



CATALYSING VALUE CREATION

INTEGRATED ANNUAL REPORT 2017

ABOUT OUR REPORTS



Tells you where you can find more information within the Report

HOW TO GET THE MOST OUT OF OUR INTEGRATED ANNUAL REPORT

In order to provide our various stakeholders a complete and integrated picture of the Group, we publish a full series of reports on our different businesses. These reports complement our Integrated Annual Report.



REPORT

Integrated Annual Report (this report)

The book demonstrates our commitment to Integrated Reporting, which is aligned with the principle of long-term value creation for our shareholders, customers, people and community. The content of this report covers the operations of BHB Group, its organisational structure and footprint, strategy and financial performance, as well as an overview of our approach towards sustainability.

In committing ourselves towards building sustainable economic and social progress for the society, we focus on issues that we consider material to our stakeholders. These are identified through our ongoing stakeholders engagement activities, which are instrumental to our ability to create and deliver value as an Islamic financial holding company.

Further details and comprehensive disclosure of our sustainability efforts are available at BIMB Holdings corporate website – www.bimbholdings.com/sustainability

GUIDING FRAMEWORK

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

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

ASSURANCE

Our financial statements are audited by KPMG Malaysia for the financial year ended 31 December 2017. Assurance of the information and data pertaining to our sustainability disclosure is provided by BHB Sustainability Steering Committee that reports to BHB's Board of Directors.



Tells you where you can find more information online at www.bimbholdings.com



To contact us please refer to the back cover of this Integrated Annual Report



Bank Islam Integrated Annual Report

Bank Islam is our wholly-owned subsidiary, focusing on the Islamic banking sector. It too publishes its own integrated annual report.

www.bankislam.com.my/home/corporate-info/annual-reports/

- Malaysian Financial Reporting Standards
- Malaysia Companies Act 2016

The annual financial statements are audited by KPMG Malaysia for the financial year ended 31 December 2017



Takaful Malaysia Annual Report

Takaful Malaysia is our subsidiary, focusing on Takaful operations. It too publishes its own annual report.

www.takaful-malaysia.com.my/corporate/investor/Pages/financialreports.aspx

- Malaysian Financial Reporting Standards
- Malaysia Companies Act 2016

The annual financial statements are audited by KPMG Malaysia for the financial year ended 31 December 2017

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Access it

Get access to the online Integrated Annual Report



Go paperless to help our environment. Instantly access an online copy of this annual report through your mobile device by scanning this QR code.

To download the QR Code Reader, see the instructions above.

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COVER RATIONALE

Steadfastly focused on innovative and ethical Shariah-based products and services, BIMB Holdings Berhad (“BHB”) intends to catalyse more real value through greater engagement with our stakeholders, fortification of core values in all we do, and innovation in uplifting lives. Through synergy and strategy, the Group illuminates the way ahead for Malaysia’s Islamic financial industry through its subsidiaries in Shariah-based banking, takaful and stockbroking services.

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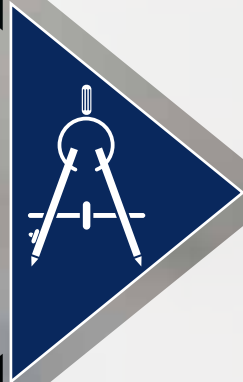


Precision in Execution:

Profit Before Zakat
and Taxation

+9.10%

RM948.3
million



By adhering to exacting standards and goals, we continue on our journey towards excellence and make steadfast progress.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Haji Ambrin Buang

Chairman/Independent Non-Executive Director
(appointed w.e.f. 2 February 2018)

Tan Sri Samsudin Osman

Chairman/Independent Non-Executive Director
(retired w.e.f. 31 January 2018)

Tan Sri Ismail Adam

Senior Independent Non-Executive Director

Datuk Zaiton Mohd Hassan

Independent Non-Executive Director
(retired w.e.f. 1 February 2018)

Datuk Rozaida Omar

Non-Independent Non-Executive Director

Rifina Md Ariff

Non-Independent Non-Executive Director

Mohd Tarmidzi Ahmad Nordin

Independent Non-Executive Director

Noraini Che Dan

Independent Non-Executive Director

Zahari @ Mohd Zin Idris

Non-Independent Non-Executive Director
(retired w.e.f. 17 May 2017)

CHIEF EXECUTIVE OFFICER

Khairul Kamarudin
(appointed w.e.f. 9 August 2017)

GROUP CHIEF EXECUTIVE OFFICER

Dato' Sri Zukri Samat
(retired w.e.f. 9 June 2017)

GROUP COMPANY SECRETARY

Maria Mat Said (LS 0009400)

AUDIT & EXAMINATION COMMITTEE

Noraini Che Dan
Chairman (appointed w.e.f. 2 February 2018)

Datuk Zaiton Mohd Hassan
Chairman (retired w.e.f. 1 February 2018)

Tan Sri Ismail Adam

Mohd Tarmidzi Ahmad Nordin

Zahari @ Mohd Zin Idris
(retired w.e.f. 17 May 2017)

NOMINATION & REMUNERATION COMMITTEE

Tan Sri Ismail Adam
Chairman

Datuk Zaiton Mohd Hassan
(retired w.e.f. 1 February 2018)

Mohd Tarmidzi Ahmad Nordin

Noraini Che Dan
(appointed w.e.f. 2 February 2018)

Zahari @ Mohd Zin Idris
(retired w.e.f. 17 May 2017)

BOARD RISK COMMITTEE

Mohd Tarmidzi Ahmad Nordin
Chairman

Tan Sri Ismail Adam
(appointed w.e.f. 31 May 2017)

Noraini Che Dan

Zahari @ Mohd Zin Idris
(retired w.e.f. 17 May 2017)

SHARIAH SUPERVISORY COUNCIL, BANK ISLAM MALAYSIA BERHAD

Professor Dato' Dr Ahmad Hidayat Buang
Chairman

Dr Ahmad Shahbari @ Sobri Salamon

Assistant Professor Dr Uzaimah Ibrahim

Sahibus Samahah Dato' Dr Haji Anhar Haji Opir

Dr Yasmin Hanani Mohd Safian

SHARIAH ADVISORY BODY, SYARIKAT TAKAFUL MALAYSIA BERHAD

Professor Dr Muhamad Rahimi Osman
Chairman

Dr Ahmad Shahbari @ Sobri Salamon

Dato' Wan Mohamad Dato' Sheikh Abdul Aziz

Dr Ahmad Sufian Che Abdullah

Dr Marhanum Che Mohd Salleh

Megat Hizaini Hassan

SHARIAH ADVISORY COMMITTEE, BIMB SECURITIES SDN BHD

Emeritus Professor Dato' Paduka Dr Mahmood Zuhdi
Hj Abdul Majid
Chairman

Ir Dr Muhamad Fuad Abdullah

Dr Zaharuddin Abdul Rahman
(retired w.e.f. 16 March 2018)

CEOs IN THE GROUP

Khairul Kamarudin
Chief Executive Officer, BIMB Holdings Berhad
(appointed w.e.f. 9 Aug 2017)
Chief Executive Officer, Bank Islam Malaysia Berhad
(appointed w.e.f. 14 June 2017)

Dato' Sri Zukri Samat
Group Chief Executive Officer, BIMB Holdings Berhad
Managing Director, Bank Islam Malaysia Berhad
(retired w.e.f. 9 June 2017)

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

Rashid Ismail
Chief Executive Officer/Executive Director, BIMB Securities Sdn Bhd

AUDITORS

KPMG Desa Megat PLT (LLP0010082-LCA & AF 0759)
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

REGISTERED OFFICE

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

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana
1, Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: +6(03) 7841 8000
Fax: +6(03) 7841 8152

STOCK EXCHANGE LISTING

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

SHAREHOLDING STRUCTURE



53.47%



12.76%

PNB

Permodalan Nasional Berhad

5.90%



5.75%

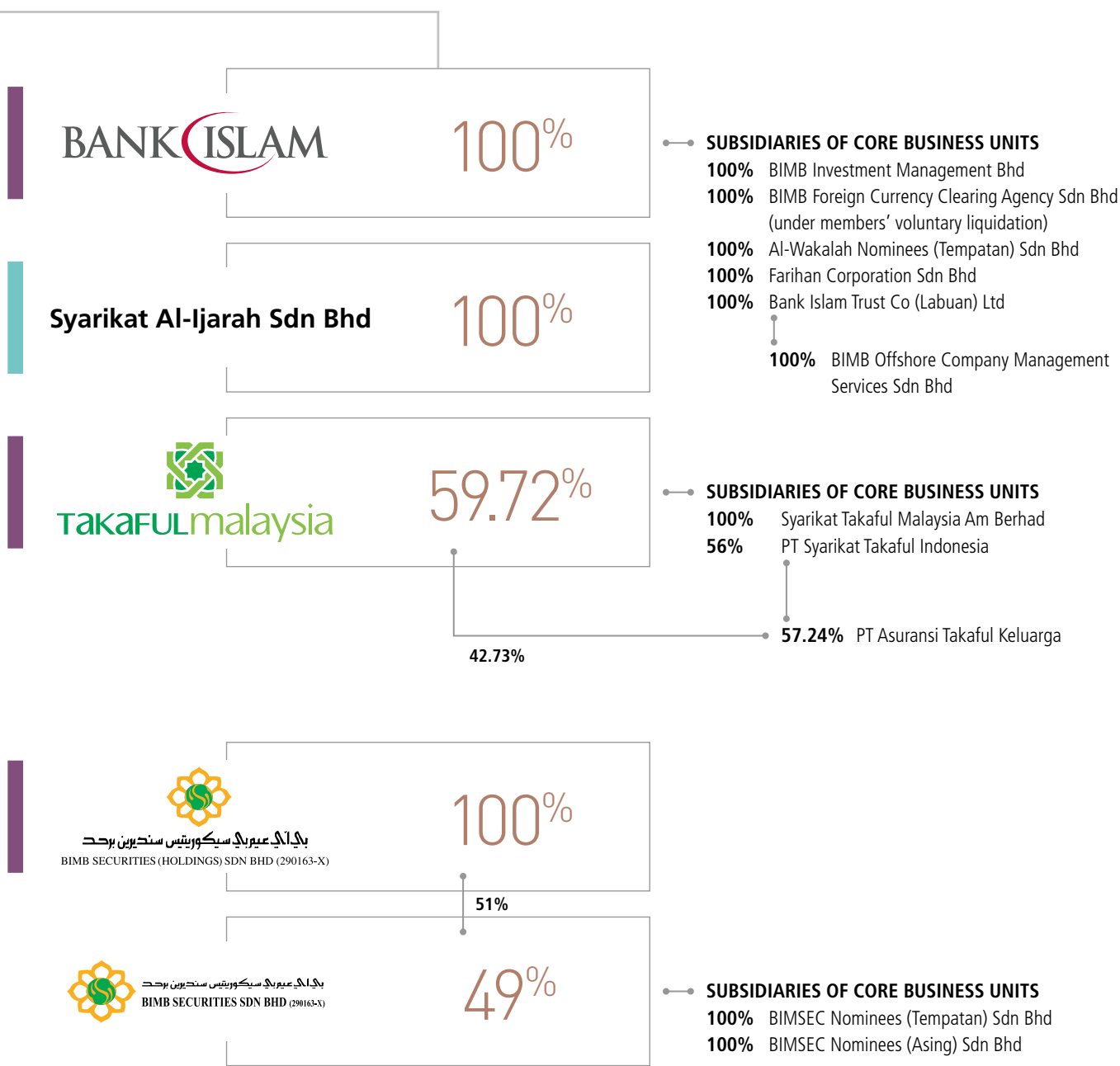
OTHER

22.12%

NOTES:

Shareholding structure as at 30 March 2018.

- Core Business Units
- Other Business Units



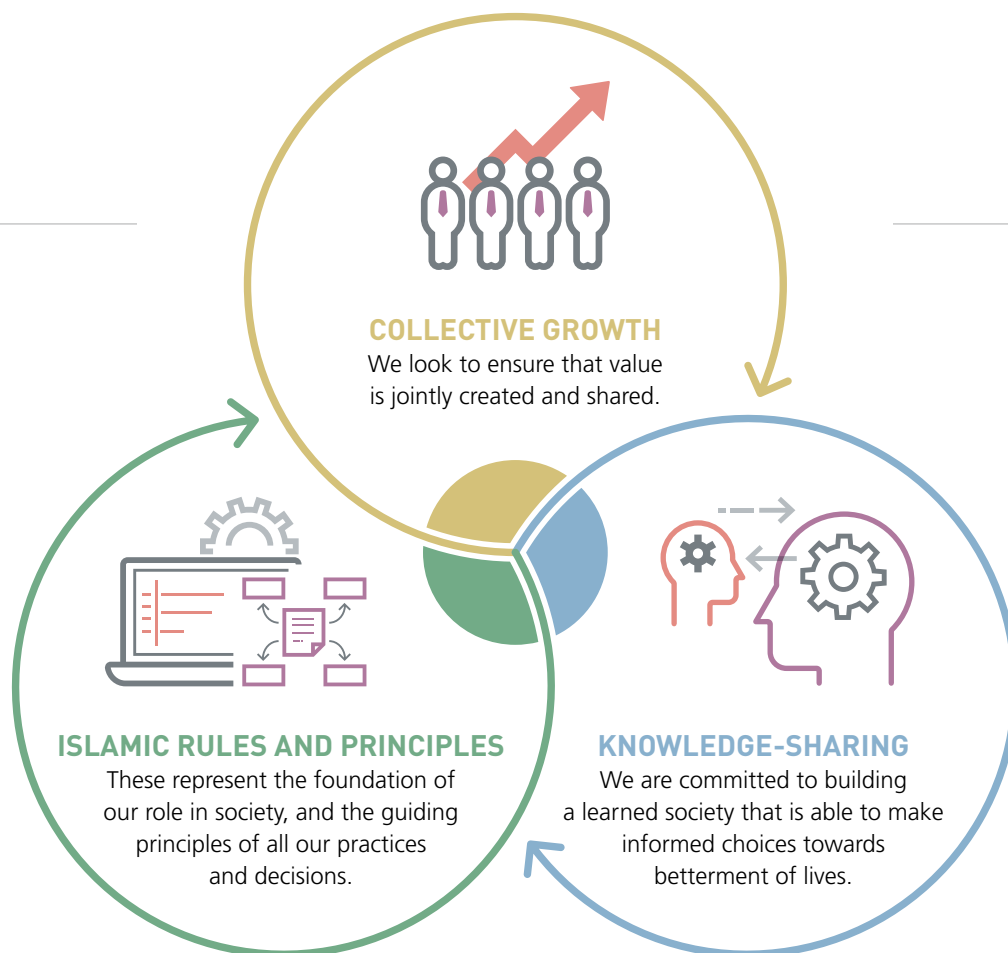
OUR PURPOSE



CATALYSING VALUE CREATION

While BHB continues to make its name as a pioneering and progressive financial institution, we remain guided by our purpose of meeting society's financial needs in the most sustainable and ethical manner possible. We are steadfast in our commitment to become a responsible financial entity that creates a sustainable future for inclusive economic and social progress.

Achieving our purpose requires us to build relationships of trust with our stakeholders by creating and delivering value to them. We are anchored by our mission to post strong business growth, to ensure innovative and sustainable business practices, and to strongly adhere to corporate governance. Our strategy is underpinned by the following three priorities:





In upholding our value as an Islamic financial holding company, we have been entrusted in bringing the Islamic financial industry forward. Throughout our history, we have transformed the country's economic landscape, by inspiring the financial services industry through emulating Islamic principles. To ensure continued progress and sustainability, we focus on the following:



Products and services that adhere to Shariah rules and principles



Commitment to integrity and professionalism based on Islamic values



Continuously growing stakeholders value



Sustaining financial strength and value



OUR PROFILE



MALAYSIA'S FIRST ISLAMIC FINANCIAL HOLDING COMPANY

BIMB HOLDINGS BERHAD

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

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

2017 GROUP STRATEGIC INITIATIVES

1. Delivering Stakeholders' Value
2. Robust Risk Management
3. Driving Synergy & Resource Management



MALAYSIA'S FIRST ISLAMIC BANK

BANK ISLAM MALAYSIA BERHAD

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

Primarily a retail bank, Bank Islam offers a diversified range of solutions that meet their customers' financial needs. The Bank's structured operations and capable people from its deposit, corporate, commercial, SME and Treasury businesses are dedicated to deliver exceptional banking experience to more than four million of its customers. It currently has the widest dedicated Islamic banking network in Malaysia with 147 branches and 1,117 self-service terminals nationwide.

2017 BUILDING BLOCKS

1. Deposit Drive
2. Defensive Strategy
3. Digitalisation

MALAYSIA'S FIRST AND ONLY PUBLIC-LISTED TAKAFUL OPERATOR

SYARIKAT TAKAFUL MALAYSIA BERHAD

Syarikat Takaful Malaysia Berhad (Takaful Malaysia or the Company) began in 1981 when the Government of Malaysia set up a task force to study the feasibility of establishing an Islamic insurance company in Malaysia. That led to the incorporation of Takaful Malaysia on 29 November 1984 followed by the commencement of operations on 22 July 1985. After slightly more than a decade of operations, the Company was converted into a public limited company on 19 October 1995, followed by its listing on the Main Board (now known as 'Main Market') of Bursa Malaysia Securities Berhad on 30 July 1996. Takaful Malaysia has since grown to become one of the leading takaful operators in Malaysia.

Takaful Malaysia offers an extensive range of protection plans, complementing its financial strength and risk management expertise that fulfil its customers various specific needs. The company currently has 24 business centres, through which its combination of Family and General Takaful businesses, multi-channel distribution capability, strong strategic partnership as well as customer-centric products and services, continue to help people achieve a more financially secure future.

2017 CORPORATE STRATEGIES

We aim to exceed customers' expectation through:

- Operational Excellence
 - Technology Driven Capabilities
 - Product Innovation
 - Performance Oriented Culture
- whilst delivering superior shareholders' value.



