

BANK ISLAM

40 1983-2023
YEARS

INTEGRATED REPORT **2022**



40 Years of Advancing Prosperity for All

About Our Report

Corporate Book

CONTENTS

- Provides a comprehensive overview of the Group's performance for 2022 and the outlook for 2023

REGULATIONS COMPLIED

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

SCOPE AND BOUNDARY OF REPORTING

This Integrated Annual Report (IAR) is produced and published annually and covers our financial and non-financial performance for the reporting period of 1 January 2022 to 31 December 2022 unless otherwise stated.

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

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

REPORTING FRAMEWORKS

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

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

Our **financial statements** for the Financial Year Ended 31 December 2022 have been prepared in accordance with the following:

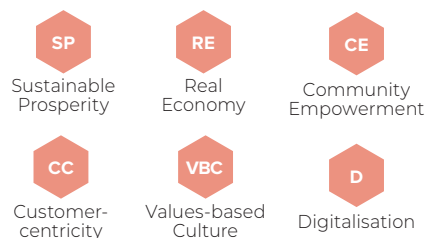
- Malaysian Financial Reporting Standards (MFRS)
- International Financial Reporting Standards (IFRS)
- Companies Act 2016
- Bank Negara Malaysia Policy Documents and Guidelines
- Islamic Financial Services Act 2013

How to navigate our report

CAPITALS



STRATEGIC FOCUS AREAS



KEY RISKS



MATERIAL MATTERS



MATERIALITY AND MATERIAL MATTERS

This report aims to disclose information about matters that substantively affect our ability to create value over the short, medium and long-term and to deliver on our core purpose. A thorough assessment of material issues to BIMB was conducted in 2022. Material issues were identified based on evaluating how we create value, the impact of the external operating context on the value creation, our stakeholders' material interest, and the principal risks facing the Group.

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

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

COMBINED ASSURANCE

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

FORWARD-LOOKING STATEMENTS

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

APPROVAL BY THE BOARD

BIMB's Board acknowledges its responsibility in ensuring the integrity of this IAR, which in the Board's opinion, addresses material issues to the Group's ability to create value and fairly presents BIMB's performance for the year 2022.

This Annual Report for the financial year ended 31 December 2022 was approved by the Board on 19 April 2023, and signed on its behalf by:



Tan Sri Dr Ismail Haji Bakar
Chairman



This report can be accessed online via BIMB website:

<https://www.bankislam.com>

Bank Islam Malaysia Berhad (BIMB) has been at the forefront of advancing prosperity for all our customers for 40 years. As we move forward, we remain committed to our core objective of creating sustainable value for our stakeholders.

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

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

As we celebrate 40 years of advancing prosperity for all, we are proud of our achievements and excited about the opportunities ahead. We remain committed to delivering innovative solutions and unparalleled customer experiences, while staying true to our values of integrity, excellence, and social responsibility.



The cover design features an illustration of a skyline with Bank Islam at the forefront of advancing prosperity for the nation.

Inside Our Report

About Our Report

01

OVERVIEW OF BIMB

- 4 Vision | Mission | Our Brand Promise | TAAT Values | Who We Are | Highlights
- 5 2022 Key Highlights
 - Financial Highlights
 - Business Highlights
 - Sustainability Highlights
- 6 Awards & Recognition
- 7 Our Competitive Advantages
- 8 Our Presence
- 10 What We Do: Core Businesses
- 11 Our Products & Services
- 12 How We Are Structured
- 13 Significant Events 2022

02

KEY MESSAGES

- 16 From the Desk of the Chairman
- 19 Group Chief Executive Officer Statement
- 27 Financial Review by the Group Chief Financial Officer




03

VALUE CREATION AT BIMB

- 30 Our Integrated Approach to Value Creation
- 32 Our Value Creating Business Model
- 34 Performance by Capitals
- 38 Stakeholder Needs and Expectations

40th

Annual General Meeting of Bank Islam Malaysia Berhad

-  Online Broadcast Venue, Level 10, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur
-  Friday, 26 May 2023
-  10.00 a.m

04

MANAGEMENT DISCUSSION AND ANALYSIS

A. STRATEGIC REVIEW

40	Operating Environment
41	Key Market Trends Shaping Our Business
44	Material Matters
48	Key Risks and Mitigations
52	Our Strategic Roadmap: LEAP25
54	Strategic Performance Review
60	Key Performance Indicators

B. PERFORMANCE REVIEW

62	5-Year Financial Summary
63	5-Year Financial Highlights
64	Financial by Contract
65	Segmental Analysis
66	Simplified Statements of Financial Position
67	Statement of Value-added & Distribution
68	Quarterly Performance
69	Financial Calendar

C. BUSINESS REVIEW

70	Consumer Banking
75	Deposits and Cash Management
80	SME Banking
84	Corporate Banking
89	Commercial Banking
95	Treasury and Markets
98	BIMB Investment
104	BIMB Securities

05

SUSTAINABILITY STATEMENT

108	Sustainability Overview
110	Sustainability Dashboard
111	Sustainability @ BIMB
113	Sustainability Governance
115	Economic Impact
122	Environmental Impact
125	Social Impact
142	Good Governance

06

LEADERSHIP

154	Corporate Information
156	Board Composition
157	Board of Directors' Profile
167	Shariah Supervisory Council's Profile
170	Profile of Management Team
176	Heads of Subsidiaries' Profile
177	Organisation Structure

07

ACCOUNTABILITY

178	Corporate Governance Overview Statement
201	Additional Compliance Information
202	Board Audit & Examination Committee (BAEC) Report
208	Statement on Risk Management and Internal Control

08

FINANCIAL STATEMENTS

223	Directors' Report
230	Statement by Directors
231	Report of the Shariah Supervisory Council
237	Statutory Declaration
238	Independent Auditors' Report
242	Statements of Financial Position
243	Statements of Profit or Loss
244	Statements of Other Comprehensive Income
245	Consolidated Statement of Changes in Equity
249	Statements of Cash Flow
253	Notes to the Financial Statements
383	Pillar 3 Disclosure

09

ADDITIONAL INFORMATION

443	Shareholdings' Analysis
446	Properties Owned by BIMB Group
447	Directory of Main and Regional Offices
451	Ar-Rahnu Branches
453	SME Hub
454	Bureau de Change
455	Vehicle Financing Sales Hub
457	Subsidiaries of BIMB Group
458	GRI Context Index
462	Notice of the 40 th Annual General Meeting
469	Statement Accompanying Notice of the 40 th Annual General Meeting
470	Administrative Guide

Form of Proxy

Overview of BIMB

VISION

The bank that advances prosperity for all



MISSION

To provide solutions that deliver value



OUR BRAND PROMISE

Assuring Trust. Delivering Value.



TAAT VALUES

Think Customer
Act with Integrity
Advance Beyond
Take Charge

WHO WE ARE

Bank Islam, Malaysia's first Islamic Bank, was established on 1 July 1983 (20 Ramadan 1403H) and listed on the Main Market of Bursa Malaysia on 8 October 2021 as Malaysia's first publicly listed Islamic bank. A full-fledged and pure-play Islamic bank with 135 branches and over 900 self-service terminals nationwide, Bank Islam provides banking and financial solutions that strictly adhere to the Shariah rules and principles and are committed to the ideals of sustainable prosperity and ESG values. Our core subsidiaries, BIMB Investment Management Berhad and BIMB Securities Sdn Bhd, are pioneers in various Islamic financial services.

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

<https://www.bankislam.com>

HIGHLIGHTS

- ✓ MARKET CAPITALISATION **RM5.9** billion
- ✓ DIVIDEND PAID **13.80** sen
- ✓ REVENUE **RM3.6** billion
- ✓ TOTAL CUSTOMERS **>5.7** million
- ✓ PROFIT BEFORE ZAKAT & TAX **RM746.9** million
- ✓ TOTAL EMPLOYEES **4,744**
- ✓ PRESENCE **135** branches in Malaysia

2022 Key Highlights

FINANCIAL HIGHLIGHTS

PROFIT BEFORE ZAKAT AND TAX
RM746.9
 million
 (2021: RM704.2 million)

TOTAL ASSETS
RM89.9
 billion
 (2021: RM80.2 billion)

GROSS IMPAIRED FINANCING RATIO
1.27%
 (2021: 0.96%)

RETURN ON EQUITY
11.3%
 (2021: 11.1%)

CASATIA RATIO
36.8%
 (2021: 39.6%)

ASSET GROWTH
12.1%
 (2021: 7.4%)

FINANCING GROWTH
11.6%
 (2021: 6.4%)

BUSINESS HIGHLIGHTS



Won **The E-Commerce – Financial Services Award** at the Malaysia Technology Excellence Awards 2022



Expanded **Halal economy financing portfolio** by collaborating with HDC, MATRADE, SME Corp & SME Malaysia



Launched **Be U by Bank Islam**, a fully cloud-native digital banking proposition



30,000 registered users on BEST app involving approximately **RM30 million** in investment

SUSTAINABILITY HIGHLIGHTS

ENVIRONMENTAL



Opened the **1st environment-friendly branch** in the country

ECONOMIC

GREEN FINANCING PORTFOLIO OF
RM2.9
 billion
 (2021: RM2.2 billion)

AMOUNT DISTRIBUTED TO ITEKAD MICROFINANCE PROGRAMME
RM4.65
 million

SOCIAL

EMPLOYEE ENGAGEMENT READINESS INDEX
88%

FUND COLLECTED FOR SADAQA HOUSE
RM7.3
 million



Fully implemented the **BNM Climate Change and Principles-based Taxonomy (CCPT)**

SADAQA HOUSE & AMAL BY BANK ISLAM BENEFICIARIES REACHED

31,608

Awards & Recognition

BANK ISLAM MALAYSIA BERHAD

1. **The BrandLaureate Best Brands Awards 2021-2022**
 - Nation's Pride (SME Development)
2. **Islamic Retail Banking Awards Cambridge IFA**
 - Islamic Retail Banking Leadership Award 2022
3. **PayNet – Compliance Engagement Session 2022**
 - Best Independent Assessment 2021
 - 2nd Place for Retail & Standalone Bank Category
 - Best Independent Assessment 2019
 - 1st Place for Retail Standalone Category
4. **Malaysian E-Payments Excellence Awards 2022 by PayNet:**
 - Best Participant Award
 - Best DirectDebit Bank
 - Best e-Payments Acceptance Growth Award
 - Best JomPay Acquirer
 - Best e-Payments Acceptance Growth Award
 - Best DirectDebit Acquirer (Bank)

5. **Putra Brand Awards 2022**
 - The People's Choice (Bronze), (Banking, Investment & Insurance)
6. **International Business Review ASEAN Awards 2022**
 - Corporate Excellence in the Finance and Investments Sector (Green Financing)
7. **Sustainability and CSR Malaysia Awards 2022**
 - Long-Standing Excellence in Sustainability
 - Bank of The Year (Islamic Banking) for Excellence in Flood and COVID-19 Relief Efforts
8. **The Asset Triple A Islamic Finance Awards 2022:**
 - Best SRI Sukuk (Malaysia)
 - Pengurusan Air Selangor 430 million Ringgit SRI Murabahah Sukuk: Principal Adviser, Lead Arranger, Lead Manager and Shariah Adviser
 - Best New Sukuk (Malaysia)
 - Bank Simpanan Nasional 750 Million Ringgit Triple-Tranche Wakala Sukuk: Lead Manager
9. **Asset Benchmark Research Asian Local Currency Bond Benchmark Review 2022**

Joseph Ng (Bank Islam), Best Individual in Trading, Malaysian Ringgit bond
10. **Commvault Connections 2022**
 - Customer Innovation Awards
 - Finalist
11. **The Red Hat Awards 2022**
 - The Red Hat Innovation Awards for Malaysia

12. Syarikat Jaminan Pembiayaan Perniagaan (SJPP)

- House & Fixed Assets Financing
 - Top participating Bank of Skim Rumah Pertamaku (SRP) (House & Fixed Assets Financing)

BIMB INVESTMENT

1. The Edge ESG Awards 2022

- BIMB-Arabesque Global Shariah-ESG AI Tech MYR – Best Fund Based on Asset Class
 - Equity – Gold
- BIMB-Arabesque Global Shariah-ESG AI Tech MYR
 - Best Overall Winner – Gold

BIMB SECURITIES

1. Bursa Malaysia

- Retail Investor Campaign 2021
 - Top Dealer Category
- Highest Number of New Accounts Opened (Shariah)
 - Farah Fathiah Muzaffar Shah

2. Islamic Market

- 2022 Best Overall Bursa Malaysia-i Participating Organisation
 - 1st Runner Up
 - 2nd Runner Up
- 2022 Best Institutional Bursa Malaysia-i Participating Organisation
 - 1st Runner Up
 - 2nd Runner Up
- 2022 Best Retail Bursa Malaysia-i Participating Organisation
 - 1st Runner Up
 - 2nd Runner Up
- 2022 Best Remisier
 - Muhammad Maherilham Alias (1st Runner Up)
 - Dzulhilman Sulaiman (2nd Runner Up)



Our Competitive Advantages



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



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



Dedicated Centre of Social Finance – **Group Financial Inclusion**



Robust Shariah Governance Framework



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



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



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



Malaysia's Strongest Islamic Retail Bank for 2020 (accorded by Cambridge IFA)



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



Malaysia's Largest Network of Dedicated Islamic Banking Channels



Our Presence

Branches

→ Central Region 45 Branches

-  KUALA LUMPUR
-  SELANGOR
-  PUTRAJAYA






Contact Centres

- Menara Bank Islam
- Wangsa Maju

→ Southern Region 24 Branches

-  JOHOR
-  MELAKA
-  NEGERI SEMBILAN

→ Eastern Region 27 Branches

-  KELANTAN
-  TERENGGANU
-  PAHANG



Green Branch

- Temerloh, Pahang

→ Northern Region 26 Branches

-  KEDAH
-  PERLIS
-  PULAU PINANG
-  PERAK

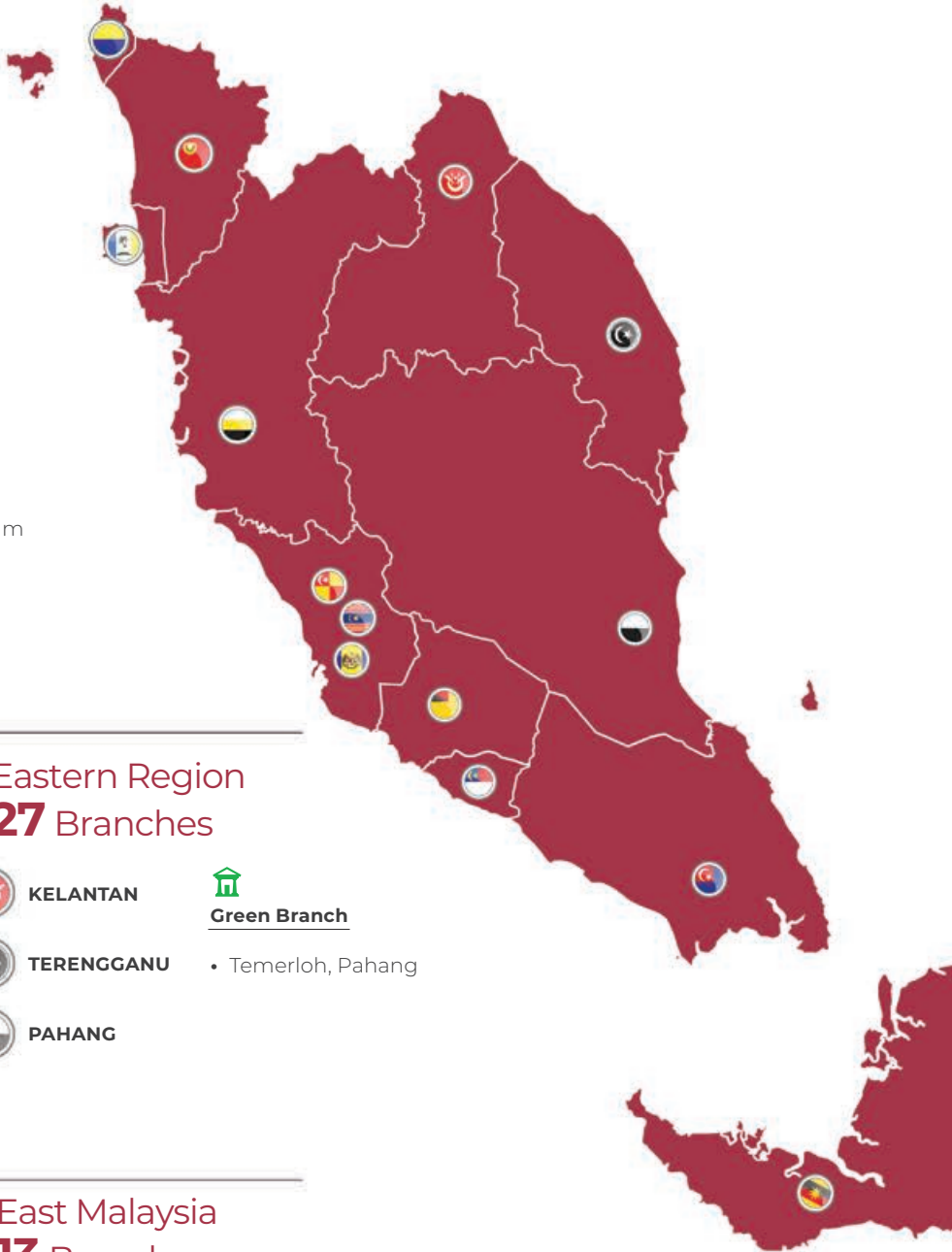


Green Contact Centre

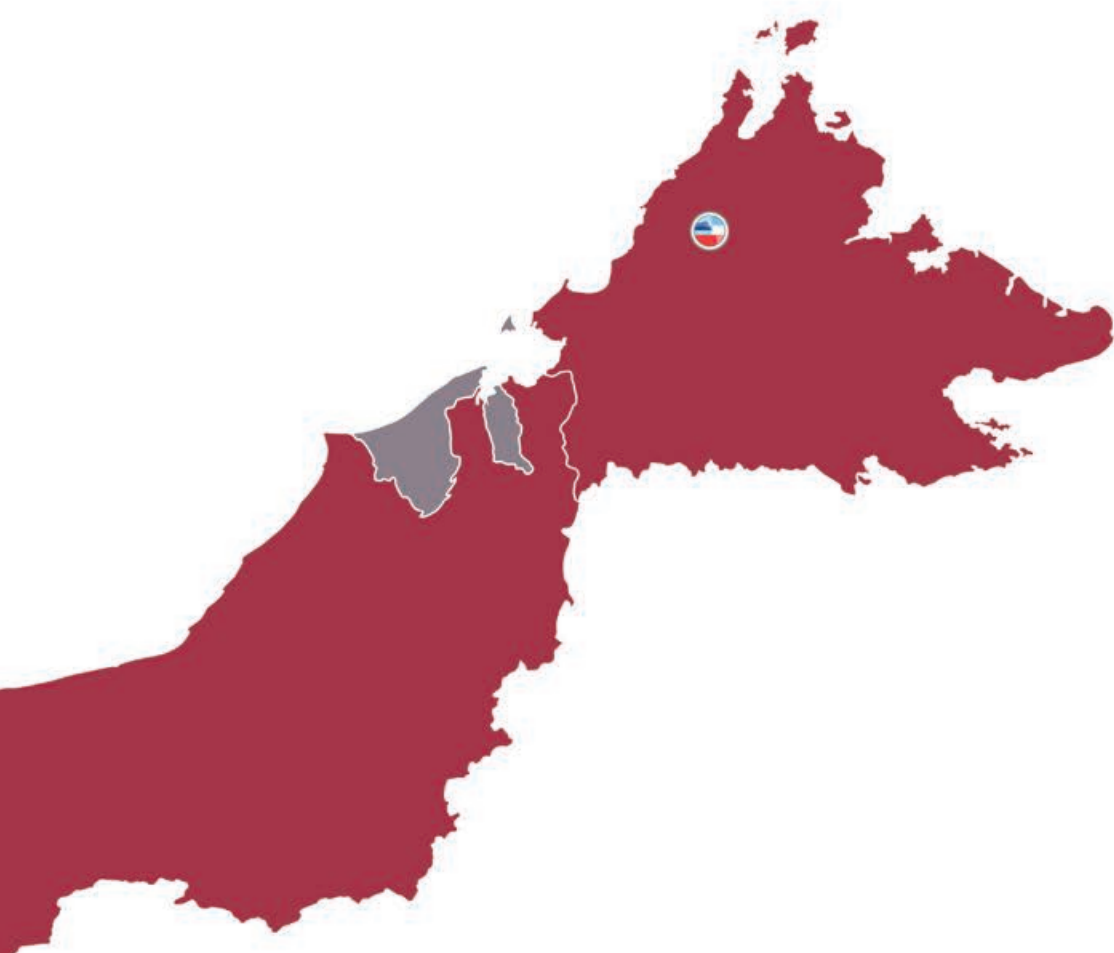
- Sungai Petani, Kedah

→ East Malaysia 13 Branches

-  SABAH
-  SARAWAK



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



WORKFORCE

4,744



TOTAL CUSTOMERS

>5.7 million

**Cash Recycler
Machines (CRM)**

496



**Automated Teller
Machines (ATM)**

451

**Total of Self-service
Terminals (SST)
Nationwide**

947



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

What We Do

Core Businesses

RETAIL BANKING

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

Strengths and Differentiation:

- 1 Competitive financing rates in the market.
- 2 Convenience for customers through our "Doorstep Banking" service.
- 3 Substantial public impression of Al-Awfar products that generate good returns through attractive prizes.
- 4 Award-winning debit card solutions with appealing co-branding initiative.

SME BANKING

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

Strengths and Differentiation:

- 1 Customised financing facilities that cater to different client needs.
- 2 Innovative offers for different customer appetites.
- 3 Strong rapport with strategic partners for comprehensive financial solutions.
- 4 Provision of special programmes to nurture SME entrepreneurs.

COMMERCIAL AND CORPORATE BANKING

1 Trade Financing

- Letter of Credit-i (LC-i)
- Trade Working Capital Financing-i (TWCF-i)
- Accepted Bills-i (AB-i)
- Shipping Guarantee-i (SG-i)
- Bank Guarantee-i (BG-i)
- Foreign Currency Exchange (Forex-i)

2 Working Capital

- Revolving Credit-i
- Business Cash Line-i
- Business Financing-i

3 Term Financing

- Business Financing-i
- AITAB-i

Strengths and Differentiation:

- 1 Provide customised financing solutions and banking services tailored to the client's needs, which support the growth of their businesses whilst maintaining nationwide coverage.
- 2 Innovative offerings for different customer appetites.
- 3 Strong rapport with strategic partners for comprehensive financial solutions.
- 4 Provision of special programs to nurture entrepreneurs.
- 5 Experienced in structured and project financing, especially in the green and renewable energy sector.

TREASURY & MARKETS

- 1 Money Market
- 2 Foreign Exchange (FX)
- 3 Fixed Income Markets
- 4 Structured products

Strengths and Differentiation:

- 1 Highly ranked team of qualified professionals with the required competency to deliver the desired financial results.

CAPITAL MARKETS & CORPORATE ADVISORY

- 1 Origination and execution of Islamic Securities and syndicated financing solutions
- 2 Corporate advisory

Strengths and Differentiation:

- 1 Experienced in facilitating projects as the Lead Arranger and Book Runner

BIMB INVESTMENT

Offers Shariah-ESG funds in Malaysia across multiple asset classes including:

- Global Equities
- Asia Pacific Equities
- Malaysia Equities
- Global ESG Sukuk
- Wakaf unit trust fund

Strengths and Differentiation:

- 1 BIMB Investment offers a comprehensive range of sustainable and responsible investment solutions.
- 2 Upholding Shariah-ESG Values.
- 3 Embracing Big Data and Artificial Intelligence to offer a transparent and superior product with a focus on risk management.

BIMB SECURITIES

- 1 Shariah Advisory Services
- 2 Underwriting and Placement
- 3 Custodian & Nominees Services
- 4 Share Margin Financing
- 5 Trading in Securities
- 6 Investment Advisory-Research & Economic Outlook.

Strengths and Differentiation:

- 1 Offering of personalised products and services at competitive and attractive rates.
- 2 Shariah Advisory services within the Capital Markets.
- 3 The only Islamic securities firm in Malaysia.

