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INFORMATION MEMORANDUM

IN RELATION TO

**SUKUK PROGRAMME OF RM10.0 BILLION IN NOMINAL VALUE
UNDER THE SHARIAH PRINCIPLE OF MURABAHAH (VIA
TAWARRUQ ARRANGEMENT(S)) FOR THE ISSUANCE OF
SUBORDINATED SUKUK MURABAHAH AND
SENIOR SUKUK MURABAHAH**

Principal Adviser and Lead Arranger



**This information memorandum is dated
6 SEPTEMBER 2018**

RESPONSIBILITY STATEMENT

This Information Memorandum has been approved by the directors of Bank Islam Malaysia Berhad (“**Bank Islam**” or “**Issuer**”) and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries in the circumstances, and to the best of their knowledge, information and belief, there are no false or misleading statements or other material facts the omission of which would make any statement in this Information Memorandum false or misleading and that there are no material omissions in this Information Memorandum.

IMPORTANT NOTICE AND GENERAL STATEMENTS OF DISCLAIMER

Bank Islam is acting as the lead arranger, principal adviser and lead manager (“**Lead Arranger/Principal Adviser/Lead Manager**”) for the Sukuk programme of up to RM10.0 billion in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement(s)), for the issuance of subordinated Sukuk (“**Subordinated Sukuk Murabahah**”) and senior Sukuk (“**Senior Sukuk Murabahah**”) from time to time up to a combined limit of RM10.0 billion (“**Sukuk Murabahah Programme**”). The Issuer has authorised the Lead Arranger and the Lead Manager to distribute this Information Memorandum, which is now being provided by the Lead Arranger/Lead Manager on a confidential basis to potential investors falling within any one of the categories of persons specified in Part 1 of Schedule 6 and Part 1 of Schedule 7 read together with Schedule 9 (or Section 257(3)) of the Capital Markets and Services Act, 2007 (“**CMSA**”) for the sole purpose of assisting them to decide whether to subscribe for or purchase the Subordinated Sukuk Murabahah and/or the Senior Sukuk Murabahah (the Subordinated Sukuk Murabahah and the Senior Sukuk Murabahah are collectively referred to as the “**Sukuk Murabahah**”).

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By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that (a) it will keep confidential all of such information and data, (b) it is lawful for the recipient to subscribe for or purchase the Sukuk Murabahah under all jurisdictions to which the recipient is subject, (c) the recipient has complied with all applicable laws in connection with such subscription or purchase of the Sukuk Murabahah, (d) the Issuer, the Lead Arranger/Principal Adviser/Lead Manager and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Sukuk Murabahah, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Sukuk Murabahah is or shall become unlawful, unenforceable, voidable or void, (e) it is aware that the Sukuk Murabahah can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws, (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Sukuk Murabahah, and is able and is prepared to bear the economic and financial risks of investing in or holding the Sukuk Murabahah, (g) it is subscribing or accepting the Sukuk Murabahah for its own account, and (h) at the point of issuance, it is a person falling within one of the categories of persons specified in Part 1 of Schedule 6 and Part 1 of Schedule 7 read together with Schedule 9 (or Section 257(3)) of the CMSA while after issuance, it is a person falling within one of the categories of persons specified in Part 1 of Schedule 6 (or Section 229(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA. Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject.

This Information Memorandum or any document delivered under or in relation to the issue, offer and sale of the Sukuk Murabahah is not, and should not be construed as, a recommendation by the Issuer, the Lead Arranger/Principal Adviser/Lead Manager or any other party to the recipient to subscribe for or purchase the Sukuk Murabahah. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all inclusive. Each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the Sukuk Murabahah and all other relevant matters, and each recipient should consult its own professional advisers. All information and statements herein are subject to the detailed provisions of the respective agreements and/or documents referred to herein and are qualified in their entirety by reference to such documents.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Sukuk Murabahah shall in any circumstance imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Sukuk Murabahah is correct as of any time subsequent to the date indicated in the document containing the same. The Lead Arranger/Principal Adviser/Lead Manager expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Sukuk Murabahah or to advise any investor in the Sukuk Murabahah of any information coming to their attention. The recipient of this Information Memorandum or the potential investors should review, *inter alia*, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase any Sukuk Murabahah.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “INVESTMENT CONSIDERATIONS” IN SECTION 3.0 HEREOF.

This Information Memorandum includes “forward looking statements”. All these statements are based on estimates and assumptions made by the Issuer that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of the Issuer to be materially different from that expected or indicated by such statements and estimates and no assurance can be given that any such statements or estimates will be realised. In light of these uncertainties, the inclusion of a forward looking statement in this Information Memorandum should not be regarded as a representation or warranty by the Issuer or any other person that the plans and objectives of the Issuer will be achieved.

This Information Memorandum includes certain historical information, estimates, or reports thereon derived from sources mentioned in this Information Memorandum and other parties with respect to the Malaysian economy, the material businesses in which the Issuer operates and certain other matters. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimate and or report thereon derived from such and other third party sources.

