatch or may not align to job requirements, which may be exacerbated by lack of engagement with the employees' especially on the sustainability-related matters.

Opportunities

- Focus on reevaluating the necessary knowledge, skills, abilities, and characteristics of current roles and revise the criteria for future roles.
- Explore collaboration with key stakeholders in the talent ecosystem to acquire and develop the talent and skill sets required by the Group.

Our Approach

- Implement a Leadership Competency Model to facilitate effective succession planning, especially for critical senior positions such as the GCEO.
- Launch broader initiatives to ensure leadership continuity and alignment with strategic goals, emphasising the importance of long-term leadership stability.
- Demonstrate a commitment to sustainability by developing a comprehensive Sustainability Learning Framework for workforce education in sustainable banking, thereby integrating sustainability into daily operations and fostering a culture of responsibility.

DIVERSITY AND INCLUSION

Why is this important?

Business Context

Embracing diversity and inclusion is critical as it strengthens decision-making and helps us realise our full potential as a purpose-driven financial institution. This, in turn, enables us to navigate the complexities of the financial sector, meet varied client needs, and reinforce our position as a dynamic and forward-looking financial leader.

For more information on Diversity and Inclusion, please see pages 138-143.

Risks

- May be wrongly perceived as preferential treatment or discrimination, leading to loss of morale and teamwork within an organisation, and may also lead to the damage of the Bank's reputation and image, as well as potential legal liabilities.
- May result in unintentional perpetuation of existing inequalities and the marginalisation of underrepresented groups.

Opportunities

- Having a diverse ideas, experiences and perspectives promote a culture of creativity and innovation, and a team from different background and identities are more effective at solving complex problems and making informed decisions.
- Diversity and inclusivity strengthen the employees' level of engagement and productivity, fostering a socially-responsible employee and driving the Bank's performance.

Our Approach

- Prioritise DEI through a comprehensive policy ensuring equal opportunities and fair treatment, regardless of background.
- Employ meritocracy in recruitment, retention, and promotions to ensure that talent and performance are the primary criteria, while simultaneously fostering a safe and inclusive environment.
- Invest in employee development through initiatives like coaching, upskilling, and family-friendly policies solidifies Bank Islam's position as a progressive and inclusive organisation.

COMMUNITY EMPOWERMENT AND SOCIAL FINANCE

Why is this important?

Business Context

Providing affordable finance is crucial for improving livelihoods and long-term financial stability in our community, demonstrating our dedication to the community's well-being, and aligning our vision of being a catalyst for positive change. This approach addresses both immediate financial needs and invests in the long term socioeconomic health of the communities we serve.

For more information on Community Empowerment and Social Finance, please see pages 144-151.

Risks

- Communities may resist sustainability initiatives or offerings due to doubt about their effectiveness and perceived inconvenience, leading to challenges in gaining market traction for such offerings.
- The financial viability of such initiatives may require significant investments in infrastructure, as well as research and development.

Opportunities

- Prioritise financial products and services that unlock opportunities in education, healthcare, and affordable housing, driving economic empowerment and building thriving communities.
- Foster trust and collaboration with all stakeholders, including community organisations and local businesses, to develop financial products and services that drive financial inclusion and empower communities.
- Build a resilient community that adds long-term value to the Group, promoting social cohesion and enhancing quality of life for mutual benefit.

Our Approach

- Prioritise shared prosperity and financial inclusion by efficiently managing *zakat* and *waqf* funds to support significant social causes.
- Support underprivileged communities and small businesses through microfinance facilities and business support services.
- Promote active collaboration with communities to identify and address their unique needs, reinforcing our commitment to Islamic values and driving positive social change.

Material Matters

GOVERNANCE

SUSTAINABLE SUPPLY CHAIN

Why is this important?

Business Context

We prioritise efficient and resilient procurement practices, which is essential for sourcing materials and services from local and sustainable suppliers whenever possible. This approach aligns with sustainability and corporate responsibility principles, while ensuring the efficiency of our supply chain.

For more information on Sustainable Supply Chain, please see pages 152-154.

Risks

- Potential exposure to ESG risks ranging from carbon emissions to potential labour violations.

Opportunities

- Implement an enhanced due diligence process for our vendors with the objective of identifying potential vulnerabilities within our supply chain.
- Promote enhanced collaboration with suppliers to drive positive transformations throughout the supply chain, emphasising efficiency, transparency, and innovation while strengthening risk management practices.

Our Approach

- Redefine our business practices to advance its commitment towards addressing sustainability considerations within its supply chain. This includes the integration of digital innovation, environmental responsibility, and ethical sourcing into our procurement process.
- Utilise data analytics to identify vendors who align with our ESG principles, giving priority to those with robust environmental practices, ethical labour standards, and active community engagement.
- Pursue active collaboration with stakeholders to develop a resilient and sustainable supply chain.

GOOD GOVERNANCE AND CONDUCT

Why is this important?

Business Context

We operate in compliance with legal and ethical standards, which not only mitigates the risk of legal liabilities and reputational damage but also reinforces Bank Islam's reputation and credibility. This commitment is crucial for establishing trust with stakeholders, customers, and the broader community.

For more information on Good Governance and Conduct, please see pages 155-158.

Risks

- Failure to uphold our ethical values and code of conduct will result in erosion of trust among the customers, investors and the public, and will lead to the weakening of the Group's reputation and credibility.
- Non-compliance will result in legal liabilities, fines or regulatory penalties which may affect the Group's stature and its long-term growth.
- Instances of conflicts of interest or ethical dilemmas may arise when balancing the need of achieving financial growth and fulfilling sustainability objectives.

Opportunities

- Focus on creating robust governance frameworks that help mitigate the negative impacts presented by sustainability-related challenges and protect the Group's long-term viability.
- Ensure alignment with the universally-accepted UNSDGs, providing the Group with a structured framework to actively engage in global efforts aimed at addressing pressing sustainability challenges.

Our Approach

- Implement robust systems to prevent bribery and corruption, which include a strict Group Anti-Bribery and Corruption Policy (GABCP) that enforces ethical behaviour among all employees.

DATA PRIVACY AND SECURITY

Why is this important?

Business Context

In today's digital landscape, data protection is a strategic imperative. Prioritising robust security and proactive breach prevention fosters trust and responsible data practices, enabling sustainable growth in a privacy-conscious world.

For more information on Data Privacy and Security, please see pages 159-161.

Risks

- Vulnerability to cyberattacks and data breaches can potentially expose sensitive customer information, such as financial data, personal details, and transaction history.
- Inadequate data privacy practices or internal security breaches could lead to unauthorised access and misuse of customer data, facilitating fraudulent activities, identity theft, or targeted marketing campaigns.
- Non-compliance with data privacy regulations may result in substantial fines, legal action, or even the suspension of operations.
- Vulnerabilities in software and systems can result in unintended data breaches, even when secure systems are in place.

Opportunities

- Implement clear and concise data privacy policies that are easily accessible to customers.
- Engage in open communication with stakeholders about data privacy practices.
- Tackle concerns related to data collection, bias, and transparency in AI usage.

Our Approach

- Prioritise data privacy and security through a comprehensive strategy.
- Implement key security measures, including secure messaging, device binding, and a kill switch.
- Make substantial investments in advanced fraud detection to combat fraud effectively.

CLIMATE RISKS AND OPPORTUNITIES

Why is this important?

Business Context

We are committed to mitigating climate change and building long-term resilience by actively managing our climate-related risks and opportunities. This proactive approach not only reduces our exposure to climate-related risks and our environmental impact but also positions us to capitalise on emerging green markets.

For more information on Climate Risks and Opportunities, please see pages 161-169.

Risks

- **Credit risk:** Directly affects the financial performance of our customers, through additional capital expenditures, potential imposition of fines or increased costs of operations and management. These may also include instances of newer or stricter environmental regulations.
- **Market risk:** Volatile and downward market valuations and repricing of investments held by the Group.
- **Liquidity risk:** Significant withdrawals or drawdown of committed facilities to fund recovery from severe weather events.
- **Operational risk:** Disruptions to operations and/or supply chain due to severe weather events.

Opportunities

- Identify green financing opportunities and direct investments towards climate-positive economic activities.
- Prioritise risk-weighted financing choices and proactively mitigate potential negative impacts from climate change.
- Guide clients towards more sustainable business models and offer tailored financial solutions that support their transition to a just economy.
- Develop our own internal expertise in climate risk assessments.

Our Approach

- Manage climate-related risks through the Group Enterprise-wide Risk Management Policy.
- Prioritise projects aligned with the UNSDGs through rigorous due diligence.
- Work closely with clients to improve their environmental practices and conduct climate risk assessments to enhance our portfolio resilience.

Key Risks and Mitigation

CREDIT RISK

Description

Risk of potential losses to Group arising from inability of our customers to fulfil and repay its obligations under facilities granted by the Bank.

How does this impact us?

Deterioration in financial asset quality may impact the Group's capital and profitability.

Response and Mitigating Actions

- Maintain a robust and prudent credit risk policy as well as Risk Acceptance Criteria (RAC), risk tolerance and loss triggers to manage credit risk.
- Credit analysts independently review and constructively challenge credit evaluations by the business before submission to Management and Board Committees for approval.
- Regularly conduct independent post-credit reviews and post-mortem analyses to assess and maintain asset quality standards.
- Conduct granular risk analysis on consumer portfolio to ascertain its alignment with the business approved strategy and Board approved Risk Appetite Statement.
- Proactively and vigilantly manage accounts for early detection of red flags to prevent deterioration in asset quality in line with the Bank's Watchlist Guidelines.
- Promptly and accurately report all exposures, non-compliances, and emerging risks to Management and Board Committees.

Opportunities Arising from this Risk

- Continuously refine prevailing credit processes and financing responsibly.
- Selectively grow the Bank's portfolio to ensure sustainability and preserve asset quality.
- Explore new possible opportunities on credit onboarding and evaluation process to adapt to the dynamic changes in the market.

MARKET RISK

Description

Risk of potential losses arising from adverse movements in market prices or rates such as interest rates, foreign exchange rates, credit spreads and any other activities undertaken by the Group in financial markets.

How does this impact us?

Market volatilities may cause fluctuations in Group's asset value, profitability, and capital.

Response and Mitigating Actions

- Maintain a robust market risk policy and limits based on best practices.
- Proactively assess, monitor, analyse, manage and report to ensure that market risk management aligns with the approved risk appetite.
- Proactively review all market risk controls and parameters in line with the Group's business strategy and the current economic environment.
- Conduct regular and ad-hoc stress testing to identify potential risks and ensure the Group's exposure remains within its risk tolerance.
- Promptly and accurately report all exposures, non-compliances, and emerging risks to Management and Board Committees.
- Keep abreast of market and regulatory developments which impact the Group's liquidity risk metrics and make recommendations for suitable changes.

Opportunities Arising from this Risk

- To introduce alternative solutions for customers to navigate the volatilities in the market.
- To be nimble in responding to changes in the market and lead changes where necessary to adapt to market volatilities.

RISK IMPACT
Low Moderate High Very Significant

RISK TREND
INCREASE DECREASE STABLE

LIQUIDITY RISK

Description

Risk of adverse impact to the financial condition and soundness of the Group arising from inability (or perceived inability) to meet our contractual obligations.

How does this impact us?

Funding at higher costs or disposal of liquid assets may impact the Group's profitability and capital.

Response and Mitigating Actions

- Maintain a comprehensive liquidity risk policy and limits aligned with best practices.
- Proactively assess, monitor, analyse, manage and report to ensure effective liquidity risk management within approved Risk Appetite, business strategy and current economic environment.
- Preserve high-quality liquid assets, term mismatch management to avoid significant maturity mismatches that could amplify liquidity risk and diversify funding source s as a liquidity risk buffer under both business-as-usual (BAU) and stress conditions.
- Conduct regular and ad-hoc stress testing and scenario analysis to identify potential liquidity strain and ensure alignment with the Group's risk tolerance.
- Establish a robust liquidity crisis management plan and a viable contingency funding plan.
- Promptly and accurately report all exposures, non-compliances, and emerging risks to Management and Board Committees.
- Keep abreast of market and regulatory developments which impact the Group's liquidity risk metrics and make recommendations for suitable changes.

Opportunities Arising from this Risk

- To diversify depositor and funding profile by adapting to market developments and depositor behaviours.
- To be more efficient in funding acquisition operations and improve cost structures.
- Focus on improving customer experience to enhance customer retention and acquisition.

OPERATIONAL RISK

Description

Risk of loss resulting from inadequate or failed internal processes, people, and systems, as well as from external events which may negatively impact the Group's financial performance and reputation.

How does this impact us?

Group's ability to provide essential financial services to resiliently service customers may be affected resulting in operational losses as well as erosion of stakeholders' confidence and trust in the Group.

Response and Mitigating Actions

- Maintain and actively manage operational risk following the Group's operational risk policy and Risk Appetite.
- Establish Embedded Risk Units to actively monitor operational risks across the Group.
- Proactively review and manage critical business functions and essential services to ensure timely recovery in the event of disruptions.
- Utilise various Operational Risk Management (ORM) tools, including both proactive and reactive strategies, to ensure robust, resilient, and consistent risk management.
- Promptly report all operational risk issues and incidents (including Shariah non-compliant (SNC)) to Management and Board Committees, with detailed root cause analysis and action plans.
- Provide operational risk training and awareness programme to promote a strong risk culture within the Group.

Opportunities Arising from this Risk

- Improve operational efficiency to elevate customer experience and engagement.
- Leverage on digitalisation and automation capabilities to intensify the Group's ability to efficiently service our customers.

Key Risks and Mitigation

TECHNOLOGY RISK

Description

Risk of financial loss or negative consequences (such as regulatory breaches, disruptions, or reputational harm) arising from the use of technology due to the inadequacy or failures in people, processes, technology, or external events.

How does this impact us?

Group's ability to provide essential financial services in a resilient and secure manner to our customers may be affected resulting in reputational damage and financial losses as well as erosion of stakeholders' confidence and trust in the Group.

Response and Mitigating Actions

- Use of a technology risk management methodology that is integrated with the enterprise risk management framework to manage technology risk holistically across the Group.
- Establish a suite of processes and controls that address technology risks in a proactive, secure, and robust manner.
- Conduct gap assessments on the Group's compliance with relevant regulatory requirements.
- Conduct strategic thematic reviews on selected areas of technology risks.
- Continuous assessment of the effectiveness of security controls against a rapidly evolving threat landscape.
- Proactive trend analysis, monitoring and escalation of technology related issues and incidents to Management and Board Committees, with detailed root cause analysis and action plans.

Opportunities Arising from this Risk

- Strengthen operational resilience with technology to navigate, adapt, thrive in the face of change and uncertainty.
- Development of customer-centric products and services that elevates customer experience and engagement through digitalisation.
- Adoption of new and emerging technologies that fosters workforce productivity and supports the future of work.

SHARIAH NON-COMPLIANCE (SNC) RISK

Description

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

How does this impact us?

Group's reputation and credibility to provide customers with Shariah-compliant products and services may be affected, resulting in the erosion of stakeholders' confidence and trust in Bank Islam.

Response and Mitigating Actions

- Establish four specialised Shariah functions under BNM Shariah Governance Policy Document (SGPD) to strengthen a Shariah compliance culture within the Group.
- Implement Shariah assessments for all policies, guidelines, products, services, and processes.
- Inculcate the process of identifying, measuring, controlling and monitoring of SNC risk inherent in the Group's products, operations and activities.
- Leverage on ORM tools for effective SNC management.
- The SNC risk exposures are actively managed and guided by the various Shariah Risk Management (SRM) policies, guidelines, tools, and programmes put in place.
- Provide Shariah Risk Awareness Training to the relevant stakeholders.

Opportunities Arising from this Risk

- Drive product innovation to be more competitive and well positioned in the industry.
- Improve operational efficiency to elevate customer experience and engagement.
- Implement strong Shariah governance structure and risk management strategies help the Group to streamline our operations and increase efficiency.

REGULATORY/COMPLIANCE RISK

Description

Risk of regulatory sanctions, material financial loss, or reputational loss suffered as a result of failure to comply with the laws, rules and regulations issued by Regulators applicable to the Group's banking activities.

How does this impact us?

Group's reputation and financial results may be affected arising from non-compliance issues and potential regulatory penalties.

Response and Mitigating Actions

- Streamline compliance policies and procedures to ensure consistency and strength across the Group, with adaptations at the subsidiary level for specific regulatory needs.
- Deploy compliance risk management tools for proactive regulatory risk management.
- Implement a rigorous onboarding process for Outsourcing Service Providers (OSPs) to align with the Group's VBI and ESG initiatives.
- Having a robust Anti-Money Laundering (AML) system across the Group to mitigate, prevent, detect, and respond to evolving money laundering, terrorist financing, and proliferation financing activities.
- Promptly report all non-compliant issues and incidents to Management and Board Committees, with detailed root cause analysis and action plans.

Opportunities Arising from this Risk

- Streamline the roles, responsibilities and approaches to handle compliance matters across the organisation to better mitigate compliance and conduct risk.
- Maintain a robust compliance function through continuous innovation by supporting the Group's strategic objectives. This includes enhancing the compliance ecosystem and supporting business resilience through optimisation of the compliance governance structure by embedding digital initiatives, ensuring adherence to regulatory requirement with capability to comply to ESG regulation set by the regulator.
- Able to fulfil the standard and expectation of regulatory requirements, i.e., BNM by implementing a robust AML system to ensure sanctions and customer onboarding screenings are observed while championing AML agenda to ensure terrorism activities and proliferation financing are combatted.

CLIMATE-RELATED RISKS

Description

The potential risks that may arise from climate change, their related impacts and their economic and financial consequences, which include drivers of climate risks, namely physical, transition and liability risks.

How does this impact us?

Negatively impacts the Group's assets and operations, and the ability to generate long-term value to stakeholders.

Response and Mitigating Actions

- Implement climate-related risk framework in accordance with the BNM Climate Risk Management and Scenario Analysis policy document.
- Conduct BNM Climate Change Principles-based Taxonomy (CCPT) due diligence.
- Perform selected ESG due diligence for financing customers with high climate risk exposure.
- Incorporate climate-related risk into the Group RAS.
- Perform Climate Risk Stress Testing (CRST).

Opportunities Arising from this Risk

- Innovate products to enhance competitiveness and positioning in the industry.
- Development of customer-centric products and services.
- Introduce solutions for mitigation and adaptation projects.

Our Strategic Roadmap: LEAP25

Bank Islam is committed to our five-year strategy roadmap, LEAP25, with a clear aim of becoming a leading provider of Shariah-compliant financial solutions that incorporate ESG considerations. We are dedicated to innovation in digital banking and social finance.

Through LEAP25, we have set ambitious targets for 2025, aiming to transform our position in the industry by offering innovative solutions aligned with sustainability and ethical principles of Shariah.

We integrate core values with strategic objectives to promote a future of prosperity and ethical finance. We are confident that this approach will build a legacy of trust and excellence, contributing to a thriving and equitable economy for all stakeholders.

TARGETS (FY2025 TARGETS)

- DOUBLING SHARIAH-ESG FINANCING
- IMPROVE COST-TO-INCOME RATIO
- SUSTAIN ABOVE INDUSTRY ROE'S LEVEL
- INCREASE NON-FUND-BASED INCOME CONTRIBUTION
- CREATE IMPACT FOR 3,000 BENEFICIARIES THROUGH SOCIAL FINANCE
- ACHIEVE AN EMPLOYEE ENGAGEMENT SCORE (EES) AT PAR WITH MALAYSIA'S BEST EMPLOYERS

"To Become the **Champion in Shariah-ESG** Total **Financial Solutions** with **Leadership** in **Digital Banking** and **Social Finance**"

STRATEGIC OBJECTIVES/FOCUS AREAS	ENABLERS
Striving to ensure the Group's long-term sustainability while enhancing value for stakeholders.	TALENT & WORKFORCE
Adhering to the tenets of Shariah and upholding the principles of VBI.	
Ensuring customer-centricity by prioritising their needs across all facets of planning and decision-making processes.	
Becoming the preferred Islamic finance provider by delivering excellent service and fulfilling our corporate citizenship through active community contributions	TECHNOLOGY & DIGITAL
Fostering inclusive economic prosperity by nurturing wealth on fair and equitable terms.	
Spearheading in cultivating a vibrant Halal digital ecosystem, fostering customer empowerment through personalised options tailored to their preferences and needs.	

Strategic Performance Review

SUSTAINABLE PROSPERITY

Key Priorities

- Produce strong financial results for the bank.
- Focus on value-based businesses, products, or growth sectors.
- Increase fee-based business activities to improve profitability metrics.
- Preserve sustainability.
- Commit to a cost management and optimisation programme.

Initiatives

- Embedded ESG parameters into scoring models for both retail and non-retail.
- Initiated the implementation of ESG framework, which includes Climate Change and Principle-based Taxonomy (CCPT) classification and Credit Risk Solution Platform (CRiSP) enhancement with ESG data.
- Focused on customer engagement strategies to facilitate transitioning towards lower climate risk profiles.
- Expanded partnerships with housing developers, education, healthcare and medical sectors.
- Expanded coverage beyond solar to include waste management, water, utilities, and other renewable sectors, extending our sustainability focus.

Performance & Achievements

- Gained Board approval for the climate-adjusted credit risk report, enabling business units to identify high-risk customers and sectors.
- Established baseline data for Scope 1 and Scope 2 greenhouse gas emissions, a foundational step towards measuring and managing our environmental impact.
- Empaneled 29 new housing projects nationwide in December 2023, bringing the total to 599 new housing projects approved since January 2023.
- Leveraged Package Employer (Healthcare) communication channels to promote Personal Financing. This resulted in a total of 3,921 New Originations Agreements (NOA), amounting to RM485.89 million in Terms of Service (TOS).
- Launched My Dream Home Campaign 3.0.
- Launched 17 campaigns and 11 new products for Wealth Management business.
- Launched ISIA to deliver positive social and environmental impact through social finance.
- Collaboration with associations to increase the total number of non-Bumiputera customers.
- Launched the SMEXpert Lead Generator Campaign.
- Achieved a total of RM4,487.67 million in approved green financing by December 2023, a significant increase from RM2,921.7 million in December 2022.

Performance Metrics		2020	2021	2022	2023
Total Assets	(RM billion)	74.6	80.2	89.9	**91.0**
Total Capital	(RM million)	8,352	8,741	9,131	**9,871.0**
Net Fund-Based Income	(RM million)	1,580.9	1,831.6	2,078.8	**2,070.0**
Non-Fund-Based Income	(RM million)	532.8	357.3	231.1	**406.6**
Gross Impaired Financing	(RM million)	373	568	835	**636.0**
Total Deposits & Investments Accounts	(RM billion)	63.4	67.8	75.2	**76.1**
Carbon Emissions (tCO_2e)		N/A	11,914.4	12,262.4	**12,279.5**

* *Total Carbon Emissions in 2021 and 2022 have been restated due to the expansion of operational boundaries.*

Outlook & Future Priorities

- Maintain a focus on customer-centricity amidst evolving market conditions, employing innovative strategies to attract and retain funds.
- Explore new business models such as embedded finance.
- Drive the realisation of business model traction and impact through operating models in Group Institutional Banking (GIB) and Group Retail Banking (GRB), emphasising revenue uplift and value creation.
- Promote responsible growth by balancing profitability and asset growth.
- Take proactive measures for recovery, minimising losses, and strengthening long-term relationships beyond revenue generation.
- Foster purposeful sustainable impact by increasing traction in sustainability adoption and offering sustainability-based products and services, while embedding climate risk considerations into business operations.

VALUES-BASED CULTURE

Key Priorities

- Prioritise fostering a culture based on *Maqasid Shariah* principles, focusing on trust, integrity, and catering to diverse employee needs.
- Offer holistic wellness resources and support to assist employees in sustaining their overall well-being and personal development across physical, emotional, mental, spiritual and financial aspects.
- Foster a culture of diversity, equity, and inclusion (DEI) by ensuring equitable distribution of training resources and providing every employee access to developmental opportunities as outlined in the Bank's DEI Policy.

Initiatives

- Conducted a forward-looking skills analysis to anticipate and address evolving capability needs to drive business strategies and goals.
- Invested in cultivating future-proof skill sets within the workforce, ensuring they are well-equipped to realise the Bank's strategic objectives and digital aspirations.
- Developed an internal Sustainability Learning Framework focusing on sustainability aspects.
- Implemented a Leadership Competency Model to improve the assessment of successors' readiness levels.
- Initiated a People Review Exercise in the fourth quarter (Q4) of 2023 for successor nomination and readiness assessment for key positions.
- Improved workplace facilities to accommodate diverse needs, including provisions for nursing mothers and individuals requiring ergonomic support for back issues.
- Introduced Pilgrimage Leave to support the religious practices of non-Muslim employees.
- Initiated targeted action plans to address identified root causes and establish a clear narrative for change. The initiative aims to promote behavioural shift and reinforce the culture at Bank Islam.

Performance & Achievements

- Completed a Future Skills Study, identifying 17 key roles essential for the organisation's future with strategies including competency development, job role review, talent redeployment, and strategic hiring to fill available positions.
- Implemented a robust succession plan through the People Review Exercise with 12 mission-critical roles covered, 32 unique successors identified, and implemented a development strategy to enhance their readiness.
- Established a DEI Policy, heightened DEI awareness, and seamlessly integrated DEI principles into Human Resources policies.

Performance Metrics	2020	2021	2022	2023
Employee Engagement Index	81%	57%	88%	**78%**

Outlook & Future Priorities

- Integrate a nuanced approach to employee well-being that aligns with DEI principles, ensuring programmes are culturally sensitive and inclusive.
- Continue to cultivate a diverse, equitable, and inclusive workplace.
- Focused on enhancing sustainable finance training for employees through a dedicated learning framework, covering fundamental trainings for general staff and the latest sustainability and ESG trends for management.
- Pursue sustainability efforts that benefit employees and the community, including partnerships for societal well-being and environmental initiatives.

Strategic Performance Review

CUSTOMER-CENTRICITY

Key Priorities

- Enhance customer satisfaction at every touchpoint.
- Enhance customer segmentation to access new markets and broaden existing ones.
- Deliver operational excellence and develop analytical capabilities.

Initiatives

- Scaled up new business opportunities by empanelling Package Employers from Positive and Neutral sectors and reactivating Hold Employers.

Performance & Achievements

- 161 new Package Employers and their subsidiaries onboarded.
- Formed strategic partnerships with important professional associations such as in the healthcare sector.

Performance Metrics	2022	2023
Net Promoter Score	71	**67**
Total Financing of SME Customers (RM)	2.5 billion	**2.7 billion**

Outlook & Future Priorities

- Rethink the holistic customer journey.
- Clearly demarcate the target market and functionalities of our electronic solutions (GO and GO Biz by Bank Islam, and Be U by Bank Islam mobile banking app and eBanker Pro)
- Clearly identify our anchor customer segments.
- Expand capabilities and skills through Banking to Programming initiatives.

These targeted initiatives showcase our commitment to utilising strategic partnerships and innovative programme development to amplify the positive impact of social enterprises and create a more inclusive financial system for all.

COMMUNITY EMPOWERMENT

Key Priorities

- Promote Social Finance by supporting entrepreneurship among the marginalised communities and expanding financial services to the underbanked.
- Mobilise resources for social impact through charitable initiatives and crowdfunding.
- Implement CSR programmes with a focus on financial empowerment and alignment with ethical principles.

Initiatives

- Broadened the reach and effectiveness of blended finance programmes, particularly iTEKAD Maju and iTEKAD BangKIT, by streamlining the distribution of grants.
- Promoted the effective distribution of funds to iTEKAD Maju and iTEKAD BangKIT programmes by leveraging branch networks.
- Enhanced the distribution and expanded the coverage of funds for the BangKIT Business Grant under the Funding Escalator initiative.
- Streamlined the offering of Sakeenah Home Ownership Programme (SakeenaHOPe) by the Group Social Finance Division through strategic collaborations with State Islamic Religious Councils.
- Fortified partnerships with social organisations to advance positive social impacts through various AMAL initiatives.

Performance & Achievements

- Surpassed the FY2023 Blended Finance Programmes target by disbursing RM8.3 million, marking a 4.2% increase over the goal.
- Disbursed RM1.3 million in funding escalator to 187 beneficiaries, exceeding our goal by 33%.
- Ensured the smooth implementation of the SakeenaHOPe, delivered two houses and approved nine (9) applications with ongoing construction. Apart from that, actively evaluating 90 applications for credit eligibility in collaboration with the Retail Banking Division.
- Enhanced social impact through AMAL Initiatives by enabling 12 visually impaired individuals to own homes, supported by an RM660,000 allocation and the dedicated efforts of 20 staff members.

Performance Metrics	2020	2021	2022	2023
Investment made in community enrichment (RM million)	1.5	3.6	5.1	**12.8**
Applications for SakeenaHOPe	10	26	36	**101**

Outlook & Future Priorities

- Expand into new market sectors and explore new asset classes and SRI funds.
- Lead in the next generation of asset management by providing sustainable risk-adjusted investment returns leveraging big data and artificial intelligence.
- Strive to champion effective wealth circulation through Social Finance, impacting the livelihoods of more than 3,000 beneficiaries.
- Prioritise the implementation of the Community Economic Empowerment Ecosystem (C3e) to increase the capacity of Sadaqa House's collection.
- Focus on the upward mobility creation among iTEKAD microentrepreneurs.

Strategic Performance Review

REAL ECONOMY

Key Priorities

- Promote products, programmes and collaborations.
- Grow portfolio in Halal economy.

Initiatives

- Improved and expanded the reach and impact of Ar-Rahnu counters at branches, offering more accessible financial services to our customers.
- Provided BangKIT Business Grant to 125 *asnaf* entrepreneurs.
- Assisted microentrepreneurs in advancing their businesses through Entrepreneurs Development Programmes, comprising ongoing business coaching, networking sessions, optimised banking solutions, and centralised marketing efforts for enhanced market penetration.
- Introduced financing programmes to foster the growth of the Halal ecosystem.

Performance & Achievements

- Successfully grew the Ar-Rahnu portfolio to RM168.7 million.
- Disbursed a total of RM21.2 million in December 2023, with RM3.4 million attributed to transactions conducted at 20 Ar-Rahnu counters at Bank Islam branches.
- Surpassed the annual goal by 102.8%, ensuring wider fund distribution for the BangKIT Business Grant under the Funding Escalator initiative.
- Empowered 140 microentrepreneurs enrolled in Entrepreneurs Development Programmes, fostering their upward mobility and growth.
- Introduced Biz Smart Property Finance to SMEs to acquire, refinance, or renovate commercial or industrial properties and SME Contract Finance Programme to support SMEs in acquiring and completing contracts.

Performance Metrics	2020	2021	2022	2023
Outreach activities for BangKIT business grants	N/A	4	28	**187**

Outlook & Future Priorities

- Equip SMEs with the tools and resources to thrive in a green and socially conscious business environment.
- Promote sustainability programmes, demonstrating our role as a responsible financial intermediary.
- Leverage digital initiatives to expand the existing business offering through our SMEXpert mobile application.
- Strategically expand our financing portfolio within the Halal economy.

DIGITALISATION

Key Priorities

- Expand the fully digital customer journey and branchless banking proposition through the Be U by Bank Islam (Be U) mobile banking app, tailored for selected segments. This positions Bank Islam to compete effectively in a future dominated by digital-first competitors.
- Leverage analytical tools for business insights.
- Promote active digitalisation through various programmes encompassing channel, data governance and business growth.
- Enhance foundational infrastructure.

Initiatives

- Launched digital products like Expense Tracker and Budget in Be U to encourage positive financial habits.
- Implemented System Criticality Classification Guidelines to aid the Bank in categorising its IT system effectively.
- Conducted a hackathon to foster an innovation culture and encourage collaboration among BITIZENs.
- Organised DIGIT23 with the theme "Connecting Ideas, Transforming Realities: The Digital Evolution" to celebrate the achievements and opportunities available in the digital sphere.

Performance & Achievements

- War on Waste (WoW) 2023 campaign surpassed the initial target of 140 to record 333 submissions with total tangible benefits of approximately RM12.4 million.
- Shortlisted 17 innovative ideas from the hackathon, including four main designs to improve Bank Islam's apps and platforms.
- Recognised 54 graduates who earned valuable industry certifications through the DIGIT23 programme, including Digital Knowledge Seeker, RPA BITIZEN Developer, AGILE certified SCRUM Master & Product Owner, and Lean Six Sigma Green Belt (LSSGB).

Performance Metrics	2020	2021	2022	2023
Processing Hours Reduction (Lean Six Sigma)	41,600 (25 FTE[1])	38,954 (23 FTE)	42,096 (25 FTE)	**159,936 (96 FTE)**
Certified Lean Six Sigma Practitioners	28 LSSGB[2]	20 LSSGB	9 LSSGB	**2 LSSBB**

Note:

[1] *Full-Time Equivalent (FTE) is defined as 1,664 hours per year, which factors in an 80% work efficiency and excludes public and state holidays, annual leave, breaks, and other non-working times.*

[2] *LSSGB = Lean Six Sigma Green Belt*
LSSBB = Lean Six Sigma Black Belt

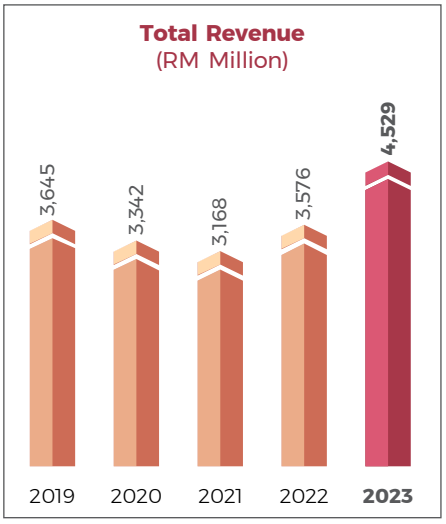
Outlook & Future Priorities

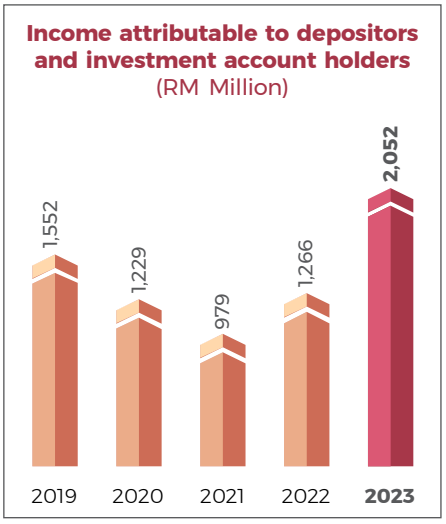
- Emphasise technology-driven innovation for business growth and agility, with a focus on customer-centric, sustainable digital solutions.
- Execute a robust digital strategy through IT blueprint and digital bank implementation, fostering innovation, improving customer access, and capitalising on data insights.
- Enhance customer experience, embrace cloud computing, and increase agility to drive innovation and value creation.
- Prioritise advancements in efficiency, flexibility, security, hyper-personalisation, transparency, product innovation, and real-time processing through core modernisation.

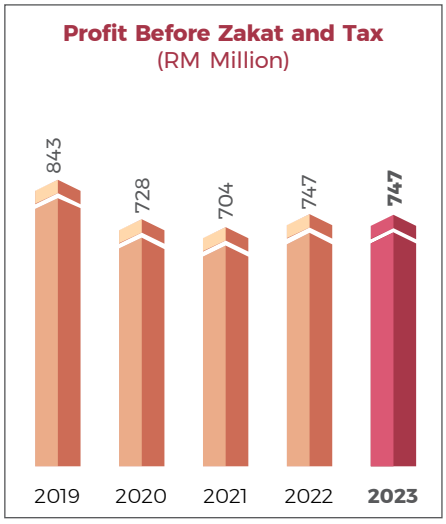
5-Year Financial Summary

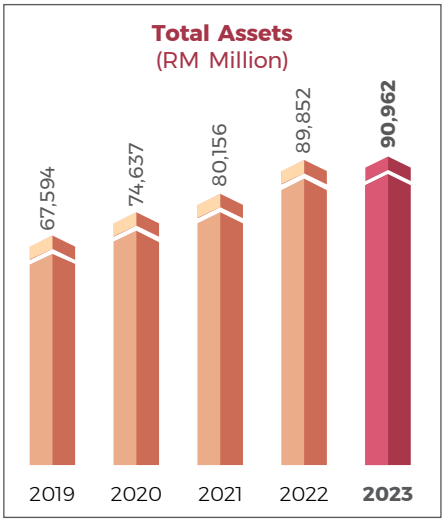
Financial Year Ended 31 December	2023	2022	2021	2020	2019
Operating Results (RM'000)					
Total Revenue	**4,529,330**	3,576,354	3,167,757	3,342,202	3,644,696
Income Attributable to Depositors and Investment Account Holders	**2,052,187**	1,266,408	978,815	1,228,505	1,551,945
Profit Before Zakat and Tax (PBZT)	**746,829**	746,866	704,221	728,213	843,480
Profit After Zakat and Tax (PAZT)	**553,050**	491,672	534,305	564,954	627,609
Key Statements of Financial Position Items (RM'000)					
Total Assets	**90,961,874**	89,851,671	80,156,214	74,637,022	67,593,802
Total Financing	**66,817,115**	64,901,994	58,153,769	54,670,635	49,472,522
of which:					
Gross Impaired Financing	**635,966**	835,232	568,383	373,234	433,001
Investment in Securities	**16,856,207**	15,447,801	15,535,542	13,739,191	12,809,708
Deposits from Customers	**59,016,131**	60,707,504	57,338,834	51,077,262	47,408,738
Investment Accounts of Customers	**17,073,156**	14,461,439	10,452,902	12,368,528	10,240,373
CASATIA	**30,386,294**	27,685,071	26,845,680	22,907,392	18,860,995
Shareholders' Equity	**7,400,212**	6,796,243	6,399,938	6,285,699	5,714,453
of which:					
Share Capital	**3,888,725**	3,645,043	3,445,757	3,306,118	3,012,368
Ratio Analysis					
Return on Equity (based on PBZT) (%)	**10.5**	11.3	11.10	12.14	15.35
Return on Assets (based on PBZT) (%)	**0.8**	0.9	0.91	1.02	1.28
Return on Equity (based on PAZT) (%)	**7.8**	7.5	8.42	9.42	11.42
Return on Assets (based on PAZT) (%)	**0.6**	0.6	0.69	0.79	0.95
Cost Income Ratio (%)	**60.9**	59.8	57.01	53.81	53.56
Financing to Available Fund Ratio (%)	**78.8**	77.2	79.00	79.24	78.99
CASATIA Ratio (%)	**39.9**	36.8	39.60	36.11	32.72
Gross Impaired Financing Ratio (%)	**0.94**	1.27	0.96	0.67	0.86
Financing Loss Coverage (%)	**157.16**	140.80	187.19	248.63	179.32
Total Capital Ratio (%)	**19.89**	19.39	18.56	19.82	18.66
Earnings Per Share (sen)	**24.57**	22.86	21.87	22.19	25.00
Gross Dividend Per Share (sen)	**16.81**	13.80	10.93	10.92	12.45
Net Assets Per Share (RM)	**3.27**	3.15	3.08	2.42	2.28

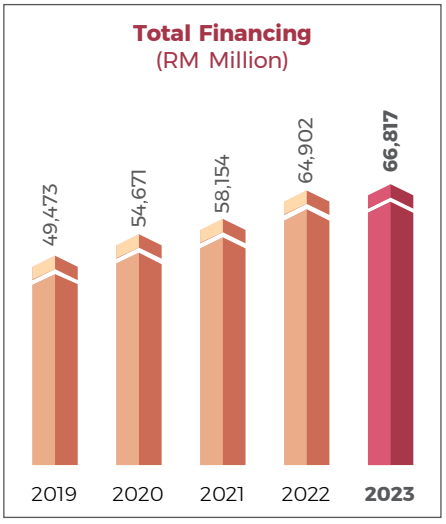
5-Year Financial Highlights

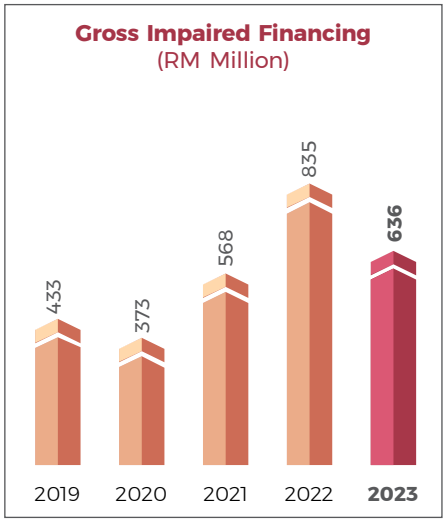


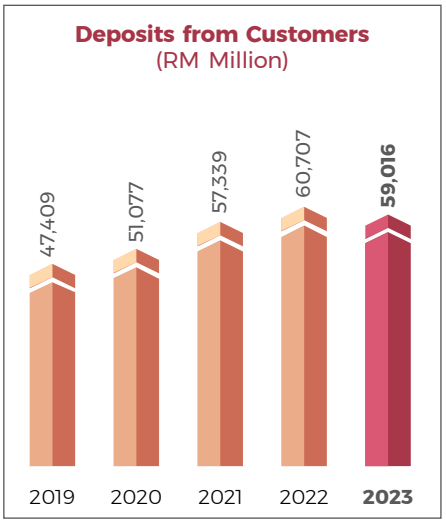


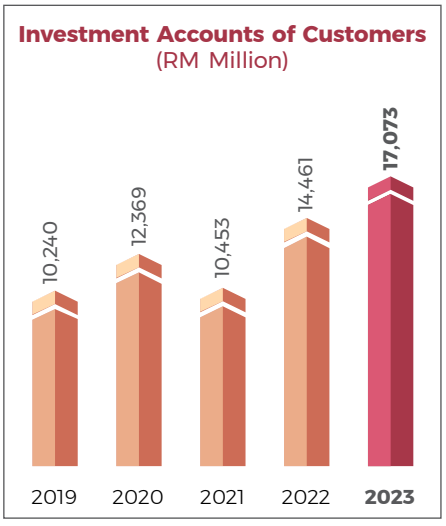


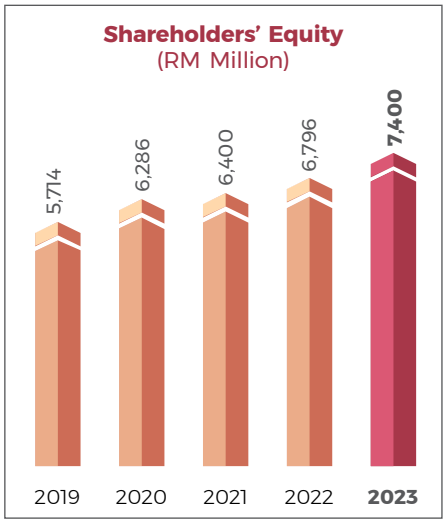












Financial by Contract

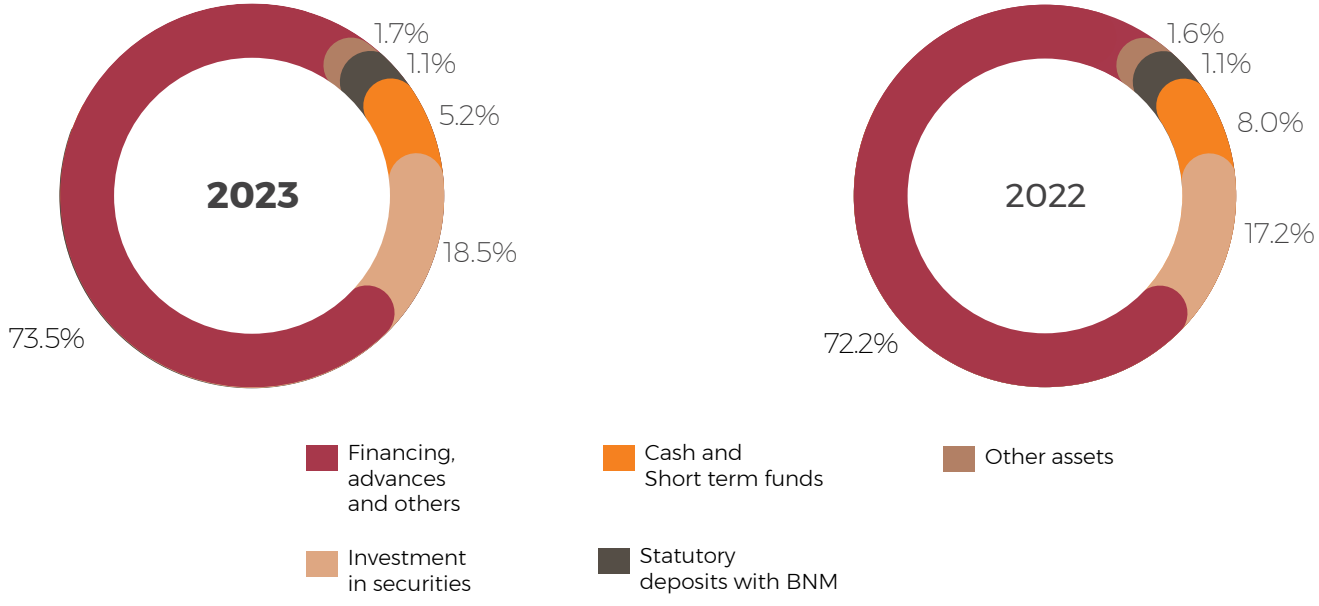
	2022	2023
Ijarah Muntahiah Bit-Tamleek	0.1%	**0.2%**
Murabahah	3.0%	**3.6%**
Bai' Bithaman Ajil	4.4%	**3.9%**
Bai' Al-Dayn	0.2%	**0.1%**
Istisna'	0.1%	**0.1%**
At-Tawarruq	92.2%	**92.1%**

Segmental Analysis

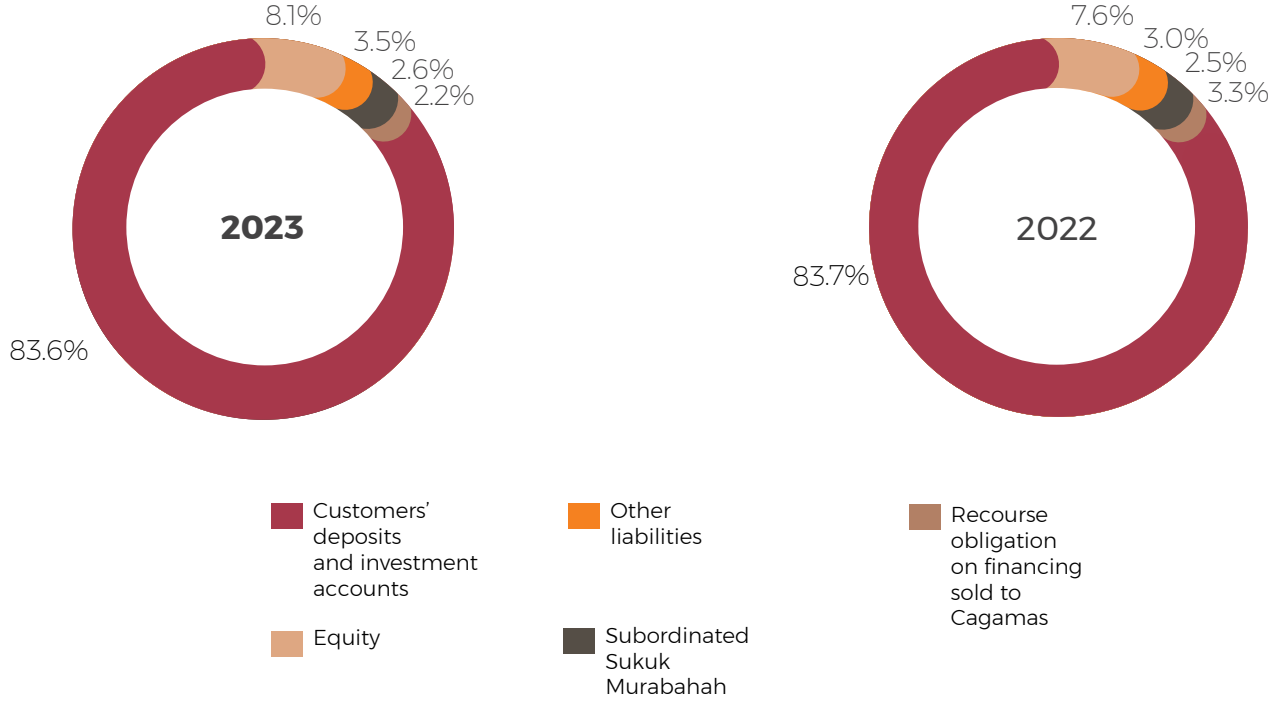
	2022	2023
Consumer	73.8%	**75.0%**
Commercial	7.6%	**7.1%**
Corporate	14.8%	**13.8%**
SME	3.8%	**4.0%**

Simplified Statements of Financial Position

TOTAL ASSETS



TOTAL LIABILITIES AND EQUITY



Statement of Value Added & Distribution

STATEMENT OF VALUE-ADDED

	2023	2022
Net income derived from investment of depositor's funds	**1,561,440**	1,513,570
Net income derived from investment of account funds	**365,739**	393,858
Net income derived from investment of shareholder's funds	**549,986**	402,518
Net allowance for impairment on financing and advances, net of recoveries	**(175,263)**	(140,032)
Loss on modification for impairment on other financial assets	**–**	–
Direct expenses	**(18,596)**	(11,414)
Finance cost	**(111,549)**	(107,171)
Overhead expenses excluding personnel and depreciation	**(470,942)**	(405,460)
	1,700,815	1,645,869

DISTRIBUTION OF VALUE ADDED

	2023	2022
Personnel expenses	**861,251**	821,955
Taxation and zakat	**193,779**	255,194
Dividend to shareholders	**380,979**	300,444
Depreciation	**89,026**	78,007
Retained earnings	**175,780**	190,269
	1,700,815	1,645,869

Quarterly Performance

	Financial year ended 31 December 2023				
	Q1	Q2	Q3	Q4	Total
Total revenue	**1,104**	**1,120**	**1,138**	**1,167**	**4,529**
Net income before impairment	**608**	**609**	**620**	**640**	**2,477**
Profit before overheads, zakat and tax	**546**	**548**	**580**	**625**	**2,299**
Profit before zakat and tax	**162**	**184**	**197**	**204**	**747**
Profit after zakat and tax	**118**	**136**	**141**	**158**	**553**
Earnings per share (sen)	**5.33**	**6.04**	**6.21**	**6.99**	**24.57**

	Financial year ended 31 December 2022				
	Q1	Q2	Q3	Q4	Total
Total revenue	774	823	934	1,045	**3,576**
Net income before impairment	523	547	612	627	**2,309**
Profit before overheads, zakat and tax	478	518	586	589	**2,171**
Profit before zakat and tax	159	181	219	187	**747**
Profit after zakat and tax	106	117	143	126	**492**
Earnings per share (sen)	4.95	5.44	6.63	5.84	**22.86**

Financial Calendar

FINANCIAL RESULTS ANNOUNCEMENTS

30 MAY 2023	29 AUGUST 2023	28 NOVEMBER 2023	28 FEBRUARY 2024
Quarterly report on consolidated results for the financial period ended 31 March 2023	Quarterly report on consolidated results for the financial period ended 30 June 2023	Quarterly report on consolidated results for the financial period ended 30 September 2023	Quarterly report on consolidated results for the financial period ended 31 December 2023

ANALYST BRIEFING

30 MAY 2023	30 AUGUST 2023	29 NOVEMBER 2023	1 MARCH 2024
Briefing on 1Q2023 Financial Results	Briefing on 1H2023 Financial Results	Briefing on 9 Months 2023 Financial Results	Briefing on FY2023 Financial Results

DIVIDENDS

FIRST INTERIM DIVIDEND OF 12.59 SEN PER SHARE		SECOND INTERIM DIVIDEND OF 4.22 SEN PER SHARE	
Notice:	30 November 2023	**Notice:**	28 February 2024
Entitlement:	19 December 2023	**Entitlement:**	18 March 2024
Payment:	12 January 2024	**Payment:**	5 April 2024

41ST ANNUAL GENERAL MEETING

VENUE	DATE
FULLY VIRTUAL At Broadcast Venue Level 10 Menara Bank Islam 22 Jalan Perak 50450 Kuala Lumpur	**16 May 2024** 10.00 a.m.

Investor Relations

At Bank Islam, our Investor Relations (IR) function is pivotal in integrating finance, managing communication, coordinating public relations, and corporate governance to connect the Bank with the financial community and other stakeholders effectively. The primary purpose of IR is to ensure effective, fair and transparent communication to our stakeholders. Consequently, a fair valuation of the Bank's share being reflected via these interactions and communications.

Our proactive, relationship-focused IR strategy involves regular engagements with investors, analysts and stakeholders, including quarterly briefings and event-driven interactions. Additionally, we conduct market analysis on industry trends and our peers' activities as well as closely monitoring on the share prices, analyst reports and investors' sentiments. This information together with our incorporation of stakeholders' feedbacks guide our strategic direction and decision-making process as well as help garner support for the Group's objectives.

Furthermore, our IR embraces a diverse stakeholder spectrum, ensuring transparent communication and fostering trust. ESG considerations are integral to our strategy, acknowledging their growing influence in investment decisions. We engage with investors on ESG matters, aligning sustainability with our long-term sustainable value creation by not just focusing solely on financial profitability.

Aligning IR with our corporate strategy, we ensure our investor communications reflect and support our overall objectives, demonstrating our commitment to sustained growth and success. This strategic alignment ensures that every aspect of our IR activities further strengthen our pursuit of long-term goals.

INVESTOR ENGAGEMENTS:

In 2023, Bank Islam embarked on a series of strategic investor relations initiatives, which significantly enhanced our market presence and shareholder value.

Roadshows by CGS International Securities Malaysia (21 June and 10 July 2023): Our GCEO and GCFO met with 31 investors from eight asset-management organisations during these roadshows. This initiative played a crucial role in reversing the downward trend of our share price. From a low of RM1.71 on 9 June, the share price rallied to RM2.20 by 31 July 2023.

Virtual Engagement Session with Maybank Investment Bank (23 June 2023): A virtual engagement session was held with Maybank Investment Bank. The session attracted a large audience of 72 analysts and fund managers.

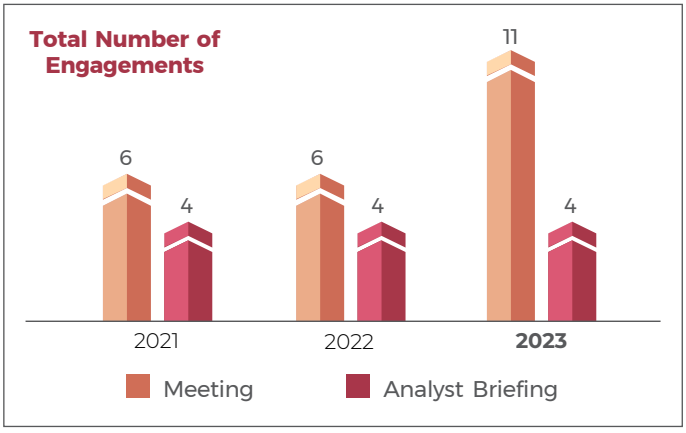
Media Briefing by Group Corporate Communications (26 June 2023): This briefing further amplified our market presence and instilled investors' confidence.

Inaugural Corporate Investor Day (11 October 2023): Attended by 40 analysts and fund managers, this event marked a significant milestone. It showcased our achievements and initiatives as well as enhanced transparency and stakeholder understanding of our operations, financial performance, and prospects. It provided a valuable platform for direct interaction between investors and our management, leading to increased investor confidence and investment.

Quarterly Analyst and Investor Engagements: Our 9M2023 Financial Results Briefing was a key factor in stabilising and improving our share price. The average target share price was raised to RM2.32, reflecting strong investability fundamentals, especially after our first interim dividend declaration of 12.59 sen on 30 November. Post-dividend announcement, our share price remained steady, closing at RM2.21 on 29 December.

Additionally, following the semi-annual review of the FTSE Bursa Malaysia Index Series, Bank Islam was successfully admitted into the FTSE Bursa Malaysia Mid 70 Index and FTSE Bursa Malaysia EMAS Shariah Index on 30 November 2023. This inclusion is a testament to our sustained growth and performance, enhancing our visibility and appeal among investors.

INVESTOR ENGAGEMENT & OUTREACH



Analyst Briefings

Our recent quarterly briefing significantly enhanced our engagement with investors by offering an in-depth look at our interim financial performance to analysts and fund managers. The session provided a detailed analysis of our financial results, showcasing our strategies' resilience. We set clear targets for the year, aligning our stakeholders with our objectives.

A major highlight was on our commitment to sustainability, highlighting current and future initiatives. The session's interactive nature encouraged engaging discussions, addressing questions from analysts and fund managers. For complete transparency, we shared the briefing materials on our website, ensuring all stakeholders have access to this information.

The positive feedback received through analysts' reports following the briefing underscored the effectiveness of our open communication strategy and our commitment to sound financial governance.

Annual General Meeting (AGM)

Bank Islam's 40th AGM, held on 26 May 2023, focused on key issues related to corporate governance. The agenda included presenting the Bank's annual audited financial statements, the election and remuneration of Director's, re-appointing PricewaterhouseCoopers (PwC) as external auditors, and renewing Director's authority for issuing new shares under the Dividend Reinvestment Plan. A significant portion was dedicated to addressing shareholder queries, including those from Permodalan Nasional Berhad (PNB) and the Minority Shareholders Watch Group. The AGM's comprehensive minutes, the GCEO's presentation, and the Q&A session with shareholders are accessible on the Bank's Investors webpage.

One-to-one and Group Meetings

Throughout 2023, we maintained an active dialogue with the investment community through a combination of individual and group meetings. These sessions aimed to foster relationships, address investor queries, and provide transparent updates on Bank Islam's performance and future plans.

Eight individual meetings were held with key stakeholders, including representatives from prominent institutions such as Lembaga Tabung Haji, Employees Provident Fund and PNB. These sessions were designed to facilitate open discussions and allow ample time for attendees to raise questions. Topics covered a diverse range, including financial results, strategic initiatives, dividend payouts, recent share price fluctuations, the functionalities of the GO by Bank Islam mobile banking app and ESG matters.

In addition to individual engagements, three focused discussions were conducted with representatives from RHB Investment Bank and Maybank Investment Bank. These group meetings delved deeper into Bank Islam's financial performance and future outlook, providing valuable insights into the bank's strategic direction.

Roadshows and Conferences

We maintain regular dialogue with the investment community through various channels, including non-deal roadshows. These sessions, facilitated by CGS International Securities Malaysia, were held on 21 June and 10 July 2023.