Our Product & Services

OUR PRODUCTS

- ✓ Personal Financing
- ✓ House Financing
- ✓ ASB Financing
- ✓ Vehicle Financing
- ✓ SME Financing
- ✓ Credit Card
- ✓ Ar Rahnū
- ✓ Takaful Protection
- ✓ Will Writing
- ✓ Deposit
- ✓ Investment Products

OUR DIGITAL ECOSYSTEM

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

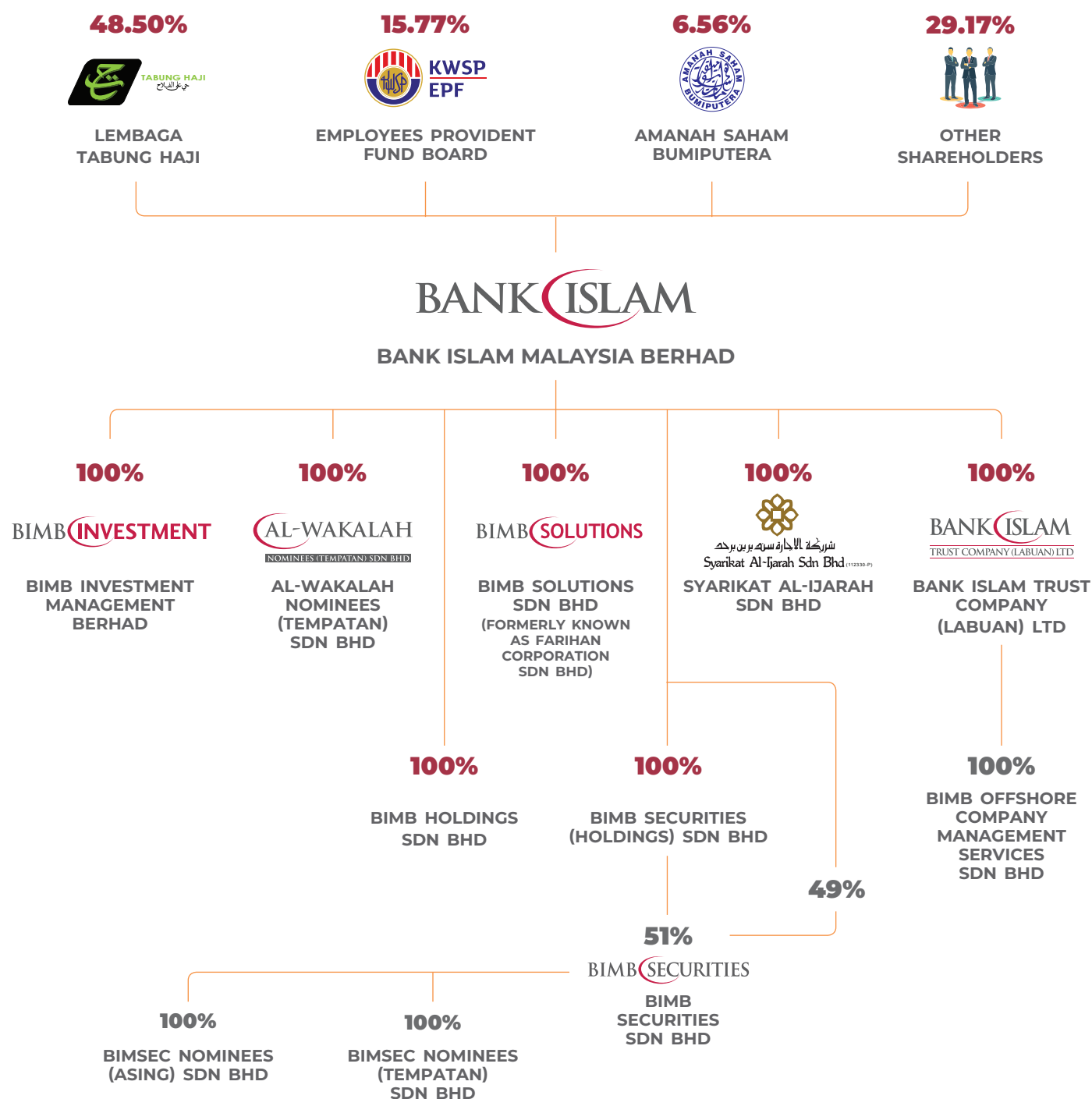
OUR DIGITAL FACILITIES

- ✓ Internet Banking
- ✓ GO by Bank Islam
- ✓ GO Biz by Bank Islam
- ✓ Be U by Bank Islam
- ✓ Sadaqa House
- ✓ SMEXpert
- ✓ eBanker Pro
- ✓ eMasjid
- ✓ Halal Integrated Platform
- ✓ iPortal
- ✓ BEST App
- ✓ BIS Online
- ✓ TruRewards
- ✓ Merchant Portal
- ✓ EZXCCESS
- ✓ Virtual Account Opening (VAO)
- ✓ InfaqPay
- ✓ eJamin (Collaboration with Dapat)
- ✓ Wealth Tech (Collaboration with Arabesque)
- ✓ eWallet services (Collaboration with SnapNPay, kiplePay, GHL, MP@y, ME12PAY)



How We Are Structured

As of 31 March 2023



Significant Events 2022

17 February



MoU Signing Between Bank Islam Malaysia Berhad and Malaysia Institute of Accountant

Bank Islam inks a memorandum of understanding (MoU) and strategic collaboration with three professional associations in the country, including the Malaysian Institute of Accountants, to provide a complete suite of Shariah-compliant financial solutions to its members.

6 March



Launching of Pasar Besar Siti Khadijah's Digital Transformation Programme

Pasar Besar Siti Khadijah's Digital Transformation Programme has succeeded in achieving 80% of its target, which is to encourage merchants to provide cashless payment services.

8 April



Al-Awfar Prize-Giving Ceremony

Four Al-Awfar account holders each won the grand prize worth RM1 million during the 2021 Al-Awfar Draw, while 10 Special Draw winners each received a luxury car consisting of a Mercedes-Benz and a Mazda CX-5 model.

27 May



Launching of Sadaqa House Orphan Fund

As part of our commitment, Bank Islam channelled RM761,000 to three of Sadaqa House's implementation partners, namely OrphanCare Foundation, Pertubuhan Kebajikan Anak Yatim Malaysia (PEYATIM) and Youth Empowerment Foundation (YEF) in support of the children's education. The fund aims to collect RM1 billion by 2040.

15 June



Launching of Bank Islam VISA FIFA-Themed Credit Card-i

Bank Islam, in partnership with Visa, launched the Visa FIFA-themed Credit Card-i to celebrate one of the world's biggest sporting events in 2022. Developed with football fans in mind, the Bank issued 10,000 Limited-Edition Visa FIFA-themed Credit Card-i to attract new card members.

Significant Events 2022

20 June



“Nak Cuti Le Tu...” Campaign Prize-Giving Ceremony

Bank Islam handed over two Proton X50 cars to two of the campaign winners. The campaign, organised from 8 January to 7 April, aims to promote a cashless culture among Bank Islam customers using the services provided by GO by Bank Islam mobile banking app and the Bank’s Internet Banking platform.

14 July



Launch of the Organisational Anti-Corruption Plan 2022-2025

BIMB launched its inaugural Organisational Anti-Corruption Plan (OACP) 2022-2025 to reflect its ongoing commitment to ensuring high conduct, governance and integrity values in all its businesses.

3 October



MoU Signing Between Bank Islam and Malaysian Public Sector Accountants Association (PSA)

Bank Islam and PSA established a strategic partnership to provide complete banking solutions to PSA members across the country covering personal, housing and vehicle financing; credit cards; property management services; deposits and Ar-Rahnu.

23 November



Bank Islam Visa FIFA-Themed Credit Card-i Campaign Prize-Giving Ceremony

Bank Islam announced 192 winners from its Limited-Edition Visa FIFA-Themed Credit Card-i Campaign.

The two grand prize winners travelled to Qatar to watch two World Cup quarter-finals matches and enjoyed additional prizes, including return tickets, accommodation and cash prizes worth RM10,000.

15 August



MoU signing between Bank Islam and The Selangor State Development Corporation (PKNS)

PKNS and Bank Islam signed an MoU to offer Islamic house financing based on the *Tawarruq* principle.

4-6 October



Global Islamic Finance Forum 2022

The Global Islamic Finance Forum 2022 (GIFF2022) aimed to generate an active discourse on the work required to strengthen Islamic finance's global leadership position. Critical discussions revolved around FinTech and digitalisation, zooming in on the journey from open banking to embedded finance and how to build digital financial services in easy steps. Panellists also offered a Shariah take on metaverse assets, cryptocurrency, Islamic social finance, Value-based Intermediation (VBI) and the intersection between sustainability and technology.

7 December



Kempen Pembiayaan ASB-i Prize-Giving Ceremony

Bank Islam gave away 47 prizes worth RM170,000 to its ASB Financing-i 2022 Campaign winners. The campaign aimed to promote Bank Islam's ASB Financing-i products and helping customers build basic savings while maximising their ASB investment returns.

23 December



MoU Signing Between Bank Islam and PPZ-MAIWP

Bank Islam partners with Pusat Pungutan Zakat, Majlis Agama Islam Wilayah Persekutuan (PPZ-MAIWP) to empower entrepreneurs through the iTEKAD Microfinancing Programme.

Under the MoU, micro-entrepreneurs who are PPZ-MAIWP's business tithe payers can apply for iTEKAD microfinancing, subject to eligibility.



In 2022, we launched an Organisational Anti-Corruption Plan, which serves as our guiding principle for reinforcing good governance practices across the organisation.



TAN SRI DR ISMAIL HAJI BAKAR
Chairman

From the Desk of the Chairman

Dear Stakeholders,

Since becoming Malaysia's first listed fully-fledged Islamic bank in 2021, we have made significant progress and maintained our growth momentum. We recorded solid financial returns while prioritising positive social impacts through financing decisions. Our performance demonstrates how businesses, particularly banks, can serve as a force for good. As the leading Islamic bank in the country, we have always balanced our profits with purpose. We strive to provide inclusive and accessible financial services to all segments of society, regardless of belief, to contribute to shared and sustainable prosperity. Our exceptional growth performance has surpassed major players within the industry, inspiring us to continue our mission. With this in mind, it is with pleasure that I share my assessment of the financial year 2022.

REVIEW OF THE YEAR

In 2022, the global economy started strong, with GDP growth rebounding to 3.4% after a V-shaped rebound of 6.3% in 2021. However, the Russia-Ukraine conflict caused humanitarian issues and profoundly affected the global economy, including spiking prices for gold, crude oil, and natural gas, shuddering stock markets, and emphasising the need for clean energy.

Inflation also surged in 2022, with levels not seen since 1996, causing poorer populations worldwide to be squeezed by rising costs for essential goods. Central banks worldwide raised their policy rates to combat inflation, but the pace of rate raises has yet to match inflation levels.

Despite these challenges, Malaysia's GDP growth came in at 8.7% highest in ASEAN for 2022, thanks to the government's decision to reopen international borders in April 2022. Private consumption has surged, and the labour market is well on a recovery trajectory with more jobs and business opportunities.



While the banking sector experienced low margin compression amid a record low overnight policy rate (OPR) of 1.75% in 2021, Bank Negara Malaysia's (BNM) decision to increase the rate by 100bps in 2022 to 2.75% is a positive development. Higher interest rates are generally a boost for banks' margins. However, the increased cost of funds could offset the positive impact due to heightened deposit competition.

Amidst the headwinds, Islamic banking has demonstrated stellar performance, outperforming conventional banking with a ten-year compound annual growth rate of 10.9%. Islamic banking's financing growth surged by 12.4%, powered by the global economy reopening, economic recovery, and higher digitalisation of financial services.

STRENGTHENING OUR INTEGRITY & GOVERNANCE

Good governance is a fundamental part of our organisational culture and is integral to our business sustainability. Our Board of Directors and leadership team are fully committed to ensuring that we have a robust governance framework that protects all our stakeholders' best interests.

In 2022, we launched an Organisational Anti-Corruption Plan, which serves as our guiding principle for reinforcing good governance practices across the organisation. This plan aims to promote transparency, accountability, and responsibility in all our business dealings. It outlines our commitment to compliance with regulatory requirements, ethical conduct, and risk management. The Integrity Plan sets clear expectations for our employees and reinforces the importance of adhering to our core values of integrity, respect, and professionalism.

Through the Integrity Plan, we have imposed measures that ensure a robust risk and compliance culture through persistent and focused efforts towards achieving a sustainable mindset change. We have launched awareness initiatives that aim to instil a risk and compliance culture mindset and provide quick refresher programmes to our first line of defence.

We have also implemented a continuous tracking and monitoring mechanism and empowered our people to drive the embedment of the risk and compliance culture. Our network of Business Risk and Compliance Officers is key to this effort, as they retrain our first line of defence and lead them by example, becoming the first point of contact to support our employees in embedding risk and compliance culture.



Islamic banking has demonstrated stellar performance, outperforming conventional banking with a ten-year compound annual growth rate of 10.9%. Islamic banking's financing growth surged by 12.4%, powered by the global economy reopening, economic recovery, and higher digitalisation of financial services.

In 2023, we will delve deeper into our employees' behavioural patterns to better understand the underlying cause and implement an effective behaviour change intervention programme. This will ensure a sustainable mindset change effort and solidify our commitment to a culture of integrity and compliance.

INTEGRATING SUSTAINABILITY INTO BIMB

Integrating environmental, social, and governance (ESG) principles in the Islamic banking sector is not new. Islamic banking has always been centred on ethical finance and sustainability principles, focusing on social responsibility and community development. As the world shifts towards a more sustainable future, BIMB has taken a leading role in promoting ESG principles within the industry.

BIMB's commitment to ESG is reflected in its strong performance and outpacing its competitors in sustainable finance. Over the past year, we have made remarkable progress in integrating sustainability into our operations, with the strong execution of BIMB's Sustainability Plan. We have launched five sustainability commitments, endorsed governance oversight on sustainability, and established a dedicated Sustainability Project Working Team (SPWT).

From the Desk of the Chairman

At BIMB, we have proactively promoted our ESG capabilities, spearheading a Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) Sectoral guide on waste management, which places us ahead of other industry peers.

Our efforts have not gone unnoticed. In 2022, we were honoured with four prestigious awards at The Asset Triple A Award ceremony, including The Best SRI Sukuk as Principal Adviser, Lead Arranger, Lead Manager, and Shariah Adviser. Our subsidiary, BIMB Investment Management Berhad (BIMB Investment), was named ESG Asset Manager of the Year for the third time.

At the Sustainability & CSR Malaysia Awards 2022, organised by CSR Malaysia, BIMB was recognised for Long-Standing Excellence in Sustainability and Bank of the Year (Islamic Banking) for Excellence in Flood and COVID-19 Relief Efforts. These accolades are a testament to our unwavering commitment to sustainability and social responsibility.

CREATING TRUST AMONGST OUR STAKEHOLDERS

BIMB's practice of stakeholder economy is centred on creating value for all stakeholders. As a responsible and credible bank, we are committed to serving the needs of our customers, employees, communities, and shareholders.

We recognise that employees are key to our success and growth. To future-proof the workforce, the Bank has implemented several measures to ensure that employees have the necessary skills and knowledge to co-evolve with the bank. This year, we launched BIMB's Digital Academy, a one-stop centre for our employees to access learning programmes grounded in practical application to real-world business challenges. Our learning pathways guide their upskilling journey, and we also provide them with references to subject matter experts in digital capabilities and updates on the latest digital skill courses.

Additionally, we remain steadfast in empowering communities, as reflected in LEAP25's strategic theme of "Enriching Communities". Our social initiatives to provide financial access and support to underserved communities through the Sadaqa House charity fund is a testament to our commitment to financial inclusion. We have set a target to channel RM1 billion in funds into Sadaqa House Orphan Fund by 2040, enabling us to support orphans from cradle to graduation. Since 2018, Sadaqa House had raised RM17.4 million in funds, benefitting 16,009 beneficiaries.

While we focus on creating value for all stakeholders, we also maintain our commitment to delivering sustainable and strong returns to our shareholders. We are pleased to report that our shareholders have shown their trust and support by reinvesting their dividends into the bank through our Dividend Reinvestment Plan (DRP), with an almost 90% participation rate. This demonstrates their confidence in our business and our ability to deliver long-term value.

OUTLOOK & ACKNOWLEDGEMENTS

Despite the challenges from 2022 spilling over into the upcoming financial year, BIMB is confident in the country's diverse economic structure and sound fundamentals to cushion growth headwinds in 2023. While a slowdown is inevitable, timely policy interventions can mitigate its impact. However, a moderation in global economic growth coupled with a higher interest rate environment may slow growth momentum and weigh on Islamic Banks' asset quality in 2023.

Nonetheless, BIMB has ensured adequate impairment provisioning levels to manage asset-quality deterioration. Given the improving labour market and still-expanding economy, the growth rate is expected to outpace Conventional Banking performance, with GDP projected to grow by 4.5% during the year.

The Board will continue to guide the Group to remain on track with our transformation strategy. BIMB will remain flexible and agile in a dynamic market. The focus will be on building digital capabilities to become a customer-centric digital bank that offers seamless and innovative products and services. We will also use our financial strength to influence positive environmental and social outcomes towards a sustainable future.

In closing, I would like to express my gratitude to all our stakeholders for their unwavering support. I would like to extend a special thank you to Encik Ridza, our longest-serving board member, for his invaluable contributions to the Bank over the years. We are also grateful to Dato' Sri Khazali for his guidance during the chairmanship of the Board Nomination and Remuneration Committee (BNRC). I would also like to welcome the latest addition to our Board of Directors, the esteemed Dato' Prof Dr Noor Inayah Yaakub. As our newest Independent Non-Executive Director, she brings a wealth of knowledge and experience to the table. With her appointment, we have made significant progress towards our goal of greater gender diversity, with women now making up 30% of the Board.

TAN SRI DR ISMAIL HAJI BAKAR
Chairman

**MOHD MUAZZAM MOHAMED**

Group Chief Executive Officer

Dear Stakeholders,

I am pleased to report BIMB's outstanding performance in 2022, despite the significant headwinds that continue to challenge our ability to serve our stakeholders. Our resilience during these unprecedented times is a testament to our unwavering commitment to helping our customers while achieving our financial goals. Our adherence to Value-based Intermediation (VBI) has been instrumental in our resilience and continued growth. Sustainability has been a fundamental part of our DNA long before it became mainstream in the business environment. This approach has allowed us to navigate social and environmental risks, such as pandemics and climate change, to deliver shared growth and prosperity for our customers and society at large.

Group Chief Executive Officer Statement

THE BANKING LANDSCAPE: OUR STANDING IN THE MARKET

In 2022, Malaysia's banking industry demonstrated strength despite global events and market uncertainties. The net financing growth in the industry has increased by 4.9% year-on-year (YoY), with household, personal, and term financing being the primary drivers of the growth. However, loan indicators such as loan applications and approvals have contracted month-on-month (MoM) in the past two to three months, indicating signs of weakening in the leading loan indicators.

On the other hand, BIMB has outpaced the banking industry's loan expansion, with financing growth mainly contributed by household, personal, and term financing. The growth in outstanding credit card receivables and Ar-Rahnu also climbed 21.5% compared to December 2021. However, the Gross Impaired Financing (GIF) ratio was higher at 1.27% as of December 2022, mainly due to higher impairment incurred in households and business financing. BIMB has implemented adequate measures to manage the GIF ratio and assure stakeholders.

The industry faces challenges posed by vulnerable household and SME borrowers who could not resume loan repayments after exiting the repayment assistance programme and defaults of specific corporate borrowers. Malaysian banks are strong in terms of their liquidity coverage ratio, whereby should the situation affect the liquidity in the market, banks are resilient enough to face the situation.

Group Chief Executive Officer Statement

The banking system recorded healthy liquidity positions, with the aggregate Liquidity Coverage Ratio (LCR) at 154.1% in December 2022 due to sustained deposit growth supporting banks' lending activities. BIMB's LCR was above the industry average at 170.4%, which depicted sufficient liquidity and acted as a financial cushion in uncertain economic conditions. BIMB's capital buffers remained strong, with a total capital ratio of the Group at 19.4% as of the end of December 2022, higher than the industry average, providing the Bank with a better capacity to handle unforeseen losses or financial downturns.

BIMB experienced a deterioration in non-fund-based income (NFBI), primarily from higher marked-to-market losses on investment due to surging bond yields and higher forex revaluation losses caused by shifting market conditions. Nonetheless, the Bank's stronger fees and commission income growth helped to offset the drag in NFBI.

Overall, the domestic financial system is well-positioned to support economic recovery. BIMB remains focused on minimising adverse consequences during this period of uncertainty while proactively seeking growth opportunities.

BIMB's capital buffers remained strong, with a total capital ratio of the Group at 19.4% as of the end of December 2022, higher than the industry average, providing the Bank with better capacity to handle unforeseen losses or financial downturns.



Green Financing portfolio grew to **RM2.9 billion** (2021: RM2.2 billion)

OUR SEGMENTAL PERFORMANCE: KEY HIGHLIGHTS AND ACHIEVEMENTS

BIMB's strong performance during the reporting year is reflected in the progress achieved across our various business segments, showcasing the effectiveness of our strategy and customer-centric approach.

The **Consumer Banking** division saw significant growth in 2022, with a 9.3% increase attributed to the post-pandemic economic recovery and improved employment rates. This division is committed to helping lower-income customers achieve their dream of homeownership, and the innovative Home Financing-i with Bullet Payment plan has made it easier for customers to acquire residential properties with enhanced payment options, lower commitments, and broader financial eligibility. As part of our commitment to sustainability, Consumer Banking also introduced House Financing for Solar Panels and Hybrid & Electrical Vehicle (HEV) Financing, with RM17 million disbursed for 127 HEVs in 2022. With an increased penetration in the Non-National Vehicle portfolio of RM143.6 million, Consumer Banking remains dedicated to providing innovative and sustainable solutions for its customers.

▶ See page 70 for more information.

Corporate and **Commercial** Banking segments focused on providing excellent customer service and tailored solutions to meet the unique needs of their clients.

Despite the challenges posed by the pandemic, Corporate and Commercial Banking have actively captured and retained quality corporate customers by providing bespoke financing solutions and banking services tailored to their unique needs. Guided by the "Think Customer" Value, the segments responded quickly to accommodate customers' requests for financing moratoriums and financial assistance to alleviate the pandemic's impact. The segments have also utilised innovative non-fund-based instruments such as BG-i to structure facilities, improved its offering, and championed the Bank Guarantee issuance for faster turnaround times.

By focusing on strategic sectors with increasing demand, Corporate Banking recorded a 36.1% asset growth to RM9.6 billion and a total gross income of RM298.5 million, with RM287.9 million from Fund-Based and RM10.6 million from Non-Fund-Based. In comparison, Commercial Banking saw a decrease in total assets by RM190.5 million (2.7%) to RM6.95 billion compared to 2021. However, there was an



increase in total gross income by RM25.3 million (8.3%) to RM329.1 million, mainly driven by a higher fund-based income of RM308.1 million.

See pages 84 & 89 for more information.

SME Banking strengthened its position as a leading financial solution provider for SMEs by introducing new financing programs such as SME Exporter and SME Smart Eco, increasing our client base and leveraging BNM funding initiatives to promote business recovery, growth, and sustainability. We also engaged in strategic collaborations with partners to expand our market outreach and meet their members' financial needs. In March 2022, we partnered with MIDA to support grant recipients in purchasing machinery and equipment upfront, while in April 2022, we signed an MoU with iPORTAL Live Sdn Bhd to bring our Islamic financial solutions onto a global platform, enabling digital connectivity for all sectors in the Halal Economy. Although the Non-SME segment's asset contribution decreased to RM5.13 billion, BIMB remains optimistic about its growth potential. Despite an increase in Commercial's GIF ratio to 2.70%, the Bank's risk management measures remain proactive, and the Past Due but Not Impaired (PDNI) ratio decreased to 0.14% in December 2022.

See page 80 for more information.

The **Deposits and Cash Management** segment delivered strong results, with a significant YoY increase of 18.4% in deposits and investments, totalling RM7.4 billion. The positive growth was largely attributed to the opening of all economic sectors in Q4 2021, which benefited the non-individual segment. Our customer-centric approach in 2022 led us to develop the Virtual Account Opening (VAO) process, in collaboration with eChannels, which facilitated a faster onboarding process for newly opened accounts. Additionally, we registered over 400 FPX merchants, gained 1,076 subscribers via MyPTPTN app, and acquired 14,256 GOBiz subscribers, while achieving 22,096 eBanker Pro subscribers. We also won three awards at the Malaysian ePayments Excellence Awards (MEEA) in April 2022, recognising our commitment to SMEs: Best JomPay Acquirer, Best Direct Debit Bank, and Best Direct Debit Acquirer (Bank).

See page 75 for more information.

BIMB Investment offers a wide range of Shariah-ESG funds across multiple asset classes and embraces innovation to provide an investment return to its investors. It leverages

Arabesque Asset Management's artificial intelligence (AI) investment tool to identify investable stocks that comply with our Shariah requirements and sustainable investment policy. BIMB Investment has made the Group proud by winning multiple awards and accolades throughout 2022. Amongst others, the fund management arm of BIMB was recognised in the Shariah-ESG space by winning The Edge ESG Awards in two categories, the Alpha Southeast Asia Awards and the Global Business Awards in 2022. Its assets under management (AuM) overall funds of RM1.01 billion and Shariah-ESG Fund of RM745.1 million is a testament to its 28-year commitment to Islamic Fund Management and its focus on Shariah-ESG investing since 2015. The company will continue to intensify its digital business by further enhancing and marketing its BEST app digitally, aiming to offer superior risk-adjusted investment solutions. BIMB Investment's digital initiatives are aligned with the Group's digital banking proposition and LEAP25 business strategy.

See page 98 for more information.

BIMB Securities experienced a 56% decline in revenue generation for the Retail segment due to a decrease in market volume from RM1.399 billion in 2021 to RM0.686 billion in 2022. However, the decline was partially offset by a 4% increase in share margin financing income. To increase market visibility, BIMB Securities expanded stock coverage from 36 stocks in 2021 to 66 in 2022, conducted events and company visits for institutional clients, and hosted weekly webinars and knowledge-sharing sessions for retail clients. The company also introduced the Financial Risk Advisory (FRA) System and digital signatures for the Online Trading Application Form (OTAF).

See page 104 for more information.

Treasury & Markets recorded growth in FX sales volume and total deposits despite intense competition and margin erosion. While wholesale funding costs contributed to margin compressions, liquidity metrics improved. Fixed income investments and trading activities were conservative, with a passive stance in the first half and cautious reinvestment throughout the year. Sukuk distribution performed well, with the Bank appointed as Lead Manager/Joint Lead Manager for 12 ESG-rated Sukuk distribution deals. The fixed-income team achieved a Top 5 ranking in Bloomberg's Malaysian Ringgit Islamic Sukuk League Table for 2022 and received accolades for Best SRI Sukuk and Best New Sukuk.

See page 95 for more information.

Group Chief Executive Officer Statement

PROPELLING OUR STRATEGIC TRANSFORMATION

BIMB has been actively working towards its LEAP25 targets, which are focused on being the bank that advances prosperity for all and provides solutions that deliver value. This five-year roadmap aims to deliver the promise of technology and redefine growth while addressing unprecedented challenges. By 2025, the Group aspires to be a champion in offering Shariah-Environmental, Social, and Governance (ESG) total financial solutions with leadership in digital banking and social finance.

Two years into LEAP25, we have made significant progress and are on track to achieving our 2025 targets, including more than doubling ESG-rated financing assets with a green financing portfolio of RM2.9 billion, creating impact for over 10,545 beneficiaries through social finance, and improving employee engagement and change readiness index to 88%. While sustaining an ROE was 11.3%, LEAP25 aims to increase NFBI contribution and reduce CIR to below 50% by 2025.

Our progress and achievements in LEAP25 are based on the strides made in our six key strategic pillars, as elaborated below.

1

Sustainable Prosperity: Continuous Sound Financial Performance

BIMB's commitment to sustainability extends to two key areas: the sustainability of our business and the sustainability of the environment and society. We remain focused on delivering long-term financial value as we progress towards a prosperous and sustainable future. In 2022, we surpassed expectations with a 6.1% increase in Profit Before Zakat and Tax (PBZT) year-over-year. Our star products, Personal Financing and Home Financing, experienced impressive growth of 9.6%. We are proud to report that our SME portfolio outperformed our target by a remarkable 70.7%, thanks to the tireless efforts of our dedicated sales force and their approach towards targeted sectors. Our sustained ROE of 11.3%, Return on Assets (ROA) of 0.9%, and asset growth and net financing growth of 12.1% and 11.6%, respectively, demonstrate our continued dedication to excellence. Additionally, we achieved a Current, Saving and Transactional Investment Account (CASATIA) ratio of 36.8% and a NIM of 2.31%.