All discrepancies (if any) in the tables included in this Information Memorandum between the listed amounts and totals thereof are due to, and certain numbers appearing in this Information Memorandum are shown after, rounding.

Where this Information Memorandum contains or refers to a summary of a document or agreement, the summary is not meant to be exhaustive. The contents of the summary may be subject to some other provisions in the relevant document or agreement.

STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION

In accordance with the CMSA, a copy of this Information Memorandum will be deposited with the Securities Commission Malaysia (“SC”), who takes no responsibilities for its contents.

The issue, offer or invitation in relation to the Sukuk Murabahah in this Information Memorandum is subject to the fulfilment of various conditions precedent including without limitation the lodgement pursuant to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 (effective on 15 June 2015 and revised on 8 November 2017) (as may be amended from time to time)) (the “**LOLA Guidelines**”) in relation to the proposed establishment of the Sukuk Murabahah Programme and the issuance of the Sukuk Murabahah thereunder and each recipient of this Information Memorandum acknowledges and agrees that the lodgement to the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Sukuk Murabahah. The lodgement with the SC pursuant to the LOLA Guidelines in relation to the proposed establishment of the Sukuk Murabahah Programme and the issuance of the Sukuk Murabahah thereunder has been made on 6 September 2018.

The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in the Information Memorandum.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT PROFESSIONAL ADVISERS IMMEDIATELY.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (a) the most recently published annual audited financial statements and, if published later, the most recently published interim consolidated financial statements (if any) of the Issuer; and
- (b) all supplements or amendments to this Information Memorandum circulated by the Issuer, if any, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

The Issuer will provide, without charge, to each person to whom a copy of this Information Memorandum has been properly delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer.

CONFIDENTIALITY

This Information Memorandum and its contents are strictly confidential and the information herein contained is given to the recipient strictly on the basis that the recipient shall ensure the same remains confidential. Accordingly, this Information Memorandum and its contents, or any information, which is made available to the recipient in connection with any further enquiries, must be held in complete confidence.

This Information Memorandum is submitted to selected persons specifically in reference to the Sukuk Murabahah, falling within one of the categories of persons specified in Part 1 of Schedule 6 and Part 1 of Schedule 7 read together with Schedule 9 (or Section 257(3)) of the CMSA.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer may, at its discretion, apply for any remedy available to the Issuer whether at law or equity, including without limitation, injunctions. The Issuer is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, in this regard. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisers, directors, employees and any other persons who may receive this Information Memorandum (or any part of it) from the recipient.

The recipient must return this Information Memorandum and all reproductions thereof whether in whole or in part and any other information in connection therewith to the Lead Arranger/Principal Adviser/Lead Manager promptly upon the Lead Arranger's/Principal Adviser's/Lead Manager's request, unless that recipient provides proof of a written undertaking satisfactory to the Lead Arranger/Principal Adviser/Lead Manager with respect to destroying these documents as soon as reasonably practicable after the said request from the Lead Arranger/Principal Adviser/Lead Manager.

SHARIAH ADVISER

The transaction structure relating to Sukuk Murabahah has been approved by Bank Islam, as the Shariah advisor (“**Shariah Adviser**”), through the Shariah Supervisory Council of Bank Islam. Prospective holders of Sukuk Murabahah should not rely on the approval referred to above in deciding whether to make an investment in the Sukuk Murabahah and should consult their own Shariah advisers as to whether the proposed transaction described in the approval referred to above is in compliance with Shariah principles.

TABLE OF CONTENTS

<u>Headings</u>	<u>Page</u>
1.0 EXECUTIVE SUMMARY	1
1.1 INTRODUCTION.....	1
1.2 THE SUKUK MURABAHAH PROGRAMME.....	1
1.3 UTILISATION OF THE PROCEEDS	3
1.4 RATING.....	3
1.5 APPROVALS	3
2.0 SELLING RESTRICTIONS	4
3.0 INVESTMENT CONSIDERATIONS	5
3.1 CONSIDERATIONS RELATING TO THE ISSUER AND ITS BUSINESS	5
3.2 CONSIDERATIONS RELATING TO THE SUKUK MURABAHAH	9
3.3 CONSIDERATIONS RELATING TO THE SUBORDINATED SUKUK MURABAHAH.....	13
3.4 CONSIDERATIONS RELATING TO THE MALAYSIAN FINANCIAL SERVICES INDUSTRY.....	16
3.5 FORWARD LOOKING STATEMENTS	18
4.0 DESCRIPTION OF THE ISSUER AND THE GROUP	19
4.1 INTRODUCTION.....	19
4.2 SHARE CAPITAL AND SHAREHOLDERS	19
4.3 FINANCIAL HIGHLIGHTS OF THE GROUP.....	20
4.4 REVIEW OF BUSINESS OPERATIONS IN 2017	21
4.5 FINANCING BY CONTRACT.....	26
4.6 FINANCING BY SEGMENT OF BUSINESS UNITS	26
4.7 AWARDS AND RECOGNITION IN 2017AND 2018	26
5.0 BOARD OF DIRECTORS, SHARIAH SUPERVISORY COUNCIL AND KEY MANAGEMENT	28
5.1 PROFILES OF BOARD OF DIRECTORS	28
5.2 PROFILES OF SHARIAH SUPERVISORY COUNCIL	38
5.3 PROFILES OF KEY MANAGEMENT.....	42
6.0 CORPORATE GOVERNANCE	48
6.1 OVERVIEW.....	48
6.2 BOARD OF DIRECTORS.....	48
6.3 SHARIAH SUPERVISORY COUNCIL (“SSC”)	57
6.4 AUDIT AND ACCOUNTABILITY	60
6.5 RISK MANAGEMENT	62
6.6 COMPLIANCE CULTURE.....	69
7.0 MALAYSIAN BANKING INDUSTRY OVERVIEW.....	70
7.1 BNM - ECONOMIC AND FINANCIAL DEVELOPMENTS IN MALAYSIA IN THE FIRST QUARTER OF 2018	70