The roadshows aimed to foster relationships and address queries from a group of 31 investors representing eight asset management firms. The GCEO and GCFO delivered presentations, focusing on key topics such as asset quality and net income margin.

The sessions were positively received by the attending investors, as evidenced by continued engagement and constructive feedback. This engagement reinforces our commitment to ongoing and transparent communication with our investor base.

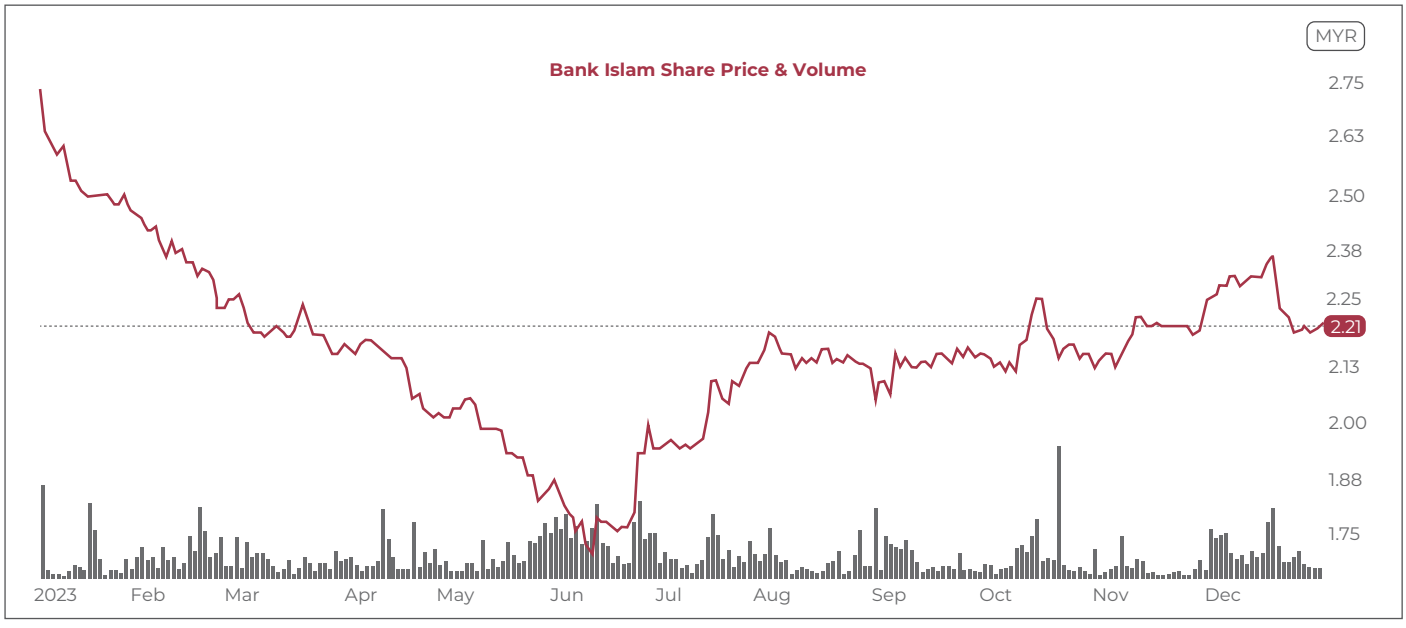
Investor Relations

ANALYST COVERAGE LIST

- AmInvestment Bank Berhad
- CGS International Securities Malaysia
- Hong Leong Investment Bank
- Kenanga Investment Bank
- Maybank Investment Bank
- MIDF Research
- RHB Research

SHARE PRICE & VOLUME PERFORMANCE

2023 witnessed a notable recovery in Bank Islam's share price. Despite experiencing a 19.0% year-on-year decline, the share price bounced back by 29.2% from its low point of RM1.71 on 9 June, closing the year at RM2.21 on 29 December. This rebound demonstrates the resilience of Bank Islam's share value.



The Bank maintained strong institutional investor backing throughout the year. Notably, the top 30 shareholders held over 85% of shares, signifying stable investor confidence. Additionally, the shareholder base expanded by 37.4%, with a significant portion (35.5%) driven by an increase in retail investors, indicating growing public interest. Furthermore, foreign shareholding rose to 3.2% by the end of December 2023, compared to 1.8% the previous year, reflecting heightened international investor interest in Bank Islam's shares.

Since its listing in October 2021, Bank Islam's monthly trading volume has remained relatively moderate, typically below 2.5% of total shares. This trend primarily stems from the bank's shareholding structure. Around 80% of shares are held by institutional investors, leaving only 20% available for public trading. This structure inherently leads to lower trading activity due to the smaller public shareholding spread. This pattern persisted throughout 2023, reflecting the Bank's stable and institution-heavy shareholder base. On the other hand, this had also reflected the institutional investors' confidence in the Bank, reflected by the Bank's ability in declaring dividends over time.

2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly trading volume in % to Total Shares	1.0%	1.5%	1.1%	1.2%	1.7%	2.4%	1.5%	1.3%	1.0%	1.5%	0.8%	1.6%

Business Review

This year marked a significant transformation for Bank Islam as we embarked on a major restructuring with the primary objective of better serving our customers. This strategic move has resulted in the creation of two core divisions – Group Retail Banking and Group Institutional Banking – designed to deliver a more responsive and personalised service to our valued customers.

Group Retail Banking

In 2023, Group Retail Banking has restructured the retail banking business model in order to create a more effective structure that place customers as the focal point in delivering products and services to achieve business sustainability and LEAP25. The reorganisation involves the following categories:

i. Product Unit – Focus on business development and devising innovative products or programmes with competitive advantage and enhanced value proposition.

ii. Customer Unit – Centralisation of the Distribution Channel to Retail Banking Distribution to manage all distribution channels to achieve robust distribution strategy.

iii. Centralisation of Management Information System (MIS) and Compliance unit from each of the divisions parked under Strategy and Centralised Services for holistic control and monitoring.

The reorganisation has allowed us to revisit the overall customers' segmentation strategy such as Mass Affluent, Affluent and High-Net-Worth Individuals (HNWI) and migrate customers into higher product holding with deepened customer wallet share. We also strive to improve Customer Experience (CX) through more effective distribution channels across all client segments. Notably, we were recognised as the Best Islamic Banking at the World Islamic Tourism Award 2023.

Bank Islam's Group Retail Banking Division capitalised on its robust distribution network and strategic partnerships with Package Employers to achieve profitability and growth in Personal Financing, House and Fixed Assets, and Vehicle Financing. Innovations such as the Financing Assistant (FAST) initiative streamlined financing processes, enhancing customer onboarding and service excellence. Our focus on value creation was evident through initiatives like the Real Estate Agents Onboarding Programme, expanding our reach and improving lead generation.

Meanwhile, the rebranding of our Wealth Management Division aligned with market demands, ensuring our commitment to customer investment needs despite economic challenges. Economic fluctuations influenced savings behaviours, prompting us to engage customers through targeted campaigns and collaborations within the Deposits and Cards sector. In SME Banking, strategic support for SMEs, particularly with alignment to the Halal Economy agenda, showcased our dedication to their recovery and growth.

Business Review

WHO WE ARE AND WHAT WE DO

Bank Islam's Group Retail Banking Division is centred on delivering comprehensive financial services aimed at profitability, innovation, and operational efficiency, underpinned by a customer-centric approach.

This Division encompasses several key segments:

Retail Assets

Responsible for overseeing profitability, compliance, and operations within our Retail Assets Division, which encompasses various offerings such as Personal Financing, House & Fixed Assets, Vehicle Financing, and Ar-Rahnu. These involve improving product positioning, recommending enhancements, managing portfolio quality, and enhancing process efficiency for an optimal customer experience.

Retail Banking Distribution

Primary interface for individual and business clients, offering a wide range of financial solutions. With a workforce of 2,300 professionals, we are dedicated to making services accessible and tailored to the diverse needs of our clientele, emphasising our philosophy of prioritising the customer.

Wealth Management

Catering to high-net-worth individuals, provides extensive wealth management services and customised financial strategies. Utilising technology and personalised advisory, we aim to support our clients' financial goals through our Premier Wealth platform and Premier Wealth Centres.

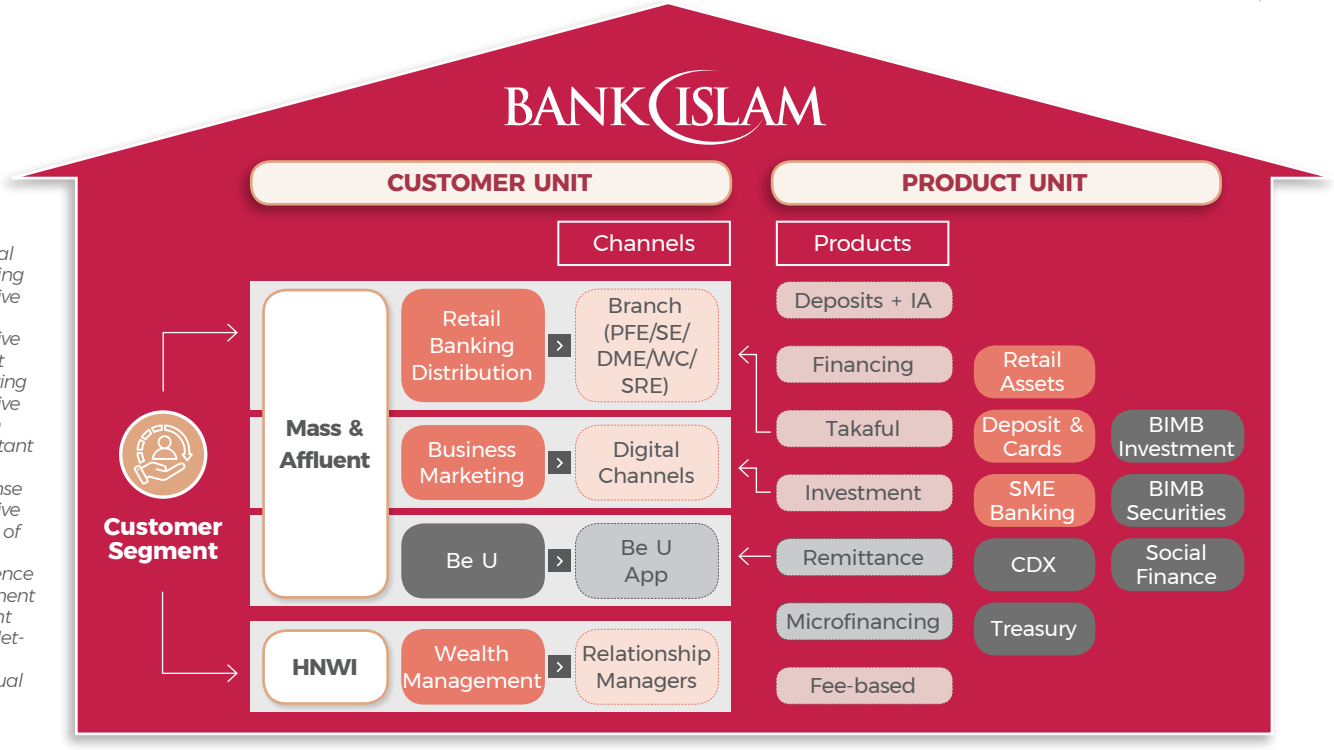
Deposit and Cards

Focus on building a strong deposit base and expanding card services, aiming to offer competitive deposit and card products. Our objective is to enhance liquidity and manage funding costs effectively, targeting growth in deposits from individual and corporate clients, supported by strategic initiatives driven by our branches and the Wealth Management team.

SME Banking

Specifically serving SMEs in the Halal industry, offer Shariah-compliant financial solutions tailored to the unique needs of these businesses. Our services encompass business expansion, Halal certification, trade financing, digital transformation, and sustainable practices, with the aim of being the preferred banking partner for SMEs in this sector.

Each segment is strategically positioned to address specific customer needs, leveraging digital technologies to enhance the customer journey from onboarding to transaction management, thereby reinforcing the Bank's commitment to service excellence and operational efficiency.



Note

PFE : Personal Financing Executive
SE : Sales Executive
DME : Deposit Marketing Executive
WC : Wealth Consultant
SRE : Sales Response Executive
CDX : Centre of Digital Experience
IA : Investment Account
HNWI: High-Net-Worth Individual

KEY FOCUS AREAS & RESULTS

Retail Banking Distribution

Focus Areas	Key Initiatives	Results
Partnerships for expansion and lead generation	▸ Facilitated onboarding for Real Estate Agents (REA) and enabling the creation of our database of Real Estate Agents and Negotiators (REA and REN) ▸ Scaled up new business opportunities by empanelling Package Employers from Positive and Neutral sectors, as well as reactivating Hold Employers	▸ 1,759 REA and REN have been onboarded ▸ 164 new Package Employers and their subsidiaries onboarded
Transform sales strategy and engage with customer segments with tailored products	▸ Shifted the sales teams' engagement strategy from being product-centric to customer-centric, adopting a unique approach to enhance our customer base	▸ 2,340 engagement activities carried out in 2023, involving agents or negotiators

Retail Assets

Focus Areas	Key Initiatives	Results
Promote market reach and portfolio diversification	▸ Established strategic partnerships with housing developers ▸ Skim Perumahan Rakyat 1Malaysia (PR1MA), Perumahan Penjawat Awam Malaysia (PPAM) and Syarikat Jaminan Kredit Perumahan Berhad (SJKP)	▸ In 2023, the housing sector recorded an impressive growth, with 599 new housing projects added ▸ Total Home Financing and Assets (HFA) applications approved in 2023 through strategic partnerships of PRIMA, PPAM, RUMAWIP and SJKP with a total approvals of 261 applications
Boost brand awareness for personal financing products and increase product adoption	▸ Formed strategic partnerships with main professional associations including in the healthcare sector ▸ Launched a Teachers campaign to increase product adoption and market awareness	▸ The Healthcare segment recorded a total of 3,921 accounts ▸ The Teachers and Lecturers segment recorded 72,617 accounts

Business Review

Wealth Management

Focus Areas	Key Initiatives	Results
Capture a lucrative market segment and increase overall wealth management revenue	• Initiated the development of the Premier Wealth platform tailored for high-net-worth clients • Introduced products and campaigns for high-net-worth clients, including MySmart Wealth Plus, Premier Will Writing facility, and Unit Trust-Term Deposit-i Tawarruq campaign • Established Bank Islam's first Premier Wealth Centre in Shah Alam	• With the successful onboarding of three new business partners such as AIIMAN Asset Management Berhad, Nomura Asset Management Malaysia Sdn Bhd and PMB Investment Berhad, we are on the right track for continued growth, hence positioning Bank Islam's Wealth Management as the leading Islamic Wealth Management in Malaysia. • Under the One Stop Financial Solution provider, we introduced nine (9) new products in 2023, cutting across the Investment, Takaful and Estate Planning segments enriching the customers experience with the Bank.

Deposit and Cards

Focus Areas	Key Initiatives	Results
Increase the volume and profitability of deposits	• Implemented strategic campaigns, promotions, and product offering to increase deposit growth	• Achieved deposit and investment as of December 2023, reflecting a year-on-year growth of 3.6% • MaxCash and Term Deposit Tawarruq (TDT) Extra Campaign Performance generated a total of 23,335 new TDT accounts
Foster growth in card business	• Implemented initiatives to foster growth in the card business segment	• Debit and Credit Card spending: Growth increased by 11.8%

SME Banking

Focus Areas	Key Initiatives	Results
Development of financing programme	Develop comprehensive financing programmes to cater to the changing requirements of SMEs	Introduced financing programmes that build the Halal ecosystem: **Biz Smart Property Finance:** Empowers SMEs to acquire, refinance, or renovate commercial or industrial properties **SME Contract Finance Programme:** Designed to support SMEs in acquiring and completing contracts
Grow financing portfolio in the Halal economy	Formed strategic collaborations to provide SMEs easier access to financing	Signed a Memorandum of Understanding (MoU) with Halal International Selangor for the development of the Halal industry in Selangor Launched Selangor Halal SME Solution webpage with HIS to provide SMEs with access to comprehensive solutions Collaboration with Halal Food Master (HFM) to boost SMEXpert app usage
Advocate real economy through various programmes within the Halal ecosystem	Establish visibility and strengthen brand presence within the SME communities, business associations and our strategic partners as the key provider of Islamic financing Empowering individual and the business community to thrive with financial knowledge and access to finance	Conducted webinar sessions with strategic partners, nationwide and industry panel discussions to empower the SME community and Halal industry players Benefitted over 5,000 SME and business owners from outreach engagements
Increase customers' satisfaction	Develop simplified and fast approval processes for our financing programmes Continuous digitalisation efforts to improve user experience	Simplified Biz Smart Property financing with new lending template for quicker approval Expanded network with new SME Hub in Sri Manjung, Perak, for efficient customer service Enhanced functionalities on the SME@Work and SMEXpert mobile apps empower frontline staff and improve the overall customer experience

Business Review

Focus Areas	Key Initiatives	Results
Inculcate a working culture based on TAAT values – business, operational and governance excellence	Launched SME Referral Campaign 3.0, a cross-divisional incentive programme collaboration with Retail Banking Distribution's (RBD) Branch Managers and Sales Personnel to support the promotion of SME financing products and grow our market share in Islamic financing under the SME segment	Generated sales leads from branches nationwide
	Launched SMEXpert Lead Generator Campaign, a cross-divisional incentive programme collaboration with the Deposits and Cash Management Division to increase the number of SME companies to onboard as Merchant Partners in the SMEXpert mobile app, subsequently increasing deposit customers	Generated sales leads from Solution and Deposit Managers nationwide Onboarded SME companies as Merchant Partners

FINANCIAL & BUSINESS HIGHLIGHTS

Retail Assets

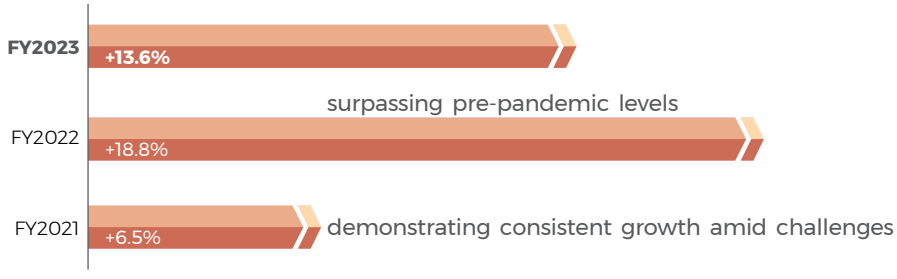
- **Home Financing:** Surpassed first-time homeownership disbursement target by 124%
- **Green Financing:** Surpassed the green vehicle financing target by 412.6%

Retail Banking Distribution

- **Strategic Alliance:** Established collaboration with Deposit & Cards and Yayasan Didik Negara to expand opportunities in the Ministry of Education Malaysia
- **Digital Advancement:** Implemented a cashless initiative across all 27 teachers' training institute (IPGM) campuses

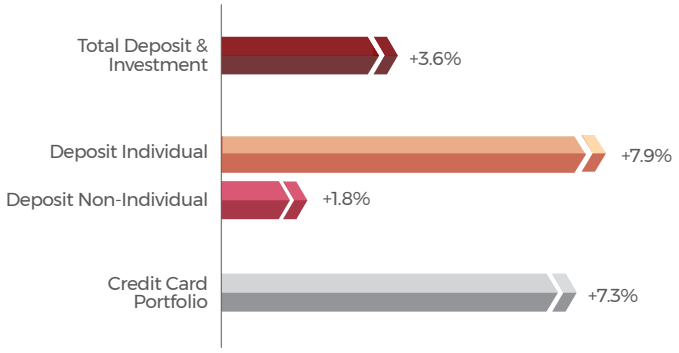
Wealth Management

- **Resilient Income Growth:**



Deposit and Cards

OVERALL GROWTH



SME Banking

- **Financial Growth:**
  - Assets: Increased significantly by 13.7% year-on-year
  - Fund Based Income (FBI): +43.7%
  - Non-Fund-Based Income (NFBI): +30%

- **Awards and Recognitions:**
  - Awarded the MUSE Creative 2023 Platinum Award for the corporate video *"Doorway to Success with Bank Islam SME Banking"*

CHALLENGES & OPPORTUNITIES

Challenges	Mitigation Actions	Results
Market dynamics and competitive pressures	• Diversified customer base in professional segments • Revised profit rates and introduced referral incentives • Leveraged secondary markets and optimised resources	• PF yield increased from 5.5% in FY2022 to 6.2% by FY2023 • Achieved an 80.6% acceptance rate in HFA secondary market • Onboarded 1,759 REA and REN and referred 2,060 leads
Digital infrastructure to meet competitive demands	• Upgraded digital platforms for enhanced assessments • Established responsive teams for process improvements • Implemented asset quality measures to minimise credit losses	• Successful digital engagement and process efficiency, ensuring timely customer disbursements • Added 164 new Package Employers, expanding business reach

Business Review

Challenges	Mitigation Actions	Results
Innovating products and services	▸ Introduced new financial products and capital market solutions ▸ Collaborated internally to develop specialised offerings	▸ Developed a comprehensive product range for Islamic Wealth Management ▸ Positive reception and consistent delivery of tailored financial solutions
Customer retention and expansion	▸ Launched campaigns and collaborations to enhance market reach ▸ Offered competitive rates and packages, focusing on receivable collection channels ▸ Reimagined campaign mechanics to increase wallet size and engage subsidiaries	▸ Modest reduction in customer attrition ▸ Improved marketing efficiency and foundational relationships for long-term growth
Supporting SMEs Through Financial Instability and Recovery	▸ Targeted financially stable customers for acquisition ▸ Collaborated with the Corporate Recovery Division and launched the Biz Smart Property Programme	▸ Increased engagement through partner events ▸ Strengthened reputation as SMEs' preferred Islamic finance partner

OPPORTUNITIES

Financial Inclusion and Portfolio Diversification

- Broaden personal financing beyond traditional packages to enhance the financial portfolio.
- Facilitate home ownership for disadvantaged groups, particularly the B40 communities through the SJKP scheme.

Customised Financial Solutions

- Leverage the addition of 164 new Package Employers to customise financial products, meeting specific needs and expanding business reach.
- Implement an open platform in Wealth Management to offer a complete spectrum of financial solutions, aligning with clients' long-term financial goals.

High Net Worth Clients

- Capitalise on the market by offering Premier Wealth services, integrating banking, takaful, investment, and trust services.
- Innovate by collaborating with industry partners and leveraging in-house expertise to develop tailored products for evolving high-net-worth client needs.

Digital and Cashless Opportunities

- Continue to promote cashless initiatives through strategic collaborations with the federal and state governments, and their entities.
- Implement a strategic rebranding of Al-Awfar to increase account subscription rates and leverage upselling strategies to enhance product uptake.

SME Growth and Support

- Scaled up collaborations to extend SME Banking services to a broader spectrum of SMEs, supporting their growth and integration into the broader economy.

OUTLOOK AND PROSPECTS

Tailored Product Strategies for Growth and Profitability:

- Within Retail Assets, we developed a tailored strategy for each product segment in 2024. Our key areas of focus encompass pricing optimisation, achieving market share leadership, cautiously expanding our footprint, and capitalising on high asset yield opportunities.

Optimising Distribution Channels and Technology:

- The Retail Banking Distribution team is committed to enhancing distribution channels, forming strategic alliances, and introducing innovative products. Our long-term vision involves extending our reach across Malaysia through affiliated networks and harnessing cutting-edge technology, such as AI, to improve customer experience and service delivery.

Strengthening Islamic Wealth Management:

- Bank Islam is committed to fortify our position in Islamic Wealth Management. Our strategy involves increasing fee-based income, expanding our portfolio, and prioritising digitalisation to facilitate seamless transactions.

Enhancing Deposits and Cards Business:

- Bank Islam places a strong emphasis on expanding our Individual segment by acquiring new salary accounts and establishing strategic partnerships. We are determined to attract low-cost deposits through digital channels, enhance our digital delivery systems, and leverage AI-driven solutions to drive robust deposit growth.

Supporting SMEs and the Halal Economy:

- Bank Islam takes an active role in supporting SMEs through tailored financing programmes, digital initiatives, and strategic partnerships. Our primary focus is on expanding our market presence, strengthening customer relationships, and developing bespoke solutions that cater to the specific needs of the Halal Economy.

Business Review

Group Institutional Banking

WHO WE ARE AND WHAT WE DO

The Group Institutional Banking (GIB) Division encompasses diverse business pillars, each specialising in different aspects of Islamic financial services to provide holistic and efficient solutions for our clients. These include:

Financing Solutions

We offer comprehensive financing solutions (Term, Trade, and Working Capital) that comply with Shariah principles. Our unique approach is built on three pillars: VBI, ESG factors, and differentiated product offerings like structured and vendor financing programmes.

Our financing solutions cater to two main segments:

- Commercial Banking: Serving SMEs, emerging corporates, state governments, and public entities across the region.
- Corporate Banking: Partnering with large corporations, conglomerates, governments, government-linked entities, public agencies, and financial institutions (including non-bank institutions).

Treasury and Markets

Offers Shariah-compliant treasury solutions, catering to various business needs through Money Market, Foreign Exchange (FX), Fixed Income, and structured products.

Liquidity Management

Aspiring to be a leading Islamic Cash Management Bank, we provide customised solutions through the eBanker platform. It prioritises value creation through innovative technologies for secure payments, account management, collections, and multi-level approval workflows, empowering businesses to focus on core operations with improved financial control.

Investment Banking and Advisory

Specialising in financial services such as originating and executing Islamic debt securities, syndicated financing, and corporate advisory, we oversee Sukuk programmes, from inception to distribution, ensuring seamless execution. Acting as Principal Adviser, Lead Arranger, and Bookrunner, we offer investors diverse fixed-income opportunities in the financial markets, providing access to avenues that create value.

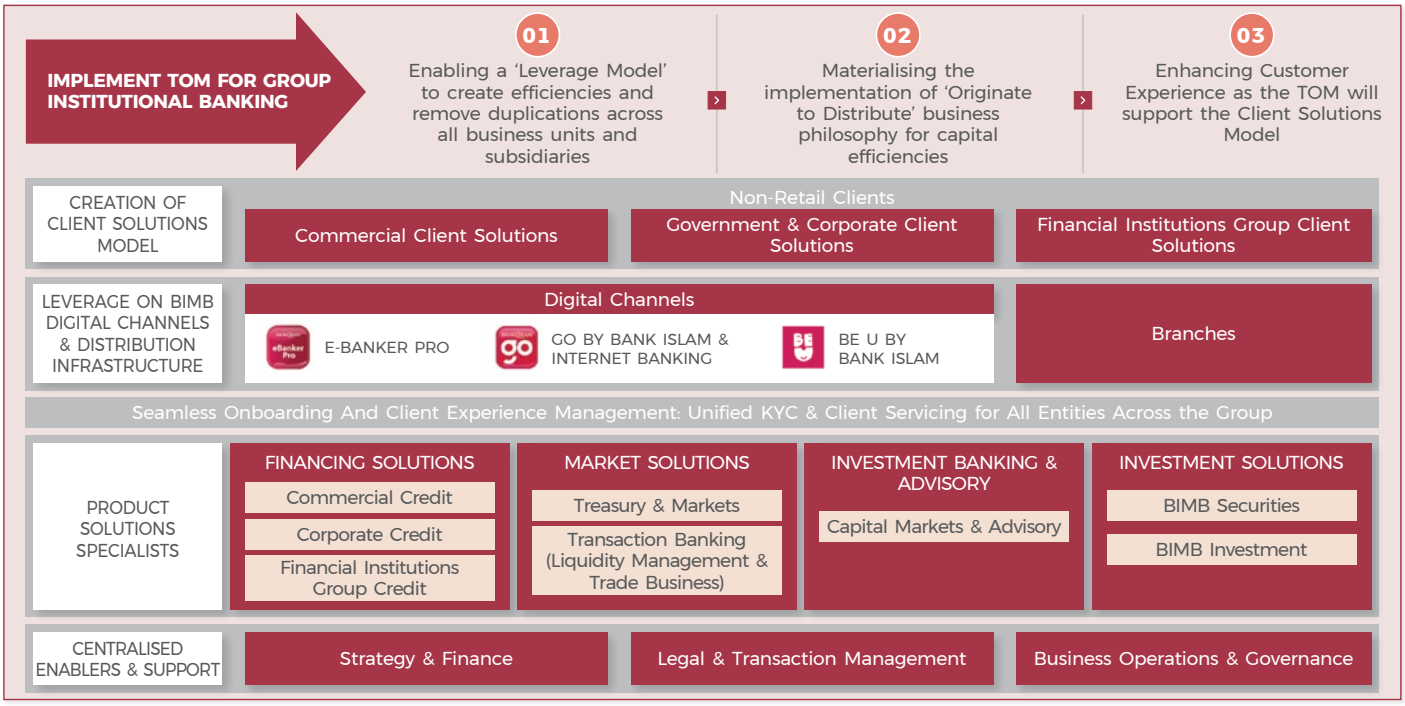
BIMB Investment

A leading Shariah-ESG investment management firm, BIMB Investment offers diverse Shariah ESG funds, portfolio management, and advisory services across multiple asset classes. They emphasise innovation, sustainable investment performance, and are a United Nations Principle for Responsible Investment (UNPRI) signatory.

BIMB Securities

This licensed Shariah-compliant stockbroking firm facilitates access to Shariah-compliant equity markets. They provide services such as stockbroking, share margin financing, and investment research for institutional and retail clients.

GIB encapsulates Bank Islam's dedication to innovation, sustainability, and client-centric Islamic financial solutions across our diverse business pillars.



01 We continued our transformation journey in 2023 to reinvent the business with the following strategic focus:

- **Shifting Business Model:** Transforming Business Model: Shift focus from product-centricity to co-creating value with clients and stakeholders, prioritising client needs as the core driver of all business operations.
- **Driving Innovation:** Focus on Value-based Intermediation (VBI) to ensure clients receive the most relevant solutions.
- **Building Capacity:** Empowering the ecosystem to better support our clients' needs.

02 Our commitment to a client-first approach is reflected in our new Target Operating Model (TOM):

- **Solutions-Based Approach:** This embodies Bank Islam's vision of "The Bank that Advances Prosperity for All" by establishing ourselves as the one-stop solutions provider for Retail and Non-Retail segments. Our Client Solutions team will be at the forefront, providing personalised experiences and partnering with clients to understand their needs and support their growth journey.
- **Enhanced Expertise:** To better serve our clients, our Product Specialists are now organised into four main business pillars i) Financing Solutions ii) Treasury & Markets and Liquidity Management iii) Investment Banking & Advisory iv) Investment Solutions through our subsidiaries, BIMB Investment and BIMB Securities
- **Centralised Enablers:** To further enhance productivity, operational efficiency, and the overall client experience, we are committed to end-to-end process improvement through:
  - Leveraging digital solutions for streamlined processes.
  - Strategic collaborations with partners to optimise efficiency.

03 Aligned with our client focus, we have made significant strides in leveraging technology and innovation:

- **Digitalisation:** We have expanded our eBanker Pro platform to offer comprehensive and modern solutions, exceeding client expectations. We have also actively enabled PayNet's latest solutions to support streamlined financial operations and improved cash collections for our clients.
- **Supply Chain Efficiency:** We have launched REVEX, a platform that automates supply chain financing processes for improved operational efficiency for programme financing.
- **Credit Transformation:** We are developing a comprehensive credit transformation platform to enhance productivity, client experience, and risk oversight.

Through these initiatives, GIB is redefining client-centricity and positioning itself as a leader in innovation and sustainability.

04 Demonstrating our commitment to a broader impact, we have also achieved significant milestones in ESG and Sustainability:

- We surpassed the Group's LEAP25 target by approving RM4.5 billion in green financing and assets for our Commercial and Corporate clients and being involved in distributing RM9.5 billion worth of transactions with positive ESG impacts.
- We launched the Ihsan Sustainability Investment Account (ISIA), the first Value-based Impact Investment, offering a unique avenue for purposeful investment in SDG-aligned financing assets with a social impact contribution through the *Zakat* and Sadaqa House feature.
- BIMB Investment further solidified our position as a sustainability leader by earning six awards at The Edge Malaysia ESG Awards, including recognition for the Makmur myWakaf Fund (MWF) and the BIMB-Arabesque Shariah-ESG AI Technology Fund (BGSEAIT).

Business Review

KEY FOCUS AREAS & RESULTS

Financing Solutions

Focus Area	Key Initiatives	Results
Sustainable green financing	▸ Solidify our commitment to support and partner our clients' Sustainability journey through capital mobilisation in the Renewable Energy front ▸ Diversify green financing proposition into other sectors such as Construction, Waste Management industries	▸ Achieved RM4.0 billion in total approved green financing, with y-o-y growth recorded at 57.2%, surpassing the LEAP25 target
Funding affordable housing projects and public infrastructures	▸ Collaborated with government entities, municipalities, and *Zakat* institutions through the Client Solutions model ▸ Supported the Government's initiative by financing affordable home projects	▸ Approved affordable housing financing projects of RM131.1 million
Proactive asset quality management	▸ Dynamic asset quality management via early care initiatives, close engagement with clients as well as sector and portfolio review to ensure asset quality remains sound and resilient	▸ Significant improvement in the GIF ratio from 2.7% (FY2022) to 1.1% (FY2023). Meanwhile, PDNI ratio remained low at 0.1%
Enabling digitalisation to transform and enhance client experience	▸ Undergoing process enhancements to improve turnaround times and a seamless client journey, embedding straight-through processes and refining end-to-end credit origination process to amplify risk oversights through credit transformation initiatives	▸ Successfully launched REVEX, a platform to automate the supply chain financing processes, which include features to improve operational efficiency and enhance client experience for our program financing ▸ Undergoing the initial phase of our credit transformation platform initiative to significantly improve productivity and strengthen risk oversight
Client acquisition strategy	▸ Diversifying clientele base across targeted segments within our risk appetite via new client solutioning model and cross-sell initiatives	▸ Under the client solutioning model, we onboarded clients across sectors and value-chain ecosystems to grow liquidity and fee-based business aligned with the Bank's risk appetite, leading to an increase in CASA and fee-based income

Liquidity Management

Focus Area	Key Initiatives	Results
Investing in Non-Individual market growth	Continuously improved cash management tools for Non-Individual clients	Grew the Non-Individual market, increasing corporate deposits to RM34.4 billion Achieved significant improvement in the Non-Retail CASATIA Ratio, rising from 46% in 2022 to 54% in 2023 Increased the active subscriber base by 15%, reaching 16,000 in 2023, compared to 13,900 in 2022
Driving innovation for Value-based Intermediation	Committed to realising the Bank's aspiration to create more asset-based/equity-based financing solutions Elevating the Investment Account platform towards value-based impact investment intermediary, managing risk associated with assets and allowing for capital optimisation opportunities	Launched the ISIA, the first investment account that provides differentiated avenues for investors into a new asset class, investing into SDG-aligned financing asset, with over RM1 billion in fund size

Treasury & Markets

Focus Area	Key Initiatives	Results
Moved to secure more deals tied to positive ESG impacts	Appointed lead roles in ESG-rated Sukuk deals	In 2023, Bank Islam served as Lead Manager or Joint Lead Manager for 11 deals involving Sukuk distribution with positive ESG impact, including SRI Sukuk
Prudent management of trading and investment portfolio	Proactive efforts to increase fund-based income and non-fund-based income from Fixed Income Portfolios and Forex transactions	Increased net profit, primarily driven by gains from non-fund-based income such as Forex income and investment income, with concurrent growth in fund-based income

Business Review

Investment Banking and Advisory

Focus Area	Key Initiatives	Results
Promoting thought leadership in finance	Appointed lead roles in Sukuk deals	Secured 6th place in the Bloomberg League Table, demonstrating strong market performance with an improved market share y-o-y of RM3.6 billion, equivalent to 4.2%
Facilitating Shariah-compliant ESG transactions and Sukuk deals	Proactively sought opportunities to expand responsible investment options like SRI Sukuk and Sustainable Financing	Achieved Sukuk issuance composition with positive ESG impact reaching 73.1% or RM9.5 billion of the total RM13.0 billion as of December 2023 Played a leading role in the market with RM12.6 billion in Joint Lead Manager (JLM) issuances by December 2023

BIMB Investment

Focus Area	Key Initiatives	Results
ESG value propositions through our fund offerings	Developed distinctive strategies aimed at achieving growth across diverse funds including Shariah ESG Equity, Shariah Equity, Islamic Money Market, Sukuk (ESG), Mixed Asset, Fixed Income, and Private Mandate	The total AUM for Shariah-SRI funds as of 31 December 2023, stood at RM437.8 million, representing 54% of the total AUM Received six awards at the Edge ESG Awards 2023 three Golds for Best in ESG, and a Silver for Best Fund Based on Asset Class – Allocation in the Makmur myWakaf Fund (MWF) category; a Silver for Best Overall Winner and another Silver for Best Fund Based on Asset Class in the BIMB-Arabesque Shariah-ESG AI Technology Fund (BGSEAIT) category Increased client engagement through events, refined sales strategies and IUTA participation
Digitalisation	Continuous efforts to intensify digital business via BEST app enhancements	Total registered users increased by 4.0% to 32,205 in 2023 from 30,924 in 2022

BIMB Securities

Focus Area	Key Initiatives	Results
Thought leadership through research	Expanded stock coverage to offer a wider range of Shariah-compliant investment options including ESG Research	Increased stock coverage to include 85 stocks in 2023, focusing on thematic ESG reports, while continuing to deliver high-quality client service and engagement via company visits, corporate events and knowledge sharing
Building share margin financing portfolio	Capitalised on the increased number of Shariah-compliant IPOs in 2023 to generate higher traction of share margin financing	Increased Share Margin Financing income from RM3.4 million in 2022 to RM4.7 million in 2023

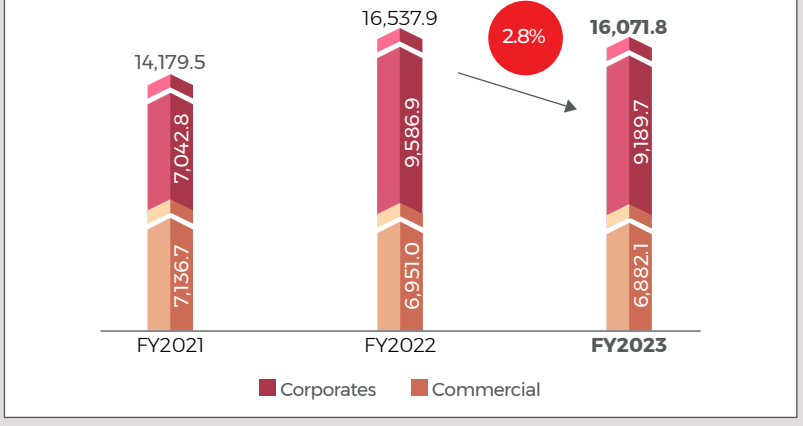
FINANCIAL & BUSINESS HIGHLIGHTS

Financing Solutions

Financial/Business Highlights

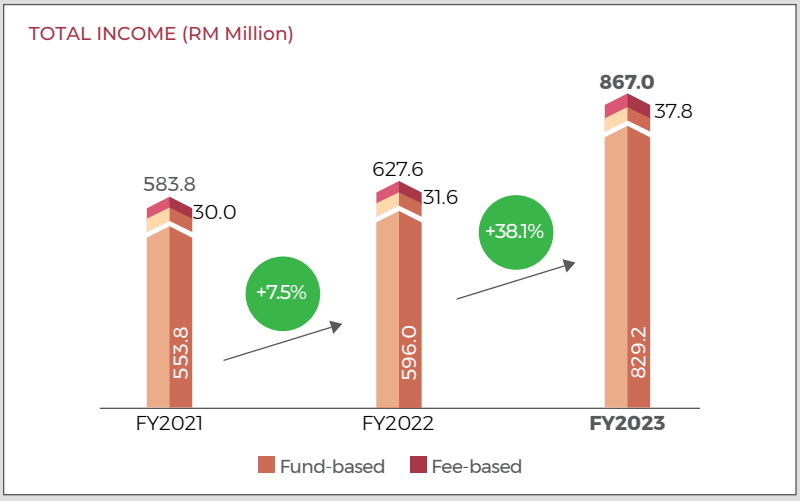
- Total Financing decreased slightly y-o-y by -2.8% to RM16.1 billion, from a significant growth last year, mainly due to challenges in high attritions and redemptions resulted from full settlements, completed projects and asset quality management purpose

TOTAL FINANCING (RM Million)

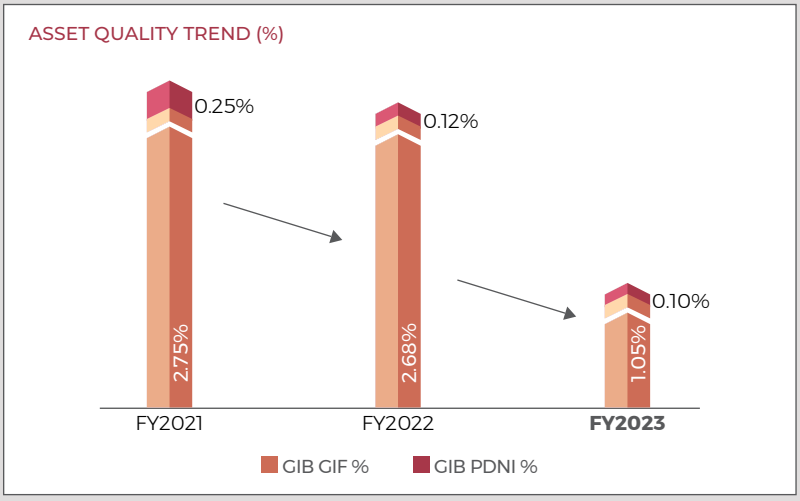


Business Review

- Despite a decline in financing, the total Fund based Income recorded a double-digit growth of +39.1% to RM829.2 million owing to OPR increase as well as discipline in pricing. Notably, the fee-based income also registered commendable growth of +19.6% to RM37.8 million



- Gross Impaired Financing Ratio significantly improved from 2.7% (FY2022) to 1.1% (FY2023). Whilst Past due but not impaired (PDNI) ratio stood low at 0.1% (FY2023)



Treasury and Markets

- **Financial/Business Highlights**
  - Increased net profit primarily driven by gains from non-fund-based income such as Forex and investment income with concurrent growth in fund-based income

- **Awards and Recognitions:**
  - The Asset Triple A Awards 2023
    - Awarded 3rd Place as Best Individual in Trading for Malaysian Ringgit Bonds, earning high commendation.
  - The Asset Triple A Islamic Finance Awards 2023
    - Awarded Best SRI Sukuk for *Pengurusan Air Selangor's* RM900 Million Four-Tranche SRI Murabaha Sukuk

Liquidity Management

Financial/Business Highlights

- Grew the Non-Individual market (Corporate Deposits) for the Bank to RM34.4 billion in 2023, up from RM33.8 billion in 2022
- Non-Retail CASATIA Ratio improved significantly from 46% in 2022 to 54% in 2023
- Increased the active subscriber base by 15% reaching 16,000 in 2023 from 13,900 in 2022

Investment Banking and Advisory

Awards and Recognitions:

- Awarded Best Sustainable and Responsible Investment (SRI) Sukuk at The Asset Islamic Finance Awards
- Achieved 6th position on the Bloomberg League Table in 2023, with an improved market share y-o-y of RM3.6 billion, representing 4.2% of the market

BIMB Investment

Financial/Business Highlights

- BIMB Investment continues to offer a diverse range of Shariah-compliant and SRI funds, which consist of Global, Asia Pacific, Malaysia, technology equities, Global Sukuk and Wakaf unit trust funds
- The total AUM for Shariah-SRI funds as of 31 December 2023, stood at RM437.8 million, representing 54% of the total AUM.

Awards and Recognitions:

- Makmur myWakaf Fund (MWF): Won Gold in Best Environmental Fund, Best Social Fund, and Best Governance Fund. Additionally, it secured a Silver in the Best Allocation Fund category
- BIMB-Arabesque Shariah-ESG AI Technology Fund (BGSEAIT): Received Silver awards in both the Best Overall Winner and Equity Fund categories

BIMB Securities

Financial/Business Highlights

- Increased stock coverage to include 85 stocks in 2023, focusing on thematic ESG reports, while continuing to deliver high-quality client service and engagement via company visits, knowledge sharing, and corporate events.
- Increased Share Margin Financing income from RM3.4 million in 2022 to RM4.7 million in 2023.

Awards and Recognitions:

- The Edge Best Call Awards 2023 – Azim Faris Ab Rahim (Velesto Energy Berhad)

Business Review

CHALLENGES & OPPORTUNITIES

Challenges	Mitigation Actions	Results
Market volatility and competitive pressures	• Developed client-centric solutions and tailored our risk appetite through dynamic portfolio management and diversification • Achieved sustainable business growth through rebalancing of our liquidity profile and innovative solutions	• Achieved income growth of 38.1% y-o-y for Financing Solutions, driven by higher fund-based income • Significant gains from trading in the Non-Volatile NFBI and Sukuk market • 2023 Treasury's net profit increased by 308% compared to 2022's mainly contributed by the NFBI from Forex and Investment Income. Forex Income increased by 652%, while the Investment Income increased by 203% • Non-Retail CASATIA Ratio improved significantly from 46% in 2022 to 54% in 2023 • Launched ISIA, providing avenues for investors to invest in SDG-aligned financing assets
Rising demand for secure digital investment platforms amid shifting customer preferences and competition	• Enhanced cash management tools and optimised system functionality to improve user experience	• Expanded our subscriber base by 15%, reflecting improved customer satisfaction and competitive positioning • Expanded eBanker Pro with PayNet's latest solutions for streamlined financial operations and improved cash collection
Strategic talent management and sector expertise aligned with sustainability or ESG developments	• Increased training opportunities for staff • Fostered a culture of excellence, engagements, and adaptability within the organisation	• Enhanced organisational culture and governance through our new Target Operating Model (TOM) • Continue to invest and build our capabilities to serve our clients better in terms of new and innovative solutions and structures and sector specialists to effectively partner our clients' growth and progress.

OPPORTUNITIES

Supporting the Nation's Agenda and Policy Developments

- Set aspirational target, leveraging on the positive momentum of growth opportunities in selected sectors
- Steps taken are aligned with the National Budget and other policy developments such as National Energy Transition Roadmap (NETR) and New Industrial Master Plan 2030 (NIMP 2030).
- Our growth areas will be in green and renewable energy financing, SDG-aligned sectors such as infrastructure and targeted property development, and supply chain financing specifically tailored for mid capital or SME clients. This approach aims to support our clients' sustainability transitions and foster their continued growth.

Leveraging on Market Recovery Trajectory and Growth Opportunities in Selected Sectors

- Leverage fluctuating interest rates and market conditions to maximise trading income and foster growth in our Forex business.
- Expand into promising emerging markets aligned with our risk appetite to diversify revenue streams and portfolio.
- Sustain our commitment to ESG initiatives, meeting the growing market demand, and prioritise partnering with clients in their journey towards sustainability.
- Identify and prioritise key sectors with high growth potential and positive drivers such as healthcare, construction, oil and gas, telecommunications, and Halal sectors.
- Facilitate rapid investment growth in ESG-focused initiatives, providing opportunities to raise capital for projects appealing to sustainability-minded investors.
- Strong demand for Shariah-compliant investments and increasing need to enhance online investment platforms to meet the demands of consumers.

Technological Advancements to Improve Client Experience and Enable Growth:

- Drive digitalisation to build capabilities, crafting an ecosystem that leverages digital technology to enhance client benefits and unlock multiple revenue streams for the Bank.
- Enhance our digital platform, eBanker Pro, through seamless integration with cutting-edge technologies such as APIs, blockchain, artificial intelligence, and machine learning, elevating client service and positioning Bank Islam competitively within the market.
- Execute comprehensive system enhancements throughout GIB, focusing on refining and upgrading functionalities to maximise efficiency and user experience across our risk management tools, including credit transformation initiatives, treasury and investment solutions platform to complement the Group's Retail and Wealth propositions. The measures are fortified by robust Risk & Compliance controls and a culture of vigilance.

Business Review

OUTLOOK AND PROSPECTS

The global economic outlook is anticipated to remain subdued as macroeconomic factors remain volatile amidst higher interest rates and persistent inflationary pressures. Nevertheless, we remain prudent yet optimistic about the growth trajectory for ASEAN, buoyed by the resurgence of global trade and strong support from the tourism sector in 2024.

On the back of the expected economic recovery trajectory, we remain committed and will continue to focus on the following priorities:

1) **Partnering clients' progress in navigating the uncertain operating landscape for sustainable transition and growth**

   We are dedicated to assisting our clients navigate through unpredictable operating landscapes and nurturing sustainable growth and transitions. Our new operating model is designed to strengthen client support across their ecosystems, providing them with customised solutions and offerings. By leveraging our comprehensive business capabilities, extensive experience and robust network, we prioritise enhancing our VBI and sustainability-drive solutions. Our innovative Shariah-compliant structures are designed to facilitate our clients' responsible transition to a low-carbon economy, showcasing our steadfast commitment to sustainability and advancement.

2) **Enhance our go-to-market strategy through digital enablement**

   Our commitment extends to enhancing our digital capabilities, aiming to unlock new revenue opportunities and improve the customer experience. This initiative spans all business pillars, encompassing credit transformation, revenue enhancements (REVEX), and liquidity management through our eBanker Pro platform. Our treasury, markets, and investment solutions platforms are integral to this digital transformation, ensuring a seamless and enriched customer journey.

3) **Complementing Group's Retail and Wealth propositions**

   In alignment with our Group's strategy, we continue to expand our product and service offerings within the Treasury & Markets and Investment Solutions domains. Through BIMB Investment and BIMB Securities, we aim to provide comprehensive investment solutions tailored to the Retail and Wealth segments. This approach is not only about diversifying our offerings but also about increasing our fee-based revenue streams. A key component of our strategy involves digitising customer interactions, including significant upgrades to our mobile app and website. These enhancements are geared towards improving the user experience and service delivery, reinforcing our commitment to innovation and customer satisfaction.

This forward-looking agenda underscores our commitment to innovation, sustainability, and excellence in Shariah-compliant financial services, steering GIB towards sustainable growth and market leadership.

Sustainability Statement

At Bank Islam, shared prosperity is at the heart of everything we do. Our commitment to Environmental, Social, and Governance (ESG) principles fosters long-term growth for our organisation and stakeholders. Guided by Maqasid Shariah, we champion community well-being and responsible resource management. This commitment aligns with the United Nations Sustainable Development Goals (UNSDGs), fostering a future that is inclusive, resilient, and sustainable for all.

Supporting the Sustainable Development Goals (SDGs):

The UNSDGs are a collection of 17 global goals set by the United Nations General Assembly in 2015. These goals form a blueprint for a better and more sustainable future for all. Nations are strongly encouraged to work towards the achievement of the SDGs by 2030.

Sustainability Statement

SUSTAINABILITY AT BANK ISLAM

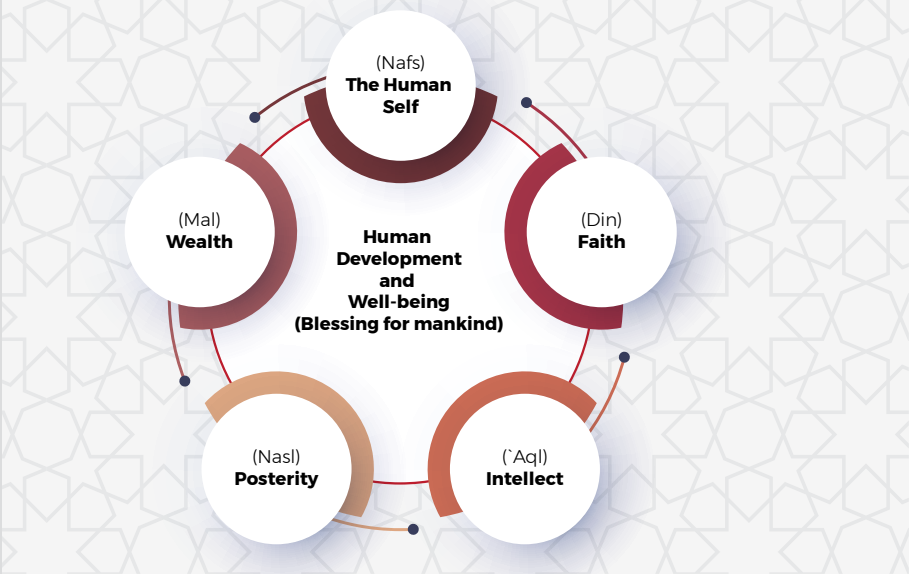
In 2023, we at Bank Islam reaffirmed our dedication to sustainability by enhancing our Sustainability Roadmap in alignment with the LEAP25 strategy. Our strategy that is foundational to our vision for inclusive prosperity, evolves in line with the dynamic ESG landscape surrounding sustainability, informed by updated regulatory policies and guidelines on ESG, sustainability, and climate-related risk management. At its core, our approach is shaped by Shariah values and the practice of Value-based Intermediation (VBI), integrating ESG and climate considerations into our business operations and ethos.

A key focus area for the Group remains the implementation of VBI principles in accordance with the Group's core values as a Shariah-driven Islamic financial institution as part of the Group Sustainability Plan. The Maqasid Shariah conveys values that guide our business focus, while the Group also strived in aligning products and service offerings to the UNSDGs.

Maqasid Shariah

- **Protection of Faith**
- **Protection of Intellect**
- **Protection of Posterity**
- **Protection of Wealth**
- **Protection of The Human Self**

Source: Islamic Research and Training Institute, Islamic Development Bank Group



Our Sustainability Roadmap is aligned with our aspirations for ethical business practices, reflecting our ongoing commitment to:

- Ensure all business decisions are aligned with the preservation of wealth values, thus achieving the *Maqasid Shariah*, by offering Shariah-compliant solutions.
- Ensure our sustainability initiatives are relevant, effective, and in step with industry standards.
- Maintain flexibility through ongoing revisions to our Roadmap, ensuring responsiveness to the sustainability landscape's continuous evolution.
- Draw guidance from the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Global Reporting Initiative (GRI) Standards, and the UNSDGs.
- Adhere to BNM's guidelines, including VBI, the Climate Change and Principle-based Taxonomy (CCPT), Climate Risk Management and Scenario Analysis (CRMSA) and 2024 Climate Risk Stress Testing Exercise (CRST), demonstrating our forward approach in managing climate-related risks and opportunities.
- Align with the aspirations and goals of the United Nations Global Compact Malaysia and Brunei (UNGCMYB) and CEO Action Network as a signatory of these organisations.

SUSTAINABILITY DASHBOARD

Our Sustainability Dashboard provides a snapshot of Bank Islam's commitment to fostering sustainable economic growth, environmental stewardship, and social responsibility. These efforts are supported by strong governance practices, providing transparency and accountability.

Economy

- Achieved our Shariah-ESG asset target of **RM4 billion** by 2025 ahead of schedule, with green financing and assets increasing by **53.1%** in FY2023 to RM4.5 billion, up from RM2.9 billion in FY2022.
- Approved financing for renewable energy projects including solar power generation totalling **RM2.4 billion** in FY2023

Environmental

- Implemented energy-efficient solutions, including replacing light fittings at Menara Bank Islam offices and optimising solar panel consumption at Green Contact Centre Sg Petani, **achieving a 50% reduction in electricity costs**.
- Established **Scope 1 and Scope 2 carbon emissions** baseline as of 2023.
- Provided green products like **Hybrid Electric Vehicle (HEV) financing and Wahdah Home Refinancing** with Solar Panel installation.
- Implemented the War on Waste (WoW) campaign, achieving significant environmental and financial benefits: with projected estimated annual savings of up to **RM12.4 million** and almost **160,000 workhours saved** of reducing electricity consumption by **32,815 kWh**, saving **687 litres** of water, and avoiding **264 tCO_2e** in emissions.

Social

- Achieved positive employee survey results (**78% overall positive responses, 72% response rate**) with highlights in enabling environment and infrastructure, diversity, equity & inclusion (DEI), work-life balance, mental resilience, flexible working arrangement and integrity.
- Ranked **4th in Net Promoter Score (NPS)** among Malaysian financial institutions.
- Disbursed **RM8.3 million** through Blended Finance (iTEKAD Maju & iTEKAD BangKIT microfinance) to 285 beneficiaries.
- Supported **69 orphans with full tertiary education scholarships** through Sadaqa House Kids.
- Supported the financing of **14** houses through Sakeenah Home Ownership Programme (SakeenaHOPe) **for salaried *asnaf* and underserved communities** since inception.
- Contributed to the upward mobility of microentrepreneurs: **41 in Grade 1** and **114 in Grade 2**.
- Developed financial literacy modules that benefitted **3,000 university** and college students.
- Contributed **RM30,000** to the Rumah Pengasih Melaka (*Zakat* & Sadaqa House Fund) Chili Fertigation Project.
- Contributed a total of **RM170,000** to the AMAL *Jom Ke Sekolah* 2023 Initiative.
- Bank Islam contributed **RM100,000 for Palestine** including RM22,000 raised by Surau Wakaf Ahmad Dawjee Dadabhoy (SWADD)'s *Musaadah* campaign. It also successfully raised RM20,000 for Turkiye earthquake victims.

Governance

- Continued efforts to prioritise board diversity with women representing **33.3%** of our board composition.
- Became the **first full-fledged Islamic financial institution in Malaysia** to be awarded **ISO 37001** Anti-Bribery Management System (ABMS) certification.
- Achieved **zero recorded incidents of corruption**.
- **Enhanced our corporate governance structure** to incorporate climate related considerations, including establishing a dedicated Climate Risk Committee.
- Continued **implementation of an ESG** and **climate risk framework** and overall alignment with CCPT and CRMSA requirements.

AWARDS & ACCOLADES

Winner of the **2023 CIBAFI** (General Council for Islamic Banks and Financial Institutions) Award for our dedication to Sustainable Development practices, encompassing ESG initiatives

Sustainability Statement

Sustainability Strategy & Roadmap

Our Sustainability Commitments, anchored in VBI and Shariah Values, are strategically integrated with our corporate Strategic Objectives.