Despite a 35.5% decline (at Group level) in NFBI due to losses in Unit Trust, Forex, and investment, we are delighted to see higher income from eChannels and Bancatakaful in our Consumer Banking sector, resulting in higher NFBI by 22.8% year over year. Our GIF ratio remains well below industry standards at 1.27%, and our LCR is well above the regulatory requirement of >100% at 170.4%. While our CIR increased to 59.8%, we are actively making progress on cost management.

In addition to strong financial results, we made significant headway in our sustainability journey. Within our operations, we continued to improve our environmental footprint through the GoGreen-Energy Efficiency initiative. Under this initiative, we established the country's first environment-friendly branch in Malaysia, located in Temerloh, Pahang. The green branch uses solar energy as a clean, renewable energy source, installing solar panels on the roof. In addition, it also uses a rainwater harvesting system to collect and reuse natural resources to promote the efficient use of water.

As a financial institution, our most significant impact and influence lie in where we channel our money. We are proud to have committed to doubling our green financing growth by 2025. As of 2022, we have approved RM2.9 billion in green financing and are on track to achieve our target.

Additionally, we recognise the urgent need to protect our business, customers, and society from social and environmental issues. To this end, we have embedded ESG risk in our risk management framework, marking a significant milestone in our efforts. This year, we have fully implemented the BNM Climate Change and Principles-based Taxonomy (CCPT), assessed the ESG risk and performance of our business financing customers and piloted the inclusion of ESG action plans and criteria in selected financing applications that involve high-risk sectors.



We have also developed an ESG Scorecard to embed climate risk criteria in portfolio risk assessments. We also preliminary assessed climate physical risk in our mortgage and financing portfolios. Furthermore, we have initiated scenario analysis and stress testing of our non-retail portfolio to strengthen our approach to sustainable finance further.

Supporting the shift to a low-carbon economy is an ethical imperative and a business advantage that brings growth opportunities. We have seen increased solar adoption in households, a drive towards carbon neutrality, and increased government support for the renewable energy industry. In response, we are actively pursuing strategic assessments of investment and acquisition into renewable energy. These investments focus on financing new and existing solar farms and players, including installing solar and net energy metering equipment.

In December 2022, we recorded a 16.2% increase, worth RM97.5 million, in our renewable energy assets, which stood at RM700.9 million compared to RM603.4 million in 2021. We also finalised the terms and conditions with solar panel providers for House Financing for Solar panels. We disbursed RM17 million for 127 units of Hybrid & Electrical Vehicle Financing.

These milestones demonstrate our commitment to promoting sustainable practices and responsible banking. We will continue to work towards achieving our sustainable finance goals and contribute to building a more sustainable future for all.

2 Values-based Culture: Doing the Right Thing

We view our employees as the organisation’s backbone and are committed to providing a safe, inclusive, nurturing work environment. As our employees continue to face the stress and challenges of modern times, we recognise the importance of supporting their mental health and well-being. That’s why we prioritise providing resources and support to help them maintain their mental and emotional wellness.

However, in 2021, our employee engagement score was lower than the Malaysian market norm, with only 57% of employees feeling engaged compared to 81% in 2020. While our top leadership and high performers were engaged, employees across all job levels needed help understanding and accepting our five-year business strategy and adapting to our digital transformation initiatives. These changes disrupted traditional ways of working, causing change fatigue.

To address this, we focused on building our digital capabilities through our Digital Upskilling Programme, which aims to develop a digitally literate workforce to support our digital journey. We also adopted digital therapeutics technology, which has proven effective during the pandemic, where physical therapy sessions are limited. By collaborating with healthcare providers, we provided employees with digital tools to easily access healthcare and well-being information and solutions at their fingertips.

This year, Bank Islam Live Well Programme, which was launched in 2021, focuses on emotional and mental, financial, and spiritual wellness aspects. Our data-driven approach was based on our 2019 Employee Survey results to

understand the Bank’s current culture and identify factors affecting our employees’ health and well-being.

As we emerged from COVID-19 restrictions and employees gradually returned to office, we saw an opportunity to build on the existing Flexible Working Arrangement. This resulted in BIMB’s #Flexwork to further foster a hybrid work culture and agility mindset. With #Flexwork, our employees can choose the most productive work location, with at least one day in the office for vital face-to-face collaboration. The dress code is also flexible, empowering staff to dress appropriately for their job requirements.

Through our efforts in 2022, we have significantly improved our Overall Engagement and Change Readiness Index to 88%. This improvement is the beginning of our journey towards a more agile and hybrid work culture that prioritises work-life balance and supports professional and personal development.

This year, Bank Islam Live Well Programme, which was launched in 2021, focuses on emotional and mental, financial, and spiritual wellness aspects.

Group Chief Executive Officer Statement

3

Community Empowerment: Communities Thriving with Us

At BIMB, we believe in empowering our community through innovative and socially responsible solutions. In 2022, the Bank approved over RM40 million in financing for Affordable Home projects, supporting the government's initiative to provide affordable housing to Malaysians. We approved RM200 million in financing for Infrastructure and Public Facilities projects, helping to build critical infrastructure and improve public services. RM39 million was also approved for financing Healthcare and Education projects, recognising the importance of these sectors in driving Malaysia's development and prosperity.

Championing financial inclusion is important to us, and we are proud to make it a cornerstone of our business. We provide financing solutions for micro-entrepreneurs and other underserved businesses not previously served by the traditional banking system. With this in mind, we expanded our iTEKAD offerings in 2022 to provide solutions to this market, with RM9.9 million channelled to 566 microentrepreneurs.

Through our Islamic charity crowdfunding platform, Sadaqa House, we have redefined the Islamic financial landscape by promoting financial inclusivity and providing banking facilities to underbanked segments through our microfinance offering.

We collected RM7.3 million for Sadaqa House in 2022, significantly impacting our beneficiaries' lives through 11 changemakers. Our Orphan Fund is another testament to our commitment to community empowerment. We aim to create an end-to-end care package that supports orphans as the principal beneficiaries and empowers the community.

BIMB runs its Corporate Social Responsibility (CSR) initiatives and philanthropic activities through AMAL, a platform focusing on contributing to the community where we operate. With 16,009 beneficiaries since 2018, we are proud to serve the financial empowerment agenda within the community in alignment with *Maqasid Shariah*, thus creating a multiplier effect supporting and uplifting the community.

In one of our community empowerment initiatives in 2022, AMAL partnered with Yayasan Sabah College of Technology (YSCT) to make a real difference in the lives of physically disabled individuals. *The Pusat (AMAL) Latihan dan Amali Orang Kelainan Upaya (OKU) Sabah* in Tuaran trains these individuals in acquiring new skills such as carpentry and furniture making to supplement their livelihood. After last year's flood damaged the centre's carpentry workshop, AMAL provided cash contributions to assist in rebuilding efforts, while YSCT provided a group of 20 lecturers and student volunteers to aid in fixing the electrical and wiring of the centre, enabling the workshop to reoperate. Together, we are creating opportunities for a brighter and more sustainable future for them.

These initiatives reflect our commitment to positively impacting the communities we serve, and we are proud to have approved a total of RM279 million in financing for these vital sectors.

4

Customer-centricity: Our Customers are Well-Served

We aim to cater to all customer segments. We focus on understanding our customers' needs and how we can best support them. We stepped up our efforts to improve the customer experience during the year. Our customer service benchmark indicators are well within target, with an average waiting time of fewer than 10 minutes and an average serving time of fewer than 5 minutes. Our SST uptime remains above 95%, ensuring our customers can access our services smoothly.

We are proud to report that our Net Promoter Scores (NPS) for overall Bank and digital touchpoints (Internet Banking & GO Mobile Banking app) have improved significantly. This is due to our higher number of promoters and reduced detractors, with our overall Bank NPS reaching 71, up from 49 in 2021.

We constantly strive to enhance our customers' experience and journey with us. Our improved consumer turnaround time for submission and approval volume of fewer than two days has benefited our Personal Financing and Financing customers. We have also

seen an improvement in our product holding ratio through key initiatives such as our Leads Management System, profiling, and cross-selling, which are all tracking as planned.

For our mass customers, we have increased the size, capacity, and capability of our wealth management offerings and product propositions to meet their protection and investment needs. Our initiatives under Wealth Management are tracking as planned, with seven campaigns completed, nine new products launched, and 15 process enhancements completed.



5

Real Economy: Producing Goods and Services

At BIMB, we are driven by a steadfast commitment to promoting prosperity for all, and we believe that one of the best ways to achieve this is by growing wealth in the economy on equitable terms. That's why we are dedicated to developing and empowering small and medium-sized enterprises (SMEs), the backbone of Malaysia.

In 2022, we launched a range of initiatives designed specifically to cater to the needs of SMEs. These include the SME Referral Campaign 2.0 and the completion of the SME Contract Financing product guidebook. We are incredibly proud to have expanded our SME Banking footprint with 16 SME hubs and two regional sales teams in HQ. We are excited to have signed an MoU with iPORTAL to provide digital pathways for inclusion and connectivity for all sectors in the Islamic Economy verticals.

We've seen a remarkable 13.3% increase in our total SME portfolio asset growth in FY2022, which is a testament to our unwavering commitment to supporting SMEs. Our efforts have not gone unnoticed, and we are thrilled to have been recognised with two prestigious awards: the Halal Financial Excellence Award 2021 from HDC and The Brand Laureate Best Brands Awards 2021-2022-Nation's Pride from Brand Laureate.



At BIMB, we are driven by a steadfast commitment to promoting prosperity for all, and we believe that one of the best ways to achieve this is by growing wealth in the economy on equitable terms.



As we embrace the rise of digital, we are also aware of the increased cybersecurity and data privacy risks. Our responsibility is to protect our customers and stakeholders from data loss and breaches that can result in significant financial losses and reputational damage.

6

Digitalisation: Technology Enables Our Growth

We are committed to becoming Malaysia's leading digital bank and have made significant strides towards achieving this goal. Our latest achievement is the launch of Be U, a fully cloud-native digital banking proposition that boasts a first-of-its-kind technology stack. The user-friendly app enables customers to perform their banking transactions seamlessly, without the need to visit a branch, thus increasing financial inclusivity, particularly among the digital-native, younger generation. We proudly offer our customers a secure, engaging banking experience that puts their needs first.

As we embrace the rise of digital, we are also aware of the increased cybersecurity and data privacy risks. Our responsibility is to protect our customers and stakeholders from data loss and breaches that can result in significant financial losses and reputational damage. To achieve this, we have employed a team of cybersecurity specialists in both our technology operations and information security and governance teams.

We recognise that our customers' actions are the biggest exposure to breaches. Therefore, we have implemented awareness programs that educate them on protecting themselves from online scams and unauthorised access to their accounts.

Group Chief Executive Officer Statement

OUTLOOK

2023 is expected to remain a challenging year, with the economy projected to grow at a modest rate of 4.5% amidst external headwinds. Nevertheless, we are confident in our ability to navigate the landscape and continue our growth trajectory. We entered the new year from a position of strength, with our capital ratio exceeding industry standards at 19.4% and our liquidity coverage ratio at an impressive 170.4%, along with a CASA ratio of 36.8%, which demonstrates our strong liquidity position.

In addition, we are committed to maintaining our focus on sustainability and are intensifying our efforts in green and sustainable financing. Our goal is not only to meet the needs of our customers but also to contribute to a healthier planet and society. We can be a force for good in the world of finance, and we are dedicated to being pioneers in the field of sustainable and ethical banking. By channelling our resources towards responsible and sustainable financing practices, we can protect our business and customers from climate risks and drive positive change in the world.



We entered the new year from a position of strength, with our capital ratio exceeding industry standards at 19.4% and our liquidity coverage ratio at an impressive 170.4%, along with a CASA ratio of 36.8%, which demonstrates our strong liquidity position.

ACKNOWLEDGEMENTS

As we approach our 40th anniversary in 2023, I want to thank all our stakeholders for their unwavering trust and support.

Firstly, I would like to acknowledge our employees who have been the backbone of BIMB, serving with dedication and commitment. I am truly amazed by the passion and commitment of our pioneers, who have been with us since the beginning. Their stories continue to inspire us to strive for excellence.

I also want to express my appreciation to our strong Board of Directors, who have been equally passionate in guiding us towards achieving our goals and objectives. Additionally, I would like to extend my gratitude to our shareholders for their continued support and belief in our vision.

We have also been fortunate to work closely with our regulators, such as Bank Negara Malaysia. Thank you for your ongoing efforts and support in driving positive change through the financial sector.

Lastly, I would like to thank all our other stakeholders who have significantly shaped our journey thus far. As we move forward, we remain steadfast in our commitment to creating value for each of you. Thank you once again for your support and trust in BIMB.

MOHD MUAZZAM MOHAMED

Group Chief Executive Officer



Financial Review by the Group Chief Financial Officer



AZIZAN ABD AZIZ
Group Chief Financial Officer

STRONG GROWTH AND PROFITABILITY

The Bank is proud to announce a Profit Before Zakat and Tax (PBZT) of RM746.9 million, reflecting a notable 6.1% increase over the previous year. This robust performance can be attributed to higher net income and lower net allowance for impairment on financing and advances, offset by higher total overheads. The Group's earnings per share of 22.86 sen and Return on Equity (ROE) of 7.5% (after tax and zakat) are testaments to our solid performance.

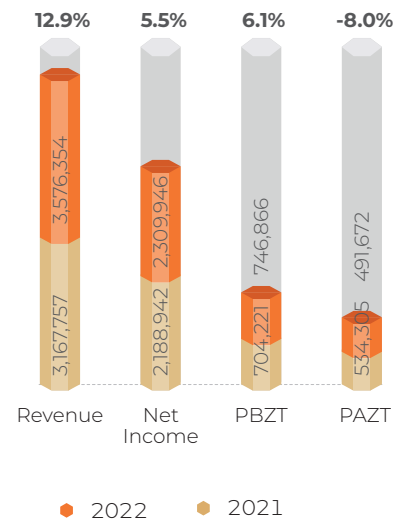
However, our FY2022 Profit After Zakat and Tax (PAZT) slid 8% year-on-year due to the one-off Cukai Makmur.

The Bank's increased net income can be attributed to higher net fund-based income, which increased by RM247.2 million or 13.5%, primarily driven by year-on-year financing growth and benefiting from multiple Overnight Policy Rate (OPR) revisions during the year.

Despite a few OPR revisions during the year, our net income margin dropped by 7 basis points (bps) to 2.31%. This was mainly due to a higher average liabilities rate and lower treasury asset yield. However, we note that the liabilities rate was much higher in Q4 2022 as customers anticipated further OPR hikes in FY2023 and expected higher profit rates for renewal or new placement of deposits/investment accounts before the year's end.

Our average assets rate for FY2022 was marginally higher by 18bps at 4.07% as compared to 3.89% a year earlier. In previous years, we had monetised our in-the-money financial assets at fair value through other comprehensive income (FVOCI) holdings, which we reinvested in shorter-tenor and lower-rate securities. This has affected the overall increase of the average asset rate for financing products.

Finally, the Group's net allowance for impairment on financing and advances decreased by RM50.7 million or 26.6% to RM140 million compared to last year. This is a testament to the Bank's prudent risk management practices and credit quality assessment.



Financial Review by the Group Chief Financial Officer

2022 has been another year of strong financial performance for BIMB, despite the persistent market uncertainties and volatility. Our solid growth is partly attributed to the OPR hikes implemented by Bank Negara Malaysia (BNM), which we could leverage due to our highest floating rate financing ratio in the industry. Additionally, we pursued new business opportunities by directly engaging with various professional bodies, further diversifying our portfolio.

As a responsible financial institution, we also prioritised engaging with customers facing difficulties servicing their financing, offering options for restructuring or rescheduling their financing terms. These efforts aim to ensure the sustainability of our profitability and income as we move forward with our LEAP25 Strategy.

SEGMENTAL PERFORMANCE

BIMB's business segments recorded solid performance in FY2022, reflecting our strength across the Group. Consumer Banking reported a net income of RM1.4 billion, a 12.2% increase from the previous year, mainly driven by higher net fund-based income and non-fund-based income. Corporate and Commercial Banking recorded a net income of RM531.8 million, a 28.0% increase, mainly due to higher net fund-based income. Treasury's net income, however, decreased by 81.9% to RM43.7 million due to lower net gain from the sale of financial assets at FVOCI, higher net loss from foreign exchange transactions, and higher net loss on revaluation of financial assets at fair value through profit or loss (FVTPL). Nonetheless, the segment's assets remained strong at RM21.9 billion.

SOLID FINANCIAL POSITION

Our total assets increased by RM9.7 billion, reaching RM89.9 billion, driven by increased net financing and financial assets at amortised cost. Despite the challenging economic conditions, our gross impaired financing ratio remained low at 1.27% while our net impaired financing ratio improved significantly to -0.32%, reflecting our commitment to maintaining a healthy credit portfolio.

Our deposits from customers and investment accounts also increased by

RM7.4 billion to reach RM75.2 billion, a testament to the trust and confidence placed in us by our valued customers. Although our current, savings and transactional investment accounts (CASATIA) ratio decreased to 36.8%, we remain committed to maintaining a strong liquidity position.

We also recorded a slight increase in our equity to RM6.8 billion, mainly contributed by the current period profit and increased share capital from Dividend Reinvestment Plan (DRP). Additionally, our Total Capital Ratio also increased to 19.4%, reflecting our strong capital position.

KEY FINANCIAL PRIORITIES

1 Quality of Assets

We maintain high-quality assets, resulting in a low Gross Impaired Financing ratio and requiring less provision. As of 31 December 2022, our gross impaired financing ratio was **1.27%**, which remains better than the industry average of **1.7%**.

2 Cost-to-Income Ratio

We closely monitor our Cost-to-Income Ratio, which deteriorated to 59.8% YoY due to various factors. These challenges include Foreign Exchange (FX) revaluation loss, unit trust revaluation loss, and lack of opportunity to monetise investment papers amid the increasing interest rate environment, all of which are in line with the economic and market landscape.

Additionally, we incurred elevated costs due to our investment in new capabilities and infrastructure for future revenue uplift, including higher IT-related expenses of RM14.5 million (+12.4%) compared to FY2021. However, the benefits of these investments will be seen in the next two to three years.



RETURNS TO SHAREHOLDERS

BIMB is proud to announce the successful declaration and payment of the First Interim Dividend of 10.40 sen per ordinary share for FY2022, which was disbursed on 30 January 2023 amounting RM224.1 million. Almost 90% of the dividend was reinvested by our shareholders via Dividend Reinvestment Plan (DRP) to subscribe for new ordinary shares which were listed on 31 January 2023.

The strong support from our shareholders, for the DRP, speaks volumes about their trust in BIMB. This is further reinforced by the Bank's unyielding commitment to stability and protection, exemplified by our impressively low Gross Impaired Financing (GIF) ratio of less than 1.3% at the end of 2022. Additionally, our steadfast approach to continuous dividend payment, even with DRP, and

a healthy capital ratio despite the challenging times are all testaments to our resiliency.

Furthermore, the Bank is pleased to declare a Second Interim Dividend of 3.40 sen per ordinary share for the financial year, bringing the total annual dividend to 13.80 sen per share for a payout ratio of 60%. The entire second interim dividend is applicable for the DRP.

OUTLOOK

As we enter the year 2023, we recognise that we will face potential challenges, such as concerns about inflation and geopolitical conflicts. Nonetheless, we remain optimistic about our ability to achieve moderate growth supported by strong domestic demand, despite the anticipated slower growth of the global economy. To maintain our growth trajectory, we have set targets for the near to mid-term despite the uncertainties that may arise.

PERFORMANCE OUTLOOK

Metric	Short-Term (FY2023)	Medium-Term (FY2025) (LEAP25)
ROE (based on PBZT)	12%-13%	Competitive to industry standard
CET1 Capital Adequacy Ratio	13.0%	13.1%
Total Capital Ratio	19.3%	19.2%
Gross Impaired Financing Ratio	<1.6%	1.3%

3 Total Capital Ratio

We have a firm commitment from both the Board and management to sustain any pressure to profit or challenging outlook. As a result, our Total Capital Ratio remained strong at **19.4%**, which is above the industry average of **17%-18%**.

We have identified several key priorities for the year ahead to achieve these targets. Our primary focus is on expanding our portfolio of quality financing assets, with a particular emphasis on SMEs, which we believe present significant growth opportunities. Secondly, we will continue to intensify our efforts to enhance the Bank's digitalisation aspirations, which include improving our mobile app and continuously upskilling our staff to serve our customers better. Finally, we plan to broaden our reach in Institutional Banking, further solidifying our market position.

With these priorities in place, we are confident that we will sustain our robust financial performance and continue delivering value to all our stakeholders in

2023 and beyond. We are committed to maintaining our growth trajectory and achieving our targets, and we will remain agile and responsive to any challenges that may arise.

As we enter the year 2023, we recognise that we will face potential challenges, such as concerns about inflation and geopolitical conflicts.

AZIZAN ABD AZIZ

Group Chief Financial Officer

Our Integrated Approach to Value Creation

At BIMB, we take a big-picture approach to creating value. By considering all aspects of our operations, we provide better and more sustainable outcomes. Our integrated approach to decision-making, management, and reporting helps us deliver long-term value as Malaysia's leading Islamic bank.

01 SETTING THE CONTEXT

Operating Environment

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

 See page 40

Stakeholder Expectations

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



 See page 38

Risks & Opportunities

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

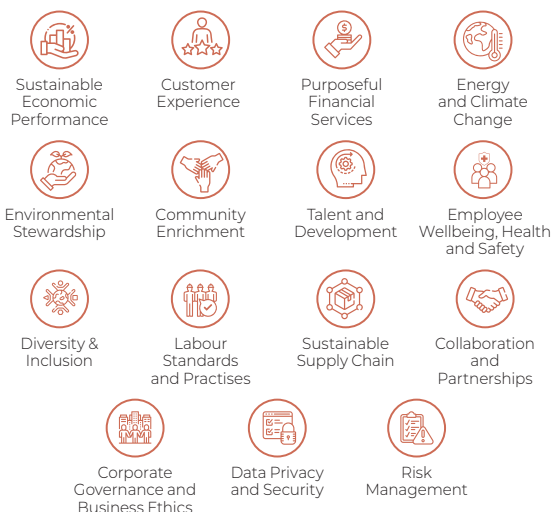



 See page 48

02 DEVELOPING OUR STRATEGIC DIRECTION

Material Matters

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

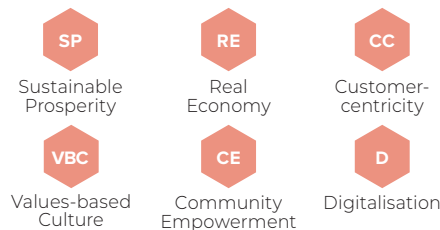


 See page 44

Strategy Development



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



 See page 52



03

PUTTING OUR STRATEGY INTO ACTION

The Six Capitals

To ensure our business operations and growth are well-supported, we leverage six (6) capitals, comprising both financial and non-financial resources. This enables us to effectively execute our value-creating strategy and seize opportunities for growth.



Financial Capital: Our financial strength propels us forward. We use our earnings to finance our strategic aspirations, grow our business, and invest in the development of the other types of capitals.



Human Capital: Our employees are the backbone of the Bank. We invest in their development and skills to execute our strategic purpose with precision.



Intellectual Capital: We blend innovation with heritage. Our technological advancements reinforce our VBI values and enhance our competitive edge.



Natural Capital: Our sustainability journey starts with the environment. We're committed to reducing our ecological footprint by minimising our use of natural resources.



Social & Relationship Capital: Our stakeholder relationships provide the trust and support needed to drive our strategy forward. Strong stakeholder relationships are the foundation of our shared and sustainable success.



Manufactured Capital: Our branches, ATMs, offices, and other facilities are essential in meeting the financial needs of our customers and society at large. These assets provide the necessary infrastructure and resources to deliver our products and services effectively, and enable a seamless customer experience.



See page 34

04

DELIVERING SUSTAINABLE VALUE

Value Creation

At BIMB, we strive to achieve our ultimate purpose of creating sustainable value for our diverse range of stakeholders. This means generating strong financial returns for our shareholders, delivering essential financial products and services to our customers, nurturing the careers of our employees, fostering shared prosperity within our community, and contributing to a better future that benefits everyone.

Our Value Creating Business Model

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

OUR CAPITALS...

INPUTS

FINANCIAL CAPITAL

- Total Assets: **RM89.9 billion**
- Total Equity Group: **RM6.8 billion**
- Total Equity Bank: **RM6.7 billion**
- Total Customer Deposit: **RM60.7 billion**
- Total Asset Under Management: **RM2.2 billion**
- Market Capitalisation: **RM5.9 billion**

INTELLECTUAL CAPITAL

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

HUMAN CAPITAL

- A diversified workforce of **4,744** employees nationwide, made up of **2,433** males and **2,311** females
- An agile, performance-based, purpose-led culture driven by **TAAT values**
- **RM9.7 million** invested in training that supports strategic themes and material issues

MANUFACTURED CAPITAL

- Dedicated network of **135** branches and **947** self-service terminals nationwide
- Concentrated effort to enhance the delivery of digital solutions and deployment of automated processes through **significant investment in IT development and infrastructure**, including cyber-security
- Continuous **investment in promoting mobile applications and online channels** including GO by Bank Islam mobile banking app, Sadaqa House and Internet Banking

SOCIAL AND RELATIONSHIP CAPITAL

- More than **5.7 million** customers served
- Beneficial **engagements with government, regulators and NGOs** to strengthen relationships and contribute to the betterment of the industry and society
- Adoption of sustainable practices based on realising the **UN SDGs** and **ESG** objectives

NATURAL CAPITAL

- Continued commitment to **Green Financing** effort, which focuses on financing within the renewable energy, green technology, and waste management sectors
- Emphasis on corporate and social initiatives that promote positive environmental impact
- Electricity usage of **12,784,982 kWh** (increase from 12,395,485 kWh in 2021)
- **42,064,650** reams of paper (reduction of 36,426,600 reams from 2021)

... ENABLE VALUE-ADDING

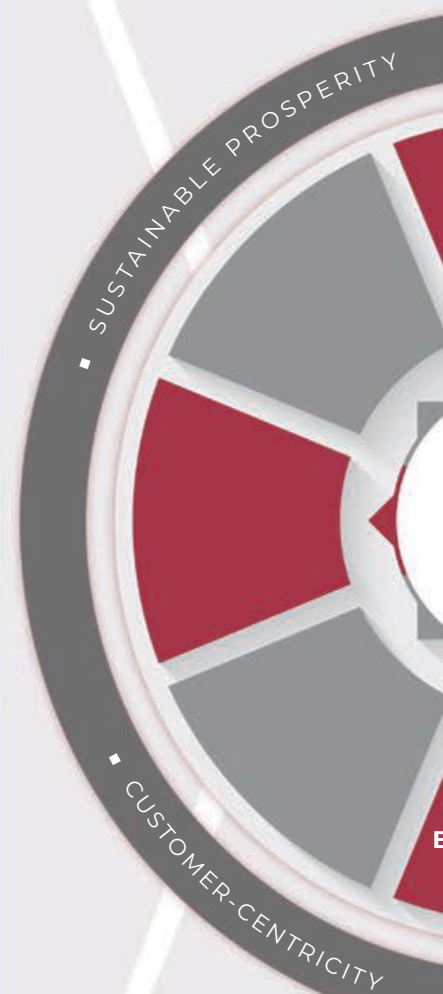
TAAT VALUES

Think Customer

KEY RISKS



MATERIAL MATTERS



DIGITALISATION

COMMUNITY EMPOWERMENT



▶ VISION

The Bank that advances prosperity for all.