7.2	<i>MINISTRY OF FINANCE MALAYSIA – QUARTERLY UPDATE ON THE MALAYSIAN ECONOMY – FIRST QUARTER OF 2018</i>	71
8.0	OTHER MATERIAL INFORMATION	74
8.1	<i>MATERIAL CONTRACTS</i>	74
8.2	<i>MATERIAL LITIGATION</i>	74
8.3	<i>CONFLICT OF INTERESTS AND APPROPRIATE MITIGATING MEASURES</i>	74
8.4	<i>AUDITED FINANCIAL STATEMENTS</i>	75
	APPENDIX 1.....	76
	PRINCIPAL TERMS AND CONDITIONS OF THE SUKUK MURABAHAH PROGRAMME	76

GLOSSARY OF DEFINITIONS AND ABBREVIATIONS

Except where the context otherwise requires, the following abbreviations shall apply throughout this Information Memorandum:

“Bank Islam” or “Bank” or “Issuer”	Bank Islam Malaysia Berhad (Company No. 98127-X)
“BHB”	BIMB Holdings Berhad (Company No. 423858-X)
“BNM”	Bank Negara Malaysia
“Board”	Board of Directors of the Issuer
“CAFIB”	The Capital Adequacy Framework for Islamic Banks (Capital Components) guideline issued by BNM as may be amended, supplemented or substituted from time to time
“Call Option”	The call option as defined in the section entitled “Call option” in Appendix 1 of this Information Memorandum
“CMSA”	Capital Markets and Services Act, 2007, or any statutory modification, amendment or re-enactment thereof for the time being in force
“Consolidated Capital Recognition Option”	Option where a tranche of the Subordinated Sukuk Murabahah is to be recognized as capital in the consolidated total capital of BHB group, which shall be decided by the Issuer prior to the issuance of such tranche
“Early Redemption Conditions”	The conditions as defined in the section entitled “Early Redemption Conditions of the Sukuk Murabahah” in Appendix 1 of this Information Memorandum
“Government”	The Government of Malaysia
“Group”	Bank Islam and its subsidiaries
“IFSA”	Islamic Financial Services Act, 2013, or any statutory modification, amendment or re-enactment thereof for the time being in force
“Lead Arranger”	Bank Islam in its capacity as lead arranger for the Sukuk Murabahah Programme
“LOLA Guidelines”	Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 and effective from 15 June 2015
“Non-Viability Event”	The events as defined under the section entitled “Non-Viability Event” in Appendix 1 of this Information Memorandum
“NPF”	Non-Performing Financing and reference to “NPFs” shall be construed accordingly
“PIDM”	Malaysia Deposit Insurance Corporation

“RAM Ratings”	RAM Rating Services Berhad (Company No. 763588-T)
“Redemption Amount”	Selling Price of the relevant Sukuk Murabahah less the aggregate of periodic profit payments paid (if any) in respect of such Sukuk Murabahah less Ibra’ (if any)
“Regulatory Event”	As defined in the section entitled “Provisions on early redemption” in Appendix 1 of this Information Memorandum
“RM”	Ringgit Malaysia
“SC”	Securities Commission Malaysia
“Senior Sukuk Murabahah”	The senior sukuk of up to RM10.0 billion in nominal value issued or to be issued by the Issuer, pursuant to the Sukuk Murabahah Programme
“Senior Sukukholders”	The holders of the Senior Sukuk Murabahah
“Shariah Adviser”	Bank Islam
“Subordinated Sukuk Murabahah”	The subordinated sukuk of up to RM10.0 billion in nominal value issued or to be issued by the Issuer, which qualifies as Tier 2 capital of the Issuer as approved by BNM, pursuant to the Sukuk Murabahah Programme
“Subordinated Sukukholders”	The holders of the Subordinated Sukuk Murabahah
“Sukuk Murabahah Programme”	Sukuk programme of up to RM10.0 billion in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement(s)), for the issuance of Subordinated Sukuk Murabahah and Senior Sukuk Murabahah from time to time up to a combined limit of RM10.0 billion
“Sukuk Trustee”	Malaysian Trustees Berhad (Company No. 21666-V)
“Sukukholders”	Collectively, the Senior Sukukholders and the Subordinated Sukukholders
“Tax Event”	As defined in the section entitled “Provisions on early redemption” in Appendix 1 of this Information Memorandum
“Trust Deed”	A trust deed entered or to be entered into between the Issuer and Trustee in relation to the Sukuk Murabahah Programme

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1.0 EXECUTIVE SUMMARY

1.1 *Introduction*

The Issuer was incorporated under the laws of Malaysia on 1 March 1983 under the name of Bank Islam Malaysia Berhad. The Issuer's registered office is at 32nd Floor, Menara Bank Islam, No. 22, Jalan Perak, 50450 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur and the Issuer's principal place of business is at Menara Bank Islam, No. 22, Jalan Perak, 50450 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.