Our Identity

VISION
THE BANK THAT ADVANCES PROSPERITY FOR ALL

MISSION
TO PROVIDE SOLUTIONS THAT DELIVER VALUE

ASSURING TRUST, DELIVERING VALUE

Six Strategic Objectives

- Continuous sound financial performance
- Doing the right thing
- Communities thriving with us
- Our customers are well-served
- Producing goods and services
- Technology enables our growth

Sustainability Priorities

- **Product & services**
- **Stakeholders, customers, regulators, supply chain & communities**
- **Our people, our conduct**

Sustainability Commitments

Commitment 1:
Mitigate exposure to high sustainability risk sectors by FY2030 e.g. identification & measurement of high risk sector, temperature score by portfolio

Commitment 2:
To increase Shariah-ESG assets to RM4 billion by FY2025

Commitment 3:
Achieve a carbon neutral position in operational conduct (Scope 1 and Scope 2 emissions) by 2030 via three-pronged strategy:
- Reduce consumption
- Transition to renewable energy
- Offset carbon footprint – tree planting, oceanic/ maritime activities via CSR

Commitment 4:
Advocate real economy & nurture community upward mobility through entrepreneurship, ecosystem play and social finance:
- From 3,000 to 10,000 enterprises
- From 200 to 3,000 social finance beneficiaries

Commitment 5:
Embody value-based culture in our people
- Shariah goals and principles for Excellence, beyond Shariah Compliance
- Principles of VBI adopted in business strategies and customer-centricity, enabled by digitalisation
- People-related policy enhancement (Board, Management and People)

Doing Well and Doing Good

Communities Thriving with Us

Doing the Right Thing

Key areas of focus on our updated Roadmap include:

01

Incorporating Emerging Sustainability Trends
Incorporating supply chain and social sustainability, DEI initiatives, and carbon neutrality targets.

Increasing support for environmental sustainability projects, such as renewable energy and energy efficiency.

02

Leveraging Stakeholder Engagement & Collaborative Partnerships
Strengthening collaboration with industry partners to lead in sustainable finance.

Carrying out regular reviews and KPIs to drive continuous improvement in line with the latest sustainability benchmarks.

03

Upskilling Workforce
Providing targeted training and appointing Sustainable and Climate Change Champions across departments to embed a culture of sustainability.

04

Promoting Responsible Banking Practices
Establishing and refining policies in line with international standards, ESG frameworks, and UNSDGs, to resonate with our stakeholders' values.

MISSION

The bank that advances **prosperity for all**

VISION

To provide solutions that **deliver value**

Continuous sound financial performance

- Responsibly create value for shareholders and other stakeholders while ensuring sustainable strength.
- Diversify revenue streams and sustain growth momentum.

Doing the right thing

- Embody values-based culture in our people.
- Achieve a carbon neutral position in operational conduct (Scope 1 and Scope 2 emissions) by 2030.

Communities thriving with us

- Advocate real economy and nurture community upward mobility through entrepreneurship, ecosystem play and social finance.

Providing the best experience for our customers

- Placing our customers at the heart of all our planning and decision-making.

Producing goods and services

- Growing wealth in the economy on equitable terms.

Technology helps us in realising our purpose

- Leverage on digitalisation to enhance agility and customer experience.

Guided by principles of client-centred culture, real economy, long-term resiliency, transparency, and triple bottom line.

Sustainability Statement

SUSTAINABILITY COMMITMENTS

As we strengthen our commitment to sustainability we are ensuring that our actions align with our LEAP25 aspirations and strategic objectives set out in our Sustainability Strategy and Roadmap. Building on our past achievements, we are actively implementing impactful initiatives across our business to fulfil key commitments.

Related SDGs	Key Highlights and Progress

Commitment 1: Mitigate Exposure to High Sustainability Risk Sectors including Coal by 2030

- Implemented a climate-related risk management framework in line with BNM's CRMSA requirements.
- Enhanced sustainability and climate-related due diligence, including the use of CCPT and ESG checklists during onboarding processes.
- Established an enhanced sustainability and climate governance structure to strengthen oversight of sustainability and climate-related risks.
- Served as Project Lead for the AIBIM VBIAF Sector Guide on Waste Management. Facilitated the circulation of the VBIAF Sector Guide on Waste Management. This guide includes best practices for ESG considerations in the waste management sector.
- Continued our commitment to end financing of coal-related activities by 2030.

Commitment 2: Double Shariah-ESG assets to RM4 billion by 2025

- Exceeded our target ahead of FY2025 with RM4.5 billion in approved Shariah-ESG assets at the end of 2023. Shariah-ESG assets refer to exposures tied to green sectors and activities including solar power and other renewable energy, sustainable waste management and sustainable agriculture.
- Updated our Product Development Guideline to incorporate sustainability and climate-related risk considerations into our product offerings.
- Launched the ISIA that enables financing towards activities aligned with UNSDGs.
- Launched the SME Smart Eco and Low Carbon Transition Facility (LCTF) targeting SMEs that are investing in sustainable practices and climate transition through renewable energy, energy efficiency and best practices.
- Equipped business units and supporting functions with knowledge and capabilities in ESG-linked financial products and services through targeted training and ongoing support.

Commitment 3: Achieve a carbon neutral position in operational conduct (Scope 1 and 2 emissions) by 2030

- Implemented energy efficiency solutions including installation of solar panels and energy efficient lighting in branches.
- Established Scope 1 and Scope 2 carbon emissions baseline as of 2023.
  For more information on our Scope 1 and Scope 2 baseline, refer to Emissions and Environmental Impact on page 118.
- Implemented War on Waste (WoW) 100-Day Campaign.

Cultivating Strength: Empowering Communities through Cocoa

In Kampung Tambatuon, Kota Belud, Magret Darusin stands as a shining example of the impact of Bank Islam's iTEKAD BangKIT microfinance programme on the local community.

Discover more about Magret Darusin entrepreneurial journey by scanning the QR Code.

As a dedicated member of the Sabah Social Entrepreneurs Association (SOSEA), Magret has revitalised neglected cocoa farms in her village. Her efforts extend beyond cocoa cultivation; she champions organic farming practices to enhance cocoa quality while also positively impacting the lives of fellow villagers, primarily farmers.

Through the mobilisation of iTEKAD BangKIT financial support, Magret provided a platform for farmers to sell their harvests at competitive prices, motivating them to sustain their farming practices and improve their livelihoods.

The processed cocoa beans from Kampung Tambatuon are then used to produce Koko Loko, a chocolate-based brand under JFA Agro Enterprise, another SOSEA member. These delectable products are sold online and to cafes and corporations in Sabah.

Magret's mission is to uplift the lives of her fellow villagers and increase their skills and knowledge to move beyond traditional farming practices. She aspires to establish a centralised cocoa processing hub and visitor centre in the near future, further enriching the lives of Kampung Tambatuon.

Bank Islam's iTEKAD BangKIT support is a testament to the broader positive changes social entrepreneurship can instigate within communities. By enabling social enterprises like SOSEA to mobilise the efforts of entrepreneurs under their wings, including cocoa farmers, Bank Islam plays a vital role in generating the state's economy. Sabah, as the country's leading producer of cocoa beans, accounting for over half of Malaysia's cocoa crops, significantly benefits from this support.

Programme: iTEKAD BangKIT

Related SDGs	Key Highlights and Progress

Commitment 4: Increase financing support to 10,000 enterprises and 3,000 social finance beneficiaries by 2025

- Scaled up support for underserved and marginalised communities through provision of blended finance and grants.
- Recorded Sadaqa House collections exceeding RM15 million.
- Disbursed RM8.3 million in blended finance (iTEKAD Maju & iTEKAD BangKIT).
- Facilitated upward mobility for 155 underbanked entrepreneurs.
- Disbursed RM7.6 million Sadaqa House funds to other beneficiaries across four sectors.

Commitment 5: Embody Value-based Culture in Our People

- Implemented training and development across functions on sustainability and climate areas, with a focus on externally accredited programmes for relationship managers.
- Conducted two Pulse surveys to analyse and identify factors that contributes to compliance and integrity culture, and employee well-being.
- Established Sustainability & Climate Champion's (SCC) Group within the Bank to foster collaboration on Sustainability and climate-related initiatives and rollout of products and services.

Sustainability Statement

CONTRIBUTING TO NATIONAL & GLOBAL AGENDA

Our Sustainability Strategy and Roadmap are firmly rooted in our commitment to the UNSDGs – a global framework for creating a better future for all. By prioritising these goals, we ensure our efforts foster positive change on a global scale, while also aligning with Malaysia's national development ambitions.

This strategic alignment bridges global aspirations with local realities, recognising the nuances of each context. We embrace the vision of the UNGCMYB while tailoring our approach to address Malaysia's specific sustainability and development needs. This integration of global perspective and local relevance ensures that our actions effectively contribute to both the broader good and the well-being of our communities.

Through Bank Islam's Sustainability Pillars...

Economy

...and responsible business practices...

- Contributing to a more sustainable future through our LEAP25 business strategy roadmap, we drive sustainability initiatives, explore new growth opportunities, accelerate digital advancements, and enhance operational efficiency.

For more details, refer to Sustainability Strategy and Roadmap on page 100.

- Unlocking access to finance for underserved communities through various financing plans such as Sakeenah Home Ownership Programme.

For more details, refer to Community Empowerment and Social Finance on page 144.

...we contribute to nation-building ambitions...

Malaysia's Financial Sector Blueprint 2022-2026: Focuses on fostering market dynamism and sustainable development objectives in the financial sector over the next five years.

BNM's Financial Inclusion Framework (2023 – 2026): Aims to enhance financial well-being and quality of life for all Malaysian residents by promoting financial inclusion.

...and the UN Sustainable Development Goals (SDGs)

Through Bank Islam's Sustainability Pillars...

Environmental

...and responsible business practices...

- Prioritising the growth of green financing portfolio.
- Committing to achieving a carbon neutral position in operational conduct (Scope 1 and 2 emissions) by 2030.
- Establishing baseline data Scope 1 Direct Greenhouse Gas (GHG) Emission & Scope 2 Indirect GHG Emission from the Generation of Purchased Energy.

For more details, refer to Emissions and Environmental Impact on page 118.

...we contribute to nation-building ambitions...

Malaysia's National Energy Transition Roadmap (NETR): Targets net-zero greenhouse gas emissions by 2050.

Malaysia Climate Change Action Council: Aims to reduce GHG emissions by 45% across the economy by 2030, with the goal of achieving net-zero emissions by 2050.

Green Technology Master Plan Malaysia: A national plan aimed at advancing eco-friendly technology and establishing a low-carbon economy by the year 2050.

Nationally determined contributions (NDCs): Serves as a crucial roadmap for Malaysia's transition towards a sustainable future, balancing economic development with environmental responsibility and contributing to global climate change mitigation efforts.

...and the UN Sustainable Development Goals (SDGs)

Through Bank Islam's Sustainability Pillars...

Social

...and responsible business practices...

- Empowering orphans through Sadaqa House Fund, leveraging public donations and Islamic finance instruments.
- Supporting the upward mobility of micro-entrepreneurs by leveraging diverse social finance solutions like iTEKAD microfinance programme.

For more details, refer to Community Empowerment and Social Finance on page 144 and Responsible Supply Chain on page 152.

...we contribute to nation-building ambitions...

Shared Prosperity Vision 2030: Aims for sustainable growth and equitable distribution across income groups, ethnicities, regions, and supply chains.

...and the UN Sustainable Development Goals (SDGs)

Through Bank Islam's Sustainability Pillars...

Governance

...and responsible business practices...

- Prioritising gender diversity, resulting in a 33.3% female board representation in 2023.

For more details, refer to Board Composition on page 174.

...we contribute to nation-building ambitions...

Malaysian Code on Corporate Governance (MCCG): Recommends a minimum of 30% women directors on the boards of listed companies in Malaysia.

...and the UN Sustainable Development Goals (SDGs)

Sustainability Statement

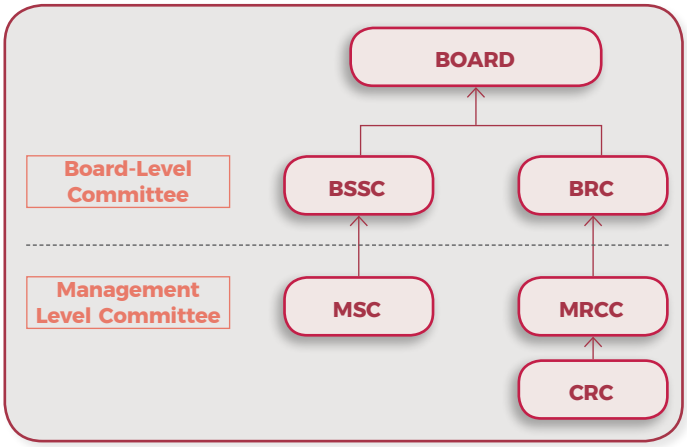
SUSTAINABILITY GOVERNANCE

Governance Structure

Our sustainability governance structure is designed to embed sustainability at the core of our operations, with Board oversight ensuring accountability and strategic direction. This framework encompasses policies and guidelines that inform our commitment to responsible business practices, influencing decision-making across the organisation to align with our sustainability objectives.

Within this structure, environmental and climate considerations are integrated with broader social and governance issues, reflecting a comprehensive approach to ESG. This alignment is particularly crucial for addressing the materiality of climate-related risks and opportunities, especially for banks.

For a detailed exploration of our climate governance aligned with TCFD Recommendations, please refer to the dedicated chapter on page 162.



Board-Level Oversight:

This commitment begins at the highest level with the Board actively shaping sound and responsible policies across the Group. The Board is supported by two (2) key committees:

- **Board Risk Committee (BRC):** Assists the Board in ensuring the presence and effective implementation of a sound and robust risk management framework, in accordance with the expectations of BNM. The BRC provides independent oversight of Management's efforts in managing various risk – including credit, market, liquidity, operational (which encompasses legal, compliance, Shariah non-compliance, IT, and business continuity risks), sustainability (including climate-related risks), and other relevant risks – to ensure that the risk management processes are operational and effective for the Group.
- **Board Strategic & Sustainability Committee (BSSC):** Oversees, supervises and monitors the implementation of identified key strategic and sustainability matters (including climate opportunities), and any corporate exercises involving the Group.

Management-Level Oversight:

Execution of our sustainability strategy is carried out at the management level by several committees, ensuring alignment with the Board's directives:

- **Management Risk & Control Committee (MRCC):** Oversees risk management across the Group, ensuring that effective systems, controls and resources are in place to execute business strategies and decisions taken by the Board and/or the GCEO.
- **Climate Risk Committee (CRC):** A sub-committee of the MRCC, dedicated to overseeing climate-related risk management. This includes developing tools and methodologies for identifying, quantifying, managing, monitoring, and reporting climate risks, as well as enhancing climate risk capacity.
- **Management Sustainability Committee (MSC):** Chaired by the GCEO, this committee provides governance and guidance on sustainability-related matters (including climate) for the Bank Islam Group and oversees the organisation's implementation of sustainability initiatives (including the climate transition plan).

Management Implementation:

The execution and monitoring of sustainability initiatives are spearheaded by the dedicated Planning and Sustainability (P&S) department. Sustainability implementation is driven and guided by setting clear, measurable goals aligned with our overall sustainability strategy.

Board's Role in Driving Sustainability

To lead Bank Islam's sustainability transformation, the board is embarking on a strategic journey focused on building internal capacities, aligning incentives, and fostering stakeholder collaboration.

- **Building Sustainability Capacity**
  All Board Members have participated in sustainability-related training, which includes sessions organised internally, capacity-building through the BNM JC3 Annual Conference, and external programmes such as sustainability and climate workshops. This ensures all stakeholders are equipped with the necessary knowledge and skills to effectively contribute to Bank Islam's sustainability journey.
- **Linking Performance and Remuneration to Sustainability Goals**
  We are committed to integrating sustainability Key Performance Indicators (KPIs) into our scorecards for performance management linked to remuneration, aligning our executive compensation with our environmental and sustainability objectives. By incorporating sustainability KPIs into our scorecards for remuneration, we incentivise our executives to prioritise and achieve our sustainability and climate goals.

Memberships and Associations

Active participation in relevant memberships and associations complements our commitment to sustainability by fostering collaboration and knowledge exchange.

Association	Key Benefits and Impacts
United Nations Global Compact Malaysia and Brunei (UNGCMYB)	Gaining access to global resources on ESG and climate action, access to tools on ESG-related data, ability to benchmark against peers, and exchanging insights on industry developments.
Joint Committee on Climate Change (JC3)[1]	Bank Islam is a founding member of the JC3 and is represented in Sub-Committee 1: Risk Management where we play an active role as co-chair of the CCPT Implementation Group. We are also a participant in key initiatives including the Physical Risk and Transition Risk Working Groups and Sub-Committee 5: Bridging Data Gaps.
Association of Islamic Banks in Malaysia (AIBIM) Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) Sectoral Guide Working Group	Led the development of the Waste Management Sectoral Guide with the 3rd Cohort of the Value-based Intermediation Assessment Framework (VBIAF).
CEO Action Network	Participating in Workstream 1 for Policy Advocacy and Workstream 2 for Awareness and Capacity Building.

[1] *Joint Committee on Climate Change (JC3) is co-chaired by Bank Negara Malaysia (BNM) and the Securities Commission Malaysia (SC).*

Sustainability Statement

Sustainability Policies & Guidelines

To guide our sustainability efforts, we have implemented a comprehensive framework of policies and guidelines covering various areas, including:

Material Matters	Policies & Guidelines
Sustainable and Responsible Finance	• Business Plan Guideline • Financing Guidelines • Social Finance Policy/Guideline • Product Development Guideline
Customer Experience	• Branch Administration Operational Manual • Branch Customer Complaint Operational Manual Management • Branch Operations & Supervision Operational Manual • Customer Service Charter • Complaint Management Guideline
Emissions and Environmental Impact	• Bank Islam Sustainability Plan and Commitments
Employee Well-being, Health and Safety	• Flexi Hours Policy • Code of Conduct (Freedom of Association) • Remuneration Policy • Occupational Safety and Health (OSH) Policy
Talent and Development	• Training & Development Policy
Diversity & Inclusion	• DEI Policy • Code of Conduct (Anti-Harassment and Discrimination)
Community Empowerment and Social Finance	• Sadaqa House Management Guideline
Good Governance and Conduct	• Code of Ethics and Code of Conduct • Group Whistleblowing Policy • Group Compliance Policy • Group Compliance Risk Assessment Policy • Group Anti-Bribery and Corruption Policy • Group Gift Policy • Group Business Associates Code of Conduct Guideline • Group Corruption Risk Management Policy • Group AML/CFT Policy
Data Privacy and Security	• Group Technology and Cyber Resilience Framework • Group Technology and Cyber Risk Policy • Group Data Governance Policy
Climate Risks and Opportunities	• Climate-related risk management is integrated in the Group Enterprise-Wide Risk Management Policy • CCPT Supplementary Guideline • ESG risk integration into Credit Assessment Guideline

Economic Impact

Capturing Moments, Building Dreams

In 2019, S. Devendra embarked on a journey to turn his passion for photography and videography into a business, establishing Deven Creative & Enterprise. This venture specialises in high-quality visual services that capture precious moments at various events.

While attending the government's Permata Remaja Programme, the computer and network engineering graduate discovered the iTEKAD microfinancing programme offered by Bank Islam. Engaging with the iTEKAD BangKIT programme proved transformative for the young entrepreneur. The training sessions equipped him with valuable insights into financial and business management.

Furthermore, the microfinancing grant empowered him to invest in crucial equipment, including new camera lenses and a professional studio lighting set. This enabled him to take on more projects, cater to a diverse clientele, and broaden his portfolio.

The microfinancing programme provided immediate financial support, allowing Devendra to dream bigger and work towards achieving his long-term goals. He envisions further growth for his venture, with aspirations to establish his own dedicated studio space.

The success of Deven Creative & Enterprise reflects the positive impact of Bank Islam's iTEKAD programmes in nurturing aspiring entrepreneurs and helping passion-driven ventures reach new heights.

Programme: iTEKAD BangKIT

SUSTAINABLE AND RESPONSIBLE FINANCE

As a leading Islamic bank, Bank Islam stands at the forefront of sustainable and responsible finance. Our commitment to leveraging finance for economic growth, societal benefit, and environmental preservation defines our core identity and mission. This focus is a critical part of the bank's identity and mission, reflecting a deep understanding of the role financial institutions play in shaping a sustainable future.

The Overall Approach

Our core business philosophy is rooted in Maqasid Shariah, which emphasises community well-being and resource conservation. Guided by this philosophy and the ethos of VBI, we integrate ESG principles into our operations and offerings. Our dedication to driving positive social impact and responsible financial practices go hand in hand with generating financial returns, underscoring our comprehensive approach to value creation.

In line with this commitment, our LEAP25 strategy is designed to redefine the landscape of Shariah-compliant ESG financial solutions, setting us as a leader in social finance and digital banking innovation. Our near-term goal was to double our Shariah-ESG assets to RM4 billion by 2025; having achieved this we are currently recalibrating our targets and realigning how we define Shariah-ESG and sustainable financing towards a higher target for FY2024 and onwards.

Economic Impact

The Value Created in 2023

In 2023, our commitment to sustainable and responsible finance enabled us to generate substantial value through strategic initiatives and ethical financial practices. We achieved impressive financial results while positively impacting environmental and social well-being, reaffirming our dedication to a more responsible future.

1. Driving Sustainable Finance

In 2023, we reinforced our commitment to Sustainability with a strategic emphasis on Hybrid & Electrical Vehicle Financing.

Boosting Hybrid & Electrical Vehicle (HEV) financing

HEV financing is a Shariah-compliant option that uses the *Murabahah* concept, allowing customers to buy hybrid or electric vehicles through instalment payments that incorporate a transparent profit margin.

Objective:

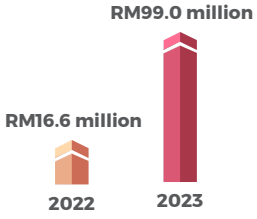
- Increase sales and financing disbursements by enhancing the market share of HEV.

What We Did

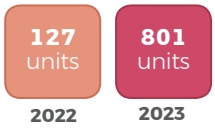
- **As at December 2023**, we had disbursed RM99 million in financing for HEV.
- To advance and showcase our commitment, we participated in the Electric Vehicle (EV) Expo 2023 and the Tenaga Nasional Berhad (TNB) Electron EV Show, promoting HEVs as a sustainable transportation solution.

Achievements:

Total Value Disbursed



HEV Units Disbursed



Mobilising Shariah-ESG Products & Solutions

Shariah-ESG products and solutions integrate the principles of Shariah with ESG criteria to provide ethical and sustainable financial products and services. These encompass Shariah-compliant financing for green and climate positive companies and projects.

Objective:

- Promote ethical, sustainable, and responsible investing while providing a wider range of options for investors interested in these principles.

What We Did

- We expanded our range of Shariah-ESG financial products and solutions by including sectors such as waste and water management, in addition to solar.

Achievements:

- Extended more than RM4.5 billion in financing and assets for green sectors and activities including for solar power, other renewable energy, sustainable waste management and sustainable agriculture.

2. Strengthening ESG Integration in Investment Strategies

In 2023, we continued to strengthen the integration of ESG principles in our investments to ensure that our financial goals are in harmony with generating positive outcomes for society and the environment. Additionally, we pivoted strategy to address fluctuating interest rates and adopt digital transformation for sustainable growth, stability, and risk management.

Key Initiatives

Investment Banking and Advisory on ESG

Objectives

Promote sustainable development and responsible investment practices.

Actions Taken

Tailored advice and solutions that incorporate ESG principles.

Progress and Achievements

Achieved Sukuk issuance composition with positive ESG impact reaching 73.1% or RM9.5 billion of the total RM13.0 billion.

Assumed Joint Lead Manager role of RM12.6 billion Sukuk issuance.

BIMB Securities' ESG Initiatives

Objectives

Integrate ethical and responsible practices for sustainable investments.

Actions Taken

Developed an ESG framework for companies under coverage.

Participated in ESG discourse, including energy transition discussion.

Progress and Achievements

Increased the proportion of ESG-focused investments in our portfolio.

Adaptation to Market Fluctuations

Objectives

Reduce vulnerability to market fluctuations and prioritise long-term stability.

Actions Taken

Adjusted segment composition and funding profile focusing on CASATIA and operational accounts in the Retail sector.

Launched deposit-driven campaigns and customised acquisition strategies for Retail and SME segments, leveraging digital platforms to achieve balanced financial growth while maintaining asset quality and mitigating risks.

Progress and Achievements

Successfully mitigated market fluctuation impacts.

Ensured long-term stability through strategic portfolio adjustment.

Economic Impact

Perseverance: An Entrepreneur's Journey

Dalina Abdullah's entrepreneurial journey began in 1996, alongside her mother at Pasar Besar Siti Khadijah in Kota Bharu, Kelantan, where they sold women's clothing and songket. In 1999, she took a bold step, launching Azdal Enterprise, her venture with the same offerings. Despite modest returns, Dalina remained steadfast, managing her finances diligently while fulfilling her *zakat* obligations.

The onset of the COVID-19 pandemic presented a turning point for Dalina. Rising to the challenge, she transitioned her business to the online sphere by utilising platforms like Shopee. The move propelled Azdal Enterprise to new heights, witnessing a remarkable five-fold growth.

With the aid of Bank Islam's iTEKAD BangKIT programme, she expanded her inventory and doubled her average monthly earnings. Her assets doubled, enabling Dalina to increase her savings and *zakat* contributions. Meeting the evolving needs of modern customers', she utilises the QR Code DuitNow facility, ensuring swift, seamless, and secure payment transactions.

Dalina pursued Bank Islam's iTEKAD Maju microfinance programme with the intention of establishing another outlet at the iconic landmark. Securing approvals from Bank Islam and BNM in 2022, she set her sights on further expansion.

Dalina's entrepreneurial journey reflects resilience and adaptability, demonstrating that anyone can carve their path to success by staying determined and embracing innovation.

Programmes: iTEKAD BangKIT and iTEKAD Maju

Discover more about Dalina Abdullah entrepreneurial journey by scanning the QR Code.

3. Overall Performance

In 2023, there was a considerable growth in sustainable financing and assets, with total approvals reaching RM4.5 billion, a significant 53% year-on-year increase. Renewable energy financing particularly stood out, surging to RM2.4 billion and reflecting a 42% growth, underscoring the sector's expanding influence. Financing in sectors other than renewable energy also saw a substantial rise, rising by 68% to RM2,075.4 million. This trend demonstrates a strategic focus on environmental projects across various sectors, including a substantial push in the corporate and commercial spaces, with commitments of RM916.7 million and RM1,061.6 million, respectively.

We further solidified our commitment to sustainable finance by acting as Lead Manager or Joint Lead Manager for 11 Sukuk distributions with positive ESG impacts including sustainable transportation, sustainable water supply, affordable housing and access to education. These deals amounted to more than RM13 billion, highlighting Bank Islam's significant contribution to the growth of sustainable financing in Malaysia. The 2023 figures indicate a decisive turn towards green initiatives, aligning with the broader portfolio emphasis on ESG financing that now constitute 27% of the total.

	2021	2022	2023
Number of green financing transactions[5]	57	66	81
Approved Renewable Energy Financing[6]			
Corporate	408.8	647.7	916.7
Commercial	603.4	700.9	1,061.6
SME	2.3	2.6	3.9
Treasury	300.0	350.0	430.0
Approved Other Green Financing[7]			
Corporate	596.1	596.1	1,274.3
Commercial	318.0	318.0	791.8
SME	8.8	8.8	9.4
Total (MYR) in million	2,237.3	2,933.0	4,487.7

Outlook

Looking ahead, Bank Islam continues our commitment to sustainability and will drive this by focusing on ethical and sustainable offerings through Shariah-compliant financing and social finance initiatives.

[5] *Number of approved financing transactions tied to renewable energy and other green financing.*
[6] *This indicator refers mainly to renewable energy such as solar financing.*
[7] *This indicator refers to sustainable businesses including waste management and sustainable agriculture.*

Economic Impact

CUSTOMER EXPERIENCE

Bank Islam leverages data-driven insights to offer personalised financial solutions, meeting the evolving needs of our customers within the dynamic financial landscape. Our commitment to innovation in both digital services and customer experience fosters trust and builds lasting relationships, essential for sustainable growth. By continuously adapting to our customers' evolving expectations, we ensure our offerings remain relevant and supportive of their financial journeys.

The Overall Approach

We are deeply committed to elevating the banking journey, prioritising customer experience through these foundational principles:

In today's digital banking landscape, our top priority is ensuring the utmost safety for our customers. We achieve this through targeted measures, including security upgrades and digital financial literacy initiatives, aimed at enhancing transaction safety and combating financial fraud. Our proactive approach to security underscores our commitment to safeguarding customers in the ever-evolving digital world.

The Value Created in 2023

In 2023, Bank Islam embarked on a series of targeted initiatives focused on security, convenience, sustainability, engagement, and efficiency, improving the customer experience, and achieving significant cost savings. These efforts collectively contribute to an enriched customer experience, keeping us ahead in the rapidly evolving banking industry.

1. Streamlining Transaction Processes

We have strengthened security for our customers' digital banking with new authentication methods, whilst also simplifying and expediting everyday transactions. This dual emphasis on protection and convenience cultivates trust and satisfaction among our customers.

What We Did	Progress & Achievements
a) **Migration to Data-Driven Multi-Factor Authentication:** Completed a major technological shift by transitioning all our Multi-Factor Authentication systems from SMS-based methods to data-driven platforms like GO Secure — a new digital authentication method for Internet Banking transactions.	Achieved significant cost savings, reducing SMS charges by RM2.4 million over the year.
b) **Simplification of Authentication Processes:** Expanded Single Factor Authentication to include a variety of services such as Financial Process Exchange (FPX), Prepaid Reload, Tabung Haji (TH), Skim Simpanan Pendidikan Nasional (SSPN), and Bill Payment.	Enhanced customer experience by removing the need for verification for transactions under RM250, resulting in faster transactions and a smoother user experience.

2. Combating Evolving Fraudulent Threats

In our ongoing commitment to combat the evolving threats of financial scams, we have proactively enhanced our security measures to address the sophisticated tactics employed by scammers in the digital banking landscape. Recognising the need to stay ahead of these challenges, we have prioritised the development of a robust security infrastructure and the implementation of advanced fraud prevention strategies to protect our customers' interests and ensure their confidence in our services. This strategic approach has led to a notable decrease in average losses from scams, ensuring a trusted and secure environment for all our customers.

What We Did	Description
Full migration to Secure Messaging	We have transitioned away from SMS authentication in favour of Secure Messaging which offers stronger protection against interception by scammers. This ensures confidential communication, fostering trust and peace of mind.
Device Binding	One app, one device. Logins are now linked to specific devices. This multi-factor authentication adds an additional layer of security, mitigating unauthorised access attempts.
Kill Switch	Customers are empowered to deactivate their accounts temporarily if suspicious activity is detected. This proactive measure minimises potential losses in the event of fraudulent activity.
Cooling-Off Periods	Mandatory delays are now implemented for high-value transactions. This additional time allows for potential fraudulent activity to be identified before the transaction is completed.
Expanded Fraud Hotline	A dedicated 24/7 hotline is available for customers to report any suspicious activity. This facilitates prompt intervention and investigation by our security teams.
National Scams Response Centre (NSRC) Collaboration	We actively collaborate with the National Scams Response Centre (NSRC) and relevant authorities to combat fraud on a broader scale. This collaborative effort contributes to a more secure environment within the industry.
Call-Back Verification	Transactions identified as high-risk or suspicious are placed on hold until they can be verified directly with the customer. This additional step minimises the risk of unauthorised transactions.
Upgraded Fraud Detection System (FDS)	We continuously invest in and utilise cutting-edge technology solutions. These advanced systems allow us to proactively identify and prevent fraudulent attempts, safeguarding customer assets from evolving threats.

Economic Impact

3. Prioritising Seamless Interactions Across Digital Touchpoints

In response to the increasing demand for digital solutions, our focus has been on enhancing the reliability and efficiency of our digital platforms. Despite a modest decline in our Net Promoter Score from 71 in 2022 to 67 in 2023, the score remains indicative of high customer satisfaction.

Innovative Live Support

What We Did:

Our dedication to integrating technology with customer service has led to the rollout of innovative communication channels:

- **ChatBot Adam:** A virtual financial advisor platform providing 24/7 access to financial guidance and support.
- **LiveChat:** A real-time chat support feature allowing customers to connect directly with our representatives for immediate assistance.

Progress and Achievements:

The launch of ChatBot Adam resulted in a significant increase in customer engagement, with the number of interactions rising from **1,966** in October 2022 to **15,551** in December 2023. LiveChat usage also saw a substantial increase, with the number of interactions growing from **347** in October 2022 to **3,774 in** December 2023.

Online Banking Enhancements

What We Did:

In response to the growing preference for online banking, we have significantly enhanced our digital services, ensuring that our offerings meet our customers' expectations. Our efforts are aimed at combining innovation with customer-centric service delivery, setting new benchmarks in digital customer service.

- **GO by Bank Islam:** The GO by Bank Islam mobile banking app has undergone significant enhancements to improve stability. This includes upgrades to key components, optimisation of API calls, fine-tuning of logs, and the implementation of improved maintenance practices. Additionally, a new mobile banking app is under development by our dedicated team, with a projected launch date of October 2024. Furthermore, we successfully completed the BNM Countermeasures initiative before 30th June 2023, significantly strengthening the security of the system. We remain committed to ongoing security improvements by implementing further enhancements to combat fraudulent activities.
- **Internet Banking System:** Building upon the aforementioned upgrades, we have expanded the functionality of our internet banking platform by enabling new services such as account opening, ASNB services, and TDT withdrawals. The user experience has also been enhanced by introducing features like the ChatBot Adam, allowing BNM profile updates, and facilitating quick transfers. Moreover, we have taken the important step of upgrading our Fraud Detection Systems to further protect our customers.
- **Incorporating Customer-centric Digital Banking Proposition:** Be U by Bank Islam is a digital banking proposition by Bank Islam that leverages cutting-edge technology to serve the unserved and underserved markets, including the younger generation. It offers access to financial products/services and imparts financial literacy. Be U prioritises exceptional customer experience, driven by Design Thinking, in-depth UI/UX design, prototyping, and user research and feedback. The offerings are tailored to the needs and wants of the target customers, featuring Digital Onboarding, Nest Savings, Personalised Financial Management (PFM), and a Gig Marketplace. Looking ahead, we are committed to enhancing Be U with products like micro-financing and features such as a gamified financial health platform to further promote financial inclusion and literacy.

Progress and Achievements:

These efforts have resulted in a substantial decrease in customer complaints, highlighting our continuous commitment to delivering a secure and efficient digital banking experience. By combining innovation with customer-centric service delivery, we are setting new benchmarks in digital customer service, ensuring that our platforms not only meet but exceed customer expectations.

Customer Data Analytics

What We Did:

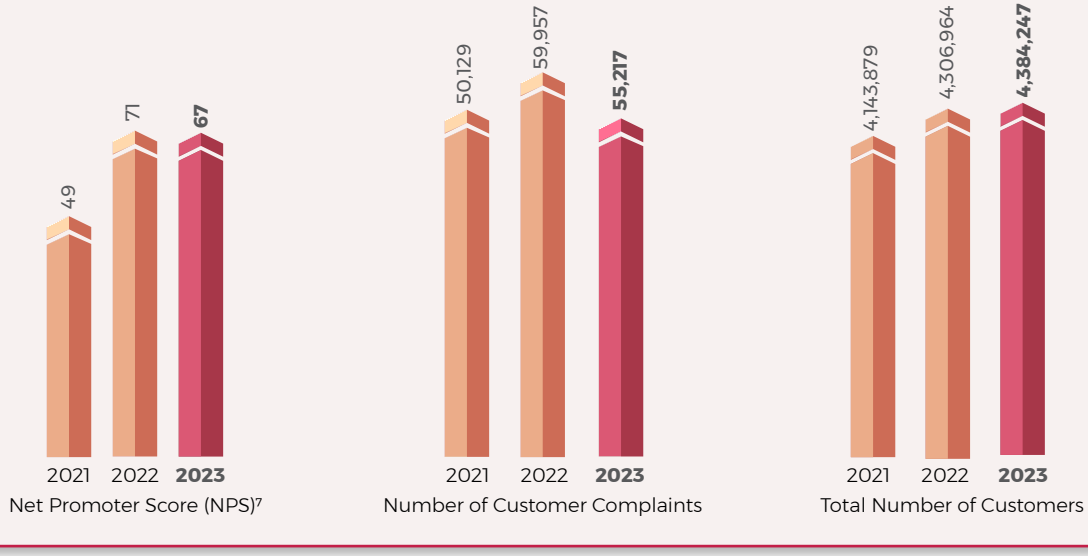
Our data science practice continues to make strides through strong collaboration with various business units. This year, we sharpened our analytics capabilities which included the launch of the Next Best Product initiative. Additionally, we have also expanded our footprint into new areas, including Group Institutional Banking (GIB) with the BIMB Intelligent Portal (BZINT) for corporate intelligence and the Recovery Unit, where the team is experimenting with Generative AI to help reduce the cost of collections.

Progress and Achievements:

This effort yielded an attributable net profit of RM15.2 million due to a cumulative increase of 223 million in various services through cross-selling. We also saw a 41.1 million new investment from the *Al-Awfar* product and increased Personal Financing assets by RM17.7 million through various lead generation activities.

Overall Performance

In 2023, Bank Islam's performance data indicated a Net Promoter Score of 67, a decrease from 71 in the previous year, yet considerably above the score of 49 in 2021. Our customer complaints fell to 55,217, down from 59,957 in 2022. Additionally, our total customer count increased to 4,384,247, reflecting a continued growth in our customer base. These figures collectively suggest a year of sustained positive performance with opportunities for further improvements in customer satisfaction.



Outlook

We are dedicated to maintaining the reliability and performance of our existing mobile and internet banking systems. We will be introducing a new mobile and internet banking system that is designed to deliver an enhanced customer experience.

[7] *The Net Promoter Score (NPS) serves as a metric to gauge customer loyalty by assessing their likelihood to recommend a company to their peers.*

Environmental Impact

EMISSIONS AND ENVIRONMENTAL IMPACT

Bank Islam has committed to addressing our impacts on climate change, both through our customers as well as our operations. The impact of climate physical and transition risks is wide-ranging across sectors, with tangible impacts on communities and ecosystems in the short- and long-term.

To this end, the Group has committed through our Sustainability Commitments to initiate, develop and implement climate strategies that address climate risk and opportunities in our business. Among the climate-related focus areas as part of our Commitments include addressing carbon intensive sectoral exposures, increasing assets with positive climate impact, and working towards achieving a carbon neutral position in operational conduct (Scope 1 and 2 emissions) by 2030.

Among the key initiatives we have undertaken include identifying and assessing our climate-related risks and impacts since 2021, followed by a focus on implementing requirements as outlined in the BNM CRMSA, CCPT and TCFD Recommendations. We implement strategic initiatives to minimise our carbon footprint in our own operations, including optimising energy usage in buildings and promoting digital transactions. By actively pursuing sustainability and climate efforts beyond regulatory compliance, we aspire to be able to support our customers' climate transition journey in the long-term.

The Overall Approach

At Bank Islam, we have set a target to achieve a carbon neutral position in operational conduct (Scope 1 and 2 emissions) by 2030. We have already established baseline emissions for both Scope 1 and 2 in 2023 and are actively implementing strategies to meet this goal.

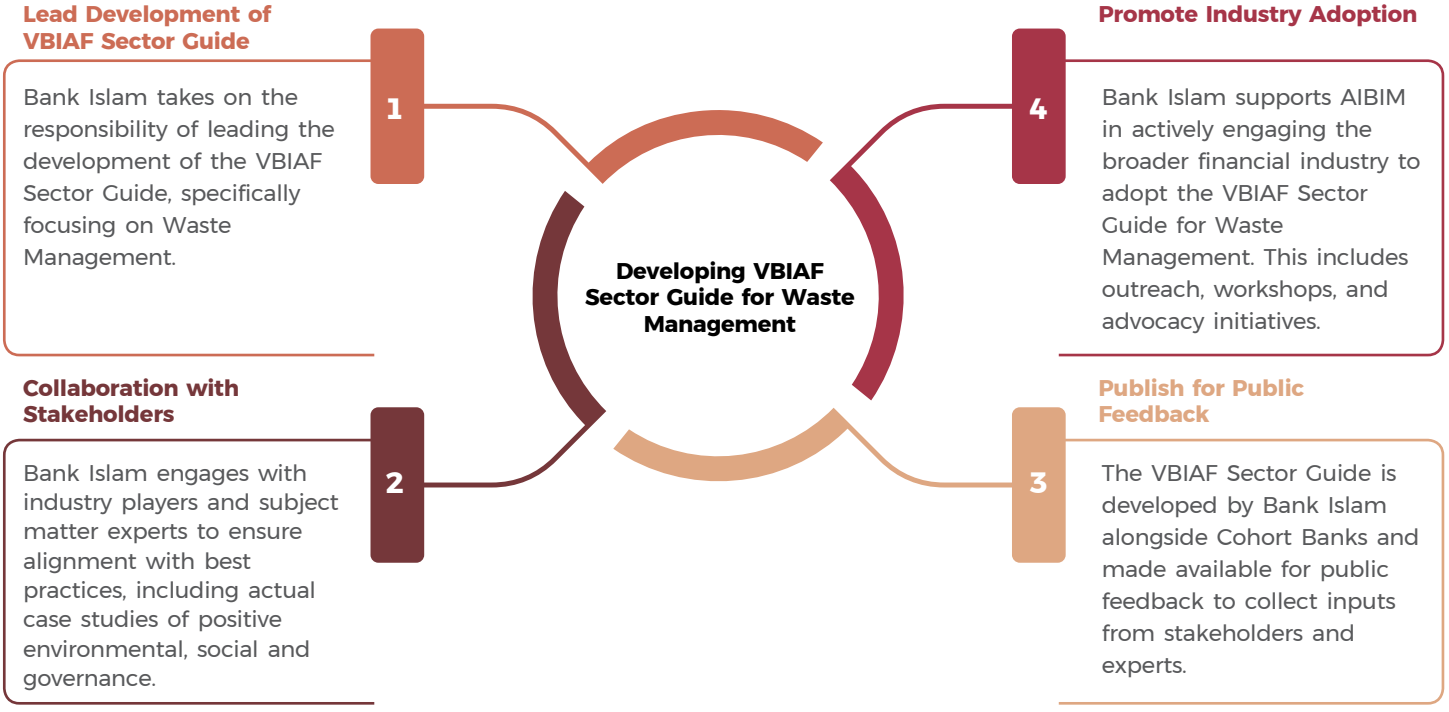
OUR MULTI-PRONGED APPROACH ENCOMPASSES:

Reducing Our Carbon Footprint: This includes adoption of renewable energy sources, enhancement of energy efficiency across our operations, and providing innovative financing instruments tailored to support the adoption of low-carbon transport solutions. We further proactively reduce our footprint by procuring environmentally friendly products and services.

Minimising Our Environmental Impact: This priority encompasses responsible resource management, waste reduction, and water conservation. Recognising the ongoing effort required to support the shift towards a low-carbon economy, we leverage continuous digitisation, particularly to reduce paper usage.

Advancing Policy and Awareness: We actively engage stakeholders to raise awareness of climate change and promote actionable solutions. Collaborative efforts deepen collective understanding and incite proactive responses. We have initiated engagement with clients on climate-related risk management, provide products to empower SMEs to navigate environmental challenges, and foster dialogue across the business ecosystem.

Our commitment to sustainability was recognised by the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM), who entrusted us with leading the development of the third edition of the Value-based Intermediation Assessment Framework (VBIAF) Sector Guide on Waste Management. They appointed us to lead the development of the third edition of the VBIAF Sector Guide on Waste Management. This collaborative effort has led to the widespread dissemination of the guide across the industry.



The Value Created in 2023

In 2023, Bank Islam made progress in incorporating sustainability principles across our operations and within the communities we serve. We implemented various initiatives and collaborations focusing on environmental responsibility, responsible financial practices, and long-term growth for all stakeholders.

1. Promoting Energy Efficiency

Our commitment to a greener future is realised through the adoption of solar panels and the modernisation of our infrastructure. By harnessing renewable energy and enhancing energy efficiency with smart technologies, we are making progress towards reducing our environmental footprint and leading the way in sustainable operations.

Our key initiatives include:

a) **Renewable Energy Adoption:** We have installed solar panels at eight (8) of our branches and are in the process of establishing baseline data to enhance our understanding and optimisation of their use. Initial results show promising monthly energy usage and cost reductions ranging from 9% to 70% in four pilot branches. We remain committed to extending this initiative to further reduce energy consumption across more branches.

b) **Energy Efficiency Enhancements:** Our commitment to operational efficiency and environmental responsibility is reflected in various ongoing initiatives, including:

- Upgrading to energy-efficient lighting throughout our branches.
- Utilising Smart Building Management System sensors to optimise air conditioning usage.
- Collaborating with building landlords to explore further energy-saving opportunities.

Environmental Impact

c) **Carbon Data Management:** To ensure transparent and comprehensive carbon footprint reporting, we are taking the following steps:

- **Appointing Dedicated Data Custodians:** These individuals are responsible for collecting and providing raw carbon data from their designated sources.
- **Seeking an Automated Carbon Data Management Dashboard:** This tool will enhance efficiency and transparency in data collection and reporting.

2. Minimising Waste Generation

Bank Islam prioritises achieving SDG 12: Responsible Consumption and Production, through initiatives that maximise recycling, material reuse, and promote responsible waste practices via waste segregation bins. To this end, we have intensified our efforts to enhance waste management, prioritising the optimisation of recycling and material reuse. This commitment is demonstrated through bank-wide sustainability initiatives, such as the use of waste segregation bins to promote responsible waste practices, alongside targeted initiatives aimed at improving energy efficiency.

3. Piloting "War on Waste" Campaign

To further minimise waste and elevate sustainability awareness, we launched a 100-day, bank-wide "War on Waste" campaign. This platform empowers employees to reduce unnecessary costs, eliminate waste, and champion sustainability within the organisation.

The campaign also aims to ingrain a deeper understanding of Bank Islam's sustainability parameters and baseline, providing a platform for collective tracking and improvement of our sustainability goals. Additionally, everyone will be equipped with knowledge about key metrics like electricity consumption, water usage, and carbon emissions within their work areas.

4. Promoting Water Conservation Efforts

Understanding the importance of responsible water management, we have implemented advanced water conservation technologies. This enables us to work towards reducing our reliance on municipal water sources, demonstrating our commitment to efficient resource utilisation.

Objective	What We Did
Reduce dependency on municipal water supplies	We have implemented rainwater harvesting systems across our facilities, capturing and storing rainwater for reuse. This significantly reduced our dependence on municipal water supplies, promoting sustainability and reducing our environmental impact.
Implement sustainable water-saving measures	We have integrated advanced leak detection sensors throughout our infrastructure. These sensors play a key role in identifying and addressing leaks promptly, preventing unnecessary water loss. This innovative approach ensures efficient water usage and conserves valuable resources. In terms of electricity consumption, our branches achieved an average Ringgit saving of 54% between June and December 2023. This translates to a power saving of 55%, equivalent to 110,798.1 kWh saved and 84 tonnes of CO_2 equivalent (tCO_2e) avoided.

5. Cultivating Environmental Knowledge and Skills

We equip and empower local communities with the tools and resources needed to lead environmental initiatives and become active stewards of their environment. This collaborative approach fosters a sense of ownership and builds long-term sustainability.

6. Fostering Community Collaboration for Environmental Stewardship

We foster a culture of environmental awareness and empower individuals to become active advocates for sustainability. Through education and training, we cultivate a generation of environmental change makers who are equipped to address current and future challenges.

Overall Performance

We have updated our methodology for calculating consumption and emissions, resulting in an increase in reported figures. The revised figures show Scope 1 emissions at 8.8 tonnes of CO_2e, Scope 2 emissions at 11,785.3 tonnes of CO_2e, and Scope 3 emissions related to business travel at 485.3 tonnes of CO_2e. This is due to the inclusion of fuel from generator sets in Scope 1 and electricity from additional outlets and branches in Scope 2, starting from 2023.

We have recorded an increase in water consumption, up to 212,137 cubic meters, from the previous year. Additionally, paper usage has also increased to 48,540,365 sheets, highlighting areas where our resource management strategies must be strengthened. While these figures suggest that further improvements are necessary, we remain focused on enhancing our sustainability practices and operational transparency in 2024.

Total Carbon Emissions (tCO_2e)	2021	2022	2023
Scope 1: Fuel (tonnes)	5.6 CO_2	5.6 CO_2	**8.8 CO_2**
Scope 2: Electricity (tonnes)	11,635.4 CO_2	11,848.3 CO_2	**11,785.3 CO_2**
Scope 3: Business Travel (Car and Motorcycle) and Water Consumption (tonnes)	273.4 CO_2	408.5 CO_2	**485.3 CO_2**

Other Consumables	2021	2022	2023
Total Water Consumption (m^3)	194,950.0	158,169.5	**212,137.0**
Sheets of Paper Used	40,474,000	46,738,467	**48,540,365**

Our Vision for the Future

We are taking a proactive approach to mapping our Scope 3 emissions and establishing a clear baseline by 2024. To achieve this, we have initiated early steps, such as introducing data templates for business customers to report their emissions.

Furthermore, we are transforming our branches to be more environmentally friendly. This includes implementing energy-efficient systems like motion-sensing technology and exploring renewable energy sources like solar power and rainwater harvesting. These initiatives align with our commitment to reducing our environmental impact and contributing to a more sustainable future.

Social Impact

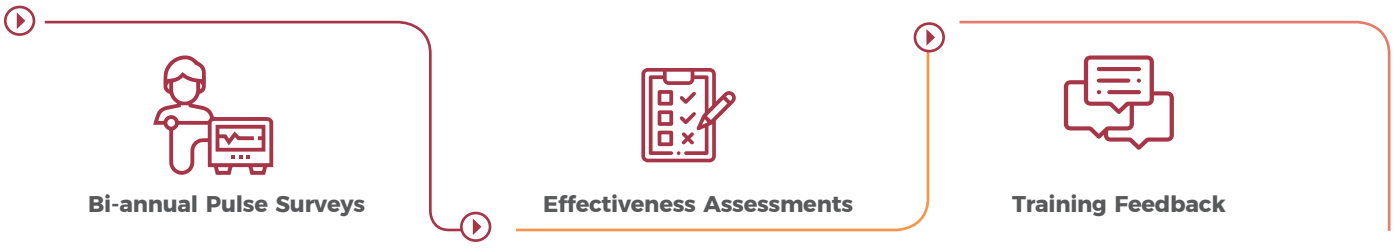
EMPLOYEE WELL-BEING, HEALTH AND SAFETY

We strive to create a safe and supportive environment where our people can thrive, both now and in the future. Robust workplace measures minimise the risk of accidents and injuries, allowing our staff to focus on their work and reach their full potential.

The Overall Approach

Bank Islam is committed to fostering a supportive, secure, and enriching work environment. Our efforts are grounded in the *Maqasid Shariah* principles, emphasise trust, integrity, and Islamic values to comprehensively meet our staff's needs — physical, emotional, mental, spiritual, and financial.

We place a high priority on maintaining open lines of communication with our employees, constantly seeking to enhance our support mechanisms. To this end, we employ a variety of dedicated tools, including:



Our dedication to fostering a safe and supportive work environment is evident through our comprehensive policies and practices:

Dedicated Occupational Safety and Health (OSH) Committee

Leading the charge in employee safety, the OSH committee is responsible for:

- Developing and implementing comprehensive OSH policies, ensuring alignment with all relevant regulations.
- Overseeing the effective enforcement of OSH policies across all locations, conducting regular audits and inspections to monitor adherence to OSHA standards.
- Organising regular campaigns, workshops, and training sessions to cultivate a culture of safety consciousness among employees. This includes providing informational materials on safe work practices and hazard identification.
- Investigating any work-related incidents, implementing corrective measures to prevent future occurrences, and adhering to OSHA reporting requirements.
- Regularly reviewing and updating OSH policies and practices to ensure their effectiveness in safeguarding employee safety.

Department Floor Marshals

Each department has designated individuals dedicated to:

- Coordinating swift and coordinated responses during emergencies.
- Proactively identifying and addressing potential hazards.
- Educating and empowering colleagues on safe work practices.
- Serving as a vital link between employees and emergency personnel in case of incidents.

Occupational Safety and Health (OSH) Policy

- We enforce a comprehensive safety policy, conduct regular awareness campaigns, and operate dedicated OSH committees. Safety communications are frequent, focusing on compliance and healthy workplace practices.

Safety Audits

- We conduct thorough audits at both headquarters and branches to ensure compliance with OSHA standards and reinforce our commitment to a safe work environment.

Disciplinary Management Policy

- We are committed to addressing employee concerns regarding conduct, performance, and discipline through our Disciplinary Management Policy (DMP). This policy ensures fair and impartial handling of matters related to improper behaviour, indiscipline, operational misconduct, and performance issues.

By emphasising open communication, continuous improvement, and extensive support, Bank Islam strives to cultivate a workplace where every employee feels valued, safeguarded, and empowered to excel.

Social Impact

The Value Created in 2023

1. Championing Holistic Well-Being

Bank Islam launched a comprehensive set of initiatives within the "Live Well" programme to enhance the overall well-being of our employees. Covering emotional, mental, physical, spiritual, and financial wellness, these initiatives underscore our commitment to creating a supportive work environment.

a) Mental Wellness

We are committed to fostering a workplace culture that encourages open communication and support to enhance mental well-being. Our initiatives empower staff with a variety of tools and strategies to effectively manage their mental health.

BITI-Friend, A Peer-to-Peer Support Platform

Objective:

To support employees in addressing mental health issues, fostering a culture of openness and encouraging help-seeking when needed.

What We Did:

Since 2023, we launched BITI-Friend, a platform empowering employees to prioritise their well-being. Connecting them with trained volunteers, we foster open conversations, destigmatise mental health support, and normalise help-seeking behaviour within our organisation.

Progress and Achievements:

Our collaboration with the Malaysia Mental Health Association has equipped **30 staff** with valuable skills, expanding BITI-Friend's support network and reinforcing our commitment to fostering a workplace culture where mental health acceptance and help-seeking are the norm.

"Live Well" Portal

Objective:

To promote employee well-being by providing accessible mental health support and resources.

What We Did:

In collaboration with Naluri, a leading health-tech firm specialising in digital mental health and wellness solutions, we launched the "Live Well" portal. This strategic collaboration provides our employees with remote therapy sessions, diverse health resources, and continuous support access, enhancing accessibility to comprehensive well-being tools and services.

Progress and Achievements:

Our collaborative efforts led to **276 therapy hours** delivered and **47 Naluri careline calls** managed, significantly boosting mental health support for our employees.

b) Physical Wellness

We continue to uphold our commitment to improving the well-being of our community by prioritising initiatives that focus on physical health.

HR Mini Health Week

Objective:

To empower employees to prioritise their health and cultivate a positive work-life balance.

What We Did:

The HR Mini Health Week showcased our commitment to employee well-being, offering a holistic approach to improve physical and mental health. This initiative included health screenings, fitness sessions, and wellness awareness campaigns, while also granting our employees access to invaluable resources such as BITI-Friends, Naluri, and Social Security Organisation (SOCSO).

Blood Donation Day

Objective:

To encourage blood donation among employees.

What We Did:

Our annual Blood Donation Day witnessed almost 100 employee donors actively participating, showcasing our dedication to employee health and the collective impact of our actions. This turnout directly addressed community needs, highlighting the connection between personal well-being and social responsibility.

The Biggest Loser 2.0

Objective:

To foster a culture of health and fitness, leading to improved physical wellness and weight management.

What We Did:

Building on the success of the 2021 wellness challenge, we reintroduced the "Biggest Loser 2.0" programme in 2023. With 377 participants enrolled, 150 successfully completed the challenge. The programme yielded impressive results, including a notable 25% enhancement in overall physical wellness and an average weight loss of 3.0kg among participants.

Testimonials from our BITIZENs

Asmawati Kamarudin – Senior Confidential Secretary, Business Marketing Division – "I've always wanted to switch to a healthier lifestyle to get fit and at the same time reduce the risk of many chronic diseases. After seeing the email about the Biggest Loser Challenge programme, I grabbed this opportunity. That started my 16-week journey (March to July). Now, there are no words to explain how good I feel from the inside out... I feel fabulous! I found a healthy balance by not restricting myself to certain things I like, such as desserts, especially chocolate, but just limiting the amount I consumed. It has helped me change my eating habits along with adding exercise to my lifestyle. My advice to others would be to find your 'why'! What is the reason why weight loss is important to you – that is what will keep you going. You will be successful by sticking to the dietary plans provided by coaches (Naluri Programme). I feel and look great, which has helped boost my confidence a lot. I am glad I didn't give up and now have the tools needed to maintain my new lifestyle. I would totally recommend it to anyone struggling to lose weight."

Imran Tuan Yaacob – Group Social Finance Division – "Participating in the programme was a life-changing experience! With the support of the programme, I achieved my weight loss goals and adopted a healthier lifestyle. The challenge pushed me to overcome obstacles and empowered me to make positive changes."

Social Impact

c) Spiritual Wellness

We launched innovative programmes to nurture spiritual and educational growth, aligning with our core Islamic values and commitment to integrity. By integrating Islamic teachings into daily routines and offering enriching educational content, our goal was to create a nurturing environment for individuals to thrive spiritually and professionally.

Ramadan Webinar Series

Objective:

To foster integrity and moral uprightness among participants by exploring the teachings of *Surah Al-Kahf*.

What We Did:

Through the *Ramadan* Webinar Series, we delved into the teachings of *Surah Al-Kahf* from the *Qur'an*. Focused on themes of faith, humility, and wisdom, the series centred on the principle of integrity. By extracting lessons from the *surah's* narratives, we aimed to promote honesty and moral values, aligning with *Ramadan's* focus on reflection and spiritual development.

Morning Doa Recitation

Objective:

To cultivate mindfulness and spiritual awareness within our organisation.

What We Did:

We implemented a daily morning *doa* recitation, featuring the recitation of prayers or supplications through the bank's Public Address (PA) system. This practice is intended to commence each working day with mindfulness and purpose, in line with our organisation's core values of "Think Customer, Act with Integrity, Advance Beyond, and Take Charge" (TAAT). It serves as a daily reminder of our spiritual aspirations, reinforcing our commitment to these values and enhancing the overall well-being of our employees.

Islamic Educational and Spiritual Development Series

Objective:

To promote spiritual growth through Islamic education, facilitating community learning and reflection.

What We Did:

We introduced the Islamic Educational and Spiritual Development Series, featuring over 20 talks, including the prestigious *Kuliah Perdana* series. This initiative aimed to nurture spiritual growth and provide educational content on Islamic teachings and practices. By doing so, we created a platform for learning, reflection, and spiritual development, catering to the diverse needs of our community.

d) Financial Wellness

Recognising the correlation between financial well-being and job satisfaction, we are committed to improving employee contentment and productivity. This commitment is demonstrated through our continuous support of the financial needs and aspirations of our workforce via ongoing initiatives.

Talk Series with Credit Counseling and Debt Management Agency (AKPK)

Objective:

To promote financial resilience and smart money management among our employees.