▶ MISSION

To provide solutions that deliver value.

ACTIVITIES THAT CREATE...

Advance Beyond

Act with Integrity

Take Charge



OUTPUTS

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

... VALUE FOR OUR STAKEHOLDERS

OUTCOMES

CUSTOMERS

- More than **RM7.2 billion** approved for new personal financing
- More than **RM3.7 billion** approved in new home financing
- More than **RM319.3 million** approved in new vehicle financing
- **RM2.9 billion** approved green financing portfolio
- Ranked **1st in customers experience score** within the banking industry as conducted by KPMG Malaysia

EMPLOYEES

- **RM784 million** paid in salaries and benefits
- **489** employees promoted
- Employee retention rate of **95.9%**
- **#Flexwork** in hybrid work culture that empowers employees to retain flexibility to work from anywhere that best suits their job
- **Most preferred employer in Malaysia** awards (Graduan Brand Awards 2021)

INVESTORS

- **RM224.1 million** paid out in dividend
- **7.5%** return on equity (PAZT)
- Earnings per share of **22.86 sen**

COMMUNITIES

- A total of **RM918,350** invested in AMAL activities
- Business zakat obligation for financial year 2022 is **RM13.6 million**
- **RM9.9 million** worth of iTEKAD Maju and iTEKAD BangKIT microfinancing distributed to help the micro-entrepreneurs in addition to training programmes

REGULATORS & GOVERNMENT

- **Compliance** with all regulatory requirements
- Guidance and alignment towards **industry-led sustainability practices** with continuous commitment towards VBI
- **Participation in the creation of an ESG book** as a commitment towards ESG incorporation in all business initiatives
- Contribution of **RM207 million** in corporate tax

UNDERPINNED BY OUR OVERARCHING GOVERNANCE

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

Performance by Capitals

Our comprehensive and integrated approach leverages six financial and non-financial capitals to drive our long-term success. By thoroughly assessing the availability and quality of capital inputs, balancing short-term and long-term considerations, and making strategic trade-offs, we strive to create sustainable long-term value that benefits all stakeholders.



HUMAN CAPITAL

The economic value of BIMB's intangible human assets such as knowledge, experience, and skills.

Inputs	Outputs/Outcomes		
		2022	2021
<ul style="list-style-type: none"> • 4,744 total employees: <ul style="list-style-type: none"> - 2,433 males and 2,311 females • RM784 million in staff costs • RM9.7 million invested in training that supports strategic themes and material issues 	Employee Retention Rate	95.9	96.6
	Employee Satisfaction Score (%)	88	57
	Salaries & Benefits (RM 'million)	784	698
	No. of Employees Trained	4,677	5,069
	No. of Employees Promoted	489	423
	Average Training Per Employee (man-hour)	35	52
	Health and Safety Incidents	145	48
	No. of Fatalities (COVID-19 or Others)	0	0

Key Constraints	Actions to Enhance Outcomes
<ul style="list-style-type: none"> • Employees across the board face challenges in understanding, adopting and adjusting to the five-year LEAP25 strategy and change initiatives. • Change fatigue arising from digital, operational and cultural strategic transformation objectives. • Expect new technology and infrastructure to support a conducive work environment, and recognition beyond financial compensation. 	<ul style="list-style-type: none"> • Establish the Bank Islam Digital Academy to build digital understanding and drive digital adoption amongst the workforce; to develop, implement and scale up immersive programmes; provide complete suite learning programmes grounded in day-to-day application to real-world business challenges. • Introduce The Digital Young Leaders Programme (YLP), a special management training programme to develop future digital leaders in BIMB. • Bank Islam Live Well Programme focuses on aspects of Emotional and Mental, Financial, and Spiritual Wellness. • Adopt the #Flexwork practice to empower staff in planning their work to increase productivity and create an agile, flexible, hybrid work environment; opened BITIZone@L10, an entire floor of co-working and hot desking workspaces at Menara Bank Islam to promote collaboration and innovation. • Strengthen our risk culture and elevate the risk and compliance culture practice to achieve a sustainable mindset change. • Enhance employer branding and developing young talent through the Bank Islam Youth Ambassador (BIYA) Programme to nurture and mentor young graduates.



FINANCIAL CAPITAL

Refers to the funds available to achieve our growth and financial commitments. Our ability to access and manage financial capital is critical to our long-term value creation.

Inputs

- **RM89.9 billion** total assets
- **RM6.8 billion** total equity
- **RM5.9 billion** market capitalisation

Outputs/Outcomes

	2022	2021
Profit Before Zakat and Taxation (PBZT) (RM million)	746.9	704.2
Dividend Payout Ratio (%)	60	50
Return-on-Equity (based on PBZT) (%)	11.3	11.1
Earnings Per Share (sen)	22.86	21.87

Key Constraints

- Retaining support of providers of capital by balancing short-term returns against capital retention for long-term growth.

Actions to Enhance Outcomes

Actions to enhance outcomes:

- Engagement with shareholders and investors.
- Engagement with analysts and fund managers.
- Engagement with potential shareholders via event organised by fund managers.
- Participation in relevant conferences, e-conferences, e-forums and webinars.



MANUFACTURED CAPITAL

Includes the physical assets and infrastructure needed to operate, such as our buildings, technology systems, and equipment. Effective manufactured capital management allows us to run smoothly and maintain a competitive edge.

Inputs

- **135** branches
- **16** SME hubs
- **451** ATMs
- **29** Ar-Rahnu outlets
- **947** Self-service Terminals
- **7** Bureau de Change outlets
- **RM82.7 million** in technology expenses
- **3** contact centres

Outputs/Outcomes

	2022	2021
No of active enquiries and transactions via online platforms (billion)	1.6	1.2
No. of active internet/mobile banking customers (million)	3.0	2.3

Key Constraints

- Costs and challenges related to maintaining ATMs and branches, particularly in less urban/rural areas.

Actions to Enhance Outcomes

- Expand our digital banking platform to deliver more inclusive and cost effective financial solutions to customers.
- Streamlining operational processes to increase efficiency through automation and digitalisation.

Performance By Capitals



SOCIAL AND RELATIONSHIP CAPITAL

Includes our relationships with all stakeholders, including society at large. A strong reputation and positive relationships with stakeholders help built trust and gain support in driving our strategy forward.

Inputs	Outputs/Outcomes	
	2022	2021
<ul style="list-style-type: none"> • More than 5.7 million total customers • RM13.6 million zakat obligation for financial year 2022 • 2,178 SME customers • 1,264 registered suppliers • 42 CSR programmes • 580 Bumiputera suppliers 	No. of beneficiaries reached	>11,100
	Total spent on Bumiputera businesses (RM)	54,092
	Total spent on local suppliers (RM)	211,936
	NPS Score	49

Key Constraints	Actions to Enhance Outcomes
<ul style="list-style-type: none"> • The lingering impacts of COVID-19 continue to affect SMEs and other stakeholders. • Many SMEs are hesitant or reluctant to approach financial institutions for help, with some unaware of available solutions and support. 	<ul style="list-style-type: none"> • Promote SME financing offerings, including Targeted Relief & Recovery Facility (TRRF), SME Penjana Tourism Facility (PTF), SME Automation & Digitalisation Facility (ADF) and All Economic Sectors Facility (AES) – to support its activities. • Establish strategic collaborations with government agencies and business associations to expand market outreach. • Continuously engage with SME customers through online and offline sessions, including webinars, pocket talks, exhibitions and other physical events.



INTELLECTUAL CAPITAL

Capital covers our intangible assets, such as our intellectual property, digital systems and proprietary solutions. This capital is particularly important in the banking sector, where innovation and technology advancements are driving changes in the industry.

Inputs

- Launched Be U by Bank Islam, a cloud-native digital bank
- **RM82.7 million** in IT/Technology expenses
- **39** years of banking experience
- **1** new standards/certifications adopted

Key Constraints

- As the first bank to leverage cloud-based technology to put critical systems online, the Be U project was subject to significant scrutiny, delaying the public release.
- Features and enhancements were rolled out periodically, affecting the readiness and impact of the app and compromising organic growth performance immediately post-launch.

Outputs/Outcomes

	2022	2021
No. of downloads of GO by Bank Islam Mobile Banking App (million)	2.2	1.1
No. of awards won	21	15

Actions to Enhance Outcomes

- Identify collaboration opportunities with strategic partners with adjacent offerings, to leverage their immense footprint.
- Review and refresh communications and messaging approach to higher-affinity segments to heighten the appeal and uptake of the Be U proposition.



NATURAL CAPITAL

Encompasses the natural resources that we rely on, such as water, land, and energy. While we may not be as directly impacted by natural capital as other industries, we still promote sustainable practices and mitigate environmental risks.

Inputs

- **12,784,982 kWh** of electricity use
- **22,779.35 kWh** (petrol) energy used
- **180,413 m³** water used
- **42.1 million** sheets of paper used*

* Paper usage is not calculated towards carbon emissions

Key Constraints

- SME customers may not share our focus on green financing strategies, as their current priority is on recovering from the impact of COVID-19.

Outputs/Outcomes

	2022	2021
Energy Consumption (kWh)	12,784,982	12,395,485
Carbon Emissions (tCO ₂ e)	8,240.6	7,545.10


Actions to Enhance Outcomes

- Introduced financing opportunities that facilitate SME's adoption of green sustainability practices as producers or users.
- Organise environmental awareness programmes for SMEs via online media channels and physical engagements

Stakeholder Needs and Expectations

Our long-term success is closely tied to the success of our stakeholders, both internal and external. With this in mind, we place a strong emphasis on engagement and collaboration with all our stakeholders. By understanding their unique needs and perspectives, we are better equipped to shape our strategies and implement initiatives that not only meet, but exceed their expectations. We are committed to building lasting relationships with our stakeholders, and working together towards mutual success.

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EMPLOYEES

☰


Why Are They Important?

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

Engagement platform

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

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CUSTOMERS

☰

Why Are They Important?

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

Engagement platform

<p>Digital touchpoints:</p> <ul style="list-style-type: none"> • Internet Banking • Corporate Website • Mobile applications including GO by Bank Islam; GO Biz by Bank Islam; SMExpert; BEST Invest and BISONline 	<p>Contact Centre:</p> <ul style="list-style-type: none"> • Brick and mortar: <ul style="list-style-type: none"> – 135 branch networks – 16 SME Hubs – 29 Ar Rahnu Outlets – 7 Bureau de Change – 947 Self-service Terminals 	<ul style="list-style-type: none"> • Social media platforms including Facebook, Instagram, YouTube and Twitter • Customer surveys and focus groups • Webinars and online discussion forums
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GOVERNMENT & REGULATORS



Why Are They Important?

Proactive engagement with government and regulatory stakeholders is critical to achieving our vision of holistic wealth creation and driving Malaysia's financial industry growth as a fully-listed Shariah-compliant financial institution.

Engagement platform

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



LOCAL COMMUNITIES



Why Are They Important?

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

Engagement platform

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



INVESTORS



Why Are They Important?

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

Engagement platform

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



Operating Environment

ISLAMIC BANKING REVIEW & OUTLOOK

A REVIEW OF 2022

The Global Economy

The year 2022 began with positive developments in the global economy as it continued to rebound strongly from the pandemic-induced slowdown of 2020. The global GDP growth in 2021 was 6.3%, setting the stage for a promising start to the year. However, Russia's invasion of Ukraine caused significant disruptions to the global economy. The displacement of millions of Ukrainians and the resulting humanitarian crisis has been unprecedented in Europe since World War II. The conflict also profoundly impacted the prices of gold, crude oil, and natural gas, while the stock markets were also affected. This situation further highlighted the need to transition towards cleaner and more sustainable energy sources.

The rising inflation rates in many countries emerged as another major concern in the global economy. Prices for essential commodities like energy, shelter, clothing, and food rose significantly, which put immense pressure on the lower-income groups. This trend has transformed the economic mood and potentially redirected the trajectory of national and global economies for the foreseeable future. To curb the rising inflation, central banks across the world have aggressively increased their policy rates throughout 2022. However, the pace of these rate hikes has not kept up with the pace of inflation in most countries.

The Malaysian Economy

The Malaysian economy performed remarkably well, with real GDP growth coming in at 8.7% in 2022. The impressive growth was due to base effects and an increase in domestic demand, fueled by improved labour market conditions and aggressive policy support amid raging global inflation. As the borders reopened and the pandemic status shifted to endemicity, economic activity picked up pace and returned to normal levels. The demand for electronic and electrical (E&E) products remained high, contributing significantly to the growth of exports, while the manufacturing and services sector continued to play a pivotal role in driving the country's economy.

The Banking Sector

In 2022, Bank Negara Malaysia (BNM) took steps to address inflation by increasing the overnight policy rate (OPR) four times, ultimately bringing it to 2.75%. While this move was expected to be positive for the banking industry, the benefits were partially offset by increased deposit competition leading to higher costs of funds. Despite this, Malaysia's banking industry showed strength throughout the year despite market uncertainties and global events. Household, personal, and term financing were the primary drivers of the industry's net financing growth, which increased by 4.9% YoY. Islamic Banking, in particular, stood out with a ten-year CAGR of 10.9% and financing growth surging by 12.4% in 2022, outpacing Conventional Banking. This momentum was driven by the increased proportion of Islamic Banking assets relative to the entire banking system's assets across various sectors, spurred by news of the global economy reopening, strong economic recovery, and higher adoption of digital financial services.

OUTLOOK

The Global Economy

All multilateral development banks (MDBs) are projecting lower global growth rates for the second year due to the ongoing global cost of living crisis, tight financial conditions, the prolonged Russia-Ukraine military conflict, and the lingering effects of the pandemic. Trade in 2023 may also be weighed down by lower overall external demand, particularly among advanced economies.

Some policymakers argue that more tightening is necessary to quell stubborn inflation following a series of strong job reports, prices, and consumption data. The US unemployment rate in January reached the lowest level since May 1969 at 3.4%, pointing to sustained labour market strength. Such a situation and persistent inflationary pressures have led to the growing expectation that the Fed will continue to tighten its policy rates for higher and longer, despite the recent banking crisis in the U.S.

The wrong monetary policy mix could be a problem. Overly expansionary fiscal policy could prevent economies from necessary slowdowns and eventually lead to more aggressive monetary policy responses to control inflation. This could cause a more painful downturn to wring inflation pressures out of the economy, at the cost of lost fiscal space.

The Malaysian Economy

Malaysia's economy recorded its highest growth in two decades, driven by pent-up demand that has placed the country at the top of Asia's fastest-growing economies, according to Bloomberg. However, this trend is likely temporary, and many other countries are still struggling to recover from post-pandemic growth headwinds. In response to high inflation, the Malaysian prime minister has unveiled several initiatives to reduce living expenses and promote more progressive taxation. The government is proposing to increase taxes on the top 20% of incomes (T20) while decreasing income taxes for the middle 40% of workers (M40).

The Banking Sector

The nation's banking sector remains strong and competitive, enabling it to continue serving as a reliable financial intermediary. In the wake of the COVID-19 pandemic, Malaysian banks have extra cash in anticipation of pandemic-related loan losses, which could potentially be utilised for deterioration in any asset quality caused by the inflationary environment, providing potential earnings in the form of writebacks in 2023 and beyond.

Malaysian Islamic financing growth is expected to moderate in 2023 due to higher financing rates reducing demand, though it is expected to continue outperforming conventional banks due to the country's supportive regulatory environment, Islamic finance ecosystem, and the shift towards Shariah-compliant services. At the end of 2022, the share of Islamic financing in the total banking system loans was 41%, solidifying Malaysia's position as the third-largest Islamic banking industry worldwide.



KEY MARKET TRENDS SHAPING OUR BUSINESS

Trend 1 MARKET CONDUCT

Trends Impacting Our Business

- Consumer protection will remain a priority as we offer products to vulnerable customers to strike a balance between inclusivity and fair treatment
- Fair treatment of consumers is essential to inspire a positive user experience and customer outcomes

How It Impacts Our Business

We will need to promote an inclusive and enabling financial services landscape. This will build trust, inspire confidence, and empower consumers with knowledge of their rights and responsibilities.

How It Impacts Stakeholders

Customers will need to:

- Avoid predatory lending practices and strengthen disclosure practices.
- Promote sound consumer outcomes regarding redress mechanisms.
- Improving the accessibility of key product information.
- Ensure disclosure requirements that reflect the changing needs of consumers.

Employees will need to:

- Enhance professional qualifications to bolster public confidence.
- Proactively support customers facing hardship in this economic climate.

Key Risks & Opportunities

Risks:

- The Bank may face false claims from customers, putting the burden of proof on the bank.

Opportunities:

To achieve inclusivity, the Bank can:

- Offer more social financing strategies and products.
- Explore marketplace platforms to support small businesses in Malaysia.
- Partner with fintech companies to provide financial solutions to underserved populations.

Our Approach

- Create task forces or working groups to deploy the right strategies and ensure regulatory compliance.
- Provide advisory-related support to guide our business customers.

LINK TO

Capitals



Stakeholders



Material Matters



Operating Environment

Trend 2 ADVANCING DIGITALISATION OF THE FINANCIAL SECTOR

Trends Impacting Our Business

- The impact of digitalisation on financial services is widespread and extensive.
- Customers want faster, easier, and personalised services, while also caring about data privacy and security.
- Digital business models are increasingly ecosystem-driven, which creates new risks and complexities.
- Financial industry needs to embrace the benefits of digitalisation while managing associated risks that could harm the system, customers, and confidence in the industry.
- The rise of cashless and cardless society through increased use of ewallet, QR transactions, cardless withdrawal etc.

How It Impacts Our Business

BIMB must:

- Enable an environment that is conducive to innovation by prioritising and supporting greater use of technology
- Improve product offerings and delivery channels to support a vibrant digital financial services landscape
- Relook at further rationalising brick and mortar products/channels offerings.
- Adopt practices that will enable us to be agile and quickly respond to customers' changing demands
- Shift from product-centric to customer-centric when identifying and crafting our solutions
- Improve customer proposition through exploration of new digital business models
- Leverage on FinTech for access to new technologies, sustainable revenue streams and quicker time to market

Key Risks & Opportunities

Risks:

- Transformational risks could threaten system-wide stability, consumer outcomes, and confidence in the financial sector.
- The rise of Artificial Intelligence (AI) also means conscious effort needs to be put into redefining the workforce roles for a robust future-proof business.
- The emergence of new technologies and partnerships also bring about new risks related to cybersecurity, data security, and regulatory compliance that we need to be on top of.

Opportunities:

- BIMB to safely introduce new financial innovations into the market at different stages of the innovation cycle.
- The issuance of the digital banking licenses by BNM puts us in the right time and place to accelerate and put forth new digital offerings

How It Impacts Stakeholders

Internal stakeholders will need to:

- Enhance system-wide cybersecurity oversight and capabilities.
- Regularly update and adjust our policies on digital business models to ensure effective risk management.
- Back new and improved legislative and regulatory reforms that will facilitate the end-to-end digitisation of business processes.
- Amend second point: Regularly review policies to ensure alignment and relevancy with new technological developments to ensure risks are effectively managed
- Actively seek for opportunities to upskill and reskill to meet the future workforce demands
- Adopt a growth mindset to see challenges as new opportunities for potential new digital business models

Our Approach

- Continuously support the Bank's growth potential in strategies for digital initiatives
- Regularly refine our skillsets to ensure we are updated with the evolving digital landscape.
- Prioritise our IT/Digital investments through the development and implementation of IT Blueprint that identifies key initiatives that would move the dial in growing the business

LINK TO

Capitals



Stakeholders



Material Matters





Trend 3 CLIMATE CHANGE & SUSTAINABILITY

Trends Impacting Our Business

- Regulatory priorities will likely focus on climate risk-related regulations to meet rising expectations from clients, investors, and stakeholders.
- BNM’s Financial Sector Blueprint 2022-2026 aims to create a favourable market environment for green financing and investment.
- BNM’s main goal is to promote financial system resilience by improving climate-related and environmental risk management in the financial sector.

How It Impacts Our Business

BIMB must:

- Provide financial solutions that deliver economic and social benefits while promoting people and environmental welfare.
- Promote participation from all segments of society, especially disadvantaged and underserved communities, in its financial activities and businesses.

Key Risks & Opportunities

Risks:

- Balancing investors’ financial interests with ESG priorities could be challenging.

Opportunities:

- Attracting new customer segments that prioritise sustainability.
- Government tax incentives for ESG initiatives.
- Enhancing the Bank’s brand equity by integrating ESG elements throughout its vision, operations, and product offerings.

How It Impacts Stakeholders

Stakeholders must advance the following outcomes for the financial sector:

- Ensure effective implementation of the Climate Change and Principle-based Taxonomy to assess climate-related risks and promote environmentally sustainable economic activities.
- Align policies and procedures to consider climate and environmental risks.
- Strengthen the disclosure practices of financial institutions regarding climate risk.

Our Approach

Identify opportunities for ESG initiatives and improve our skills to manage associated risks.

LINK TO

Capitals



Stakeholders



Material Matters



Material Matters

As a socially responsible bank, BIMB takes ESG considerations seriously. By identifying material ESG issues, we shape our strategy to create value for our business and stakeholders while contributing to a more sustainable future. Our robust process to determine priority issues enables us to distribute resources efficiently, thus maximising positive impacts that benefit all.

MATERIALITY PROCESS

In 2022, we conducted a comprehensive materiality determination process to update our previous material matters. Through this process, we analysed the feedback and perspectives of our stakeholders to identify the issues that are most relevant and impactful for our business and stakeholders. The Leadership team uses these material matters to guide the development of our strategies and future focus areas.



The stakeholders engaged include:

Internal Stakeholders
Board of Directors
Internal Management
Internal Shariah and Financial Inclusion Team
Other Management-Level Employees
Employees

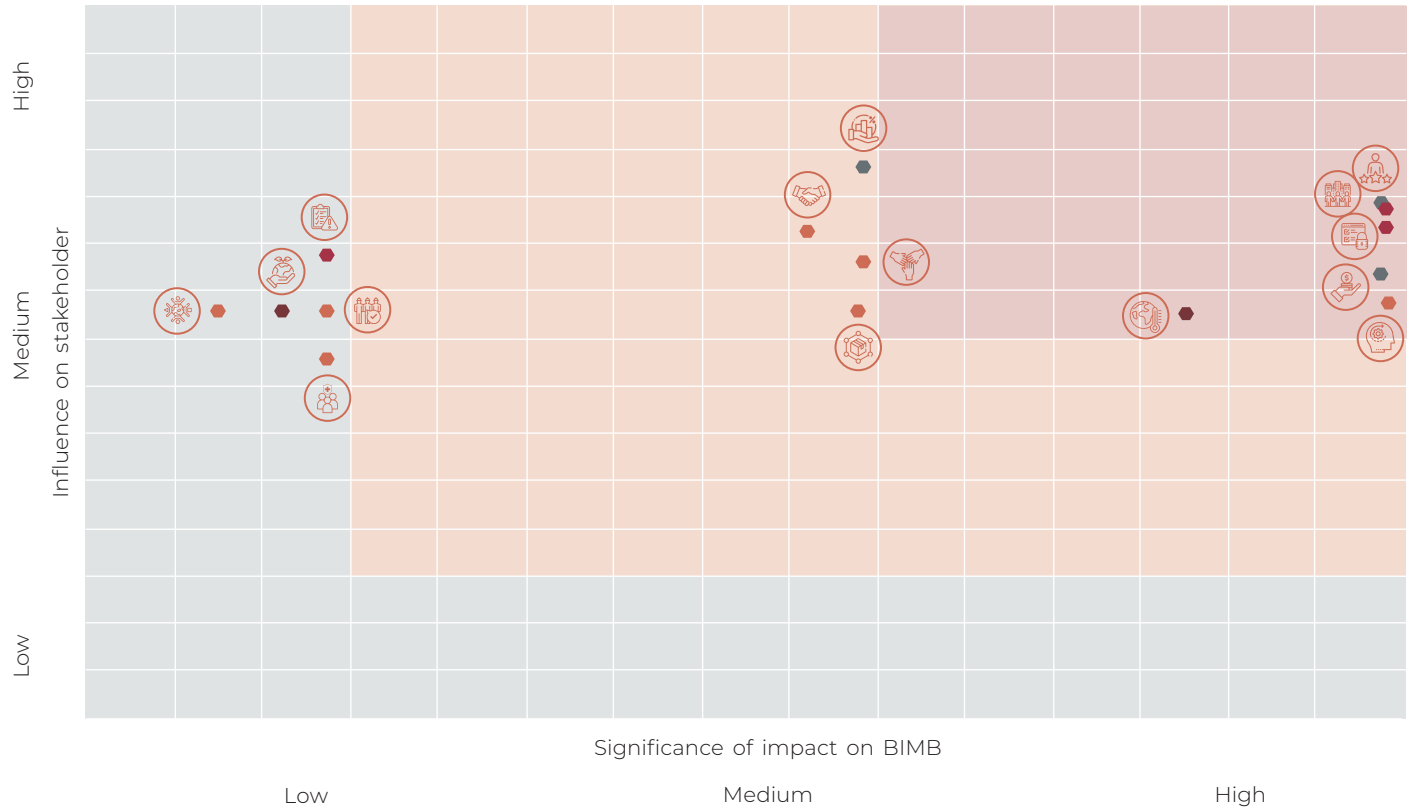
External Stakeholders
Shareholders & Investors
Regulators & Government
Customers
Industry-related Associations
Business Partners
NGOs
Vendors and Suppliers



MATERIALITY RESULTS & ANALYSIS

Following our 2022 assessment, we have determined 15 material matters, as presented in our materiality matrix.