The Issuer is a wholly owned subsidiary of BHB. The Issuer is principally engaged in all aspects of Islamic banking business and in the provision of related financial services.

See "Description of the Issuer and the Group" in Section 4.0.

1.2 *The Sukuk Murabahah Programme*

Brief Structure of the Sukuk Murabahah Programme

The Sukuk Murabahah Programme has been structured to comply with the CAFIB. The Sukuk Murabahah Programme provides flexibility for the Issuer to issue, from time to time, Senior Sukuk Murabahah and/or Subordinated Sukuk Murabahah during the tenure of the Sukuk Murabahah Programme, provided that the aggregate outstanding amount of the Senior Sukuk Murabahah and the Subordinated Sukuk Murabahah shall not at any time exceed the combined limit of up to RM10,000,000,000.00 in nominal value.

The tenure of the Sukuk Murabahah Programme shall be perpetual, from the first issue date of the Sukuk Murabahah.

The Issuer shall have the option to upsize the Sukuk Murabahah Programme, provided that:

- (i) such increase will not result in any adverse impact on the rating of the Sukuk Murabahah Programme;
- (ii) the relevant requirements under the LOLA Guidelines in relation to such upsizing has been complied with; and
- (iii) the relevant regulatory approvals have been obtained (if applicable).

No consent will be required from the Sukukholders, the Sukuk Trustee or from any other party under the Sukuk Murabahah Programme for the Issuer to exercise the option to increase the limit of the Sukuk Murabahah Programme from time to time.

Senior Sukuk Murabahah

Under the Sukuk Murabahah Programme, the Issuer may issue Senior Sukuk Murabahah from time to time, where the aggregate outstanding nominal value of such Senior Sukuk Murabahah issued together with the Subordinated Sukuk Murabahah shall not exceed the combined limit of up to RM10,000,000,000.00 at any point in time. Each Senior Sukuk Murabahah under the Sukuk Murabahah Programme shall have a tenure of not less than one (1) year from the issue date.

Each tranche of the Senior Sukuk Murabahah issued shall have a Call Option whereby the Issuer may at its option redeem that tranche of Senior Sukuk Murabahah (in whole or in part) on any periodic payment date after a minimum period of one (1) year from the date of issue of that tranche of Senior Sukuk Murabahah at the Redemption Amount. The profit rate for the

Senior Sukuk Murabahah shall be on a fixed rate basis and shall be determined prior to the issue date of each tranche of the Senior Sukuk Murabahah.

The Senior Sukuk Murabahah will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, and ranks at least pari passu without any preference amongst themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, except for such other obligations preferred by law.

Subordinated Sukuk Murabahah

Under the Sukuk Murabahah Programme, the Issuer may issue Subordinated Sukuk Murabahah from time to time, where the aggregate outstanding nominal value of such Subordinated Sukuk Murabahah issued together with the Senior Sukuk Murabahah shall not exceed the combined limit of up to RM10,000,000,000.00 at any point in time. Each Subordinated Sukuk Murabahah under the Sukuk Murabahah Programme shall have a tenure of not less than five (5) years from the issue date.

Each tranche of the Subordinated Sukuk Murabahah issued shall have a Call Option, whereby the Issuer may, at its option, and subject to the Early Redemption Conditions being satisfied, redeem that tranche of Subordinated Sukuk Murabahah (in whole or in part) on any periodic profit payment date after a minimum period of five (5) years from the date of issue of that tranche of Subordinated Sukuk Murabahah (“**Call Date of the Subordinated Sukuk Murabahah**”) at the Redemption Amount. The redemption of any tranche of the Subordinated Sukuk Murabahah shall not trigger the redemption of other tranches of the Subordinated Sukuk Murabahah. The profit rate of the Subordinated Sukuk Murabahah shall be on a fixed rate basis and will be determined prior to the issue date of each tranche of the Subordinated Sukuk Murabahah. For the avoidance of doubt, there is no step-up profit rate after the Call Date of the Subordinated Sukuk Murabahah, in the event the Call Option is not exercised by the Issuer.

The Issuer may at its option, redeem the Subordinated Sukuk Murabahah (in whole or in part) at the Redemption Amount, subject to the Early Redemption Conditions being satisfied if a Regulatory Event occurs or if a Tax Event occurs.

The Subordinated Sukuk Murabahah shall comply with the CAFIB in relation to requirements of a Tier 2 capital instrument.