بي.ايم.بى. سي.كويريتيس سنديرين برحد
BIMB SECURITIES SDN BHD (290163-X)

MALAYSIA'S FIRST AND ONLY SHARIAH-COMPLIANT STOCKBROKING COMPANY

BIMB SECURITIES SDN BHD

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

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

2017 STRATEGIC INITIATIVES

- Providing Value Services to Clients
- Enhancing Visibility in Shariah Investing
- Improving Processes and Operations to Achieve Greater Efficiencies and Effectiveness
- Elevating Staff's Knowledge and Skills

Syarikat Al-Ijarah Sdn Bhd

SYARIKAT AL-IJARAH SDN BHD

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

OUR FOOTPRINT



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

BANK ISLAM
First & Leading Islamic Banking Institution in Malaysia

 **147**
Branches

1,117 
Self-Service Terminals


TAKAFULmalaysia
First & Leading Takaful Operator in Malaysia

 **24**
Service Centres

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


BIMB SECURITIES SDN BHD (290163-X)

First Full-Fledged Shariah-Compliant Stockbroking Firm in Malaysia




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


GROUP TOTAL


more than
5,000
employees

GROUP TOTAL

more than
9 mil
customers served

GROUP TOTAL ASSETS

RM65.8 bil

GROUP TOTAL NET INCOME

RM2.5 bil

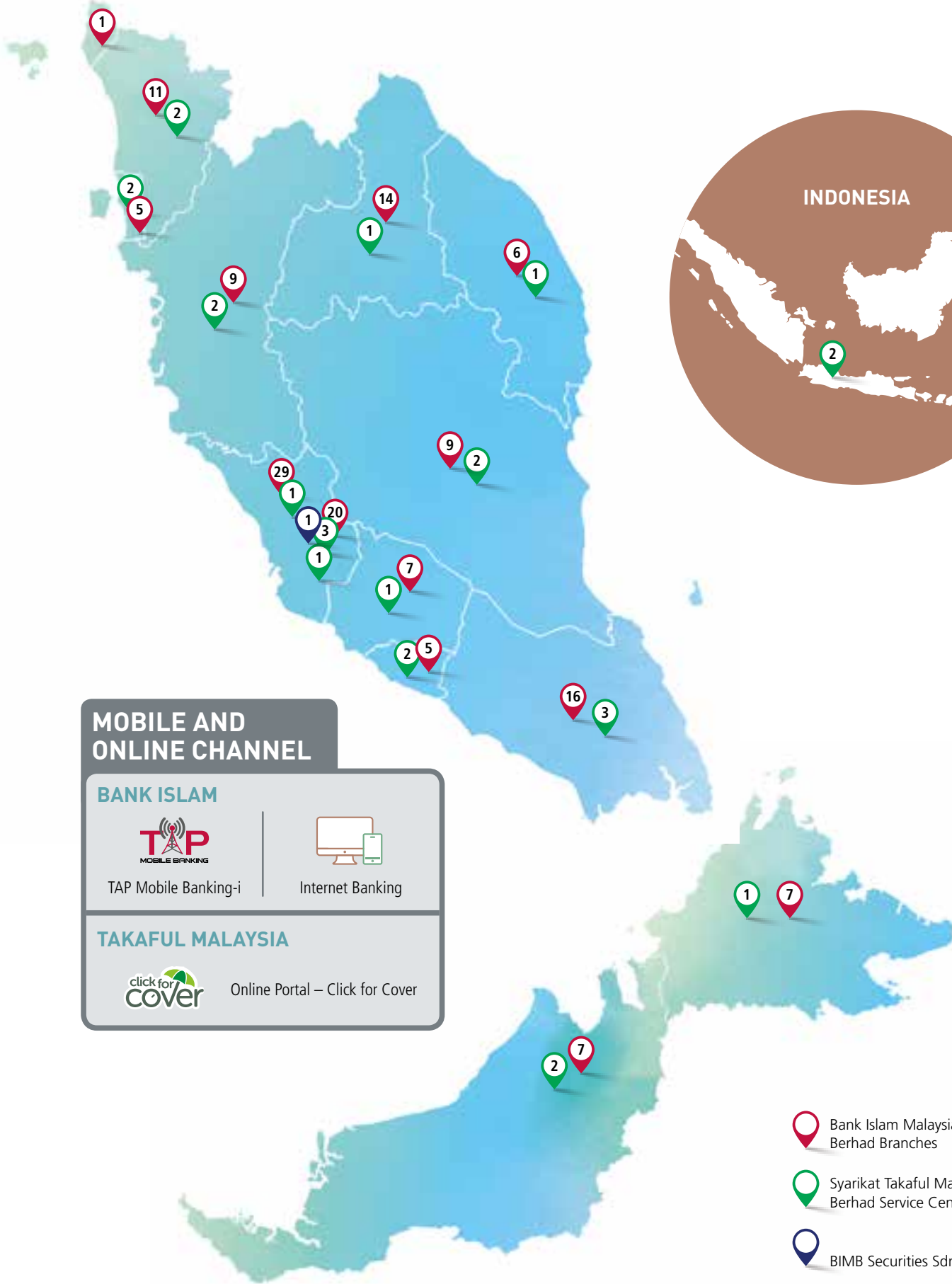
GROUP TOTAL PROFIT
(Before Zakat & Tax)

RM948.3 mil

GROUP TOTAL ZAKAT PAID OUT

RM13.2 mil

GROUP TOTAL CONTRIBUTION FOR CSR

more than
RM6.3 mil



OUR BUSINESS MODELS

BIMB HOLDINGS BERHAD

KEY INPUTS



FINANCIAL CAPITAL

- Strong composition of institutional investors (refer to 'Shareholding Structure', page 08)
- **RM4.9 bil** in total equity
- **RM2.2 bil** in sukuk liability
- **100%** stake in Bank Islam with **RM5 bil** investment
- **59.72%** stake in Takaful Malaysia with **RM99 mil** investment
- **100%** stake in BIMB Securities with **RM103.9 mil** investment
- **100%** stake in Syarikat Al-Ijarah with **RM12.8 mil** investment
- Flexibility to access the capital market



INTELLECTUAL CAPITAL

- Strong franchise value as an Islamic financial holding company
- Synergistic relationship within the operating units offering:
 - **Unique value propositions**
 - **Continuous innovations**
 - **Strategic collaborations**
 (refer to our Operating Units' 'Business Models'; 'Management Discussion & Analysis' and; BHB corporate website – www.bimbholdings.com/sustainability)



INFRASTRUCTURAL CAPITAL

- Dedicated network of branches, business centres, touch points and digital channels offered through operating units (refer to 'Our Footprint', page 14)



HUMAN CAPITAL

- Strong leadership within the operating units
- Diversified composition of more than **5,500** employees
- Highly qualified professional employees, certified to operate in the industry
- More than **RM16.7 mil** invested in employees' capability and capacity enhancement
- More than **RM1 mil** invested in work-life balance activities



SOCIAL & RELATIONSHIP CAPITAL

- Employees volunteerism efforts with more than **700 man-hours** spent on CSR activities
- More than **RM6.3 mil** spent on CSR activities and programmes
- More than **RM13.2 mil** of zakat fund distributed



NATURAL CAPITAL

- Participation in driving sustainability agenda – Social Responsible Investment ("SRI"), Environment, Social, Governance ("ESG") fund products etc.
- Electricity saving measure
- Reducing paper consumption
- Participation in environmental preservation programmes

MARKET LANDSCAPE

Banking
Landscape

Takaful
Industry

Stockbroking
Equity

OUR BUSINESS

GOVERNANCE

(refer to our 'Accountability' section)

RISK AND OPPORTUNITIES

(refer to our 'Management's Discussion & Analysis' and 'Accountability' section)

OUR PURPOSE

Create sustainable values that promote the advancement of the Islamic Financial Industry

WHAT WE DO

Ensure strong capitalisation and robust performance of our operating units

OUR PRIORITIES

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

(refer to 'Our Material Matters', page 42)

PERFORMANCE

(refer to our 'Management's Discussion & Analysis' section)

FUTURE OUTLOOK

(refer to our 'Management's Discussion & Analysis' section)

KEY OUTPUTS

INVESTING COMMUNITY

- Increase in share price by **4.27%**
 - Market capitalisation of **RM7.2 bil** as at end December 2017 (RM6.7 bil as at end December 2016)
 - **RM229.3 mil** dividend paid out (2017)
 - Dividend yield of **3.2%**
 - DRP subscription rate of **90.88%**
- Note:**
- Return on equity (after tax) of **15.4%** highest among the listed banking conglomerates
 - Share price of **RM4.40** as at end December 2017 (RM4.22 as at end December 2016)
 - Net assets per share of **RM2.77**
 - Price to book of **1.5x**
 - Earnings per share of **37.94 sen**
 - Price earning multiple of **11.6x**

CUSTOMERS

| BANK ISLAM | TAKAFUL MALAYSIA | BIMB SECURITIES |
|---|--|---|
| <ul style="list-style-type: none"> • Serves more than 4.3 mil depositors and more than 700,000 financing customers • 12 investment funds under BIMB Investment • First to introduce ESG & Shariah-compliant funds in collaboration with Arabesque • TAP as a financial inclusion platform • Strategic partnership with Cognizant for enhancing digital initiatives | <ul style="list-style-type: none"> • Serves more than 3 mil customers with 23% market share • First in the industry to consistently offer 15% Cash Back, with RM230 mil paid out since 2009 • Claim benefit payment of RM907 mil | <ul style="list-style-type: none"> • Introduction of BISOnline 2.0 trading platform • Introduction of end-to-end Shariah investing through Bursa Malaysia-i • Distribution and sharing of investment research and stock analysis to 35 Institutional Clients • Daily market updates and Market Insights via Telegram, Whatsapp and Facebook to more than 7,000 Retail Clients |

SUBSIDIARIES

| | REVENUE | PROFIT (before tax and zakat) | DIVIDEND PAID OUT |
|------------------|-------------------|----------------------------------|----------------------|
| Bank Islam | RM3.0 bil | RM767.1 mil | RM266.5 mil |
| Takaful Malaysia | RM2.1 bil | RM253.7 mil | RM98.5 mil |
| BIMB Securities | RM14.4 mil | RM2.1 mil | – |

- Sustained strong capital adequacy
- **RM27.6 mil** in **bancatakaful** income generated for Bank Islam

THE INDUSTRY

ISLAMIC BANKING

- One of the founding members of **Community-of-Practitioners** for **Value-Based Intermediation**
- Driving the growth of Investment Account
- Spearheading the development of Waqf with the states' religious authorities
- Facilitating the social finance agenda through **Sadaqa House**
- Introduction of ESG & Shariah-compliant funds
- Contribution of Islamic finance textbooks in collaboration with **Malaysian Institute of Accountants**

TAKAFUL

- Market leader in adoption of digital technology in driving product innovations and distribution capability

STOCKBROKING

- Promoting awareness of Shariah investment through **Jom Labur Shariah**

EMPLOYEES

- Participation in work-life balance activities
- **RM648.7 mil** paid in employee remuneration
- More than **198,965** training hours achieved for employees
- More than **70** new employment opportunities created
- Average retention rate of **97.3%** for BHB Group
- Commitment to workforce diversity

THE SOCIETY & COMMUNITY

- More than **RM523.6 mil** of financing under the responsible financing initiatives as at December 2017
- More than **24,500** beneficiaries under CSR and Zakat initiatives
- **RM268.2 mil** paid in corporate taxes (**RM48.3 mil** paid in GST)
- Reduction in electricity usage
 - Decreased by **4%** (Bank Islam HQ office)
 - Decreased by **5.5%** (Takaful Malaysia)
- Reduction in paper consumption
 - Decreased by **8.1%** (Bank Islam HQ office)
 - Decreased by **3.8%** (Takaful Malaysia)
- **232 SL1M** trainees absorbed since 2014

Financial
Technology

Regulatory
Framework

STRATEGIES DRIVEN
BY SUBSIDIARIES
*(refer to our 'Management's
Discussion & Analysis' section)*

OUR PRODUCTS & SERVICES

BANK ISLAM MALAYSIA BERHAD

- Deposit & Investment Accounts
- Consumer Financing
- Business and SME Financing
- Asset-based Financing
- Project and Infrastructure Financing
- Trade Finance
- Wealth Management & BancaTakaful
- Treasury Services
- Cash Management Solutions
- Credit & Debit Cards
- Ar-Rahnu

SYARIKAT TAKAFUL MALAYSIA BERHAD

- Mortgage, Business & Personal Financing Protection
- Medical, Term & Personal Accident Coverage
- Employee Benefits Scheme
- Motor Vehicle Coverage
- Home Protection/Fire & Property Coverage
- Engineering, Contractor & Liability Coverage
- Workmen's Compensation & Foreign Worker Scheme
- Miscellaneous Coverage

BIMB SECURITIES SDN BHD

- Shariah Securities Dealing
- Investment Research
- Nominee/Custodian Services
- Corporate Advisory
- Underwriting and Placement
- Shariah Advisory

KEY OUTCOMES

(refer to page 38)

BANK ISLAM MALAYSIA BERHAD

KEY INPUTS



FINANCIAL CAPITAL

- **RM4.86 bil** Common Equity Tier-1 Capital
- **RM1.4 bil** Tier-2 Capital
- **RM5 bil** total equity
- **RM46.2 bil** total deposits
- **RM4.3 bil** in investment accounts (IA)



INTELLECTUAL CAPITAL

- Pioneering & leading Islamic finance and banking institution
- Robust risk management and governance framework
- Strong brand franchise
- Product innovations – **Waqf House Financing, Investment Account (IA), ESG-compliant funds**
- Service innovations – **TAP, IAP (leading IAP provider), Sadaqa House**
- Strategic partnerships – **Petronas, PTPTN, LTH, STMB, Arabesque, Cognizant, Amanah Ikhtiar Malaysia, Universities** etc.



INFRASTRUCTURAL CAPITAL

- **147** branches and online platforms
- **5** BDC outlets
- **9** Ar-Rahnu outlets
- **1,117** self-service terminals
- **RM132.3 mil** investment in IT infrastructure
- **RM3.6 mil** investment in mobile banking



HUMAN CAPITAL

- Attractive **Employee Value Proposition**
- **4,568** employees
- **RM12.8 mil** invested in talent enrichment
- Structured succession planning
- Competitive employee benefits



SOCIAL & RELATIONSHIP CAPITAL

- More than **4.3 mil** customers
- **RM5.6 mil** invested in community and corporate responsibility projects
- **RM12.9 mil** paid out in zakat
- **AMAL** programmes and initiatives – Flagship for CSR activities
- **Sadaqa House** – Flagship for social finance
- Participation in **SL1M** programme
- **416** man-hours spent for CSR



NATURAL CAPITAL

- Environment Impact Screening for credit evaluation
- **Green Financing** portfolio
- Launched first **ESG- & Shariah-Compliant Fund**
- Energy-saving measure
- Paperless initiative

OPERATING ENVIRONMENT

ECONOMIC CONDITIONS

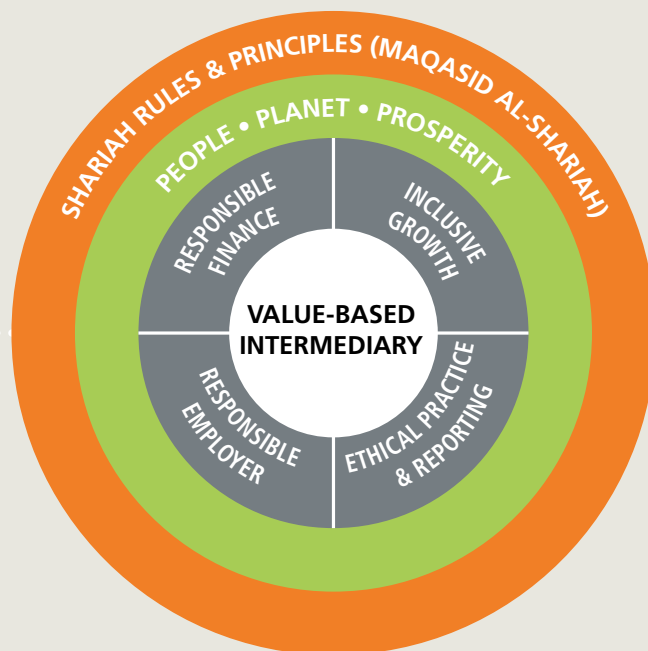
REGULATORY CHANGES

COMPETITIVE LANDSCAPE

OUR BUSINESS

GOVERNANCE

RISK AND OPPORTUNITIES



PERFORMANCE

FUTURE OUTLOOK

DIGITAL TREND

3D BUSINESS STRATEGY

- DEPOSIT DRIVE
- DEFENSIVE STRATEGY
- DIGITALISATION

PRODUCTS & SERVICES

- Deposit & Investment Accounts
- Consumer Financing
- Business and SME Financing
- Asset-based Financing
- Project and Infrastructure Financing
- Trade Finance
- Wealth Management & BancaTakaful
- Treasury Services
- Cash Management Solutions
- Credit & Debit Cards
- Ar-Rahnu

KEY OUTPUTS

CUSTOMERS

- **RM1.1 bil** profits paid to depositors
- **RM0.1 bil** profits paid to investment account holders
- **RM4.3 bil** in new personal financing
- **RM3.2 bil** in new home financing
- **RM2.9 bil** in new business financing
- **RM335.8 mil** in new vehicle financing
- **589,415** TAP subscribers
- **889,645** registered online users with more than **RM6.9 bil** in transactions
- **281,958** PTPTN student accounts
- **RM6.1 bil** in transactions for LTH Uniteller Service

EMPLOYEES

- **RM509.6 mil** paid in remuneration to employees
- **97.07%** retention rate
- More than **164,000** employee training hours
- **301** employees promoted in 2017
- **216** employees obtained professional certificates in 2017
- Workforce diversity