What We Did:

In collaboration with Malaysia's Credit Counseling and Debt Management Agency, AKPK, we hosted a Talk Series designed to empower our employees for a more secure financial future. Covering practical topics such as responsible borrowing and retirement planning, the series consisted of five sessions. A total of 3,281 employees benefited from these sessions, gaining valuable knowledge and tools to make informed financial decisions. This initiative underscores our commitment to nurturing a healthy and empowered workforce. Positive feedback from participants further validates the impact of this initiative on their financial well-being.

EPF Webinar & On-Ground Engagement

Objective:

To promote financial resilience and smart money management among our employees.

What We Did:

We collaborated with EPF to conduct a webinar, equipping 420 staff members with insights into their retirement plans and personal finance. Furthermore, 80 staff members proactively sought additional information at the KWSP booth, demonstrating their dedication to financial well-being.

2. Cultivating a Culture of Trust and Transparency

Recognising the importance of a healthy work-life balance, we have implemented various initiatives to empower our workforce through flexibility and inclusivity. This commitment fosters open communication, collaboration, and ultimately, a thriving and engaged team.

Flexible Working Arrangements

Objective:

To offer employees the freedom to work remotely, with the aim of improving work-life balance, productivity, and overall job satisfaction.

What We Did:

Implemented a flexible work policy, allowing employees the opportunity to work from any location that best suits their role.

Value Created:

Over **1,900 employees** have enjoyed this perk, with positive feedback indicating that 75% acknowledged improved work-life balance and 80% appreciated the convenience of remote work, as reported by BITI-Pulse 1 respondents.

Social Impact

WOW (Won't Judge, Open, and Win Together) Conversations

Objective:

To foster open, honest, and constructive dialogues amongst our employees.

What We Did:

Launched the WOW Conversations platform to promote open constructive dialogue and feedback. This initiative establishes a structured environment for all employees to freely express thoughts, ideas, and constructive feedback in a transparent manner towards developing mutual understanding of a common goal and encouraging change for a more positive impact.

Value Created:

Enhanced transparency and collaboration towards a common goal in a positive and psychologically safe work environment that encourage employees open to receiving and honest in giving constructive feedback.

3. Fostering a Culture of Safety and Well-being

We prioritise a thriving workforce through strategic initiatives that enhance employee capabilities. These initiatives demonstrably improve compliance, participation, and well-being, leading to a stronger organisation.

OSH Conference

Objective:

To enhance Bank Islam's Occupational Safety and Health (OSH) compliance across all branches and office premises and foster a safe and healthy working environment for all employees.

What We Did:

Leveraging interdepartmental collaboration, the General Administration & Property Department, Branch Operations Department, and the state's Department of Occupational Safety and Health (DOSH) jointly organised the OSH Conference 2023 in May. This initiative engaged teams from regional offices and branches, fostering a comprehensive exchange of knowledge and best practices in occupational safety and health.

Value Created:

The OSH Conference served as a valuable platform to educate and empower managers with the necessary knowledge to uphold rigorous OSH legal requirements.

Kelab Bank Islam

Objective:

At Kelab Bank Islam, we aim to enhance the welfare and well-being of our BITIZENs at Bank Islam. We focus on uniting our employees through sports, recreational activities, and employee bonding, thereby fostering camaraderie and representing our brand at state and national levels.

What We Did:

Throughout the year, we organised a variety of activities for our members. These included welfare and spiritual programmes, annual sports, and outdoor events such as mountaineering expeditions to Mount Kinabalu and Everest Base Camp, as well as the Karnival Sukan Kelab Bank Islam. We also proudly represented Bank Islam in external events and national celebrations, facilitating our employees' participation in various competitive and engaging teamwork activities.

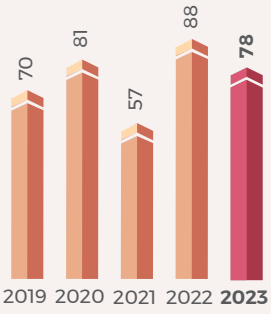
Progress and Achievements:

Our active engagement has led to a significant increase in participation, with the Karnival Sukan Kelab Bank Islam attracting 1,424 employee athletes and 77 volunteers. Our membership reached 4,278 by the end of 2023, governed by a committee of 10 elected members and chaired by the GCHRO, with the GCEO serving as the club's patron. Our robust agenda and inclusive activities have effectively promoted internal unity and enhanced our Bank's community presence.

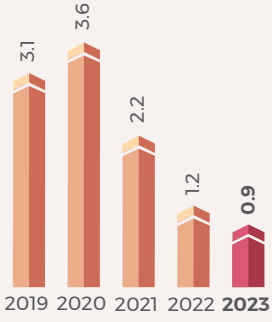
4. Overall Performance

In 2023, our performance reflected a commitment to safety with consistent safety training programmes and a decrease in work-related injuries. We are encouraged by these results. We see this as an opportunity to refine existing initiatives and explore new methods to cultivate a work environment that prioritises both safety and employee well-being.

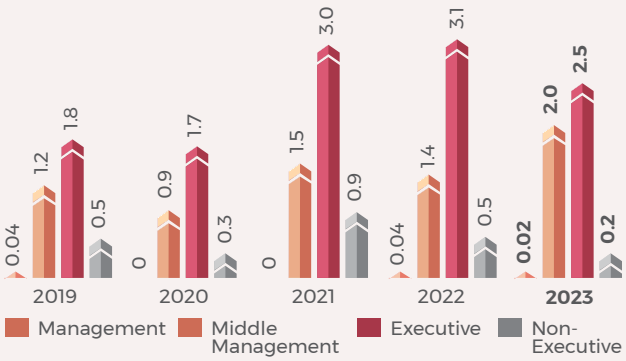
Employee Engagement Index (%)



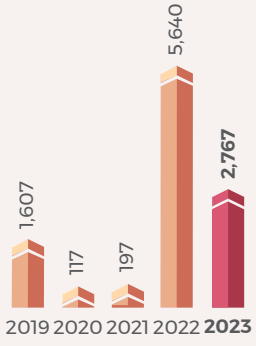
Employees that are contractors or temporary staff (%)



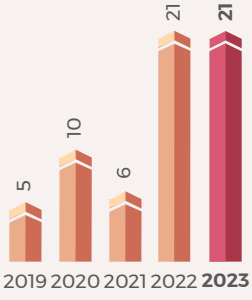
Total employee turnover by category (%)



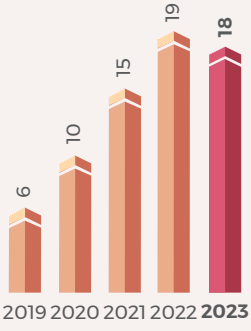
Number of employees trained on health and safety standards



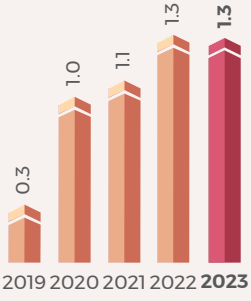
Number of training programmes for workers on occupational health and safety



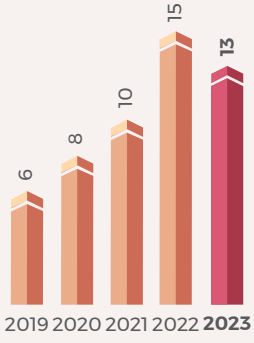
Number of Health & Safety Incidents



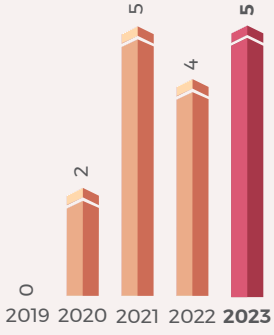
Lost Time Incident Rate



Number of work-related injuries



Number of work-related ill health



Number of discrimination incidents

Number of corrective actions regarding discrimination incidents taken

Number of substantiated complaints concerning human rights violations

Social Impact

Our Vision for the Future

Bank Islam looks ahead with a focus on employee well-being, enhancing Live Well Programmes, offering on-site therapy for mental health, and integrating fair and ethical labour practices into future programmes to promote inclusivity and diversity.

TALENT AND DEVELOPMENT

In a rapidly evolving financial landscape, we invest in upskilling and reskilling our diverse workforce through robust training and development programmes. This strategic approach empowers our team with the essential knowledge and confidence to:

1. **Achieve LEAP25 goals:** We equip our employees with the specific skills and competencies needed to contribute to the successful implementation of our ambitious LEAP25 strategy.
2. **Navigate industry challenges:** By anticipating and understanding industry trends and disruptions, our upskilled workforce is prepared to overcome obstacles and adapt to changing circumstances.
3. **Drive national economic progress:** We believe a skilled and confident workforce plays a crucial role in propelling national economic growth and development, especially where sustainability-related issues are concerned.

Furthermore, our commitment to talent development attracts and retains top talent. This allows us to build a high-performing team dedicated to delivering purpose-driven banking solutions and solidifies our position as a leader in the industry.

The Overall Approach

Recognising the importance of talent development for achieving sustainable growth and stakeholder value, we prioritise talent development through a two-pronged strategy:

Two-pronged Strategy

Building a Robust Leadership Pipeline

Purposeful Succession Planning

We leverage the Leadership Competency Model to identify and cultivate high-potential leaders who align with our strategic goals. This fosters smooth transitions across Group Management Executive Committee (GMEC) and Non-GMEC positions, ensuring continuous leadership strength.

Deepening Sustainability Expertise

Learning Framework

Fostering a continuous learning culture, this in-house framework equips Board, management, and all employees with the knowledge and skills for navigating the evolving sustainable banking landscape.

The Value Created in 2023

In 2023, we focused on equipping our people with the skills and knowledge they need to excel in a changing landscape. We invested in leadership development, identified future talent, and upskilled our workforce for digital and sustainable challenges.

1. Investing in Our Leaders

We enhance leadership capabilities and promote diversity within our talent pool by implementing strategic initiatives such as specialised certification programmes, targeted coaching, and comprehensive talent assessment. This deliberate approach cultivates a resilient and adaptable leadership team, well-equipped to navigate the challenges and opportunities of the future.

Professional Certification for C-Level Executives

Objective:

To showcase commitment to top-tier expertise and equip C-level executives with specialised knowledge.

What We Did:

Recognising the importance of staying abreast of industry trends and demands, we actively supported our C-level executives in pursuing the Chartered Professional in Islamic Finance (CPIF) certification.

Progress and Achievements:

Achieved a **20% increase in C-level executives** with CPIF certification compared to the previous year.

Executive Coaching Programme

Objective:

To cultivate confident and agile leaders.

What We Did:

We strategically invested in the professional development of our senior leadership by enrolling them in Executive Coaching Programme. This initiative focused on refining self-awareness, honing leadership skills, and emphasising adaptability, aligning closely with our commitment to continuous leadership development and excellence.

Progress and Achievements:

The positive feedback received has prompted us to extend the programme into 2024.

Social Impact

People Review Exercise

Objective:

To identify successors and assess readiness for senior leadership roles, promoting diversity and building a robust talent pipeline.

What We Did:

In Q4 2023, we conducted a thorough People Review specifically for senior leaders. This involved identifying potential successors and evaluating their preparedness for assuming leadership roles in the future within our organisation.

Progress and Achievements:

This effort yielded a robust talent pool at Bank Islam, where **22% of management successors** are talented women from middle management, showcasing our dedication to diverse leadership. The 1:2.7 talent-to-position ratio underscores Bank Islam's effectiveness in grooming employees for future roles.

2. Future-Proofing Our Workforce

Bank Islam prioritises employee development with strategic initiatives offering diverse learning opportunities, while also proactively identifying essential future roles and aligning with employee career aspirations. Our commitment extends beyond current employees, fostering future talent through programmes like Youth Power Up, thereby empowering a future-ready workforce that drives innovation and industry leadership.

Future Skills Study

Objective:

To identify critical future roles and develop strategies to ensure a future-proof workforce.

What We Did:

We collaborated with an independent consultant to identify 17 key roles and develop strategies including competency development, external consultancy engagement, job review, talent redeployment, and targeted talent sourcing and hiring.

Progress and Achievements:

Following this study, we are currently formulating plans for the roles we have identified to facilitate seamless succession and ensure our workforce remains adaptable for the future.

Digital Academy and Upskilling Programmes

Objective:

To provide employees with structured learning paths to enhance digital capabilities.

What We Did:

Since 2021, our Digital Academy has equipped employees with sought-after skills in Data Analytics, Cloud Security, and Agile Project Management through focused training programmes. In parallel, we offer comprehensive digital upskilling initiatives accessible to all, ensuring everyone develops relevant knowledge and capabilities. This combined approach fosters continuous growth and empowers our team to excel in the evolving digital landscape.

Progress and Achievements:

Successfully implemented comprehensive digital upskilling initiatives across all bank levels, with **4,108 staff members** participating in foundational programmes, including **2,132 junior management staff** and **1,062 executive and clerical level staff**. Additionally, **138 staff members** undertook advanced digital upskilling programmes.

Career and Workforce Development

Objective:

Engaging with universities is pivotal to our employer branding strategy. Our aim is to provide a comprehensive programme that acquaints university students and young individuals with the corporate environment, equipping them with the necessary skills to foster their professional growth and development.

What We Did:

We conducted a series of workshops and knowledge-sharing events, facilitating an exchange of industry knowledge. As part of this effort, we launched the inaugural Youth Power Up programme. This programme is tailored to familiarise students with the corporate world and arm them with relevant skills. It offers valuable exposure to the younger generation, including Bank Islam Youth Ambassadors (BIYA), undergraduate students, scholars, and interns – a diverse group of 67 participants in our inaugural event.

Progress and Achievements:

Our consistent collaboration and engagement efforts have led to notable progress and achievements. We have seen a tangible impact on our standing as a preferred employer, reflected in our improved rankings among Malaysia's universities and colleges' students and graduates. Notably, we rose to 2nd place in the Graduan Brand Awards 2023 and Malaysia's 100 Leading Graduate Employers 2023 in the Banking & Finance category, up from 3rd the previous year. Additionally, we leaped to 6th from 12th in Malaysia's 100 Leading Graduate Employers 2023 Overall, while sustaining our 4th place in the Graduates' Choice Awards 2023 Banking & Finance category.

Social Impact

Professional Certification Programmes

Objective:

To empower employees at all levels with specialised knowledge and leadership skills.

What We Did:

We offered several training and professional certification programmes, including the Certified Islamic Insurance Foundation (CIIF) related certifications, Islamic Banking and Finance Institute Malaysia (IBFIM) related certifications, Upward Mobility Certification Programme (UMCP) for Clericals, Bank Islam Leadership Acumen Development (BILAD) Programme, and INSEAD leadership development programmes. Furthermore, several other employees are actively pursuing advanced qualifications like MBAs, underscoring their commitment to continuous personal and professional development.

Progress and Achievements:

CIIF-related Certifications	• **One (1) management member** enrolled as of October 2023. • **11 C-level executives** certified.
IBFIM-related Certifications	• **104 staff members** hold Associate, Intermediate, or Certified Qualifications in Islamic Finance.
Upward Mobility Certification Programme (UMCP)	• **78 clerical staff** participated in 2023 (38 completed, 40 to finish by February 2024).
Cambridge Senior Management Programme	• **One (1) C-suite member** currently undergoing the programme.
Certified Professional Shariah Auditor	• **One (1) staff member** currently undergoing the programme.
INSEAD Executive Leadership Programme	• GCOO and GCDO attended in May 2023.

Sustainable Finance Training Programmes

Objective:

To equip our staff, particularly relationship managers and banking leaders, with the expertise and knowledge to guide and advise our clients on sustainable finance opportunities.

What We Did:

We initiated programmes in collaboration with Asian Banking School (ABS) to cultivate expertise and awareness in sustainable finance and climate risk within our workforce. These initiatives, such as Sustainable Finance for Relationship Managers Level 1, Introduction to Sustainability & Climate Risk, and Sustainable Finance Guide for Institutional Banking Leaders, were designed to equip our employees with the essential knowledge and skills needed to align our operations with global sustainability goals and regulatory standards. This proactive approach underscores our commitment to driving innovation and leadership in the financial sector by nurturing a culture of sustainability and responsible banking practices.

Progress and Achievements:

Sustainable Finance for Relationship Managers Level 1	Trained **16 relationship managers** through the programme focusing on sustainable finance and climate change impacts
Introduction to Sustainability & Climate Risk	Conducted five sessions reaching **131 participants** from various departments, broadening awareness of sustainability and climate risks.
Sustainable Finance Guide for Institutional Banking Leaders	Held a specialised programme for **10 banking leaders,** concentrating on sustainable finance principles aligned with global commitments.

Secondment Programme with Arabesque Singapore

Objective:

To provide our employees with a hands-on learning experience and further deepen their expertise in specific areas such as data analytics.

What We Did:

We implemented a 3-month secondment programme with Arabesque Singapore to enhance our employees' data analytics skills. This immersive initiative offered hands-on training and participation in real-world projects, resulting in a substantial enhancement of their practical expertise in the field.

Progress and Achievements:

Our staff member from the Data Centre of Excellence (CoE) completed a 3-month secondment where they worked with the team at Arabesque on Big Data Analytics and Artificial Intelligence (AI), strengthening their capabilities across multiple disciplines in data analytics.

Social Impact

3. Overall Performance

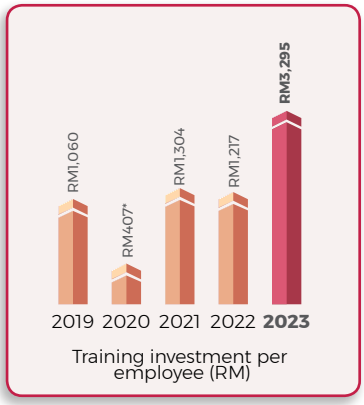
In 2023, we have reinforced our commitment to employee development and gender-inclusive advancement. We have increased our training investment to RM3,295 per employee, illustrating our dedication to nurturing our workforce's capabilities. This investment is reflected in the substantial total training hours, which reached 291,931 for the year. Notably, we have seen an appreciable rise in the average training hours to 60 per employee, highlighting our intensified efforts in personal and professional staff development.

Furthermore, we have rolled out 345 upskilling programmes in multiple and diverse topics and areas of discipline to cater to the need of the various roles within the Bank, demonstrating our focus on continuous learning and adaptability in an ever-evolving industry landscape. Promotional opportunities have also seen a positive trend, with 495 employees being promoted, indicating our focus on career progression and recognition of talent.

Underpinning our commitment to diversity and inclusion, we have maintained a balanced promotion strategy with 232 female employees and 263 male employees advancing in 2023. This showcases our commitment to creating an equitable work environment where all employees have the opportunity to grow and succeed.

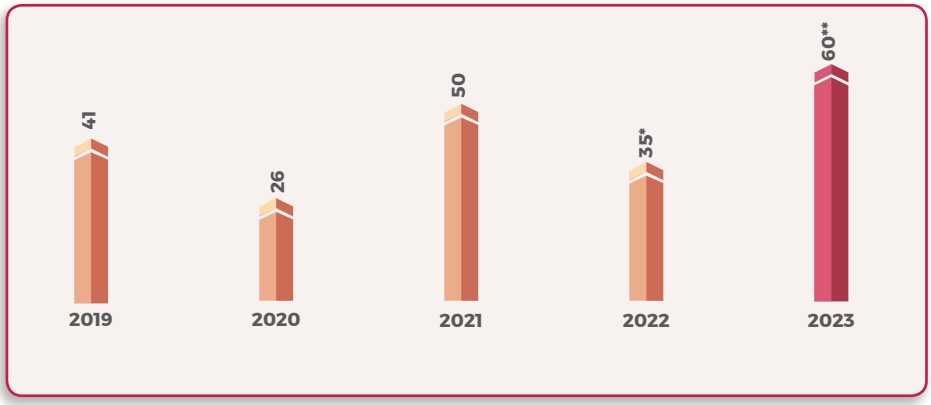
Overall, our performance in 2023 reflects a strategic approach to professional development, a steadfast investment in our people, and a culture that supports and drives gender diversity and employee advancement.

Investment in Employee Training



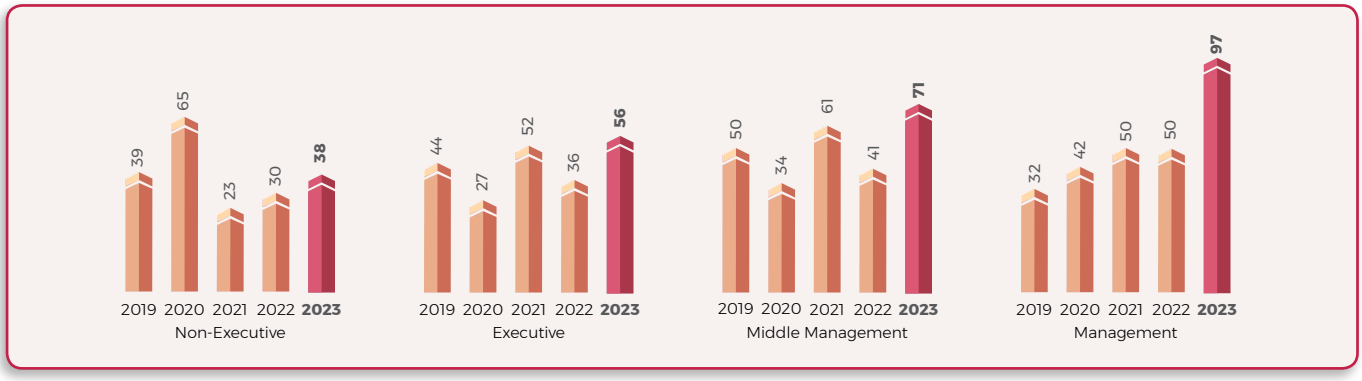
***Note:** The pandemic resulted in a reduction in training investment.*

Average Training Hours Per Employee



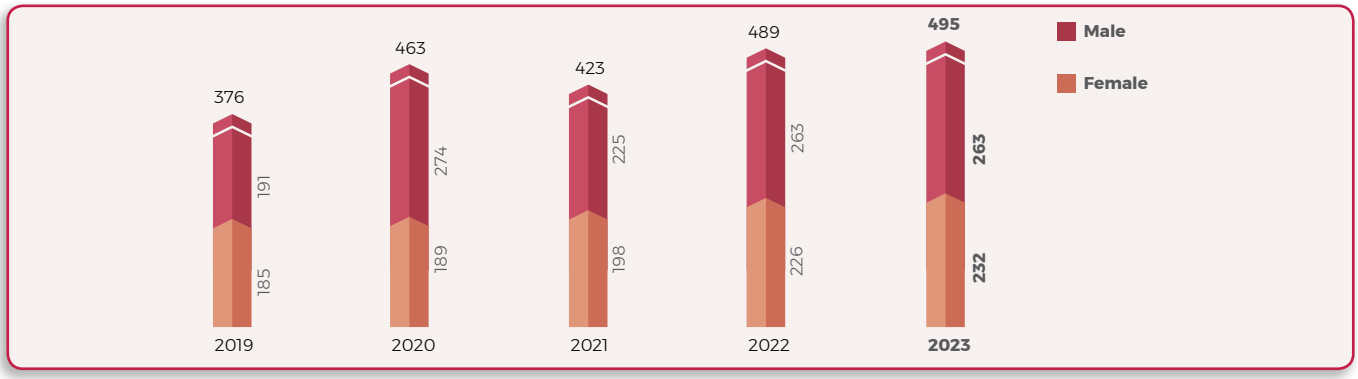
***Note for 2022:** Training hours for new hires starting from October 2022 were excluded.*
***Note for 2023:** Training hours for new hires from January to December 2023 were included.*

Average Training Hours by Job Level

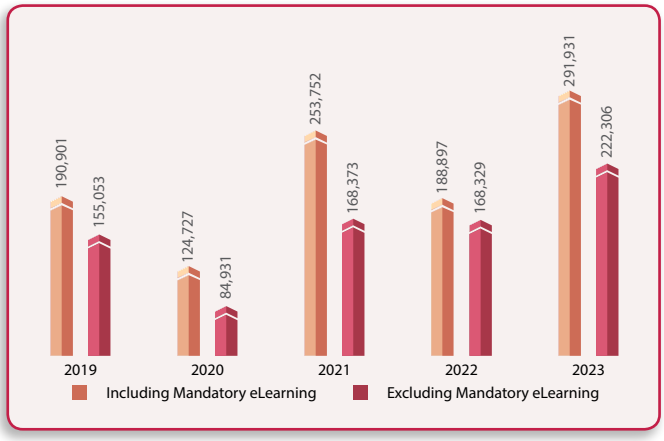


Number of Employee Upskilling Programmes

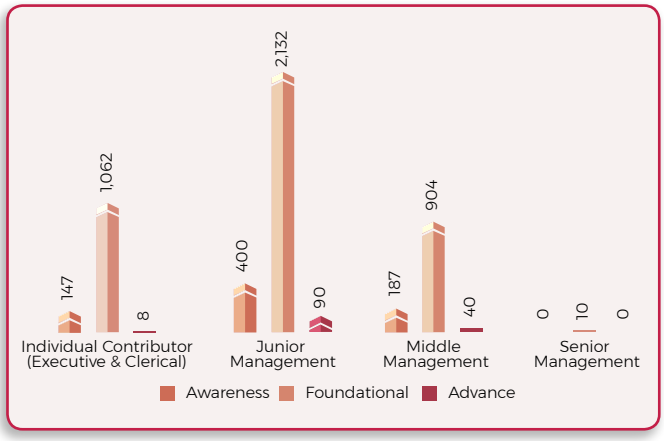
Number of Employees Promoted



Total Hours of Training



Digital Upskilling Across Different Job Levels



Social Impact

The Vision for 2024

In 2024, Bank Islam is enhancing talent and leadership development to align with our sustainable business vision. Key focuses include refining succession planning, promoting dynamic talent mobility, implementing targeted engagement strategies, and updating young talent programmes to ensure a future-proof workforce.

DIVERSITY & INCLUSION

Diversity and inclusion are central to our strategy because we recognise that a diverse and inclusive workforce is crucial for sustainable growth and success. By fostering an environment where everyone feels valued, respected and free from discrimination, we create a supportive and productive workplace. This positive atmosphere not only benefits our employees but also enhances the experience and satisfaction of our customers.

The Overall Approach

Our commitment to diversity, equity, and inclusion (DEI) is at the heart of our strategic vision and core values. We strive to foster a culture where diversity is embraced, and every individual is treated fairly and given equal opportunities, irrespective of race, gender, age, religion, or socioeconomic background. Our comprehensive DEI policy underpins this ethos, ensuring our practices in recruitment, retention, and advancement prioritise merit and align with our commitment to equity.

Respect and Fairness

We commit to the highest standards of respect, dignity, and fairness, embracing diversity across race, gender, age, and other individual differences.

Non-Discriminatory Environment

We ensure a workplace free from discrimination, harassment, and bias, creating a safe and positive environment for everyone.

Equal Opportunities

We are dedicated to providing equal opportunities for professional growth and career advancement, regardless of their background or personal characteristics.

Training and Development

Recognising the value of continuous learning and development, we provide comprehensive training to enhance diversity understanding and foster an inclusive culture.

Policy Review and Feedback

We regularly evaluate our policies for alignment with equitable practices and actively incorporate employee feedback to refine our approach.

Accountability

Every employee shares the responsibility to uphold DEI principles. Violations are addressed swiftly and fairly, consistent with our disciplinary procedures.

Central to our mission is the creation of a workplace that is not only welcoming and inclusive but also respectful of all individuals. This is manifested in several key policies designed to promote a culture of inclusivity and respect across the organisation.

We also have a strict policy against employing individuals under the age of 18, aligning with our ethical standards and dedication to responsible employment practices. Furthermore, we offer family-friendly policies such as parental leave to support our employees in achieving a healthy work-life balance.

Through these efforts, Bank Islam reaffirms our commitment to diversity and inclusion, positioning itself as a forward-thinking organisation dedicated to creating a positive impact in our community and beyond.

The Value Created in 2023

1. Empowering Women in Our Workplace

We are shaping the future with gender equity at its core, leveraging merit-based strategies to ensure women's empowerment and representation at every organisational level.

a) **Merit-Based Advancement:** Our approach to advancement prioritises merit, ensuring equal opportunities for all employees, from hiring to career progression. Emphasising academic qualifications and valuing practical experience and specific skills, we also prioritise aptitude and suitability for candidates from underprivileged backgrounds. This approach extends to our leadership succession planning, where potential and capability lead promotion decisions. While academic credentials are preferred, we are open to employing individuals with relevant experience or skills, especially if formal education is lacking, ensuring no talent is overlooked due to non-traditional backgrounds. Gender balance at senior levels is merit-driven, reflecting our commitment to diversity and equity throughout the organisation's practices.

Progress & Achievements

Our commitment to diversity and inclusion extends to fostering a balanced and representative workforce. We actively cultivate a talent pool that reflects a variety of backgrounds and perspectives, aiming to nurture a culture of inclusivity across all levels of the organisation.

This commitment includes ongoing efforts to promote female leadership, as evidenced by the steady advancement of women within our organisation.

2. Celebrating Cultural Diversity

Our inclusive policies and vibrant celebrations of global cultures forge a workplace where diversity is not just respected but celebrated, enriching our collective experience.

a) **Non-Muslim Pilgrimage Leave:** In a pioneering move, we implemented a policy for non-Muslim pilgrimage leave. This year, two (2) of our staff members utilised this leave, underscoring our respect for all religious practices.

3. Fostering a Safe & Open Workspace

We are cultivating a culture that emphasises psychological well-being and collective achievement, with a focus on inclusivity and open dialogue as its foundation.

a) **Inclusive Workplace Facilities:** Our commitment to inclusivity extends to our physical spaces. As part of this commitment, developments are underway to enhance facilities and better cater to diverse needs. These improvements include:

- **Dedicated Mother's Room:** Offering new mothers a private and comfortable space for infant care and milk expression, these rooms demonstrate our commitment to supporting working parents.
- **Accessible Sick Bay:** Equipped for initial medical attention, this on-site space will assist employees experiencing sudden illness or minor injuries, helping to prevent the spread of illness and promote a faster recovery environment.
- **Ergonomic Chairs:** Implementing ergonomic chairs throughout the workplace prioritises employee well-being and promotes optimal physical health, fostering a more comfortable and productive work experience.

b) **WOW Conversations:** This initiative establishes a framework for transparent and constructive communication, fostering an atmosphere where feedback is valued and everyone is encouraged to share openly. Initially piloted with GMEC and division heads, we aim to expand this initiative across the entire organisation by 2024, deepening our commitment to a supportive and cooperative workplace culture.

Social Impact

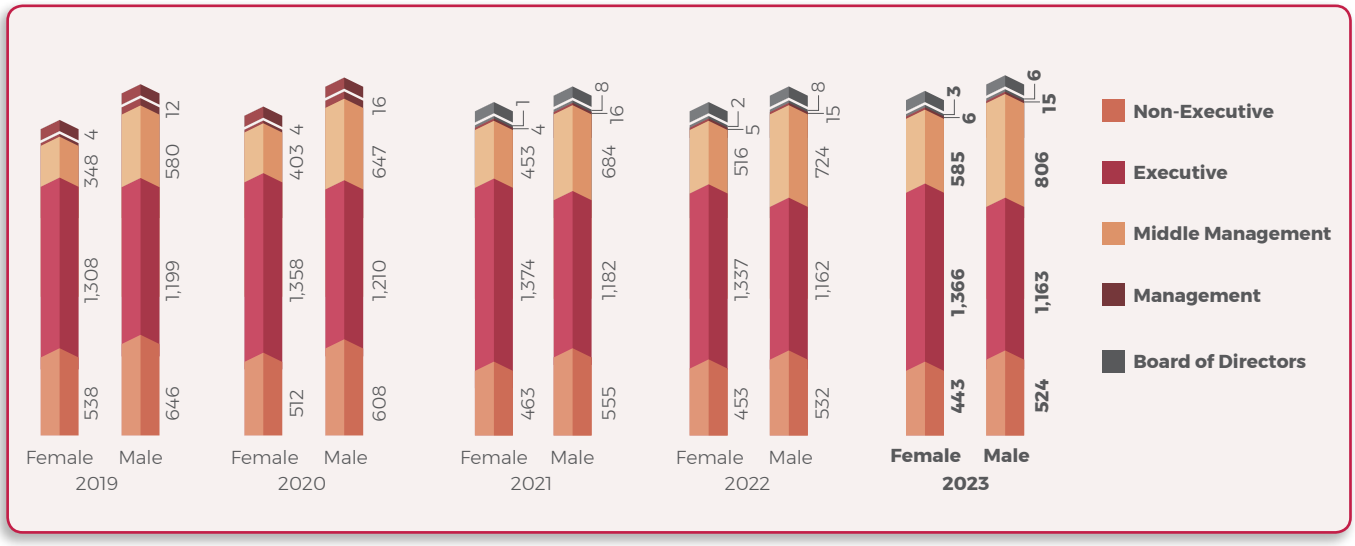
Overall Performance

1. Workforce Composition

Our workforce expanded from 4,635 in 2019 to 4,908 in 2023, demonstrating our capacity for sustained growth. Furthermore, we have seen an increase in female employees from 2,198 in 2019 to 2,400 in 2023, which underscores our ongoing dedication to gender equity within the workplace.

2. Workforce Composition by Job Level and Gender

2023 data reveals a slight increase in senior management and a rise in female employees, particularly in middle management. This trend indicates progress towards both leadership stability and a more diverse workforce.

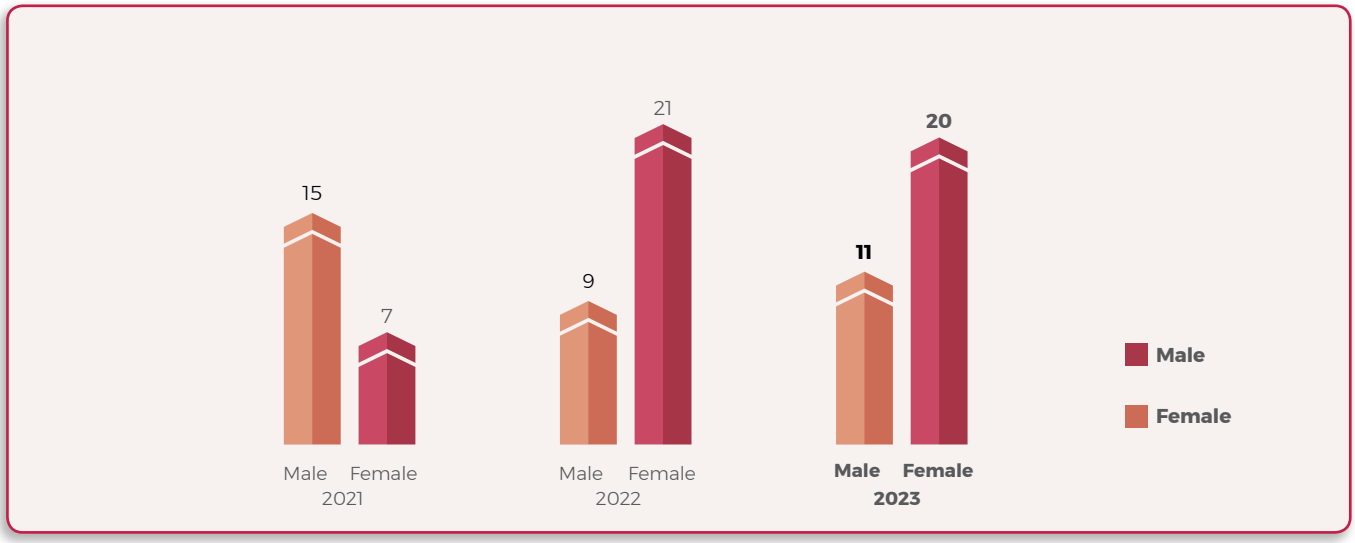


3. Representation of Local Community in Senior Management Positions

In 2023, there were 21 senior management personnel hired from local communities. This represents a slight increase from previous years.

4. Breakdown of Non-Employees by Gender

We have witnessed a steady increase in the total number of non-employees, growing from 22 in 2021 to 31 in 2023.



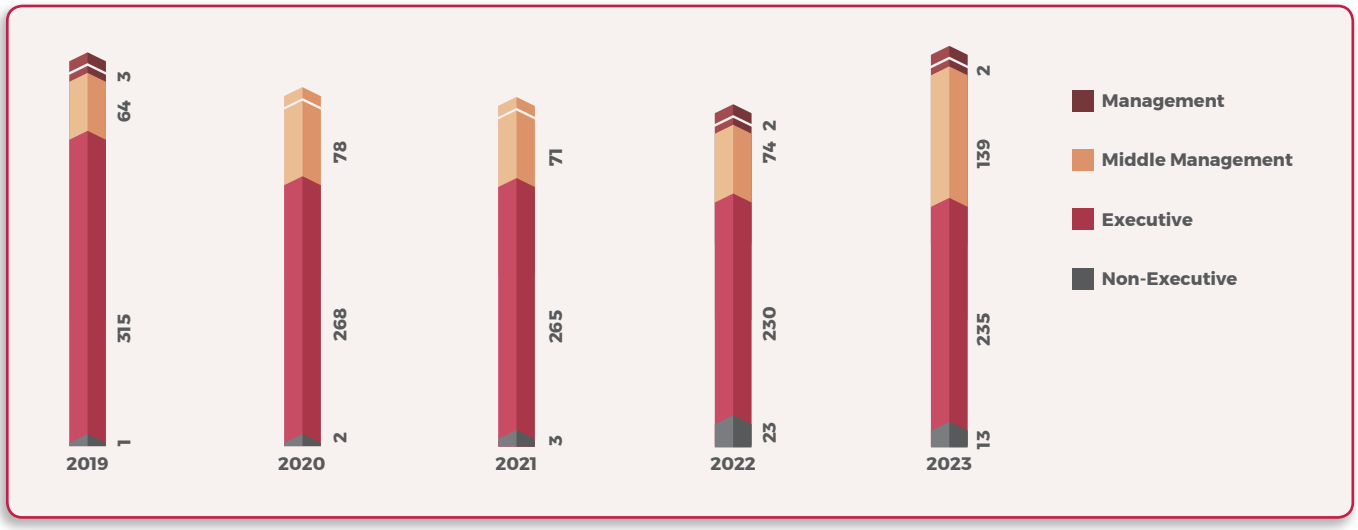
Social Impact

5. New Hires by Gender and Job Level

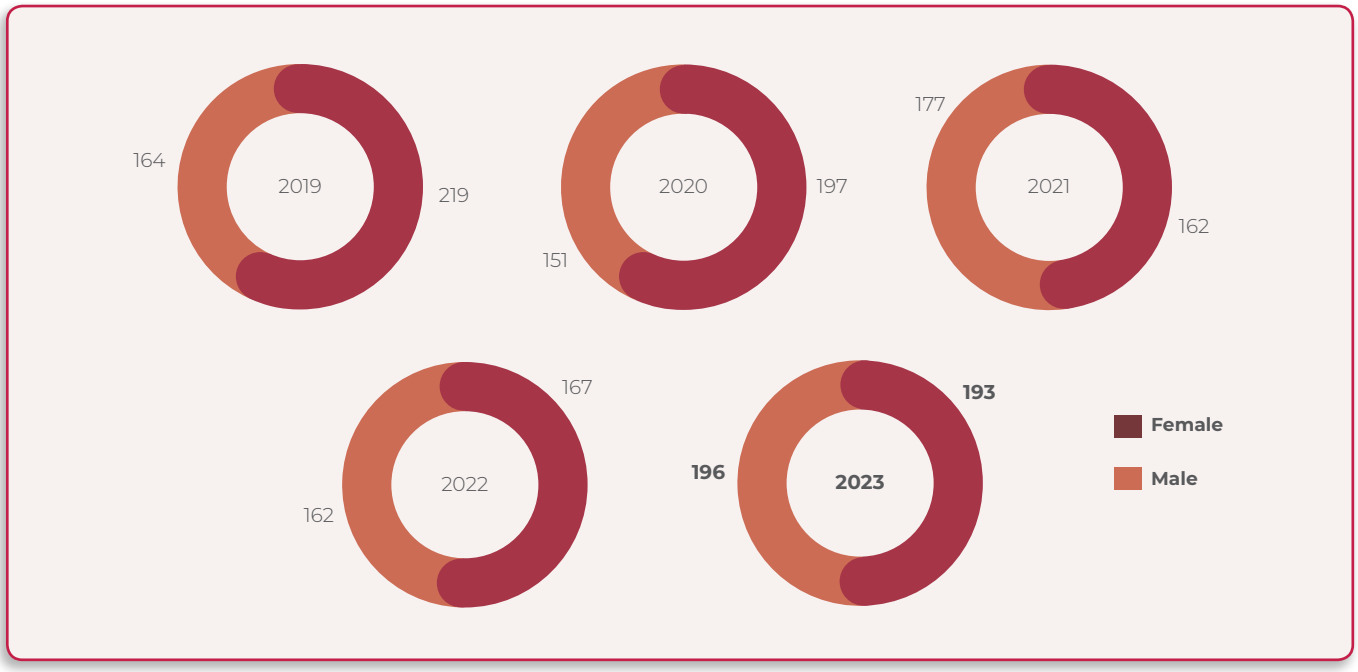
We have seen a notable increase in our middle management hires, from 64 in 2019 to 139 in 2023, highlighting our growth in leadership development. Our executive hires have maintained a steady presence, with a slight uptick to 235 in 2023. Non-executive hires, after peaking in 2022, have adjusted to 13 in the following year.

In terms of gender diversity, we have achieved a balanced increase in 2023, welcoming 193 female and 196 male employees, contributing to our overall new hire count of 389 for the year. This reflects our ongoing commitment to fostering an inclusive and dynamic workforce across all levels of our organisation.

Breakdown of New Hires by Job Level

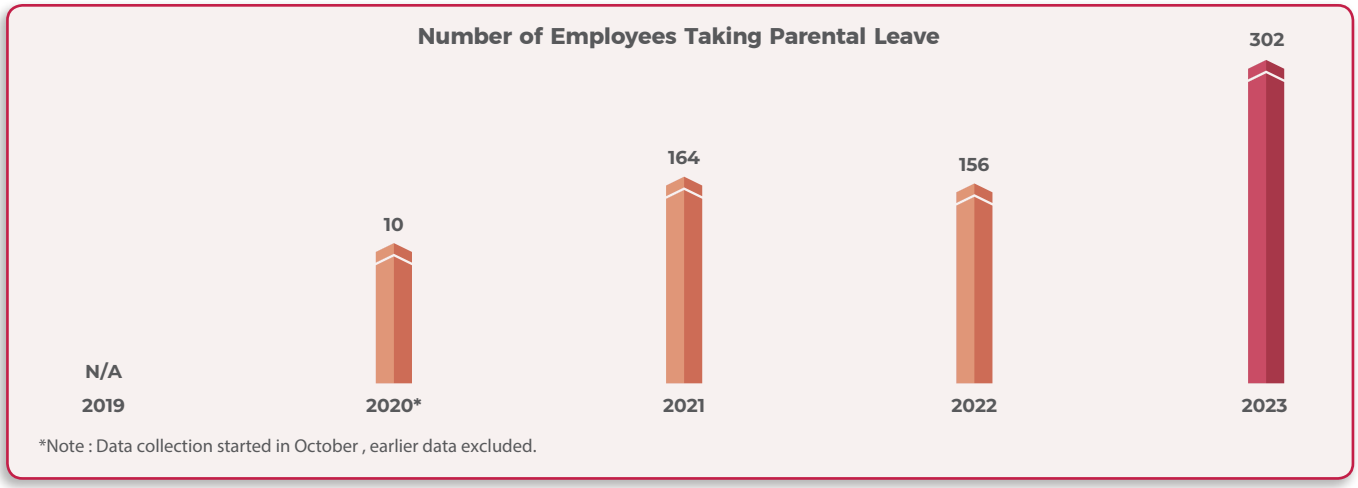


Breakdown of New Hires by Gender



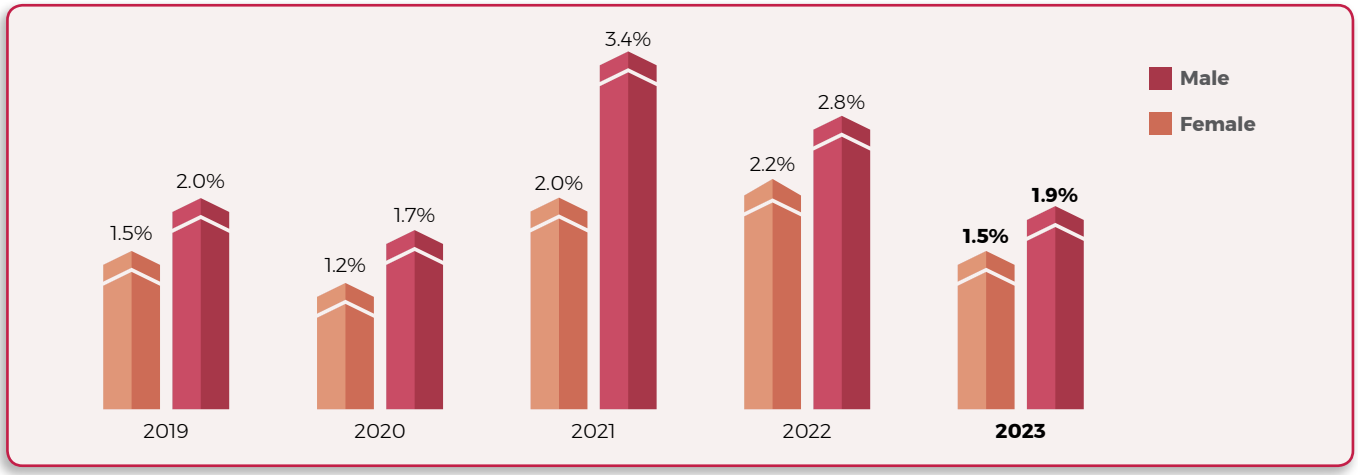
6. Parental Leave Uptake

The number of employees taking parental leave has significantly risen, from 10 in 2020 to 302 in 2023, highlighting our enhanced support for work-life balance and family-friendly initiatives.



7. Employee Attrition Rate

Our overall attrition rate has shown fluctuations over the years but remained relatively stable at 3.4% in 2023, suggesting our effective retention strategies amidst organisational growth.



Our Vision for the Future

We envision a future where our organisation fosters a welcoming and inclusive environment that celebrates the diverse talents and contributions of each individual. Guided by our Shariah principles, we strive to create a sense of collaboration and unity, empowering everyone to feel valued, respected, and reaching their full potential.

Social Impact

COMMUNITY EMPOWERMENT AND SOCIAL FINANCE

Supporting community empowerment and enhancing Social Finance are integral aspects of our overarching objectives at Bank Islam. We acknowledge the significant role these factors play in fostering sustainable, equitable, and prosperous communities. Our efforts are directed towards providing accessible and innovative financial solutions, rooted in the principles of Islamic banking. These principles focus on promoting social welfare, adhering to ethical investment practices, and ensuring a fair distribution of wealth.

The Overall Approach

We extend our efforts beyond mere financial contributions, employing a comprehensive approach to drive sustained social and economic development. Grounded in the principles of VBI, we empower underserved communities through initiatives that foster microentrepreneurship and strategically invest in critical sectors such as education, livelihoods, and healthcare, among others.

VBI PRINCIPLES

1

Attainment of Benefit and Prevention of Harm:

We assess financial activities for their positive and negative impacts, emphasising sustainability and the triple bottom line (people, planet, profit).

2

Constructive and Inclusive Collaboration with Stakeholders:

We involve various stakeholders (customers, investors, civil societies, NGOs, and policymakers) to inform transparent decisions, garnering support for VBI commitments.

3

Fairness and Transparency:

We uphold clear policies and regular disclosures to stakeholders, ensuring accountability and informed participation in VBI initiatives.

Aligned with these principles, we are committed to driving social impact through the following pillars:

Social Finance

We unlock opportunities for the underbanked by designing innovative solutions that expand access to essential financial services, fostering financial empowerment and stability.

Shared Prosperity

Championing equitable wealth distribution, we actively work towards narrowing income inequality and ensuring economic development benefits everyone.

Value Beyond Profit

Recognising our societal responsibility, we prioritise well-being and ethical practices alongside financial success, creating sustainable value that extends beyond profit margins.

Long-Term Growth

Our commitment goes beyond short-term gains. We invest in sustainable community development initiatives, building a resilient foundation for future generations.

This holistic approach underscores our dedication to creating meaningful and lasting impacts within our local communities.

The Value Created in 2023

1. Amplifying Entrepreneurial Development

Bank Islam supports the economic upliftment of microentrepreneurs through the iTEKAD programmes. These initiatives provide comprehensive assistance, including financial literacy, business acumen training, and microfinance, backed by social finance mechanisms to promote sustainable business growth.

A. iTEKAD Programmes

Objective:

To enable microentrepreneurs to achieve economic independence, enhance their livelihoods, and attain long-term financial stability.

What We Did:

Through our iTEKAD micro-financing programmes, BangKIT and Maju, we target underbanked microentrepreneurs, equipping them with the tools they need to flourish. This comprehensive approach provides essential business assets, facilitates access to microfinance, and delivers thorough training programmes, fostering both financial literacy and a strong business foundation. Further amplifying our impact, the iTEKAD revolving fund fuels a continuous cycle of empowerment. Financing payments are reinvested in new entrepreneurs, maximising the reach and impact of every ringgit invested.

Progress and Achievements:

285 entrepreneurs have benefitted from our initiatives, supported by a significant disbursement of **RM8,332,030** towards sustainable income generation.

Programme :
iTEKAD Maju
Number of Beneficiaries :
108
Total Disbursement (RM) :
5,206,110

Programme :
iTEKAD BangKIT
Number of Beneficiaries :
177
Total Disbursement (RM) :
3,125,920

Total
Number of Beneficiaries :
285
Total Disbursement (RM) :
8,332,030

A Journey of Resilience

Nor Hasnaa Kamilah Mohd Dalim has charted a remarkable journey, transitioning from her roots in Omaf Fish Crackers to establishing Omaf Apparel in 2020.

Despite facing unprecedented challenges during the COVID-19 pandemic, Noor Hasnaa Kamilah demonstrated remarkable adaptability by responding to the changing market dynamics. She strategically diversified her offerings and leveraged online platforms to mitigate the impact of the Movement Control Order on her newly established business. Ultimately, she identified the untapped potential of the jersey t-shirt market due to its broad appeal.

Noor Hasnaa Kamilah firmly believed in the adage "where there's a will, there's a way." This resilient spirit, cultivated from a young age growing up in an entrepreneurial family, proved invaluable. Bank Islam's iTEKAD Maju programme provided the crucial support she needed to catalyse Omaf Apparel's success. It provided the necessary foundation for acquiring essential equipment and renovating the company's premises.

Omaf Apparel's commitment to continuous improvement and strategic business decisions yielded tangible results, not only financially but also in contributing to the broader community. The company's growth has directly translated into creating employment opportunities, underlining its positive impact on the local economy.

With a solid foundation, a diversified product portfolio, and a commitment to fostering economic development within the community, the company remains poised for continued growth.

Programme: iTEKAD Maju

Social Impact

B. Microentrepreneur Development Training Programmes

Objective:

To foster upward mobility and sustainable success among microentrepreneurs.

What We Did:

To deepen our commitment to entrepreneurial development, we made significant investments in 2023. Among our notable interventions was a business networking session for the underbanked microentrepreneurs. In the sessions, these entrepreneurs were given opportunities to network and built value-chain among them.

In addition to the above, a business development workshop with Yayasan Sultanah Bahiyah was also conducted. This workshop was strategically tailored to enhance the skills and capabilities of women in the entrepreneurial sector.

Furthermore, we provided tailored post-disbursement training to iTEKAD microentrepreneurs. These programmes are designed not only to enhance their business skills but also to ensure the sustainable growth and success of their ventures.

Progress and Achievements:

- Facilitated **nine (9) business networking sessions,** benefiting entrepreneurs in collaborating and supporting each other to upscale their businesses and resolve challenges.
- Equipped **50 women entrepreneurs** with valuable skills and knowledge through the collaborative workshop.
- Enhanced the business acumen of **185 iTEKAD microentrepreneurs**, setting them on a path to sustainable success

C. Funding Escalator

Objective:

To incubate beneficiaries through social finance funds, enabling them to develop their creditworthiness and business track record, upon which they graduate to source for commercially-driven funding including iTEKAD.

What We Did:

We strategically partner with organisations, providing microentrepreneurs with access to crucial resources. These collaborations offer funding in the form of working capital and connect them with business guidance through monitoring and coaching services. This combined expertise and resources empower individuals and contribute to the development of their businesses. Over time, upon their readiness, we shall bring them into commercially-driven funding.

Beyond core programmes, we also offer targeted initiatives like the BangKIT Business Grant to support aspiring entrepreneurs who may not yet qualify for full BangKIT or iTEKAD programmes. This grant, along with other partnerships, helps individuals in the pre-commercialisation stage by:

- **Bridging the Funding Gap:** Providing financial support for those requiring initial assistance.
- **Facilitating Upward Mobility:** Equipping them with the necessary skills to progress towards full programme participation.

C. Funding Escalator

Progress and Achievements:

Yayasan Sultanah Bahiyah
Empower women entrepreneurs in Kedah through equipment grants

Total (RM) : RM51,420
Beneficiaries : 14

SME Bank
Financial & non-financial support for *asnaf* microentrepreneurs under ISHRAF 3.0 programme

Total (RM) : RM500,000
Beneficiaries : 33

State Islamic Religious Councils
Build creditworthiness for microentrepreneurs

Total (RM) : RM625,000
Beneficiaries : 125

Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) MyZakat Initiative
Support *asnaf* microentrepreneurs

Total (RM) : RM50,000
Beneficiaries : 1

Others
Various microentrepreneur empowerment initiatives

Total (RM) : RM109,717
Beneficiaries : 17

2. Engaging in Community Support

We recognise the pivotal role education plays in breaking the poverty lifecycle and unlocking opportunities for socioeconomic advancement. Through our social finance agenda, we strive to address socioeconomic disparities effectively. Our efforts include offering scholarships, providing financial aid to underprivileged families, and improving infrastructures to spur well-being of the underserved. These interventions aim to create a supportive and conducive environment for learning and empowerment.

A. Sadaqa House Orphan Fund

Objective:

To uplift the lives of orphaned children by providing them with access to quality education, safe and nurturing environments, and opportunities to thrive within their communities.

What We Did:

In 2023, our focus was on contributing positively through the Sadaqa House Orphan Fund. This initiative aimed to support orphaned children by providing educational assistance, improving infrastructure, and fostering community empowerment. Additionally, we have worked to promote a culture of empathy and support among our employees. Encouraging their involvement in our community initiatives, we facilitate connections with orphaned children through activities such as sponsoring outings and engaging in shared experiences. These efforts aim to provide not only financial support but also companionship and a sense of belonging to these children.

Progress and Achievements:

Our efforts raised **RM863,307**, directly impacting **71 orphans** through education sponsorships and five (5) institutions through infrastructure and welfare improvements.

Social Impact

B. Community Development Programmes

Objective:

To address the diverse needs of underprivileged communities by providing various forms of assistance and resources.

What We Did:

Our efforts have been concentrated on enhancing community life through comprehensive support across five principal areas: education, infrastructure, livelihood, healthcare, and community support, with tailored interventions implemented in each area.

Infrastructure

Scope	Beneficiaries	Funding (RM)
Orang Asli Family Home	1 family	**60,000**
Orphanage Improvements	119 orphans	**264,784**
School and Hostel Facility Upgrades	27 schools & *madrasah*	**147,452**
Van for Orphanage	1 orphanage (45 children)	**70,145**
Van for *Asnaf* & Disadvantaged Students	1	**61,198**
Mosque & *Musolla* Development	29 mosques & *musolla*	**249,584**

Livelihood

Scope	Beneficiaries	Funding (RM)
Feed to Educate Programme	4 schools (208 *Asnaf* families)	**280,800**

Healthcare

Scope	Beneficiaries	Funding (RM)
Heart Surgeries	191 beneficiaries	**277,200**
3D Prosthetic Arms	3 children	**17,000**

Community Support

Scope	Beneficiaries	Funding (RM)
AMAL Corporate Responsibility (*Ramadan & Syawal*)	197 *asnaf*	**198,350**
Spiritual Development Activities	23 institutions	**172,065**

Progress and Achievements:

Our sustained commitment, backed by substantial funding, has driven tangible progress in education, infrastructure, sustainable livelihoods, healthcare, and community well-being. These efforts have directly contributed to measurable improvements in local communities. Moreover, our initiatives have strengthened essential services and infrastructure, leading to enhanced standards of living across various sectors.

3. Driving Sustainable Living and Infrastructure Development

We strive to leave a positive legacy by promoting sustainable development. Our projects aim to improve living conditions for underprivileged communities while also encouraging responsible resource use and building resilient ecosystems for future generations.

A. Sakeenah Home Ownership Programme (SakeenaHOPe)

Objective:

To improve living standards amongst underserved communities.

What We Did:

We introduced the SakeenaHOPe initiative, a community development project focused on offering affordable housing solutions to underserved populations. Our hybrid funding model, combining bank financing with the Islamic social finance instrument of *Zakat*, unlocks opportunities for underserved communities to own homes. We have approved 14 applications.

Progress and Achievements:

We are set to build **40 houses** in the next fiscal year, highlighting our commitment to improving living standards in local communities.

4. Fostering Innovation in Islamic Social Finance

We are constantly seeking to push the boundaries of Islamic social finance by actively participating in initiatives like myWakaf 2.0. Through collaborative innovation with other stakeholders, we strive to develop new and impactful solutions that empower communities and drive sustainable development.

A. myWakaf 2.0

Objective:

To increase *waqf* contributions through the introduction of sophisticated financial instruments.

What We Did:

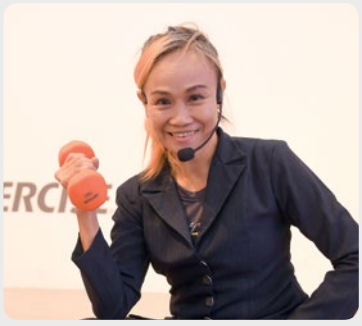
Leveraging our leadership role within the Association of Islamic Banks in Malaysia (AIBIM), we played a critical role in the launch of myWakaf 2.0 at the 18th Kuala Lumpur Islamic Finance Forum 2023. This initiative fosters collaboration with State Islamic Religious Councils to expand the installation of solar dome dryers in select states.

Progress and Achievements:

Our ongoing myWakaf 2.0 initiative is broadening our reach by introducing innovative financing options and launching the Solar Dome Dryer project, designed to empower communities with affordable and efficient solar drying technology. The first implementation in Kuala Perlis was a success. By partnering with Islamic banks and religious councils, our goal is to enhance community welfare and stimulate economic growth through effective *waqf* management.