The Subordinated Sukuk Murabahah will constitute direct, unconditional and unsecured obligations of the Issuer, subordinated in right and priority of payment, to the extent and in the manner provided for in the Subordinated Sukuk Murabahah, to all deposit and investment accounts liabilities and general liabilities of the Issuer except liabilities of the Issuer which by their terms rank pari passu in right and priority of payment with or which are subordinated to the Subordinated Sukuk Murabahah.

The obligation of the Issuer under the Subordinated Sukuk Murabahah will, in the event of a winding-up or liquidation of the Issuer, be subordinated in right of payments to the claims of depositors, investment account holders and all general creditors of the Issuer other than those creditors whose claims are expressed to rank pari passu with or subordinated to the claims of the Subordinated Sukukholders.

Upon the occurrence of a Non-Viability Event, BNM, jointly with PIDM, shall have the option to require the entire or part of the nominal value of the outstanding Subordinated Sukuk Murabahah, and all other amounts owing under the Subordinated Sukuk Murabahah, to be written off.

Further details are enunciated in the Principal Terms and Conditions of the Sukuk Murabahah Programme appended as Appendix 1 of this Information Memorandum.

1.3 Utilisation of the Proceeds

The proceeds from the Sukuk Murabahah shall be utilised by the Issuer to finance its Islamic banking activities, working capital requirements and other corporate purposes and/or, if required, to redeem any outstanding Sukuk Murabahah issued under the Sukuk Murabahah Programme and the Issuer's existing subordinated sukuk Murabahah programme of up to RM1,000,000,000.00.

1.4 Rating

The Sukuk Murabahah Programme has been assigned a final long-term rating by RAM Ratings as follows:

Sukuk Murabahah	Credit Rating
Senior Sukuk Murabahah	AA3 / Stable
Subordinated Sukuk Murabahah	A1 / Stable

1.5 Approvals

BNM Approval

BNM had via its letter dated 21 March 2018 approved the proposed establishment of the Sukuk Murabahah Programme and the classification of the Subordinated Sukuk Murabahah raised under the Sukuk Murabahah Programme as Tier 2 capital of Bank Islam in accordance with CAFIB.

Endorsement from SC's Shariah Advisory Council

The SC had issued a letter dated 8 June 2018 in relation to the endorsement by SC's Shariah Advisory Council in respect of the proposed establishment of the Sukuk Murabahah Programme.

Lodgement with SC

The lodgement with the SC pursuant to the LOLA Guidelines in relation to the proposed establishment of the Sukuk Murabahah Programme and the issuance of Sukuk Murabahah thereunder has been made on 6 September 2018.

However, the approvals of the SC and BNM should not be taken to indicate that the SC or BNM recommends subscription or purchase of the Sukuk Murabahah. Investors should rely on their own evaluation to assess the merits and risk of investment.

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2.0 SELLING RESTRICTIONS

The Sukuk Murabahah are tradable and transferable, subject to the following selling restrictions:

Selling Restrictions at Issuance

The Sukuk Murabahah shall not be offered, sold, transferred or otherwise disposed, directly or indirectly other than to persons falling within any of the categories of persons or in the circumstances specified under:

- (i) Part 1 of Schedule 6 and Part 1 of Schedule 7, read together with
- (ii) Schedule 9 (or Section 257(3)),

of the CMSA, as amended from time to time.

Selling Restrictions after Issuance

The Sukuk Murabahah shall not be offered, sold, transferred or otherwise disposed directly or indirectly other than to persons falling within any of the categories of persons or in the circumstances specified under:

- (i) Part 1 of Schedule 6 (or Section 229(1)(b)), read together with
- (ii) Schedule 9 (or Section 257(3)),

of the CMSA, as amended from time to time.

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3.0 INVESTMENT CONSIDERATIONS

The purchase or subscription of the Sukuk Murabahah may involve substantial risk and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Sukuk Murabahah.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Sukuk Murabahah. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the risk associated with the Sukuk Murabahah are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Sukuk Murabahah but the Issuer may be unable to pay profit, principal or other amounts on or in connection with any Sukuk Murabahah for other reasons and the Issuer represents that the statements below regarding the risks of holding any Sukuk Murabahah are not intended to be exhaustive and does not purport to be complete. Prospective investors should also read and consider carefully, in light of their own financial circumstances and investment objectives, the detailed information set out elsewhere in this document and reach their own views prior to making any investment decision. Each tranche of the Sukuk Murabahah will carry different risks and all potential investors are strongly encouraged to evaluate each tranche of the Sukuk Murabahah on its own merit before investing in such Sukuk Murabahah.

3.1 *Considerations relating to the Issuer and its Business*

In the course of its business activities, the Issuer is exposed to a variety of risks. While the Issuer believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to adequately control these risks could be greater than anticipated and which could result in adverse effects on the Issuer's financial condition, results of operations, prospects and reputation.