COMMUNITY

- Total of **RM523.6 mil** financing under Green Financing portfolio
- Total ESG-compliant fund size of **RM400 mil**, the largest Islamic global equity fund in Malaysia (November 2015 – February 2016)
- **RM184.6 mil** paid in corporate taxes (**RM48.3 mil** paid out in GST)
- **477** SL1M participants trained since 2014
- **190** SL1M trainees absorbed since 2014
- More than **23,000** individuals benefitted from CSR and zakat activities and programmes
- **2,185** IPTA students benefitted from zakat distribution

REGULATORS

- Driving **Value-Based Intermediary** initiatives
- Commitment to growing **Investment Account** (including via **IAP**)
- Support industry-wide digital agenda
- Maintain composite risk rating
- **RM4.3 mil** paid to PIDM for deposits protection
- Ingrained compliance culture amongst staff

SHAREHOLDERS

- **16.42%** return on equity
- **1.35%** return on asset
- **16.44%** total capital ratio
- **RM266.5 mil** of dividends paid to shareholders
- Won **10 awards** in 2017

VENDORS & SUPPLIERS

- Total premium of **RM247.8 mil** paid to BANCA partners
- More than **1,000** registered suppliers
- Approximately **RM500 mil** paid to vendors and business partners

SYARIKAT TAKAFUL MALAYSIA BERHAD

KEY INPUTS



FINANCIAL CAPITAL

- Total equity of **RM833.5 mil**
- Total contribution of **RM1.8 bil**

| GENERAL TAKAFUL | FAMILY TAKAFUL |
|----------------------------------|----------------------------------|
| RM587 mil contribution | RM1.2 bil contribution |



INTELLECTUAL CAPITAL

- Well-established takaful brand as the 1st Islamic insurance provider
- Market leadership – largest market share in Family Takaful and second largest in General Takaful
- Customer-centric and high-performance culture
- Robust underwriting and actuarial expertise



INFRASTRUCTURAL CAPITAL

- **24** service centres
- Various digital solutions and online channels – **DMS Workflow, Takaful myClick C&U, Click for Cover** and other **online portals**
- **RM3.3 mil** investment in IT infrastructure
- More than **2,000** corporate agents
- Multi-channel distribution capability



HUMAN CAPITAL

- **955** employees
- Strong and effective management team
- Professional investment team
- **RM3.8 mil** invested in employee development
- **4** succession planning programmes
- Long-term incentive plan
- Employee benefits and protection solutions



SOCIAL & RELATIONSHIP CAPITAL

- More than **3 mil** customers
- **RM317,000** invested in charity fund
- **RM300,000** of zakat paid out
- More than **300** man-hours spent for CSR
- **6** community programmes
- Participation in **SL1M** programme



NATURAL CAPITAL

- Electricity-saving measure
- Paperless initiative
- Less water usage drive

OPERATING ENVIRONMENT

Economic
Conditions

Regulatory
Changes

OUR BUSINESS

GOVERNANCE

RISK AND
OPPORTUNITIES

VISION

To Be The Preferred Choice for Insurance

MISSION

We Aim to Exceed Customers Expectations Through:

- Operational Excellence
- Technology-driven Capabilities
- Product Innovation
- Performance-oriented Culture

Whilst Delivering Superior Shareholders' Value

PRIORITIES

- Responsible Finance
- Inclusive Growth
- Talent Development
- Ethical Practice & Reporting

PERFORMANCE

FUTURE
OUTLOOK

Competitive
Landscape

Digital
Trend

CORPORATE STRATEGIES

- OPERATIONAL EXCELLENCE
- TECHNOLOGY-DRIVEN CAPABILITIES
- PRODUCT INNOVATION
- PERFORMANCE-ORIENTED CULTURE

PRODUCTS & SERVICES

- Mortgage, Business & Personal Financing Protection
- Medical, Term & Personal Accident Coverage
- Employee Benefits Scheme
- Motor Vehicle Coverage
- Home Protection/Fire & Property Coverage
- Engineering, Contractor & Liability Coverage
- Workmen's Compensation & Foreign Worker Scheme
- Miscellaneous Coverage

KEY OUTPUTS

SHAREHOLDERS

- Market capitalisation of **RM3.1 bil** as at end December 2017 (**RM3.4 bil** as at end December 2016)
- **RM98.5 million** dividend paid out
- Dividend yield of **4%**

Note:

- Return on equity (after tax) of **26.72%**
- Share price of **RM3.76** as at end December 2017
- Net asset per share of **RM0.99**
- Price to book of **3.7x**
- Earnings per share of **25.13 sen**
- Price earnings multiple of **14.96x**

- Won **5 awards** in 2017

CUSTOMERS

- **RM230 mil** cash back amount paid since 2009
- Claim benefit payment of **RM907 mil**

EMPLOYEES

- **RM124 mil** paid in remuneration to employees
- **92.2%** retention rate
- **33,489** training hours for employees
- **28** employees promoted
- **18** employees obtained professional certificates
- Workforce diversity

REGULATORS

- Support industry-wide digital agenda
- Ingrained risk management and compliance culture amongst employees

COMMUNITY

- **43** beneficiaries of charity fund
- **RM81.1 mil** paid in corporate taxes (**RM43.3 mil** paid in GST)
- **151** SL1M participants trained since 2014
- **24** SL1M trainees absorbed since 2014

VENDORS & SUPPLIERS

- More than **30** registered vendors
- Approximately **RM1.6 mil** paid to vendors

LETTER TO SHAREHOLDERS

Tan Sri Samsudin Osman

Chairman
(retired w.e.f. 31 January 2018)

Tan Sri Haji Ambrin Buang

Chairman
(appointed w.e.f. 2 February 2018)



PROFIT BEFORE
ZAKAT AND TAX

RM **948.3**
MILLION

+9.10%

السَّلَامَةُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

DEAR SHAREHOLDERS,

It was a year of smooth transitions, strong operations and strategic planning to catalyse our value creation journey. BIMB Holdings Berhad (“BHB” or “the Group”) performed admirably in a lacklustre economic environment and continued to display highest Return on Equity amongst listed financial institutions for the fourth consecutive year.

الحمد لله, our net profit grew 10.88% to RM619.8 million from RM559.0 million in 2016 with revenue growth of 5.48% to RM3.7 billion from RM3.5 billion previously. This was achieved on the back of robust risk management and good asset quality.

SMOOTH TRANSITIONS

I would like to start my letter to you by thanking our Group Chief Executive Officer (“GCEO”) of BHB and Managing Director (“MD”) of Bank Islam Malaysia Berhad (“Bank Islam”) Dato’ Sri Zukri Samat who retired on 9 June 2017. As the GCEO and MD, Dato’ Sri Zukri Samat brought together a highly talented management team grounded on ethical conduct and laid the groundwork for effective talent management and succession initiatives.

This has assured a smooth transition as the Board warmly welcomed Encik Khairul Kamarudin who took over the reins as the CEO of Bank Islam on 14 June 2017 and CEO of BHB on 9 August 2017. As the Bank’s former Deputy Chief Executive Officer, Encik Khairul Kamarudin was part of the succession plan that has been

put in place. My own tenure ended at the end of January 2018 this year, and so I take this opportunity to also welcome my successor Tan Sri Haji Ambrin Buang, who I believe has much to contribute to the further progress of BHB. The Board has great confidence in his leadership to continue executing the strategy formulated to propel BHB and its Group to greater heights.

We strongly believe that we are on the right strategic path. In fulfilling our fiduciary duties to you, our valued shareholders and stakeholders, the Board regularly examines strategic options while ensuring the Group continues to focus on strengthening integrity and corporate responsibility as drivers of the Group’s sustainability agenda. We remain committed to our long-term targets and objectives.

On the back of these dynamic results a dividend payout of 14% was made on 25 January 2018 which translates to the highest ever payout of RM229.3 million.

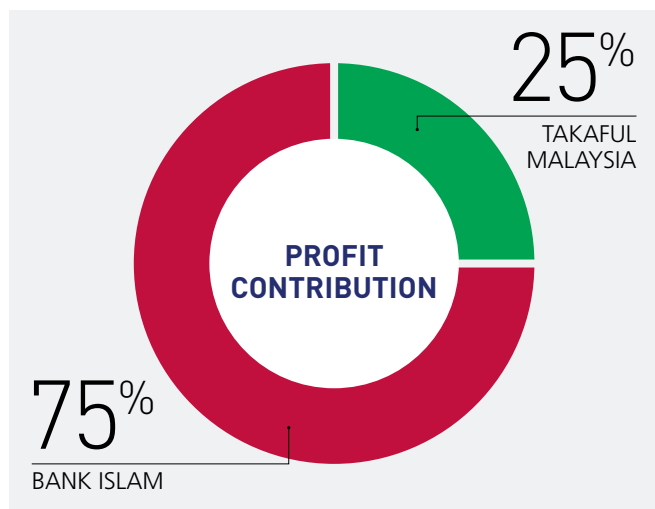


LETTER TO SHAREHOLDERS

I take this opportunity to commend the Group for staying alert to its responsibilities as the nation's sole Islamic Financial Holding Company ("FHC") and recognising that responsible financing is a journey that needs constant reviewing and enhancement of standards over time to create positive outcomes for our stakeholders.

STRONG PERFORMANCE

Our subsidiaries remain anchored on healthy asset quality, strong earnings and continued industry leadership during the year. The Group enjoyed heightened contributions from its Islamic Banking and Takaful arm, which contributed 75% and 25% respectively to BHB Group's profit.



For the third consecutive year, Bank Islam Berhad ("Bank Islam"), as BHB's banking arm, achieved a net income margin of more than 2.50%, which is the industry's highest. For 2017, this was a result of the Bank's "3-D" approach that focused on driving deposits, staying defensive (striking a balance between assets growth and asset quality), and becoming digitally focused. This enabled the Bank to achieve a higher composition of low-cost funds. Bank Islam has also managed to sustain above industry average financing growth, which, for the last five years in terms of compound annual growth rate ("CAGR") is 16.60% against the banking industry's 7.60%.

Despite the robust financing growth, asset quality was preserved with clear focus on selective assets growth and a strong credit and collection infrastructure in place. Bank Islam has a strong and healthy portfolio with relatively low gross impaired financing, hovering around 1% for the past five years compared to the industry's average of 1.53%.

In line with the Group's focus on sustainability, in 2017 the Bank has become an early adopter of the Bank Negara Malaysia-led Value-Based Intermediation ("VBI") initiative which focuses on the impact of banking business to various stakeholders and targets to support economic, social and environmental development.

More details on Bank Islam's performance are reported on page 57 of the Management Discussion and Analysis ("MD&A").

Syarikat Takaful Malaysia Berhad ("Takaful Malaysia"), Malaysia's oldest takaful operator, continued to enjoy good growth in both its family and general takaful businesses. It maintained its top market position in the takaful business. Takaful Malaysia's strategic bancatakaful partnership with AmBank Islamic Bhd, established in December 2017, to market its general takaful products to the bank's customer base across the country is another promising development. It ensures the Company's portfolio a stronger foothold in the industry through nationwide distribution channels of partner banks such as AmBank Islamic, Affin Islamic and RHB Islamic.

As of 2017, Takaful Malaysia commands a leading 23% of the family takaful market and ranks number two with a 23% market share in the general takaful business. It achieved a high 30% growth rate for its bancassurance business during the year and delivered net return on equity of 26.72%, the highest return on equity among all government-linked companies. It also enjoyed a lower net claim ratio arising from a unique proposition of 15% Cash Back on no claims and stringent underwriting.

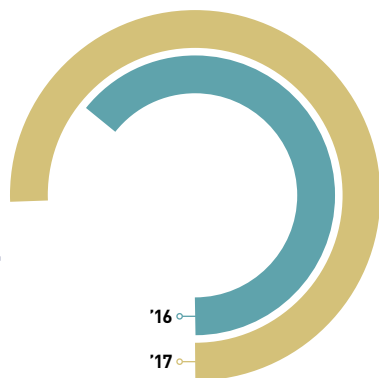
More details on Takaful Malaysia's performance are reported on page 59 of MD&A.

BIMB Securities Sdn Bhd ("BIMB Securities") played an important role as the only full-fledged Shariah-compliant Participating Organisation of Bursa Malaysia Securities Berhad ("Bursa Malaysia"); with the launch of the world's first end-to-end, integrated Islamic securities exchange in platform, called the Bursa Malaysia-i in 2016. This has expanded the nation's fully shariah-compliant investing programme, growing new opportunities for BIMB Securities.

It had an outstanding year due to its offerings of a bigger volume of shares to institutional investors through on market and off market transactions; and at the same time enhanced online stock trading capabilities for its retail clients. This led to an increase of income from dealing activities and a substantial 357.05% increase in Profit After Zakat and Tax.

More details on BIMB Securities' performance are reported on page 62 of the MD&A.

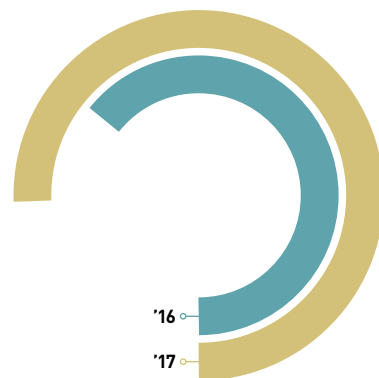
SHAREHOLDERS' EQUITY



2017
RM4,533,939
 '000

2016
RM3,882,852
 '000

EARNINGS PER SHARE



2017
37.94
 SEN

2016
35.25
 SEN

On the back of these dynamic results, BHB was able to make a dividend payout of 14% on 25 January 2018 which translates to the highest ever payout of RM229.3 million. The Group's Dividend Reinvestment Plan ("DRP"), made applicable to the entire proposed interim single tier dividend, registered record subscription of 90.88% indicating continuous strong commitment and participation by our shareholders.

SEALING COMMITMENTS

Our commitment to responsible finance and sustainable operations remains anchored on Environmental, Social and Governance ("ESG") principles. As the holding company, we are mindful of our responsibility to cascade our values down to our subsidiaries.

Our corporate purpose, to meet society's financial needs in the most sustainable and ethical manner possible, goes to the heart of the way we do business by driving our material matters. Making a positive value-added difference to our stakeholders is where we will need to focus much of our attention in the coming years.

Through **Responsible Finance** we commit to resilient and stable growth and deliver sustainable returns to our shareholders and customers. The principles of responsible finance reinforce our leadership as the premier Islamic financial services holding company in Malaysia. BHB's Directors are required to uphold the highest integrity in discharging their duties and in dealings with various stakeholders.

Good governance is cascaded down to all levels across the Group. In maintaining standards of business integrity, ethics and professionalism, we abide by the Malaysian Code on Corporate Governance as well as other guidelines published by BNM, Bursa Malaysia Securities and the Putrajaya Committee on GLC High Performance.

In ensuring **Inclusive Growth** we are embracing greater digitalisation to stay relevant in the ongoing digital revolution and meet ever-rising consumer expectations. To this end, the Bank's partnership with US-based fintech company Cognizant in 2017 is set to improve customer experience and deepen its digital platform reach. We have recently launched Sadaqa House, a digital crowdfunding initiative that is aligned with our commitment towards social finance. Meanwhile, Takaful Malaysia has rolled out its "Click for Cover" online self-service sales portal during the year and is in the midst of developing a unique top-up medical plan called Takaful myClick MediPlus.

The Group's Dividend Reinvestment Plan registered record subscription of 90.88% indicating continuous strong commitment and participation by our shareholders.



LETTER TO SHAREHOLDERS

We have also intensified our commitment to social finance and community upliftment initiatives in reaching out to underserved communities. The Group's annual zakat (business tithes) payments for the year, as contributed by Bank Islam and Takaful Malaysia, has also increased to RM13.2 million in line with our robust 2017 performance. This is over and beyond our outreach programmes in which our management and employees volunteer their time and physical effort to uplift the lives of the underprivileged as well as to protect and preserve the environment.

Prioritising **Talent Enrichment** has seen us developing more training and career opportunities for our people through continued investment in capacity and capability building (not only to staff but to the industry as well). The year presented more certification opportunities for Group staff through programmes with Malaysia Institute of Accountants ("MIA") as well as continued participation in the INSEAD programme. We also play a role in accelerating the development of Bumiputera Professional Accountants by supporting Malaysia Professional Accountancy Center ("MyPAC") initiatives.

In spearheading **Islamic Finance & Knowledge-Sharing** we fortify our foundation and obligation to the industry. One such initiative in 2017, was our contribution to the publication of the MIA Islamic Finance Textbook in collaboration with Malaysian Accountancy Research and Education Foundation ("MAREF") on the application of International Financial Reporting Standards for Islamic financial transactions.

Finally, by activating **Ethical Practice & Reporting** we keep a check and balance on whether we are doing the right thing for all our stakeholders.

These core pillars will continue to help BHB achieve our performance goals. At the same time, the Board will stay guided by these pillars to fulfil our financial goals and regulatory obligations as well as meet the needs of its stakeholders.

More details on our Material Matters are available in the Value Creation section of this Integrated Annual Report.

It has been my pleasure to serve BHB and its Board for the past 10 years, and I thank all those who have served with me for their unwavering dedication and commitment through the years. Our new Chairman, Tan Sri Haji Ambrin Buang will now address you on matters moving forward for the Group.

Thank you, والسلام عليكم ورحمة الله وبركاته

TAN SRI SAMSUDIN OSMAN

Chairman
(retired w.e.f. 31 January 2018)

ADDRESS BY TAN SRI HAJI AMBRIN BUANG

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

My warmest greetings to all Shareholders.

Since 2007, former Chairman Tan Sri Samsudin Osman, who retired on 31 January 2018; and former GCEO of BHB and MD of Bank Islam Dato' Sri Zukri Samat have headed the team that catalysed BHB and Bank Islam's successful transformation and series of pioneering milestones thereafter.

As the Chairman, Tan Sri Samsudin Osman has ably steered the company to be recognised as Malaysia's first and only Islamic FHC. I am truly honoured to have been chosen to continue building on this legacy.

Towards this end, the Group is uplifting its reporting practices and has advanced further into integrated reporting for this year. Leveraging on our progress in sustainability reporting, this year the Board and management team have set the tone and direction for greater transparency and disclosure, stakeholder



engagement and strategic understanding of the Group's Value Creation journey. This benefits not just our external stakeholders but also the BHB family as it has ensured greater strategic alignment and synergy moving forward.