BIMB Materiality Matrix 2022



Environment	Social	Economic	Governance
Sustainable Economic Performance	Customer Experience	Purposeful Financial Services	Energy and Climate Change
Diversity & Inclusion	Labour Standards and Practises	Sustainable Supply Chain	Collaboration and Partnerships
		Environmental Stewardship	Corporate Governance and Business Ethics
		Community Enrichment	Data Privacy and Security
		Talent and Development	Risk Management
			Employee Wellbeing, Health and Safety

Material Matters

The materiality matrix shows that while all material topics are important, some are relatively more significant based on the views of our internal and external stakeholders. Notably, majority of the top material topics are centred around governance and economic matters, while environmental and social topics are generally lower in priority, given that we have already implemented management measures for these areas.

We have categorised our material matters into Economic, Environmental, Social, and Governance (EESG) domains to align with our strategic focus on making positive contributions across all aspects of value creation.

For more information on our approach to each material matter, please see page 44

Economic

Material Matter	Definition & Scope	More Information
Sustainable Economic Performance	Identification and management of direct and indirect economic impacts on society, including the economic value generated and distributed by an organisation, through the financial products and services in which ESG and climate-related factors were taken into consideration in growing the financial performance of the company.	Page 115
Purposeful Financial Services	Consideration of ESG, climate-related, and Shariah compliance in our financial services including banking and investment and introduction of products and services to promote sustainable and low carbon economy.	Page 116
Customer Experience	Strengthening customer experiences by providing convenient, innovative, and ethical services that suit customer needs and expectations. This includes the provision of Shariah-compliant products and services, and innovative digital banking experiences while respecting customer rights.	Page 120
Collaboration & Partnerships	Collaboration and partnerships with different organisations for innovative banking services, as well as organisations involved in sustainability-related services to achieve sustainability goals.	Page 121

Environment

Material Matter	Definition & Scope	More Information
Energy and Climate Change	Measurement of an organisation's investment-related products or policies aims at investing or producing a specific climate-related outcome that supports businesses in transitioning towards aligning to a low-carbon economy. It also includes promoting companies in taking measures to manage climate-related opportunities and risks to increase their climate resilience in the changing climate environment as the world transitions towards a low-carbon economy.	Page 122
Environmental Stewardship	Responsible planning and management of environmental resources in a socially equitable, environmentally sustainable, and economically beneficial manner, including responsible use of water, and prevention of waste production through process modifications, reuse and recycling of materials used.	Page 124

**Social**

Material Matter	Definition & Scope	More Information
Labour Standards and Practices	Fair treatment of the employees and respecting the rules and regulations that govern the working conditions of the employees.	Page 125
Employee Wellbeing, Health, and Safety	Measures are taken to improve and maintain employees wellbeing and safety, through promoting a positive working environment, sound management, prevention and mitigation measures for critical incidents, workplace accidents or injuries, and potential health and safety risks.	Page 127
Talent and Development	Continued efforts to nurture talents, upgrade employees' skills and knowledge to boost employees' performance, which result in the quality of work produced.	Page 130
Diversity and Inclusion	Promotion of a workplace where every employee is treated with dignity and respect regardless of their differences such as age, gender, race, or background.	Page 136
Community Enrichment	Empowering and creating positive social impacts that enriches the communities in which we operate, or those directly or indirectly connected to our operations, including community-related investments.	Page 137
Sustainable Supply Chain	Measurement of an organisation's investment-related products or policies with the aim to encourage and support companies that adhere to ethical governance practices across their supply chain. It also includes promoting companies in taking measures to manage social and environmental related impacts across the supply chain.	Page 136

Governance

Material Matter	Definition & Scope	More Information
Corporate Governance and Business Ethics	Having a transparent, ethical, and responsible governance structure in defining the organisation's strategy. This includes having Shariah-compliant guiding principles, objectives, and processes to conduct business with reference to moral principles, policies, guidelines, and values that dictate fair, ethical, and moral employee conduct and fair competition in the marketplace.	Page 142
Data Privacy and Security	Respect customer data privacy and have reasonable measures in place to protect the customer data collected, stored, processed, or disseminated.	Page 145
Risk Management	Measures to identify, analyse, manage, and mitigate potential risk from an investment decision by considering regulatory requirements, ESG and climate-related factors in credit analysis and investment decisions.	Page 146

Key Risks and Mitigations

1 CREDIT RISK



DEFINITION

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

MITIGATION

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

2 MARKET RISK



DEFINITION

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

MITIGATION

- Maintain a robust market risk policy and limits based on best practices.
- Proactive monitoring, analysis and reporting to ensure that management of market risk is within the approved risk appetite.
- Proactive review of all market risk parameters in line with the Group's business strategy and current economic environment.
- Market Risk controls are reviewed regularly to ensure effective management of the risk.
- Conduct regular and ad-hoc stress testing to identify possible risks and to ensure the Group's exposure remain in accordance with the Group's risk tolerance.
- All exposures and non-compliances are reported to Management & Board Committees promptly.



3 LIQUIDITY RISK



DEFINITION

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

MITIGATION

- Maintain a comprehensive liquidity risk policy and limits based on best practices.
- Proactive monitoring, analysis and reporting to ensure the management of liquidity risk is within the approved Risk Appetite.
- Liquidity risk controls are reviewed regularly to ensure effective management of this risk factor.
- Proactive review of all liquidity risk parameters in line with the Group's business strategy, regulatory requirements and current economic environment.
- Preserve high quality liquid assets and well-diversified sources of funds as liquidity risk buffer under both business-as-usual (BAU) and stress conditions.
- Conduct regular and ad-hoc stress testing to identify possible liquidity strain and to ensure the Group's exposure remains in accordance with the Group's risk tolerance.
- Establish robust liquidity crisis management plan and viable contingency funding plan.
- All exposures and non-compliances are promptly reported to Management & Board Committees.

4 OPERATIONAL RISK



DEFINITION

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, which includes legal risk and Shariah Non-compliance risk but excludes strategic and reputational risks.

MITIGATION

- Maintain and actively manage operational risk in line with the Group's operational risk policy and approved Risk Appetite.
- Embedded Risk Units are established within significant activities and risk controllers are appointed in every division to enhance and ensure active monitoring of operational risks in the Group.
- Proactive review and management of critical business functions and essential services to ensure timely recovery in the event of disruptions.
- Various ORM tools, comprising proactive and reactive tools, are applied to provide a robust and consistent approach in managing Group-wide operational risk.
- All operational risk issues and incidents are reported to Management and Board Committees with detailed root cause analysis and action plan.
- Conduct operational risk training and awareness to ensure continuous development in building strong Group's risk culture.

Key Risks and Mitigations

5

INFORMATION TECHNOLOGY (IT) RISK



DEFINITION

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

MITIGATION

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

6

SHARIAH NON-COMPLIANCE (SNC) RISK



DEFINITION

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

MITIGATION

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



7 REGULATORY/COMPLIANCE RISK



DEFINITION

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

MITIGATION

- Streamlining compliance Policies & Procedures to ensure robustness across the Group whilst localising at subsidiary level to address respective regulators' requirements.
- Compliance risk management tools are deployed to ensure a more proactive and vigilant management of regulatory risk.
- Establishment of Foreign Exchange Policy (FEP) helpdesk to ensure compliance with foreign exchange requirements.
- More robust onboarding process which ensures the Outsourcing Service Providers (OSPs) share the Group's vision and commitment in championing VBI and ESG initiatives.
- Training and continuous up-skilling on key emerging risk including products and parameters as well as publication of learning and awareness materials to all staff.
- Implemented the Financial Risk Advisor (FRA™) System for BIMB Securities to manage end to end risk to ensure agility and efficiency of a business performance.
- Embarked on a new robust Anti Money Laundering (AML) System for the Group to mitigate, prevent, detect and respond to evolving money laundering, terrorist and proliferation financing activities.
- All issues and non-compliance are highlighted to the GCEO's Office and deliberated at the Management and Board Risk Committee.

8 CLIMATE RISK



DEFINITION

Risk arising from the effect of climate change on the Group's operations and to its customers. These include physical risks that are chronic in nature including extreme weather events such as heat waves, droughts, floods, typhoons, and acute in nature that bring long-term shifts in climate patterns such as sea level rise and sustained temperature increase.

Climate risk includes transition risk that entails changes in policies, investments, and business strategy such as carbon taxation that may negatively impact segments that are carbon-intensive or unable to adapt in a timely manner.

MITIGATION

- Developing and implementing an ESG risk framework covering identification, mitigation and monitoring of climate change risk; in line with the BNM's Climate Risk Management and Scenario Analysis policy document.
- Implementation of the BNM Climate Change Principles-based Taxonomy (CCPT) to classify financing exposures according to severity of climate risk.
- Conducting selective ESG due diligence of new and existing financing customers that carry elevated climate risk indicators based on sector and business activity.
- Implemented exclusion policy in the Group's risk appetite statement, i.e. to phase out and exit from the coal sector by 2030.



MENARA

Our Strategic Roadmap: LEAP25

As part of our ongoing commitment to advancing prosperity for all and delivering value, we have developed a comprehensive roadmap for the next five years. Known as LEAP25, this strategy is designed to leverage technology, redefine growth, and address the unprecedented challenges of our times.

At the core of LEAP25 is our goal to become a champion in offering a Shariah-compliant Environmental, Social, and Governance (ESG) total financial solution. This involves leadership in digital banking and social finance, in addition to our ongoing commitment to the principles of Shariah.

By 2025, we aim to be at the forefront of the industry, providing innovative solutions that meet the evolving needs of our clients while promoting sustainability and responsible business practices. By embracing this ambitious vision and staying true to our core values, we can continue to build a brighter, more prosperous future for all.

LEAP25 SIX STRATEGIC PILLARS:



The LEAP25 strategy has been pivotal in aligning us with our growth trajectory while making meaningful contributions to sustainability and advancing shared progress. Our commitment to the six targets under LEAP25 has been unwavering, and as of 2022, we remain on track to achieving them.

Strategic Performance Review

SUSTAINABLE PROSPERITY

What It Means

Sustainable Prosperity is both a growth opportunity and a values-based obligation, ensuring the long-term sustainability of the Group and creating value for our stakeholders. This includes our strategies and actions for strengthening the Group's financial position and our commitment to building for the future by taking a responsible and ethical approach to diversifying revenue streams and sustaining growth momentum.

What We Did

- Migrated the new GradOne Scorecard into a system and introduced fairer credit scoring for graduates aged 21-35.
- Collaborated with eChannels on Virtual Account Opening (VAO).
- Launched various campaigns such as *Al-Awfar* Elite 3.0, TDT Extra, *Al-Awfar* Plus, MaxCash, and SME Circle Campaign with new features to attract customers.
- Focused on sectors in accordance with our Risk Appetite, such as Healthcare, Power, Manufacturing, Telecommunication, Oil & Gas, as well as taking a cautious approach to other neutral sectors.
- Launched BIMB's Five Sustainability Commitments at the Annual General Meeting.
- Endorsed Governance Oversight on Sustainability.
- Set up a Sustainability Project Working Team (SPWT).
- Organised, conducted, and facilitated the inaugural Sustainability Workshop for Mid-Senior Management representatives across the Group.
- Opened the 1st environment-friendly branch in the country in Temerloh, Pahang to adopt sustainable practices in business operations.
- Spearheaded Value-based Intermediation Financing and Investment Impact Assessment Framework and developed a sectoral guide on waste management ahead of other cohorts among industry peers.
- Pioneered in Climate Change and Principle-based Taxonomy (CCPT) exercise.
- Contributed significantly to the CCPT Implementation Group as an industry key contributor.

Value Created

- Increased foothold in the Professional segment with 14% growth through 4 strategic collaborations with Professional Associations.
- Recorded a growth of RM7.4 billion in Deposits and Investment Accounts (IA).
- Successfully opened 2,536 accounts via VAO.
- Achieved a total asset growth increase of 12.1%.
- Maintained an overall green financing portfolio covering renewable energy and green building of RM2.9 billion approved.
- Introduced a new programme for SMEs, SME Eco Smart Financing.
- Finalised the Terms and Conditions with solar panel providers for House Financing for Solar Panels.
- RM17 million disbursed for 127 HEVs in 2022.
- Achieved a non-retail green financing increase to RM2.6 billion in 2021, compared to RM2.2 billion in the previous year.

Outlook

Our short-term plan includes the rollout of Home Financing-i with Bullet Payment Product, which is expected to be completed in 2023, subject to the completion of Phase 3 system development. This new product will give customers more flexibility in managing and meeting their financial obligations. Additionally, the Bank plans to expand its environment-friendly approach to five more locations by 2023, promoting eco-friendly features and sustainable practices to customers and the community. Overall, BIMB is dedicated to improving its services and positively impacting society.



VALUE-BASED CULTURE

What It Means

As Malaysia's leading, pioneering Islamic bank, our business mission and corporate culture is anchored in upholding Shariah goals and the principles of Value-based Intermediation (VBI). We are driven by our commitment to our values and supported by a strong ethical framework that enables us to achieve the goals of Islamic finance. These values are embedded into every aspect of our business policies and operations, encompassed in the TAAT values: Think Customer, Act With Integrity, Advance Beyond, Take Charge).

Value Created

- Achieved an Overall Engagement & Change Readiness Index of 88% for FY2022.
- On track to meet our upskilling targets, with 84% of employees achieving Digital Awareness, 32% achieving Foundational skills, and 3.3% achieving Expert/Specialist Level skills.

What We Did

- Kicked off the talent identification process for 12 Mission Critical Positions (MCP), with a current cover ratio of 2x and a firm talent assessment approach in place.
- Introduced a new Group Institutional Banking Target Operating Model (TOM) to strengthen the BIMB Investment and BIMB Securities businesses and operations.
- Completed Group Liquidity Crisis Management Plan (LCMP) testing at the Group level, attended by BIMB Investment and BIMB Securities representatives.
- Strengthened Shariah governance and compliance practices through the completion of a new reporting structure and the establishment of a common membership of the Shariah Committee, as well as the closure of gaps.

Outlook

The Group remains committed to developing internal skills and investing in employees with a growth mindset. However, the scarcity of ESG talent in the industry and fierce competition for tech talents from more agile organisations renowned for tech leadership and offering more competitive salary compensation presents a challenge that we must navigate.

Strategic Performance Review

CUSTOMER-CENTRICITY

What It Means

With customers at the forefront of the business, the Bank may offer holistic products based on customers' unique needs and convenience. BIMB is transforming the customer experience by placing our customers and stakeholders (internal or external) at the heart of all our planning and decision-making to ensure our customers are well served. We actualise the principles of competency, honesty and transparency in service delivery.

What We Did

- Engaged personal banking and SME customers to raise product awareness and gather feedback on current requirements for SME solutions
- Simplified and expedited approval process for criteria- and programme-based financing offers
- Raised the Single and Joint Discretionary Power to RM3 million
- Established a dedicated Credit Analyst team for SME customers
- Conducted staff training to raise standards for customer service delivery
- Launched the SME@Work mobile application for frontline sales staff to access important information for improved real-time decision making
- Rolled out the second version of the SMEXpert mobile application with more features and a better user experience

Value Created

- Accelerated financing approval turnaround time for improved efficiency.
- Expanded SME customer base and enhanced retention efforts.
- Increased visibility as a trusted provider of financial support for SMEs.
- Simplified financing approval and disbursement processes for SMEs with streamlined services.
- BIMB Investment offers strong ESG value propositions with AI and Big Data technology, global best practices from Arabesque partnership, and a proven track record.
- BIMB Investment's BEST app boasts over 30,000 registered users involving approximately RM30 million in investments as of 31 December 2022.
- Won The E-Commerce – Financial Services Award at the Malaysia Technology Excellence Awards 2022 for the second time.

Outlook

In the short-term, the Group plans to strengthen its cooperation with other institutional unit trust advisors to offer unique products and improve infrastructure. Additionally, the Group aims to build innovative products for specialised markets and focus on digital business growth by enhancing the BEST app and integrating customer relationship management techniques into the user experience.

In the medium to long-term, the Group aims to lead Shariah-ESG investment by offering sustainable risk-adjusted investment returns through Big Data and Artificial Intelligence. The Group will also help customers achieve their financial goals by understanding their needs and providing valuable investment solutions. It will shift toward goal-based investment plans that are accessible, affordable, and attractive to all customers through a people-centric approach.



COMMUNITY EMPOWERMENT

What It Means

As a listed Islamic bank with VBI as our core business model, we prioritise achieving Maqasid al-Shariah by emphasising communities' well-being. Financial inclusion is a crucial enabler of our environmental, social and governance (ESG) and sustainability principles by fostering positive transformation and socio-economic impact through financing.

Value Created

- Enhance the lives of 10,545 beneficiaries in 2022 by supporting families and small business owners with social finance initiatives.
- Supported the economic status of 40 micro-entrepreneurs.
- Assisted 566 borrowers through both iTEKAD BangKIT and iTEKAD Maju

What We Did

- Provided social assistance through various financing plans such as Asnaf Zakat Home Ownership Personal Financing Plan, Awqaf Ummah Home Financing Plan, and Bayt As Solah Financing.
- Distributed RM5.1 million in 2022 and RM10.1 million since 2018.
- Channelled RM4.63 million into our iTEKAD microfinancing programme.
- Launched the Sadaqa House Orphan Fund, with RM1.5 million raised in contribution.

Outlook

In the coming year, we will focus on financing disbursement and funding those in need. We plan to channel RM11 million in blended financing, allocate RM1 million for escalator funding, and disburse RM2.8 million for Asnaf Personal Financing-i recipients. We aim for 10% of funding recipients to improve their creditworthiness and 30% to see improvements in their socio-economic quality of life.

Looking to the medium to long-term, our goal is to raise a perpetual fund of RM1 billion by 2040. We have committed to partnering with three implementing organisations, OrphanCare Foundation, Pertubuhan Anak Yatim Malaysia (PEYATIM), and Youth Empowerment Foundation (YEF), over four years in support of the Orphans Agenda. The perpetual fund's returns will be used to distribute a minimum of RM3 million monthly for the welfare and education of orphans.

Strategic Performance Review

REAL ECONOMY

What It Means

BIMB aims to grow wealth inclusively within the real economy – concerned with producing and purchasing non-financial goods and services – and capture a greater customer share of that market. We support SMEs in growing the real economy by elevating their strengths and potential. The Bank supports various initiatives that build the real economy on equitable terms through a Halal ecosystem.

What We Did

- Expanded Halal economy financing portfolio by collaborating with Halal Development Corporation (HDC), Malaysia External Trade Development Corporation (MATRADE), SME Corporation Malaysia (SME Corp).
- Formed new partnerships with MIDA and iPortal Live Sdn Bhd to promote growth in the Halal economy.
- Launched real-economy programmes with marketing campaigns to promote SME solutions and digital platforms.
- Introduced seven Shariah-ESG funds through BIMB Investment, including Global, Asia Pacific, Malaysia, technology equities, Global Sukuk and Wakaf Unit Trust Funds. Recorded an AUM of RM745.10 million as of 31 December 2022.

Value Created

- Increased awareness of the Bank's SME financing programmes
- Gained positive publicity and visibility as a valuable provider of business and financial insights for SMEs
- Improved customer acquisition and retention for SMEs
- BIMB Investment received five awards:
 - Best Risk-Adjusted Returns for ESG Principle Investment 2022 (fourth consecutive win) conferred by Alpha Southeast Asia
 - Best Overall Winner and Best Fund-Based on Asset Class (Equity) for BIMB-Arabesque Global Shariah-ESG AI Technology Fund, at The Edge ESG Awards 2022
 - Best Shariah-ESG Investment Management Company 2022 at the Global Business Magazine Awards
 - The E-Commerce – Financial Services Award 2022 at the Malaysia Technology Excellence Awards
- Enabled SME Banking customers to access financing for business growth needs.
- Developed a strong ESG investing ecosystem through Shariah-ESG and sustainable investment in alignment with the BIMB Group's principles.

Outlook

Through BIMB Investment, we strive to become the top Shariah-ESG investment leader in local and regional markets. To achieve this, we will expand into new market sectors and explore new asset classes and SRI funds. We aim to lead the next generation of asset management by providing sustainable risk-adjusted investment returns using Big Data and Artificial Intelligence.



DIGITALISATION

What It Means

Our multi-year Digitalisation journey is designed to holistically transform

- Customer channels and platforms by providing omnichannel customer journey and experience and pushing the envelope on personalisation
- Applications & infrastructure to be future-ready with API-based technology stack and single data source for advanced analytics
- Process and ways of working that promote agile for iterative delivery, and
- Capability and skills to be digitally ready to support business goals

Value Created

- Improved the go-to-market capabilities for customer-centric offerings via Be U. It offers a savings account that allows zero balance, fund transfer capabilities and a “Nest” feature that helps customers save for specific goals.
- Enhanced flexibility and agility in developing new product offerings in a shorter period.
- Generated high-quality leads for cross-selling products, for example Al-Awfar and Personal Financing
- Increased credit card customer base by 0.7% with 2,436 new accounts added, with 1,347 Mastercard and 1,089 VISA cards activated.

What We Did

- Progressed a new working culture centred around Agile, DevOps and Design Thinking
- Instigated a philosophy of working with best-in-class ecosystem partners to build a cloud and microservices-based technology stack
- Increased traction on using and training machine learning models in various use cases, for example, in predicting the likelihood of customers accepting a product through the Propensity model
- Expanded the use of Robotic Process Automation (RPA) by skilling up more RPA Bitizen developers bank-wide
- Established a partnership with APU for Digital Academy
- Launched Be U by Bank Islam, the first digital Islamic Bank in Malaysia, touted as the friendliest digital bank in Malaysia. Be U is targeted at the younger generation.
- Commenced work to implement future-ready platform and infrastructure such as API and big data

Outlook

Looking ahead, we seek to uphold our mission to drive business growth and agility through innovation enabled by technology. We work to be able to provide digital solutions that are customer-centric, sustainable and value creating. Our IT Blueprint and Digital Bank represent our robust digital strategy to better equip ourselves to improve our digital offerings and stay ahead of our competitors. Our main aspirations are to:

1. Enhance customer access and interaction (channels) via omnichannel capabilities
2. Improve customer experience through frictionless access to the bank's services
3. Foster innovation with developers and fintech ecosystems through strategic partnerships
4. Venture into cloud through the establishment of our cloud strategy and its relevant policies
5. Increase business and operation agility in responding to customers' needs through strategic adoption of technology
6. Capitalise on data to gain insights for future development, optimise potential and reduce risk

In a nutshell, we are committed to rigorously develop and grow our digital business models and making Bank Islam a digitally mature organisation.

Key Performance Indicators

FINANCIAL METRICS

KPIs	Units	Objective	2020 Actual	2021 Actual	2022 Actual
Total assets	RM (billion)	To measure the overall value of the bank's total revenues obtained after accounting for depreciation associated with the assets.	74.6	80.2	89.9
Net fund based income	RM (million)	To calculate all revenues, costs and earnings per share.	1,580.9	1,831.6	2,078.8
Non fund based income	RM (million)	To calculate non fund income related to bank and creditor income derived primarily from fees.	532.8	357.3	231.1
Profit Before Zakat and Tax	RM (million)	To measure the underlying profitability of the Bank's performance before the impact of zakat and tax.	728.2	704.2	746.9
Total Gross Financing	RM (billion)	To measure overall bank health and efficiency by identifying problems with asset quality in finance portfolios.	55.6	59.2	65.9
Gross Impaired Financing	RM (million)	To measure gross loans, advances and financing.	373	568	835
Total Deposits & Investment Accounts	(RM billion)	To track simple-to-complex deposit operations in the banking systems.	63.4	67.8	75.2
Total Capital	RM (million)	To guarantee depositors and creditors that their funds are safe and indicate the bank's ability to pay for its liabilities.	8,352	8,741	9,131



FINANCIAL METRICS

KPIs	Objective	2020 Actual	2021 Actual	2022 Actual
Employee Engagement Index	To measure the engagement, productivity and overall well-being of our employees and business performance towards achieving the goals of our LEAP25 strategy.	81%	57%	88%
Customer Satisfaction Score	To develop better business services in line with the market trends and expectations of customers.	60	49	71
Women in Senior Management	To promote positive gender diversity within the company that will impact working cultures and promote social benefits among employees.	4	4	6
Number of SME Customers	To determine overall engagements with SMEs' while creating a wider customer range.	40%	40%	55%
Carbon Emissions (tCO₂e)	To track our operational emissions as a baseline towards reducing our climate impact	8,546.97	7,545.10	8,240.64
Self-service Terminals	To analyse transaction data and coordinate nationwide operations more effectively.	946	947	947

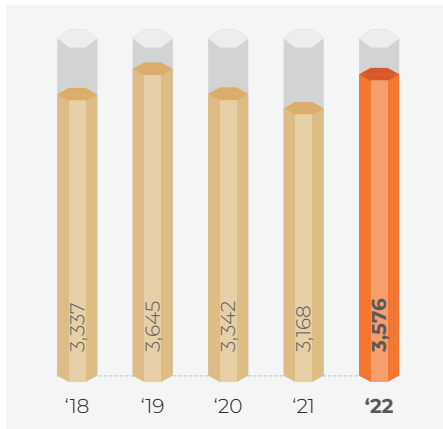
5-Year Financial Summary

Financial Year Ended 31 December	2022	2021	2020	2019	2018
Operating Results (RM'000)					
Total Revenue	3,576,354	3,167,757	3,342,202	3,644,696	3,336,502
Income Attributable to Depositors and Investment Account Holders	1,266,408	978,815	1,228,505	1,551,945	1,383,834
Profit Before Zakat and Tax ("PBZT")	746,866	704,221	728,213	843,480	810,258
Profit After Zakat and Tax ("PAZT")	491,672	534,305	564,954	627,609	593,887
Key Statements of Financial Position Items (RM'000)					
Total Assets	89,851,671	80,156,214	74,637,022	67,593,802	63,938,733
Total Financing	64,901,994	58,153,769	54,670,635	49,472,522	45,680,680
of which:					
Gross Impaired Financing	835,232	568,383	373,234	433,001	425,937
Investment in Securities	15,447,801	15,535,542	13,739,191	12,809,708	11,719,258
Deposits from Customers	60,707,504	57,338,834	51,077,262	47,408,738	49,895,232
Investment Accounts of Customers	14,461,439	10,452,902	12,368,528	10,240,373	5,176,819
CASATIA	27,685,071	26,845,680	22,907,392	18,860,995	17,668,839
Shareholders' Equity	6,796,243	6,399,938	6,285,699	5,714,453	5,276,407
of which:					
Share Capital	3,645,043	3,445,757	3,306,118	3,012,368	3,012,368
Ratio Analysis					
Return on Equity (based on PBZT) (%)	11.3	11.10	12.14	15.35	15.83
Return on Assets (based on PBZT) (%)	0.9	0.91	1.02	1.28	1.33
Return on Equity (based on PAZT) (%)	7.5	8.42	9.42	11.42	11.60
Return on Assets (based on PAZT) (%)	0.6	0.69	0.79	0.95	0.98
Cost Income Ratio (%)	59.8	57.01	53.81	53.56	52.97
Financing to Available Fund Ratio (%)	77.2	79.00	79.24	78.99	77.71
CASATIA Ratio (%)	36.8	39.60	36.11	32.72	32.08
Gross Impaired Financing Ratio (%)	1.27	0.96	0.67	0.86	0.92
Financing Loss Coverage (%)	140.80	187.19	248.63	179.32	187.75
Total Capital Ratio (%)	19.39	18.56	19.82	18.66	17.77
Earnings Per Share (sen)	22.86	21.87	22.19	25.00	23.96
Gross Dividend Per Share (sen)	13.80	10.93	10.92	12.45	11.86
Net Assets Per Share (RM)	3.15	3.08	2.42	2.28	2.10