(a) **Credit Risk and Asset Quality**

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. Credit risks arising from adverse changes in the credit quality and recoverability of financing, advances and amounts due from counterparties are inherent in a wide range of the Issuer's businesses. Credit risks could arise from deterioration in the credit quality of specific counterparties of the Issuer, from a general deterioration in local or global economic conditions or from systemic risks within the financial systems all of which could affect the recoverability of its assets and other credit exposures.

Asset quality is a key driver of a bank's performance. The Issuer adopts prudent credit risk management policies to manage its asset quality. The Issuer recognises that credit policies need to be responsive to the changing environment and diverse market conditions. Although the Issuer believes that it has adopted a sound asset quality management system, there is no assurance that the system will remain effective or adequate in the future. A significant deterioration of asset quality or material non-compliance with its credit underwriting standards or asset quality management

system may adversely affect the business, financial condition and results of operations of the Issuer.

(b) Concentration Risk

The Issuer is predominantly a retail bank. Consumer based products such as personal financing, house and fixed asset financing and vehicle financing account for a significant portion of the Issuer's financing portfolio.

In relation to the Issuer's concentration on financing of consumer based products, continued growth in this area will depend on various factors including domestic economic growth, stability of profit rates and competition. Accordingly, no assurance can be given that the Issuer's financing portfolio will in future continue to grow at the same rate as in the past, or at all, or that other businesses such as corporate and commercial banking will compensate for any loss in consumer banking revenues.

Due to a high level of competition within the consumer based financing products segment, maintaining profit rates is challenging and may therefore threaten the Issuer's future profit yield. The financing growth for the Issuer, particularly consumer based products, depends on a number of factors, including sustained income/salary growth, stable employment prospects, as well as a resilient real estate market. Therefore, there can be no assurance that the Issuer's financing portfolio for consumer based financing products will continue to grow. In addition, the Issuer is also exposed to credit risk where the inability of its customers to service their financing will lead to default and increased number of impaired financings. Further, a potential increase in the cost of attracting funds could have an adverse impact on the net profit yield of the consumer portfolio and other businesses.

(c) Counterparty Risk

Customers do not always meet their obligations. The risk of non-payment is affected by credit risks of customers, changes in economic and industry conditions, the duration of the financing and in the case of collateralised financing, uncertainties as to the future value of the collateral or the actual realisation of the collateral value. There can be no assurance that the Issuer's allowance for financing or credit losses is or will be sufficient to absorb actual losses. An increase in the Issuer's impaired financings would have an adverse effect on the Issuer's financial condition, operations and total capital adequacy ratio.

(d) Increased Competition

Increased competition could have an adverse effect on the Issuer's business, results of operations and financial condition in the future, including but not limited to slower growth in the Issuer's financing portfolio, reduced net financing margins and spreads, decreased non-fund (fee) based income and/or increased cost of funding as well as a decline in the volume of the Issuer's related businesses.

While the Issuer believes that it has formulated a strategy to compete effectively, there can be no assurance that it will be able to execute its strategy or that it will be able to effectively compete against its existing and future competitors.

(e) Liquidity Risk

Liquidity risk is the risk of the Issuer not having sufficient financial resources to meet its obligations when they fall due, or might have to fund these obligations at excessive cost. This risk can arise from mismatches in the timing of cash flows. Market liquidity risk refers to the potential risk that the Issuer is unable to liquidate its assets/securities at or near the market price due to inadequate market depth or disruptions to the marketplace.

The Issuer maintains a diversified and stable funding base comprising core retail, commercial and corporate customer deposits. This is augmented by wholesale funding and portfolios of highly liquid assets. Although the Issuer's policy is to maintain prudent liquidity risk management, a diversified and stable source of sustainable funding and to minimise undue reliance on any particular funding source, there is no assurance that such a policy can be maintained and that there will not be a liquidity crisis affecting the Issuer, and the failure to maintain such adequate sources of funding may adversely affect the business, financial condition and results of operations of the Issuer.

(f) Market Risk

Market risk is the risk of loss arising from movement in market rates or prices. The Issuer separates exposure to market risk into either trading or non-trading portfolios. Trading portfolios include those positions arising from market making, proprietary position taking and other mark-to-market positions designated as Trading Book. Non-trading positions or rate of return risk primarily arise from the re-pricing mismatches of the Issuer's customers driven assets and liabilities and from the Issuer's investment of its surplus funds.

The Issuer's exposure to rate of return risk arises from its balance sheet positions that are indexed against certain profit rates, such as financing, securities, traditional and inter-bank deposits. Fluctuations in rates of return will affect the Issuer's earnings stream and level of income through changes in net fund-based income. Adverse impact on net fund based income resulting from the movements of market rates can be caused by mismatch in the timing of re-pricing of assets and liabilities (re-pricing risk), changing rate and yield curve relationships (basis and yield curve risks). Measures such as rate of return risk limits have been established to control and manage the potential loss of income from adverse rate of return movements. Strategies and mitigating actions are regularly reviewed and executed interchangeably to improve its operation under various rate of return scenarios. The impact on earnings is measured against the approved earnings at risk limit.

Although the Issuer believes that it has adopted sound rate of return management strategies and intends to maintain it, no assurance can be given that such strategies will remain effective or adequate in the future especially in the event of sudden change in rates.