The Group also intends to continue to stay focused on a strong risk management discipline, experienced credit team and high-quality portfolio. These have helped us maintain strong credit performance and will continue to do so.

Within a low loan growth environment, the expected increase in base lending rate ("BLR") and the Malaysia Financial Recording Standard 9 ("MFRS 9") are expected to make an impact in the coming year. MFRS 9 is a new accounting standard which will come into effect this year and has a significant impact on banks. The new standard requires banks to make provisions in anticipation of future losses rather than the current practice of making provisions only when loans have been classified as impaired.

Apart from the adoption of MFRS 9 in 2018, the Net Stable Funding Ratio ("NSFR") requirement is another major regulatory change for banks including our Islamic banking arm. To be implemented by 1 January 2019, NSFR is a liquidity standard that requires banks to maintain a stable funding in relation to the composition of their assets and off-balance sheet activities. This could potentially lead to higher funding costs, lower margins and higher lending rates. In anticipation of this major change, the Group has outlined core strategies to address these new regulations.

More details on 2018 Strategic Journey on page 64 of the MD&A.

ACKNOWLEDGEMENT

I take this opportunity to express the Board's gratitude and appreciation to Tan Sri Samsuddin Osman and Dato' Sri Zukri



Moving forward, the Group continues to stay focused on a strong risk management discipline, experienced credit team and high-quality portfolio. These have helped us maintain strong credit performance and will continue to do so.



Samat for having anchored the Group in solid fundamentals and building a strong culture of integrity and responsiveness. Together with BHB's management and staff, the Board is determined to uphold the standards set and continue the Bank's journey towards greater excellence.

I would also like to express the Board's appreciation to our exemplary outgoing directors, Datuk Zaiton Mohd Hassan who retired on 2 February 2018, and Encik Zahari @ Mohd Zin Idris who retired on 17 May 2017. From my conversations, I have been made aware that Datuk Zaiton's exacting standards and thoroughness has inspired greater diligence within the Board and Encik Zahari's vast experience has been a source of great support. I am sure I speak for all my colleagues on the Board of BHB and its subsidiaries in saying their presence will sincerely be missed.

I also take this opportunity to thank the Malaysian government and regulatory authorities, in particular Bank Negara Malaysia ("BNM") and the Securities Commission, for consistently thinking ahead and putting in place strong sustainable frameworks and infrastructure for the Islamic finance industry. It is through their efforts that Malaysia continues to enjoy a global lead in Islamic finance.

My gratitude extends to my fellow directors, the members of the Group's Shariah Council and to our diligent and hardworking employees as well, for their contribution to the Group's growth. Finally, on behalf of the Board, I sincerely thank our shareholders and diverse stakeholders for their strong support and loyalty.

Thank you, والسلام عليكم ورحمة الله وبركاته

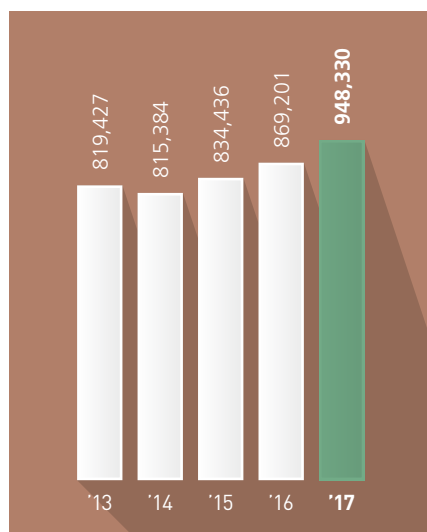
TAN SRI HAJI AMBRIN BUANG

Chairman

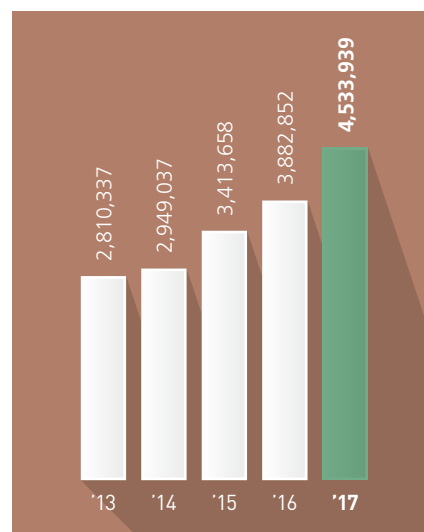
(appointed w.e.f. 2 February 2018)

FINANCIAL PERFORMANCE HIGHLIGHTS

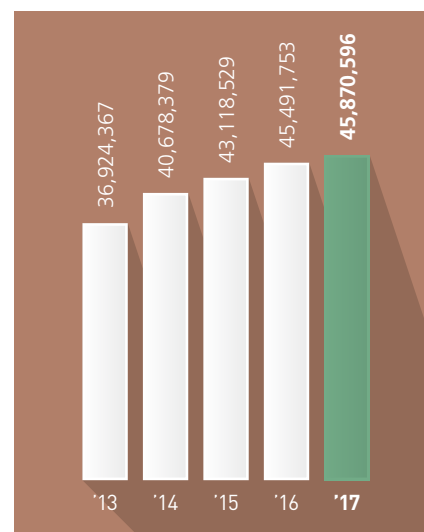
PROFIT BEFORE ZAKAT AND TAX (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



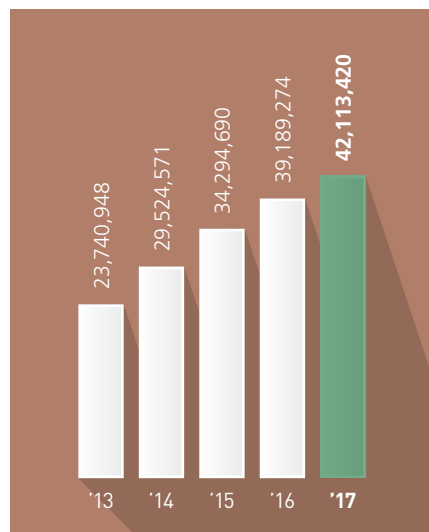
DEPOSITS FROM CUSTOMERS (RM'000)



| FINANCIAL YEAR ENDED 31 DECEMBER | | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------|------------|------------|------------|------------|------------|
| STATEMENT OF COMPREHENSIVE INCOME | | | | | | |
| Revenue | RM'000 | 3,721,598 | 3,528,198 | 3,310,607 | 2,967,473 | 2,809,395 |
| Profit Before Zakat and Tax ("PBZT") | RM'000 | 948,330 | 869,201 | 834,436 | 815,384 | 819,427 |
| Net Profit Attributable to Owners of the Company | RM'000 | 619,838 | 559,040 | 547,275 | 532,329 | 279,327 |
| STATEMENT OF FINANCIAL POSITION | | | | | | |
| Share Capital | RM'000 | 3,875,270 | 1,588,680 | 1,542,210 | 1,493,506 | 1,493,506 |
| Shareholders' Equity | RM'000 | 4,533,939 | 3,882,852 | 3,413,658 | 2,949,037 | 2,810,337 |
| Deposits from Customers | RM'000 | 45,870,596 | 45,491,753 | 43,118,529 | 40,678,379 | 36,924,367 |
| Takaful Liabilities | RM'000 | 6,962,313 | 6,639,096 | 6,588,888 | 6,323,577 | 6,082,001 |
| Financing, Advances and Others | RM'000 | 42,113,420 | 39,189,274 | 34,294,690 | 29,524,571 | 23,740,948 |
| Investment Securities | RM'000 | 14,621,392 | 15,164,085 | 15,110,375 | 15,528,737 | 18,409,143 |
| Total Assets | RM'000 | 65,784,634 | 63,145,127 | 57,363,828 | 53,030,205 | 49,674,545 |
| PER SHARE DATA | | | | | | |
| Earnings Per Share | sen | 37.94 | 35.25 | 35.53 | 35.64 | 25.84 |
| Net Assets Per Share | RM | 2.77 | 2.44 | 2.21 | 1.97 | 1.88 |

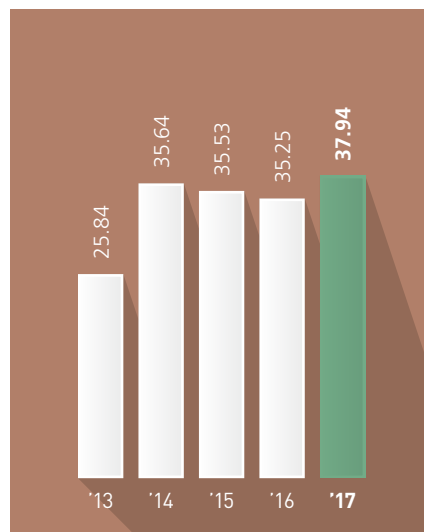
FINANCING, ADVANCES AND OTHERS

(RM'000)



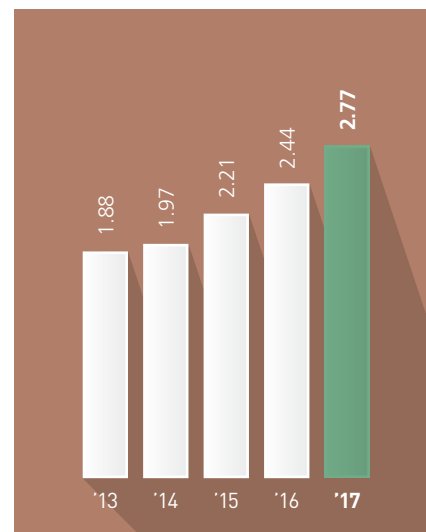
EARNINGS PER SHARE

(SEN)



NET ASSETS PER SHARE

(RM)



| FINANCIAL YEAR ENDED 31 DECEMBER | | 2017 | 2016 | 2015 | 2014 | 2013 |
|-------------------------------------|--------|-----------|-----------|-----------|-----------|-----------|
| FINANCIAL POSITIONS STRENGTH | | | | | | |
| Financing to Available Fund Ratio | % | 80.48 | 76.62 | 76.18 | 72.02 | 63.77 |
| Gross Impaired Financing Ratio* | % | 0.93 | 0.98 | 1.09 | 1.14 | 1.18 |
| Net Impaired Financing Ratio** | % | (0.41) | (0.75) | (0.83) | (0.82) | (0.91) |
| EFFICIENCY | | | | | | |
| Return on Equity | % | 20.76 | 21.97 | 24.24 | 26.14 | 23.83 |
| Return on Assets | % | 1.47 | 1.44 | 1.51 | 1.59 | 1.75 |
| DIVIDENDS | | | | | | |
| Gross Dividend Per Share | sen | 14.00 | 13.00 | 12.20 | 14.70 | 12.00 |
| VALUATION | | | | | | |
| Price Earnings Ratio | times | 11.60 | 11.97 | 10.78 | 11.42 | 17.57 |
| Market Capitalisation | RM'000 | 7,206,060 | 6,704,230 | 5,906,663 | 6,078,569 | 6,780,517 |

Notes:

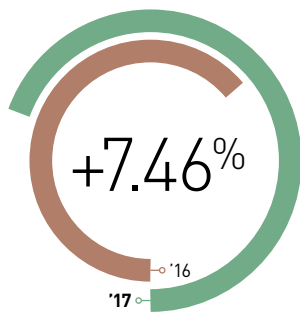
* Gross Impaired Financing Ratio = Gross Impaired Financing and Advances/Gross Financing and Advances

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

FINANCIAL PERFORMANCE HIGHLIGHTS

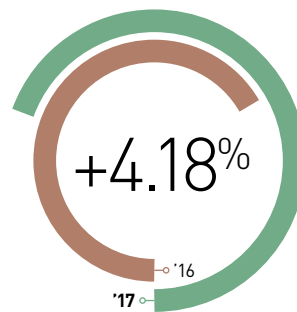
FINANCING, ADVANCES & OTHERS

TOTAL: **RM42.1** BILLION



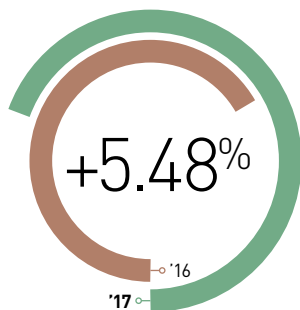
TOTAL ASSET SIZE

TOTAL: **RM65.8** BILLION



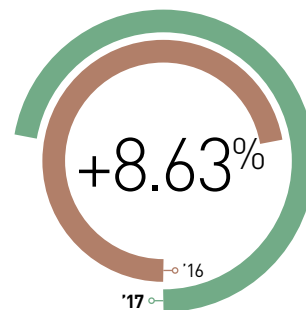
TOTAL REVENUE

TOTAL: **RM3.7** BILLION



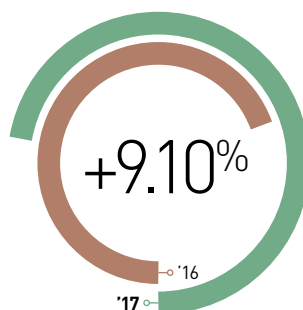
NET INCOME

TOTAL: **RM2.5** BILLION



PROFIT BEFORE ZAKAT AND TAX

TOTAL: **RM948.3** MILLION



21ST ANNUAL GENERAL MEETING

Tuesday, 15 May 2018 at 10.00 am

Ballroom 3, Sime Darby Convention Centre
1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur

ANALYSTS BRIEFING

27 FEBRUARY 2017

Announcement of FY2016
Financial Results

30 AUGUST 2017

Announcement of 1H2017
Financial Results

30 NOVEMBER 2017

Announcement of 3Q2017
Financial Results

FINANCIAL REPORT ANNOUNCEMENTS

16 MAY 2017

Quarterly report on
consolidated results
for the financial
period ended
31 March 2017

28 AUGUST 2017

Quarterly report on
consolidated results
for the financial
period ended
30 June 2017

30 NOVEMBER 2017

Quarterly report on
consolidated results
for the financial
period ended
30 September 2017

28 FEBRUARY 2018

Quarterly report on
consolidated results
for the financial
period ended
31 December 2017





Pioneering Possibilities:

Total Revenue

+5.5%

RM3.7
billion



Drawing on our expertise as a leader, we seek to advance new inroads and expand possibilities for the global Islamic financial industry.

VALUE CREATION VALUING LIVES

At BHB, we have a long history of investing in the society itself as one of our key foundations in growing our business and building a sustainable organisation. As we put in every efforts at defining ourselves as a responsible corporate citizen, we value the lives of others by contributing to the society's economic and social progress, and the continued preservation of the natural environment for our future generation.

CORPORATE CITIZENSHIP

UPLIFTING COMMUNITY

We contribute to the community's wellbeing and prosperity with the aim of eradicating poverty among the underserved and underprivileged, by fulfilling their essential needs and helping them to live a meaningful lives.

We work with various organisations and institutions, including NGOs, state authorities, schools and universities as well as charity bodies in effectively creating and delivering values to the most needy, as well as living out our values as a

Responsible Corporate Citizen

EMPOWERING PEOPLE

We help people realise their ambitions by providing education in various subjects including financial and English language, as well as giving them the opportunity to learn life skills.

PROTECTING ENVIRONMENT

We do our part in minimising impact on the natural environment by undertaking natural ecosystem preservation activities and environmental awareness programmes.



Our two main operating units' – Bank Islam and Takaful Malaysia – investment in CSR activities and programmes as well as zakat funding over the years, exemplify our commitment to ensuring the health and wealth of our society.

TOTAL CSR CONTRIBUTIONS (RM 'MIL)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------|------|------|------|------|------|
| Bank Islam | 3.67 | 3.93 | 5.53 | 4.95 | 5.63 |
| Takaful Malaysia | 0.88 | 1.80 | 2.14 | 0.34 | 0.32 |

TOTAL ZAKAT PAYMENT (RM 'MIL)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------|------|-------|-------|------|-------|
| Bank Islam | 9.40 | 12.46 | 12.77 | 8.70 | 12.87 |
| Takaful Malaysia | 1.08 | 0.16 | 0.13 | 0.30 | 0.30 |



**UPLIFTING
COMMUNITY**



**EMPOWERING
PEOPLE**



**PROTECTING
ENVIRONMENT**

Val



VALUE CREATION KEY OUTCOMES

We create value through the operation of quality assets in Banking and Finance, Stockbroking and Takaful within Malaysia's Islamic financing sector.

The key pillars of our sustainability efforts include **Responsible Financing, Inclusive Growth, Talent Enrichment, Ethical Practice & Reporting** and **Islamic Finance & Knowledge-Sharing**.

The value of our business is in creating purposeful returns for our stakeholders, generated by our subsidiaries and other capitals owned or controlled. Our businesses aspire to create value for the real economy and society, and thereby achieve a multitude of additional benefits such as wealth creation and preservation, increased levels of employment, meaningful social contributions and positive environmental impact. The capitals that generate these values include the businesses of our subsidiaries, our employees, adequate financial capital to pursue growth opportunities and underpinned by quality relationships with key stakeholders.

An integrated approach across our subsidiaries results in leveraging the assets and resources within the Group under a unified management structure with a shared culture. All our subsidiaries business strategies are underpinned by BHB's key pillars. This drives the value we offer our stakeholders, makes it simpler to do business with the Group and assists the market to understand the scale and diversity of our operations under the BHB Group.