Social Impact

Fostering Strength and Empowerment



Janet Ginibun, the driving force behind Janz Fitness Enterprise in Petaling Jaya, has transformed her passion for dance into a thriving women-centric fitness centre.

Specialising in various fitness programmes, including yoga and jazzercise, Janet has created a unique space that goes beyond traditional workout routines. Janz Fitness's mission is to empower women on their fitness journeys in a comfortable and supportive environment.

During her entrepreneurial journey, Janet faced challenges in establishing her fitness studio and enhancing its brand presence, particularly online. Bank Islam's iTEKAD microfinancing programme proved instrumental in her success. The financial support played a crucial role in turning her vision into reality, allowing her to overcome obstacles and bring Janz Fitness to life.

iTEKAD BangKIT enabled her to invest in the latest equipment, create a welcoming environment, and expand her reach through digital platforms. Janet aspires to cultivate a community that fosters empowerment and appreciation for women on their fitness journeys, helping them live happier and healthier lives.

The story of Janz Fitness exemplifies the power of passion, entrepreneurship, and financial assistance in fostering positive change and empowering individuals to reach their full potential.

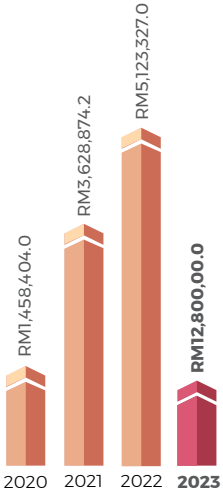
Programme: iTEKAD BangKIT

Overall Performance

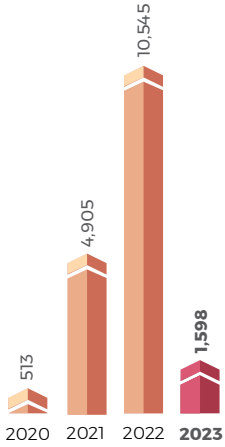
1. Awards

2023 General Council for Islamic Banks and Financial Institutions (CIBAFI) Award for Sustainability: We were honoured with the CIBAFI Award for Sustainability, confirming our position as the leading global Islamic bank in this field.

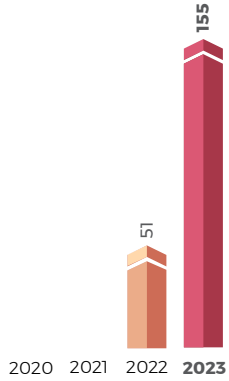
2. Performance Data



Investment made in community enrichment (RM)



Number of community members reached



Number of upward mobility created (among underbanked entrepreneurs)

Our Vision for 2024

In 2024, we focus on leveraging the growth of social enterprises to strengthen social impact and foster a more inclusive financial ecosystem, aligning with the government's Social Entrepreneurship Action Framework 2030 (SEMy2030).

Key Initiatives Include

- **Collaboration with Banks:** Partnering with institutions, agencies and changemakers to improve access to finance for social enterprises.
- **Community Leadership Development:** Working with the Sabah Social Entrepreneurs Association to empower individuals and communities through social entrepreneurship initiatives, expanding throughout 2024.
- **Social Finance Innovation:** Launching iTEKAD Jaya, a programme dedicated to developing innovative social finance solution.
- **Supporting Small Farmers:** Exploring supply chain financing solutions to enhance access to financial resources and promote sustainable practices.
- **Expanding Microentrepreneurship:** Developing the Social Finance Credit Framework to increase access to credit for underbanked microentrepreneurs, enabling them to launch and scale their businesses, and contribute to broader economic growth.

Governance

SUSTAINABLE SUPPLY CHAIN

Acknowledging that much of our impact lies within the supply chain, our strategy is built on a commitment to ethical practices, legal compliance, human rights, ethical labour, and environmental care. This approach aligns with our core values and ESG goals, aiming for resilience, fairness, and integrity throughout our network. By doing so, we enhance our credibility and contribute to a sustainable and equitable future.

The Overall Approach

Our strategy for supply chain management aims to thoughtfully incorporate digital innovation, sustainability practices, and ethical engagement with our vendors.

By adopting this approach, we enhance collaboration and unlock new business opportunities with both current partners and prospective clients, further strengthening the resilience of our operations.

The integration of cloud-based solutions is a key aspect of our strategy, streamlining processes and contributing to the overall robustness of our supply chain. Furthermore, we are committed to ethical business conduct throughout our network. This commitment is formalised through our Business Associate Integrity Pledge, which all suppliers and service providers are required to uphold.

Our pledge serves as a foundation for ethical practices and is complemented by rigorous screening and ongoing monitoring processes. This ensures our partners align with and actively uphold our high standards of integrity and sustainability, thereby enhancing our operational resilience and maintaining the clarity of our ethical values in all business interactions.

The Value Created in 2023

We are actively promoting positive change in the financial sector through our focus on cultivating a sustainable and ethical supply chain. This commitment is demonstrated through various key initiatives, each playing a role in advancing our broader vision.

1. Embracing Innovation for Efficiency and Impact

We are exploring new possibilities in procurement through technology, introducing cloud-based solutions and digitising procurement processes to improve the efficiency of our operations and support agile decision-making in our procurement activities.

A. Cloud Procurement

Objective:

To modernise procurement practices.

What We Did:

We implemented cloud-based procurement as a pioneering initiative among Malaysian financial institutions, aiming to significantly enhance our procurement practices. This innovative approach empowers us to achieve several key benefits, including:

- **Improving Supplier Management and Performance Monitoring:** By adapting Supplier Performance Management, we can harness supplier performance and innovation to positively impact our business' top-line value creation.
- **Negotiating Better Prices:** Real-time access to data and insights from the cloud empowers us to make informed decisions during negotiations with suppliers. This could lead to securing more favourable terms.
- **Streamlining Procurement Processes:** Leveraging cloud-based software automates tasks and consolidates activities, saving time and resources. This contributes to further cost efficiency.

This initiative positions Bank Islam as an innovator in adopting agile procurement practices. It enables us to respond swiftly to new opportunities and maintain cost competitiveness in a dynamic market.

B. Digitisation of Procurement Processes

Objective:

To enhance our procurement processes, focusing on operational efficiency, data accessibility, informed decision-making, and proactive risk management.

What We Did:

Recognising the transformative potential of technology, we have embarked on a journey to digitise our procurement processes. The procurement system demonstrates our commitment to a more efficient and sustainable supply chain. Our focus on digitisation encompasses the following key areas:

- **Streamlining Operations:** We utilise digital tools to reduce administrative tasks and boost productivity, reallocating resources for strategic initiatives.
- **Centralised Data Insights:** Digitisation consolidates supplier data, providing accessible insights into performance, compliance, and environment.
- **Data-Driven Decision-Making:** Detailed data guides sourcing, engagement, and risk management as well as sustainability and ethical practices.

Governance

2. Advancing Ethical and Sustainable Sourcing

Our efforts to refine sourcing practices include the introduction of ESG screening and supplier clustering. This strategy underscores our commitment to ensuring our operations are aligned with sustainable finance principles.

B. Vendor Sustainability Questionnaire

Objective:

To assess our vendors' adherence to ESG principles and enhance our collective sustainability efforts.

What We Did:

In a significant step towards sustainable procurement, Bank Islam introduced the Vendor Sustainability Questionnaire. This initiative is part of our broader commitment to integrate ESG practices deeply into our operations. The questionnaire serves a dual purpose:

1. Assesses vendors' engagement with ESG values and sustainable procurement.
2. Incorporates a feedback mechanism to continuously refine and improve this initiative based on vendor insights.

The questionnaire is designed to cover several critical areas:

- **Governance:** This section evaluates vendors on their governance policies, including health and safety standards, adherence to codes of conduct, compliance with regulatory requirements, and possession of relevant certifications. It aims to ensure that our vendors operate with integrity and accountability.
- **Environment:** We assess vendors on environmental stewardship, focusing on their waste management protocols, efforts to preserve biodiversity, strategies to reduce carbon emissions, and approaches to addressing climate change. This section highlights the importance of environmental responsibility in our supply chain.
- **Social Responsibility:** This part of the questionnaire examines vendors' commitment to social ethics, including adherence to fair labour standards such as minimum wage laws, safe working conditions, and non-discriminatory practices. It reflects our dedication to promoting social welfare and equity in our business practices.

The Vendor Sustainability Questionnaire helps Bank Islam to assess vendors' sustainability practices.

Overall Performance

In 2023, overall spending increased. We allocated a significant portion of this increase to local suppliers. We are continuously optimising procurement practices to ensure value while maintaining our commitment to supporting local businesses.

	2020	2021	2022	2023
Spending on local suppliers (RM)	218,048,965	211,936,288	159,900,318	**206,025,159**
Total spending (RM)	226,475,095	235,322,945	173,208,144	**234,948,542**
Proportion of spending on local suppliers (%)	96%	90%	92%	**88%**

The Vision for the Future

The Bank is dedicated to upholding the highest standards of ESG practices and looks forward to the continuous support and collaboration of our stakeholders as we progress toward a more sustainable future.

GOOD GOVERNANCE AND CONDUCT

Corporate governance and business ethics are key in maintaining the integrity of our financial systems. By adhering to robust corporate governance standards, we encourage transparency and foster trust amongst stakeholders, thereby safeguarding our financial stability and reputation. Our guiding principles, encapsulated in the TAAT values (Think Customer; Act with Integrity; Advance Beyond and Take Charge), underpin our ethical conduct, enabling us to fulfil our commitment to stakeholders by "Assuring Trust. Delivering Value."

The Overall Approach

We prioritise good governance and ethical conduct, leveraging a comprehensive framework that includes policies, methodologies, tools, and processes. This approach enables us to effectively manage risks, capitalise on opportunities, and adhere to our commitment to stakeholders. Our focus on sustainability and ethical financial practices ensures we can navigate the complexities of the global landscape with integrity.

Group Corruption Risk Management Policy (GCRMP)	The Group Corruption Risk Management Policy (GCRMP) promotes a proactive stance in identifying and mitigating corruption risks. It engages all employees in detecting risks and formulating preventive strategies, integrating these efforts within our governance framework. This policy strengthens our commitment to preventing corruption and fostering an ethical business environment.
Group Whistleblowing Policy (GWBP)	Our Group Whistleblowing Policy (GWBP) offers a channel for reporting alleged illegal, unethical, or questionable practices, as well as improper conduct that has occurred or is about to occur. This policy reflects our dedication to the highest standards of ethics, integrity, and legal compliance. By promoting transparency and accountability, and by adhering to Shariah values, we foster an environment where individuals are encouraged to address misconduct. The GWBP is designed to encourage employees to voice their concerns without fear, facilitate the early detection of illegal and unethical behaviour, foster a culture of accountability, and support openness.
Group Anti-Bribery and Corruption Policy (GABCP)	Our Group Anti-Bribery and Corruption Policy (GABCP) embodies our zero-tolerance approach to all forms of bribery and corruption. This policy mandates that all directors, employees, and third parties representing the Group uphold our reputation by conducting business with integrity and prohibiting any exchanges of value intended to improperly influence business or personal gain, unless explicitly permitted. The GABCP underscores our commitment to ethical practices across all levels of the organisation and ensures that any instances of bribery and corruption are addressed effectively and efficiently, in compliance with all relevant anti-corruption regulations.
Group Gift Policy (GGP)	The Group Gift Policy (GGP) provides guidance for all employees within the Group on the acceptance and offering of gifts. It delineates which gifts may be appropriately received or given from/to third parties, upholding the highest standards of ethics and integrity. The GGP specifies the conditions under which gifts are permissible and identifies gifts that are not allowed. It emphasises that employees may accept permissible gifts, provided these gifts do not compromise their position or jeopardise relationships with third parties if refused.
Group Business Associates Code of Conduct Guideline (GBACOC)	The Group Business Associates Code of Conduct Guideline (GBACOC) outlines the principles and levels of behaviour expected from the business associates whom provide goods and services to the Group. This guideline underscores the Group's commitment to uphold integrity in our business transactions with all associates, while also advancing accountability, transparency, and sustainability as part of our mission to combat and eradicate corruption. The Group unequivocally condemns any form of bribery or corruption involving our associates, in accordance with the provisions of Corporate Liability outlined in Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018).

Governance

The Value Created in 2023

1. Strengthening Ethical Standards and Anti-Corruption Measures

To maintain our reputation as an ethical and responsible financial institution, we take proactive steps to obtain relevant certifications and align ourselves with recognised best practices in the industry. Our efforts include implementing various initiatives to ensure robust governance and ethical business conduct.

ISO 37001 Anti-Bribery Management System (ABMS) Certification

Objective:

To reinforce Bank Islam's dedication to upholding integrity and ethical standards, specifically by addressing bribery and corruption.

What We Did:

We implemented the ISO 37001 ABMS Certification, aligning our operations with guidelines that combat bribery. This standard offers a framework for organisations to enhance anti-bribery efforts. Adopting this voluntary standard enables us to prevent and address bribery, affirming our commitment to ethical business practices. This move is a key part of our strategy to maintain the highest levels of conduct, governance, and integrity. Our certification underscores our zero-tolerance policy towards bribery and corruption, reinforcing our role as a leader in ethical practices within the industry.

Progress and Achievements:

Bank Islam has on 5 October 2023 obtained the **ISO 37001 Anti-Bribery Management System (ABMS) certification** from ABAC Center of Excellence Sdn Bhd (ABAC), making it the first full-fledged Islamic financial institution in Malaysia to be awarded with this prestigious accreditation. The certification process includes ongoing Surveillance Audits in Years two (2) and three (3) by the Certification Body and Internal Audit Reviews by ABMS Ambassadors to ensure continuous adherence to ISO 37001 standards. The establishment of ABMS Guidelines further supports this initiative, offering clear guidance on the processes, responsibilities, and policies required by the standard.

Monitoring and Evaluation of Organisational Anti-Corruption Plan (OACP) initiatives

Objective:

To enhance Bank Islam's corporate governance and integrity in line with the National Anti-Corruption Plan 2019-2023 through effective implementation of the OACP 2022-2025.

What We Did:

Launched the OACP, a strategic framework consisting of 141 initiatives targeting short, medium, and long-term goals to strengthen governance, integrity, and anti-corruption measures. These initiatives are subject to continuous monitoring and evaluation to ensure effective implementation and compliance with the MACC Act Section 17A reporting obligations.

Progress and Achievements:

The bank implemented a robust monitoring and reporting framework, facilitating biannual updates on OACP initiatives to the Group Management Executive Committee (GMEC) and the Board Audit and Examination Committee (BAEC), as well as to relevant regulators. This structured approach ensures accountability and ongoing refinement of our anti-corruption strategies.

Corruption Risk Management Review

Objective:

To evaluate the effectiveness of existing controls aimed at mitigating corruption risks within the organisation.

What We Did:

Executed the inaugural CRM exercise in FY2020, adopting a formal CRM framework that outlines the methodology for assessing corruption risks and reviewing control measures across the Group. This process involves a three-year cycle of reviews for stakeholders classified by risk levels, ensuring comprehensive coverage and continuous monitoring.

Progress and Achievements:

The first CRM review concluded with no critical risks identified, achieving an overall satisfactory rating for residual corruption risks. A total of 14 low-priority stakeholders were reviewed in 2023, with findings reported to the BAEC. This systematic approach to CRM underscores Bank Islam's proactive stance on corruption risk management.

Training, Communication and Awareness

Objective:

To instil a strong culture of integrity and compliance through targeted training, communications, and awareness initiatives.

What We Did:

- Issued frequent compliance communiques and integrity messages, including FAQs on anti-bribery and corruption policies, and integrated an integrity script into internal meetings to reinforce ethical standards.
- Organised integrity-themed events, such as Integrity Run 2.0 and an Integrity Video Contest, and launched the Bank Islam Star Compliance & Integrity Awards to recognise outstanding contributions to ethics and integrity.
- Comprehensive training and awareness sessions were conducted for all staff and business associates, focusing on anti-bribery and corruption policies and practices.

Progress and Achievements:

These multifaceted initiatives have significantly enhanced awareness and understanding of integrity and ethical behaviour among Bank Islam's staff and associates, fostering a conducive environment for ethical conduct and reinforcing the bank's dedication to upholding the highest standards of governance and integrity.

To instil continuous knowledge and best practices on ethics and integrity, trainings and briefings on integrity and fraud awareness for all staff has been carried out. An awareness session was also conducted for business associates on Corporate Liability Section 17A and the Bank's relevant policies on anti-bribery and corruption.

Governance

Overall Performance

In 2023, we saw a significant increase in the number of employees who received anti-corruption training, demonstrating our growing commitment to raising awareness and preventing potential issues. While there have been no confirmed incidents of corruption in the past four years, including 2023, we actively conducted risk assessments, covering 36% of our operations this year. This signifies our ongoing efforts to identify and mitigate potential risks throughout our organisation.

Disclosures	2020	2021	2022	2023
Number of legal actions for anti-competitive behaviour, antitrust, and monopoly practices	0	0	0	**0**
Number and percentage of employees who have received training on anti-corruption by employee category (headcount & %)				
Non-Executive	13	0	1	**41**
Executive	78	21	3	**175**
Management	218	12	21	**127**
Number of employees disciplined or dismissed due to non-compliance with anti-corruption policies	0	0	0	**0**
Number and percentage of operations assessed for corruption-related risks[8]	0	15/38%	10/26%	**14/36%**
Number of confirmed corruption incidents and actions taken	0	0	0	**0**

The Vision for the Future

Facing new challenges with the National Anti-Corruption Strategy (NACS) 2024-2028, the continuation of the National Anti-Corruption Plan (NACP), and the Deferred Prosecution Agreement (DPA) by Malaysian Anti-Corruption Commission (MACC), we are set to enhance compliance and address corporate wrongdoings effectively. The DPA promotes a transparent compliance mechanism, akin to models in the UK and Singapore, enhancing corporate liability enforcement under s. 17A of the MACC Act.

In response, we are committed to a more comprehensive Anti-bribery and Corruption (ABC) programme, underscored by our Organisational Anti-Corruption Plan (OACP) and ISO 37001 ABMS certification. This certification elevates our governance, aligning us with the expectations of regulatory bodies like MACC and BNM.

Anticipating the expansion of our governance ecosystem and alignment with government ABC focus, we are integrating our bank-wide corruption risk assessment rigorously. To further our commitment, we are automating risk assessment processes for greater efficiency and responsiveness to emerging risks, aiming to strengthen our risk management capabilities and uphold the highest ethical standards and transparency.

[8] *IGD performed a total of 39 reviews during the three-year cycle from 2021 to 2023.*

DATA PRIVACY AND SECURITY

Data privacy and security has become a pervasive concern for our stakeholders as technology continues to change how data is collected, processed, used, and stored. This continues to be a key priority for Bank Islam to maintain our customer's confidence and comply with a myriad of laws and regulations in a data-driven world.

At Bank Islam, we recognise data as a strategic asset and leverage on a risk-based approach in governing and managing data through its lifecycle. As a trusted provider of banking services, our customers are our key priority, and we deploy customer-centric security measures to robustly manage risks surrounding data privacy and security.

The Overall Approach

Central to our approach is respect towards the stakeholders' interests, placing their information security at the forefront of our decisions.

In a rapidly evolving landscape shaped by data and technology, we remain proactive in addressing emerging risks associated with technologies like cloud computing and Artificial Intelligence (AI).

Beyond adhering to privacy principles, as a regulated financial institution, we have a mandate to uphold customer confidentiality and ensure the robust security of their data. Our vigilance extends to monitoring customer feedback and staying abreast of potential regulatory concerns regarding data breaches.

Our commitment towards ethical and responsible use of data is reflected in our operating model below:

- **Governance through Established Framework, Policies, and Guidelines:** Our comprehensive suite of framework, policies and guidelines provide the Bank with a robust structure and approach to governing and managing data throughout its lifecycle. These are regularly updated to ensure compliance with data protection laws and regulations (e.g., Personal Data Protection Act 2010) including alignment with latest industry standards and best practices.
- **Use of Technology and Security Measures:** We actively invest in technologies and implement robust security measures to protect data against unauthorised access, theft, manipulation, and loss. These range from basic security measures to the most sophisticated defences, which includes building a Zero Trust Cybersecurity Framework.
- **Privacy and Security Culture at the Forefront:** We actively foster and implement a corporate culture that puts privacy and security at the heart of the Bank. This includes ongoing training and awareness initiatives for our employees and third parties to equip them with the knowledge and skills to identify and manage risks surrounding privacy and security. We emphasise the importance of informed risk management and encourage employees to report any suspicious activities.

This multi-faceted approach enables the Bank to maintain our customers' trust whilst complying with legal and regulatory requirements against a rapidly evolving data protection landscape.

Governance

The Value Created in 2023

Throughout the year, we continued our focus on maintaining data privacy and security. We implemented several enhancements in these areas, which contribute to building a strong foundation for informed decision-making.

Focus Area	What We Did
1. **Strengthening Our Operating Model**	We have continuously monitored developments in the regulatory landscape and industry best practices. This allows us to consistently improve and ensure that the Bank's operating model that supports preservation of data privacy and security, is robust and resilient.
2. **Ensuring Data Quality Management**	One key element to ensuring that data can be used effectively to facilitate informed decision-making is the quality of the data itself. We have continued to actively monitor and track data as part of our ongoing initiative to identify and ensure that data is fit for purpose.
3. **Sharpening Our Risk Lens**	We introduced new key risk indicators to improve the tracking and monitoring mechanisms for emerging and potential risks surrounding technology. This allows the Bank to take proactive measures to manage risks within our risk appetite and thresholds as well as ensuring that underlying technology and our surrounding processes are adequately operated to support data protection.
4. **Prioritising Capacity Building on Data Privacy and Cybersecurity**	All employees were required to complete mandatory e-learnings on information security and data protection. Security campaigns and classroom awareness sessions are regularly run to improve employees' understanding of the importance of data privacy and cybersecurity. Mandatory training sessions on data protection awareness were conducted during project kick-offs to ensure that employees and third parties understand the risks associated with data privacy and cybersecurity.
5. **Fostering Data Privacy and Security Culture**	To ensure that a strong culture surrounding data privacy and security permeates all layers of the Bank, training and awareness initiatives on best practices for security and data protection such as data loss prevention were conducted throughout the year for employees through various channels. Regular phishing sessions and simulation exercises were also conducted to enhance employees' understanding of data privacy and cybersecurity. We actively collaborated and participated in active information sharing within the industry to stay informed on latest industry developments and emerging threats.
6. **Reinforcing Our Security Controls**	During the year, we continue to improve our security controls testing initiative to detect cyber threats and vulnerabilities to protect the Bank and our data through our defence-in depth strategy. This includes red teaming campaigns, regular vulnerability assessments and penetration testing, compromise assessments, outsourcing due diligence reviews, technology risk assessments, and data loss prevention enhancement. These measures aim to ensure that our systems and processes are robust and secure against potential cyber-attacks and data leakage.
7. **Enhancing Data Leakage Protection**	We are continuously refining the rulesets used by our enterprise data leakage protection tools and improving the monitoring processes. This ensures that our practices in relation to data security and protection are robust and resilient. These measures further reinforce our commitment to safeguarding stakeholder's sensitive information.
8. **Aligning with Regulatory Compliance**	We updated our Group Data Governance Framework to incorporate the latest regulatory requirements from BNM and the Personal Data Protection Act (PDPA). This ensures our internal data handling procedures are aligned with these external regulations, strengthening our overall data security posture.

The Vision for the Future

As we accelerate the adoption of technology and implementation of initiatives that are transforming the way we operate and improving how people access information and services, we require increasingly robust security measures and modernisation of our approach to complement our digital transformation journey.

Our Bank-wide strategy for this year is to continue fortifying the security of the Bank's data and information systems. This includes achieving a balance between embracing digital opportunities, including making information more accessible and widely available, and ensuring that adequate levels of protection are in place. This strategy demonstrates our commitment to further developing and deploying a wide range of initiatives, from enhancing foundational building blocks of risk management and hygiene to the most sophisticated approaches such as a Zero Trust Cybersecurity Framework.

CLIMATE RISKS AND OPPORTUNITIES

Bank Islam has prioritised the climate agenda through the initiation of an ESG and climate-related risk management project in 2021, which has followed through into the present. The project has been carried out over three phases, where we are currently in Phase 3 that addresses key priorities including regulatory requirements.

We understand the critical need to build economic resilience against climate risks, both physical and transitional, that involves managing the exposure of our business activities and operations to climate-related risks. Our aspirations on addressing climate change include consideration for a just transition, to ensure effective and impactful sustainability and climate initiatives with consideration for our social responsibilities.

Elements of our ESG and climate-related risk management framework included initiating a gap analysis and putting into place building blocks of customer due diligence, physical and transition risk mapping and initiating climate risk stress testing. These steps not only align with regulatory expectations and industry best practices for managing climate-related risk but also underscore the bank's commitment to responsible risk management.

Governance

Overall Approach to Addressing Climate Risk

Guided by the BNM Climate Change and Principle based Taxonomy (CCPT), Task Force on Climate-related Financial Disclosures (TCFD) recommendations and BNM's Climate Risk Management and Scenario Analysis (CRMSA) requirements, we take a comprehensive approach towards risk identification, assessment, and mitigation. As part of this commitment, we enhanced client onboarding towards more comprehensive climate risk assessments.

1. Climate Governance

Driven by the Board's mandate to provide the highest level of oversight on the Group's commitment to addressing climate change and our aspirations on environmental and social responsibility, Bank Islam has enhanced its governance structure over the past year. This strengthened framework establishes a multi-tiered governance structure that ensures clear roles and responsibilities for sustainability and climate action.

The Board is responsible for safeguarding stakeholders' interests and creating long-term value for the Group, taking into consideration sustainability and climate-related risks and opportunities.

For details on our Sustainability Governance, please see page 106.

Board-Level Committees

Supporting the Board in effectively carrying out its functions are:

The **Board Strategic and Sustainability Committee (BSSC)** oversees the Bank's overall sustainability strategy, which includes monitoring the development and implementation of climate strategies and opportunities.

The **Board Risk Committee (BRC)** oversees the effective management of the Bank's risks, which includes sustainability related risks.

Other Board level committees such as the **Board Financing Review Committee, Board Nomination & Remuneration Committee, Board Audit & Examination Committee** are responsible for oversight on specific aspects of sustainability matters that is within their current responsibilities.

Management Level Committees

The **Management Sustainability Committee (MSC)** oversees the execution of the Group's sustainability and climate related matters, including formulating and monitoring the Group's sustainability plan. The MSC reports to the BSSC.

The **Management Risk Control Committee (MRCC)** oversees and ensures the effective management of key issues relating to the management of sustainability and climate related risks. The MRCC reports to the BRC.

In 2023, the Bank established a dedicated **Climate Risk Committee (CRC)** as a sub-committee of the MRCC, focusing on oversight of climate related risk management, including development of tools and methodologies for risk identification, quantification, management, monitoring and reporting, and building climate risk capacity.

Other relevant management committees such as the **Financing Committees** and the **Underwriting and Investment Committee** also have specific aspects related to climate within their current responsibilities.

The Group's approach to managing climate risks and opportunities is spearheaded by each member of the Management team within their respective functions, adhering to the Group's Sustainability Plan. This ensures that sustainability and climate responsibilities are deeply embedded across all Divisions. The Head of Planning & Sustainability (P&S) plays a crucial role in leading the charge, setting climate-related targets and metrics, and overseeing the execution of the Group's sustainability and climate strategy. This comprehensive strategy includes managing climate-related opportunities and initiatives, establishing and monitoring the Bank's greenhouse gas (GHG) emissions, and supporting other units in fulfilling their climate-related duties to achieve the overarching climate strategies. Furthermore, the Group Administration and Property Management Department, guided by P&S, focuses on reducing the Bank's operational emissions footprint.

The evolution of the Group's focus on climate change began with the establishment of an Environmental, Social, and Governance (ESG) Department within the Group Credit Management Division in 2021, marking a significant step towards assessing and managing the Bank's exposure to climate-related risks. This momentum continued with the creation of a Climate Risk Department within the Group Risk Management Division in 2023, underlining the Bank's commitment to leveraging its Group Enterprise-wide Risk Management Policy for effectively monitoring climate-related risks.

Throughout 2023, climate change discussions remained at the forefront of Bank Islam's Board and Management Committees, playing a critical role in the strategic development and execution of various projects and initiatives. These efforts were aimed at aligning with the Bank's sustainability objectives, showcasing a continued commitment to addressing climate change proactively.

Committee	Meeting Frequency	Meetings Where Sustainability/ Climate Matters Were Discussed	Sustainability Discussions
Board of Directors	Bi-monthly	2	• The progress of the Group's Sustainability Plan covers the Group's sustainability and climate-related aspirations, commitments, and implementation of sustainability and climate-related initiatives. • The Bank's progress in climate risk management implementation is in line with BNM's CRMSA and CCPT requirements, which include the development of frameworks and methodologies for climate-related risk management. • Sustainability and Climate related regulatory and industry updates including the Group's alignment with BNM's Joint Committee on Climate Change (JC3). • CCPT classification reporting encompasses challenges faced, improvements in accuracy and reliability, and the governance process for approval. • The evaluation of climate-related risks impacting the Bank's portfolio covers both Non-Retail and Retail segments, with a focus on physical risk impacts and exposure to various climate hazards.
BSSC	Bi-monthly	2	
BRC	Bi-monthly	6	
MSC	Quarterly	4	
MRCC	Monthly	12	
CRC	Bi-monthly	3	

For details on our Sustainability Governance, please see page 106.

Governance

CAPACITY BUILDING

The Group recognises the necessity of developing knowledge and enhancing employee capacities for effective sustainability and climate-related practice implementation. To this end, the Group is designing a Sustainability Learning Framework, which aims to identify and address our employees' learning needs across the Group.

In 2023, our Directors and management undertook various sustainability and climate-related capacity building, including sessions organised internally, the BNM JC3 Annual Conference, and external events by Bursa Malaysia, Institute of Corporate Directors Malaysia (ICDM), Kuala Lumpur Finance Forum 2023, and others. Management also engaged in climate risk training since 2022, reinforced by our annual Sustainability Workshops.

We have also conducted training for our employees in collaboration with Asian Banking School (ABS) to better understand sustainability aspects in the financial sector, as well as climate-related risks and opportunities. These training programme include initiatives to increase climate change awareness.

We have designed climate related training for our bank-wide operational risk officers and risk controllers which is being rolled out and will be completed in 2024. This training aims to provide our risk officers and risk controllers with an understanding of climate change, climate related risks and our enhanced operational risk management tools to be able to effectively identify and assess climate related risks in their day-to-day functions.

Climate change is an evolving landscape, we recognise that continuous development and capacity building are necessary for the Bank. Going forward we will continue to invest in capacity building initiatives to deepen our understanding on climate risk and opportunities.

For more details on our Sustainable Financing Training programmes, please refer to Talent and Development on page 52.

CLIMATE RELATED KPIs

The Group measures its performance using performance scorecards with financial and non-financial KPIs. These scorecards are set at the divisional level, including sustainability and climate-related KPIs, and cascaded down to respective functions.

2. Climate Strategy

Integrating sustainability and climate-related considerations is central to the Group's strategic agenda, reflecting a commitment outlined in the Group Sustainability Plan. This plan harmonises with our LEAP25 Strategic Plan, illustrating an intentional approach to incorporating sustainability and climate considerations into the Group's strategy.

Recognising the potential financial and reputational impacts of climate change, Bank Islam is committed to proactively managing climate-related risks and ensuring the long-term sustainability of our business. This comprehensive strategy focuses on understanding, assessing, and mitigating these risks across all aspects of our operations.

Through our analysis of data and insights from climate risk assessments, we can discern sectors and customer groups that have a higher exposure to climate risk, considering both physical and transition risk factors. Through our financing strategy and product offerings, the Planning & Sustainability team works alongside Business Units across the Corporate, Commercial, SME and Consumer segments to best identify targeted sustainability-linked offerings to our customers.

Aiming for transition to a low-carbon economy, we are focused on empowering stakeholders, particularly our financing clients, to reduce emissions and navigate the challenges posed by climate change effectively. We are actively engaging in strategies to minimise our environmental impact and strengthen our defences against climate-related vulnerabilities. Our approach to fostering a sustainable future is organised through a series of focused pillars.

Our Targets

- **To mitigate exposure to high sustainability risk sectors and to end financing of coal-related activities by 2030**
- **To double Shariah-ESG assets to RM4 billion by 2025[9]**
- **To achieve carbon neutral position in operational conduct (for Scope 1 and 2 emissions) by 2023**

[9] *At time of publication, the Group had approved RM4.5 billion in Shariah-ESG assets as at end of FY2023 and is currently revising and recalibrating our sustainable financing targets.*

Governance

1. Accelerating Sustainable Finance Opportunities

- Launched SME Smart Eco Financing and the Low Carbon Transition Facility (LCTF) to promote green technology and sustainable business practices.
- Introduced Wahdah Home Refinancing with Solar Panel and HEV Vehicle Financing for renewable energy use and sustainable transportation.
- Introduced the Ihsan Sustainability Investment Account (ISIA) and a suite of BIMB Investment – ESG Funds for SDG-aligned investing.
- Achieved RM4.5 billion in Shariah-ESG assets, demonstrating our dedication to supporting green sectors such as solar power, renewable energy, and sustainable agriculture.

2. Fostering Sustainable Practices and Awareness

- Partnered with solar companies including SOLS Energy, Gading Kencana, and Suria Infiniti, to offer Personal Financing-i to our customers interested in purchasing solar PV systems.
- Rolled out comprehensive training and development activities focusing on sustainability and climate awareness.

For details on our financing instruments, please see "Sustainable and Responsible Finance" on page 109.

3. Climate Risk Management

The Bank recognises the clear and present threat posed by climate change. This threat could potentially impact both our customers and our own operations, ultimately affecting our ability to generate long-term value for our stakeholders.

A qualitative climate related risk appetite statement (RAS) was established in 2022 to articulate our approach towards implementing climate-related risk management frameworks and climate related targets. We further enhanced our RAS for 2024 to articulate our updated climate related targets and approach to climate stress testing. Our primary focus during this year revolved around developing climate-related risk frameworks in line with BNM's CRMSA requirements. Moving forward in 2024, we will work towards embedding the climate-related risk management frameworks within relevant risk management frameworks and processes.

Identifying and Assessing the Impact of Climate-Related Risks

Our Group Enterprise-wide Risk Management Policy addresses climate-related risks. The policy defines these risks as potential threats arising from climate change, its associated impacts, and the resulting economic and financial consequences. It further identifies the following sub-risk types:

- **Physical risk** refers to the economic costs and financial losses resulting from the increasing severity and frequency of extreme weather events, longer-term gradual shifts of the climate and indirect effects of climate change such as loss of ecosystem services.
- **Transition risk** refers to the risks related to the process of adjustment towards a low carbon economy, such as changes in public sector policies, legislation and regulation, changes in technology and changes in market and customer sentiment.
- **Liability risk** refers to the risks stemming from parties that are seeking compensation for losses these parties may have suffered from the physical or transition risks from climate change.

We view climate-related risk as an integrated risk since it manifests through various financial and non-financial primary risk types, including credit, market, liquidity, and non-financial risks. Therefore, our approach integrates climate-related risk considerations into our risk management lifecycle, which includes risk identification, assessment, measurement, monitoring, reporting, control, and mitigation.

Risk type	Impact to the Bank	Climate Risk Drivers	
		Transition	Physical
Credit risk	▸ Directly affects the financial performance of our customers, through additional capital expenditures, potential imposition of fines or increased costs of operations and management. These may also include instances of newer or stricter environmental regulations. ▸ Climate physical risks can damage customer assets and disrupt customer operations.	✓	✓
Market risk	▸ Volatile and downward market valuations and repricing of investments held by the Bank.	✓	✓
Liquidity risk	▸ Significant withdrawals or drawdown of committed facilities to fund recovery from severe weather events. ▸ Inability of customers to repay their financing due to adverse impact from transition to low-carbon economy.	✓	✓
Operational risk	▸ Disruptions to operations and/or supply chain due to severe weather events. ▸ Changes in policies and processes in order to comply with regulations or transition to low-carbon economy.	✓	✓
Regulatory/ Compliance Risk	▸ Risk of failing to comply with current and emerging climate-related regulations.	✓	
Reputational risk	▸ Climate-related litigation or negative public perception can impact the Bank's reputation. ▸ Potential negative views towards the Bank due to actual or perceived actions or inactions related to our climate progress.	✓	

Our Processes for Managing and Integrating Climate-Related Risks

In 2023, we began developing frameworks and methodologies to strengthen our assessment and measurement of exposure to climate-related risks. Recognising climate risk as an integrated risk, we have tailored these frameworks and methodologies to manage climate-related risks according to the characteristics of the relevant primary risk types. This focus has resulted in considerable progress in understanding and assessing these risks.

Governance

Risk type	Our Achievements in 2023
Credit risk	• Continuous development of our expected credit loss methodology to assess the impact of climate related transition and physical risks under various climate risk scenarios to our financing portfolio. • Utilised third party tools to: – Assess transition risk for the non-retail portfolio by sector and physical risk by geographic location. – Assess transition risk for the retail portfolio through macroeconomic variables and physical risk by geographic location. – Estimate the Weighted Average Carbon Intensity (WACI) for our non-retail portfolio as an initial step to identify and mitigate climate-related credit risks linked to carbon-intensive sectors. Integrating WACI into the Bank's credit risk analysis process allows us to align our financing activities with national and global carbon reduction targets, steering our clients towards sustainable business practices and ensuring the environmental integrity of our portfolio.
Market risk	• Enhanced the market risk framework to assess the impact of climate related risks arising from transition and physical risks under various climate risk scenarios.
Liquidity risk	• Enhanced our liquidity risk framework to assess the impact of deposit withdrawals arising from climate transition risk and physical risk based on their sector and location under various climate scenarios.
Operational risk	• Conducted physical risk profiling of all our operating locations using third party tool, and the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP) 8.5 scenario based on a 2030 to 2039 time horizon. • Enhanced existing operational risk frameworks and tools to incorporate climate-related risk considerations, including: – Identification of climate-related risks as part of Risk and Control Self-assessments (RCSA). – Identification and reporting of climate-related loss events. – Assessment of ESG & climate related risks for outsourcing service providers. – Integration of climate-related risk assessments into the business continuity management process. – Assessment of climate-related risks for new product approval processes. – Conducting climate physical risk assessments for the establishment of new branches or branch relocations.

The evolving nature of climate risk methodologies necessitates continued refinement of our approach. In 2024, we will focus on embedding the newly developed frameworks into our established risk management processes. Data availability remains a challenge; however, as data quality improves and innovative climate methodologies emerge, the Bank intends to continuously refine our approach. This ongoing process will allow us to achieve a more comprehensive and quantitative understanding of our climate risk exposure.

Climate Risk Stress Testing (CRST)

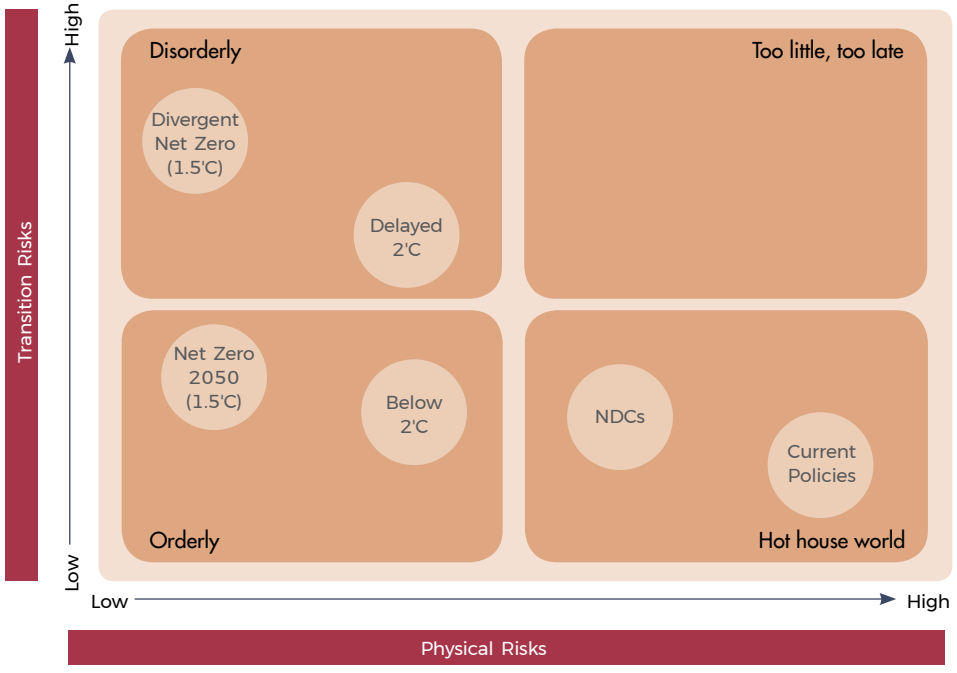
Climate risk stress testing is a valuable tool for evaluating the Bank's resilience to market movements. The scenarios encompass potential future developments in the energy transition or severe climate events.

The Bank has made notable strides in developing climate risk stress testing methodology on the financing portfolio. Since 2022, we have gradually strengthened our climate capabilities to integrate the impact of climate change into our stress testing frameworks.

Pilot runs of the CRST exercise for our financing portfolio were carried out in 2022 and 2023, focusing on short, medium and long-term scenarios involving both transition and physical risks guided by Network for Greening the Financial System (NGFS) scenarios namely:

- **Orderly** scenarios assume climate policies are introduced early and become gradually more stringent.
- **Disorderly** scenarios explore transition risk due to policies being delayed or divergent across countries and sectors. For example, carbon prices would have to increase abruptly after a period of delay.
- **Hot house world** scenarios assume that some climate policies are implemented in some jurisdictions but global efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk, including irreversible impacts such as sea level rise.

NGFS Climate Scenarios Framework



Source: NGFS (2021)

The results of CRST will be key to understanding and identifying our risk exposure, particularly the distribution of risks across different sectors. This knowledge will allow us to manage these risks more effectively.

We are continuously refining our CRST approach to ensure it aligns with the industry-wide exercise planned by Bank Negara Malaysia (BNM) via the 2024 Climate Risk Stress Testing Exercise Methodology Paper issued on 29 February 2024. This ongoing effort will ensure our risk management practices remain robust in the face of climate change.

4. Climate Metrics and Targets

In our efforts to manage climate-related risks and opportunities, and achieve sustainability goals, we place a strong emphasis on tangible metrics and targets, including emissions tracking and sustainability benchmarks:

Scope 1 & 2 Emissions Monitoring: We actively track our direct and energy-related indirect emissions to establish a solid foundation for our carbon management strategy.

Scope 3 Emissions Baseline Development: We are extending our emissions tracking to cover Scope 3, aiming to fully understand the indirect emissions throughout our value chain. This expansion is crucial for a holistic view of our environmental impact.

Key Performance Indicators (KPIs): We have established KPIs focused on climate risk exposure, increasing sustainable products and services offerings, and embedding these in Group-wide performance scorecards.

For details on our carbon emissions, please see "Emissions and Environmental Impact" on page 118.

Performance Data Table

from ESG Reporting Platform

Indicator	Measurement Unit	2023
Bursa (Labour practices and standards)		
Bursa C6(a) Total hours of training by employee category		
Senior Management	Hours	2,579
Middle Management	Hours	104,027
Executive	Hours	145,744
Non-executive	Hours	39,799
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	0.90
Bursa C6(c) Total number of employee turnover by employee category		
Senior Management	Number	1
Middle Management	Number	95
Executive	Number	124
Non-executive	Number	11
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0
Bursa (Anti-corruption)		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Senior Management	Percentage	30.00
Middle Management	Percentage	47.00
Executive	Percentage	34.00
Non-executive	Percentage	4.00
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	36.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0
Bursa (Data privacy and security)		
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	10
Bursa (Energy management)		
Bursa C4(a) Total energy consumption	Megawatt	16,200.00
Bursa (Water)		
Bursa C9(a) Total volume of water used	Megalitres	212.137000
Bursa (Community/Society)		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	12,800,000.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	1,598
Bursa (Supply chain management)		
Bursa C7(a) Proportion of spending on local suppliers	Percentage	88.00
Bursa (Health and safety)		
Bursa C5(a) Number of work-related fatalities	Number	0
Bursa C5(b) Lost time incident rate (LTIR)	Rate	1.30
Bursa C5(c) Number of employees trained on health and safety standards	Number	2,767

Indicator	Measurement Unit	2023
Bursa (Diversity)		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Senior Management under 30	Percentage	0.00
Senior Management between 30-50	Percentage	43.00
Senior Management above 50	Percentage	57.00
Middle Management under 30	Percentage	1.00
Middle Management between 30-50	Percentage	72.00
Middle Management above 50	Percentage	27.00
Executive under 30	Percentage	15.00
Executive between 30-50	Percentage	76.00
Executive above 50	Percentage	9.00
Non-executive under 30	Percentage	3.00
Non-executive between 30-50	Percentage	86.00
Non-executive above 50	Percentage	11.00
Gender Group by Employee Category		
Senior Management Male	Percentage	71.00
Senior Management Female	Percentage	29.00
Middle Management Male	Percentage	58.00
Middle Management Female	Percentage	42.00
Executive Male	Percentage	46.00
Executive Female	Percentage	54.00
Non-executive Male	Percentage	54.00
Non-executive Female	Percentage	46.00
Bursa C3(b) Percentage of directors by gender and age group		
Male	Percentage	67.00
Female	Percentage	33.00
Under 30	Percentage	0.00
Between 30-50	Percentage	0.00
Above 50	Percentage	100.00

Corporate Information

BOARD OF DIRECTORS

Chairman

TAN SRI DR ISMAIL HAJI BAKAR
Independent Non-Executive Director

Members

- **DATUK BAZLAN OSMAN**
  Senior Independent Non-Executive Director
- **MOHD YUZAIDI MOHD YUSOFF**
  Independent Non-Executive Director
- **MASHITAH HAJI OSMAN**
  Independent Non-Executive Director
- **MOHD ASRI AWANG**
  Independent Non-Executive Director
- **NURAINI ISMAIL**
  Independent Non-Executive Director
- **DATO' PROFESSOR DR NOOR INAYAH YA'AKUB**
  Independent Non-Executive Director
- **DATUK NIK MOHD HASYUDEEN YUSOFF**
  Non-Independent Non-Executive Director
- **SYED HAMADAH SYED OTHMAN**
  Non-Independent Non-Executive Director
  (Appointed w.e.f. 1 January 2024)
- **AZIZAN AHMAD**
  Independent Non-Executive Director
  (Retired w.e.f. 2 January 2024)
- **DATO' SRI AMRIN AWALUDDIN**
  Non-Independent Non-Executive Director
  (Resigned w.e.f. 5 May 2023)
- **DATO' SRI KHAZALI AHMAD**
  Independent Non-Executive Director
  (Retired w.e.f. 2 January 2023)

BOARD AUDIT AND EXAMINATION COMMITTEE

Chairman

Datuk Bazlan Osman

Members

- **Nuraini Ismail**
- **Dato' Professor Dr Noor Inayah Ya'akub**
- **Mohd Yuzaidi Mohd Yusoff**
  (Ceased to be a member w.e.f. 7 April 2023)
- **Dato' Sri Khazali Ahmad**
  (Retired w.e.f. 2 January 2023)

BOARD RISK COMMITTEE

Chairman

Mohd Yuzaidi Mohd Yusoff
(Re-designated as Chairman w.e.f. 2 January 2024)

Members

- **Mohd Asri Awang**
- **Datuk Nik Mohd Hasyudeen Yusoff**
- **Azizan Ahmad**
  (Retired w.e.f. 2 January 2024)

BOARD NOMINATION AND REMUNERATION COMMITTEE

Chairman

Datuk Bazlan Osman
(Appointed as Chairman w.e.f. 2 January 2024)

Members

- **Datuk Nik Mohd Hasyudeen Yusoff**
- **Nuraini Ismail**
- **Azizan Ahmad**
  (Retired w.e.f. 2 January 2024)
- **Dato' Sri Khazali Ahmad**
  (Retired w.e.f. 2 January 2023)

BOARD FINANCING REVIEW COMMITTEE

Chairman

Datuk Nik Mohd Hasyudeen Yusoff

Members

- **Mashitah Haji Osman**
- **Mohd Asri Awang**
- **Azizan Ahmad**
  (Retired w.e.f. 2 January 2024)

BOARD STRATEGIC AND SUSTAINABILITY COMMITTEE

Chairman

Datuk Nik Mohd Hasyudeen Yusoff
(Re-designated as Chairman w.e.f. 2 January 2024)

Members

- **Mashitah Haji Osman**
- **Mohd Yuzaidi Mohd Yusoff**
  (Re-designated as member w.e.f. 2 January 2024)
- **Datuk Bazlan Osman**
  (Ceased to be a member on 2 January 2024)

BOARD INFORMATION TECHNOLOGY COMMITTEE

Chairman

Mohd Yuzaidi Mohd Yusoff

Members

- **Datuk Bazlan Osman**
- **Dato' Professor Dr Noor Inayah Ya'akub**
- **Dato' Sri Khazali Ahmad**
  (Retired w.e.f. 2 January 2023)

SHARIAH SUPERVISORY COUNCIL

Chairman

Ir. Dr Muhamad Fuad Abdullah

Members

- **Associate Professor Dr Yasmin Hanani Mohd Safian**
  (Retired w.e.f. 31 March 2024)
- **Sahibus Samahah Professor Dato' Dr Asmadi Mohamed Naim**
- **Dr Shamsiah Mohamad**
- **Sahibus Samahah Datu Haji Kipli Haji Yassin**
- **Associate Professor Dr Nurul Aini Muhamed**
  (Appointed w.e.f 1 January 2024)

CHIEF EXECUTIVE OFFICERS IN THE GROUP

- **Dato' Mohd Muazzam Mohamed**
  Group Chief Executive Officer
  Bank Islam Malaysia Berhad
- **Azdini Nor Azman**
  Chief Executive Officer
  BIMB Investment Management Berhad
- **Dr Rosnani Rasul**
  Chief Executive Officer
  BIMB Securities Sdn Bhd
- **Masdayana Md Setamam**
  Chief Executive Officer
  Bank Islam Trust Company (Labuan) Ltd

GROUP COMPANY SECRETARY

Maria Mat Said
LS0009400
SSM Practicing Certificate No. 202008002449

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Website : www.bankislam.com

SHARE REGISTRAR

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46200 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7890 4700
Fax : 03-7890 4670

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : BIMB
Stock Code : 5258

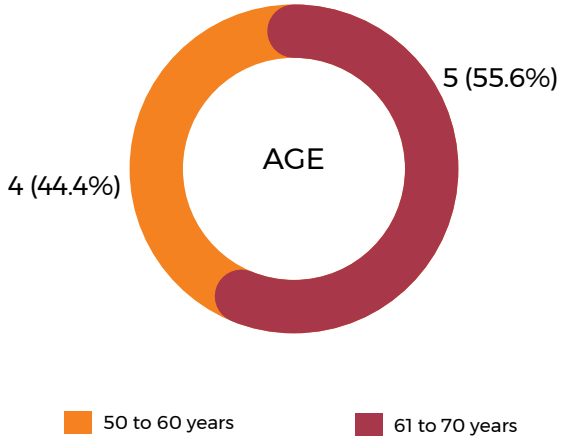
Board Composition

BOARD BALANCED REPRESENTATION

1 Senior Independent Director

6 Independent Non-Executive Directors

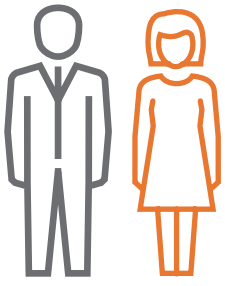
2 Non-Independent Non-Executive Directors

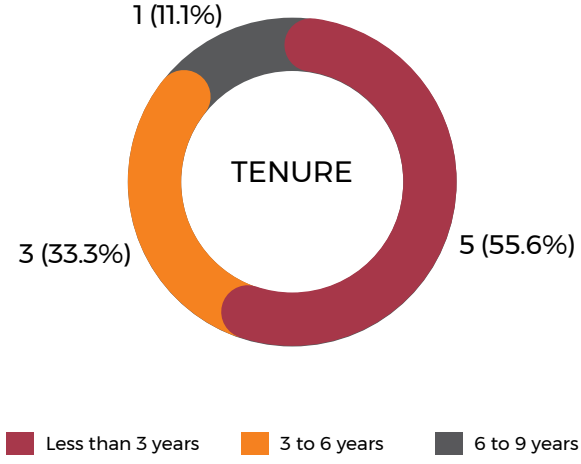


Note: *Age of Directors are counted based on date of birth.*

GENDER

FEMALE	33.3%
MALE	66.7%





Board of Directors' Profile

Age
64

Gender
Male

Nationality

Date of Appointment
1 August 2020

Tan Sri Dr Ismail Haji Bakar

Chairman/Independent Non-Executive Director

Academic/Professional Qualification/Membership(s)
- Bachelor of Economics, B, Econs (Hons) in Applied Economics, University of Malaya
- Diploma in Public Administration, National Institute of Public Administration (INTAN)
- Master of Business Administration, University of Hull, United Kingdom
- PHD, University of Hull, United Kingdom

Areas of Expertise
- Economic
- Financial Management

Membership(s) of Board Committees
- Nil

Present Directorship(s) and/or Appointment(s)

Listed Entity/Entities (Other than Bank Islam)
- Chairman, Johor Plantations Berhad
- Chairman, KPJ Healthcare Berhad

Other Public Company/Companies
- Nil

Appointment(s)
- Chairman, Enforcement Agency Integrity Commission
- Deputy Chairman, Johor Corporation

Past Directorship(s) and/or Appointment(s)
- Chairman, Kulim (Malaysia) Berhad
- Director, Malaysia Airport Holdings Berhad
- Chairman, Bintulu Port Holdings Berhad
- Chairman, Malaysia Rail Link Sdn Bhd
- Director, Bank Negara Malaysia
- Chairman, Kumpulan Wang Persaraan
- Chief Secretary, Government of Malaysia
- Secretary General, Ministry of Finance
- Secretary General, Ministry of Agriculture & Agro Based Industry
- Secretary General, Ministry of Transport
- Director, National Budget, National Budget Office, Treasury, Ministry of Finance
- Director, Strategic Unit, Treasury, Ministry of Finance
- Deputy Secretary General (Policy), Ministry of Defence
- Senior Advisor to the Executive Director (SEA Group), World Bank
- Head of Section, Government Procurement, Ministry of Finance
- Head of Planning, Research and Policy, Government Procurement, Ministry of Finance
- Principal Assistant Secretary, Economic and International Division (Public Finance Section), Ministry of Finance
- Assistant Secretary, Economic and International Division (Capital Market, Money Market and Banking Section), Ministry of Finance
- Assistant Secretary, Economic and International Division (External Trade and Balance and Payment), Ministry of Finance
- Assistant Director, Anti Narcotic Task Force
- Assistant Secretary, Contract and Supply Division, Ministry of Finance

Attendance During the Financial Year 2023

BOD	BAEC	BRC	BNRC	BFRC	BSSC	BITC
Chairman 12/12 (100%)	-	-	-	-	-	-

Declaration of Interest

He has no conflict of interest or family relationship with any Director and/or major shareholder of Bank Islam Group. He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 2023.

Board of Directors' Profile

Age
60

Gender
Male

Nationality

Date of Appointment
7 January 2022

Datuk Bazlan Osman

Senior Independent Non-Executive Director

Academic/Professional Qualification/Membership(s)
- Fellow, Association of Chartered Certified Accountants (ACCA), United Kingdom
- Member, Malaysian Institute of Accountants (MIA)
- Diploma in Accounting, Polytechnic of North London, United Kingdom

Areas of Expertise
- Finance
- Accounting
- Governance

Membership(s) of Board Committees
- Chairman, Board Audit and Examination Committee
- Chairman, Board Nomination and Remuneration Committee (Appointed w.e.f 2 January 2024)
- Member, Board Information Technology Committee

Present Directorship(s) and/or Appointment(s)

Listed Entity/Entities (Other than Bank Islam)
- Independent Non-Executive Director, Bursa Malaysia Berhad
- Independent Non-Executive Director, Syarikat Takaful Malaysia Keluarga Berhad
- Chairman/Independent Non-Executive Director, FIMA Corporation Berhad

Other Public Company/Companies
- Nil

Appointment(s)
- Nil

Past Directorship(s) and/or Appointment(s)
- Director, Malaysia Professional Accountancy Centre
- President, Malaysia Institute of Accountants
- Chair, ACCA Malaysia Advisory Committee
- Ex-Officio, Financial Reporting Foundation
- Director, Glomac Berhad
- Chairman, GITN Sdn Bhd (wholly-owned subsidiary of Telekom Malaysia Berhad)
- Director, Citibank Berhad
- Board Member, Universiti Utara Malaysia
- Executive Director, Telekom Malaysia Berhad
- Acting Group Chief Executive Officer, Telekom Malaysia Berhad
- Deputy Group Chief Executive Officer, Telekom Malaysia Berhad
- Group Chief Financial Officer, Telekom Malaysia Berhad
- Director, Malaysia Digital Economy Corporation Sdn Bhd
- Director, Labuan Reinsurance (L) Ltd
- Board Commissioner, PT XL Axiata Tbk
- Chief Financial Officer, Celcom Malaysia Berhad
- Senior Vice President, Corporate Finance & Treasury, Celcom Malaysia Berhad
- Director, Nationwide Express Holdings Berhad
- Senior Vice President, Finance and Company Secretary, Kumpulan Fima Berhad
- Manager, Accounting & Financial Control, American Express (M) Sdn Bhd
- Finance at Corporate Office, Kuala Lumpur, Melaka and Singapore, Sime Darby Group
- Auditor, Messrs. Hanafiah Raslan & Mohamad

Attendance During the Financial Year 2023

BOD	BAEC	BRC	BNRC	BFRC	BSSC	BITC
Member 12/12 (100%)	Chairman 9/9 (100%)	–	–	–	Member 6/6 (100%)*	Member 7/7 (100%)

* *Note: Ceased to be a member w.e.f 2 January 2024*

Declaration of Interest

He has no conflict of interest or family relationship with any Director and/or major shareholder of Bank Islam Group. He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 2023.