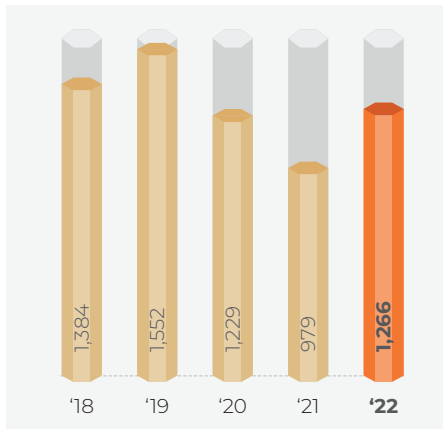


5-Year Financial Highlights

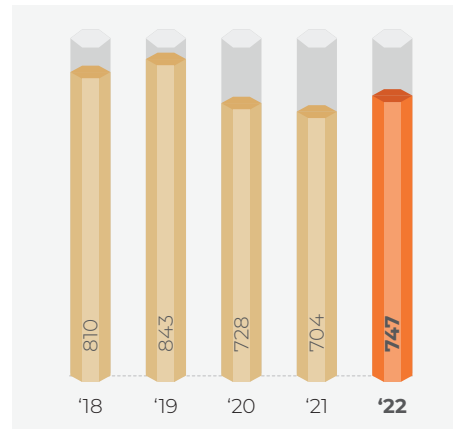
Total Revenue
(RM Million)



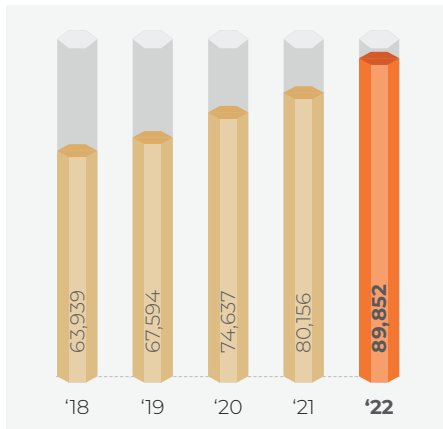
Income attributable to depositors and investment account holders (RM Million)



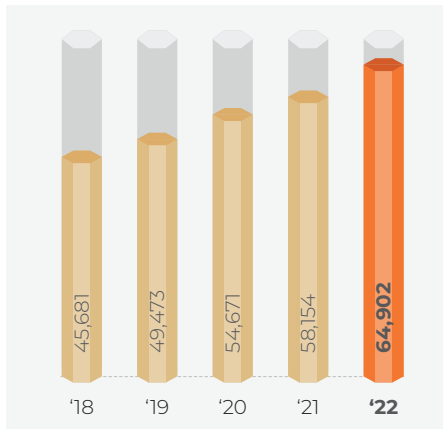
Profit Before Zakat and Tax
(RM Million)



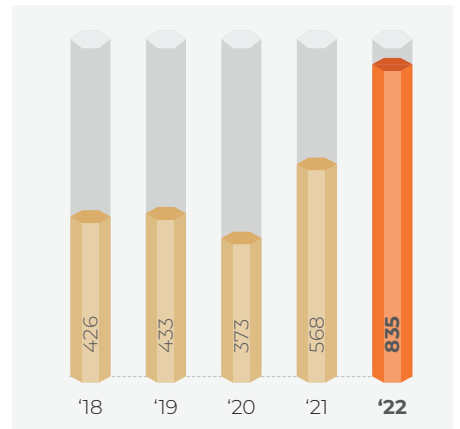
Total Assets
(RM Million)



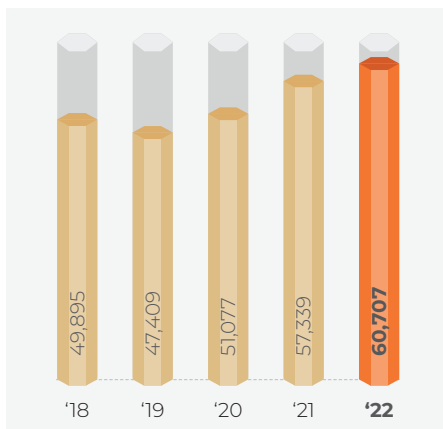
Total Financing
(RM Million)



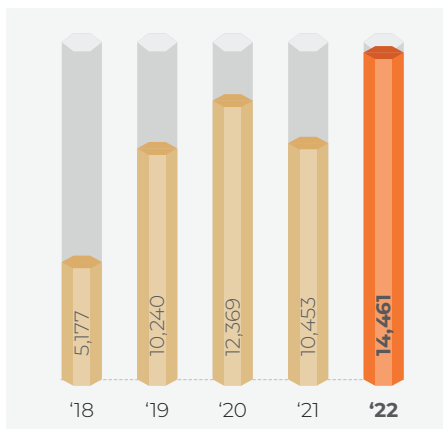
Gross Impaired Financing
(RM Million)



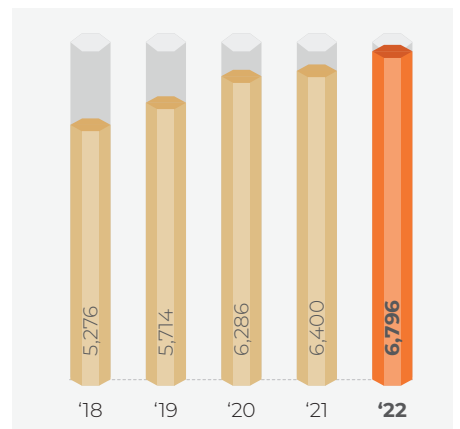
Deposits from Customers
(RM Million)



Investment Accounts of Customers (RM Million)

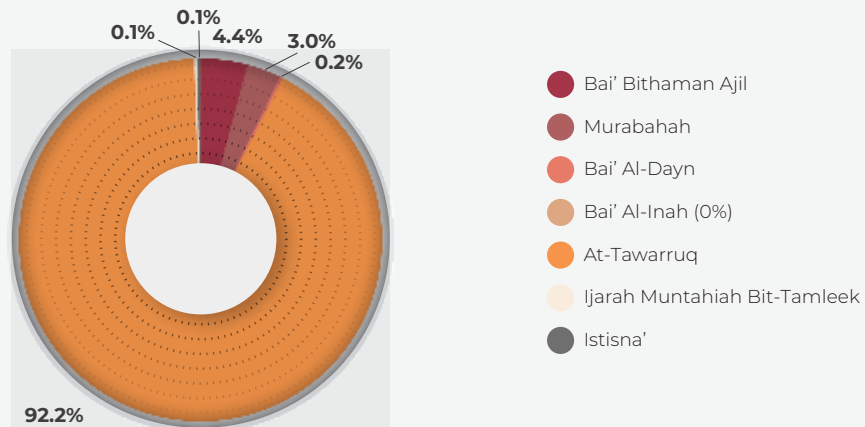


Shareholders' Equity
(RM Million)

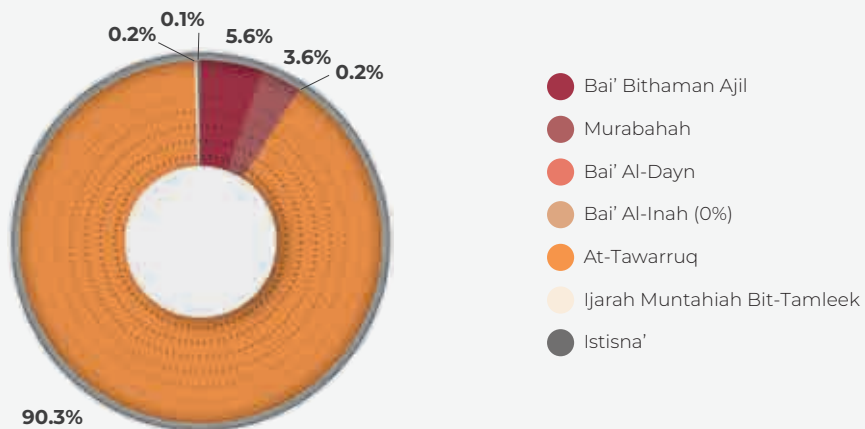


Financial by Contract

2022



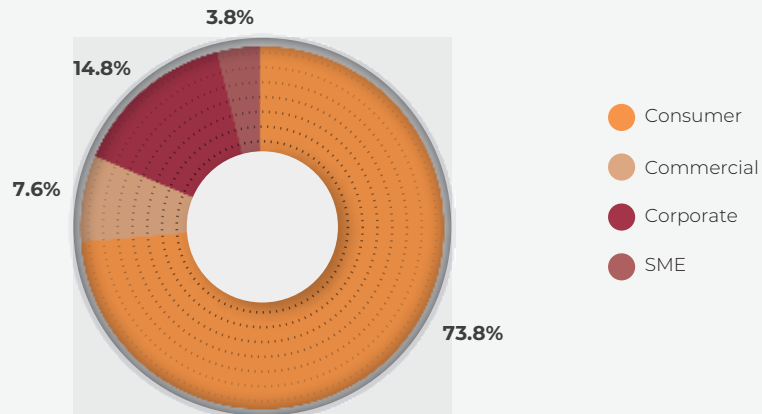
2021



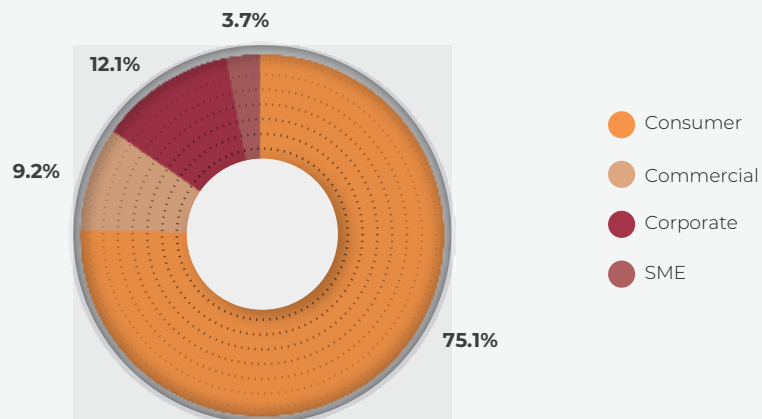


Segmental Analysis

2022

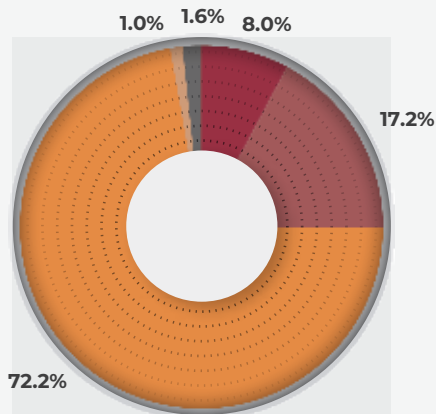


2021

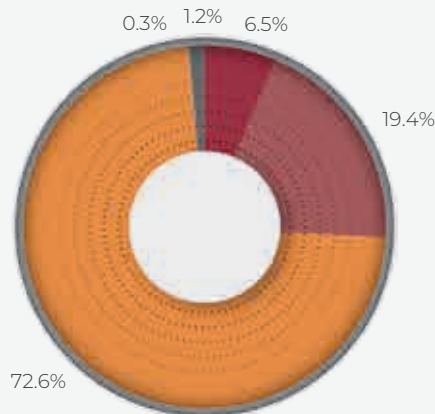


Simplified Statements of Financial Position

TOTAL ASSETS



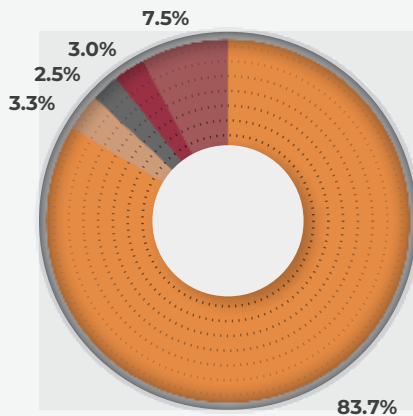
RM89.8 billion
as of
31 December
2022



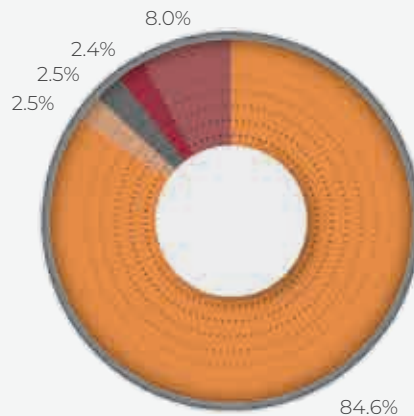
RM80.2 billion
as of
31 December
2021

- Cash and short-term funds
- Investment in securities
- Financing, advances and others
- Statutory deposits with Bank Negara Malaysia
- Other assets

TOTAL LIABILITIES AND EQUITY



RM89.8 billion
as of
31 December
2022



RM80.2 billion
as of
31 December
2021

- Customers' deposits & investment accounts
- Recourse obligations on financing sold to Cagamas
- Subordinated Sukuk Murabahah
- Other liabilities
- Equity



Statement of Value-added & Distribution

STATEMENT OF VALUE-ADDED

	2022 RM'000	2021 RM'000
Net income derived from investment of depositor's funds	1,513,570	1,441,384
Net income derived from investment account funds	393,858	337,411
Net income derived from investment of shareholder's funds	402,518	459,058
Net allowance for impairment on financing and advances, net of recoveries	(140,032)	(190,738)
Loss on modification of financial assets	-	(48,911)
Net allowance for impairment on other financial assets	-	(7,406)
Direct expenses	(11,414)	(10,938)
Finance cost	(107,171)	(89,887)
Overhead expenses excluding personnel and depreciation	(405,460)	(402,697)
	1,645,869	1,487,276

DISTRIBUTION OF VALUE-ADDED

	2022 RM'000	2021 RM'000
To employees:		
Personnel expenses	821,955	723,830
To the government and zakat authority:		
Taxation and zakat	255,194	169,916
To providers of capital:		
Dividend to shareholders	300,444	226,893
To reinvest to the Group:		
Depreciation	78,007	59,225
Retained earnings	190,269	307,412
	1,645,869	1,487,276

Quarterly Performance

RM million	Financial year ended 31 December 2022				
	Q1	Q2	Q3	Q4	Year
Total Revenue	774	823	934	1,045	3,576
Net Income Before Impairment	523	547	612	627	2,309
Profit Before Overheads, Zakat and Tax	478	518	586	589	2,171
Profit Before Zakat and Tax	159	181	219	187	747
Profit After Zakat and Tax	106	117	143	126	492
Earnings Per Share (Sen)	4.95	5.44	6.63	5.84	22.86
Dividend Per Share (Sen)	-	-	10.40	3.4	13.80

RM million	Financial year ended 31 December 2021				
	Q1	Q2	Q3	Q4	Year
Total Revenue	771	834	746	817	3,168
Net Income Before Impairment	532	591	501	565	2,189
Profit Before Overheads, Zakat and Tax	521	557	460	453	1,991
Profit Before Zakat and Tax	214	261	153	76	704
Profit After Zakat and Tax	159	194	102	79	534
Earnings Per Share (Sen)	6.10	7.44	4.08	3.84	21.87
Dividend Per Share (Sen)	-	-	10.93	-	10.93



Financial Calendar

FINANCIAL RESULTS ANNOUNCEMENTS



31 MAY 2022

Quarterly report on consolidated results for the financial period ended 31 March 2022

30 AUGUST 2022

Quarterly report on consolidated results for the financial period ended 30 June 2022

30 NOVEMBER 2022

Quarterly report on consolidated results for the financial period ended 30 September 2022

27 FEBRUARY 2023

Quarterly report on consolidated results for the financial period ended 31 December 2022

ANALYST BRIEFING



1 JUNE 2022

Briefing on 1Q2022 Financial Results

1 SEPTEMBER 2022

Briefing on 1H2022 Financial Results

1 DECEMBER 2022

Briefing on 9 Months 2022 Financial Results

28 FEBRUARY 2023

Briefing on FY2022 Financial Results

DIVIDENDS



FIRST INTERIM DIVIDEND OF 10.40 SEN PER SHARE

Notice: 9 December 2022
Entitlement: 30 December 2022
Payment: 30 January 2023

SECOND INTERIM DIVIDEND OF 3.40 SEN PER SHARE

Notice: 3 April 2023
Entitlement: 17 April 2023
Payment: 12 May 2023

40TH ANNUAL GENERAL MEETING



VENUE

FULLY VIRTUAL

At Broadcast Venue
Level 10
Menara Bank Islam
22 Jalan Perak
50450 Kuala Lumpur

DATE

26 May 2023
10.00 a.m.



CONSUMER BANKING



Consumer Banking had a remarkable year in 2022, with the post-pandemic recovery boosting economic activity and the national employment rate. This contributed to a substantial 9.3% growth for the division, which saw a significant increase in consumers' credit situation. Consumer Banking's asset composition now represents a remarkable 74% of total Bank assets, an impressive milestone for the Bank.



Our collaboration with four professional associations, namely the Malaysia Institute of Accountants (MIA), Malaysian Society for Occupational Safety & Health (MSOSH), Pertubuhan Arkitek Malaysia (PAM) and Persatuan Akauntan Sektor Awam (PSA), enabled us to build stronger relationships and create a more robust support system for our customers.

In addition, we launched several innovative product and branding initiatives, including three new debit cards with unique features such as BIMB's Debit Card-i with a built-in sadaqa contribution to Sadaqa House, BIMB Visa Alumni International Islamic University Malaysia Debit Card-i payWave, and BIMB Visa Alumni Universiti Teknologi MARA Debit Card-i payWave. We also celebrated the FIFA World Cup 2022 by introducing a new limited edition credit card, the BIMB Visa FIFA-themed Credit Card-i, which received a positive response from our customers.

WHO WE ARE AND WHAT WE DO

As the largest division within BIMB, Consumer Banking accounted for 60% of the Group's net income in 2022. We offer a wide range of consumer banking products and services, distinguished by our status as a fully-fledged Islamic bank. The division recorded an improved market share of 4.91% in 2022, compared to 4.79% in 2021. Total assets increased by 9.3% to RM48.7 billion during the year, exceeding our growth target of 8%.

CREATING STAKEHOLDER VALUE

Stakeholder Expectations	Value Created in 2022
<p>Lower-income customers:</p> <ul style="list-style-type: none"> Home Financing-i with Bullet Payment 	<ul style="list-style-type: none"> Supported customers' acquisition of residential property with an enhanced payment plan with lower commitments and broader financial eligibility.
<p>Sustainability & Environment:</p> <ul style="list-style-type: none"> House Financing for Solar Panels Hybrid & Electrical Vehicle (HEV) Financing 	<ul style="list-style-type: none"> Provided the option to include solar panel purchase within the home financing/refinancing package to offer an attractive and sustainable energy solution. Total disbursement for HEVs: 127 units totalling RM17 million.

Consumer Banking

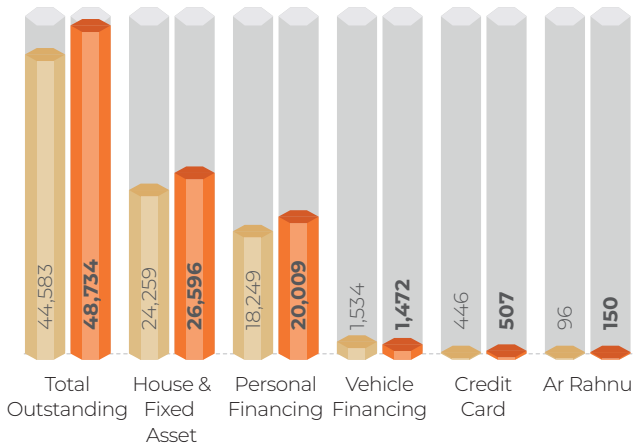
KEY FOCUS AREAS & RESULTS

Focus Areas	What We Did in 2022	Results
Sustainable Prosperity & Product Innovation	<ul style="list-style-type: none"> Increase Non-National Vehicle penetration 	<ul style="list-style-type: none"> Total penetration for Non-National Vehicle portfolio: RM143.6million.
	<ul style="list-style-type: none"> Contactless Mobile Payments 	<ul style="list-style-type: none"> Offered cheaper terminal rental to support contactless card payments via smartphone.
	<ul style="list-style-type: none"> New Bank Islam Visa FIFA-Themed Credit Card-i 	<ul style="list-style-type: none"> Launched a new limited edition credit card in conjunction with the FIFA World Cup 2022, with 9,999 cards issued.
	<ul style="list-style-type: none"> Introduced 3 new BIMB Debit Cards 	<ul style="list-style-type: none"> Added three new Debits Cards to our product lineup since March 2022: <ul style="list-style-type: none"> BIMB Visa Debit Card-i (Generic) payWave BIMB Visa Alumni International Islamic University Malaysia Debit Card-i payWave BIMB Visa Alumni Universiti Teknikal MARA Debit Card-i payWave
Customer-centricity	<ul style="list-style-type: none"> Added Ar-Rahnu counters at 20 existing branches 	<ul style="list-style-type: none"> Established 20 new Ar-Rahnu counters in selected branches to provide financing solutions through the Ar-Rahnu facility.
	<ul style="list-style-type: none"> Penetrated and grew new customer segments under the GradONE program 	<ul style="list-style-type: none"> Introduced a revised scorecard for the GradONE program onboarding effective 17 June 2022; the average approval rate post-revision increased by 7.5%.
Digitalisation	<ul style="list-style-type: none"> Streamlined Credit Card application and approval process 	<ul style="list-style-type: none"> Introduced special credit processing for existing customers with minimum documentation required for Credit Card applications.
	<ul style="list-style-type: none"> Self-service card management via Internet Banking (IB) Leveraged analytical tools such as Tableau & Robotic Process Automation (RPA) for business insights 	<ul style="list-style-type: none"> Implemented card-i services on the IB platform in December 2022 to complement conventional card maintenance. 5 RPA projects completed: <ol style="list-style-type: none"> Submission & Approval Monthly Report VF SRP & SRP FTHB Confirmed Asset Info Data Packaged Employer Reporting VF Daily Submission Report Daily Debit Card Issuance Report



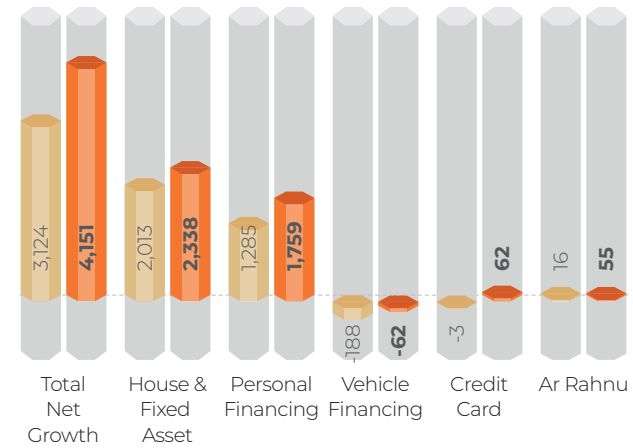
PERFORMANCE HIGHLIGHTS

Total Outstanding (RM Mil)



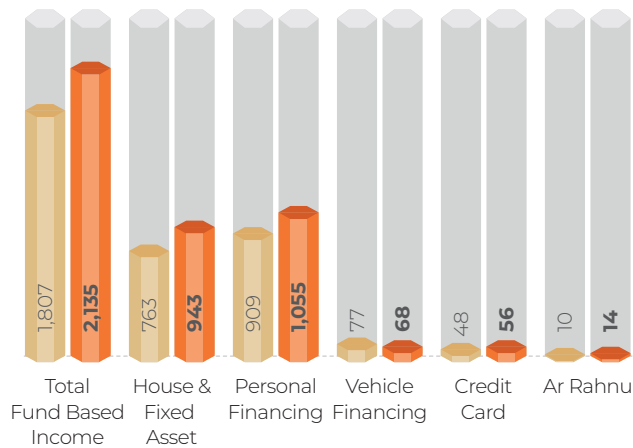
FY2021
FY2022

Net Growth (RM Mil)



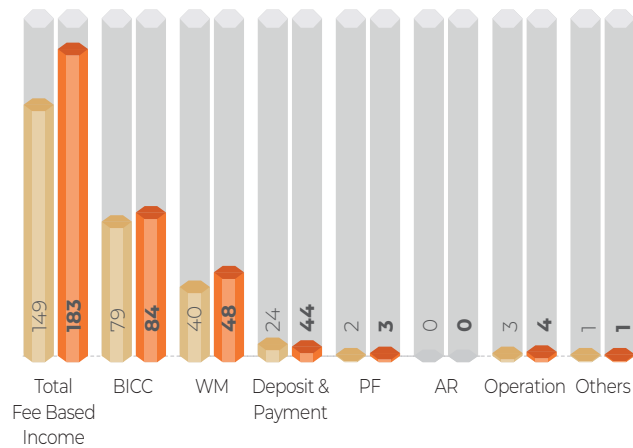
FY2021
FY2022

Fund-Based Income (RM Mil)



FY2021
FY2022

Fee-Based Income (RM Mil)



FY2021
FY2022

Consumer Banking

KEY RISKS & CHALLENGES

Risks & Challenges	Mitigation Strategies
Challenging economic outlook with the rise in inflation, provision, and post-pandemic COVID-19 impacts	Focused and sustained our secure payment financing (package employers; ASB financing; government sectors and professional associations). We maintained our asset quality with an agile strategy of enhancing the collections process and recovery intensity.
Digital competition is expected to intensify in 2023 with new digital bank offerings to launch	We expect to commence digital consumer credit card onboarding with the delivery of FOS (Phase 2) while streamlining our systems and operations to prepare for the mid-to long-term digitalisation play.