KEY OUTCOMES

BHB creates value strategically and synergistically for our stakeholders; and through the value created by our subsidiaries.

| WHAT WE DO | HOW WE CREATE VALUE FOR OUR STAKEHOLDERS | STAKEHOLDERS IMPACTED |
|---|--|-----------------------|
| We manage our shareholders funds, their expectations and Sukuk holder liabilities. | By registering steady growth and growing yield, we ensure profitable and sustainable returns for our shareholders that commensurate with their risk appetite, while providing an avenue for us to attract more investors for the Company's growth. | Investing Community |
| We provide, through our subsidiaries, end-to-end and pure Islamic financial solutions across a broad sector that covers banking, insurance and securities market. | By continuing our strict adherence on Shariah rules and principles, as well as our focus on pure Islamic financial products and services, we fulfil our customers' specific financial needs for Shariah-compliant solutions. | Customers |
| We provide strategic Group guidance in collaboratively identifying a unified direction and unified systems, anchored on our sustainability framework. | We align a corporate direction that leads to adoption of sustainable practices that promote value-creation processes. We synergise processes and systems that promote business efficiency. | Subsidiaries |
| We provide avenues for cross-subsidiary resource and knowledge-sharing. | We are creating more opportunities for our respective subsidiaries to increase their customer base by leveraging on the unique business portfolios offered by our respective subsidiaries. We are increasing the prospects for our respective subsidiaries to share knowledge and gain new perspectives, as well as possibilities to innovate solutions and service delivery. We share resources among our operating units, which result in enhanced efficiency in delivering products and services. | Subsidiaries |

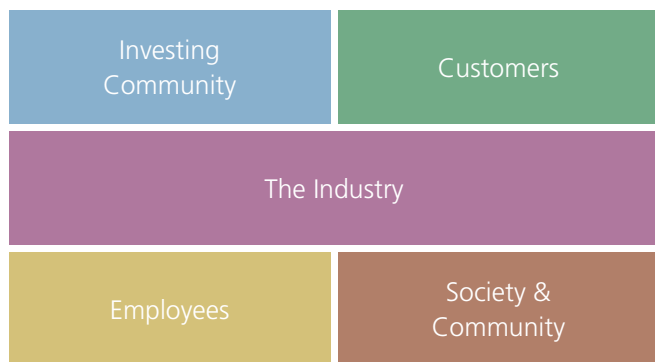
| WHAT WE DO | HOW WE CREATE VALUE FOR OUR STAKEHOLDERS | STAKEHOLDERS IMPACTED |
|---|---|--|
| We ensure a common corporate governance framework among our subsidiaries, anchored on shared principles and sound policies. | <p>We ensure all aspects of our subsidiaries' business operations are in full compliance with regulatory requirements.</p> <p>We ensure the credibility of the organisation as a whole.</p> <p>We play a vital role in contributing to the stability of the industry's financial system.</p> | Subsidiaries The Industry |
| We provide Group-wide communications in emulating and proliferating our values as a Company. | <p>We provide cohesion and comprehension of the organisation's direction and performance.</p> <p>Shared common values across the organisation result in a collective culture of trust, responsibility and inclusivity.</p> | Subsidiaries Employees |
| We seek to proliferate knowledge and expand the potential of the Islamic financial industry, with exploration of new Shariah possibilities to realise untapped opportunities. | <p>We leverage on our subsidiaries' specific business focus</p> <p>We actively participate in the government and regulators' strategic plans for the Islamic financial industry.</p> <p>We collaborate on new products and services in the Islamic financial and banking sphere.</p> <p>We commit to knowledge propagation among the industry & develop relevant knowledge among the community.</p> | The Industry The Society & Community |
| We seek to expand our presence and enhance reach of our services, together with our contribution to strengthen the society. | We consolidate our CSR activities and zakat initiatives to place equal importance on economic prosperity, community development and environmental wellbeing. | The Society & Community The Industry |
| We contribute to the nation's agenda. | <p>We support Government Initiatives in the following key areas:</p> <ul style="list-style-type: none"> – Establishment of Malaysia as a major Islamic Financial and Banking hub – Contributing society's health and wealth – Developing local talents | The Industry The Society & Community Employees |

VALUE CREATION STAKEHOLDER ENGAGEMENT

The following examples of stakeholder engagement help us understand how well we are fulfilling our responsibility as a valuable partner for the nation and the industry, as a good employer for our people, as a sound investment for shareholders, as a good corporate citizen for the communities where we live and work, and much more. These engagements have contributed to the identification of our key priorities which we are reporting in this year's report as our Material Matters.

STAKEHOLDERS GROUPING

For the purpose of convenience in reporting, we have grouped our myriad of stakeholders under the following categories:



Employees are defined as Internal Stakeholders. The rest of the groups are defined as External Stakeholders.

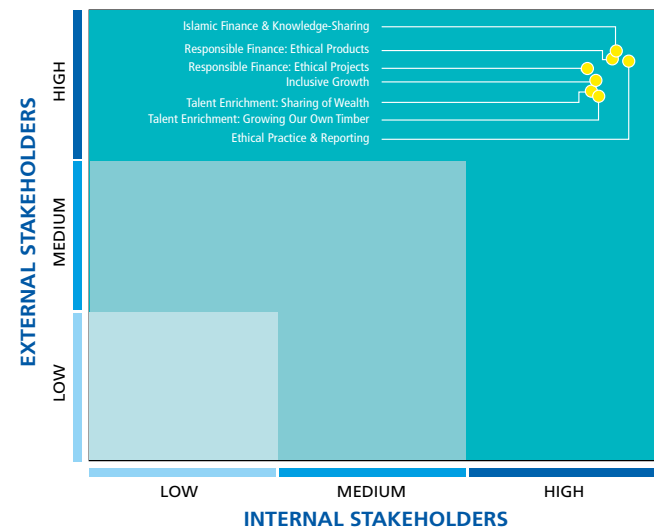
SUSTAINABILITY MATRIX CREATION

In creating the matrix, we have conducted a survey to determine the importance of our identified material matters and issues to our stakeholders. Our material matters and issues are defined as below:

| | |
|-------------------------------------|------------------------|
| Responsible Finance | Ethical Products |
| | Ethical Projects |
| Inclusive Growth | |
| Talent Enrichment | Growing Our Own Timber |
| | Sharing of Wealth |
| Islamic Finance & Knowledge-Sharing | |
| Ethical Practice & Reporting | |

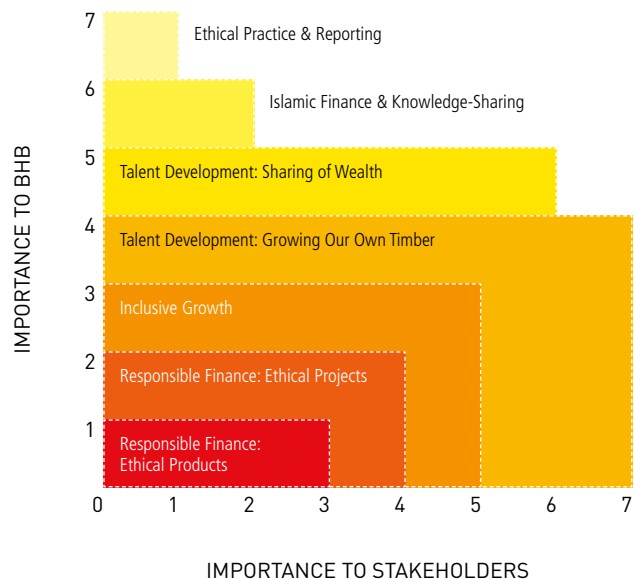
The matrix shows the level of importance (Low to Medium to High) of our material matters and issues to our stakeholders.

MATERIAL MATTERS IMPORTANCE TO EXTERNAL STAKEHOLDERS AND INTERNAL STAKEHOLDERS



MATERIAL MATTERS IMPORTANCE TO BHB AND STAKEHOLDERS

(1-most important, 7-least important)











| STAKEHOLDERS CATEGORY | WHY THEY ARE IMPORTANT TO US | HOW WE ENGAGE | WHAT THEY WANT |
|---|--|--|--|
| Investing Community <ul style="list-style-type: none"> Investors Analysts and Fund Managers Media | Investors and funding institutions are the providers of capital necessary for our growth. We need to offer transparent communication and to understand potential concerns | <ul style="list-style-type: none"> Annual meeting of shareholders. Quarterly media releases Annual Reports Dedicated analyst and investor presentations Annual investor conference BHB Website | <ul style="list-style-type: none"> Sustainable growth and returns on investment Dividends Transparent executive remuneration Corporate governance and ethics Liquidity and gearing |
| Customers <ul style="list-style-type: none"> Customers of Operating Units | Customers drive our growth as a Company, requiring us to be continuously innovative | <ul style="list-style-type: none"> Online platforms including website and social media Customer feedback channels Customer satisfaction survey Knowledge-sharing programmes Events and roadshows | <ul style="list-style-type: none"> Improved experience and product convenience Fair pricing Personal data security and privacy Financial facility accessibility Financial literacy and education |
| Employees <ul style="list-style-type: none"> Group-wide Employees | Our employees are core to fulfilling our Company's purpose, and we need to understand their needs, challenges and aspirations and for them to be aligned with our strategy | <ul style="list-style-type: none"> Employee Engagement Survey conducted regularly Employee feedback tool Internal intranet newsletter Ethics hotline Open-door policy Townhall meetings Employee roundtables | <ul style="list-style-type: none"> Job security Engagement Performance management Clear understanding of reward structures Health and safety performance Access to welfare and wellness programmes Career planning and skills development Preferred employer |
| The Industry <ul style="list-style-type: none"> Government Regulators | <p>Both the regulators and government provide us with the enabling regulatory framework within which to operate and we need to ensure compliance and understand the broader economic, social and environmental issue.</p> <p>Engagement helps us create a strong culture of shared resources in order to expedite collaborations, build greater awareness of Islamic financing and fast track new opportunities for the benefit of the industry.</p> | <ul style="list-style-type: none"> Meetings and discussions Seminars and forum | <ul style="list-style-type: none"> Taxation revenues Compliance with legislation Job creation Investment in advancing social and economic transformation Social impacts Healthy competition Mutual economic benefits |
| Society & Community <ul style="list-style-type: none"> Local Communities Suppliers and Vendors | Engagement assists us to focus our efforts in empowering local communities which contributes to our long-term viability as a sustainable organisation. | <ul style="list-style-type: none"> CSR activities and programmes Zakat initiatives Voluntary programmes | <ul style="list-style-type: none"> Investment in disadvantaged communities Sound infrastructure and public facilities Social cohesiveness and progress Access to zakat contributions Economic, including employment, opportunities Sponsorships Protected environment |

VALUE CREATION

OUR MATERIAL MATTERS

Our material matters are indicative of our commitment to elevate our company's financial and social performance in a responsible manner. In line with the globally-accepted standards and trend, they are also aligned with the United Nation's Sustainable Development Goals.




| KEY MATTERS | | HIGHLIGHTS OF WHAT WE DO & WHAT WE OFFER | IMPORTANT TO THESE STAKEHOLDERS | SUSTAINABLE DEVELOPMENT GOALS |
|--|--|---|---|--|
| <p>Responsible Finance Bringing to the market products or services that effectively provide economic prosperity and social benefits to the community, and positive impact to the environment, in addition to contributing to our business growth.</p> | <ul style="list-style-type: none"> Ethical Products Ethical Projects | <p>Bank Islam</p> <ul style="list-style-type: none"> Commitment to better management of environmental impact through Green Financing initiative, which focuses on financing for renewable energy providers as well as other green technology application projects. Focus on financing projects that provide the infrastructure for sustainable waste and water management. Collaboration with Arabesque through BIMB Investment subsidiary in offering a range of ESG and Shariah-compliant fund products. Continuous focus on supporting affordable home financing initiatives. <p>Takaful Malaysia</p> <ul style="list-style-type: none"> Consistent delivery of cash back obligations in accordance with the Company's sharing practice. Commitment to delivering a digital platform that meets all the essential features needed for convenience and security requirements. <p>(Please visit www.bimbholdings.com/investor-relations/sustainability for more details)</p> | <p>The Industry Investing Community Customers Society & Community</p> |      |

| KEY MATTERS | HIGHLIGHTS OF WHAT WE DO & WHAT WE OFFER | IMPORTANT TO THESE STAKEHOLDERS | SUSTAINABLE DEVELOPMENT GOALS |
|---|--|---|---|
| <p>Inclusive Growth Creating equal opportunities across all segments of the society, through our business drives or social initiatives, for community empowerment.</p> | <p>Bank Islam</p> <ul style="list-style-type: none"> Partnership with Cognizant to further develop digitalised banking solutions and their applications, bringing greater accessibility to the underserved population for banking and financial facilities. Initiate the establishment of SME banking as a commitment to growing real economy. Continuous focus on Transact-At-Palm (“TAP”) service as a platform to support financial inclusivity initiatives, and optimise beneficial partnerships with public service organisations. Continuous focus on Investment Account Platform (“IAP”) as a platform for driving new investing opportunities and solution, as well as promoting an all-encompassing growth in key areas including economic, social and environmental. <p>Takaful Malaysia</p> <ul style="list-style-type: none"> Enhancement of online portals and features offered for enhanced equitable opportunities across different levels of the community. <p>(Please visit www.bimbholdings.com/investor-relations/sustainability for more details)</p> | <p>Society & Community The Industry Our Investing Community</p> |    |

VALUE CREATION

OUR MATERIAL MATTERS

| KEY MATTERS | HIGHLIGHTS OF WHAT WE DO & WHAT WE OFFER | IMPORTANT TO THESE STAKEHOLDERS | SUSTAINABLE DEVELOPMENT GOALS |
|---|--|--|---|
| <p>Talent Enrichment Focusing on growing our employees to become valuable assets to the company and be the best they can be.</p> <ul style="list-style-type: none"> • Growing Our Own Talent • Sharing of Wealth | <p>Bank Islam</p> <ul style="list-style-type: none"> • Continuous focus on employees' capability and capacity building initiatives, including in-house training courses and certification programmes in collaboration with external organisations, including: <ul style="list-style-type: none"> – Bank Islam – IBFIM certification – Bank Islam – USIM certification – Future Leadership programme <p>Takaful Malaysia</p> <ul style="list-style-type: none"> • Development of programmes for succession planning and talent management including: <ul style="list-style-type: none"> – STMB Leadership Development programme – STMB Talent Awareness Retention ("STAR") programme – STMB Leadership Intensive Talent Enrichment ("LITE") – Clerical Development programme <p>(Please visit www.bimbholdings.com/investor-relations/sustainability for more details)</p> | <p>Employees Our Investing Community</p> |    |
| <p>Ethical Practice & Reporting Practicing good governance, guided by our core values and principles to ensure that we always do the right thing by our stakeholders.</p> | <ul style="list-style-type: none"> • Strongly guided by Shariah rules and principles across all operating units. • Common set of policies and governance framework as applicable to financial institutions. • Commitment to living out values for sustained progress of the community and company. <p>Bank Islam</p> <ul style="list-style-type: none"> • Establishment of Ethics & Integrity department. <p>(Please visit www.bimbholdings.com/investor-relations/sustainability for more details)</p> | <p>Investing Community Employees Society & Community</p> |   |

| KEY MATTERS | HIGHLIGHTS OF WHAT WE DO & WHAT WE OFFER | IMPORTANT TO THESE STAKEHOLDERS | SUSTAINABLE DEVELOPMENT GOALS |
|---|---|---|---|
| <p>Islamic Finance & Knowledge-Sharing Advancing the industry, propagating and sharing our wealth and experience to create a learned society in the relevant field and ensure progress of the relevant industry.</p> | <ul style="list-style-type: none"> Participation in the inaugural Shariah Investing Fair organised by Bursa Malaysia to promote Islamic capital market to the public at large. <p>Bank Islam</p> <ul style="list-style-type: none"> Continuous participation in knowledge-sharing sessions for the public and engagements with foreign dignitaries for advancing the Islamic financial industry, including: <ul style="list-style-type: none"> – ILMU knowledge series – Kembara Muamalah <p>(Please visit www.bimbholdings.com/investor-relations/sustainability for more details)</p> | <p>The Industry Employees Society & Community</p> |    |



Adhering to Integrity:

Total Asset Size

+4.18%

RM65.8
billion



Determined to excel while staying rooted to our values, we commit to good governance and take pride in ensuring integrity and responsibility in all we do.

MANAGEMENT DISCUSSION & ANALYSIS

THE MARKET LANDSCAPE

GLOBAL

Global growth was accelerating in 2017 with major central banks have raised their policy rates during the year. Similarly, the Asian currencies were mostly having turned around against the US dollar after severely battered in the past three years. Top of the lists was South Korean Won, followed by Malaysian Ringgit, Thai Baht, Singapore Dollar and Taiwanese Dollar, rising by 12.81%, 10.87%, 9.88%, 8.29% and 8.23% respectively. Consequently, equity indexes were also higher in the most of part of 2017, reflecting increasing risks appetite for the risky assets. Additionally, the crude oil prices were also on firmer footing, surpassing above USD60 per barrel between October and December as Organisation of the Petroleum Exporting Countries (“OPEC”) and several Non-OPEC countries have agreed to cap the oil production.

This has paved the way for Islamic finance to scale into greater heights. According to the State of the Global Islamic Economy Report 2017/18 by Thomson Reuters, the Islamic economy continued to be at the cusp of major growth and widespread recognition in 2017. Sentiment across the board, from Halal Food, Islamic Finance and Modest Fashion, to Halal Travel, Halal Pharmaceuticals and Cosmetics, is overwhelmingly positive at 77%. The Report estimates that Global Muslim spend across lifestyle sectors was USD2 trillion in 2016, while the Islamic finance sector enjoyed USD2.2 trillion in total assets, a 10% increase from 2015. Going forward, Islamic finance assets are expected to grow by 9.40% CAGR to reach USD3.8 trillion in 2022.

Additionally, governments across the globe, be it Muslims and Non-Muslims countries have been receptive to Islamic finance as a means to promote inclusive growth strategy. For instance, the Organisation of Islamic Cooperation (“OIC”) countries have been capitalising on Islamic finance to raise billions of dollars in funds, with Saudi Arabia has issued their first global sukuk worth USD9 billion rated A+/stable by Fitch while Tunisia preparing its debut sukuk issuance, and Nigeria to launch its maiden sovereign sukuk. Meanwhile, the Government of Hong Kong has listed USD1 billion sukuk on Nasdaq Dubai as part of their funding based diversification.

One of the core strengths of Islamic finance is its willingness to address global development needs and support of SMEs. Such moves are highly significant for countries with sizeable Muslim populations such as Indonesia, Malaysia, Pakistan and India, where more than 50 percent of economic activity is generated by SMEs.