(g) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems and external events, which includes legal risk and Shariah compliance risk. Although the Issuer has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, it is not possible to entirely eliminate operational risk. In addition, the

Issuer seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by the Issuer's increased use of the internet. Computer break-ins and power disruptions could affect the security of information stored in, and transmitted through these computer systems and network infrastructure. The Issuer employs security systems designed to minimise the risk of security breaches. There can be no assurance that these security measures will be adequate or successful.

Significant fraud, system failure, calamity or failure in security measures could have material adverse effect on the Issuer's business, financial condition, operations and prospects. In addition, the Issuer's reputation could be adversely affected by significant frauds committed by employees, customers or other third parties.

(h) Shariah Compliance Risk

Shariah compliance risk refers to possible failures to meet the obligation to Shariah principles, or in other words, possible incidences of Shariah non-compliances. The IFSA puts strong emphasis on Shariah compliance via Section 28(1) of the IFSA where an institution shall at all times ensure that its aims and operations, business, affairs and activities are in compliance with Shariah.

In line with this, the Issuer has zero tolerance to Shariah non-compliance. Nevertheless, Shariah compliance risk can only be managed and minimised, not eliminated. Although the Issuer has robust Shariah governance framework ("**Shariah Governance Framework**"), Shariah non-compliance may occur due to various factors such as negligence or lack of knowledge of staff. Internal Shariah compliance functions, such as research and advisory, Shariah review, Shariah risk management and Shariah audit, were established to spearhead efforts to achieve zero Shariah non-compliance. In addition, constant Shariah awareness initiatives are conducted to instil strong awareness culture amongst staff bank-wide, including continuous trainings and frequent reminders.

With the issuance of new Shariah standards by BNM post-IFSA, the Issuer may be exposed to new Shariah compliance risk. Gap analysis has been conducted to ensure all identified gaps are closed in timely manner to ensure absolute compliance to the standards.

(i) Regulatory Environment

The Issuer is regulated by BNM. The Issuer is also subject to relevant banking, securities and other laws of Malaysia. BNM has extensive powers to regulate the Malaysian Islamic banking industry under the IFSA. This includes the power to limit the rates of return charged by banks on certain types of financing, establish caps on lending to certain sectors of the Malaysian economy and establish priority lending guidelines in furtherance of certain social and economic objectives. BNM also has broad investigative and enforcement powers. Failure to comply with any of these laws and/or directions of the regulators could lead to the Issuer becoming subject to investigations and/or fines with sanctions which may in turn adversely affect the Issuer's business.

Accordingly, potential investors should be aware that BNM could, in the future, set rates of return at levels or restrict credit in a way which may be adverse to the operations, financial condition or asset quality of banks and financial institutions in Malaysia, including the Issuer, and may otherwise significantly restrict the activities

of the Issuer, banks and financial institutions in Malaysia generally. There can also be no assurance that any future changes in present laws or the introduction of new regulations will not have an adverse impact on the Issuer's business.

(j) Key Personnel Risk

The Issuer believes that continued success will depend significantly on the abilities and continued efforts of its existing directors, senior management and key personnel. The loss of key members of the senior management team, if any, could have an impact on the operations of the Issuer. The Issuer is confident that with the comprehensive human resources policy covering the areas of continuous learning and education career development, conducive working environment and good remuneration practices will ensure that the Issuer can continue to retain its key talent to remain competitive in the industry. In addition, the Issuer has established a succession plan to develop internal employees with experience and potential to fill key business and operational leadership positions as they become available.

3.2 Considerations Relating to the Sukuk Murabahah

(a) Rating of the Sukuk Murabahah

The Sukuk Murabahah have been accorded the following ratings pursuant to RAM Rating's letter to the Issuer dated 28 February 2018:

- (i) a long term rating of AA₃/Stable for the Senior Sukuk Murabahah; and
- (ii) a long term rating of A₁/Stable for the Subordinated Sukuk Murabahah.

A rating is not a recommendation to purchase, hold or sell the Sukuk Murabahah and may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Sukuk Murabahah.

Although the Issuer will endeavour to maintain the credit rating, there is no assurance that the rating will remain in effect for any given period of time or that the rating will not be lowered or withdrawn entirely if the circumstances in the future so warrant. In the event that the rating initially assigned to the Sukuk Murabahah are subsequently lowered or withdrawn for any reason, no person or entity will be obligated to provide any additional credit enhancement with respect to the Sukuk Murabahah.

Any reduction or withdrawal of the rating will not constitute an enforcement event under the Subordinated Sukuk Murabahah or an event of default under the Senior Sukuk Murabahah. Any reduction or withdrawal of the rating may have an adverse effect on the liquidity and market price of the Sukuk Murabahah. There is no obligation on the part of the Issuer, Principal Adviser/ Lead Arranger or the Sukuk Trustee or any other person or entity to maintain or procure maintenance of the ratings for the Sukuk Murabahah.

Where the Consolidated Capital Recognition Option has been adopted, the rating assigned to the relevant tranche may or may not be the same to the prevailing rating of the Subordinated Sukuk Murabahah.