GROWTH OPPORTUNITIES

Opportunities	Our Approach
Greater awareness of Socially Responsible Investments (SRI) and ESG portfolio	<p>As a responsible financial intermediary, the Bank explored value creation and promoted sustainability initiatives in new business areas.</p> <p>To increase the take-up rate of green technology products, we grew our ESG portfolio through hybrid and electric vehicle financing, and solar panels within home financing packages to offer a sustainable cost-effective energy solution.</p> <p>The Bank also pursues a financial inclusion by empowering first-time homebuyers to obtain financing through Skim Rumah Pertamaku (SRP) & First Time Homebuyers Scheme.</p>

OUTLOOK AND STRATEGIC PLANS

Short-Term

We will focus on secured payment financing for retail assets to rebalance our portfolio and extend our product penetration into relevant target segments, particularly Professionals. To increase our reach and market coverage, we will also pursue growth in the underserved market sector (i.e., non-Bumi). The Bank will continue to expand its secured payment financing, including working with package employers, the public sector, and professional associations. Our strategic partnership with Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM) will launch a new business line by introducing Gold Investment Products under our Ar-Rahnu portfolio.

Medium- to Long-Term

In line with our 2023 strategic intent to adopt a segment-led approach, we will promote our Young Graduate proposition with a structured, packaged approach to nurture this emerging mass affluent segment over its lifecycle. We will also continue to optimise our data analysis efforts to identify value-creation opportunities, such as performance analysis of business insights to understand customer demands and formulate effective business strategies. To decrease turnaround time and enhance the overall customer experience, we will re-evaluate appropriate specifications to develop a straight-through application for the disbursement procedure.



DEPOSITS AND CASH MANAGEMENT



In 2022, we recorded a commendable growth of RM7.4 billion in deposits and investments, representing an 18.4% increase over the previous year. This impressive result was largely attributed to the opening of all economic sectors in Q4 2021, which bolstered the non-individual segment.

Despite a higher average disposable income among Malaysian households, growth in the individual segment was affected by consumers' spending behaviour shifting away from non-essential items. An intensified price war in Q4 2022 added additional pressure. Nevertheless, we continued to invest in improving the customer experience with enhanced products and value-added solutions. Our efforts were recognised in April 2022, when we achieved three awards at the Malaysian ePayments Excellence Awards (MEEA).

Deposits and Cash Management

WHO WE ARE AND WHAT WE DO

Deposits and Cash Management (DCM) is a key business enabler for BIMB, delivering stable, balanced deposits growth and superior cash management solutions. We embrace a pragmatic liquidity management approach and provide customer value through unique products and solutions while ensuring sound liquidity levels and effective costs of funds for the Bank. We also venture into new business frontiers by diversifying our resources and boundaries across business collaborations and digital inclusion.

In 2022, we focused on the five components under the Retail Segment: Mass Market, High Net Worth Individuals, Professionals, Salary Earners, and Non-Bumi. Our Corporate Segment focus included Corporate & SME. The Bank's approach to drive deposit growth has been:

- 01** Adopting a customer-centric approach.
- 02** Strategic positioning of resources encompassing the sales and support teams.
- 03** Embracing digitalisation to seamlessly integrate products and solutions.
- 04** Achieving synergy between internal and external parties, leveraging individual and collective strengths.

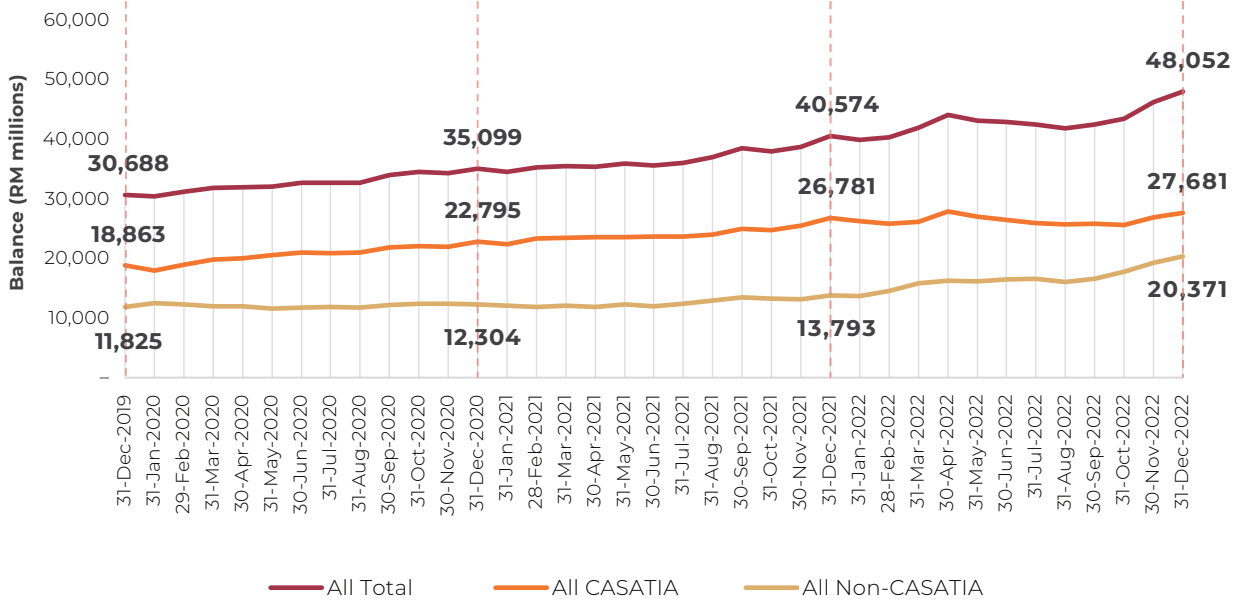
KEY FOCUS AREAS & RESULTS

Focus Areas	What We Did in 2022	Results
Sustainable Prosperity	<p>Achieved commendable growth in SME deposits by deploying deposit growth strategies comprising:</p> <ul style="list-style-type: none"> • Campaigns & promotions • Strategic collaborations • Business solutions for SMES: <ul style="list-style-type: none"> – Onboarding SMEs with SMExpert application – SME Circle Campaign with new features 	<p>Total SME customer banking growth for FY 2022 RM425.1 million</p>
Customer-centricity	<p>Ran campaigns and initiatives to enhance multiple business solutions:</p> <ul style="list-style-type: none"> • FPX campaign • Direct Debit Campaign: PTPTN Campaign on Direct Debit and <i>Potongan Gaji</i> • GO Biz Merchant App • eBanker Pro • High-Risk Customer Portal • Awards for Business Solutions 	<ol style="list-style-type: none"> Over 400 FPX merchants registered from January to December 2022 1,076 subscribers via MyPTPTN app by December 2022 (campaign duration from 1 December 2022 to 30 April 2023) 14,256 GO Biz subscribers from January to December 2022 22,096 eBanker Pro subscribers as at December 2022 Improved accuracy in the review and approval of high-risk customers The Malaysian e-Payments Excellence Awards (MEEA2022): <ol style="list-style-type: none"> Best JomPay Acquirer Best Direct Debit Bank Best Direct Debit Acquirer (Bank)
Community Empowerment	<p>In November 2022, we migrated to a new Al-Awfar draw engine with the Sponsorship & Zakat Distribution for IPTA/IPTS.</p> <p>This improved the reliability and transparency of the draw and is in line with the Bank's commitment to Corporate Social Responsibility (CSR) and serving the community.</p>	<ol style="list-style-type: none"> Sponsorship: RM386,865 approved and paid

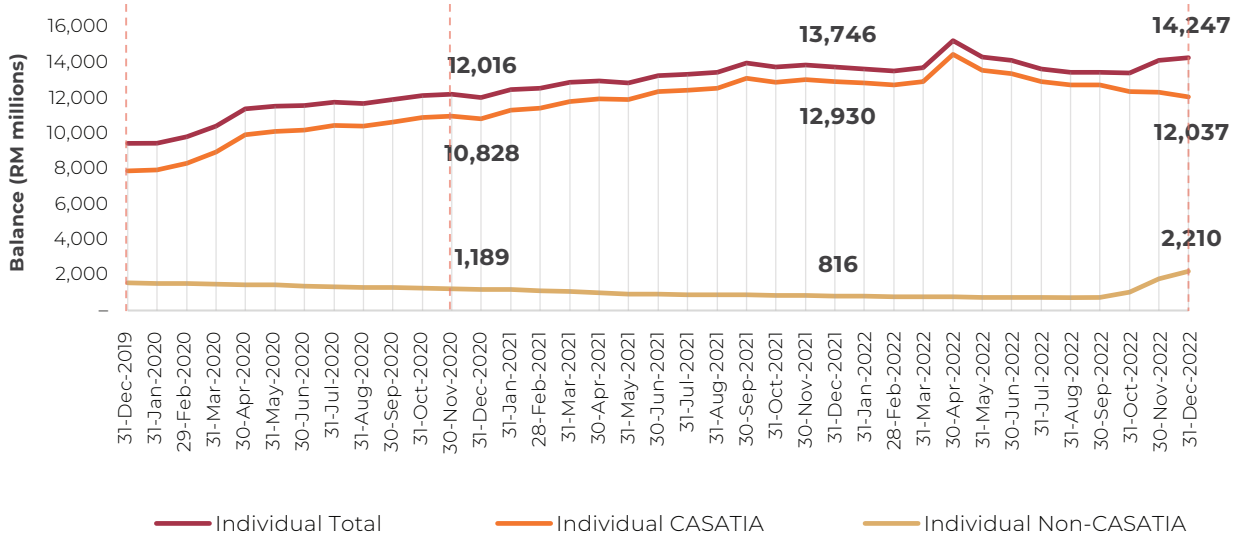


PERFORMANCE HIGHLIGHTS

Overall CASATIA vs Non-CASATIA

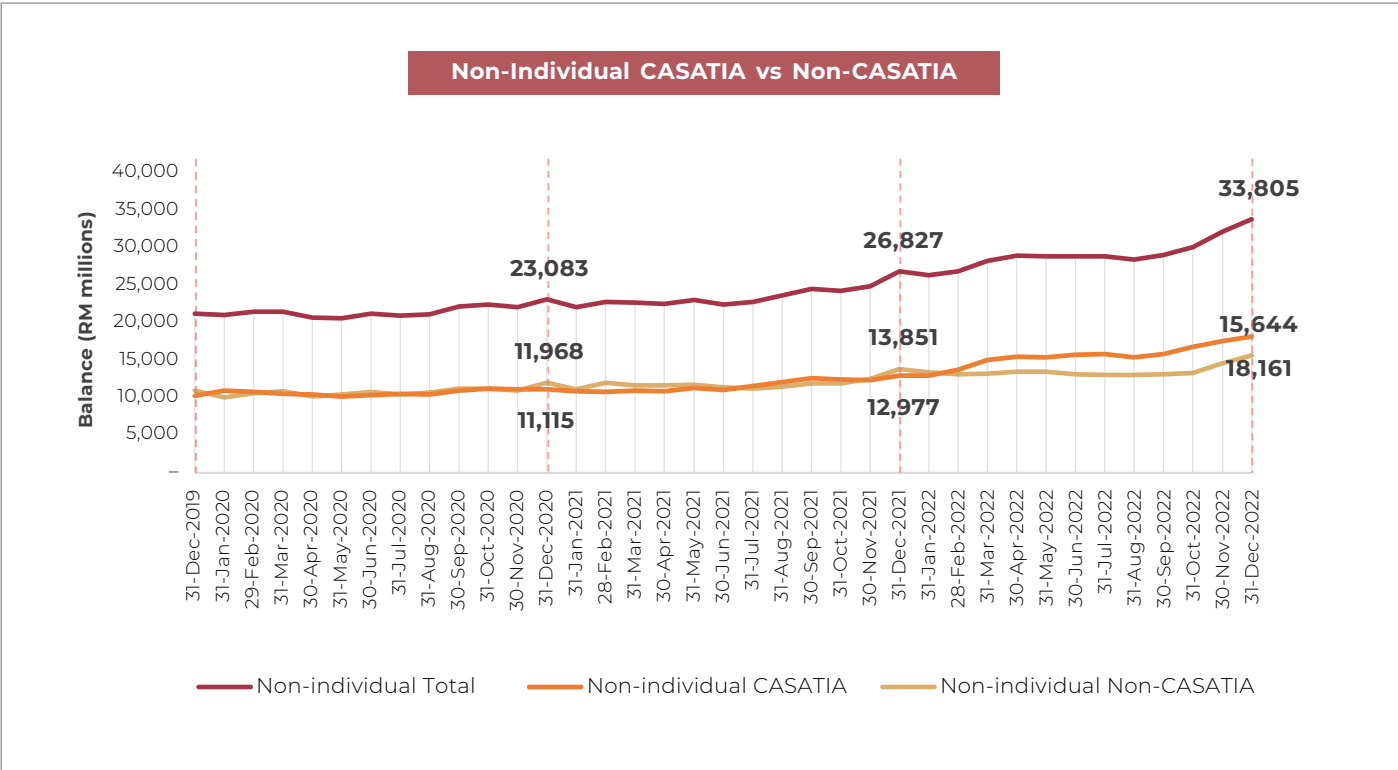


Individual CASATIA vs Non-CASATIA



Deposits and Cash Management

PERFORMANCE HIGHLIGHTS



Campaign Performance

The Individual segment performance growth was supported by the following campaigns:

Campaign	Date Launch
AL-AWFAR ELITE 3.0	1 March – 31 December 22
TDT EXTRA	15 September – 31 December 22
MAXCASH	15 September – 31 December 22
AL-AWFAR PLUS	15 September – 31 December 22
JOM PROMOTE GAJI	1 March – 31 December 22
AL-AWFAR “DO IT WIN”	1 February – 31 August 22
TRU GOLD CAMPAIGN	1 April – 31 August 22
SME CAMPAIGN	1 April – 31 August 22

**KEY RISKS AND CHALLENGES****Risks & Challenges**

1. eBanker Pro launch delayed by technical disruptions
2. Price war among industry players intensified

Mitigation Strategies

Dedicated teams were formed to address these challenges:

1. Customer Enquiries – set up an end-to-end resolution service
2. System Error & Testing – collaborated with IT and vendor to deliver solutions

DCM initiated time-bound campaigns incorporating revisions on profit rates (MaxCash 5.7% and TDT 4.4%) offered to attract more customers

GROWTH OPPORTUNITIES**Opportunities**

1. Customers' growing expectations for a faster account opening process
2. Demand for improvement via digitalisation for merchants and vendors

Our Approach

1. Development of Virtual Account Opening (VAO) processes, including collaboration with eChannels to promote a faster on-boarding process for new accounts
2. Promoting GO Biz by BIMB app & Terminal to achieve high subscription growth and reduce paper wastage

OUTLOOK AND STRATEGIC PLANS

Under the new Deposits & Cards structure, DCM is taking a prudent and sustainable approach to overall deposit growth. In the short term, we are focused on strengthening our product standing in the market through a key product rebranding initiative that will commence in 2023. We are also exploring opportunities to enhance our products continuously by leveraging the Bank's digitisation and ESG-related agenda. This is crucial for product differentiation and meeting the growing demand for seamless banking products and services from both individual and non-individual segments.

To achieve our deposit targets while fostering stronger relationships between our customers and sales team, the Bank will collaborate extensively with relevant agencies and corporate interests to enable bulk deposit holding within DCM while creating deposit-taking opportunities for our sales team.

Looking ahead, we anticipate further advancements in banking technology, particularly those involving Artificial Intelligence, over the next five years. These developments will support the industry's efforts to create a more socially and environmentally responsible banking environment. At BIMB, we are committed to re-engineering our platform for Deposits & Cards products to deliver entirely seamless banking solutions that are customer-centric and aligned with our ESG agenda. We believe this approach will enable us to provide more value to our customers and contribute to a sustainable future for all.



SME BANKING



SME Banking strengthened its position as a leading financial solution provider for SMEs with new financing programs such as SME Exporter and SME Smart Eco, increasing our client base while leveraging BNM funding initiatives to promote business recovery, growth, and sustainability. We engaged in strategic collaborations with partners to expand our market outreach and meet their members' financial needs.

In March 2022, we partnered with MIDA to support grant recipients in purchasing machinery and equipment upfront, while in April 2022, we signed an MoU with iPORTAL Live Sdn Bhd to bring our Islamic financial solutions onto a global platform, enabling digital connectivity for all sectors in the Halal economy. We achieved a significant Net Growth of 71% in SME Banking Asset, earning us the Nation's Pride Brand of the Year Award for SME Development at the Brand Laureate Best Brands Awards 2021-2022. Our commitment to providing tailored financial solutions to support SME growth remains steadfast, and we will continue to push for excellence in all areas of the SME sector.



WHO WE ARE AND WHAT WE DO

BIMB's SME Banking Division was established in 2018 with a vision to provide comprehensive Shariah-compliant financing solutions to support the growth of SMEs and the SME sector. As a leading provider of Islamic banking solutions, we understand the importance of offering tailored financial products and services to meet the unique needs of SMEs in the Halal Economy.

Our comprehensive range of products and services are customised to fit the specific requirements of SMEs, including financing solutions for working capital, trade finance, and investment in fixed assets. We also offer digital banking solutions, such as online banking and mobile banking, to make banking easier and more convenient for our SME customers.

SME Banking Products and Services

- | | |
|--|---|
| Go Halal SME Financing | WinBiz (Women-in-Business) Financing |
| SME Exporter Financing | Disaster Relief Facility |
| SME Smart Eco Financing | Business Premise Financing |
| All Economic Sector Facility (AES) | SME Biz Financing |
| SME Automation and Digitalisation Facility (ADF) | TNB Vendor Financing |
| Domestic Investment Strategic Fund Financing (DISF) | SME-PENJANA Tourism (PTF) |
| SME Biz G.R.O.W Financing | SMEXpert Mobile Application |
| | SME@Work mobile application |

Read more about SME Banking at <https://www.bankislam.com/business-banking/sme-banking/>

CREATING STAKEHOLDER VALUE

Stakeholder Expectations

Value Created in 2022

SME Customers & SME ecosystem

- Increased total financing to SME customers by **50%**
- Enhanced engagement and outreach efforts that improved our visibility as the provider of valuable business and financial solutions for SMEs.

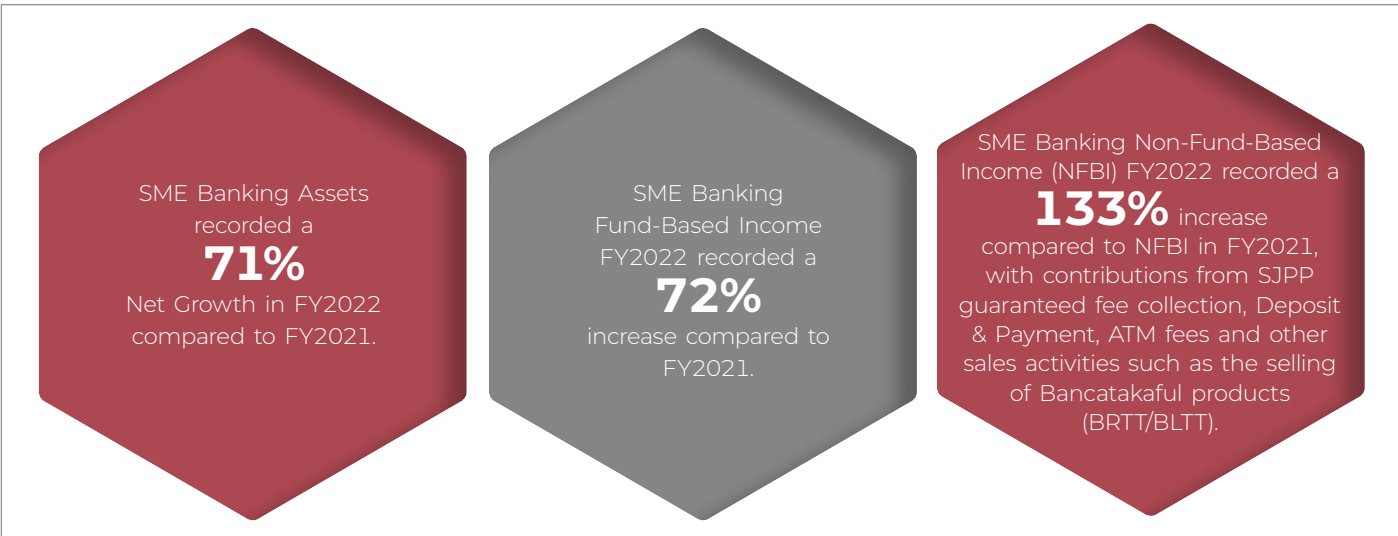
BIMB Staff

- Launched **SME Referral Campaign 2.0**, a collaboration between SME Banking Division and Consumer Banking Division (CBG) to promote SME financing products through BIMB branches nationwide. The campaign aims to:
 - Grow our market share in Islamic financing under the SME segment
 - Create product awareness and encourage Brand Managers and Sales Personnel under CBG in promoting SME financing products
 - Drive Branch Managers and their team to focus their sales on SME Financing as to further increase profit income for the bank
- Launched **SME@Work** mobile application, a robust Sales Performance Management tool that is accessible 24/7 to support frontline sales staff and Managers with the following functions:
 - Provide real-time updates on actual performance and productivity output by Relationship Managers, SME Business Centres. Region and Nationwide respectively to enable quick and informed decision-making
 - Conduct leads submission and monitor customer application status
 - Quick reference tool on products and campaign info, branch locations and directory
 - Disseminate eBusiness Card for quicker engagement with potential customers

KEY FOCUS AREAS & RESULTS

Focus Areas	What We Did in 2022	Results
Real Economy	<ul style="list-style-type: none"> Introduced new total financing solutions that meet the evolving needs of SME customers 	<p>Introduced financing programmes to build the Halal ecosystem:</p> <ul style="list-style-type: none"> SME Exporter Financing Programme to facilitate the export of SME products and services to global markets SME Smart Eco Financing Programme to support producers and users of green technology
Customer-centricity	<ul style="list-style-type: none"> Conducted engagements with our customers and SME companies to address financial gaps Developed a simplified and fast approval process for our financing programmes Conducted staff training exercises to develop well-informed and capable staff in delivering exceptional customer service and improved customer experience Continuous digitalisation efforts to improve user experience. 	<ul style="list-style-type: none"> Conducted over 20 webinar sessions and physical engagements or talks with SMEs to strengthen our visibility as the provider of valuable business and financial insights for SMEs Participated in various key exhibitions organised by our strategic partners Established SME@Work mobile application with real-time updates such as customer application status, environment friendly eBusiness Cards, and easy reference tools to support frontline sales staff and Managers in making informed decisions and enhance customer experience Rolled out SMEXpert mobile app version 2 with more features and a customer-friendly user interface to provide better user experience Received the Nation's Pride Brand of the Year Award for SME Development at The Brand Laureate Best Brands Awards 2021-2022

PERFORMANCE HIGHLIGHTS



**KEY RISKS & CHALLENGES****Risks & Challenges****Mitigation Strategies****Disruptions to SME Business growth**

Post-pandemic recovery and natural disasters disrupted growth and business performance for SMEs

- Continuously implemented engagement activities to SME Customers and registered SME members of the Bank's strategic partners to spread product awareness, encouraging SMEs to approach FIs and seek financial assistance
- Promoted the SMEXpert mobile app as a digital marketing tool to promote BIMB's SME products and services

GROWTH OPPORTUNITIES**Opportunities****Our Approach**

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Initiatives and incentives for green technology adoption and applications 2. Rising demand for digitalised services and platforms | <ol style="list-style-type: none"> 1. Increased promotion of SME Smart Eco Financing products to SMEs 2. Deployed digital platforms to improve communications with customers, strengthen market outreach and deepen support for SMEs 3. Implemented financial assistance programmes to meet the current needs of customers and help ease their financial burden |
|---|--|

OUTLOOK AND STRATEGIC PLANS

Within the next year, we plan to roll out more financial assistance programs and initiatives to help SMEs ease their financial burden, while also supporting the Group and the government's ESG aspirations. One of our key initiatives for 2023 is to further promote the SME Smart Eco Financing Programme, which encourages sustainable business practices among SMEs.

In the medium to long term, SMEs will be focused on business recovery efforts and exploring new markets and opportunities, which presents new opportunities for SME Banking to expand our market penetration and strengthen our relationships with customers. We are committed to developing appropriate financing programs and digital initiatives that will enhance the overall customer experience and contribute to the growth and success of SMEs in the Halal Economy.

We will also continue to work closely with strategic partners and stakeholders to cultivate SME growth and development, while exploring new avenues for market expansion. With our strong focus on innovation, customer service, and Shariah-compliant solutions, we are confident that SME Banking will continue to play a pivotal role in supporting the growth and success of SMEs in the Halal Economy, both in the short and long term.



CORPORATE BANKING



In 2022, in line with the Group's commitment towards the ESG agenda, we offered a total banking facility of up to RM352.9 million to support and finance our customers' development and construction activities related to renewable energy.



WHO WE ARE AND WHAT WE DO

BIMB's Corporate Banking Team provides comprehensive financing solutions guided by Shariah principles, which are central to our Value-based Intermediation (VBI) approach in catering to corporates, government agencies, and government-linked companies. We offer strong branding and technical expertise, coupled with value-added advisory propositions in structured and project financing, particularly in green technology and the renewable energy sector. We focus on providing fully Shariah-compliant financing products and have robust competencies in both product coverage and service delivery.