Age
61

Gender
Male

Nationality

Date of Appointment
1 July 2019

Mohd Yuzaidi Mohd Yusoff

Independent Non-Executive Director

Academic/Professional Qualification/Membership(s)
- Master of Science, Business Administration, San Diego State University, United States of America
- Bachelor of Science, Computer Science, Northern Illinois University, United States of America

Areas of Expertise
- Information Technology/Digital
- Strategic Planning
- Risk and Quality Management
- Business Process Management

Membership(s) of Board Committees
- Chairman, Board Risk Committee (Re-designated as Chairman w.e.f. 2 January 2024)
- Chairman, Board Information Technology Committee
- Member, Board Strategic and Sustainability Committee (Re-designated as Member w.e.f. 2 January 2024)

Present Directorship(s) and/or Appointment(s)

Listed Entity/Entities (Other than Bank Islam)
- Independent Non-Executive Director, PETRONAS Dagangan Berhad

Other Public Company/Companies
- Independent Non-Executive Director, Prudential Assurance Malaysia Berhad
- Director, Muslim Professionals Forum Berhad

Appointment(s)
- Member, ICDM

Past Directorship(s) and/or Appointment(s)
- Board of Trustee, PADU Corporation
- Independent Non-Executive Director, Malaysia Digital Economy Corporation Sdn Bhd
- Group Chief Strategy and Corporate Governance Officer, PST Ventures Sdn Bhd
- Co-Founder and Managing Director, Clear Minds Sdn Bhd
- Senior Manager, Accenture

Attendance During the Financial Year 2023

BOD	BAEC	BRC	BNRC	BFRC	BSSC	BITC
Member 12/12 (100%)	Member 2/2 (100%)*	Member 15/15 (100%)	-	-	Chairman 6/6 (100%)	Chairman 7/7 (100%)

* *Note: Ceased to be a member w.e.f. 7 April 2023*

Declaration of Interest

He has no conflict of interest or family relationship with any Director and/or major shareholder of Bank Islam Group. He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 2023.

Board of Directors' Profile

Age
58

Gender
Male

Nationality

Date of Appointment
1 October 2016

Datuk Nik Mohd Hasyudeen Yusoff

Non-Independent Non-Executive Director

Academic/Professional Qualification/Membership(s)
- Member, Malaysian Institute of Accountants (MIA)
- Fellow, CPA Australia
- Advanced Business Management Program, IMD International, Switzerland
- Bachelor of Business, Curtin University of Technology, Australia

Areas of Expertise
- Accounting
- Governance

Membership(s) of Board Committees
- Chairman, Board Financing Review Committee
- Chairman, Board Strategic and Sustainability Committee (Re-designated as Chairman w.e.f 2 January 2024)
- Member, Board Risk Committee
- Member, Board Nomination and Remuneration Committee

Present Directorship(s) and/or Appointment(s)

Listed Entity/Entities (Other than Bank Islam)
- Independent Non-Executive Director, Petron Malaysia Refining & Marketing Bhd

Other Public Company/Companies
- Director, USAS Berhad

Appointment(s)
- Director, Malaysia Professional Accountancy Centre
- Director, Program Pertukaran Fellowship Perdana Menteri Malaysia
- Director, The Pyes Sdn Bhd

Past Directorship(s) and/or Appointment(s)
- Group Managing Director and Chief Executive Officer, Lembaga Tabung Haji
- Executive Director, Market and Corporate Supervision, Securities Commission Malaysia
- Executive Chairman, Audit Oversight Board, Securities Commission Malaysia
- Chief Executive Officer, Inovastra Sdn Bhd
- Chairman, Khairuddin, Hasyudeen & Razi, Chartered Accountants

Attendance During the Financial Year 2023

BOD	BAEC	BRC	BNRC	BFRC	BSSC	BITC
Member 12/12 (100%)	–	Member 15/15 (100%)	–	Chairman 12/12 (100%)	Member 6/6 (100%)	–

Declaration of Interest

He has no conflict of interest or family relationship with any Director and/or major shareholder of Bank Islam Group. He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 2023.

Age
66

Gender
Female

Nationality

Date of Appointment
1 October 2020

Mashitah Haji Osman

Independent Non-Executive Director

Academic/Professional Qualification/Membership(s)
- Bachelors of Business Administration (Hons), Universiti Kebangsaan Malaysia
- Master of Business Administration, University College of Wales Aberystwyth, United Kingdom

Areas of Expertise
- Corporate and Corporate Investment Banking

Membership(s) of Board Committees
- Member, Board Strategic and Sustainability Committee
- Member, Board Financing Review Committee

Present Directorship(s) and/or Appointment(s)

Listed Entity/Entities (Other than Bank Islam)
- Independent Non-Executive Director, Radiant Globaltech Berhad

Other Public Company/Companies
- Independent Non-Executive Director, BIMB Investment Management Berhad (a wholly-owned subsidiary of Bank Islam)

Appointment(s)
- Nil

Past Directorship(s) and/or Appointment(s)
- Chief Operating Officer in Business, Bank Muamalat Malaysia Berhad
- Director/Head, Corporate Investment Banking, Bank Islam Malaysia Berhad
- First Senior Vice President/Senior General Manager, RHB Sakura Merchant Bankers Bhd
- General Manager/Head, Islamic Finance (Islamic Capital Markets), RHB Sakura Merchant Bankers Bhd
- Member of RHB Capital Syariah Council, RHB Sakura Merchant Bankers Bhd
- Unit Head, Institutional and Islamic Financing, Corporate Banking, RHB Sakura Merchant Bankers Bhd
- Officer to Senior Manager, Corporate Banking, RHB Sakura Merchant Bankers Bhd

Attendance During the Financial Year 2023

BOD	BAEC	BRC	BNRC	BFRC	BSSC	BITC
Member 11/12 (92%)	-	-	-	Member 12/12 (100%)	Member 6/6 (100%)	-

Declaration of Interest

She has no conflict of interest or family relationship with any Director and/or major shareholder of Bank Islam Group. She has not been convicted of any offence within the past five (5) years nor has she been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 2023.

Board of Directors' Profile

Age
61

Gender
Female

Nationality

Date of Appointment
7 January 2022

Nuraini Ismail

Independent Non-Executive Director

Academic/Professional Qualification/Membership(s)
- Fellow, Association of Chartered Certified Accountants (ACCA), United Kingdom
- Member, Malaysian Institute of Accountants (MIA)

Areas of Expertise
- Finance
- Corporate Finance
- Audit and Governance
- Financial Risk Management
- Treasury

Membership(s) of Board Committees
- Member, Board Audit and Examination Committee
- Member, Board Nomination and Remuneration Committee

Present Directorship(s) and/or Appointment(s)

Listed Entity/Entities (Other than Bank Islam)
- Independent Non-Executive Director, GDEX Berhad
- Independent Non-Executive Director, LBS Bina Group Berhad

Other Public Company/Companies
- Independent Non-Executive Director, MCIS Insurance Berhad

Appointment(s)
- Director, IIUM Holdings Sdn Bhd
- Chairman, IIUM Educare Sdn Bhd
- Director, Daya Bersih Sdn Bhd

Past Directorship(s) and/or Appointment(s)
- Vice President Treasury, Finance, PETRONAS
- Senior General Manager, Group Treasury, PETRONAS
- General Manager, Finance and Accounts Services, Malaysian International Trading Company
- General Manager, Commercial Services, Malaysian International Trading Company
- Senior Manager Finance and Accounts Services, Malaysian International Trading Company
- Manager Value Based Management, PETRONAS
- Manager Planning and Budgeting, PETRONAS
- Manager Group Budget, PETRONAS
- Manager Accounts Services, PETRONAS
- Senior Executive, Accounts Services, PETRONAS
- Corporate Planning Executive, Mayban Finance
- Loans Rehabilitation Executive, Bank Bumiputera Berhad
- Corporate Finance Executive, Bumiputera Merchant Bankers
- Audit Team Leader, Azman Wong & Salleh
- Executive, Accountants General Office

Attendance During the Financial Year 2023

BOD	BAEC	BRC	BNRC	BFRC	BSSC	BITC
Member 12/12 (100%)	Member 9/9 (100%)	-	Member 7/7 (100%)	-	-	-

Declaration of Interest

She has no conflict of interest or family relationship with any Director and/or major shareholder of Bank Islam Group. She has not been convicted of any offence within the past five (5) years nor has she been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 2023.

Age
67

Gender
Male

Nationality

Date of Appointment
1 October 2021

Mohd Asri Awang

Independent Non-Executive Director

Academic/Professional Qualification/Membership(s)
- BA (Economics), Macquaire University Sydney, Australia

Areas of Expertise
- Treasury
- Banking
- Capital Markets
- Enterprise Risk Management

Membership(s) of Board Committees
- Member, Board Risk Committee
- Member, Board Financing Review Committee

Present Directorship(s) and/or Appointment(s)

Listed Entity/Entities (Other than Bank Islam)
- Nil

Other Public Company/Companies
- Nil

Appointment(s)
- Director, BIMB Securities Sdn Bhd (a wholly-owned subsidiary of Bank Islam)

Past Directorship(s) and/or Appointment(s)
- Chief Operating Officer, Bank Muamalat Malaysia Berhad
- Chief Risk Officer, Bank Muamalat Malaysia Berhad
- Executive Vice President, Wholesale Banking, Bank Muamalat Malaysia Berhad
- Chief Executive Officer Malaysian Rating Corporation Berhad
- Head, Group Corporate Services, Amanah Capital Partners Berhad/MIDF Berhad
- CEO Designate, Malaysian Financial Guarantee Insurance, Amanah Capital Partners Berhad
- General Manager, Treasury and Southern Region, BSN Commercial Bank (M) Berhad
- Chief Executive Officer, Kewangan Bersatu Berhad
- Country Treasurer, Chase Manhattan Bank, Kuala Lumpur
- Assistant General Manager, Funds Management, Amanah Merchant Bank Berhad
- Senior Manager, Treasury, Amanah Chase Merchant Bank Berhad
- Money Market & Foreign Exchange Trader, Bank Bumiputra Malaysia Berhad

Attendance During the Financial Year 2023

BOD	BAEC	BRC	BNRC	BFRC	BSSC	BITC
Member 12/12 (100%)	-	Member 15/15 (100%)	-	Member 12/12 (100%)	-	-

Declaration of Interest

He has no conflict of interest or family relationship with any Director and/or major shareholder of Bank Islam Group. He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 2023.

Board of Directors' Profile

Age
54

Gender
Female

Nationality

Date of Appointment
7 April 2023

Dato' Professor Dr Noor Inayah Ya'akub

Independent Non-Executive Director

Academic/Professional Qualification/Membership(s)
- PhD in Law, University of Manchester, United Kingdom
- LLM (Master of Law), University of Bristol, United Kingdom
- Bachelor of Shariah Law (Hons) Degree, International Islamic University Malaysia
- Bachelor of Law (Hons) Degree, International Islamic University Malaysia
- Matriculation Centre (Law), International Islamic University Malaysia
- Qualified Advocate & Solicitor, High Court of Malaya and Syariah Court
- Syarie Lawyer State of Negeri Sembilan
- Advanced Certificate for Leaders in Education, Innovation and Strategy for the future of Higher Education, School of Executive Education, Cambridge Judge Business School, University of Cambridge

Areas of Expertise
- Legal
- Syariah

Membership(s) of Board Committees
- Member, Board Audit and Examination Committee
- Member, Board Information Technology Committee

Present Directorship(s) and/or Appointment(s)

Listed Entity/Entities (Other than Bank Islam)
- Nil

Other Public Company/Companies
- Chairman, AmanahRaya Trustees Berhad
- Director, Amanah Raya Berhad

Appointment(s)
- President & Vice Chancellor, Infrastructure University Kuala Lumpur
- Board of Trustee Yayasan Wakaf Malaysia
- Chairman, Syariah Committee Yayasan Wakaf Malaysia
- Member of Majlis Fatwa, State of Penang

Past Directorship(s) and/or Appointment(s)
- Professor of Law, Universiti Kebangsaan Malaysia
- Rector, Professional College of BaitulMal, Majlis Agama Islam Wilayah Persekutuan
- Dean, Faculty of Business & Accountancy, UNISEL
- Secondee, ISIS Innovation Centre, University of Oxford
- Main consultant for Waqf land, Housing and Local Government Ministry
- Syura Committee Member, Majlis Agama Islam Pulau Pinang
- Visiting Professor, University of Taylor
- Visiting Scholar, Kyoto University
- Visiting Scholar, University of Andalas
- Professor of Law and Syariah, Putra Business School
- Honorary Professor, University Sains Malaysia
- Member to BaitulMal and Development, Majlis Agama Islam Selangor
- Director, Corporate Planning Universiti Kebangsaan Malaysia

Attendance During the Financial Year 2023

BOD	BAEC	BRC	BNRC	BFRC	BSSC	BITC
Member 7/8 (87%)	Member 7/7 (100%)	-	-	-	-	Member 5/6 (83%)

Declaration of Interest

She has no conflict of interest or family relationship with any Director and/or major shareholder of Bank Islam Group. She has not been convicted of any offence within the past five (5) years nor has she been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 2023.

Age
53

Gender
Male

Nationality

Date of Appointment
1 January 2024

Syed Hamadah Syed Othman

Non-Independent Non-Executive Director

Academic/Professional Qualification/Membership(s)
- Fellow of the Faculty and Institute of Actuaries, United Kingdom
- Fellow of the Actuarial Society, Malaysia
- Bachelor of Science, Actuarial Mathematics & Statistic, Heriot-Watt University, Edinburgh, United Kingdom
- Scottish Higher Education Certificate, Clydebank College, United Kingdom

Areas of Expertise
- Risk Management
- Investment, Insurance, Takaful

Membership(s) of Board Committees
- Nil

Present Directorship(s) and/or Appointment(s)

Listed Entity/Entities (Other than Bank Islam)
- Non-Independent Non-Executive Director, TH Plantations Berhad

Other Public Company/Companies
- Nil

Appointment(s)
- Group Managing Director & Chief Executive Officer of Lembaga Tabung Haji
- Board of Trustee, Yayasan Tabung Haji
- Director, TH Properties Sdn Bhd
- Board member, Private Pension Administrator Malaysia
- Director, Actuarial Partners Consulting Sdn Bhd

Past Directorship(s) and/or Appointment(s)
- Chief Executive Officer, Retirement Fund Inc. (KWAP)
- Senior Partner, Actuarial Partners Consulting Sdn Bhd
- Consulting Actuary, Mercer Zainal Consulting Sdn Bhd
- Technical Analyst, PETRONAS Trading Corporation Sdn Bhd

Declaration of Interest

He has no conflict of interest or family relationship with any Director and/or major shareholder of Bank Islam Group. He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 2023.

Shariah Supervisory Council's Profile

Age	**71**
Gender	**Male**
Nationality	
Date of Appointment	**1 April 2022**

Ir. Dr Muhamad Fuad Abdullah

(Chairman)

Qualifications
- Professional Engineer with Practising Certificate (PEPC), Board of Engineers (BEM)
- Doctor of Philosophy, Muslim Civilization, Aberdeen University, Scotland
- MPhil. Electrical Engineering, Southampton University, England
- BA. in Shariah, University of Jordan, Amman, Hashemite Kingdom of Jordan
- BSc. (Hons) Electrical Engineering, Southampton University, England

Currently
- Member, Shariah Advisory Committee, BIMB Securities Sdn Bhd (June 2011–July 2024)
- Member, Board of Directors, Universiti Tun Abd Razak Sdn Bhd
- Member, Board of Governors, UniRazak
- Chairman, Shariah Committee, AIA-Public Takaful Berhad

Experience
- Chairman, Board of Directors, Hospital Pusrawi Sdn Bhd (2012-2014)
- President, Association of Shariah Advisers in Islamic Finance (ASAS) (2020-2022)
- Chief Executive Officer, Kausar Corporation Sdn Bhd (2003-2022)
- Managing Director, Five-H Associates Sdn Bhd (2004-2006)
- Chairman, Board of Trustees, Hidayah Centre Foundation (HCF)
- Member, Board of Directors, Mesiniaga Berhad (2010-2020)
- Member, Board of Directors, PNB Commercial Sdn Bhd (2017-2020)
- Member, Board of Directors, Universiti Sains Islam Malaysia (USIM) (2016-2020)
- Member, Board of Directors, Institut Kefahaman Islam Malaysia (IKIM) (1998-2019)
- Member, Board of Directors, MIDF Berhad (2003-2016)
- Member, Board of Directors, MIDF Property Berhad (2007-2017)
- Member, Board of Directors, Sime Darby Berhad (2013-2016)
- Member, Board of Directors, Sime Darby Property Berhad (2013-2015)
- Member, Board of Directors, Island & Peninsula (I&P) Berhad (2005-2009)
- Member, Majlis Agama Islam Wilayah Persekutuan (MAIWP) (2012-2015)
- Deputy President, Malaysian Chinese Muslim Association (MACMA) (1998-2013)
- Adviser, Dewan Perniagaan Melayu Malaysia (DPMM) (2014-2017)

Directorship in Other Public Companies
- Chairman, Board of Directors, Gagasan Nadi Cergas Bhd

Age	**54**
Gender	**Male**
Nationality	
Date of Appointment	**3 February 2020**

Sahibus Samahah Professor Dato' Dr Asmadi Mohamed Naim

(Member)

Qualifications
- Chartered Islamic Finance Professional, International Centre for Education in Islamic Finance (INCEIF)
- PhD (Fiqh and Usul Fiqh), International Islamic University Malaysia
- Master's in (Fiqh and Usul Fiqh), International Islamic University Malaysia
- Bachelor of Shariah (Hons) (al-Fiqh wa al-Tasyri'), Amman, Hashemite Kingdom of Jordan

Currently
- State Mufti of Pahang
- Member, Shariah Advisory Council, Securities Commission Malaysia since 2014
- Chairman, Shariah Committee, Sun Life Takaful Malaysia Berhad from 1 April 2021
- Member, Jamaah Ulama Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK) since September 2018
- Member, Shariah Expert Panel, JAKIM since 2019
- Member, Waqf Committee of Majlis Ugama Islam dan Adat Istiadat Melayu Pahang (MUIP) since October 2020
- Member of Council, Lembaga Zakat Negeri Kedah since July 2021
- Professor, Islamic Business School (IBS), UUM College of Business, Universiti Utara Malaysia

Experience
- Vice Chancellor and Chief Executive Officer of Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah (UniSHAMS) (February 2021 – January 2024)
- Member, Shariah Advisory Council Bank Negara Malaysia (2013-2019)
- Council Member for Zakat Committee for the State of Kedah from 2013 until 2015
- Member, Muamalat Expert Panel JAKIM (2016-2018)
- Board Member, Sintok Agro Sdn Bhd (2018-2019)
- Shariah Consultant (Internal adviser), Hong Leong Islamic Bank (2008-2010)
- Member, Shariah Committee, Hong Leong Islamic Bank (2010-2013)
- Grand Council Member, Chartered Institute of Islamic Finance Professional (CIIF), (2015-2020)
- Committee member for Ministry of Higher Education Malaysias' Main Committee of Muamalat and Islamic Finance Standards and Roadmap (2010-2012)
- Member of Royal Commission of Inquiry for Tabung Haji (19 January 2022-19 July 2022)

Directorship in Other Public Companies

Nil

Age	**47**
Gender	**Female**
Nationality	
Date of Appointment	**1 April 2015**

Associate Professor Dr Yasmin Hanani Mohd Safian

(Member)
(Retired w.e.f. 31 March 2024)

Qualifications
- Doctor of Philosophy in Islamic Studies, University of Exeter, United Kingdom
- Master's in Islamic Studies, University of Birmingham, United Kingdom
- Bachelor of Shariah Islamiyyah, Al-Azhar University, Egypt

Currently
- Director, Teraju Ekonomi Asnaf Sdn Bhd
- Associate Professor, Faculty of Shariah and Law, Universiti Sains Islam Malaysia
- Member, Majlis Agama Islam Selangor (MAIS)
- Member Federal Territories Syarak Consultative Committee
- Member, Economic Development Committee, MAIS
- Deputy Chairman, Dakwah Committee, MAIS
- Board Member, Teraju Ekonomi Asnaf Sdn Bhd
- Member, Shariah Committee Universiti Sains Islam Malaysia
- Member, Shariah Committee Co-op Bank Pertama
- Member, Board of Trustees YaPEIM
- Member, Shariah Committee Bank Pembangunan Malaysia

Experience
- Chairman, Committee of Non-Government Islamic Organisation, MAIS (2017-2020)
- Member, Aqidah Restriction Committee, MAIS (2017-2020)
- Panel Member, Standards Development Committee on the National Occupational Skill Standard Islamic Banking (2017)
- Member, Shariah Committee Affin Islamic (2011-2015)
- Committee, Malaysian Halal Certification Advisory
- International Professional Halal Trainer for the United States Agency for International Development (USAID)/IHRAM
- Dean, Faculty of Shariah and Law, Universiti Sains Islam Malaysia (2012-2014)
- Deputy Dean, Postgraduate School, Universiti Sains Islam Malaysia (2011-2012)
- Halal Certified Trainer, JAKIM

Directorship in Other Public Companies
Nil

Age	**57**
Gender	**Female**
Nationality	
Date of Appointment	**3 February 2020**

Dr Shamsiah Binti Mohamad

(Member)

Qualifications
- Doctor of Philosophy in Foundation of Jurisprudence (Fiqh and Usul Fiqh), University of Jordan
- Master's in Shariah, University of Malaya
- Bachelor of Shariah (First Class Honors), University of Malaya

Currently
- Member, Shariah Committee, Lembaga Zakat Selangor
- Member, Shariah Committee, Association of Islamic Banking Institutions Malaysia (AIBIM)
- Member, Shariah Committee, Pertubuhan Peladang Kebangsaan (NAFAS)
- Member, Risk Management Committee, Dana Peladang Kebangsaan (NAFAS)
- Ahli Jawatankuasa Penasihat Ibadat Haji TH-JAKIM
- Member, Shariah Committee, SME Bank
- Member, Group Shariah Committee, MNRB Holdings Berhad

Experience
- Senior Researcher, International Shari'ah Research Academy for Islamic Finance (ISRA)
- Associate Professor, Department of Fiqh and Usul, Academy of Islamic Studies, University of Malaya
- Shariah Specialist, Islamic Capital Market Department, Securities Commission Malaysia
- Member, Shariah Advisory Council, Bank Negara Malaysia
- Member, Shariah Expert Panel, JAKIM
- Published several books and articles on Islamic Economics, Banking and Finance, Profit on Islamic Jurisprudence, and Pawn Broking in Islam. Her areas of expertise include Islamic Jurisprudence (Shariah) and Islamic Finance

Directorship in Other Public Companies
Nil

Shariah Supervisory Council's Profile

Age **57**	
Gender **Male**	
Nationality	
Date of Appointment **1 January 2021**	

Sahibus Samahah Datu Haji Kipli Haji Yassin

(Member)

Qualifications
- Certificate in Training and Assessment, Australia
- Certificate in Special Islamic Course (Muslim College), London
- Master's in Usuluddin (Islamic Thought), University of Malaya
- Bachelor of Islamic Studies (Usuluddin) (Hons.), University of Malaya

Currently
- State Mufti of Sarawak
- Member, Muzakarah Committee, National Council of Islamic Religious Affairs Malaysia
- Member, Fatwa Research and Management Committee, JAKIM
- Member, Board of Control and Licensing for al-Quran Text Printing, Ministry of Home Affairs
- Steering Committee Member, National Human Rights Action Development Plan
- Ex-Officio, Majlis Islam Sarawak
- Member, Board of Baitulmal and Wakaf
- Chairman, Shariah Committee for Islamic Accounting Standards, Accountant General's Department of Malaysia
- Member, Baitulmal Finance and Investment Committee, Sarawak Islamic State Council
- Member, Audit Committee, Sarawak Islamic State Council
- Chairman, Welfare Committee, Sarawak Baitulmal Fund
- Member of Board, Institute of Islamic Skills Malaysia Sarawak
- Fellow, Advisory Panel Committee, Islamic Information Centre

Experience
- Tutor, Islamic Philosophy, University of Malaya (1992-1993)
- Assistant Secretary, Sarawak Islamic State Council (1993-2006)
- Head of Assistant Director (Human Resources), Chief Minister Department of Sarawak (2007)
- Deputy Mufti, Sarawak Mufti Office (2007-2008)
- Director, Kipli Yassin Resources (2009-2010)

Directorship in Other Public Companies
Nil

Age **47**	
Gender **Female**	
Nationality	
Date of Appointment **1 January 2024**	

Associate Professor Dr Nurul Aini Muhamed

(Member)

Qualifications
- PhD in Business and Management, University of South Australia, Australia
- Masters in Islamic Finance Practice (MIFP), INCEIF, Malaysia
- Master of Business Administration, Universiti Kebangsaan Malaysia (UKM), Malaysia
- Bachelor of Shariah (Management), University Malaya (UM), Malaysia

Currently
- Associate Professor, Faculty of Economy and Muamalat, Universiti Sains Islam Malaysia (USIM)
- Member, Shariah Committee, Great Eastern Takaful
- Member, Shariah Committee, Wakaf Felda
- Member, Shariah Committee, Perbadanan Tabung Pembangunan Kemahiran (PTPK)

Experience
- Member, Shariah Committee, BNP Paribas Malaysia Berhad
- Member, Shariah Committee, Hong Leong MSIG Takaful
- Member, Shariah Committee, Hong Leong Islamic Bank Sendirian Berhad
- Member, Study Programme Committee (Master of Management and Islamic Finance), Universiti Malaya
- Board of Studies, Al-Bukhari International University

Directorship in Other Public Companies
Nil

Management Team's Profile

Age
51

Gender
Male

Nationality

Date of Appointment
8 October 2021

Dato' Mohd Muazzam Mohamed

Group Chief Executive Officer, Bank Islam Malaysia Berhad

Academic and Professional Qualifications
- Bachelor of Accounting, International Islamic University Malaysia
- Oxford Advanced Management & Leadership Programme, Saïd Business School, University of Oxford
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants
- Member of the Chartered Institute of Islamic Finance Professionals
- Member of the Chartered Institute of Public Finance and Accountancy

Areas of Expertise
- Finance, Audit and Consulting

Work Experience & Positions

Present
- Group Chief Executive Officer, Bank Islam Malaysia Berhad
- President, Association of Islamic Banking and Financial Institutions Malaysia
- Council Member, Malaysian Institute of Certified Public Accountants
- Chairman, Islamic Finance Committee, Malaysian Institute of Accountants
- Director, Islamic Banking & Finance Institute Malaysia
- Director, Financial Industry Collective Outreach

Previous
- Chief Executive Officer, Bank Islam Malaysia Berhad (Appointed on 5 December 2018)
  Chief Executive Officer, BIMB Holdings Berhad (Appointed on 5 December 2018)
- Chief Financial Officer, Bank Islam Malaysia Berhad
- Director, BIMB Securities Sdn Bhd
- Director, BIMB Securities (Holdings) Sdn Bhd
- Alternate Director, Amana Bank PLC (Sri Lanka)
- Director, Al-Wakalah Nominees (Tempatan) Sdn Bhd
- Partner, KPMG Malaysia
- Executive Director, KPMG Management Consulting

Directorship in Other Public Companies
- Nil

Declaration of Interest
- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Management Team's Profile

Age
51

Gender
Male

Nationality

Date of Appointment
26 April 2023

Mizan Masram

Group Chief Business Officer – Group Retail Banking

Qualifications
- Diploma in Business Studies majoring in Business, Association of Business Executives, UK
- Associate Member of the Asian Institute of Chartered Bankers (AICB)
- Chartered Professional in Islamic Finance (CPIF)

Experience
- More than 26 years of experience in the finance industry
- Joined Bank Islam in 2009 as Head, Recovery & Rehabilitation Division before being appointed as Chief Business Officer on 1 January 2020
- Appointed as the Group Chief Business Officer – Retail Banking on 7 February 2022
- Currently responsible for the overall positioning and strategic formulation of five (5) main business divisions: Retail Assets, Deposit & Cards, SME Banking, Wealth Management and Retail Banking Distribution

Directorship in Other Public Companies
Nil

Declaration
- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Age
43

Gender
Female

Nationality

Date of Appointment
1 September 2023

Sharifah Sarah Syed Mohamed Tahir

Group Chief Business Officer – Group Institutional Banking

Qualifications
- Master's in Finance & Investment, University of Durham, UK
- Bachelor of Accounting (Honours), Multimedia University, Malaysia

Experience
- Appointed as the Group Chief Business Officer, Institutional Banking, Bank Islam Malaysia Berhad on 7 June 2022
- Managing Director, Client Coverage, Maybank Investment Bank
- Board of Commissioner, PT Maybank Asset Management, Indonesia
- Head of Strategy & Director, Human Capital of Group Global Banking Business, Maybank
- Chief Risk Officer and Head, Strategy & Finance, Maybank Islamic

Directorship in Other Public Companies
- Non-Independent Non-Executive Director, BIMB Investment Management Berhad

Directorship in Other Companies
- Non-Independent Non-Executive Director, BIMB Securities Sdn Bhd

Declaration
- She has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- She has not been convicted of any offence within the past five (5) years nor has she been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Age **51**	
Gender **Male**	
Nationality	
Date of Appointment **1 February 2022**	

Mohamed Iran Moriff Mohd Shariff

Group Chief Operating Officer

Qualifications
- Chartered Professional in Islamic Finance (CPIF)
- Chartered Banker (AICB)
- Association of Chartered Certified Accountants (ACCA)
- Master's in Business Administration, Strathclyde Business School, Glasgow, Scotland, UK
- Bachelor of Accountancy, University of East Anglia, Norwich, UK

Experience
- Started his career at PriceWaterhouse, specialising in the audit of banks and financial institutions before furthering his studies and subsequently working in the UK for ten (10) years
- Joined the Consumer Banking Division of Bank Islam in October 2009
- Appointed as the Chief Internal Auditor in May 2014 and as Chief Operating Officer on 1 June 2017
- Appointed as the Group Chief Operating Officer on 1 February 2022

Directorship in Other Public Companies
Nil

Declaration
- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Age **48**	
Gender **Female**	
Nationality	
Date of Appointment **1 October 2022**	

Noor Farilla Abdullah

Group Chief Digital Officer

Qualifications
- Bachelor of Science in Economics, University of Warwick, UK

Experience
- Started her career in a leading global professional services company where she consulted with agencies and organisations involved in the Multimedia Super Corridor implementation
- Has more than 16 years of experience in the financial services industry including with a leading bank, driving work in merger integration, strategy formulation and large system implementation
- Has spent most of her professional career in business transformation, programme management and innovation
- Joined Bank Islam as Chief Strategy Officer on 22 January 2019
- Appointed as the Group Chief Strategy Officer on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies
Nil

Declaration
- She has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- She has not been convicted of any offence within the past five (5) years nor has she been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Management Team's Profile

Age **48**
Gender **Male**
Nationality
Date of Appointment **8 October 2021**

Azizan Abd Aziz

Group Chief Financial Officer

Qualifications
- Member of Malaysian Institute of Accountants (Chartered Accountant)
- Fellow of Association of Chartered Certified Accountants (ACCA)
- Chartered Professional in Islamic Finance (CPIF)
- Bachelor of Accounting and Finance, University of Plymouth, UK

Experience
- Previously attached to KPMG United Kingdom and Channel Islands as Senior Manager in KPMG's Financial Services Division
- Equity Partner in Deloitte Southeast Asia, leading the M&A Transaction Services practice for Deloitte Malaysia
- Joined Bank Islam on 27 May 2019 as the Chief Financial Officer and also served as the Group Chief Financial Officer for BIMB Holdings Berhad
- Appointed as the Group Chief Financial Officer on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies
Nil

Declaration
- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Age **42**
Gender **Male**
Nationality
Date of Appointment **8 October 2021**

Iskandar Shah Zulkarnain

Group Chief Human Resources Officer

Qualifications
- Master's in Business Administration, Universiti Utara Malaysia
- Bachelor of Information Technology, Multimedia University, Malaysia

Experience
- Over 18 years of experience in managing human resources for corporations and banks
- Experienced in strategic human resources management and delivered many key HR projects during his tenures at Al Rajhi, HSBC Amanah, Maybank, Shell and Telekom Malaysia
- Joined Bank Islam on 14 October 2019 as the Chief Human Resources Officer and also served as the Head of Group Human Capital for BIMB Holdings Berhad
- Appointed as the Group Chief Human Resources Officer on 8 October 2021 upon the listing of Bank Islam
- Principal Officer for BIMB Solutions Sdn Bhd since 1 January 2022

Directorship in Other Public Companies
Nil

Declaration
- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Age **57**
Gender **Female**
Nationality
Date of Appointment **8 October 2021**

Maria Mat Said

Group Chief Legal Officer & Company Secretary

Qualifications
- Chartered Professional in Islamic Finance (CPIF)
- Licensed Company Secretary, Companies Commission of Malaysia
- Bachelor of Law, University of Malaya

Experience
- 30 years of experience in the banking industry performing mainly legal functions and 24 years as a company secretary
- Joined Bank Islam in August 2005 and has served the Bank as the Company Secretary since 29 January 2009
- Appointed as the Group Company Secretary of BIMB Holdings Berhad on 31 December 2009 until the transfer of the listing status to Bank Islam on 8 October 2021
- Appointed as the Group Chief Legal Officer & Company Secretary on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies
Nil

Declaration
- She has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- She has not been convicted of any offence within the past five (5) years nor has she been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Age **46**
Gender **Male**
Nationality
Date of Appointment **8 October 2021**

Mohd Nazri Chik

Group Chief Social Finance Officer

Qualifications
- Member of Institute of Corporate Directors Malaysia
- Chartered Professional in Islamic Finance (CPIF)
- Certified Shariah Advisor and Auditor
- Certified Professional Shariah Auditor
- Master's in Shariah, University of Malaya

Experience
- 20 years of experience in Shariah management that includes setting up the foundation for mainstreaming social finance in the financial industry
- Joined Bank Islam in June 2004 before leaving in 2009 to join a Dubai company. He rejoined Bank Islam in January 2011 to lead the Shariah Division
- Appointed as Group Chief Social Finance Officer on 8 October 2021

Directorship in Other Public Companies
Nil

Directorship in Other Companies
- Terengganu Incorporated Sdn Bhd
- Chairman, Shariah Committee, TEKUN Nasional
- Member, Shariah Committee, Perbadanan Kemajuan Iktisad Negeri Kelantan
- Shariah Advisor, Malaysian Centre for Professional Accountancy

Declaration
- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Management Team's Profile

Age	Gender	Nationality	Date of Appointment
50	**Female**		**8 October 2021**

Alina Sylvia Appoo

Group Chief Risk Officer

Qualifications
- Cambridge Senior Management Programme Certification covering Strategy, Digital Disruption, Business Analytics and Organisational Transformation, Cambridge Judge Business School, University of Cambridge
- University of Cambridge Institute for Sustainability Leadership Certification in Business and Climate Change: Towards Net Zero Emission
- Certified Professional in Islamic Finance (CPIF)
- Bachelor of Mathematics (Honours), Universiti Sains Malaysia

Experience
- Over 20 years of banking experience in Risk Management in Malaysia and the Asian region
- Held key leadership and management positions in related fields at various local banks prior to joining Bank Islam
- Joined Bank Islam in 2012 as Head of Market & Operational Risk and was appointed as Deputy Chief Risk Officer on 1 January 2015 and subsequently to Chief Risk Officer on 1 August 2017
- Appointed as the Group Chief Risk Officer on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies
Nil

Declaration
- She has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- She has not been convicted of any offence within the past five (5) years nor has she been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Age	Gender	Nationality	Date of Appointment
50	**Male**		**1 October 2022**

Azhar Syarawi Mohamed Mokhtar

Group Chief Credit Officer

Qualifications
- Certified Professional in Islamic Finance (CPIF)
- Frankfurt School of Finance and Management: Leading the Sustainability Transformation in Banking
- Certified Credit Professional, Omega
- Certified Trade Professional, Omega
- LLB (Honours), University of Wales Aberystwyth, UK

Experience
- Over 25 years of Banking experience spanning Malaysia, Europe, Middle East and Asia
- Started his banking career in 1997 in various capacities ranging from Relationship Management, Structuring and Origination, Portfolio Management, Recovery, Collections and Restructuring as well as Credit Management
- Joined Bank Islam on 9 May 2022 as Deputy Chief Credit Officer
- Appointed as the Group Chief Credit Officer on the 1 October 2022

Directorship in Other Public Companies
Nil

Declaration
- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Age **51**	
Gender **Male**	
Nationality	
Date of Appointment **8 October 2021**	

Nik Azmir Nik Anis

Group Chief Compliance Officer and
Group Chief Integrity & Governance Officer

Qualifications
- Master's of Arts in International Anti-Corruption Compliance and Collective Action (Cum Laude), International Anti-Corruption Academy, Laxenburg, Austria
- Advance Compliance Academy Certification Programme, University of California, Berkeley, USA
- Certified Professional in Anti-Money Laundering/Counter Financing of Terrorism, International Compliance Association, UK
- Certified Professional in Islamic Finance (CPIF)
- Master's in Business Administration, Nottingham Trent University, UK
- Bachelor of Arts (Economics), University of Pittsburgh, USA

Experience
- Over 26 years of banking experience in the areas of Compliance, Integrity & Governance, Anti-Money Laundering, Banking Operations and Operational Risk Management
- Assumed the role of Chief Compliance Officer in Bank Islam on 1 January 2015
- Appointed as the Group Chief Compliance Officer and Group Chief Integrity & Governance Officer on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies
Nil

Declaration
- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Age **48**	
Gender **Male**	
Nationality	
Date of Appointment **2 February 2023**	

Anthony Tai Yu Kun

Group Chief Information Security Officer

Qualifications
- Certified Information Systems Auditor (CISA), ISACA
- Certified Information Systems Security Professional (CISSP), ISC2
- Chartered Accountant (CA), Malaysian Institute of Accountants
- Certified Practicing Accountant (CPA), CPA Australia
- Bachelor of Business (Finance and Accounting), University of Technology, Sydney

Experience
- Over 24 years' experience in the field of Information Technology and Information Security focusing on Financial Services
- Equity partner at Deloitte Southeast Asia, leading IT Audit and Assurance, and Extended Enterprise Services practice prior to joining Bank Islam. Assumed various regional and global leadership roles in the firm – with both operational and market facing responsibilities
- Joined Bank Islam in February 2023 as the Group Chief Information Security Officer

Directorship in Other Public Companies
Nil

Declaration
- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Management Team's Profile

Age	**51**
Gender	**Male**
Nationality	
Date of Appointment	**8 October 2021**

Saiful Anuar Hambali

Group Chief Shariah Officer

Qualifications
- Certified Shari'a Adviser and Auditor, Accounting and Auditing Organisation for Islamic Financial Institutions (CSAA), Bahrain
- Certified Shariah Advisor (CSA), Association of Shariah Advisors in Islamic Finance, Malaysia
- Chartered Professional in Islamic Finance (CPIF)
- Certified Professional Shariah Auditor (CPSA), Islamic Banking & Finance Institute Malaysia
- Certificate (Distinction) in Internal Auditing for Financial Institutions (CIAFIN), Asian Institute of Chartered Bankers
- Certified Qualification in Islamic Finance (CQIF), Islamic Banking & Finance Institute Malaysia
- Islamic Financial Planner (IFP), Financial Planning Association of Malaysia
- Certificate in Commercial Credit, Moody's Analytics
- Master's in Business Administration (MBA) in Islamic Banking & Finance from International Islamic University Malaysia
- Bachelor of Shariah (Honours) from University of Malaya

Experience
- Over 26 years of experience in the banking and Islamic financial industry
- Appointed as Head of Shariah on 1 January 2020
- Secretary of Shariah Supervisory Council of Bank Islam since 23 January 2017
- Appointed as the Group Chief Shariah Officer on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies
Nil

Declaration
- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Age	**53**
Gender	**Male**
Nationality	
Date of Appointment	**8 October 2021**

Zalfitri Abd Mutalip

Group Chief Internal Auditor

Qualifications
- Chartered Professional in Islamic Finance (CPIF)
- Certificate in Internal Auditing for Financial Institutions (CIAFIN)
- Bachelor of Science in Business Administration (Finance), Denver University, USA

Experience
- Over 27 years of audit experience in the banking industry
- Started his career in 1994 and has gained extensive audit experience in management, operations and credit involving the branches, regional offices, automobile financing centres and head office departments/divisions including investigation audit
- Joined Bank Islam in October 2007 and has served as the Head of Branch Audit, Head of Head Office Audit and Head of Credit Audit prior to his current appointment
- Assumed the role of Chief Internal Auditor on 1 January 2019
- Appointed as the Group Chief Internal Auditor on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies
Nil

Declaration
- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2023

Heads of Subsidiaries' Profile

AZDINI NOR AZMAN

Chief Executive Officer
BIMB INVESTMENT MANAGEMENT BERHAD

49, Female, Malaysian
Date of Appointment: 1 March 2023

Qualifications
- Bachelor of Commerce (Finance), University of Otago, New Zealand
- Chartered Professional in Islamic Finance (CPIF)
- CMSRL (Module 9 & 10), Securities Commission
- Investor Protection Professional Certification (IPPC)
- PPKM Dealers' License, Financial Market Association Malaysia

Concurrent Roles
- Non-Independent Executive Director, BIMB Investment Management Berhad since 1 August 2023

Experience
- Acting Chief Executive Officer of BIMB Investment Management Berhad on 1 March 2023, and assumed the role as Chief Executive Officer on 1 August 2023
- Extensive experience of over 26 years in the financial industry
- Head of Wholesale Banking at Hong Leong Islamic Bank Berhad
- Worked in various capacities at Asian Islamic Investment Management Sdn Bhd, Bank Muamalat Malaysia Berhad, CFC Seymour Limited, Bank Islam Malaysia Berhad, MIDF Amanah Investment Bank Bhd and Amanah Short Deposits Berhad

Directorship in Other Public Companies
Nil

Declaration
- Does not have any conflict of interest or any family relationship with any Director and/or major shareholders of the Bank
- Has not been convicted of any offence within the past five (5) years nor has she been imposed any public sanction or penalty by any relevant regulatory bodies during the financial year ended 2023

DR ROSNANI RASUL

Chief Executive Officer
BIMB SECURITIES SDN BHD

52, Female, Malaysian
Date of Appointment: 3 April 2024

Qualifications
- PhD (Islamic Finance), INCEIF
- Master's in Business Administration (General), Ohio University, USA
- Bachelor of Science in Business Administration (Finance & Economics), University of Hartford, USA
- Diploma in Investment Analysis, Institute Technology Mara, Shah Alam

Concurrent Roles
Nil

Experience
- Over 24 years of expertise in market research, specialising in the telecommunication and finance sectors. Pivotal orchestrates through analysis and furnishes invaluable insights for informed investment decisions, risk management strategies and economic forecasts.
- An accomplished strategist and macroeconomist with a demonstrated history leading different equity research teams.
- Demonstrated ability to conduct independent research, synthesise complex information and deliver actionable insights.
- Actively contribute to thought leadership initiatives, showcasing the firm's economic analysis and research expertise.

Directorship in Other Public Companies
Nil

Declaration
- Does not have any conflict of interest or any family relationship with any Director and/or major shareholders of the Bank
- Has not been convicted of any offence within the past five (5) years nor has she been imposed any public sanction or penalty by any relevant regulatory bodies during the financial year ended 2023

MASDAYANA MD SETAMAM

Chief Executive Officer/Principal Officer
BANK ISLAM TRUST COMPANY (LABUAN) LTD.

42, Female, Malaysian
Date of Appointment: 13 October 2017

Qualifications
- Master of Business Administration (Strategic Management), University Technology Malaysia
- Bachelor of Business Administration (International Business), University Malaysia Sabah
- Certified Trust Officer, Labuan Financial Services Authority
- Certified Anti-Money Laundering & Counter Financing of Terrorism Compliance Officer, Asian Institute of Chartered Bankers

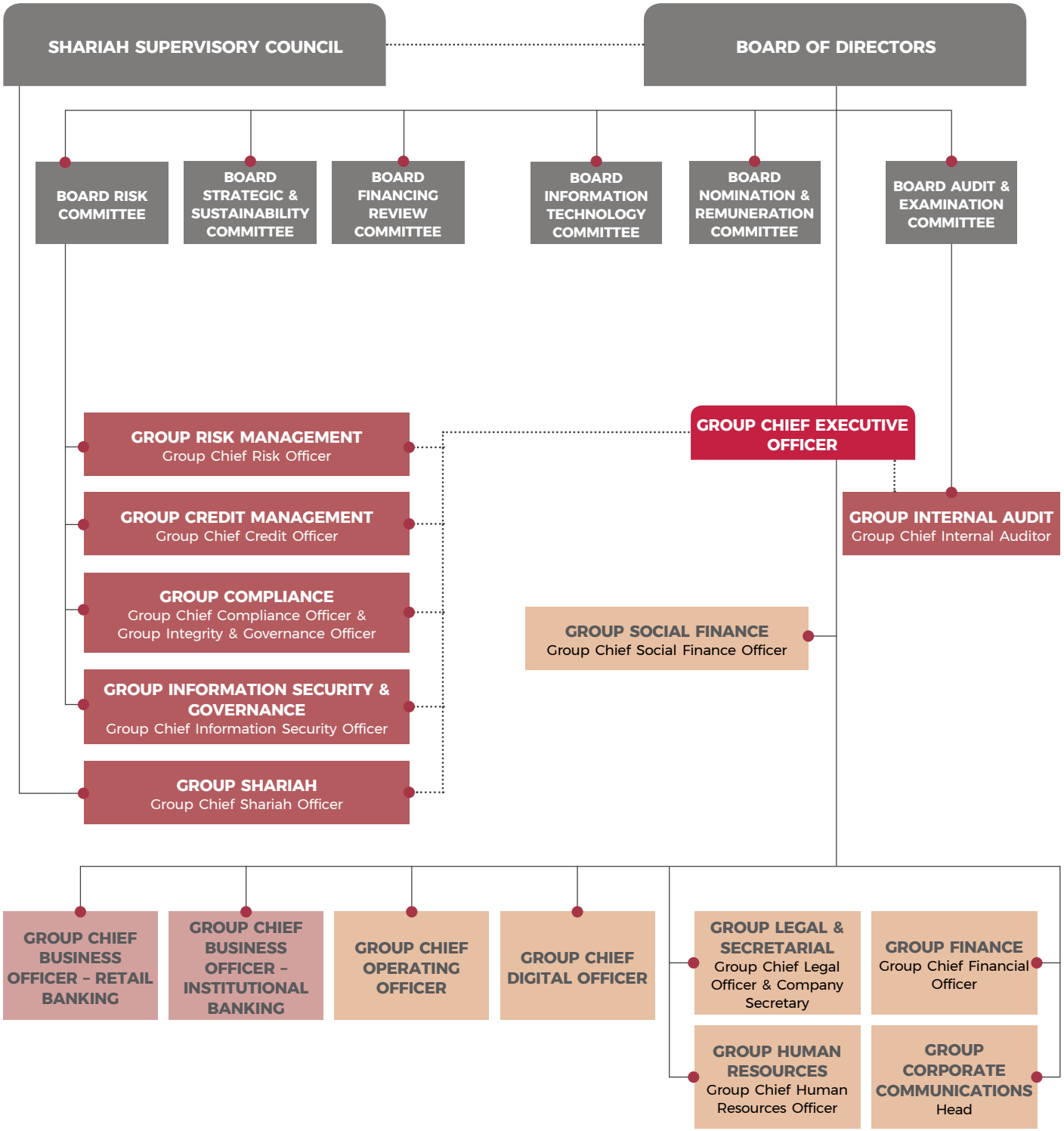
Concurrent Roles
- CEO, Bank Islam Trust Company (Labuan) Ltd
- Head, Labuan Offshore Business, Bank Islam Malaysia Berhad
- Head, BIMB Offshore Company Management Services

Experience
- Appointed as Chief Executive Officer/Principal Officer of Bank Islam Trust in September 2017 and assumed the position of Head of Labuan Offshore Business in January 2020.
- Over 19 years of extensive experience in the offshore business, Labuan Trust Company industry, Islamic Banking, and financial industry.
- Proficient in wealth management planning, establishing private and charitable foundations, managing trusts and estates, overseeing family offices, and facilitating Labuan company incorporation, along with a comprehensive understanding of the diverse products and services available within Labuan's International Business Financial Centre.

Directorship in Other Public Companies
Nil

Declaration
- Does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Bank
- Has not been convicted of any offence within the past five (5) years nor has she been imposed any public sanction or penalty by any relevant regulatory bodies during the financial year ended 2023

Organisation Structure



Corporate Governance Overview Statement

The Board is driven by its commitment to shareholders and stakeholders of the Group to ensure that Bank Islam's systems, procedures and practices reflect a high standard of corporate governance.

The Board firmly believes that good corporate governance is the foundation of a well-managed organisation. The Board is fully committed to integrity and fair dealing in all its activities and to adopt the best practices of corporate governance in all areas of Bank Islam's operations.

At Bank Islam, the Group operates within a highly regulated industry. Bank Islam has therefore, a well-defined and structured corporate governance framework in place to support the Board's aim of achieving long-term sustainable value as well as fostering a culture that values ethical behaviour and integrity to always safeguard the interests of shareholders and other stakeholders.

The framework is fortified by rigorous and effective controls and together with Management, the Board spearheads the execution of robust strategies bolstered by strong governance and sound financial practices.

During the financial year ended 31 December 2023 (FY2023), Bank Islam's corporate governance practices were consistent with and complied with the following key statutory provisions, guidelines and best practices:

1. Bank Negara Malaysia's Corporate Governance Policy (BNM CG Policy);
2. Companies Act 2016 (CA 2016);
3. Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities);
4. Malaysian Code on Corporate Governance (MCCG) published by the Securities Commission Malaysia (SC);
5. Corporate Governance Guide 3rd Edition (CG Guide) published by Bursa Securities;
6. Minority Shareholders Watch Group (MSWG)'s Malaysia – ASEAN Corporate Governance Scorecard;
7. Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries published by the SC; and
8. Developments in market practice and regulations.

This Corporate Governance Overview Statement sets out a summary of Bank Islam's corporate governance practices during the FY2023 with reference to the following three (3) key Principles espoused in the MCCG and in accordance with Paragraph 15.25(1) of Bursa Securities' MMLR as well as Paragraph 3.1A, Practice Note 9 of the MMLR:

a. Board leadership and effectiveness;

b. Effective audit and risk management; and

c. Integrity in corporate reporting and meaningful relationship with stakeholders.

ADOPTION OF THE MCCG

The Group has benchmarked its practices against the relevant promulgations and other best practices. Bank Islam has applied the Practices encapsulated in the MCCG for the FY2023 with the exception of the following Practices which was adopted based on certain modifications:

a. Practice 8.2 – The board discloses on a named basis the top five (5) management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000; and

b. Practice 8.3 – Step Up – Companies are encouraged to fully disclose the detailed remuneration of each member of management on a named basis.

This Corporate Governance Overview Statement is to be read together with the CG Report 2023 published on Bank Islam's website at www.bankislam.com.

CORPORATE GOVERNANCE FRAMEWORK

The Board views corporate governance as a fundamental process contributing towards achieving long-term shareholder value, taking into account the interest of all other stakeholders.

The Group believes that a healthy corporate culture and robust governance framework ensures that the organisation continues to run smoothly and efficiently.

The Board champions transparency and accountability in the boardroom, fostering these important governance components throughout the Group.

Corporate Governance Overview Statement

Amidst an increasingly challenging operating environment, the Board strives to strengthen the Group's corporate governance practices and processes to meet increasingly operating challenges.

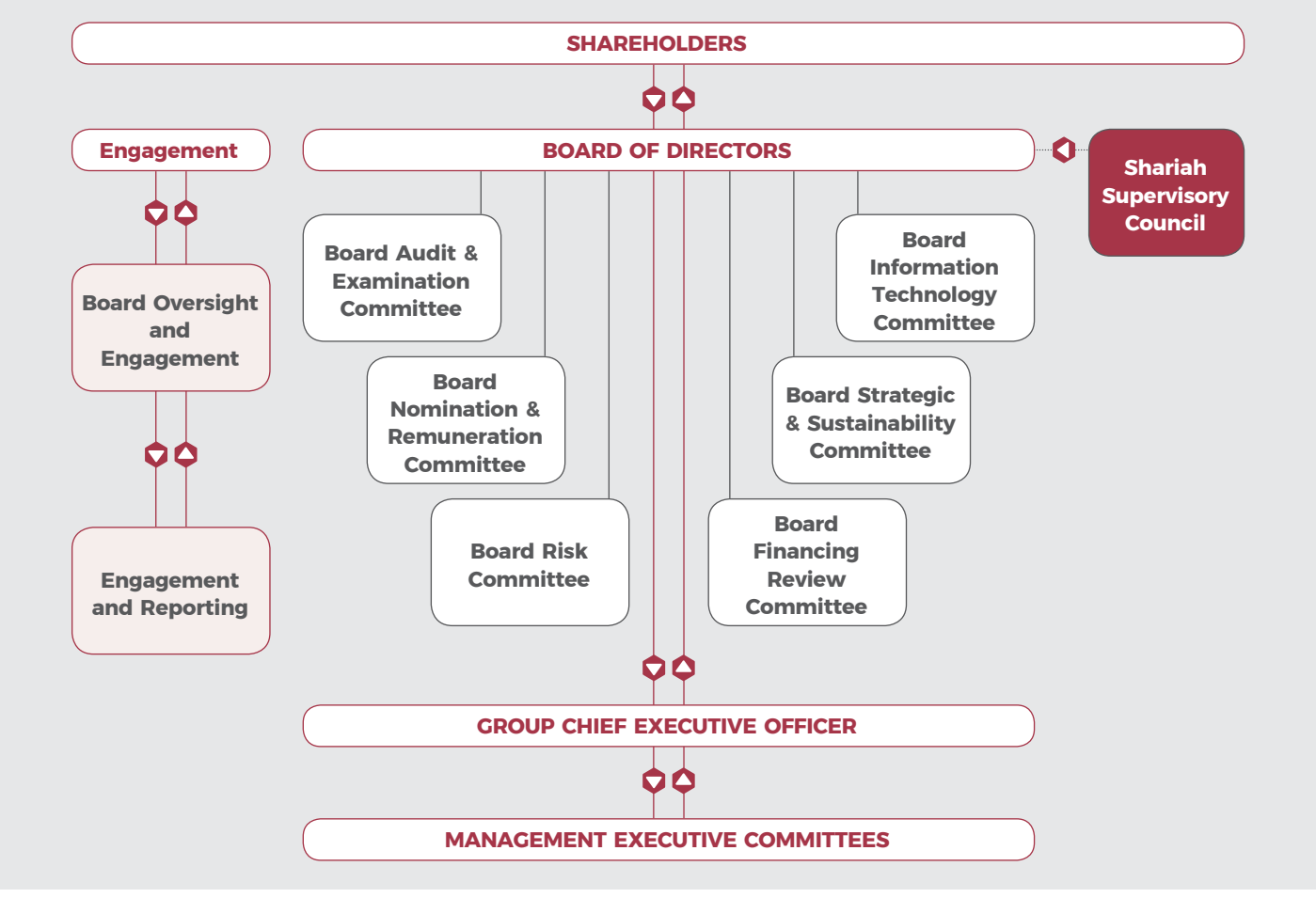
An important role of corporate governance is to ensure sustainable long-term performance, maximise returns for our stakeholders and create long-term economic value and growth.

The Governance Framework, its structure and processes, are built upon the Terms of Reference of the Board and its Committees which are complemented by Authority Limits and supported by various policies and guidelines of Bank Islam.

The Board exercises collective oversight of the Board Committees and Management without abdicating its governance duties. This overarching role allows the Board to maintain robust governance practices and effective management oversight, reflecting an ongoing commitment to excellence and ensuring continued relevance of the governance structure.

The Board works to ensure that the Group's governance structure continues to remain appropriate and that it keeps abreast with relevant corporate governance and regulatory requirements. The structure and associated processes are reviewed regularly to reflect the market and the communities within which the Group operates.

The table below illustrates Bank Islam's governance structure, an overview of the Board, Board Committees and Management Executive Committees:



HOW THE BOARD OPERATES

PRINCIPLE A

BOARD LEADERSHIP AND EFFECTIVENESS

BOARD LEADERSHIP

Bank Islam is led by its Board which is responsible for the stewardship of the business and affairs of the Group on behalf of the shareholders and all other stakeholders. The Board plays a crucial role in safeguarding stakeholder value-creation and maintaining the right tone at the top, which is the bedrock of a robust ethics and compliance culture that binds the organisation together.

Whilst shareholders and the Board jointly provide oversight on the control and management of Bank Islam, the ultimate decision-making authority vests with the shareholders at the Annual General Meeting, where, amongst others, important resolutions such as the re-election and remuneration of the Directors and appointment of External Auditors are considered and approved.

The Board, on the other hand, is accountable to the shareholders for the performance of Bank Islam. In this connection, the Board directs and monitors the business and affairs of Bank Islam on behalf of the shareholders.

The Board oversees and appraises the overall strategic oversight delegated to Board Committees. Paramount to this oversight role and responsibility is its commitment to the Group's long-term strategy and agenda for the integration of sustainability into the Group's strategy, governance and decision-making. Through sustainable practices the Group becomes more resilient, is able to create durable and sustainable value and maintains simultaneously, the confidence of stakeholders.

The Board ensures that it is well-positioned to satisfy its oversight responsibility through periodic assessment of Board agenda priorities to ensure that it is well informed on a timely basis of matters requiring attention.

Together with Management, the Board promotes good corporate governance culture within the group ensuring ethical leadership, prudent and professional behaviour in the conduct of its business and in all aspects of its operations.

The Board considers each Non-Executive Director (NED) to be independent in character and judgement.

The Board is satisfied that each Director has devoted sufficient time to effectively discharge his/her responsibilities. The current composition of Directors has a blend of skills, experience and knowledge enabling them to provide effective oversight, strategic guidance and constructive challenge, examine, review and decide on Management's proposals and empower the GCEO to implement strategies approved by the Board.

BOARD CHARTER

The Board has adopted a Board Charter that sets out in the Terms of Reference (TOR) of the Board, and Board Committees their respective mandate, responsibilities and procedures including matters reserved for the Board's decision. The Board Charter provides the Board with the power to delegate its authority to Board Committees, the GCEO and Management. The Board Charter is reviewed periodically to align with recommendations and best practices, to reflect changes to the policies and processes as well as amendments to rules and regulations.

The Board Charter and the TORs of the Board and Board Committees are available on Bank Islam's website at www.bankislam.com.

Corporate Governance Overview Statement

BOARD CONDUCT

All Directors commit themselves to ethical business and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.

All Directors discharge their duties and responsibilities at all times as fiduciaries in the best interest of Bank Islam. They are expected to act with integrity, lead by example, keep abreast of their responsibilities as Directors and of the conduct, business and development of Bank Islam.

In directing or managing Bank Islam's business and affairs, they exercise reasonable care, skill and diligence by applying their knowledge, skill and experience.

The Board ensures that key transactions or critical decisions are deliberated and decided on by the Board in a meeting. The Board also ensures that decisions and basis for those decisions, including any dissenting views are made known and properly minuted.