Further propelling growth is the adoption of Islamic FinTech, be it the world’s first Shariah-compliant robo-advisory firm, or the first Shariah-compliant gold platform. Notably, such endeavors have been achieved through utilising crowdfunding with total assets were estimated at over USD2 trillion in 2016, and expected to surge to USD3.8 trillion by 2022. Islamic insurance (Takaful) and other financial products such as Murabahah and Waqf, continue to expand as new markets open up throughout the world.

MARKET SIZE

Current Islamic finance market assets*



Current Islamic banking assets*



* Does not include undisclosed assets of most Islamic windows

GLOBAL INDUSTRY TRENDS

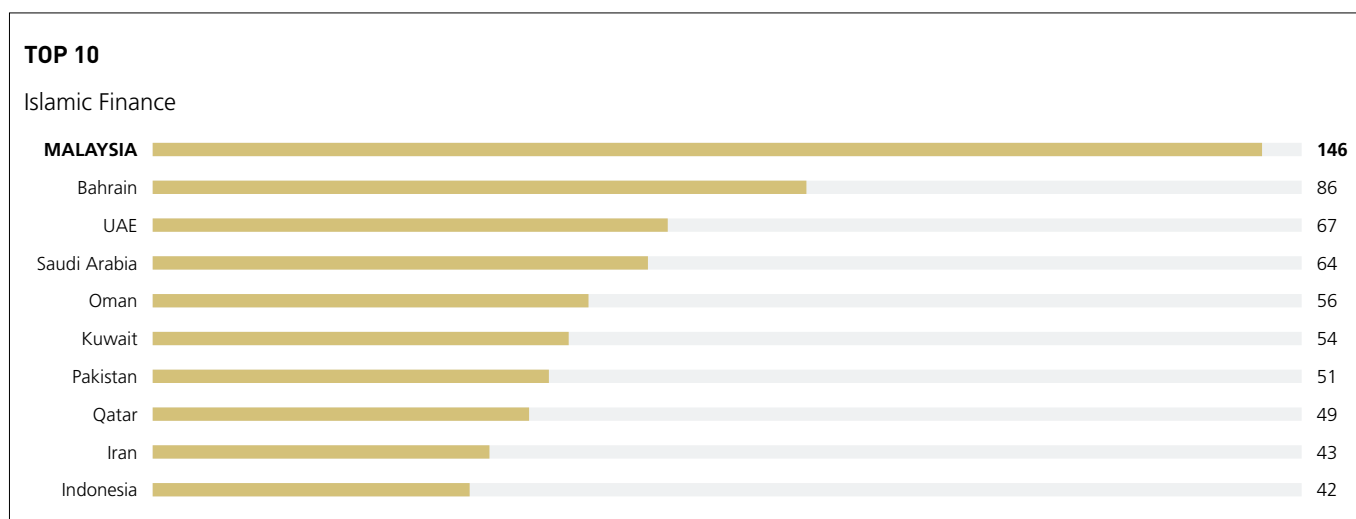
| | | |
|--|---|--|
| <p>Broadening Islamic Capital Market for</p> <h1>SME</h1> | <h1>Savings</h1> <p>improving institutional investors by creating Islamic pension fund</p> | <p>Increased role of Islamic</p> <h1>microfinance</h1> |
| <p>Disruptive finance:</p> <h1>FinTech</h1> <p>and Islamic financing</p> | <p>Increased role of Islamic</p> <h1>social finance</h1> | |
| <p>Global integration of OIC markets through</p> <h1>Islamic trade finance</h1> | <h1>Sukuk</h1> <p>as the instrument for budget deficit</p> | <h1>South East Asia:</h1> <p>the rise of Islamic venture capital</p> |
| <p>Capital market:</p> <h1>Corporate Sukuk</h1> <p>as the alternative of financing</p> | <p>Emerging</p> <h1>Central Asian</h1> <p>sovereigns and</p> <h1>European</h1> <p>banks</p> | |



MANAGEMENT DISCUSSION & ANALYSIS

THE MARKET LANDSCAPE

MALAYSIA



The Malaysian economy grew at a healthy pace in 2017 with Gross Domestic Product (GDP) posted 5.90% growth during the year. This has surpassed the official range forecast of 5.20% to 5.70% and well above than the 4.20% growth recorded in 2016. However, Malaysia's inflation rate has picked up to 3.70% for the year of 2017 which is significantly higher from 2.10% in the preceding year. Admittedly, the rise in inflation rate has taken a serious toll on consumer sentiment. The Consumer Sentiment Index settled at 82.6 points in the 4Q2017 and continues to remain below the 100 points threshold for more than two years, pointing to a more pessimistic view among Malaysians.

Despite that, the country continues to be recognised for its leading role in Islamic finance. This was primarily driven by comprehensive market infrastructure, robust regulatory framework and dynamic market participants. The Global Islamic Economy Indicator also placed Malaysia at higher spot followed by the United Arab Emirates ("UAE") and Saudi Arabia. This indicator ranking focuses on the health of the Islamic finance ecosystem in a country relative to its size, including its related social considerations. The ranking was calculated according to four criteria:

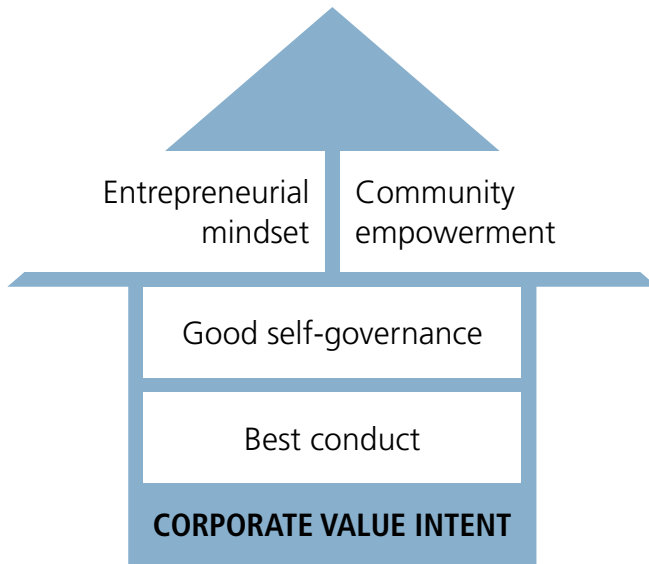
- Financial (e.g. size of Islamic finance assets and number of Islamic finance institutions);
- Governance (e.g. regulations for Islamic finance and disclosure index score);
- Awareness (e.g. number of related news articles, Islamic finance education institutions, research papers, and events); and
- Social (e.g. value of zakat and charity and CSR disclosure index score).

Developments in domestic Islamic finance sector

Compliance to Shariah principle has always been the focus in ensuring legitimacy of the nation's Islamic financial products and services to the public at large. However, in meeting the rapid changes and dynamism of the industry, more business opportunities could be created if the current paradigm could be shifted to extend beyond compliance, towards delivering value propositions not only to all financial consumers, but to the wider stakeholders.

| ISLAMIC FINANCE | SECTOR SCORE | FINANCIAL SCORE | GOVERNANCE SCORE | AWARENESS SCORE | SOCIAL SCORE | GIE RANKING |
|----------------------|--------------|-----------------|------------------|-----------------|--------------|-------------|
| Malaysia | 146 | 280 | 111 | 341 | 41 | 1 |
| Bahrain | 86 | 54 | 112 | 134 | 53 | 4 |
| United Arab Emirates | 67 | 63 | 70 | 147 | 71 | 2 |

Underpinned Thrusts for VBI



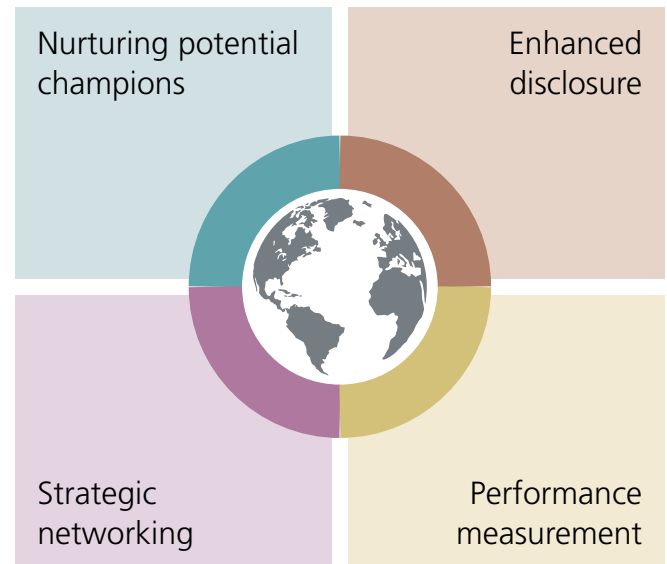
In this regard, the Value-Based Intermediation or VBI was conceived through the Bank Negara Malaysia's ("BNM") strategic paper which was published in mid-2017. The VBI has been identified as a key driver in strengthening the roles and impact of Islamic finance moving forward. Thus, the next era of growth for the domestic industry will deepen Islamic finance's roots in creating social justice and promoting a value-based economy through higher order of integrity, inclusivity and sustainability.

As the only Islamic Financial Holding Company ("IFHC") approved by the BNM under the Islamic Financial Services Act 2013, BIMB Holdings Berhad ("BHB" or "the Group") plays a pivotal role in this national aspiration. This spurs the Group's focus on 'Catalysing Value Creation' where growth will be driven by long-term and wider objectives (prosperity, people and planet); where performance measurement considers both financial and non-financial aspects; and where innovation will be the tool in creating values for all. These will be underscored by exemplary governance and more meaningful and active engagement with the key stakeholders.

The total insurance and takaful in Malaysia has shown a growth of around 4% for year 2017 (based on Q3 2017 results), a tad higher from 3.80% in 2016. Indeed, the takaful industry has benefited from the growth of Islamic banking in Malaysia. For example, the growth of Islamic mortgage business has enabled the growth of credit-related takaful business. As BNM is targeting local Islamic banking to have a 40% market share by 2020, the takaful industry is set to grow in tandem. It is expected that the market will continue to register growth in 2018, and the takaful sector will continue to outperform the conventional insurance sector.

During the year, the BNM has officially launched a new initiative with *Industri Perlindungan Tenang*. The programme aims to reach out to the underserved market, particularly for B40 households/ first time insurance buyers and microenterprises. Insurers and takaful operators are developing new products with changes

Enabling Environment for VBI



to distribution, underwriting, claims administration and other ongoing operations and servicing requirements to ensure these products are affordable, accessible as well as easy to understand. The industry will also be embarking on commission free critical illness and medical & health insurance via direct channels.

Therefore customers will have more choices of coverage in year 2018, and it is expected that the industry will continue to invest in digital platforms, in conjunction with BNM's LIFE framework requirements and effort to drive Malaysia towards a cashless society.

Strategic initiatives under the LIFE Framework will continue to drive growth and change the landscape of the insurance and takaful industry. Under the LIFE framework, the industry will implement the Balanced Score Card ("BSC") in year 2018 as a remuneration basis for agents. It is expected that the BSC shall drive agents to serve the customers more professionally. Similarly, the BSC remuneration will be implemented for bancassurance/bancatakaful advisory products in 2019.

Developments in domestic securities sector

Global and domestic economic conditions, corporate earnings growth as well as interest rate movements have been undoubtedly challenging to the equity market. After three consecutive years of net foreign outflow totaling RM28.9 billion from the Malaysian equity market, foreign investors have turned into a net buyer amounting to RM11.1 billion in 2017. The FBMKLCI also surged to 1,796.81 points, closing the year by more than 150 points. Similarly, market volume throughout the year was higher at 641 billion shares from the preceding year of 433 billion, reflecting strong interest in the markets. Despite that, the ongoing competition within the industry, lower brokerage rates from the e-broking business as well as institutional business and the increase in cost of doing business would persistently pose a major hurdle to the stock broking business.

MANAGEMENT DISCUSSION & ANALYSIS

BIMB HOLDINGS BERHAD'S PERFORMANCE REVIEW & OUTLOOK

“Islamic finance, with all its ingrained principles, is highly relevant in a world that is increasingly focused on societal and environmental wellbeing which operates within systems of clear governance.”

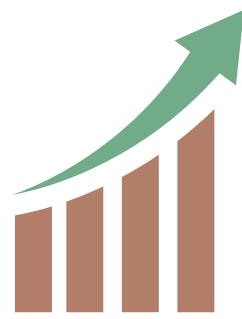
Within 2017's environment of rapid change and heightened regulations, Alhamdulillah, BIMB Holdings Berhad ("the Group" or "BHB") continued to place great emphasis on maximising our financial returns while at the same time ensuring economic benefits for the nation and industry, and social growth for the people and communities. This is aligned with the Government's aspiration under its National Transformation 2050 ("TN50") economic makeover initiative to drive United Nations' Sustainable Development Goals ("SDGs") as well as position Malaysia as an Islamic financial hub and a global marketplace. During the year, the Group has embarked on a digital journey to enhance our customer experience in line with TN50's focus to embrace a digital economy.



Khairul Kamarudin
CEO, BIMB Holdings Berhad

Increase in
Share Price by

4.27%



RM229.3

million dividend
declared in 2017



MANAGEMENT DISCUSSION & ANALYSIS

BIMB HOLDINGS BERHAD'S PERFORMANCE REVIEW & OUTLOOK



The Group has established its journey towards sustainability based on five pillars, which are, responsible finance, inclusive growth, talent enrichment, Islamic finance & knowledge-sharing and ethical practice & reporting, which have been reported in its 2016 Sustainability Report.

These pillars guide the strategies of our three main subsidiaries, Bank Islam Malaysia Berhad ("Bank Islam" or "the Bank"), Syarikat Takaful Malaysia Berhad ("Takaful Malaysia") and BIMB Securities Sdn. Bhd. ("BIMB Securities").

BHB's key operating unit, Bank Islam, serves more than 4.3 million depositors and 700,000 financing customers in Malaysia. It is well-positioned to lead inclusive growth that leverages on the ecosystem of responsible finance. Committed to Bank Negara Malaysia's Value-Based Intermediary ("VBI") initiative, it intends to create value for all stakeholders, with greater emphasis on environment, social and governance ("ESG"). This reinforces the Bank's activities and product offerings

with the *Maqasid Al-Shariah* (Objectives of Shariah). The Bank's sustainability strategy revolves around promoting responsible finance and ensuring equal financial access opportunity for every level of society. At the same time, it plays its role in safeguarding the environment, by providing preferred financing for companies or corporations implementing environmentally-friendly solutions. More emphasis is being placed on the Bank's participation in the real economy that creates job opportunities as well as stimulates an economic multiplier effect.

Takaful Malaysia serves over three million customers. It has stayed focused on its high-performance journey to ensure sustainable top and bottom line growth and innovative Shariah-compliant takaful solutions to the community. In line with the aims of TN50, these takaful solutions are mainly developed for wealth preservation as well as an avenue to contribute to the realisation of a high-income nation. As the leading Takaful Operator, the Company's main focus remains on strengthening its foothold from the perspective of customer reach, operational agility, cost competitiveness as well as maximising its shareholder value. In growing reach and inclusivity, it has also been amplifying its presence through various marketing activities (including online initiatives) as well as promoting its unique proposition of 15% Cash Back for no claims made. Talent management programmes have also been established for the entire organisation in enhancing the Company's service delivery.



BIMB Securities' four main strategic intents are in line with BHB's five pillars. It ensures distribution of wealth through knowledge-sharing and educational information to all its 35 institutional clients and more than 7,000 clients and followers. These knowledge-guided investments will help spur economic growth and create sustainability over the long-term. On 16 August 2017, the Company entered into a Memorandum of Understanding with PT MNC Sekuritas, Indonesia as part of its strategic initiative to expand its footprint into the Indonesian market. The Company also promotes talent development with recruitment of fresh graduates, providing them opportunities to upskill and gain professional certification. Continuous professional development is also a requirement for the licensed personnel in the Company. During the year, BIMB Securities anchored the inaugural Shariah Investing Fair 2017, an initiative by Bursa Malaysia-i as part of its commitment to help increase financial literacy and inculcate an investing culture in a Shariah-compliant manner amongst Malaysians.

SUSTAINING EXCELLENCE

During the year, BHB's continued excellence in sustainable business operations and contributions to the financial industry was recognised by three prestigious awards – Best Sustainability Strategies and Best Sustainability Report awards at the Asia Sustainability Excellence Awards 2017 on 2 August 2017; and Silver (Highest Growth in Profit after Tax over Three Years) award in the Finance Sector (Below RM10 Billion Market Cap) at the The Edge Billion Ringgit Club Corporate Awards 2017 event held on 21 August 2017. These were in addition to the myriad awards earned by our subsidiary companies during the year.

These achievements truly illustrate our practice of the 'Triple Bottom Line' principle, which calls for social and environmental aspects to be taken into consideration in addition to the Group's financial performance.

Note: Bank Islam awards are listed on page 57, Takaful Malaysia's awards on page 59 and BIMB Securities' award is listed on page 62 of this report.

ADVANCING TECHNOLOGY & DIGITALISATION

While the awards acknowledged the consistency and focus of BHB's sustainability strategy as aligned with globally accepted standards, they were also a recognition of the Group's progressive nature. New initiatives are continuously being initiated such as our focus on optimising digital technology. By embracing digitalisation, we aim to facilitate the development of next

generation financial products, meet the needs of the investing communities, reinvent customers' experience and drive a digital culture among our workforce.

At the inaugural Shariah Investing Fair 2017, the Group displayed its range of technology-driven investment products and services such as Global Dividend Fund 1 (the No. 1 Islamic Global Equity fund utilising Artificial Intelligence and Big Data analytic technology in stock selection to ensure optimum returns and manageable risks); Bank Islam's Restricted Investment Account ("RIA") products offered through Investment Account Platform ("IAP") (a new concept in Islamic financial services offerings that leverages on the inherent digital features of an online platform); Takaful Malaysia's "Click for Cover" online solution (a secure online platform with a host of comprehensive features that enable customers to easily apply, participate and engage in Takaful services at their convenience); and BIMB Securities' online trading platform, BISONline 2.0 (a mobile friendly platform that allows users to do their trading on a mobile device).