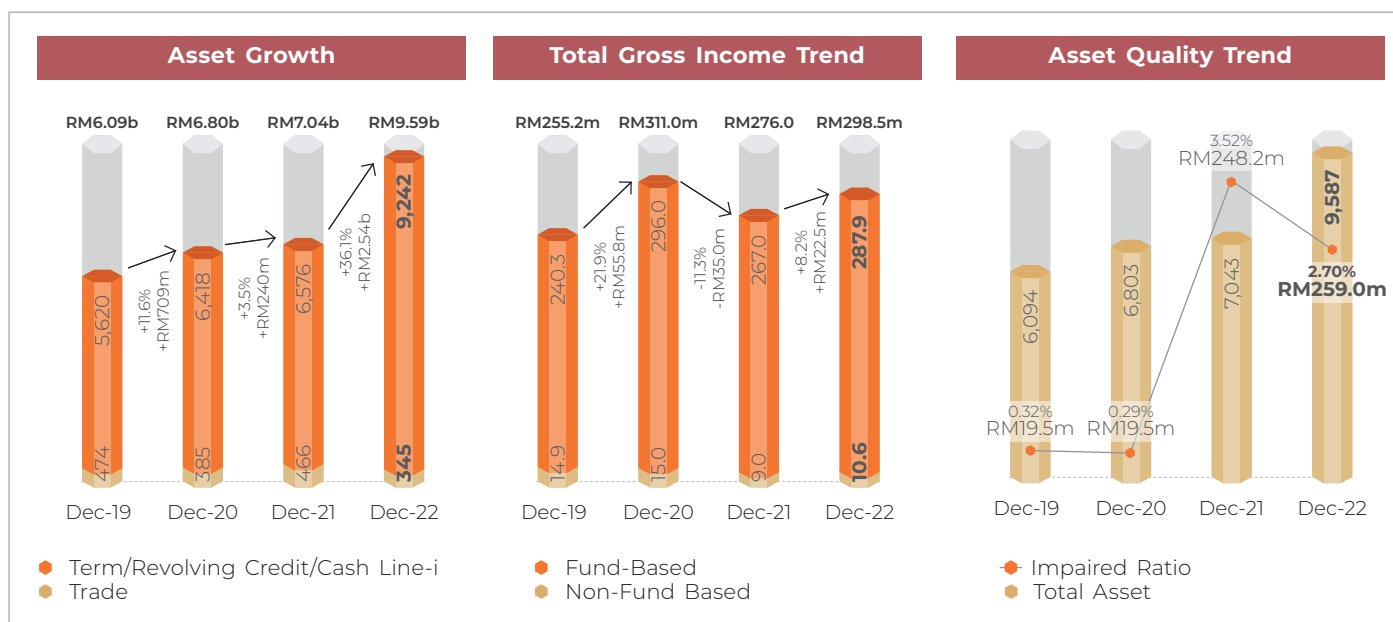
CREATING STAKEHOLDER VALUE

Stakeholder Expectations	Value Created in 2022
We provided facilities to our corporate customer to finance the construction of the solar photovoltaic (PV) system at various sites	The solar energy generated shall be for the customer's self-consumption to save on electricity cost and this is part of their Renewable Energy programme which targets to assist our customer to achieve its net-zero fossil fuel consumption, carbon neutrality and sustainability goals.
We granted project financing facilities to our corporate customers to develop small hydropower system.	Apart from providing income diversification to the shareholders of the customers, the projects are aligned with Malaysia's commitment to increase the installed capacity of renewable energy (excluding large hydro schemes) from 2% in 2018 to 20% by the year 2025 as part of the National Renewable Energy Policy. This commitment is in line with the objective to increase Renewable Energy contribution in the national power generation mix.
We provided facilities to our corporate customer to finance the development, construction costs and for working capital related to the design, construct, own, operate and maintenance of Biogas Pond, Biogas Pre-treatment System and Bio-Methane Purification System	The customer invests in the generation of Renewable Energy (RE) using waste from its mills – specifically palm oil mill effluents (POME) and palm kernel shells (PKS). By generating more RE, they reduce electricity offtake from the national grid while moderating methane emissions from the bio-waste. Effectively, this contributes to a lower carbon footprint. The objective is for sustainability to be integrated into every aspect of the strategies and business operations of the customer in order to keep enhancing its stakeholder value. They continue to develop their sustainability reporting in line with best practices.

KEY FOCUS AREAS & RESULTS

Focus Areas	What We Did in 2022	Results
Customer-centricity	<p>Guided by our “Think Customer” Value in 2022, the Corporate Banking team:</p> <ul style="list-style-type: none"> • Provided customised financing solutions and banking services tailored to clients’ needs to support their business growth • Cultivated long-term business relationships by building trust through excellent customer service • Responded swiftly to customer’s requests for loan moratoriums and financial assistance to mitigate the effects of the Covid-19 pandemic 	<ul style="list-style-type: none"> • Total Outstanding Financing Assets: RM9.59 billion • Recorded a RM2.54 billion (36%) YoY growth (FY2021 RM7.04 billion)
Sustainable Prosperity	<ul style="list-style-type: none"> • Leveraged existing strong relationships with preferred customers with mutual growth prospects • Cultivated new-to-bank customers via sector focus to preserve asset quality and income contribution <ul style="list-style-type: none"> – Principle focus areas are Healthcare, Food, Infrastructure, Plantation, Green Technology and Renewable Energy • Maintained anti-attribution strategy via: <ul style="list-style-type: none"> – Defending assets by maintaining close professional relationships through excellent customer service – Encouraging clients’ utilisation of revolving facilities by offering competitive rates and elevated service • Established a new team to grow product offerings and develop new revenue streams by purchasing Unrated Sukuk • Capitalised on potential synergies with BIMB’s major shareholders to increase financing activity and explore cross-selling opportunities within the Group 	

PERFORMANCE HIGHLIGHTS





KEY RISKS & CHALLENGES

Risks & Challenges	Mitigation Strategies
Slow economic growth & post-pandemic recovery	<ul style="list-style-type: none"> Proactively monitored our customers to detect any potential distress while providing support to those already with financial assistance requirements (such as restructuring and rescheduling) Cautiously implemented a selective Sectoral Focus on Infrastructure/Construction, Green Energy/Power, Plantation, Healthcare, Oil & Gas, and Property Development/Real Estate Cautiously continued to support existing manufacturing and trading companies to produce quality products and services
Capturing new and retaining quality corporate customers and encouraging loyalty to BIMB against competition from other financial institutions	<ul style="list-style-type: none"> Strengthened the relationship of new & existing customers by providing proactive banking services & support to assist potential growth of their businesses Introduced a client coverage initiative to targeted existing customers under the Group Institution Banking platform Acquired new-to-bank customers via Unrated Sukuk Programme Continued to leverage existing customers and grew deposits from our portfolio customers. Increased participation in syndicated financing & refinancing of large exposure Explored synergies with Lembaga Tabung Haji (TH) to increase financing exposure and other cross-selling opportunities with the TH group of companies to leverage on joint account planning initiatives Initiated collaboration and account planning activities with BIMB Investment Management and BIMB Securities
Increasing Non-Fund-Based Income against competition from other Financial Institutions	<ul style="list-style-type: none"> Focused on growing arrangement/participating fees via refinancing and syndication from other financial institutions Encouraged collection of processing/arrangement fee for all new approvals Explored lead roles for project and infrastructure financing deals with lucrative fee income Explored complementary and innovative uses of non-fund-based instruments (e.g. BG-i) in structuring facilities Championed the Bank Guarantee issuance, especially for government and local authority businesses, via a simplified programme approach with fast turnaround time Implemented a compulsory Forex Line for all trade customers and treasury dealers to provide competitive rates and strengthen business relationships with regular visits and product briefings
Rising operating costs and Division expenses	<ul style="list-style-type: none"> Reviewed team structures to optimise sales and execution and ensure efficient mobilisation of available manpower Adjusted recruitment strategy to a “need-to-hire” basis to balance business needs Implemented a multi-tasking work culture to ensure optimal staff strength and enhance skillsets Reviewed operational procedures and processes to enhance efficiency and productivity while challenging or eliminating unnecessary processes to save costs Reduced wastage through strict monitoring of office expenses and elimination of non-value-added processes while encouraging recycling to maximise resources
Motivating, training and retaining good staff	<ul style="list-style-type: none"> Promoted Staff Career Development with job rotation across the divisions and other departments Encouraged Ownership & Accountability by promoting values of integrity and accessibility with realistic approaches

GROWTH OPPORTUNITIES

Opportunities	Our Approach
<p>Rising demand for Infrastructure/ Construction, Green Energy/Power, Plantation, Healthcare, Oil & Gas, and Property Development/Real Estate sectors</p>	<p>Growth targets will be focused on Risk Appetite and the identified list of clients and sectors across value chain ecosystems:</p> <p>Public Infrastructure & Development:</p> <ul style="list-style-type: none"> • ICT, Telecommunications & Digital Project • Public Infrastructure • Government Instrument Market <p>Sustainability:</p> <ul style="list-style-type: none"> • Renewable Energy • Green Financing • Affordable Home Projects • Ecosystem Building <p>Identifying Supply Chain Vendor Financing Opportunities in:</p> <ul style="list-style-type: none"> • Water Operators • Healthcare • Pharmaceutical • Manufacturing, Semiconductors & Food/Halal Exporters

OUTLOOK AND STRATEGIC PLANS

As we move into 2023 and beyond, we anticipate ongoing volatility in financial markets and global interest rates, which will likely result in the Ringgit weakening against the US Dollar. Global supply chain disruptions, particularly in light of China's continued zero-Covid policies, will leave markets vulnerable. Additionally, despite heavy government subsidies, inflationary pressure is set to continue intensifying due to global uncertainties such as the Russia-Ukraine conflict, energy supply disruptions, and aggressive monetary policy tightening. We expect Bank Negara Malaysia to commit to market-friendly reforms and a balanced fiscal policy revision of subsidy policies to address these challenges.

At BIMB, our Corporate Banking Division will implement key tactics and strategies across our six strategic pillars for 2023 and beyond. Under Sustainable Prosperity, we will increase our asset size with a focus on Public Infrastructure & Development, ESG, and Ecosystem Building. We will also diversify our portfolio and cross-sell initiatives to nurture new-to-bank and new-to-product customers.

We will enhance our Values-based Culture by promoting ownership and accountability throughout the organisation and realigning to risk and compliance considerations while building integrity and accessibility realistically. For Community Empowerment, we will provide financing to the Healthcare and Infrastructure sectors to benefit the wider community. We will identify principal targets throughout the value chain to drive this financing.

We are developing a new Target Operating Model (TOM) and Client Solutions Model to enhance Customer-centricity. These models will leverage our digital channels and distribution infrastructure to provide seamless client onboarding and experience management for all Group entities. Hiring dedicated Product Solutions Specialists will further enhance the customer experience. Partnering with clients through program-based solutions, we will support public infrastructure projects to drive progress in the Real Economy. Our Digitalisation initiatives will include data monetisation to support business growth, introducing dashboards on customers' facility portfolios, and a new Credit Origination system.

We will identify and explore cross-selling opportunities across the Group to increase financing exposure, leveraging joint planning initiatives via the new TOM. Externally, we will focus on growing arrangement/participating fees via refinancing and syndication from other Financial Institutions. We will also step up our Foreign Currency Trade Product offering and introduce a compulsory Forex Line for all trade customers and Treasury Dealers to provide competitive rates.



COMMERCIAL BANKING



In 2022, the rapid progress in sustainable and climate financing presented the Commercial Banking team with a challenge in capacity and capability. We are bracing ourselves to ensure we are well-positioned at the forefront of Environmental, Social and Governance (ESG) finance. We are committed to integrating ESG considerations into our business and decision-making processes and nurturing potential customers towards sustainable growth. Currently, our focused-on companies are engaged in Renewable Energy (RE) and sectors with positive social impacts. As part of our initiative to support ESG, we have granted banking facilities amounting to RM438.1 million in the year 2022 to customers in renewable energy, sustainable waste management and water treatment sectors.

Commercial Banking

WHO WE ARE AND WHAT WE DO

Bank Islam's Commercial Banking team provides comprehensive and wide range of Shariah-based financing solutions to our customer. We are committed to promote best practices and ensure efficient service delivery to all customers guided by Environmental, Social and Governance (ESG) principles.

KEY FOCUS AREAS & RESULTS

Focus Areas	What We Did in 2022	Results
Focus on Green Financing	<p>We will continue our focus on Green Financing as part of main initiative under the Sustainable Prosperity and to encourage financing towards ESG-positive product and services including renewable energy, socially and environmentally responsible businesses. We are stepping up our efforts to support the country's aspiration to promote the growth of green economy by channelling our capital and resources towards supporting sectors and economic activities under this segment.</p> <p>The Division's exposure to green financing portfolio includes renewable energy (solar), water treatment and waste management. The government continues to promote a more effective way of waste management by encouraging the reuse and reduce method and ultimately reducing landfill wastes. We want to take this opportunity to grow our financing asset towards the waste management and water treatment ecosystem as well as other green economy or technology in parallel with rapid expansion in this segment growth.</p>	<p>Approved: RM438.1 million (14 projects)</p>
Focus on financing of Affordable Home projects to support Government initiative	<p>500,000 units of Affordable Home will be built under the 12th Malaysia Plan, as well as improvements made to facilitate home financing, including Fund for Affordable Housing, Youth Housing Scheme and Rent-to-Own Program (RTO) to increase the opportunities for the B40 and M40 groups to own homes. Furthermore, affordable home is currently a top priority for most property developers in Malaysia. The development of this residential segment not only helps sales, but also provides opportunities for people to own homes. This is further driven by the increasing awareness and desire of buyers towards home ownership, although the economy is still unstable due to the Covid-19 pandemic. Therefore, we want to support the Government's initiative to offer more affordable homes for the B40 and M40, by playing our part to provide bridging financing for the affordable homes project to be developed in strategic locations with promising take-up rate.</p>	<p>Approved: RM41.8 million (3 projects)</p>



KEY FOCUS AREAS & RESULTS

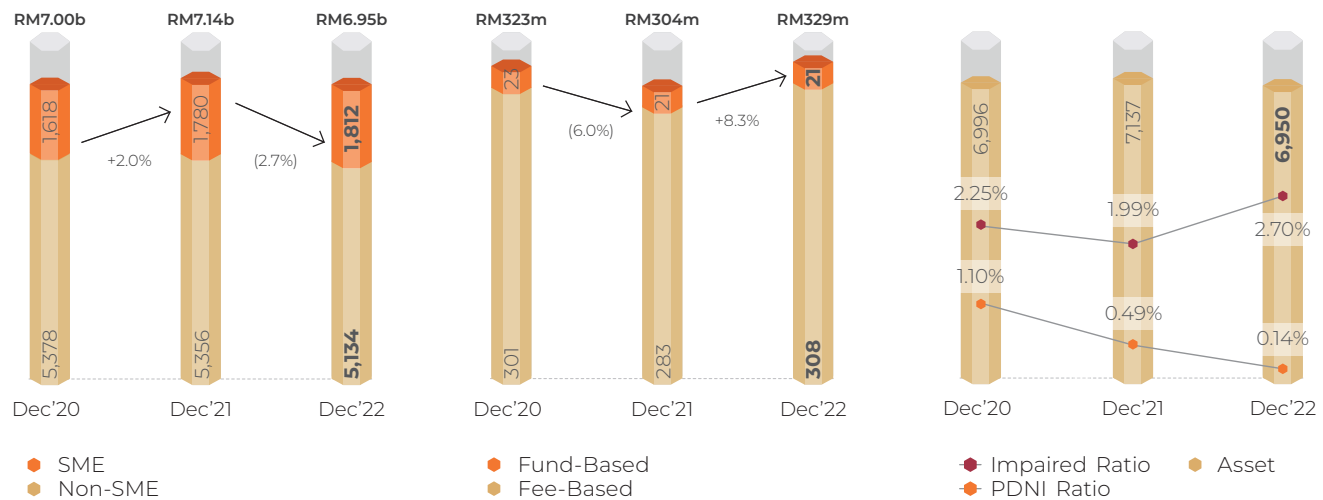
Focus Areas	What We Did in 2022	Results
Financing of Infrastructure and Public Facility projects.	<p>The government is focusing on development and infrastructure projects under the 12th Malaysia Plan. The COVID-19 pandemic had forced the government to focus less on development projects, placing priority instead on overcoming the health crisis.</p> <p>Some of the development projects announced were Klang Valley Double Track (KVDT) project, Gemas-Johor Bharu electrified double-tracking project, East Coast Rail Line (ECRL) project, Rapid Transit System (RTS) project, West Coast Expressway (WCE) and the Central Spine Road. We will continue to leverage on Contract Financing structure to finance working capital requirement by the private sectors that obtain contract directly from the government and government-linked companies.</p>	<p>Approved: RM203.9 million (4 projects)</p>
Financing of Healthcare projects	<p>The budget allocation for 2022 is expected to increase due to the strain in financial resources towards public healthcare system, especially during this long-drawn-out pandemic situation. As the international borders had been reopened sometime in 2022, high possibility of healthcare tourism to make a strong come back with consideration to create a green bubble for medical tourism. Rapid development of the national vaccination program also creates opportunities for authorised pharmaceutical companies to seek financing for the acquisition of vaccines. Our exposure to healthcare segment stands at RM188 million. Therefore, we would like to allocate our capital by providing financing option in for CAPEX requirement as well as offering supply chain financing in the ecosystem that provides support to the healthcare system. This includes hospital, pharmaceutical and medical devices industries.</p>	<p>Approved: RM57.8 million (5 projects)</p>
Financing of Telecommunication and Information Technology projects	<p>Among the highlights of the 12th Malaysia Plan are accelerating the growth of digital transformation agenda which targets the digital economy to contribute 25.5 per cent to the country's Gross Domestic Product (GDP) by 2025. The government will further bridge the digital divide between the urban and rural areas through the various programmes and projects. The provision of digital infrastructure involves public and private sector investment to improve the existing 4G network. Private sector and local telecommunication companies also invested to accelerate the implementation of 5G nationwide. We would like to increase our existing exposure in Information and Communication Technology (ICT) of RM44 million as at Aug'21 by focusing on CAPEX requirement by telecommunication companies to support the National Digitalisation Agenda.</p>	<p>Approved: RM203.9 million (4 projects)</p>

Commercial Banking

PERFORMANCE HIGHLIGHTS

Despite a decrease in Commercial Banking's total assets by 2.7% (RM190.5 million) from RM7.14 billion in December 2021 to RM6.95 billion in December 2022, the division recorded an increase in total gross income of RM22.4 million (7.3%) from RM306.7 million in December 2021 to RM329.1 million in December 2022. This is largely attributed to higher fund-based income, which stood at RM308.1 million in December 2022 compared to RM285.6 million in December 2021.

While we experienced a lower asset contribution from the non SME segments, which was worth RM5.13 billion in December 2022 compared to December 2021's RM5.36 billion, we remain optimistic about the future growth potential of this sector. Although the Gross Impaired Ratio increased from 1.99% in December 2021 to 2.70% in December 2022, we are confident in our risk management measures and remain committed to addressing any potential challenges in a proactive manner. Additionally, our Past Due but Not Impaired (PDNI) ratio also decreased to 0.14% in December 2022 from 0.49% in December due to our robust and pro-active early care management of potential distress customer.





KEY RISKS & CHALLENGES

Risks & Challenges	Mitigation Strategies
Slow Economic Growth & Post-Pandemic Recovery	Set up an Asset Quality Management unit that proactively monitors our customers to detect any potential distress and provide support to those already with financial assistance requirements (such as restructuring and rescheduling).
Soft Property Outlook	<ol style="list-style-type: none"> 1. Practice extra vigilance and caution towards the property development segment, with only two property development projects totalling RM32.0 million approved in 2022, compared to 11 projects totalling RM118 million in 2021. 2. Support construction companies who have obtained supply, service, and construction contracts with proper financial control mechanisms, who will be monitored closely by our dedicated unit.
Volatility of the Oil & Gas (O&G) Sector	<ol style="list-style-type: none"> 1. Support vendors under the Petronas Vendor Financing Programme to help them navigate the volatile market. To date, we have approved a total of RM405 million to 90 Petronas vendors since the program's inception. 2. Leverage our control mechanism whereby the utilisation and settlement of O&G vendor contracts are monitored by a dedicated unit.

GROWTH OPPORTUNITIES

Opportunities	Our Approach
Renewable Energy Growth	<p>Actively pursue strategic assessments on investment and acquisition into renewable energy. These investments focus on financing new and existing solar farms and solar players such as financing of installation of solar and net energy metering equipment.</p> <p><i>For more information, see page 118.</i></p>
Responsible Waste Management	<p>Explore strategic assessment on investment and acquisition into the waste management segment, with a recorded total accumulated assets of RM597.9 million.</p> <p><i>For more information, see page 118.</i></p>

Commercial Banking

OUTLOOK AND STRATEGIC PLANS

In the next one to three years, Commercial Banking will support the Bank's priority on driving Sustainable Prosperity and the Real Economy. Specifically, we will focus on Green Financing in Renewable Energy, Waste Management and Water Treatment, with a target of achieving between 10-15% year-on-year (YoY) growth on the total portfolio value. In addition, we aim to increase our New-to-Bank & New-to-Product assets by diversifying our portfolio, developing innovative solutions, and identifying cross-selling opportunities, targeting a YoY growth rate of 5%.

Looking towards 2030, we will mitigate our exposure to high sustainability risk sectors by supporting our clients' transition towards a low-carbon economy and ESG business practices. We will advocate for real economic growth and nurture community upward mobility through social finance by supporting Public Infrastructure projects, Social Finance, and Value-based intermediation (VBI). We will further mobilise our portfolio of Shariah-ESG products and solutions by expanding our sustainability capabilities into new segments beyond solar power.

To support this new ecosystem, we will increase our human capital and digital capacity, establishing a digital platform that can handle the end-to-end processing of our customers' financing requirements, improving turnaround time, and enhancing our fulfilment capacity. We will upskill our employees and leverage technology to better meet specific requirements and create synergy between the Bank's business units, providing a comprehensive suite of products and solutions. Our aim is to shift our business model focus towards value creation. Our new Target Operating Model and Client Solutions Model will enable us to achieve this by offering a much-improved customer experience journey.





TREASURY AND MARKETS



The Treasury and Markets Division provides Shariah-compliant treasury solutions to meet the business needs of our clients across multiple segments. Our products and services include Money Market, Foreign Exchange (FX), Fixed Income, and structured products.

Treasury and Markets

WHO WE ARE

In 2022, global economies continued to face entrenched inflationary pressures, with demand-pull factors now outpacing receding cost-push factors from post-pandemic supply chain disruptions as well as the Ukraine-Russia conflict. Led by the US Federal Reserve, global central banks maintained their hawkish stance in their respective monetary policies to combat surging inflation. Global post-pandemic economic recovery has also stalled due to broadly worsening economic conditions.

Amid slowing growth momentum, the Fed's rapid rate tightening led to curve inversion and dampened risk sentiments. The Fed hiked the Fed Rates by 75bps in June 2022, the largest increase since 1994, and indicated continued aggressive hikes into 2023. BNM adopted a steadier approach to monetary policy tightening to remain supportive of domestic economic recovery. The Overnight Policy Rate (OPR) was raised 100bps from 1.75% to 2.75% throughout 2022, almost in sync with the rest of other ASEAN central banks, who were also less aggressive than the Fed in combating inflation.

The Dollar Index (DXY) appreciated over 12% from about 93 to 105 levels in 2022. The Ringgit weakened against the US Dollar by 5.4%, peaking above the 4.70 level in October, but performed better against other major currencies such as the Euro, Japanese Yen, and Pound Sterling. The formation of a new Malaysian government during the last quarter of the year stabilised the Ringgit to about 4.4 to the USD. The Ringgit ended the year stronger than most Asian currencies except for the Thai Baht, Hong Kong Dollar, and Singapore Dollar.

Despite the uncertainties surrounding the impact of concerted rate tightening and worsening global economic conditions on the Malaysian economy, the Bank's FX sales volume continued to grow in 2022 amidst intense competition and significant margin erosions. There was also steady and significant growth in total deposits for the Bank throughout 2022. However, intense competition caused wholesale funding costs, contributing to margin compressions for both Treasury investments and Financing assets. The Bank's liquidity metrics, nevertheless, improved further in 2022.

The short-term Islamic interbank rates were capped within a steady range, with overnight rates trading between 1.68% to 2.75%, one week between 1.76% to 2.84% and one month between 1.85% to 3.25%.

Fixed income investments and trading activities in 2022 were generally conservative as the team adopted a passive stance in the first half of 2022 and only started investing in the second half. Both fund-based and non-fund-based income was adversely affected as the team took cautious and prudent steps in rebalancing and reinvestment activities throughout the year while mitigating the revaluation impact on the portfolios' mark-to-market positions.

Meanwhile, Sukuk distribution activities continued to record commendable performance despite a steepening in the Ringgit yield curve and tepid secondary trading liquidity conditions. The Bank was appointed Lead Manager/Joint Lead Manager for 12 ESG-rated Sukuk distribution deals and continued to perform an active role as Islamic Principal Dealer (iPD).

The fixed-income team achieved a Top 5 ranking in Bloomberg's Malaysian Ringgit Islamic Sukuk League Table for 2022. The team also received accolades for the best SRI Sukuk – Pengurusan Air Selangor RM430 million SRI Murabaha Sukuk, and the Best New Sukuk – Bank Simpanan Nasional RM750 million triple-tranche Wakala Sukuk.



OUTLOOK AND STRATEGY FOR 2023

We expect continued volatility in global financial markets in 2023 as the Federal Reserve (Fed) remains committed and aggressive in its rate normalisation path to tame inflationary pressures. The business operating environment will likely remain challenging amidst rising oil prices, lingering supply chain disruptions and geopolitical risks arising from the Ukraine-Russia conflict.

The Fed funds rate is expected to reach around 5% in Q1 2023. The Federal Reserve seems determined to reduce inflation to its 2% target. Rates are expected to remain 'higher for longer' even if the US economy slows down or slips into a technical recession, despite market expectations of a likelihood of rate cuts by the end of 2023. The US Treasury yield curve is likely to remain deeply inverted.

On the local front, BNM is expected to remain cautious in its rate normalisation path, given growing external risk factors. Most forecasts anticipate one or two more hikes in the OPR in 2023.

The domestic yield curve, which has largely moved in tandem with the US curve in recent years, will continue to do so in 2023, albeit with increasingly smaller correlations as domestic economic factors may require more accommodative monetary policy relative to major economies.

Real money investors may pivot towards longer duration exposures with the prospect of the global recession in late 2023. A longer-term concern, however, will be the increasing interest rate differentials with major economies that may require BNM to resume OPR hikes by the end of 2023.

We believe that it will take some time for global FX and Rates markets to stabilise. Continued improvements in the overall liquidity metrics of the Bank and the generation of non-volatile trading income from sales and distribution will be T&M's priorities in 2023. This will entail strategies of short-duration investments, further diversification of the Bank's wholesale funding base and emphasis on customer service excellence.

Despite the tougher outlook for global economic growth and challenges facing the US economy, the US Dollar is likely to remain at historic highs during the first half of the year. However, the greenback may weaken over the course of the second half of 2023 as the Fed slows down its tightening cycle.

Separately, we expect weakness in the Ringgit against the US Dollar to persist as the Fed continues to hike while BNM maintains its gradual policy stance. We expect this trend to reverse towards the end of the Fed's hiking cycle. We expect USD/MYR to be around 4.000 by end-2023.