PRINCIPAL ROLES AND RESPONSIBILITIES OF THE BOARD

In setting the Group's strategic direction, the Board takes cognisance of the need to create and deliver long-term sustainable values of Bank Islam's stakeholders. Accordingly, the Board places emphasis on effective leadership through oversight on Management and continuous monitoring of the business, performance, adherence to regulations and risk controls.

In discharging its functions, the main roles and responsibilities of the Board are as follows:

Oversee the implementation of Bank Islam's governance framework, risk and internal controls framework, and periodically review whether these remain appropriate and relevant

Promote a sound corporate culture within the Group which reinforces high level of integrity and ethical practices, prudent and professional behaviour and cultivate a transparent culture towards anti-bribery and corruption

Oversee Bank Islam's compliance with any regulatory requirements as imposed by the relevant regulatory authorities

Promote sustainability through appropriate environmental, social and governance considerations in the Group's business strategies

Ensure that there is an appropriate succession plan for members of the Board and the Management

MATTERS RESERVED FOR DECISION OF THE BOARD

The Board Charter and the TORs of the Board and Board Committees prescribe that the following matters are specifically reserved for the Board:

- ✓ Strategic policy matters;
- ✓ Financial results and declaration of dividends;
- ✓ Significant operating and credit policies;
- ✓ Risk appetite setting;
- ✓ Capital management plan;
- ✓ Authority Limits;
- ✓ Any corporate exercise which involves acquisition or divestment or strategic interest;
- ✓ Major acquisition of capital expenditure;
- ✓ Appointment and remuneration of Directors;
- ✓ Appointment and remuneration of Shariah Supervisory Council (SSC) members;
- ✓ Appointment and remuneration of GCEO and key Management officers;
- ✓ Entry into any related party transaction; and
- ✓ Any new outsourcing proposals.

KEY BOARD ACTIVITIES AND FOCUS AREAS FOR FY2023

Board activities are structured to develop the Group's strategy, to enable the Board to provide the necessary oversight and to support Management on the delivery of the Group's strategy within a transparent governance framework.

Some of the areas that required significant attention and focus of the Board during the FY2023 included:

A Risk Management & Compliance

- ✓ Reviewed Group Risk Appetite Statement Policy 2023
- ✓ Reviewed the implementation of Internal Capital Adequacy Assessment Process (ICAAP)
- ✓ Reviewed and deliberated Response to 2021 & 2022 BNM's Composite Risk Rating (CRR)
- ✓ Reviewed Risk Management and Credit Management Dashboard
- ✓ Reviewed the Whistleblowing Report for FY2022
- ✓ Reviewed Compliance related policies which include:
  - Group Compliance Policy
  - Group Compliance Risk Assessment Policy
  - Group Anti-Bribery and Corruption Policy
  - Group Corruption Risk Management Policy
  - Group AML/CFT Policy
  - Group Gift Policy
  - Bank Islam's Management of Customer Information and Permitted Disclosures Policy
  - Group Ethical Wall Policy
  - Outsourcing Policy
- ✓ Reviewed risk management related policies which include:
  - Group Single Counterparty Exposure Limit (GSCEL) Policy
  - Group Credit Policy and other significant Operational Policies
  - Stress Testing Policy
  - Climate Risk Stress Testing and Capital Impact
  - Group Corruption Risk Management Policy
  - Group Business Continuity Management Policy
- ✓ Reviewed General Administration related policies which include
  - Procurement Policy
- ✓ Reviewed and approved Information Security Governance related policies which include
  - Proposed New Group System Criticality Classification Policy
- ✓ Reviewed Climate Risk Management Framework
- ✓ Reviewed the Gap analysis & Implementation Plan of BNM Climate Risk Management & Scenario Analysis (CRMSA)
- ✓ Reviewed Audit Assessment Report: Validation of the Implementation and Effectiveness of Fraud Countermeasures
- ✓ Reviewed Group Equity Investment Policy

Corporate Governance Overview Statement

B Strategy, Financials and Business Performance

- ✓ Reviewed Strategic Direction, Business Plan, Budget 2023 and Financial Projection
- ✓ Reviewed Corporate Scorecard FY2023 and Performance Appraisal FY2022
- ✓ Reviewed audited financial statements for the financial year ended 31 December 2022 as well as the quarterly and unaudited interim financial statements for 2023
- ✓ Reviewed the forecast for the financial year ending 31 December 2023
- ✓ Reviewed Bank Islam's business performance based on the financial reports presented to the Board
- ✓ Reviewed and approved proposal for Dividend Payment
- ✓ Reviewed re-appointment of external auditors for the Group
- ✓ Reviewed and approved Digitalisation initiatives
- ✓ Reviewed and approved Recovery Planning
- ✓ Reviewed proposals for new and existing products and services to ensure Bank Islam's offering remains relevant and competitive
- ✓ Reviewed and approved Outsourcing related proposals and Outsourcing Plan for FY2023
- ✓ Reviewed iTEKAD and BangKIT micro finance programmes
- ✓ Reviewed Quarterly Analysis Review on Bank Islam's Results
- ✓ Reviewed Technology Risk and Cyber Resilience Policy
- ✓ Participated in Engagement sessions with regulators i.e., BNM, SC and others
- ✓ Reviewed Business strategy of various sectors within the Group Budget and Business Plan for FY2024
- ✓ Reviewed the Contents of Integrated Annual Report 2022
- ✓ Reviewed Proposed ESG plan and initiatives
- ✓ Participated in Board off-site session – Discussed the challenges and opportunities for the Group
- ✓ Reviewed Related Party Transactions
- ✓ Reviewed the Recovery Planning
- ✓ Reviewed Capital Market Issuance and Redemption Plan for FY2023
- ✓ Reviewed Funding Plan & Contingency Funding Plan
- ✓ Reviewed Proposed Strategy to improve Net Income Margin (NIM) and Profitability of Bank Islam
- ✓ Reviewed and approved Group Information Technology (IT) Policy Revision

C Human Capital & CSR

- ✓ Reviewed Talent Management, Continuous Development plan and Succession Plan for Management
- ✓ Reviewed and approved recruitment and appointment of new Heads of Division for key positions
- ✓ Reviewed Performance of Bank Islam based on the Corporate KPIs for 2022
- ✓ Reviewed the Management's performance against the KPIs and the reward for performance in 2022

D Governance

- ✓ Reviewed the Board Succession Plan for the Group to ensure an effective Board is in place to support the Group strategic direction
- ✓ Reviewed the Harmonisation of Remuneration and Benefits for Directors and SSC members of the Group
- ✓ Reviewed of Nominee Directors in Bank Islam subsidiaries in line with the harmonisation of group governance
- ✓ Reviewed the outcome of an independent Board Effectiveness Evaluation (BEE) conducted by an external consultant for 2022
- ✓ Reviewed the SSC Evaluation for 2022
- ✓ Reviewed Board Charter and Terms of Reference (TOR) of the Board and Board Committees function as well as the requirements of Bursa Malaysia and recommendations of the MCCG 2021
- ✓ Corporate Governance Disclosure in Bank Islam Integrated Annual Report 2022
- ✓ Gap Analysis on the status of compliance with the MCCG 2021 and recommendations
- ✓ Reviewed and approved the appointment of one (1) new Non-Independent NED, one (1) Independent NED and one (1) Senior Independent NED to fill vacancy following the retirement of existing Director as well changes in Board Committees
- ✓ Reviewed and approved the re-appointment of Directors upon expiry of their tenure
- ✓ Reviewed and approved re-appointment and re-election of Directors for 40th Annual General Meeting
- ✓ Reviewed and approved the appointment of a New Chairman of SSC
- ✓ Reviewed the SSC Charter and Terms of Reference
- ✓ Reviewed the rationalisation of Shariah Advisory Authorities within Bank Islam Group
- ✓ Reviewed the revised Shariah Compliance Policy for Bank Islam Labuan Offshore Branch
- ✓ Reviewed and approved the assessment on Potential Conflict of Interest
- ✓ Reviewed and approved the appointment of a New Member of SSC

BOARD FUTURE PRIORITIES

The Board has identified future priorities and focus areas of the Board in the next three (3) financial years namely, FY2024, FY2025 and FY2026 and these were as follows:

Future Priorities and Focus Areas

1. Bank Islam's progress in implementing the five (5) year strategy roadmap, LEAP25
2. Strategy Roadmap and Plan post LEAP25
3. Bank Islam's commitment towards Sustainability initiatives
4. Strengthen the Board's oversight of ESG issues and climate-related matters
5. Expansion of coverage provided by Sadaqa House
6. Enhance strategies under Funding Plan to manage Bank Islam's Net income margin
7. Monitor Bank Islam's continuous commitment and progress towards OACP
8. Succession Planning for the Board and Management that supports Bank Islam's future plan and objectives
9. Bank Islam's cost management initiative namely CORE, a 3-year programme (2024-2026)
10. Bank Islam's progress in technology and digital infrastructure

The Board will continue its efforts to strengthen Bank Islam's corporate governance standards and instil a culture that promotes ethical conduct, transparency and sustainable value creation, with the ultimate objective of realising long-term shareholder value and simultaneously, accounting for the interests of other stakeholders.

Corporate Governance Overview Statement

The Board was regularly updated by the Management on the progress of the Group's corporate governance initiatives and key focus areas during the FY2023 as follows:

CG FOCUS AREAS FOR FY2023

a) Monitored the progress of Bank Islam's commitment towards Sustainability initiatives
b) Enhanced the Board's oversight on ESG and climate matters
c) Performed enhanced annual Board Effectiveness Evaluation
d) Reviewed Succession Planning for the Board and Management
e) Reviewed Bank Islam Group's Board Charter and TORs of the Board and Management Committees to incorporate, amongst others, climate risk oversight, enhancement of governance practices, etc.
f) Enhanced Board Diversity with appointment of a new female Independent Director and a Senior Independent Director
g) Made changes to the Board Committees to enable rotation and enrich Directors' experience
h) Reviewed Board Independence by conducting assessment on Fit and Proper, Conflict of Interest, and commitment via independent validation of the Directors' external professional commitments
i) Reviewed the report on Conflict of Interest and Potential Conflict of Interest of Directors and Management

CG FUTURE FOCUS AREAS

As the Board continues its oversight of Management by embracing the highest standards of corporate governance and giving consideration to ESG related matters, it has identified the following matters as key focus areas, going forward, and will be addressed and/or implemented in the next financial year and beyond:

a) Succession Planning for the Board and Management that supports Bank Islam future plan and objectives
b) Incorporate in the Board annual evaluation exercise the assessment on Board's effectiveness in ESG related initiatives
c) Maintain diversity in Board composition that enhances oversight and focus on ESG and sustainability
d) Enhance Directors development on Digital Transformation, ESG and Sustainability
e) MSWG Scorecard

BOARD BALANCED REPRESENTATION

The Board comprises nine (9) Directors as of the date of this Statement.

The composition of the Board exceeds the requirements of Paragraph 15.02 of the MMLR of Bursa Securities and Practice 5.2 of the MCCG as majority of its members are Independent NEDs.

The Board comprises individuals of high integrity and calibre, possessing a thorough understanding of the Group's business and diverse skills, knowledge and experience. The Board's composition reflects a balanced blend of skills, experience and knowledge that enables the Directors to examine proposals on strategy and empower the GCEO to implement approved strategies and take into account the interests of shareholders and stakeholders. This composition is testament to the view that a board's make-up should support objective and independent deliberation, review and decision-making.

The time commitments of NEDs are considered by the BNRC at appointment and reviewed regularly within the period under review as and when there are changes to the NEDs' external professional commitments.

The Board reviews on half yearly basis the declarations made by Directors on the number and nature of their external directorships that they hold as well as their assurance on time commitment in carrying out their responsibilities to Bank Islam. As of the date of this Statement, none of the Directors hold more than five (5) directorships in any other listed companies in line with Paragraph 15.06 of the MMLR of Bursa Securities.

SEPARATE ROLES OF CHAIRMAN AND GCEO

The Board practices a clear demarcation of duties and responsibilities between the Chairman and the GCEO to ensure a balance of power and authority in the Board. The positions of the Chairman and GCEO are held by two (2) different individuals. The Board is helmed by Tan Sri Dr Ismail Haji Bakar who is an Independent NED whilst the GCEO is Dato' Mohd Muazzam Mohamed.

In line with the MCCG, the Chairman does not sit on any Board Committee.

The segregation of roles and division of duties ensures a marked distinction between the Chairman's responsibility to manage the orderly conduct and smooth function of the Board and the GCEO's responsibility to manage Bank Islam's business.

DELEGATION BY THE BOARD TO THE GCEO

The Board delegates responsibility for the overall business and day-to-day management of Bank Islam to the GCEO. The GCEO is responsible for the development and implementation of Bank Islam's strategy and overall day-to-day running of Bank Islam's business. Consistent with Bank Islam's primary objective to enhance long-term shareholder value, this includes providing direction on all aspects of operational matters, such as financial, risk management and compliance. The Board delegates to the GCEO together with the Management of Bank Islam, the authority for managing Bank Islam's business to achieve its corporate targets and plans. The Board maintains a high level of accountability by holding the GCEO responsible for discharging his delegated duties.

DELEGATION BY THE BOARD TO BOARD COMMITTEES

As depicted in the Governance Structure, the Board is supported in its duties by the following six (6) Board Committees:

BAEC: Board Audit and Examination Committee

BRC: Board Risk Committee

BNRC: Board Nomination and Remuneration Committee

BFRC: Board Financing Review Committee

BSSC: Board Strategic and Sustainability Committee

BITC: Board Information Technology Committee

Each of the above Board Committees has its own TOR which clearly sets out its remit and decision-making powers. All Board Committees comprise only Non-Executive Directors. Any change to the TORs for any Board Committee requires the Board's approval. Amendments are made at least once every two (2) years and where necessary to ensure that the TORs of each Board Committee are updated with the latest practices, processes and/or procedures prescribed or recommended by the regulators and in line with market standard. The minutes of Board Committee meetings recording key deliberations and decisions taken during these meetings are circulated to all Board members for their information. During every Board meeting, the Chair of each Board Committee provides a report on key matters discussed at the Board Committee meetings.

The following Board Committees have been in operation during the FY2023. The key roles and focus areas of the Board Committees during the FY2023 were as follows:

a) Board Audit and Examination Committee (BAEC)

BAEC

No. of meetings	Attendance
9	**100%**

Key Roles:

- Assists the Board in ensuring a reliable and transparent financial reporting process and internal control system are in place within the Group
- Provides an independent oversight on the effectiveness of the internal and external audit functions. Material control lapses are escalated to the BAEC for deliberation
- Deliberates on any unresolved audit findings to ensure the Management undertakes the relevant remedial actions within the timeline

Key Focus Areas:

- Key focus areas and activities of the BAEC during FY2023 can be found on pages 224-226 of this Report.

Corporate Governance Overview Statement

b) Board Risk Committee (BRC)

BRC

No. of meetings	Attendance
15	**100%**

Key Roles:

- Assists the Board in ensuring that a sound and robust risk management framework as expected by BNM is in place and effectively implemented
- Provides an independent oversight on the Management's activities in managing credit risk, market risk, liquidity risk, operational risk (which includes legal risk, compliance risk, Shariah non-compliance risk, IT risk and business continuity risk), sustainability risk (including climate-related risk) and other relevant risk and to ensure that the risk management process is in place and functioning for the Group

Key Focus Areas:

- **Risk Management and Compliance**
  - Reviewed Group Risk Appetite Statement Policy 2023
  - Reviewed Group Pillar 3 Disclosure Policy
  - Reviewed Group Operational Risk Management (ORM) Policy
  - Reviewed and recommended Stress Testing Policy, GSCEL Policy and Procurement Policy
  - Reviewed and approved Group Liquidity Crisis Management Plan (GLCMP), Group ICAAP Document Policy, Group Business Continuity Management (BCM) Policy, Agent Banking Policy and Occupational Safety & Health Policy
  - Reviewed and recommended Response to 2022 BNM's CRR
  - Reviewed Risk Management and Credit Management Dashboard
  - Reviewed Compliance Management Dashboard
  - Reviewed and recommended Group Compliance Risk Assessment Policy, Group Corruption Risk Management Policy (GCRMP), Ethical Wall Policy, Group Gift Policy, Group Compliance Risk Assessment (CRA) Policy, Group Personal Data Protection (PDPA) Policy and Management of Customer Information and Permitted Disclosures (MCIPD) Policy
  - Reviewed and approved Group Anti-Bribery and Corruption Policy (GABCP) and Outsourcing Policy
  - Reviewed and approved Annual Compliance Review Plan 2024
  - Reviewed and approved Appointment of Additional Money Laundering Reporting Officer
  - Reviewed and recommended Shariah Compliance Policy for Bank Islam Labuan Offshore Branch
- **Strategy, Financials and Business Performance**
  - Reviewed Strategic Direction
  - Reviewed Corporate Scorecard FY2023 for Head of Independent Units
  - Reviewed and recommended Group Equity Investment Policy
  - Reviewed and recommended Write Off/Partial Write Off Impaired Financing Guideline
  - Reviewed and approved Digitalisation initiatives
  - Reviewed and approved Proposals for new and review of products and services to ensure Bank Islam's offering remains relevant and competitive
  - Reviewed and recommended Outsourcing related proposals
  - Reviewed and recommended Outsourcing Plan for 2023
  - Reviewed and recommended Group IT Policy Revision
  - Reviewed and recommended Proposed New Group System Criticality Classification Policy (GSCCP)
  - Reviewed and approved Bank Islam Group System Impact Analysis (SIA) 2024 Result
  - Reviewed Proposed ESG plan and initiatives
  - Reviewed Preparation and Development of Recovery Plan Project

c) Board Nomination and Remuneration Committee (BNRC)

BNRC

No. of meetings	Attendance
7	100%

Key Roles:

- Recommend to the Board the appointments and removals, composition, performance evaluation and development and fit and proper assessments concerning the Board, the SSC members and Management including the Company Secretary
- Oversees the design and operation of Bank Islam's remuneration system and periodically review the remuneration of the Board, the SSC members, key management personnel and such other personnel as determined by the Board
- Oversees the talent management and succession plan for key Management positions and the Board and appointment of directors and Group Chief Executive Officer of Bank Islam Group

Key Focus Areas:

- **Board Composition and Succession Planning**
  - Reviewed and recommended the composition of Board Committees for year 2023
  - Reviewed and recommended the succession plan for the Board
  - Reviewed and recommended the appointment of the SID
  - Reviewed and recommended independent NEDs' appointment in Bank Islam's subsidiaries
- **Recruitment and Appointment of Directors**
  - Reviewed and recommended the re-appointment of Directors upon expiry of their tenure
  - Reviewed and recommended the re-appointment and re-election of Directors of Bank Islam at the 40th AGM
  - Reviewed and recommended the appointment of Lembaga Tabung Haji's Nominee Director on the Board of Bank Islam
  - Reviewed and recommended the appointment of alternate Director at subsidiary of Bank Islam
  - Reviewed and recommended the appointment and re-appointment of SSC members
  - Reviewed and recommended the appointment of a new Chairman of SSC
- **Recruitment and Appointment of Senior Officers**
  - Considered proposals to renew the employment contracts of senior officers of the Bank Islam
  - Reviewed the competency model for Bank Islam future leader
- **Succession Planning of Management**
  - Reviewed and received updates on succession plan of Management
- **Fit and Proper Assessment**
  - Reviewed the results of the Fit and Proper Assessment of Directors, senior officers and Shariah Committee members
- **Board Effectiveness Evaluation**
  - Reviewed the results of the BEE exercise for FY2022 and recommended the proposed Actionable Improvement Plan to the Board
  - Reviewed the results of the Evaluation exercise on the SSC Members for FY2022
  - Received updates on the Actionable Improvement Plan relating to the BEE's findings for FY2022
- **Remuneration**
  - Reviewed and recommended the remuneration and Benefits of Directors and SSC members
  - Reviewed and recommended the Token of Appreciation and Farewell Gift to the Directors and SSC members
  - Reviewed and recommended the Performance Appraisal for FY2022
  - Reviewed and recommended the total rewards (variable bonus and salary increment) for the Group
  - Reviewed performance rating and recommended total rewards for the GCEO

Corporate Governance Overview Statement

- **Governance**
  - Reviewed the implementation of Bank Islam Group's Human Resource Policy
  - Reviewed Directors' potential conflict of interest
  - Reviewed total number of External Professional Commitment (EPC) of Directors and Management of Bank Islam

d) Board Financing Review Committee (BFRC)

BFRC

No. of meetings	Attendance
13	100%

Key Roles:

- Review all investment and financing/credit related proposals that exceed the limits of the Investment Committee or Financing Committee

Key Focus Areas:

- Reviewed and approved the investment and financing/credit related application
- Assessed and approved the connected party/connected party transactions

e) Board Strategic and Sustainability Committee (BSSC)

BSSC

No. of meetings	Attendance
6	100%

Key Roles:

- Oversees, supervises and monitors the implementation of identified key strategic and sustainability matters (including climate opportunities), and any corporate exercises involving the Group

Key Focus Areas:

- Reviewed FY2022 Corporate Scorecard
- Reviewed FY2023 Corporate Scorecard
- Reviewed Strategic Objectives on Sustainability Implementation Plan
- Reviewed Strategic Objectives on Bank Islam Culture Excellence Initiative
- Reviewed Strategic Objectives on Centre of Digital Experience
- Reviewed the Digitalisation Strategies and its impact – Bank wide's perspective
- Reviewed Strategic Objectives on Business, Culture/People, Operation, Social Finance and Digitalisation
- Reviewed Strategic Investment Framework
- Reviewed the Proposed Strategy to Improve NIM and Profitability
- Reviewed the *Tawarruq* Move Away Roadmap
- Reviewed Social Benefits and Value Creation
- Key Takeaways from Board Retreat – Strategic Direction FY2024
- Reviewed Production of Bank Islam Integrated Annual Report 2022
- Reviewed Proposed Business Plan for FY2024

f) Board Information Technology Committee (BITC)

BITC

No. of meetings	Attendance
7	95.83%

Key Roles:

- Assists the Board in overseeing the implementation of strategies of IT and digitalisation activities of Bank Islam Group including e-banking initiatives of Bank Islam

Key Focus Areas:

- Reviewed Bankwide IT Budget
- Reviewed Group Digital Project Update
- Reviewed Summary of IS Audits and Unresolved Audit Findings
- Reviewed Cloud Blueprint
- Reviewed AML Replacement Project
- Reviewed Group Digital Improvement Initiatives
- Reviewed API Reference Framework
- Reviewed Testing Center of Excellence (CoE) Approach
- Reviewed ITPMO & IT Blueprint Dashboard
- Reviewed BNM IT CRR Updates
- Reviewed TM KVDC RMiT DCRA Compliance Report
- Reviewed Continuous Integration/Continuous Deployment (CI/CD) Engineering Principles and Strategy
- Reviewed Enterprise Data Architecture & Data Lake Platform Implementation Approach
- Reviewed FOS Replacement Project

Key Group Policies

From time to time, the Board establishes internal policies and frameworks for Group-wide application to strengthen governance and oversight of its operations. These policies are periodically reviewed to ensure the Group's Corporate Governance Framework remains robust and is continually updated.

The following are some of the key policies and frameworks:

Ethical Standards and Behaviour

a) Group Code of Ethics and Conduct

b) Fit and Proper Policy for Appointment/Re-Appointment of Key Responsible Persons of Licensed Institutions in the Bank Islam Group

Strategy

a) ESG Risk Management Framework

Legal and Compliance

a) Group Anti-Bribery & Corruption Statement

b) Group Anti-Bribery & Corruption Policy

c) Organisational Anti-Corruption Plan 2022 – 2025

d) Group Integrity Kit

e) Group Whistleblowing Policy

f) Group Gift Policy

g) Group Business Associates Code of Conduct Guideline

h) Code of Conduct & Ethics

Board Diversity

The Board recognises the importance of diversity in order to remain resilient, relevant and sustainable, in a fast changing and evolving business environment.

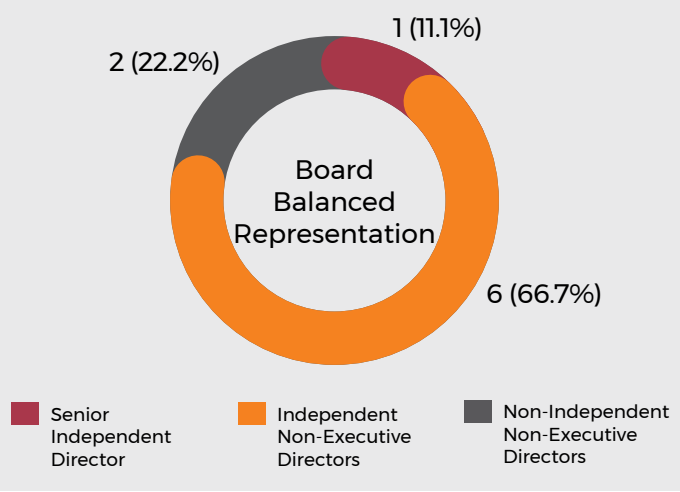
The Board acknowledges that diversity of gender, age, skillsets, business and industry experience is vital to its effective functioning. The Board has in this regard empowered the BNRC to annually review and evaluate the composition and performance of the Board as well as to assess qualified candidates for Board positions.

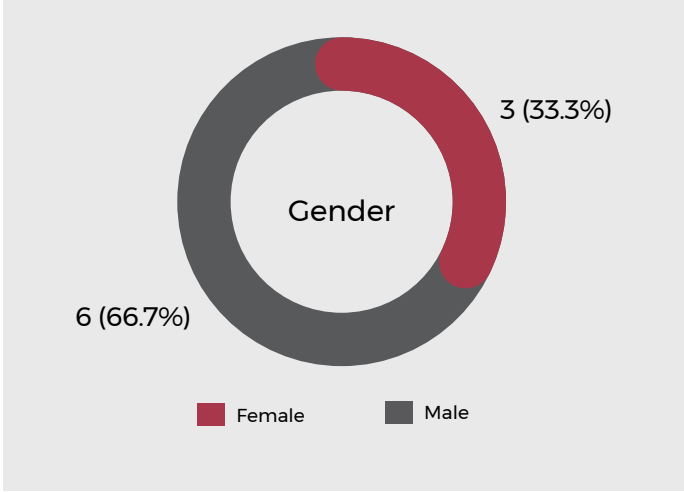
Corporate Governance Overview Statement

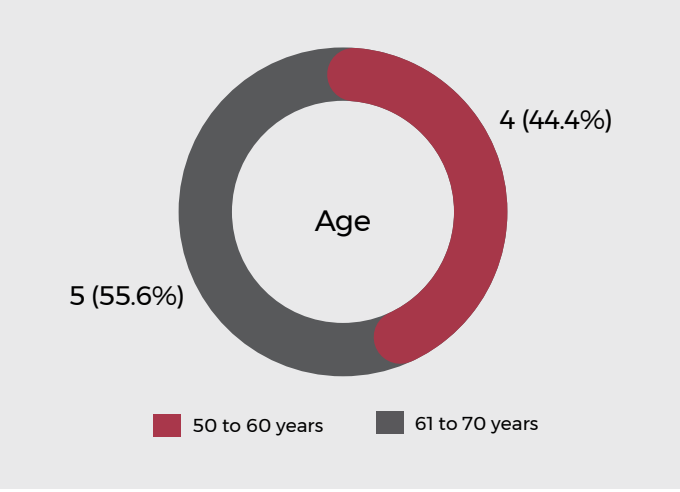
The Board currently comprises of nine (9) members, out of which seven (7) are serving as Independent Directors (including the Chairman), representing 77% of the total Board composition, while two (2) are Non-Independent Directors. Three (3) Independent Directors are women, reflecting a 33% female representation on the Board in line with the recommendation of MCCG. The Board is committed to maintaining diversity in its composition and decision-making process and as the Board believes that women directors would bring objectivity and add value to Board discussions through their unique aspects, approaches and ideas.

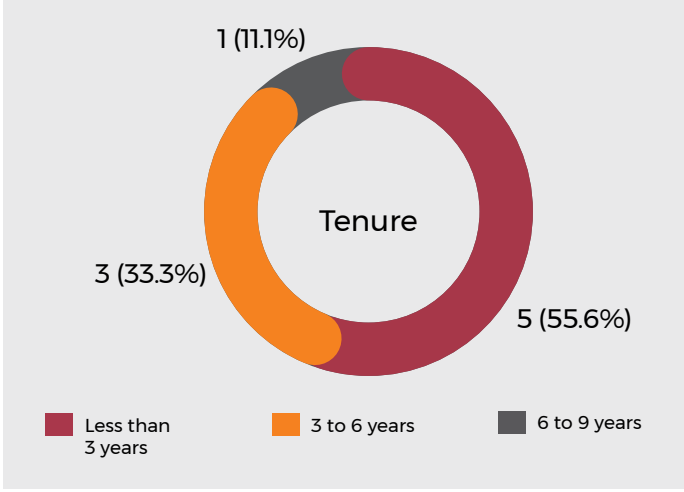
During the FY2023, no Independent NED had served on the Board for more nine (9) years from the date of his/her appointment. This is in line with MCCG recommendation on directors' tenure.

Bank Islam's Board diversity in terms of composition, tenure, age, gender and skillsets are illustrated below:









The profile of each member of the Board is set out on pages 175-183 of this Integrated Annual Report.

Board Independence

The Board recognises the important contributions that Independent NEDs make to good corporate governance.

All Directors, regardless of their independent status, are required to act in the best interests of Bank Islam and to exercise unfettered and independent judgement.

The Independent NEDs play a pivotal role in Board deliberations and decision-making by bringing fresh perspectives, scrutiny and impartiality. Board decisions are made taking into account the views of Independent NEDs which carry substantial weight. Their role is especially critical for related party transactions where independence of judgement and impartiality are essential to safeguard the interests of minority shareholders.

As of the date of this Statement all Independent NEDs satisfy the following criteria:

- ✓ independent from Management and free from any business or other relationship which could interfere with independent judgement or the ability to act in the best interest of the Company;
- ✓ not involved in the day-to-day operations of the Company;
- ✓ declare their interests in any possible conflict of interest in any matter tabled prior to the commencement of Board meetings. In a situation where there is a conflict of interest, Directors are required to recuse themselves and abstain from deliberation and decision-making;
- ✓ tenure of not more than nine (9) years; and
- ✓ not involved in any significant business or contractual relationship with a value of above RM10 million.

Under the Amendments to the MMLR of Bursa Malaysia (effected on 19 January 2022), the limit on the tenure of an independent director is twelve (12) years.

As stipulated under the Board Charter, an Independent NED is subject to a maximum tenure of nine (9) years. An Independent NED who has served for nine (9) years, may, subject to the shareholder and BNM's approval, continue to serve Bank Islam in the capacity of an Independent NED. In any event, no Independent NED will continue to serve the Board for more than twelve (12) years.

An Independent NED is required to inform the BNRC of any changes in circumstances that could impact their independence status. Throughout the financial year being assessed, all Independent NEDs have confirmed and reaffirmed their independence. Additionally, they have successfully completed the annual 'independence' assessment and Fit and Proper evaluation to mitigate any possible conflicts of interest. Following notification, the Board conducts a review and assesses the Independent NED's independence status, guided by the recommendations of the BNRC.

Additionally, all Independent NEDs have an ongoing obligation to inform the Board of any circumstances which could impair their independence.

The independence of the Directors is reviewed annually and benchmarked against best practices and regulatory provisions. The BNRC assesses the independence of the Independent NEDs through the BEE exercise and Directors' self-declaration. The BEE takes into consideration the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board. Based on the BEE results, the Board is generally satisfied with the level of independence demonstrated by all Independent NEDs and their ability to act in the best interest of Bank Islam.

All Directors are required to disclose, at every Board meeting, if they have any interest or any possible or potential conflict of interest on matters put forward for deliberation and approval in the meeting. The interested Director is required to recuse himself or herself and abstain from deliberation and voting to allow unbiased and free discussion and decision-making.

The Board has revised the cooling-off period for the appointment of an Independent NED from two (2) years to three (3) years following the amendment to the MMLR of Bursa Securities whereat the definition of independent directors was enhanced.

Corporate Governance Overview Statement

Selection of Directors

Any proposed appointment of new Directors or proposed reappointment of Directors to the Board will be assessed by the BNRC. The Board adheres to a formal, transparent and rigorous process when appointing Directors.

In selecting new Directors, the Board looks at its current composition as well as the tenure of each Director to assess if new skills and perspectives are required in the boardroom. In assessing candidates for new appointments, the BNRC considers the diversity of skills, knowledge and experience, as well as the gender of candidates. The focus is not only on a Director's background and current activities, but also his/her ability to act independently, ensuring the highest standards of corporate governance are maintained.

Once a potential candidate has been shortlisted for recommendation, the Company Secretary will conduct comprehensive background checks, including checks on financial and character integrity. The Company Secretary will also arrange for the BNRC to meet with the candidates to enable the BNRC to make its assessment and subsequently makes its recommendation to the Board.

The selection criteria that BNRC refers to is based on competencies and attributes required under Bank Islam's Policy on Fit and Proper Criteria for Key Responsible Persons, BNM CG Policy, MMLR of Bursa Securities and BNM's Policy Document on Fit and Proper Policy. The BNRC also identifies potential candidates for nomination as Directors from various sources, such as referrals from existing Directors and the Directors Register maintained by the Financial Institutions Directors' Education (FIDE) Forum and other leadership development and consulting organisations.

Following selection by the Board, an application for the proposed appointment as a Director is submitted to BNM for approval. The term of appointment of the Director will be as specified by BNM.

Succession Planning

The Board believes that effective succession planning mitigates the risks associated with departure or absence of well-qualified and experienced personnel. It also aims to ensure that the Board and Management are consistently well-resourced with the right people in terms of skills and experience, to ensure the successful execution and delivery of the Group's strategy.

Through the BNRC, the Board has oversight of the succession planning of the Board, Board Committees and Management.

The Board has in place a Board Succession Planning Framework, to ensure the identification and selection of new NEDs in the event of an opening by reason of anticipated retirement or unanticipated departure, the expansion of the Board size or otherwise.

Board Meetings, Attendance and Access to Information

The Board meets at least six (6) times a year with additional meetings convened as and when necessary. The Board also considers and approves matters via written circular resolutions which are tabled at the next Board meeting for notification. The calendar of meetings of the Board and Board Committees for the following year are drawn up in the last quarter of the financial year to enable members to meet the time commitment for the meetings.

The calendar of meetings of the Board and Board Committees are drawn up at the end of the previous financial year to enable the members of the Board to meet the time commitment for the meetings.

The Board practices robust and vigorous deliberations at Board and Board Committee meetings to ensure that opportunities are given to all Directors to participate and contribute to the decision-making process as well as to make certain that the process of constructive and healthy dialogue is achieved.

The respective Chairmen of the Board Committees also update the Board on the proceedings of their committee meetings.

The Chairman of the SSC attends the Board meetings and two (2) other representatives of the SSC attend the BRC meetings as permanent invitees to facilitate and assist the Board and BRC when deliberating issues relating to Shariah.

The GCEO attends the Board meeting as a permanent invitee. If required, relevant members of the Management and external advisers are also invited to attend the Board meeting to report and apprise the Board on matters pertinent to their areas of responsibility.

All proceedings of the Board are duly recorded in the minutes of meeting. The minutes of Board meetings accurately reflect the deliberations and decisions of the Board, including any dissenting views and if any Director had abstained from voting or deliberating on a particular matter. The signed minutes of each Board meeting are properly kept by the Company Secretary.

At all meetings, the Board practices a strong culture of open debate and raises challenging questions. The agenda for Board and Board Committee meetings is finalised on consultation between the Chairman of the Board and respective Committees.

Board meetings are convened immediately following the finalisation of the Company's quarterly and final results for the Board to review and approve prior to announcement to Bursa Malaysia.

The Board agenda and papers are circulated to the Board at least five (5) days prior to each Board meeting, proving Directors with sufficient time to review, consider and deliberate knowledgeably on the issues to facilitate informed decision-making.

Board papers are accessed by the Directors through a collaborative software platform that enables them to review and read the Board papers electronically and discuss with each other and the Company Secretary.

The Directors may seek independent professional advice at the Group's expense to assist them in carrying out their duties. They have unrestricted access to any information relating to the Group that is necessary to discharge their duties.

The Board conducts robust and inclusive deliberations at Board and Board Committee meetings to ensure that all Directors have the opportunity to participate and contribute to the decision-making process. Vigorous deliberations and at Board and Board Committee meetings promote constructive and healthy dialogue.

Directors are expected to attend at least 75% of the total Board meetings in any applicable financial year and must not appoint another person to attend/participate in a Board meeting on their behalf.

The Directors' commitment in carrying out their duties and responsibilities is reflected by their attendance at the meetings of the Board and Board Committees. The Board is satisfied that each Director has devoted sufficient time to effectively discharge his/her responsibilities.

In addition, to ensure the Directors will remain committed and be able to provide sufficient focus on their responsibilities, their involvement in other EPCs are limited to not more than ten (10). EPCs are defined as holding directorship or any position (executive or non-executive) in organisations other than Bank Islam. The above limit is subject to the maximum number of directorships in listed companies must not be more than five (5).

Directors must immediately declare if they have any interest in any transaction or any possible or potential conflict on matters put forth for deliberation and approval at a Board meeting that are to be entered directly or indirectly with the Company. They must disclose the extent and nature of their interest at the Board meeting or as soon as practicable after they become aware of the conflict of interest. They must abstain from deliberation, participating and voting on the matter to allow unbiased and free discussion and decision-making.

Corporate Governance Overview Statement

On top of the above, the Board had undertaken a comprehensive gap assessment which was conducted during FYE2023 to evaluate Bank Islam's compliance with the new regulatory update from MMLR of Bursa Securities on the disclosure of Conflict of Interest (COI). Refinements were made to the Board Charter and BAEC TOR to ensure the COI requirements are clearly stipulated and aligned with the BNM CG Policy and MMLR requirements.

BOARD

No. of meetings	12
Total meeting hours	37 hours and 30 minutes
Average time spent on Each Meeting	3 hours and 7 minutes

BAEC

No. of meetings	9
Total meeting hours	27 hours and 20 minutes
Average time spent on Each Meeting	3 hours and 2 minutes

BRC

No. of meetings	15
Total meeting hours	53 hours and 54 minutes
Average time spent on Each Meeting	3 hours and 35 minutes

BNRC

No. of meetings	7
Total meeting hours	12 hours 50 minutes
Average time spent on Each Meeting	1 hour and 4 minutes

BFRC

No. of meetings	13
Total meeting hours	32 hours and 20 minutes
Average time spent on Each Meeting	2 hours and 41 minutes

BSSC

No. of meetings	6
Total meeting hours	21 hours and 30 minutes
Average time spent on Each Meeting	3 hours and 55 minutes

BITC

No. of meetings	7
Total meeting hours	19 hours and 42 minutes
Average time spent on Each Meeting	2 hours and 48 minutes

Qualified and Competent Company Secretary

The Company Secretary of Bank Islam is qualified to act as company secretary under Section 235 of the CA 2016. The Board has appointed the Company Secretary who, under the direction of the Chairman, is accountable for all matters with regard to the proper functioning of the Board as well as to facilitate effective information flows within the Board and Board Committees and between the Management and Non-Executive Directors.

Directors have independent and unrestricted access to the Company Secretary. The Company Secretary attends all Board meetings and facilitates communication between the Board, its Committees and Management, and generally assists Directors in the discharge of their duties.

The appointment and removal of the Company Secretary require the approval of the Board. Puan Maria Mat Said is currently the Company Secretary and has been with the Group since 1 August 2005. The roles of the Company Secretary are specified in the Board Charter.

The list of trainings attended by the Company Secretary during the FY2023 is set out in the CG Report 2023.

Ongoing Professional Development for Directors

The Board acknowledges the importance of continuing education for Directors to ensure that they are well-equipped with the requisite skills and knowledge to discharge their duties effectively and meet the challenges facing the Board.

The Board has in place a Development Plan for Directors which outlines the induction programmes, mandatory trainings, technical and leadership programmes and development areas designed to further enhance Directors' business acumen and professionalism which will enable them to be more effective in discharging their duties to the Group.

Directors Conference

To keep our Board abreast of the latest sustainability developments and governance standards, we had organised a Directors' Conference titled "Harmonising Talent and Governance: Leveraging ESG for Sustainable Retention" in FYE2023. This conference aimed to foster meaningful engagement and collaboration among all directors within the Group, offering them a dedicated forum to share ideas, insights, and best practices. By doing so, we aimed to cultivate a culture of collective learning and ongoing enhancement in governance practices.

During FY2023, all Directors attended various training programmes and workshops on matters relevant to the Group. Detailed information on the training programmes attended by individual Directors during FY2023 is provided in the CG Report 2023.

Newly appointed Directors are required to attend the Mandatory Accreditation Programme (MAP) accredited by the Institute of Corporate Directors of Malaysia (ICDM) and the FIDE Programme accredited by the CLF Leadership and Governance Centre (CLIF), Islamic Finance for Board of Directors under the International Shar'iah Research Academy (ISRA). A comprehensive training programme has been established to ease new Directors into their role and to assist them in understanding the Group's business strategy and operations.

The SC and Bursa Malaysia had on 6 June 2023 announced the roll out of a new mandatory onboarding programme on sustainability for directors of Public Listed Companies (PLCs) on Bursa Malaysia. The MAP Part II: Leading for Impact (LIP) is an extension to the existing MAP, now known as MAP Part I under the Bursa Malaysia Main Market and ACE Market Listing Requirements. The directors are expected to possess current and essential sustainability knowledge to facilitate the effective discharge of their roles, particularly in setting the listed issuer's sustainability strategies, priorities and targets. This is important as effective integration and implementation of sustainability practices start at the top. Following this, all of Directors have completed the MAP Part II training, except for two (2) Directors who registered to attend the training scheduled in June 2024.

Directors Induction Programme

For newly appointed Directors, the Company Secretary will organise a Board induction programme where the new Directors are briefed on the governance requirements, which include among others, their disclosure obligations as Directors, the Board Charter, Code of Ethics, Constitution of the Company, the Group's corporate structure and Schedule of Matters Reserved for the Board. Apart from governance, the induction programme also covers briefing by the respective Management on Bank Islam's business directions, the risk management and compliance framework, Bank Islam's operations.

Board Effectiveness Evaluation (BEE)

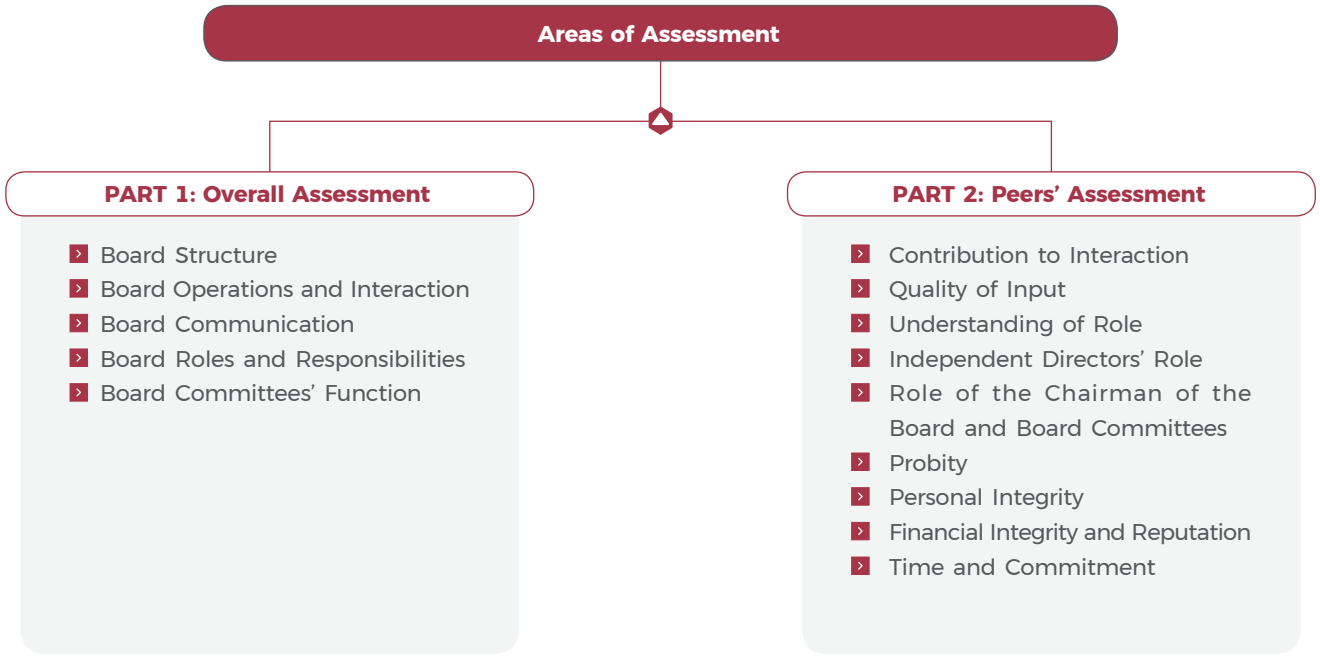
The Board recognises that it needs to continuously assess and improve its performance. This is achieved through the annual BEE performed by the BNRC which evaluates the performance of the Board, Board Committees and the contribution of each individual Director as well as identifying any gaps or areas of improvement where required.

The BNRC intends to obtain, once every three (3) years, an independent perspective on the Board's effectiveness and to gain insights on the Board's performance against peer boards and best practices.

During the FY2022, Bank Islam had engaged an external consultant to undertake the BEE to evaluate its Board and Committees' overall performance. For FY2023, the BEE was conducted internally (with assistance of Group Corporate Secretarial) via online survey questionnaires with additional questionnaires taking into consideration the assessment undertaken by KMPG Management and Risk Consulting Sdn Bhd (KPMG MRC) in the FYE2022 Board Effectiveness Evaluation.

Corporate Governance Overview Statement

The BEE covered the following scope:



SUBJECT MATTER	ASSESSOR	KEY SCOPE
Assessment on Board & Board Committees	By all Board members & Management	• Board Structure • Board Operations and Interaction • Board Communication • Board Roles and Responsibilities • Board Committees' Function
Assessment on Director Self/Peer Evaluation	By all Board members & Management	• Contribution to Interaction • Quality of Input • Understanding of Role • Independent Directors' Role • Role of the Chairman of the Board and Board Committees • Probity • Personal Integrity • Financial Integrity and Reputation • Time and Commitment

Overall, the result of the BEE was positive indicating that the Board, Board Committees and individual Directors were effective in discharging their duties.

Key highlights from the BEE for FYE2023 included the following:

1. **Training and Development:** Enhanced training and development initiatives implemented
2. **Committee Effectiveness:** Committees demonstrating effective task fulfillment
3. **Board Meeting Frequency and Length:** Optimal frequency and duration of board meetings
4. **Management Access:** Improved access to Management
5. **Role Understanding:** Enhanced role clarity among Board Members
6. **Risk Management Procedures:** Robust risk management procedures implemented
7. **Committee Member Adequacy:** Appropriate number of members in Board Committees
8. **Committee Focus:** Focused committees aligning with Terms of Reference
9. **Clarity in Recommendations:** Clear resolutions and recommendations from Board Committees
10. **Proactive Board Committees Chairman:** Proactive Chairman ensuring Board attention to key issues

The BEE exercise had identified the following main areas for improvement:

Administrative:
- Consistent submission of board papers
- Dedicated time for key issue discussions
- Improved quality of minutes and board papers by BRC

Talent Management:
- Identification of Future Leaders
- Succession plans for key committees
- KPIs for Human Capital Challenges

Strategic Planning:
- Synthesised board papers with critical analysis
- Comprehensive papers covering Strategy, Technology, and Risk
- Utilisation of dashboards for analysis
- Evaluation of Remuneration Policies
- Consideration of ESG metrics in compensation

Risk Management:
- Coordination between Board Committees on Financial Risks
- Focus on ESG and Climate Change Risks
- Robust Enterprise Risk Management Framework

Technology and Innovation:
- Utilisation of Artificial Intelligence

Culture and Compliance:
- Metrics for Compliance Culture Assessment

As at 31 December 2023, the action plans to address the above main areas have commenced and are ongoing.

Our Sustainability Commitment

Bank Islam has developed and implemented a sustainability governance structure to provide oversight and strategic direction over Group's sustainable finance initiatives.

Bank Islam embeds ESG considerations, including climate related risks and anti-bribery/corrupt practices into our strategies, business and operations.

Sustainability at Bank Islam is about investing for the long-term growth and future of our organisation and stakeholders and ensuring what we do makes a positive and lasting impact on our community, economy and nation. Our purpose is to support society's financial needs in a responsible and ethical manner, anchored on Islamic values. This is done through recognition of Bank Islam's products and conducting our operations and initiatives.

The Group's Sustainability Framework serves as the overarching document defining the Group's commitment, outlining the sustainability mission, principles, goals, targets, governance and approach to the Group's activities. It is supported by other Group policies and procedures that reflect specific aspects of sustainability that are aligned with the Group's core values. The Framework is aligned with the Bursa Securities' MMLR and global reporting initiative standards, United Nations Sustainable Development Goals as well as BNM's Value-based Intermediation (VBI) principles.

Corporate Governance Overview Statement

Therefore, the Board together with Management, takes responsibility for the governance of sustainability in the Group including setting the Group's sustainability strategies, priorities and targets. The performance evaluation of the Board and Management is also carried out annually to measure how they have performed their respective roles and to promote accountability.

To ensure sound governance on sustainability, the Board Strategic and Sustainability Committee oversees the Group's overall strategy on sustainability and reviews the effectiveness of the strategies and practices in place.

Our Sustainability Statement for FY2023 can be found from pages 97 to 169 of this Integrated Annual Report 2023. The Report sets out in detail the scope of our sustainability reporting and sustainability framework that addresses stakeholder expectations across various sustainability issues.

Directors' Indemnity

Bank Islam provides and maintains indemnification for its Directors throughout the FY2023 as allowed under the CA 2016 to the extent it is insurable under the Directors and Officers Liability Insurance (D&O) incurred by them in discharging their duties while holding office as Directors and Officers of Bank Islam.

REMUNERATION

Board of Directors

The Board has established a formal and transparent Directors' Remuneration Framework consisting of Directors' fees, Board Committee allowances, meeting allowances, Chairman allowance and benefits-in-kind. The Remuneration Framework for Bank Islam's NEDs are as follows:

A. Retainer and Sitting Fees

	Total Amount (per annum) (RM)						
	BOARD	**BRC**	**BAEC**	**BNRC**	**BFRC**	**BITC**	**BSSC**
Chairman	240,000.00	90,000.00	48,000.00	18,000.00	24,000.00	24,000.00	24,000.00
Member	72,000.00	72,000.00	36,000.00	12,000.00	18,000.00	18,000.00	18,000.00
Sitting Fee (per meeting) (RM)							
	Chairman 5,000.00				**Member** 3,000.00		

B. Benefits

The benefits payable to Non-Executive Directors comprise allowances, benefits-in-kind and other emoluments payable to them, details of which are as follows:-

I) Car Allowance
   – Chairman – RM10,000.00 per month
II) Senior Independent Allowance – RM2,000.00 per month
III) Other Benefits
   Includes benefits that are claimable or otherwise such as leave passage, medical and insurance benefits and other facilities made available by the Company to eligible Non-Executive Directors.

Details of Directors' annual remuneration during the financial year under review are as follows:

No.	Name of Director	Retainer Fees (RM)	Sitting Allowances (RM)	Other Benefits (RM)[1]	Total (RM)
1.	Tan Sri Dr Ismail Haji Bakar (Chairman)	200,000.00	65,000.00	230,000.00	495,000.00
2.	Azizan Ahmad[2]	198,000.00	191,000.00	104,386.44	493,386.44
3.	Mohamed Ridza Mohamed Abdulla[3]	–	3,000.00	100,000.00	103,000.00
4.	Datuk Nik Mohd Hasyudeen Yusoff	180,500.00	188,000.00	75,000.00	443,500.00
5.	Dato' Sri Khazali Ahmad[4]	–	–	80,000.00	80,000.00
6.	Mohd Yuzaidi Mohd Yusoff	181,000.00	155,000.00	119,076.07	455,076.07
7.	Mashitah Haji Osman	99,000.00	123,000.00	67,800.00	289,800.00
8.	Dato' Sri Amrin Awaluddin[5]	–	12,000.00	65,000.00	77,000.00
9.	Mohd Asri Awang	154,500.00	123,000.00	72,787.45	350,287.45
10.	Datuk Bazlan Osman	141,000.00	123,000.00	65,126.15	329,126.15
11.	Nuraini Ismail	120,000.00	87,000.00	65,000.00	272,000.00
12.	Dato' Professor Dr. Noor Inayah Yaakub[6]	91,500.00	60,000.00	25,000.00	176,500.00
	TOTAL	**1,389,500.00**	**1,130,000.00**	**1,069,176.11**	**3,588,676.11**

Notes:

[1] *Other Benefits include Senior Independent Director Allowance, Vehicle Allowance for Chairman, Leave Passage, Medical Reimbursement, Token of Appreciation and Farewell Gift*

[2] *Retired as an Independent Non-Executive Director on 2 January 2024*

[3] *Retired as a Non-Independent Non-Executive Director on 1 December 2022*

[4] *Retired as an Independent Non-Executive Director on 2 January 2023*

[5] *(i) Resigned as a Non-Independent Non-Executive Director on 5 May 2023*
(ii) Dato' Sri Amrin's monthly allowance from January to April 2023 amounting RM24,000.00 was paid to Lembaga Tabung Haji

[6] *Appointed as an Independent Non-Executive Director on 7 April 2023*

Remuneration Policy for Management Team (SMTs) and Material Risk Takers (MRTs)

The Board is of the view that the disclosure of the remuneration of the top five (5) Management on a named basis in bands of RM50,000 as required under Practice 8.3 Step Up of the MCCG is not in the best interest of Bank Islam given the competitive market for talent in the industry.

The top five (5) Management's annual remuneration is disclosed, as follows:

Range of remuneration	No. of Management
RM1,500,000 – RM1,550,000	1
RM1,550,001 – RM1,600,000	1
RM1,600,001 – RM1,650,000	1
RM1,650,001 – RM1,700,000	–
RM1,700,001 – RM1,750,000	–
RM1,750,001 – RM1,800,000	1
RM1,800,001 and above	1
Total	**5**

The adoption of the remuneration policy for SMTs/MRTs within Bank Islam promotes transparent and fair remuneration framework. The Policy sets forth appropriate governance around the total rewards of Bank Islam's SMTs/MRTs for their contributions to Bank Islam, taking into account their roles and responsibilities from the perspective of performance excellence, risk management, compliance and sustainability.

Corporate Governance Overview Statement

Components of Remuneration

Remuneration Component	Approach
Base Salary	Basic wage paid to an employee as a guarantee for service/work rendered to the company.
Fixed Allowance(s)	Guaranteed cash paid under various classifications to compensate for miscellaneous job-related expenses.
Benefits	Non-wage remuneration provided in addition to other cash compensation.
Variable Pay	Annual non-guaranteed, performance-based cash payments/bonus and profit-sharing awards.

Deferred Cash Mechanism & Pool Setting Approach

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

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

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

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

The breakdown of the total amount of remuneration awards in respect of the SMTs and MRTs (including the GCEO) in 2023 is as follows:

Element	No. of SMTs and RMTs	Total Amount (RM)
Salary/Fixed Allowance/Bonus	5	7,955,883
Benefits-in-kind and Other Emoluments	5	1,813,403
TOTAL		**9,769,286**

PRINCIPLE B

EFFECTIVE AUDIT AND RISK MANAGEMENT

RISK MANAGEMENT AND INTERNAL CONTROL

In the discharge of its responsibility to effectively manage risks across the Group, determining its risk appetite and ensuring the implementation of adequate and appropriate controls, the Board regularly reviews its risk management processes and internal control procedures to enforce a sound system of risk management and internal control to safeguard shareholders' investments and assets of the Group.

The Group's risk management and internal control systems are consistent with Bursa Securities' guidance on Risk Management & Internal Control, and Related Financial and Business Reporting issued by the Malaysian Financial Reporting Council and compliant with the requirements of BNM.

Apart from having oversight of the Group's risk management, internal control and financial reporting, the BRC also ensures the required in-depth review into specific financial operational and regulatory areas of the Group's Business.

The Group's system of internal financial control is primarily aimed at safeguarding the Group's assets, ensuring proper accounting records are kept, identifying and managing business risks and maintaining compliance with appropriate legislation and regulations.

BOARD AUDIT & EXAMINATION COMMITTEE

The BAEC comprises three (3) members all of whom are Independent NEDs. The Chairman of the BAEC is not Chairman of the Board. None of the BAEC members is a former key audit partner.

The BAEC supports the Board in ensuring that there is a reliable and transparent financial reporting process, and reviews the corporate governance practices and internal control system in ensuring checks and balances within the Group.

Bank Islam has in place a procedure to consider the appointment/re-appointment of External Auditors which is in line with BNM's Policy on External Auditors. The process requires the BAEC to assess the External Auditors' compliance with the qualification criteria set out by BNM, which includes evaluating the independence, objectivity and performance of the External Auditors. As part of its remit, the BAEC must ensure that the objectivity, independence and effectiveness of the External Auditors are maintained.

The key activities and focus areas during the financial year under review are set out in the BAEC Report on pages 225-230 of this Integrated Annual Report.

Corporate Governance Overview Statement

PRINCIPLE C

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMMUNICATION WITH STAKEHOLDERS

Ongoing engagement and communication with shareholders are vital in fostering a healthy relationship between Bank Islam and all its stakeholders and are critical for the sustainable growth of our business as this gives stakeholders a much better insight of Bank Islam and facilitates mutual understanding of each other's expectations.

Quarterly results briefing sessions are conducted for analysts and fund managers after lodgement of results to Bursa Securities. All press statements and quarterly financial statements are published on the Bank Islam corporate website.

Bank Islam's investor relations activities ensure regular, effective and fair communication with shareholders, analysts, fund managers and stakeholders.

We have consistently maintained an open dialogue with relevant stakeholder groups such as regulatory agencies, employees, investors, consumers and the general public, non-governmental associations and suppliers. Their views and concerns on Bank Islam's business, its policies on governance, the environment and social responsibility are given due consideration in our decision-making process.

The Board is committed to providing a fair, objective and meaningful assessment of the financial position and prospects of the Group in the quarterly financial results, annual financial statements, integrated annual report and all other reports to shareholders, investors, regulatory authorities and other stakeholders.

The protection of shareholders' and stakeholders' interests, both in the short and long-term is central to the way the Board operates. This has been the primary governing principle behind the Board's response to the COVID-19 pandemic. Its impact on all key stakeholders was always considered in Management's decisions. Effective engagement has been crucial in understanding the views of our stakeholders in order to make informed choices.

In FY2023, the Group actively engaged with its stakeholders via various avenues.