Through its partnership with Arabesque, BIMB Invest has leveraged on artificial intelligence and big data technology in its investment process. This removes human biases and intuition to construct the best combination of stocks from a universe of 77,000 global listed companies to form a portfolio of up to 100 stocks daily by using more than 1,600 selection criteria that process more than 100 billion data points. The systematic and rules-based quantitative investment approaches also takes into account ESG data to invest in companies with sustainable financial future.

These have and will continue to extend the reach of our products and services in line with the Group's core focus on inclusive growth.

ENSURING ROBUST GROUP RISK MANAGEMENT

As a FHC, BHB is responsible for the overall risk management of our subsidiaries. We ensure their risk profiles are contained within set limits and do not compromise the safety and soundness of the Group as a whole. This is being monitored by the Group Risk Management Committee and reported to the Board Risk Committee. In order to fulfil this oversight function during the year under review, we continued to be guided by the outcome of Ernst & Young's gap assessment report, conducted in 2016, on our readiness towards complying with regulatory requirements on financial holding company. The key focus areas included:

- Corporate governance, risk management and internal control;
- Capital adequacy; and
- Prudential requirements, restrictions and limits

MANAGEMENT DISCUSSION & ANALYSIS

BIMB HOLDINGS BERHAD'S PERFORMANCE REVIEW & OUTLOOK

During the year, BHB also appointed Bank Islam's Chief Compliance Officer to oversee and monitor the compliance framework of BHB as a financial holding company. The Group's Risk profile in 2017 continued to be maintained within the risk appetite of each operating unit.

For more information, please refer to the Corporate Governance Overview Statement on page 90.

CAPITAL & LIQUIDITY MANAGEMENT

We achieved a capital adequacy ratio of 13.70% for the year under review, while Bank Islam enjoyed an even higher ratio of 16.44% – both exceeding 2017's requirement of 9.25% by wide margins. Takaful Malaysia continued to be well-capitalised, exceeding minimum industry requirements of 130%. BIMB Securities' capital adequacy ratio as at 31 December 2017 was 18.20 times, exceeding Bursa's minimum requirement of 1.20 times.

As part of our strategy to strengthen our capital base, BHB continued with the dividend reinvestment policy introduced in 2015. From 89.40% of the dividend being reinvested into shares for financial year 2016 ("FY2016"), this year 90.88% of the RM229.3 million dividends declared was reinvested into 55,825,000 new shares. The strong capital adequacy strengthens our ability to grow and underwrite new businesses. This also helps to cushion the impending impact of Malaysian Financial Reporting Standards 9 ("MFRS 9").

During the year, Bank Islam's liquidity coverage ratio was above 100% mainly driven by its continued strategy to expand retail-based deposits. The Bank has also rightsized its funding mix and continued to focus on growing its investment account as part of its capital efficient strategy.

The Bank has outlined core strategies to address Net Stable Funding Ratio ("NSFR") requirements which will be implemented after 1 Jan 2019. NSFR is a liquidity standard that requires banks to maintain a stable funding in relation to the composition of their assets and off-balance sheet activities. This could potentially lead to higher funding costs and further margin compression. On the corporate front, the Bank is in the midst of establishing a RM10 billion sukuk programme, to facilitate issuance of new senior and subordinated sukuk in readiness to comply with NSFR. The Bank also established a RM2 billion Cagamas facility as a long-term alternative funding avenue.

Financial Review

BHB's financial performance is a direct reflection of that of our subsidiaries. Bank Islam, Takaful Malaysia and BIMB Securities continued execution of their strategies to deliver robust

results, all achieving record profits. Based on their prudent yet strategic operations, our subsidiaries were able to deliver on their Key Performance Indicators ("KPIs"), ensuring healthy Group performance.

On the back of a strengthening global and domestic economy in 2017, BHB Group enjoyed a 9.10% growth to deliver highest ever Profit Before Zakat and Tax ("PBZT") of RM948.3 million. Net profit attributable to shareholders rose 10.88% or RM60.8 million to RM619.8 million. The strong performance translated to a pre-tax Return on Equity ("ROE") of 20.76% and after tax ROE of 15.40%, one of highest among listed financial group peers. Pre-tax Return on Assets ("ROA") stood at 1.47%.

Spearheading the Group's profitability, Bank Islam reported a PBZT of RM767.1 million for FY2017, marking a 6.48% (or RM46.7 million) increase over its PBZT in the previous financial year of RM720.4 million. This was driven by higher than expected net financing growth of 7.46%. Takaful Malaysia meanwhile, recorded a PBZT of RM253.7 million for FY2017, a double digit increase of 14.79% as compared with RM221.0 million in the same period last year. BIMB Securities also registered a record PBZT of RM2.1 million.

RETURN TO SHAREHOLDERS

For financial year ended 2017, a single tier dividend of up to RM229.3 million or 14.0 sen per share was declared. The Dividend Reinvestment Plan ("DRP") has been offered to the entire single tier dividend. BHB registered highest DRP with a subscription rate of 90.88% indicating continuous strong commitment and participation by its shareholders.

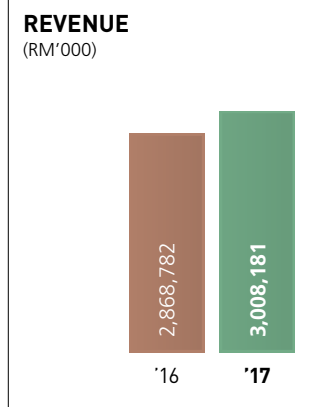
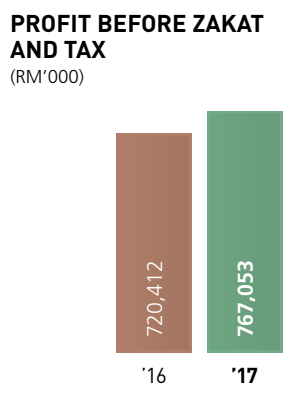
KEY FINANCIAL INDICATORS FOR FY2017

| KPI | FY2017 | FY2016 | TARGET FY2018 |
|------------------------------------|--------|--------|---------------|
| ROE (%) – based on PBT | 20.76 | 21.97 | 17.70 |
| ROA (%) – based on PBT | 1.47 | 1.44 | 1.28 |
| ROE (%) – based on PAT | 15.40 | 15.91 | 12.23 |
| ROA (%) – based on PAT | 1.10 | 1.05 | 0.88 |
| Cost to income ratio (%) | 61.39 | 58.75 | 61.31 |
| Earnings per share (sen) | 37.94 | 35.25 | 31.32 |
| Net tangible assets per share (RM) | 2.77 | 2.44 | 2.77 |

MANAGEMENT DISCUSSION & ANALYSIS

BANK ISLAM MALAYSIA BERHAD'S PERFORMANCE REVIEW & OUTLOOK

In catalysing value, Bank Islam continued to defend its asset quality through cautious and selective asset growth. Focus was also placed on driving deposits while kickstarting its digitalisation journey. Overall results were commendable with most of KPIs achieved. Net income margin remained the highest in the industry at 2.60% and gross impaired financing was the industry's lowest at 0.93%.



2017 Awards

- Best Sustainability and Best Advertising Campaign; Islamic Business & Finance South East Asia Awards 2017
- Most Outstanding Islamic Retail Bank; KLIFF Islamic Finance Awards 2017
- Largest Payment Volume – Islamic Debit Card Award and Highest Payment Volume Growth – Debit Co-Brand Card Award; Visa Malaysia Bank Awards
- Best Customer Experience (DirectDebit); Malaysian e-Payments Excellence Awards 2017
- Highly Commended Award for Best New Product, Service or Innovation Launch; Retail Banker International Asia Trailblazer Awards 2017
- The Asset Triple A Digital Awards for Best Retail Emerging Digital Technologies; The Asset Asian Awards Best Islamic Fintech Deal
- Best Islamic ESG Bank; The Assets Asian Awards 2017
- Company of the Year Award (Banking Category – GLC); CSR Malaysia Awards 2017

- Top 3 Most Popular Graduate Employer in Banking and Financial Services Sector
- Top 20 in Malaysia's 100 Leading Graduate Employers 2017

The Bank deployed a capital efficient strategy for the year to address the increase in minimum regulatory capital requirement from 8.63% in 2016 to 9.25% in 2017, and in view of the impending MFRS 9 to make loan provisions in anticipation of future losses. The capital efficient strategy includes robust risk management, driving secured financing, rightsizing of the balance sheet, continued growth of investment accounts ("IAs") and prudent dividend policy. The Bank also stayed cautious and selective with its asset growth by implementing necessary measures in its approval processes as well as putting in efforts towards effective collection and recovery processes. Asset quality remained resilient as a result of the Bank's continued vigilance in proactive account monitoring and prudent underwriting standards. Focus remained on the growth momentum in the retail market place via the Bank's responsible financing agenda. Dedicated resources were allocated to increase its exposure and market share in SME segments; particularly vendor/supply chain financing.

Staying defensive also meant retaining the Bank's most valuable assets – its talent. During the year, the Bank continued to invest in talent development and career planning initiatives under the Growing our Own Timber programme. It also continued to build capability and capacity while further developing its brand as a leader in Islamic Banking that ranked Top 3 Most Popular Graduate Employer in the Banking and Financial Services Sector and Top 20 Graduate Employer for 2017, putting the Bank amongst the country's top recruiters. As a result of the capability and capacity building programmes, a total of 216 employees obtained various professional certification in 2017.

Bank Islam also geared up its digitalisation initiatives in 2017 by establishing a Digital Banking division to lead the Bank forward in targeting the millennial generation and boost financial inclusion by overcoming cost and physical barriers.

On 2 August 2017, the Bank took another big leap towards digitalisation with its strategic collaboration with Cognizant, a leading global business and technology consulting firm based in US, to lay the foundation of digital banking platform across the Bank's entire network. This will enable the Bank to apply digital technology to our products and services, bring greater accessibility to our customers, as well as improve customers' banking experience. The Bank also partnered with Ethis Ventures Sdn Bhd, the first licensed Islamic crowdfunding platform by the Securities Commission, to drive the Bank's social finance initiative for the underserved sectors via

MANAGEMENT DISCUSSION & ANALYSIS

BANK ISLAM MALAYSIA BERHAD'S PERFORMANCE REVIEW & OUTLOOK

Sadaqa House. To date, Sadaqa House has identified three key projects, namely, financial assistance to selected Institut Jantung Negara ("IJN") patients undergoing heart surgery; a partnership with Universiti Teknologi Malaysia ("UTM") to install solar systems for the 'orang asal' community; and construction of fish drying cabins for the fishermen community in collaboration with Technology Park Malaysia ("TPM").

Going forward, Bank Islam is also looking at entering another collaboration with a FinTech company to enhance its capability to serve SMEs. Towards this end, during the year, the Bank decided to transform 10 of its Automobile Financing Centres into new SME centres to serve existing and potential entrepreneurs. As at 31 December 2017, the Bank is actively financing 1,264 SME customers.

FINANCIAL PERFORMANCE

Bank Islam reported a PBZT of RM767.1 million for FY2017, an increase of RM46.7 million or 6.48% over the PBZT of the previous financial year of RM720.4 million.

This was primarily driven by the strong financing growth of 7.46% which was almost double the industry's average financing growth of 4.26% in 2017. Financing grew RM2.9 billion to reach RM42.1 billion as at 31 December 2017 with the asset quality remaining strong and resilient, despite the competitive banking landscape.

The strong asset quality was reflected in the improvement of the gross impaired financing ratio of 0.93% as at 31 December 2017, lower than the 0.98% registered as at 31 December 2016. The Bank's financing loss coverage ratio stood at 160%, significantly higher than the industry average of 82.90%.

On the funding side, the Bank's customer deposits and investment accounts stood at RM46.2 billion and RM4.3 billion as at 31 December 2017 with a year-on-year increase of RM0.3 billion and RM0.5 billion respectively. The Current and Savings ("CASA") and IA without maturity, low cost deposits/IA ratio stood at 34.62%, higher than the 31.46% registered as at 31 December 2016. The Bank's funding position also remained healthy with the financing to available funds ratio of 81.41% compared to 77.31% in the previous year.

The Bank's pre-tax ROE was 16.42% and after-tax ROE was 12.12%.

MOVING FORWARD

For 2018, the Bank's corporate direction is premised on the over-arching themes of VBI. VBI is at the heart of the Bank's business model, to deliver a sustainable performance with a strategic focus to support economic, social and environmental development.

This will involve a continued focus on providing access to financing, in supporting viable infrastructure projects that promote the economic growth by creating new business and job opportunities to the country. Shariah rules and principles remain fundamental to the Bank's direction along with the new Triple Bottom Line approach embedded in all operating principles. This forms part of our sustainability agenda.

The Bank will focus on optimising its risks and returns, resource and productivity as well as its franchise value, which is underpinned by a disciplined balance sheet management. This is to sustain net income margin, preserve asset quality as well as to minimise financial impact arising from the implementation of MFSR 9 in 2018 and the upcoming NSFR requirements.

The Bank will stay on course with its strategy to collaborate with FinTech companies in enhancing its reach and spurring innovation. Digital banking agenda has been formulated to enhance to the Bank's customer experience and optimise its distribution channel to be more cost effective. It will also continue to invest in its people, to build a strong compliance and risk culture as well as enhance its capability and capacity as one of the key players in the Islamic Finance world.

2018 Strategic Priorities

- New business model based on VBI – grow responsibly and reposition balance sheet with greater exposure to real economy
- Realignment of product offerings to reflect a more consumer centric purpose
- Credit scoring model that discourages over leveraging
- Responsible employer that optimises its talent pool and provides competitive remuneration.
- Provide opportunity for underprivileged and handicapped to be part of the Bank Islam team
- Promote thought leadership and position as a learning organisation
- Seek sustainable suppliers that are aligned with its new DNA as a VBI



MANAGEMENT DISCUSSION & ANALYSIS

SYARIKAT TAKAFUL MALAYSIA BERHAD'S PERFORMANCE REVIEW & OUTLOOK

Takaful Malaysia's wide product range, strong operational support and services, and its professional sales team continue to make it an outstanding market player. Within an increasingly competitive industry, Takaful Malaysia is committed to catalysing further value through a digital strategy to provide more distinctive, value-added, efficient and flexible services.

2017 Key Awards

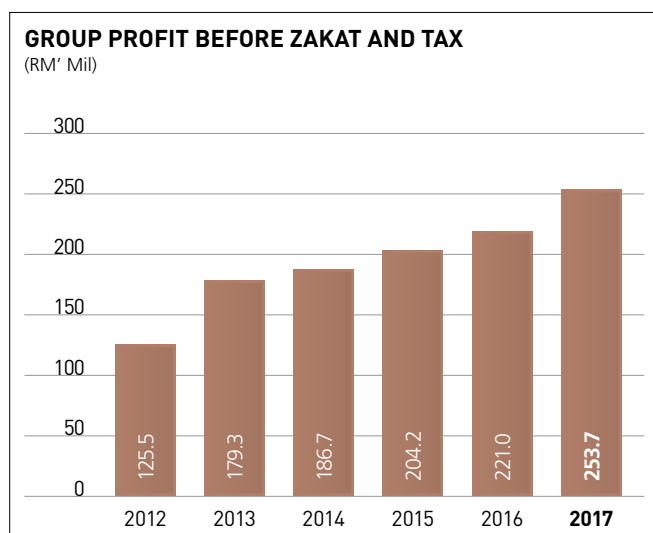
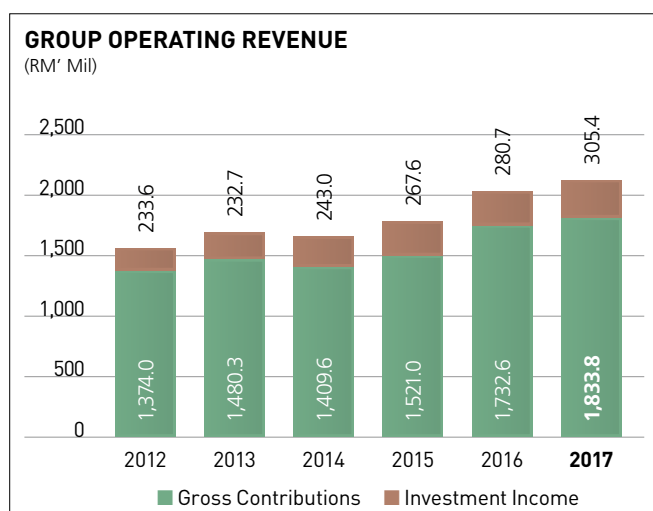
- "Best Takaful Company in Malaysia" award at the 11th International Takaful Awards 2017 in London
- The Edge-BRC Highest Returns to Shareholders Over Three Years Gold Award under the Finance Sector
- The Edge-BRC Highest Return on Equity Over Three Years Silver Award under the Finance Sector
- HR Asia's Best Companies to Work for in Asia 2017 Award
- 2017 SHARE/GUIDE ICT Award

Market competition in 2017 was amplified by the uncertainty of the economic environment and the emergence of digital disruption. The business growth of credit-related business was also challenged by Malaysia's slower loan growth rate, competitive pricing and higher claim ratio. Despite these challenging factors, Takaful Malaysia has managed to maintain its major market position and achieve positive underwriting results. The Company managed to further grow its bancassurance business by 30% through its strengthened partnership with its bank partners, and product penetration strategy to increase business from other existing bank partners. The commendable earning growth emanates predominantly from robust contribution from its Family Takaful business.

Another key distribution channel for Takaful Malaysia's credit related business came from its participation as a panel Takaful provider for Lembaga Pembiayaan Perumahan Sektor Awam ("LPPSA") that provides Mortgage Takaful protection to government servants. Takaful Malaysia maintained its top market position in the takaful business from the mortgage provided by LPPSA as the Company focused on strong branding, and various outreach programmes to reach out to civil servants to create brand awareness and provide groundwork support for the loan applicants and developers.