The list of events held in 2023 is listed as follows:-

Event	Event date
1. Quarterly Analyst Briefing:	
I) FY2022 Financial Results Briefing	28 February 2023
II) 1Q2023 Financial Results Briefing	30 May 2023
III) HY2023 Financial Results Briefing	30 August 2023
IV) 9M2023 Financial Results Briefing	29 November 2023
2. Corporate Investor Day	11 October 2023
3. Non-deal Roadshow hosted by CGS International Securities Malaysia Sdn Bhd (Formerly known as CGS-CIMB Securities Sdn Bhd)	21 June and 10 July 2023
4. Group meeting arranged by:	
I) RHB Investment Bank	19 January 2023
II) Maybank Investment Bank	13 April 2023
III) Maybank Investment Bank	23 June 2023
5. One-to-One meeting with Shareholders/Analysts/Fund Managers:	
I) Permodalan Nasional Berhad (PNB)	7 February 2023
II) Employees Provident Fund (EPF)	30 March 2023
III) Amundi Asset Management	3 April 2023
IV) MIDF Research	11 July 2023
V) AmInvestment Bank Berhad	14 July 2023 2 August 2023
VI) Lembaga Tabung Haji – onboarding new CEO	8 August 2023
VII) Pheim Asset Management (client of CGS-CIMB)	4 September 2023
VIII) Majlis Agama Islam Selangor	

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is a primary platform for a two-way interaction between shareholders and the Board.

The Board ensures that shareholders are given sufficient notice to consider the resolutions that well be tabled, discussed and decided at the AGM. The AGM Notice includes details of resolutions proposed along with any relevant information and reports.

The notice and agenda of our second AGM, following the listing of Bank Islam in 2021, together with Forms of Proxy were circulated to shareholders on 25 April 2023, which was twenty-eight (28) days before the 40th AGM held on 26 May 2023 well in advance of the twenty-one (21) day requirement under the CA 2016 and the MMLR of Bursa Malaysia. Each item of ordinary business included in the notice of the AGM was accompanied by an explanatory statement on the effects of the proposed resolution.

All Directors attended and participated in the AGM which was conducted online using an Online Meeting Platform provided by the Boardroom Share Registrars Sdn Bhd (Boardroom). The GCEO, Company Secretary, Group Chief Financial Officer, Group Signing Partner of Messrs PricewaterhouseCoopers, the External Audit Partner, the Poll Administrator and Scrutineer also attended and participated in the virtual AGM together with the Management and 79.13% equity holders.

The proceedings of the AGM included the presentation by the Group on the business performance and prospects of the Group for the FY2023, a presentation of the detailed responses to questions raised by the MSWG prior to the AGM and a Q&A session during which the Chairman invited the shareholders to use the query box facility to submit questions (real time) during the meeting, before presenting the resolutions and putting them forward for voting.

Bank Islam has leveraged technology to facilitate greater participation and enhance the proceedings of the AGM. Resolutions during the AGM were submitted via online electronic poll voting to enable shareholders to cast their votes. The Share Registrar, Boardroom, acted as Poll Administrator to conduct the online electronic polling process. SKY Corporate Services Sdn Bhd was appointed as Independent Scrutineer to verify the poll results.

The Chairman, who chaired the proceedings provided fair opportunity and time to all shareholders to exercise their rights to raise questions and make recommendations. The proceedings of the AGM, together with the GCEO's presentation materials, MSWG's Q&A and Key Matters Discussed were recorded in the minutes of the meetings. The Minutes of the AGM which were duly confirmed and signed by the Chairman of the AGM, were posted on Bank Islam's website at www.bankislam.com within thirty (30) business days from the date of the AGM.

WEBSITE

Bank Islam's Group website provides a brief description of its history, current operations and strategy, as well as an archive of news and historical financial data on the Group and details of upcoming investor relations events.

Additional Compliance Information

1. SHARE BUYBACKS

Bank Islam did not purchase any of its own shares during the financial year ended 31 December 2023.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

Bank Islam did not issue any Options, Warrants or Convertible Securities in respect of the financial year ended 31 December 2023.

3. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR)

Bank Islam did not sponsor any ADR or GDR programme in the financial year ended 31 December 2023.

4. LIST OF PROPERTIES

The list of Bank Islam's properties is set out on page 473 of the Integrated Annual Report.

5. MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE OFFICER AND MAJOR SHAREHOLDERS

There was no material contract entered into by Bank Islam or its subsidiary companies involving Directors, Chief Executive Officer and/or major shareholders' interest was still subsisting at the end of the financial year or entered into since the end of the previous financial year.

6. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or significant penalties imposed on the Company or its subsidiaries, Directors or Management arising from any significant breach of rules/guidelines/legislations by the relevant regulatory bodies during the financial year under review.

7. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

Board Audit & Examination Committee (BAEC) Report

CHAIRMAN

Datuk Bazlan Osman
Independent Non-Executive Director
Member of Malaysian Institute of Accountants

MEMBERS

Nuraini Ismail
Independent Non-Executive Director
Member of Malaysian Institute of Accountants

Dato' Prof. Dr Noor Inayah Ya'akub
Independent Non-Executive Director
Appointed to be a member w.e.f. 7 April 2023

Mohd Yuzaidi Mohd Yusoff
Independent Non-Executive Director
Ceased to be a member w.e.f. 7 April 2023

MEMBERSHIP

BAEC comprises three (3) members, all of whom are Independent Non-Executive Directors. This is in accordance with Practice 9.4 of the Malaysian Code on Corporate Governance 2021 (MCCG 2021).

BAEC's Chairman, Datuk Bazlan Osman is a member of the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountants (ACCA). The presence of a member of the BAEC who is a member of the MIA is to comply with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities) which stipulates that at least one (1) member of AC must be a member of the MIA. Datuk Bazlan Osman is an Independent Non-Executive Director and he is not the Chairman of the Board. This is consistent with the requirements in Practice 1.4 of the MCCG 2021.

ROLES AND RESPONSIBILITIES

The BAEC is committed to carry out its duties in ensuring that the Group has in place an internal control system that is reliable, transparent, and independently monitor the performance of the internal and external audit functions.

The BAEC is a Committee of the Board that supports the Board in ensuring there is a reliable and transparent financial reporting process and internal controls system within the Group. The BAEC also oversees the effectiveness of the internal and external auditors of the Group.

The BAEC is a committee that has been delegated by the Board and therefore has the explicit authority to look into any situation that falls within the scope of its mandate. It has complete Management's access, support, and discretion to invite any Director to attend its meetings. In addition, the BAEC has complete and unrestricted access to information and can, if necessary, seek independent professional advice, with any associated costs being covered by the Group.

The detailed roles and responsibilities of the BAEC are set out in its Terms of Reference, which was last reviewed on 9 October 2023 and is available on Bank Islam's website at www.bankislam.com.

The BAEC of Bank Islam is dedicated to fulfilling its responsibilities in ensuring sound corporate governance procedures and offering independent oversight of the Group's financial reporting and internal controls system. This report gives readers a glimpse into the BAEC's activities during the financial year under review.

Board Audit & Examination Committee (BAEC) Report

MEETINGS

During the financial year under review, nine (9) BAEC meetings were held. This satisfied the BAEC Terms of Reference, which requires the BAEC to meet at least four (4) times a year.

The Group Chief Executive Officer (GCEO), the Group Chief Internal Auditor (GCIA), the Group Chief Compliance Officer/Group Chief Integrity & Governance Officer, the Group Chief Operating Officer, the Group Chief Human Resources Officer and the Group Chief Legal Officer & Company Secretary, who is also the Secretary to the BAEC, attends the BAEC meetings. In addition to that, the Group Chief Financial Officer and any Management representatives were invited to the meeting, where required, to present and facilitate the deliberation on any specific issues arising from the relevant reports presented.

The External Auditors were also invited to the meeting to present the audited financial statements, the half-yearly unaudited financial reports, the Management Letters, the Audit Plan and other relevant matters. During the financial year 2023, the BAEC had two (2) private sessions with the auditors without the presence of the Management, i.e., on 25 January 2023 and 24 October 2023, to review the scope and adequacy of Bank Islam's audit process, the annual financial statements and their audit findings.

All BAEC members have given their full commitment to the meetings held in 2023 as indicated in their satisfactory meeting attendance record as follows:

Name	Meeting Attendance	%
Datuk Bazlan Osman Independent Non-Executive Director/Chairman	9/9	100
Nuraini Ismail Independent Non-Executive Director	9/9	100
Dato' Professor Dr. Noor Inayah Ya'akub Independent Non-Executive Director *Appointed to be a member w.e.f. 7 April 2023*	7/7	100
Mohd Yuzaidi Mohd Yusoff Independent Non-Executive Director *Ceased to be a member w.e.f. 7 April 2023*	2/2	100

THE BAEC ACTIVITIES IN 2023

Areas of Focus	Matters Considered
Internal Audit	✓ Reviewed and approved the 2024 Internal Audit Plan and Budget which includes the scope, procedures and frequency as well as adequacy and competency of internal audit resources. ✓ Reviewed and deliberated on 82 Internal Audit Reports on the Head Office, Regional Offices, the branches (including limited operational review) as well as Ar-Rahnu outlets and identified critical units of Bank Islam, which amongst others focused on the effectiveness and adequacy of governance, risk management and internal controls, audit rating and recommendations. ✓ Reviewed and deliberated on 22 Internal Audit Reports on Information System Audit which assessed the adequacy of the information system controls, security including cybersecurity and the necessary back-up systems to cover for contingencies or disaster.

Areas of Focus	Matters Considered
Internal Audit (continued)	✓ Reviewed and deliberated on 10 Shariah Audit Reports on compliance with the Shariah rulings. ✓ Reviewed and deliberated on seven (7) Internal Audit Reports on Credit Audit. ✓ Reviewed 16 investigation reports by Group Internal Audit which covers cases of staff negligence and potential disclosure of customers' information. ✓ Reviewed 13 Internal Audit Reports of Bank Islam's Subsidiaries as part of its oversight function. ✓ Reviewed the progress of rectification efforts on unresolved audit findings to ensure appropriate corrective actions were taken by the Management in a timely manner to address control weaknesses, policies and other areas identified by the Internal Auditors and other control functions. ✓ Reviewed and approved the divisional scorecard for Group Internal Audit Division for FY2023. ✓ Reviewed the performance and achievements of the Internal Audit Division for FY2022 and the first half of FY2023. ✓ Reviewed the report by Group Internal Audit Division on verification of external auditors' non-audit services fees. ✓ Reviewed the reports by the Group Internal Audit Division on Bank Islam Malaysia Berhad Group's related party transactions (RPT). ✓ Reviewed the report by Group Internal Audit on verification/follow-up review on findings and corrective actions by Bank Islam's subsidiaries on outstanding issues. ✓ Reviewed the Management Audit Committee's minutes of meeting. ✓ Reviewed and approved the proposed revision of the audit rating rules and threshold matrix.
External Audit	✓ Reviewed and deliberated the external auditor's 2023 audit plan encompassing the audit approach, the areas of audit emphasis and audit fees. ✓ Reviewed and deliberated the External Auditors reports on: (i) the audited financial statements for the financial year ended 31 December 2022, which include the key focus areas of the audit and internal controls matters, on 25 January 2023; (ii) Transparency Report which revealed how the Assurance Practice of the external auditors' places audit quality at the center of everything it does; and (iii) limited review of the unaudited financial statements for the financial period ended 30 September 2023, on 24 October 2023. ✓ Evaluated the independence and objectivity of the external auditor by reviewing the fees and the list of non-audit services provided by the external auditor. ✓ Reviewed and recommended to the Board the re-appointment of external auditor. The BAEC's evaluation was based on the performance, independence and suitability of the external auditors. It also covers the assessment on the external auditor's ability in meeting Bank Islam's requirements, business insights and ideas, service efficiency and effectiveness as well as value management.
Financial Reporting	✓ Reviewed and recommended to the Board the audited financial statements for the financial year ended 31 December 2022; ✓ Reviewed the unaudited quarterly and half yearly financial results of Bank Islam and the Group; ✓ Recommended to the Board the proposed interim dividends for the financial year ended 31 December 2022 and for the nine (9) months period ended 30 September 2023 upon being satisfied with the solvency test.
Related Party Transactions	✓ Reviewed related party transactions as disclosed in the financial statements.

Board Audit & Examination Committee (BAEC) Report

Areas of Focus	Matters Considered
Recovery Plan	✓ Recommended to the Board the plan towards establishing the Bank's Recovery Plan and reviewed the status report by the appointed consultant on the validation of Bank Islam's recovery plan.
Integrity & Governance	✓ Reviewed and deliberated on the updates on Corruption Risk Management Reports and recommended to the Board the implementation of Divisional Corruption Risk Management as well as the risk action plans. ✓ Reviewed and deliberated the Integrity & Governance Department Reports, which include reports on the investigation of fraud and whistleblowing cases. ✓ Reviewed and deliberated the development of Bank Islam's Organisational Anti-Corruption Plan (OACP). ✓ Reviewed the updates on ISO 37001: 2016 Anti-Bribery Management System in Bank Islam.
Corporate Secretarial	✓ Reviewed the governance status of Bank Islam and its Tier 1 subsidiaries against the relevant laws and guidelines relating to governance. ✓ Reviewed the report on Conflict of Interest.

TRAINING AND DEVELOPMENT

The BAEC members are individuals with a wide range of relevant skills, knowledge and industry experience which enable the members to discharge their duties effectively. The members bring with them diversity of experience and financial background. These factors enable the members of the BAEC to understand, analyse and challenge the Management on matters deliberated in the meeting including the financial reporting process and internal controls. The BAEC members are expected to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes. During the year, the BAEC members attended several seminars and training conferences to keep abreast with the latest developments. Details of the seminars and training programmes attended by each Director in 2023 can be found in the Corporate Governance Report.

PERFORMANCE REVIEW OF THE BAEC

Based on the annual evaluation on the effectiveness of the Board, its Committees and the members of the Board, the Board is satisfied with the performance of the BAEC and its members. This is evidenced by the annual evaluation results where the BAEC recorded 80% score in the financial year 2023 assessment. The BAEC has discharged its duties in accordance with its Terms of Reference and in line with the requirements of MCCG, BNM CG Policy and MMLR.

The results of the annual evaluation on the BAEC for the financial year 2023 can be found in the CG Report.

RELATIONSHIP WITH THE EXTERNAL AUDITORS

The Board maintains a transparent and professional relationship with the External Auditors through the BAEC. The BAEC reviews and assesses the suitability, objectivity and independence of the External Auditors annually. The appointment or re-appointment of the External Auditors is carried out in accordance with the requirements set out by Bank Islam to ensure the independence and objectivity of the External Auditors as statutory auditors are not compromised.

The External Auditors also provide non-audit services to Bank Islam. For engagement of the External Auditors to perform non-audit services, the BAEC has to be satisfied that the External Auditors are suitable, independent and objective in the provision of such services, there is no element of conflict of interest and the fees chargeable are within the allowable threshold set.

The BAEC was satisfied with the quality of audit, performance, competency and sufficiency of resources provided to Bank Islam by the External Auditors during the financial year under review. The BAEC was also satisfied that the provision of non-audit services to Bank Islam by the External Auditors did not impair their objectivity and independence as External Auditors of Bank Islam.

The amount of audit fees and non-audit fees paid by Bank Islam and the Group can be found on page 339 of Notes 33 of the Financial Statements.

INTERNAL AUDIT FUNCTION

Bank Islam has an in-house internal audit function which is carried out by the Group Internal Audit Division (GIAD). The GIAD undertakes the audit on entities within Bank Islam and its subsidiaries. During the financial year under review, the audited entities include BIMB Investment Management Berhad, BIMB Securities Sdn Bhd, Bank Islam Labuan Offshore Branch, BIMB Securities (Holdings) Sdn Bhd, Syarikat Al-Ijarah Sdn Bhd, Bank Islam Trust Company (Labuan) Ltd, BIMBSEC Nominees (Tempatan) Sdn Bhd and BIMBSEC Nominees (Asing) Sdn Bhd.

The GIAD is primarily responsible to undertake regular and systematic reviews in conformance with the Institute of Internal Auditors' International Professional Practices Framework and the Internal Audit Charter. This is a crucial aspect of GIAD to provide reasonable assurance that the risk management process, internal controls and governance practices of Bank Islam and its Group are operating satisfactorily and effectively and are in line with the Group's goals and objectives.

Responsibility, Scope and Methodology

The BAEC oversees the performance and effectiveness of the Internal Audit function based on the approved key performance indicators. The BAEC assesses the competency and experience of the Internal Audit staff as well as the adequacy of resources for the Internal Audit to carry out its functions effectively. The BAEC also ensures that the Internal Audit staff have the authority to discharge their role objectively and independently, free from any relationship or conflict of interest.

To reflect the independence of Internal Audit, the GCIA reports functionally to the Board through the BAEC and administratively to the GCEO. The GCIA is Zalfitri Abd Mutalip who has a degree in Bachelor of Science in Business Administration (Finance), a Certificate in Internal Auditing for Financial Institution (CIAFIN) and is a Chartered Professional in Islamic Finance (CPIF). He has extensive experience in auditing in the financial industry and has helmed the GIAD of Bank Islam since 2017.

The annual audit plan is reviewed and approved by the BAEC before the beginning of each financial year. The audit plan adopts a risk-based approach in determining the auditable units and frequency of the audits which focussed on the following three (3) components:

i. Impact and likelihood of the inherent risk;

ii. Known quality of respective controls or risk mitigants in place; and

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

The GIAD adopts the standards and principles outlined in the Internal Controls Framework of Committee of Sponsoring Organization of the Treadway Commission (COSO) and the objectives set by the Institute of Internal Auditors' International Professional Practices Framework which comprises the core principle for the Professional Practice of Internal Auditing, the definition of Internal Auditing and Code of Ethics.

The outcome of the audits conducted, including its risks, root-causes and recommendations are deliberated by the BAEC on a regular basis, i.e., every two (2) months. Resolution of the audit findings and recommendations are performed by the Management and closely monitored by the Management Audit Committee (MAC) whose members comprised the Management members. In addition to that, the outcome of the Shariah audit reports including their findings, risks, root-causes and recommendations are notified and deliberated at the Shariah Supervisory Council (SSC) meetings.

Resources

The overall costs incurred to maintain the internal audit function in the Group for the Financial Year 2023 was approximately RM9.69 million (2022: RM8.55 million), consists mainly of salaries and other audit related expenditures. As at 31 December 2023, the GIAD has a staff strength of 40 auditors, all of whom are equipped with the relevant experience and qualifications. In addition, all 40 auditors had obtained the required certification, namely, Certification for Bank Auditors (CBA)/Certified Information System Auditor (CISA) and/or CIAFIN.

The GIAD is committed to provide an independent, objective assurance and advisory services that will add value and improve the Group's operations.

Board Audit & Examination Committee (BAEC) Report

GIAD Activities in 2023

- ✓ Prepare the Audit Plan and Budget for approval of the BAEC. The Audit Plan was developed based on assessment of the significant potential risk exposure of the auditable areas;
- ✓ Provide independent assessment and objective assurance on the adequacy and effectiveness of internal controls implemented to mitigate the risk exposures. Prepare audit reports consisting of observations, improvement opportunities, root-causes, management responses which include the corrective actions by the respective stakeholders, deadline for resolution and person responsible for implementation of corrective actions;
- ✓ Follow-up on the Management corrective actions on audit issues raised by the GIAD. Determine whether corrective actions taken have generally achieved the desired results to mitigate the risk exposures;
- ✓ Report to the BAEC, the final audit report highlighting the audit objectives, audit scope and risks covered, audit rating, audit findings, findings escalated for Management's immediate action, root-causes and status of corrective actions. A total of 160 audits (against the approved audit plan of 149) were conducted for the Group in FY2023;
- ✓ Report to the BAEC the adequacy, reliability, integrity and compliance of:
  - risk management, internal controls and governance processes;
  - Information Technology policies and processes, stress testing procedures and practices and the back-up systems to cover for contingencies and disaster;
  - Regulatory reporting, accounting records, financial reports and management information;
- ✓ Review compliance with relevant legal, regulatory and internal policies as well as in compliance with Shariah rules and principles as determined by the SSC and Shariah Compliance policies.
- ✓ Conduct the first phase of Internal Quality Assessment Review (IQAR) covering the Internal Audit Governance. The GIAD was assessed as "Generally Conforms" to the Institute of Internal Auditors' International Standards for the Professional Practices of Internal Auditing.
- ✓ Provide independent assessment on the effectiveness of the Business Continuity Plan/Disaster Recovery Plan to ensure resumption of business activities is not hampered.

This statement is made in accordance with a resolution of the Board dated 15 April 2024.

Statement on Risk Management and Internal Control

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors (Board) is pleased to provide the following Risk Management and Internal Controls Statement (the "Statement") which outlines the nature and scope of risk management and internal controls of the Group during the financial year ended 31 December 2023.

This Statement has been prepared in line with the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

The Board is committed and acknowledges its responsibility to oversee the system of risk management and internal controls within the Group, including reviewing the adequacy, integrity and effectiveness to safeguard shareholders' investments and the Group's assets.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility and oversight in establishing a sound risk management and internal controls systems in the Group as well as reviewing its adequacy, integrity and effectiveness. Such a system is designed to manage the Group's risk appetite within the established risk tolerance set by the Board and the Management, minimising the risk of failure rather than total elimination of risks to achieve the Group's business objectives. Acknowledging that the system only provides reasonable and not absolute assurance against the occurrence of any material misstatement, loss or fraud, controls and processes have been put in place to contain the limitations inherent in the system such as human error and potential impact of external events beyond the Management's control.

The Board constantly keeps abreast with developments in areas of risk and governance. The Board is assisted by the Board Risk Committee (BRC) which has been delegated with primary oversight responsibilities on the Group's risk management and internal controls systems. The Board is also supported by the Board Audit & Examination Committee (BAEC) which provides independent oversight of the Group's reporting process and internal controls systems that facilitates appropriate checks and balances within the Group. The summary of Board Committee report is provided by the Chairman of the Board Committees to keep the Board informed of their work, key deliberations and decisions on delegated matters.

The Board is of the view that the internal controls framework that has been instituted throughout Bank Islam is sufficient to safeguard the shareholder's investment, customers' interest and Bank Islam's assets. The governance structure established further ensures that there is effective oversight of risks and internal controls in the Group at all levels. The Board remains responsible for the governance of risk and internal controls as well as all actions of the Board Committees with regard to the execution of the delegated oversight responsibilities. Reviews are continuously carried out to ensure effectiveness of the system. The Group regularly reviews and improves all controls, processes and response plan arising from the challenges of the economic uncertainties, evolving regulatory landscape, climate change impact as well as other emerging risks that may arise.

The Group has established processes to ensure the adequacy and integrity of its internal controls systems and manages the existing and potential risks with control and governance processes.

Statement on Risk Management and Internal Control

MANAGEMENT RESPONSIBILITY

The Management is accountable to the Board and is overall responsible for the effective implementation of the Board's decisions pertaining to policies and procedures on risk management and internal controls. This is done by identifying and evaluating the risks faced by the Group and designing, operating and monitoring the risk management and internal controls systems to mitigate and control risks for consideration by the Board. This includes taking appropriate and timely corrective actions as required. The Management has assured the Board that the Group's risk management and internal controls systems are operating adequately and effectively, in all material aspects, based on the risk management framework and internal controls systems adopted by the Group.

The Management's responsibilities in respect of risk management and internal controls include:

(a) Monitoring and assessing the overall risk profile of the Group including emerging risks such as credit risk, market risk, liquidity risk, operational risk, Shariah non-compliance risk, regulatory/compliance risk, contagion risk, IT and cyber risk, and sustainability risk (including climate-related risk) and other relevant risk that will have an impact to the Group;

(b) Reviewing and recommending to the BRC relevant policies and guidelines to manage risks in accordance with the Group's strategic vision and overall risk appetite;

(c) Designing, implementing and monitoring the effective implementation of risk management and internal controls systems; and

(d) Reporting in a timely manner to the Board on any material changes to the risks together with the corrective and mitigation actions taken.

RISK MANAGEMENT

The Board recognises that sound risk management and internal controls form an integral part of the Group's business operations and decision-making process and are critical in ensuring the Group's success and sustainable growth.

The Enterprise Risk Management (ERM) Framework is the foundation of the control mechanisms within the Group. It consists of an ongoing process to identify, assess, measure, manage, control and report material risks affecting the achievement of the Group's strategic business objectives.

The key elements of the internal controls systems which is guided by the Group's ERM framework consists of the following:

RISK GOVERNANCE

The Group's risk governance provides a formal transparent and effective governance structure that promotes the active involvement of the Board and Management in the risk management process to ensure a uniform view of risks across the Group. The following Risk Committees have been established to facilitate the implementation of the Risk Management Framework.

BOARD OF DIRECTORS

The Group's ultimate governing body which plays a critical role in ensuring sound and prudent policy and practices in the Group. It provides an effective check and balance mechanism in the overall management of the Group.

BOARD COMMITTEES

BOARD FINANCING REVIEW COMMITTEE (BFRC)

Responsible for reviewing all investment and financing/ credit related proposals above specified limits. It has the authority to exercise the right to veto Management's decisions on investment and financing related proposals.

BOARD RISK COMMITTEE (BRC)

Responsible for overseeing the Group's activities in managing the following risks:

- Credit risk
- Market & Liquidity Risk
- Recovery Risk
- Operational Risk
- Regulatory and Compliance Risk
- IT and Cyber Risk
- Legal Risk
- Shariah Non-Compliance Risk
- Reputational Risk
- Business Continuity Risk
- Sustainability risk (including climate-related risk)
- Any other relevant risks

MANAGEMENT COMMITTEES

FINANCING COMMITTEES

Responsible for reviewing, assessing/ approving credits and investment/ capital market proposals.

BUSINESS CONTINUITY MANAGEMENT COMMITTEE (BCMC)

Responsible for

- BCM initiatives, plans and programmes implemented within the Group;
- Adherence to Group BCM Policy and BNM BCM Policy.

MANAGEMENT RISK CONTROL COMMITTEE (MRCC)

Responsible for performing the oversight functions to ensure effective risk management of key issues relating to the overall risk management of the Group.

OPERATIONAL RISK CONTROL COMMITTEE (ORCC)

Responsible for facilitating MRCC in the management of key issues on operational risk.

RECOVERY MANAGEMENT COMMITTEE (RMC)

Responsible for overseeing recovery issues and related operational strategies on recovery.

DATA MANAGEMENT COMMITTEE (DMC)

Responsible for overseeing Data Management initiatives and establish appropriate action plan to resolve issues on data management.

CLIMATE RISK COMMITTEE (CRC)

Responsible for overseeing development and implementation of climate risk management framework.

ASSET & LIABILITY MANAGEMENT COMMITTEE (ALCO)

Responsible for overseeing and deliberating key issues relating to Group's asset and liability management and market risk.

Statement on Risk Management and Internal Control

The risk management functions for the Group as the Second Line of Defence are predominantly performed by the Group Risk Management, Group Credit Management, Group Compliance and Group Information Security & Governance Division. Risk Management functions provide oversight on an enterprise-wide level for a holistic risk view within the Group and support the Group in its strategic objectives.

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

THREE LINES OF DEFENCE APPROACH

* *Consists of Group Risk Management Division (including Shariah Risk Management), Group Credit Management Division, Group Compliance Division (including Shariah Compliance) and Group Information Security & Governance Division (GISGD).*

RISK APPETITE

The risk appetite defines the levels of risk that the Group is willing to assume within its risk capacity. It is a critical component of the Group's ERM Framework, which enables the Board and Management at all levels to communicate, understand and assess the types and levels of risks that the Group is willing to accept in pursuit of its strategic and business goals while taking into consideration the constraints under a stressed environment. The Group's risk appetite has been integrated into its Corporate Direction and Business Plan and remains dynamic and responsive to the changing external and internal drivers such as the business and market conditions. It is determined based on the following elements:

1 Risk Capacity
- What is the maximum limit of risk the Group can withstand without causing its failure?

2 Risk Tolerance
- How much risk is the Group prepared to take per risk type or business unit?

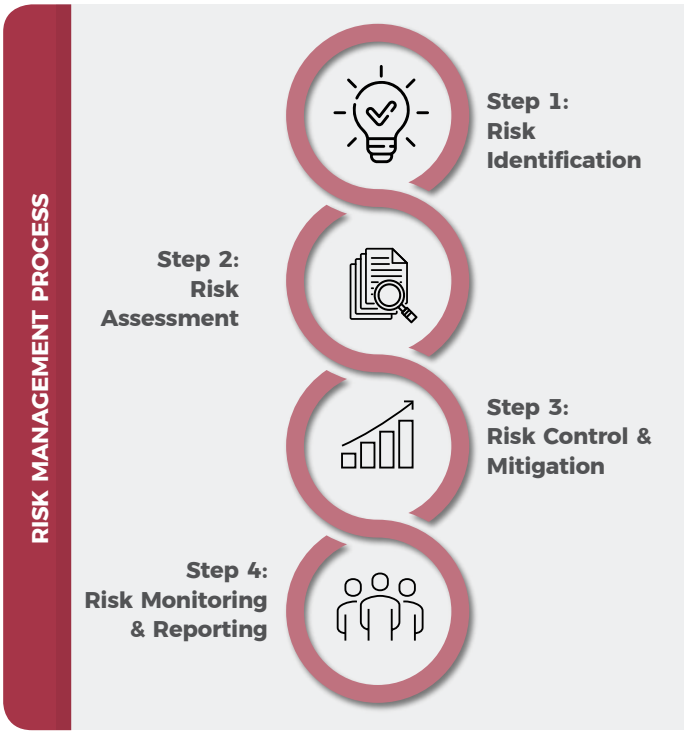
3 Risk Appetite
- What level of risk is deemed acceptable by the Board in pursuing its strategy?

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

Guided by these principles, our risk appetite is articulated through a set of Risk Appetite Statements across the Group to ultimately balance the strategic objectives of the Group.

RISK MANAGEMENT PROCESS

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



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

STRESS TESTING

The Group undertakes periodical stress tests across its entire portfolio of credit, market, liquidity and non-financial risk in order to ensure that the Group remains viable even under severe, i.e., exceptional but plausible stress conditions. Under specific circumstances, ad-hoc stress tests may also be conducted to assess the impact of observed deterioration in its business environment which the Group has not taken into account.

The Group also considers emerging risks and other stress events that could materialise over the next one (1) to three (3) years (if any). The Group will then assess the potential impact of such events at various levels of severity and deliberate the outcome at Management and Board Committees.

RISK CULTURE

Risk and compliance culture is a vital component in strengthening risk governance and forms a fundamental principle of strong risk management. It is key to the long-term effectiveness of the Group's risk management strategy. As encapsulated in the Group's Risk Management Tagline, "Managing Risk is Everyone's Business", building a strong risk and compliance culture is the responsibility of the Board, Management and all employees of the Group. To ensure this, the risk management process and approach has been embedded in all the Group's core business processes, functions and activities.

The Group's risk culture evolves over time and is a reflection, amongst others, of Management actions, effective enforcement of policies and guidelines and communication strategies. Additionally, the Group perceives risk management as an important means of enhancing competitiveness, performance and operational resilience. As part of the risk and compliance culture, the Board, Management and employees of the Group are committed to adhering to the requirements of relevant laws, rules and regulations. Risk and compliance programmes are emplaced and driven by the Board and Management encompassing, among others e-learning, induction programmes and engagement sessions.

Statement on Risk Management and Internal Control

SHARIAH NON-COMPLIANCE RISK

Shariah non-compliance risk (SNCR) is part of operational risk and is defined as "risk of legal or regulatory sanctions, financial loss or non-financial implications, including reputational damage arising from failure to comply with the rulings of BNM Shariah Advisory Council (SAC), standards or decisions or advice of the Group's Shariah Supervisory Council". The responsibility of managing SNCR is spearheaded by the Group's Shariah Risk Management Unit that is guided by the Group's Operational Risk Management (ORM) framework and ORM Guideline. The documents detail out the Shariah risk management processes and tools in order to provide a consistent framework for managing SNCR across the Group.

Shariah risk management is a discipline that systematically identifies, measures, monitors and controls SNCR to mitigate the occurrence of SNC events within the Group. Being part of operational risk, it leverages on the same principles, processes and tools of operational risk. However, the tools are modified to suit the regulatory requirements on Shariah governance in order to provide a robust and consistent approach in managing SNCR.

INFORMATION TECHNOLOGY RISK

The Group Information Security & Governance Division (GISGD) is responsible for managing technology, cyber and data risks. It operates as an independent function within the second line of defence in the three lines of defence model.

GISGD's Group Technology Risk Management Framework (GTRMF) addresses both business and technology drivers, with a focus on controls from a holistic perspective that includes people, process and technology control layers. GTRMF is aligned with the Operational Risk Policy and supports risk management by ensuring that technology risks are properly identified, managed, monitored, mitigated, and reported in a structured and consistent manner.

GTRMF will be continuously enhanced in accordance with international standards and guidance issued by regulatory bodies. GISGD is responsible for ensuring enterprise-wide implementation of GTRMF, while ensuring compliance to relevant regulatory policies and guidelines.

While discharging the above responsibilities, GISGD will continuously engage with the First Line of Defence to perform its oversight duties through the following initiatives:-

I. Technology Risk Strategy

- Implementing technology risk management strategy that reflects the culture, appetite and tolerance levels of the Group, while taking into consideration technology, budgets and regulatory requirements.

II. Technology Risk Governance

- Developing policies and internal controls to mitigate technology related risks to an acceptable level, and monitoring the effectiveness of internal controls.

III. Technology Risk Measurement and Assessment

- Technology risk assessments (including cloud risk assessments) are conducted by assessing vulnerabilities and threats including those related to emerging technologies, audit findings, loss events, IT projects, and so on so forth. Appropriate recommendations will be provided to business units for consideration.

IV. Technology Risk Monitoring & Compliance

- Monitoring process reviews, including independent reviews of technology key risk indicators (KRI), risk and control-self assessment (RCSA) and so forth, are performed to ensure controls are adequately implemented and if controls are unavailable, interim measures to mitigate risks are implemented.
- Additionally, GISGD performs a technology compliance review programme to ensure that all key technology requirements prescribed by the governing bodies are complied with. This assessment is performed by assessing the effectiveness and adequacy of the controls implemented by the business units. This review serves as a check and balance function to review and report the compliance status to the Management and Board Committees.

V. Technology Risk Reporting

- Reporting on technology, cybersecurity and data risks related reports will be presented to Management committees and the Board for deliberation and approval (where applicable).

VI. Technology Risk Culture

- In 2023, GISGD improved communication and education on IT risks by tailoring engagements to stakeholders across many channels. These initiatives aim to keep stakeholders vigilant while undertaking their day-to-day activities.
- To strengthen technology risk and compliance culture, various security and awareness initiatives were put in place such as a series of infographics, phishing campaign and training were rolled out to heighten awareness of escalating cyber risk attacks/incidences amidst the fast digitalisation pace.
- Project kick-off awareness was conducted to continually remind the project team of the importance of safeguarding the Group's information assets throughout the project phase.

In managing increased volume of digital transactions, the adoption of new technology such as cloud services, and the transition to a predominantly hybrid working arrangement, the Group continuously prioritises, upgrades and monitors the IT infrastructure to maintain system resiliency, availability and ensure service levels to customers.

The Group remained vigilant against possible disruptions arising from cyber-related incidents and recognises the importance of effective cyber risk management in minimising the impact on customers as well as any financial, operational, legal and regulatory impact to the Group. The Group will continue to invest in cyber defence capabilities to secure internal assets from emerging cyber threats and strengthen the ability to detect and respond.

In 2023, GISGD adopt a Bank-wide approach to manage technology, cybersecurity and data related risks for the Group, which comprises enhancements and intensification of the following:-

a) Enhancement and introduction of technology, cybersecurity and data related policies and frameworks;

b) Launch of technology, cybersecurity and data related programmes across the Group;

c) Employ multiple techniques of cybersecurity testing programmes such as vulnerability assessment, penetration testing, threat hunting and compromise assessment;

d) Enhancement of cyber incident response plan to effectively detect, respond to, and mitigate cybersecurity incidents in timely manner and to ensure there will be no business disruption and the business-critical functions can remain resilience amid the cyber attack;

e) Deployment of several key measures to safeguard information assets includes the use of technology to detect and prevent information leakages; and

f) Establish and drive proper data governance/information security practices of the Group.

We believe that our people are an integral part of our success, and we continue to step up our efforts to ensure the staff obtain continuous upskilling in understanding new technology and business risk and this remains as one of the GISGD's forefront initiatives. GISGD efforts will continue across all divisions/group in 2024 as we strive to become the Bank that advances prosperity for all and provides value-added solutions.

COMPLIANCE MANAGEMENT

Financial Crime Compliance (FCC)

Group Compliance as the second line of defence adds value by safeguarding the Bank against regulatory fines and administrative actions through our compliance programmes.

The Bank addresses and tackles financial crimes by developing typologies and red flags for financial flows, training frontline staff to identify potential suspicious transactions, and participating in public-private partnerships to share intelligence and good practices. The Bank supports the industry in combating financial crime by conducting training and providing certification to compliance officers across the industry on financial crime risks and Anti-Money Laundering (AML) topics.

As part of its strong commitment in managing financial crime risks, the Bank has implemented comprehensive controls to anticipate, prevent, detect, and respond to money laundering and terrorist financing activities. Through AML/Countering Financing of Terrorism (CFT) policy and relevant guidelines, clear roles and responsibilities for the Board of Directors, Management, and employees are delineated, emphasising the crucial roles each entity plays in ensuring effective management of financial crime risks at Bank-wide level. The controls also include institutionalising several monitoring and detection rules that are specifically designed to detect and provide a platform to investigate and further establish potential crimes.

Addressing Financial Crime risk extends beyond the Bank level. Echoing the same commitment from the Bank level to subsidiary level, Institutional Risk Assessments (IRAs) were also performed at BIMB Investment Management Berhad, BIMB Securities Sdn Bhd, and Bank Islam Trust Company (Labuan) Ltd as to ensure that residual risks are effectively managed.

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KEY COMPLIANCE INITIATIVES FOR FY2023

STRENGTHEN AML CONTROLS

- Fine-tuned AML/CFT monitoring rules and parameters, resulting in reduced false positives and enhanced detection capabilities through effective alert generation.
- Adopted technologies, such as robotic process automation (RPA), to facilitate order screening and improve response timeliness.
- Implemented system improvements to automate sanction and name screening, as well as to store information on beneficial owners.
- Undertook a refresh ML/TF Institutional Risk Assessments at both the Bank and Subsidiaries, aligning with the findings from the National Risk Assessment (NRA) and other regulatory advisories.
- Established Data Science Unit within Financial Crime Compliance (FCC) to perform financial crime analytics.
- Progressed into Phases 2 and 3 of implementing the new AML system, aiming to provide the Bank with a modern and robust AML solution for better management of financial crime risks.

MULES, FRAUD, CONTROLS & AWARENESS

- Strengthen controls in managing mule activity via real time detection through enhanced parameters in eChannels' Fraud Detection System (FDS).
- The Bank participated as one of the pilot banks for the operationalisation of National Scam Response Centre (NSRC) by Bank Negara Malaysia.
- Collaboratively participated in industry task force for the development of Mule reporting protocol document.
- To strengthen controls in managing mule activity, the Bank has invited ASP Rahmat Fitri Bin Abdullah from PDRM to speak about mules and scams. Additionally, several articles have been published via internal communication as guidance and reminder for all staff.
- Strengthened the Bank's Electronic Know-Your-Customer (e-KYC) solution and work processes, resulting in timely identification of potential fraudulent account opening applications.

CERTIFICATIONS

- Improved staff competency through certification (AICB/ABS, ICA, ACAMS, ACFE and other regulatory compliance certification). Over 15 staff undertook six professional certificates in 2023.

AML/CFT, REGULATORY & INTEGRITY TRAINING/ AWARENESS

- **Continuous education** on AML/CFT, Integrity and regulatory training for staff i.e., in-house training, external training (virtual/physical engagement and sharing session with PIDM, PDRM & NFCC).
- **52 webinars and virtual sessions** organised by external organiser were attended by the staff.
- **64** refresher courses and intensive trainings were conducted bank wide.
- **16** Essential skills of a Compliance Officer and 5 Coffee with Compliance sessions.

COMMUNIQUÉS

- Publication of learning and awareness materials through **Communiqués** to all staff at branches and business units.
- **21 publications** on various topics relating to **Compliance, AML/CFT, Ethics & Integrity** were issued in 2023.

KEY COMPLIANCE ACHIEVEMENTS AND ACTIVITIES FOR FY2023

PayNet has accredited the Bank with the **Best Independent Assessment for Retail Standalone Category 2023 for four (4) consecutive years** due to successful adoption of a structured risk-based review methodology which facilitated the overall review process. The review was jointly prepared with Group Internal Audit.

In upholding governance and integrity, the Group Compliance through the Integrity and Governance Department (IGD) has concluded the three-year of its Corruption Risk Management (CRM) via the CRM Review Plan.

The CRM Review Plan was approved by BAEC in January 2021 on all Divisions and subsidiaries, comprising 15 high-risk stakeholders underwent review in the first year, followed by 10 medium-risk stakeholders, and 14 low-risk stakeholders in the third year.

Ratings were assigned to all stakeholders corroborating the controls were attested in ensuring the Bank's initiative in minimising corruption risk.

Bank Islam has implemented the ISO 37001 ABMS Certification, which is an international standard to prevent, detect and respond to bribery by adapting relevant anti-bribery policies and strong internal controls, aligning the operations with guidelines that combat bribery.

On 31 August 2023, Bank Islam proudly became the first full-service Islamic financial institution in Malaysia to achieve the ABMS ISO 37001 certification. This accreditation sets new standards in the industry and distinguishes Bank Islam as an ethical and responsible organisation.

In 2023, Group Compliance through Regulatory Compliance Department (RCD), has successfully implemented the Trade Surveillance Programme and operationalise the Control Room Function to manage the Ethical Wall Policy (EWP) requirement along with the governance of Material Non-Public Information and Conflict of Interest. EWP is to safeguard the material non-public and price sensitive information from misuse by the Directors, Management and Employees of the bank.

The implementation of the programme fulfils the standards and expectations of BNM Code of Conduct for Malaysia Wholesale Financial Market and ensuring market integrity is intact and trade misconducts are addressed appropriately. The initiative was further strengthened with Ethical Wall Policy Training. The training is aimed to educate the participants on the Ethical Wall policy requirements and how it is operationalised to ensure compliance of the EWP by the respective Permanent Insiders (PI) and Access Employees (AE).

While outsourcing is necessary for operational efficiency, we continue to instil strict governance in reviewing each outsourcing party to uphold the zero-tolerance principle particularly on corruption, bribery and adverse media.

Effective collaboration with our service providers will create synergy and improve our service deliveries and spurring "real economy" as part of our VBI initiatives. We have introduced e-learning on outsourcing which will assist the business units in complying with the outsourcing requirements which will inadvertently help enhance quality and timeliness of outsourcing approvals.

Group Compliance staff have successfully attended 52 webinars and 64 trainings in strengthening the risk & compliance culture throughout the year 2023.

Statement on Risk Management and Internal Control

INTERNAL CONTROLS SYSTEM

The Board has established internal controls systems to provide an effective governance and oversight which include the following key components:

- **Organisational Structure**

  An organisation structure with clearly defined lines of responsibility and accountability has been established in line with the business and operating requirements to support a strong control environment.

- **Annual Business Plan and Budget**

  All key operating divisions are involved in the preparation of the annual business plan and budget taking into consideration the established risk appetite. They will have to go through a challenge session with the Management before the proposal is deliberated by the Board for approval. The Board will regularly review the performance achievements and any revision to the business plan and budget will be re-tabled for the Board's approval.

- **Authority Limits**

  There is an Authority Limits document in place which outline the approving authority and the approving limits to the respective Management Executive Committees as well as to the relevant Heads of Division. The Authority Limits document is reviewed regularly to ensure efficiency and control. The Authority Limits document is approved by the Board and changes to any limit therein are also approved by the Board.

- **Oversight by the Board Audit & Examination Committee (BAEC)**

  The BAEC is established to assist the Board in ensuring a reliable and transparent financial reporting process and internal controls systems are in place within the Group and provide an independent oversight on the effectiveness of the internal and external audit functions. Material control lapses are escalated to the BAEC for deliberation. The BAEC also deliberates on any unresolved audit findings to ensure the Management undertakes the relevant remedial actions within the timeline.

- **Oversight by the Board Risk Committee (BRC)**

  The BRC assists the Board in ensuring that a sound and robust risk management framework as expected by BNM is in place and effectively implemented. The BRC provides an independent oversight on the Management's activities in managing credit risk, market risk, liquidity risk, operational risk (which includes legal risk, compliance risk, Shariah non-compliance risk, IT risk and business continuity risk), sustainability risk (including climate-related risk) and other relevant risk and to ensure that the risk management processes are in place and functioning for the Group.

- **Oversight by Other Board Committees**

  There are other Board Committees established to assist the Board in discharging its overall governance responsibilities and oversight functions. These Board Committees are the Board Nomination & Remuneration Committee (BNRC), the Board Financing Review Committee (BFRC), the Board Strategic & Sustainability Committee (BSSC) and the Board Information Technology Committee (BITC). The Board has delegated these Board Committees the authority to review all matters within the scope defined in their respective Terms of Reference and make the relevant recommendations to the Board.

- **Management Executive Committees**

  The Management has set up various Management Executive Committees to assist and support the various Board Committees in overseeing the relevant areas of business operations and controls. This includes Group Management Executive Committee, Management Risk & Control Committee, Asset & Liability Management Committee, Management Audit Committee, Management IT Committee and three (3) Financing Committees.

- **Policies and Guidelines**

  Policies and guidelines governing the Group's business and operations have been put in place and are made available to employees via the intranet portal for reference and compliance. These policies and guidelines are regularly reviewed and updated by the respective business and support units to cater for any changes in laws and regulations as well as changes to the business and operating environments.

- **Performance Review**

  The Board is regularly apprised on the key financial performance of the Bank and its major subsidiaries at every Board meeting and where necessary, the Board may instruct the Management to take necessary actions to resolve any issues identified in a timely manner.

- **Regular Updates on Risk Management Report**

  Risk Management frameworks, policies, guidelines, tools and methodologies are regularly reviewed and updated to ensure relevance to the current business environments and regulatory requirements. The risk management report of the Bank and its major subsidiaries are also regularly deliberated at the Board Risk Committee, where any key risk issues will be highlighted for discussion.

- **Regular Updates on Compliance Report**

  Regular review on Compliance frameworks, policies, guidelines, tools and methodologies are carried out to ensure it remains relevant to the business requirements and the applicable laws and regulations. All Compliance activities undertaken by the Group are regularly reported and deliberated at the Board Risk Committee. Compliance Division also reports to the Board through its Compliance Risk Report on strategic issues that require oversight and attention of the Board.

- **Human Resources Management**

  The effectiveness of the risk management and internal controls systems of the Group relies on the responsibility, integrity and sound judgment of its employees. Hence, the Group has established policies and procedures governing the recruitment, appointment, performance management and rewards as well as procedures relating to discipline, termination and dismissal for the employees. Human capital development, talent management and succession planning are given priority to ensure sustainability.

- **Code of Ethics and Code of Conduct**

  The Code of Ethics and Code of Conduct have been established by the Group to ensure a high standard of ethical and professional conduct is upheld by all employees in performing their duties and responsibilities. New recruits are briefed on the Code of Ethics and they have to sign a declaration upon joining the employment.

- **Fraud Management**

  Special Investigation Unit (SIU) has been established within the Integrity and Governance Department of Group Compliance Division and it is responsible for assessing complaints received, detection and investigation of any possible internal or external fraud reported. SIU strives to maintain absolute transparency of reporting and independence of investigation without influence from any internal or external parties. The SIU function is overseen by the BAEC and where it involves high profile and/or whistleblowing cases, the Group Chief Integrity & Governance Officer (GCIGO) reports directly to the Board of Directors.

- **Group Ethical Wall Policy and Control Room Function**

  The Group Ethical Wall Policy (EWP) was introduced to outline Bank Islam Group's principles on handling and controlling Material Non-Public Information (MNPI) and Price Sensitive Information. This policy also governs our subsidiaries namely BIMB Investment Management Berhad and BIMB Securities Sdn Bhd.

  The main objective of the policy is to provide direction on the handling/control of confidential and MNPI to ensure there are no conflict of interest or personal financial gains derived from misuse of the sensitive information.

  This is operationalised through the set-up of the "Control Room" function which periodically reviews the personal account trading of employees categorised as Permanent Insiders and Access Employees including monitoring any wall crossing activities.

  With this implementation, it is expected that the principle of due care and fair dealings are further heightened where MNPI and other sensitive information are properly managed/safeguarded thus contributing to the integrity of the Financial Wholesale Market.

- **Group Whistleblowing Policy**

  The Group Whistleblowing Policy has been put in place to provide an avenue for all employees of the Group and members of the public to disclose any unethical or improper conduct within Bank Islam Group and to provide protection for employees and members of the public who report such allegations. An enhancement has been made

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to the whistleblowing channel pursuant to the group harmonisation exercise by introducing tier-based whistleblowing disclosure structure including for the subsidiaries.

- **Group Anti-Bribery and Corruption Policy**

  The Group's Anti-Bribery and Corruption Policy (GABCP) was developed as part of Bank Islam's commitment to integrity and sustainable way of doing business. The GABCP is aligned with all relevant laws and regulations, including the National Anti-Corruption Plan (NACP), Malaysian Anti-Corruption Commission (MACC) Act 2009 and ISO 37001 Anti-Bribery Management System (ABMS) standard.

  The GABCP underpins a zero-tolerance approach against all forms of bribery and corruption The GABCP guides Bank Islam to effectively and efficiently address all instances of corruption, including actions related to bribery, conflict of interest by emphasising on impartiality and independence from influence, malpractice, abuse of power and assess the legitimate business activities while ensuring compliance with all relevant anti-corruption policy.

  The GABCP also provides general criteria to decide if gifts, entertainment, hospitality, or expenses are appropriate based on the requirements specified in Transparency International UK's (TI UK) Gift and Hospitality – Anti Bribery Guidance.

- **Group Gift Policy (GGP)**

  The Group Gift Policy (GGP) provides guidance for all employees within the Group on the acceptance and offering of gifts. It delineates which gifts may be appropriately received or given to third parties, upholding the highest standards of ethics and integrity. The GGP specifies the conditions under which gifts are permissible and identifies gifts that are not allowed. It emphasises that employees may accept permissible gifts, provided these gifts do not compromise their position or jeopardise relationships with third parties if refused. Any type of permissible gifts accepted or received by the employees must be declared via an internal digital platform, Humane.

- **Financial Crime Compliance**

  The Group has established comprehensive controls to anticipate, prevent, detect and respond to any money laundering and terrorist financing activities. The AML/CFT policy outlines the roles and responsibilities and clear accountability of the Board of Directors, Management and its employees.

- **Independent Assurance by the Internal Auditors**

  The Board has established the Internal Audit function to provide independent assurance on the adequacy and effectiveness of the governance, risk management and internal controls. The Internal Audit is headed by the Group Chief Internal Auditor who reports functionally to the Board Audit & Examination Committee and administratively to the Group Chief Executive Officer. The internal audit process and activities adopt the standards and principles outlined in the Internal Controls Framework of Committee of Sponsoring Organisation of the Treadway Commission (COSO) and the objectives set by the Institute of Internal Auditors' International Professional Practices Framework which comprises the core principles for the Professional Practice of Internal Auditing, the definition of Internal Auditing and Code of Ethics.

- **Bank Islam Group's Business Associates Awareness Programme**

  As a continuous effort and pursuant to the Section 17A of MACC Act 2009 which introduces the Corporate Liability provision effective 1 June 2020, Bank Islam Anti-Corruption Principles and Guidelines were communicated to all Group's Business Associates, emphasising a zero-tolerance approach towards bribery and corruption. The Group's Business Associates are required to acknowledge Bank Islam Group's Integrity Kit as a demonstration of their steadfast dedication to maintain the Group's reputation through honest and ethical business dealings and adhering to the Group's shared value, "Act with Integrity". To ensure alignment of Bank Islam Group's Business Associates with our commitment to maintain a corruption-free organisation, the Compliance Academy, Policy & Strategy (CAPS) conducted an awareness session on 21 December 2023. This awareness session was attended by 130 business associates and aimed to enlighten participants on conducting business dealings and activities in accordance with the Group Business Associates Code of Conduct Guideline.

CORRUPTION RISK MANAGEMENT (CRM)

Based on the initial CRM exercise conducted in FY2020, the Group identified no critical risks, and the residual corruption risks were deemed satisfactory overall, with no significant concerns raised. Following the conclusion of the CRM exercise, the Group has formalised a comprehensive framework into a cohesive policy known as the Group Corruption Risk Management Policy (GCRMP).

The GCRMP advocates for a proactive approach through Corruption Risk Assessment (CRA) exercise to identify and mitigate corruption risks, engaging all divisions and stakeholders in the detection of risks and the formulation of preventive strategies. These efforts are seamlessly integrated into our governance framework, thereby reinforcing our commitment to prevent corruption and nurturing an ethical business environment.

The GCRMP is designed to comply with the ISO 37001 ABMS standards, requiring the Group to assess both internal and external factors, along with the needs and expectations of stakeholders. These considerations are essential to maintain the Group's integrity and preventing instances of bribery and corruption, thus ensuring a fair business environment.

CRM Review

The Group, through the Governance & Integrity Unit (GIU) of the Integrity & Governance Department (IGD), Group Compliance Division, has embarked on CRM Review to meet the need for Adequate Procedures[1] – Principle IV: Systematic Review, Monitoring, and Enforcement.

In 2023, GIU has concluded the three-year cycle of the CRM Review plan, which was approved by BAEC in January 2021. As part of the three-year CRM Review Plan, 15 high-risk stakeholders underwent review in the first year, followed by 10 medium-risk stakeholders, and 14 low-risk stakeholders in the third year. Ratings are also assigned to stakeholders upon completion of CRM review. The current controls were attested to give reasonable assurance in mitigating the identified corruption risk.

[1] *Adequate Procedures refers to the statutory defence against corporate liability prosecution as accorded under Section 17A (4) of the MACC Act 2009.*

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Organisational Anti-Corruption Plan (OACP) 2022-2025

Bank Islam OACP 2022-2025 was formulated in March 2022 to enhance governance, integrity and anti-corruption controls serving as a testament to Bank Islam's unwavering commitment to the highest standards of honesty and transparent business practices. This effort aligns with the National Anti-Corruption Plan 2019-2023 (NACP), inaugurated by Prime Minister on 29 January 2019. The OACP serves as an organisational anti-corruption framework aimed at addressing corruption issues effectively.

4 PRIORITY AREAS	**Dimension** • Business • Branch Operations • Administration & Support • Governance
4 STRATEGIES	**Key Approaches** • Drive the asset growth in accordance with good governance practices • Strengthening and streamlining all branch operations activities • Strengthening the Bank's administration and support functions • Strengthening the efficacy of Bank's governance and internal controls
11 STRATEGIC OBJECTIVES	**Mission and Commitment** Bank Islam's dedication to realising our vision as the premier Islamic financial institution, marked by the utmost standards of integrity, governance, and accountability to all stakeholders by maintaining transparency as well as enhance effectiveness and efficiency
46 RISKS	**Benchmarked against CRM** The potential corruption risk is benchmarked against corruption risk identified via CRM exercise as well as risk that may involved integrity and governance aspects
141 INITIATIVES	**OACP Action Plan** Action plan were developed which includes the strategies and initiatives to tackle the possible corruption issues and activities within organisation with collaboration effort with the respective lead division

The OACP is a three-year strategy which encapsulates a total of 141 initiatives covering short, medium and long term to ensure that the Bank is free from corruption to be in line with the goals of the NACP. This plan is constantly reviewed and updated according to the Bank's changes and organisation strategic requirements.

The OACP covers four (4) main priority areas, namely Business, Branch Operations, Administration & Support and Governance. Through the implementation of OACP, it will reduce instances of integrity and corruption-related misconduct, fostering a workplace culture centred on teamwork, unity, moral principles, and ethical conduct. Consequently, this will enhance customer trust in our services, promoting collective welfare and prosperity.

Going forward, National Anti-Corruption Strategy (NACS) will be introduced, and it is foreseeable that this will determine the direction of the Bank's OACP with emphasis on enhancement to the priority areas bringing improvement to the governance landscape.

In 2023, GIU as the OACP secretariat had monitored and evaluated the implementation of OACP action plan and initiatives. The lead divisions who is responsible for the OACP will provide progress reports on the implementation of initiatives to GIU. Subsequently, GIU will present a report on the implementation status of OACP initiatives to Group Management Executive Committee (GMEC) and BAEC, biannually and to the relevant regulatory authorities, as and when necessary to provide updates on the progress.

ISO 37001 ANTI-BRIBERY MANAGEMENT SYSTEM

Bank Islam proudly became the first full-service Islamic financial institution in Malaysia to achieve the ISO 37001 ABMS certification on 31 August 2023. This accreditation sets new standards in the industry and distinguishes Bank Islam as an ethical and responsible organisation. Bank Islam implemented the ISO 37001 ABMS Certification, aligning the operations with guidelines that combat bribery. This standard offers a framework for organisations to enhance anti-bribery efforts. Adopting this voluntary standard enables us to prevent and address bribery, affirming our commitment to ethical business practices. This step is integral to our strategy aimed at upholding the highest standards of conduct, governance, and integrity.

The certification process includes ongoing Surveillance Audits in Years 2 and 3 by the Certification Body and Internal Audit Reviews by ABMS Ambassadors to ensure continuous adherence to ISO 37001 standards. The establishment of ABMS Guidelines further supports this initiative, offering clear guidance on the processes, responsibilities, and policies required by the Standards.

ASSURANCE FROM MANAGEMENT

The Board has received assurance from Bank Islam's GCEO and the Group Chief Financial Officer that the Group's risk management and internal controls systems are operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement. Taking into consideration the assurance from the Management and the input from the relevant assurance providers, the Board is of the view that the systems of risk management and internal controls are performing satisfactorily and are adequate to safeguard the shareholders' investments, customers' interest and the Group's assets. The Group will continue to implement new measures to strengthen the internal controls and risk management environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Controls pursuant to the scope set out in the Audit and Assurance Practice Guide 3 (AAPG 3) (Revised 2018), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Controls included in the Integrated Annual Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Integrated Annual Report of the Group for the financial year ended 31 December 2023.

Based on the review conducted, the external auditors have reported to the Board that nothing has come to their attention that would cause them to believe that this Statement:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 (Revised 2018) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Controls covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal controls systems including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal controls aspects of any significant problems disclosed in the Integrated Annual Report will, in fact, remedy the problems.

This statement is made in accordance with the resolution of the Board dated 15 April 2024.