During the year, Takaful Malaysia made a commercial decision to review its Individual Investment-Linked Medical Takaful product to ensure pricing adequacy for future medical costs, taking into consideration the current deteriorating claims experience as well as rising medical costs which increased by more than 15% per annum and the impact of the Goods and Services Tax.

The market environment for employee benefits continued to be very competitive in 2017. Aggressive price war was one of the key challenges in maintaining market position while ensuring adequate pricing. However, the Company has been very careful in accepting business with stringent pricing controls to ensure the sustainability of the employee benefits business in the long-term. As part of our strategy to further penetrate the employee benefits market, it specially developed a unique top-up medical



MANAGEMENT DISCUSSION & ANALYSIS

SYARIKAT TAKAFUL MALAYSIA BERHAD'S PERFORMANCE REVIEW & OUTLOOK

plan specially targeting corporate clients who wish to provide an option to their employees to supplement their existing employee benefits schemes whilst at the same time manage health costs.

Effective July 2017, motor detariffication has also led to increased competition. To avoid falling into a price war, the Company enhanced its motor product, provided more competitive pricing for certain segments with good claims experience, and continued with its 15% Cash Back campaign as no claim reward, in order to attract the right customer segments. In readiness for the upcoming detariffication in fire insurance, Takaful Malaysia also embarked on new product development initiatives to offer three new fire products with enhanced features to be introduced in early 2018.

Leveraging on the opportunities provided by digitalisation, Takaful Malaysia successfully implemented its Click for Cover online sales portal to the public for its motor takaful and personal accident plans. This online sales portal has complete digital processes for all promotions, queries and enrolment to renewals and claims processing; giving a hassle-free experience to both the employers and their employees. This digital effort was also in line with BNM's initiative for diversification of distribution channels to make protection more accessible and affordable to the public under the liberalisation of life and family takaful market. In supporting this initiative, the Company also launched its direct term plan whereby customers can now walk-in to any of the Takaful *myCare* Centres to apply for this plan directly.

On its investment front, Takaful Malaysia adhered to prudent and vigilant investment strategies. The strategic asset allocation has been skewed towards achieving long-term returns while minimising the volatility and value at risk of the managed portfolios. As for equity investment, focus was placed on stocks with good fundamentals, stable historical income, strong management team, long-term earnings visibility and solid balance sheet.

FINANCIAL PERFORMANCE

Takaful Malaysia recorded a PBZT of RM253.7 million for FY2017, an increase of 14.79% compared to RM221.0 million achieved the previous year. Net Return on Equity ("ROE") was 26.72% as compared to 24.88% in 2016.

Takaful Malaysia's operating revenue rose 6.25% in FY2017 to RM2.1 billion from RM2.0 billion in the preceding year. The increase was mainly attributed to higher sales generated by both Family Takaful and General Takaful business.

For FY2017, Family Takaful generated gross earned contributions of RM1.3 billion, an increase of 2.85% compared to RM1.2 billion in FY2016. The increase was due to higher sales from Family Takaful mortgage related products.

General Takaful recorded gross earned contributions of RM554.2 million, an increase of 11.15%, compared to RM498.6 million achieved in the previous year. The growth was mainly from fire and motor classes.

The improvement of revenue and profit were mainly attributable to higher earnings generated by the Family Takaful business and better underwriting results, in addition to higher net Wakalah fee income arising from our robust business growth in the General Takaful business.

Outlook

The changing outlook ahead for Malaysia's insurance industry is likely to have an impact on Takaful Malaysia's financial performance in 2018. However, since the launch of the transformation programme in 2009, the Company has been resilient in achieving sustainable top and bottom line growth over the years. Takaful Malaysia is confident that with effective execution of the strategies planned for the year, the Company's premium income and earnings will continue to grow in 2018.

Takaful Malaysia in 2018 will remain focused on sustaining its position as the market leader in the Family Takaful business whilst expanding its market share in the General Takaful business to establish a strong foothold in the industry. The Company will continue to enhance its digital capability to increase its product and service accessibility to the consumers by intensifying its online marketing initiatives.

The Company will also embark on multiple digital initiatives to further develop 'customer centric' value propositions to remain competitive in the industry. The Company will carry out its key initiatives, including an active management strategy as well as prudent investment and underwriting activities to deliver sustainable results for its shareholders and promote financial security to its customers. It will amplify its brand presence and the 15% Cash Back offered to its customers for making no claims during the coverage period. Takaful Malaysia will continue to emphasise the four core areas of customer reach, operational agility, cost competitiveness and stakeholder confidence to firmly establish the Company as the preferred choice for insurance/takaful amongst consumers.

Moving ahead, Takaful Malaysia is exploring more partnerships with major financial institutions, improving its sales strategies with more attractive sales incentives and aggressive effort on product innovation and development. This is part of the Company's continuing effort to provide its customers with better financial solutions. The Company's primary focus in the past centered on credit protection products. Going forward, its partnership with financial institutions with wider product offering particularly in the personal line of products will be the key in maintaining a competitive edge in the insurance industry. To date, the Company has formed partnerships with RHB Islamic, Affin Islamic and Ambank Islamic to help boost sales and ensure sustainable revenue.

Takaful Malaysia will also prioritise the development of digital products and services to cater for the changing demands of customers who want better and more convenient access to Takaful products. Online channel provides cost savings and premium advantage. Our "Click for Cover" online portal aims to provide a more convenient yet affordable online application process along with delivering superior customer experience, which suits our fast-changing digital society. Additionally, the Company has further enhanced distribution capability in building more professional and productive sales force to increase our market penetration rate. More importantly, the Company is expanding its product suite to provide more options with greater convenience to its customers.

2018 Strategic Priorities:

- Digital transformation to support business growth and customer centricity
- Strengthen multi-channel distribution via cross selling
- Increase market penetration share by recruiting more professional productive sales force and expanding bank partners
- Well-balanced asset portfolio mix to achieve stable and adequate investment income
- Ongoing talent management and disciplined expense management to ensure cost efficiency
- Create the best digital footprint by partnering with FinTech players and embracing social and digital marketing
- Focus on profitable product lines (such as fire business) and continue with cash back campaign
- Launch new fire products in early 2018 with additional features



MANAGEMENT DISCUSSION & ANALYSIS

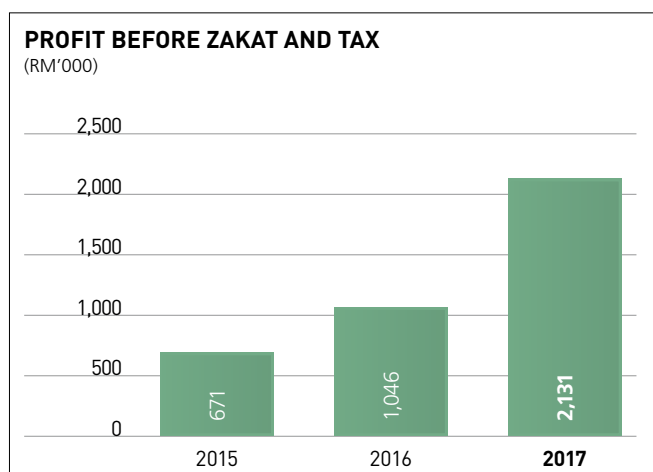
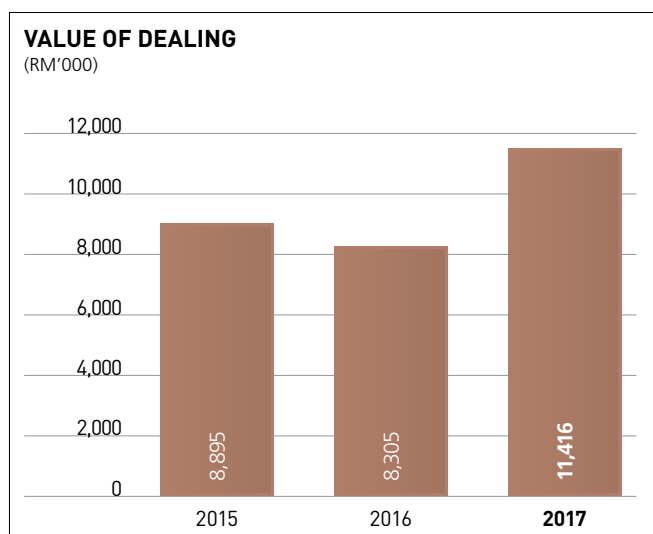
BIMB SECURITIES SDN BHD'S PERFORMANCE REVIEW & OUTLOOK

In providing value-added services to its clients, BIMB Securities catalysed improvements in its main core business and retail dealing activities. Through an increase in brokerage income and cautious spending throughout 2017, its profit grew substantially by 357%.

2017 Key Awards

1st Runner Up 2017 Best Overall Bursa Malaysia-i Participating Organisation

Financial



2017 Highlights

- Integrated trades via BTX, Bloomberg and OMGEO to facilitate institutional clients in reconciling their orders
- Enhanced ePayment by including BIMB FPX (Financial Process Exchange) services with MyClear
- Rolled out BISonline 2.0, the new Mobile Trading System for Internet Trading
- Rolled out multi browser for Internet Trading BISonline platform
- Rolled out the eLearning module for staff with the first eTraining on Anti Money Laundering Act ("AMLA") for all staff, remisiers and Board of Directors
- Signed Memorandum of Understanding with PT MNC Sekuritas, Indonesia

After three consecutive years of net foreign outflow totaling RM29.5 billion and consecutive declines on the FBMKLCI from the Malaysian Equity market, investors approached 2017 with a more cautious stance. Market volume throughout the year was relatively small with average daily volume trading at only between 1.6 to 3.9 billion shares. Within this landscape, BIMB Securities continued to build on its institutional and retail clientele base and promote the development of the Shariah capital market.

Improvements in retail dealing services through personalised services of market updates and workshop sessions to its retail clients catalysed a substantial increase in the retail dealing income in 2017. Clients were given free Fundamental and Technical workshops, besides daily updates via social media.

Meanwhile, institutional dealing provided knowledge-sharing and teach-ins sessions as well as arranged for company visits to PLCs for its institutional clients comprising mainly the GLICs and GLCS.

BIMB Securities continued to enhance its marketing of Shariah Advisory services and visibility in Shariah investing with its collaborations with Bursa Malaysia.

The Company provided comprehensive research reports to its institutional clients with coverage on key large-capitalisation companies listed on Bursa Malaysia, and also generated new ideas on mid and small-sized stocks. The research team also introduced Shariah status review section in its reports.

In 2017, BIMB Securities was able to offer bigger volume of share offerings to our institutional clients either through on market or off market transactions to generate more business.



FINANCIAL PERFORMANCE

BIMB Securities recorded a PBZT of RM2.1 million in FY2017, an increase of 103.82% compared to RM1.0 million achieved the previous year; on the back of successful Retail Dealing strategies and continuous support from the institutional clients.

Total Gross Dealing income increased by 17.85% as compared to FY2016 with substantial increase in Retail Dealing by 72.03%. Value of Dealing for FY2017 increased by 37.45% to RM11.4 billion as compared to RM8.3 billion previously. Total Non-Dealing Income increased by 24.11% as compared to FY2016. These had contributed to a 357.05% spike in PAZT of RM1.8 million.

MOVING FORWARD

Global and domestic economic conditions, corporate earnings growth as well as overnight policy rate movements globally and domestically will provide continuous challenges to the equity market. Ongoing competition within the industry, lower brokerage rates from e-broking business as well as institutional business and the increase in cost of doing business further add up to the challenges. However, the ability to adapt to the changing business environment and being able to create more volume of trades would provide opportunity for the industry.

BIMB Securities will continue with its efforts to facilitate institutional and retail clients with stock ideas and research reports to continuously grow its business. Focus on online broking business will be intensified to activate more clients and at the same time encourage more trades from existing clients. Improvements in process automation to enhance efficiency are also ongoing throughout 2018.

2018 Strategic Priorities:

- Improve Tier Ranking with institutional clients with close teamwork of Institutional Dealing and Research
- Increase active retail clients
- Increase coverage of stocks and sectors
- Trading capabilities with Indonesian party and initiate Philippines and Thailand markets
- Continuous thematic knowledge-sharing for institutional clients
- Provide efficient financial management support to all stakeholders
- Continuous assurance on Shariah and regulation requirements to all stakeholders
- Leverage on BISonline 2.0 platform to expand retail business
- Improve processes via automation
- Build and nurture a learned retail dealers and research team
- Continuous assurance of Zero Regulatory and Shariah Non-Compliance

MANAGEMENT DISCUSSION & ANALYSIS

2018 STRATEGIC JOURNEY

Moving ahead on our sustainability journey, the Group remains focused on our Five Key pillars and will explore opportunities aligned to these priorities.

In **Islamic Finance & Knowledge-Sharing** the Group actively takes the lead in advancing the industry by propagating and sharing our wealth and experience to create a learned society and by staying committed to the plans and programmes implemented by industry regulators. We are keen to maintain a powerful voice of influence in the industry, and be a major driver in moulding the industry's future direction to our ideals.

This creates an avenue for us to gain traction when opportunities emerge in the regional and global market, based on our reputation; and helps create a skilled and ready external talent pool to ensure the sustainability of the industry.

We are mindful that this will also expose us to increased scrutiny and expectation by relevant stakeholders, resulting in possible loss of trust and reputational risk. To mitigate this risk we stay guided to our values and good governance.

In the market, we continue to create a stronger Group franchise by organising joint stakeholder engagement events, such as analyst briefings, media treasure hunts and corporate responsibility ("CR") initiatives. BHB corporate website further reinforces a united Group front by presenting easy links to the Bank Islam, Takaful Malaysia and BIMB Securities sites, with relevant news and updates from our subsidiaries on the home page. These serve to further underscore our integrated strength, and BHB's status as an FHC, in the minds of our various stakeholders.

The BHB Group had an active year participating and contributing in industry events, seminars and panel discussions. These include events by Securities Industry Development Corporation, the Sustainable Brands Conference, Bursa Shariah Investing Fair 2017, Karnival Kewangan (Kuala Lumpur and Sarawak) and Executive Forum Series on Investment Account by Bank Negara Malaysia and the Kuala Lumpur Islamic Finance Forum ("KLIFF") 2017. Moving forward we will continue to stay committed to such industry events in building relationships among peer organisations and creating presence of our brand and philosophy in the marketplace.



With our focus on **Responsible Finance** we have the opportunity to redefine the scope of the Islamic financial sector by keeping in touch with global trends and sentiments of a new generation of consumers. Going forward, Bank Islam intends to develop FinTech services targeted towards the retail banking and SME segments powered by its strategic collaboration with US-based Cognizant. By partnering with Cognizant to build a digitalised banking space, Bank Islam shall jointly develop FinTech solutions, such as peer-to-peer financing, crowdfunding, mobile payments, wealth management, and remittance platforms to develop innovative products and services at competitive pricing.

Through **Inclusive Growth**, we reinforce our commitment to TN50 aspirations by identifying largely untapped markets for the underserved and placing resources in developing new financial products and services. In 2018, this will include a focus on SMEs, towards which Bank Islam has established an SME Banking division. The Bank will soon introduce 10 newly-transformed SME Centres nationwide to assist entrepreneurs in their business financing needs. Bank Islam is also in the midst of collaborating with a higher learning institution to develop a structured training module for SMEs particularly in the areas of financial management and discipline. The cost will be borne by the Bank as part of its contribution to the VBI agenda. Through digitalisation, Bank Islam will be able to accelerate SME banking by providing business solutions for operational and expansion needs. Bank Islam will also be able to rapidly tap into the rural, underbanked segments and boost financial inclusion by overcoming cost and physical barriers.

Takaful Malaysia is also making great strides in its digital journey with its recent partnership with Fusionex International, a market leader in data technology, analytics and artificial intelligence; and ReMark International, a digital marketing specialist company. The launch of its “Click for Cover” portal is just the beginning of multiple digital initiatives, including systems integration with key business partners, further online self-service options, and a mobile application, as part of a holistic digital strategy plan to attract new customer segments, and increase margins and market share. Collaboration agreements for online distribution with Lembaga Tabung Haji (“LTH”) and Bank Islam were also signed in 2018 to introduce online Takaful products to depositors of LTH and customers of the Bank.

The implementation of these new delivery systems will lead to cost escalation, however in this data-driven age, we believe embracing data technology is crucial to remain relevant, competitive and scale to greater heights. Innovation needs to be at the core of businesses, as this differentiates the leaders from the followers.

In **Talent Enrichment**, we will continue to nurture our employees as valuable assets and create a talented workforce well-versed and invested with the Group’s beliefs and principles. We intend to increase productivity of our workforce by aligning our sustainable practices with best culture practices such as the establishment of clear direction, priorities and goals. We have also invested substantially in the career development of our staff in order to create a highly professional and customer-centric organisation. Employees at different levels in the organisation are provided professional training and development programmes that commensurate with their roles and responsibilities, to further enhance their competencies, skills and ability to drive the Group towards our business goals.

In addressing risk of internal talents moving to serve competitors or other corporations, the Group invests in Employee Value Proposition initiatives to help retain its talent. To date, staff retention is commendable at 97.3%.

Enhancing our credibility as the leading Islamic financial institution, we are intent on committing to **Ethical Practice & Reporting**. Towards this end we continue to intensify efforts to inculcate a Shariah-compliant mindset and culture within BHB to enhance the manner in which management and employees interact with each other as well as with our external stakeholders. In the process, we are building important relationships based on trust and respect internally as well as externally, further enhancing our corporate reputation and brand.

Last but not least, leveraging on our strength as a holding company, we will advance by creating more opportunities for our respective subsidiaries to increase their customer base by leveraging on the unique business portfolios offered within the Group. Where possible, we share resources among our operating units to enhance efficiency in delivering products and services. This increases the prospect for our respective subsidiaries to cross share knowledge and gain new perspectives, as well as innovate new possibilities in service delivery.