(b) The Sukuk Murabahah Programme has a perpetual tenure and the Issuer may upsize the Sukuk Murabahah Programme limit

The Sukuk Murabahah Programme has a perpetual tenure. The Issuer shall have the option to upsize the Sukuk Murabahah Programme provided that:

- (i) such increase will not result in any adverse impact on the rating of the Sukuk Murabahah Programme;
- (ii) the relevant requirements under the LOLA Guidelines in relation to such upsizing have been complied with; and
- (iii) the relevant regulatory approvals have been obtained (if applicable).

No consent will be required from the Sukukholders, the Sukuk Trustee or from any other party under the Sukuk Murabahah Programme for the Issuer to exercise the option to increase the limit of the Sukuk Murabahah Programme from time to time.

(c) The Issuer may elect for early redemption of the Sukuk Murabahah pursuant to the Call Option

In relation to each tranche of Sukuk Murabahah, the Issuer may redeem such tranche of Sukuk Murabahah (in whole or in part) on the relevant call date at the Redemption Amount.

An optional redemption feature is likely to limit the market value of the Sukuk Murabahah. During any period when the Issuer may elect to redeem the Sukuk Murabahah, the market value of those Sukuk Murabahah generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may elect for early redemption of the Sukuk Murabahah by exercising the Call Option when its cost of financing is lower than the profit rate on the Sukuk Murabahah. At those times, an investor generally would not be able to reinvest the redemption proceeds at a profit rate as high as the profit rate on the Sukuk Murabahah being redeemed and may only be able to do so at a lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

In the case of partial redemption of a tranche of the Sukuk Murabahah, the selection of the Sukuk Murabahah to be redeemed shall be made by the Sukuk Trustee on a pro rata basis, by lot or by such other method as the Sukuk Trustee (with the agreement of the Issuer) shall deem to be fair and appropriate, although no Sukuk Murabahah of RM10,000,000 in original nominal value or less shall be redeemed in part.

(d) No prior market for the Sukuk Murabahah

There is no existing market for the Sukuk Murabahah and there can be no assurance that a secondary market for the Sukuk Murabahah will develop, or if a secondary market does develop, that it will provide the Sukukholders with liquidity of investment or that it will continue for the life of the Sukuk Murabahah.

Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Sukuk Murabahah and an investor in the Sukuk Murabahah must be prepared to hold the bond for an indefinite period of time or until their maturity. Further, no assurance can be given on the ability of the Sukukholders to sell the Sukuk

Murabahah, or the prices at which the Sukukholders would be able to sell the Sukuk Murabahah.

(e) The market value of the Sukuk Murabahah may be subject to fluctuation

Trading prices of the Sukuk Murabahah are subject to fluctuations and may be influenced by numerous factors, including the prevailing interest rates, the market for similar securities, the operating results and/or the financial condition of the Issuer, political, economic, financial and any other factors that can affect the capital markets or the industry in which the Issuer are operating in. Consequently, any sale of the Sukuk Murabahah by the Sukukholders in any secondary market which may develop may be at prices that may be higher or lower than the initial offering price. Adverse economic developments could also have a material adverse effect on the market value of the Sukuk Murabahah.

(f) An investment in the Sukuk Murabahah is subject to profit rate risks

Investment in the Sukuk Murabahah involves the risk of subsequent changes in the market conditions, profit rates, government's policies and regulations concerning, inter alia, monetary and fiscal issues, which may adversely affect the value of the Sukuk Murabahah. Although the Sukuk Murabahah is an Islamic security which does not pay interest, it is similar to a fixed income Islamic security and therefore its price may fluctuate due to movements in the relevant benchmark profit rates. Generally, a rise in the benchmark profit rates may cause a fall in the prices of fixed income securities. The Sukuk Murabahah may be similarly affected, resulting in a capital loss for the Sukukholders. Conversely, when the benchmark profit rates fall, prices of fixed income securities and the prices at which the Sukuk Murabahah are traded may rise. Sukukholders may enjoy a capital gain but the profit received may be reinvested for lower returns.

(g) An investment in the Sukuk Murabahah is subject to inflation risk

The Sukukholders may suffer erosion on the return of their investments due to inflation. The Sukukholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Sukuk Murabahah. An unexpected increase in inflation could reduce the actual return to the Sukukholders.

(h) Suitability of investments

The Sukuk Murabahah may not be a suitable investment for all investors. Each potential Sukukholder of the Sukuk Murabahah must determine the suitability of that investment in light of its own circumstances. In particular, each potential Sukukholder should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Sukuk Murabahah, the merits and risks of investing in the Sukuk Murabahah and the information contained in this Information Memorandum;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Sukuk Murabahah and the impact the Sukuk Murabahah will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Sukuk Murabahah, including where the currency of payment is different from the potential investor's currency;

- (iv) understand thoroughly the terms of the Sukuk Murabahah and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a legal, financial and other adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Sukuk Murabahah are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as standalone investments. They purchase complex financial instruments as a way to reduce risk or to enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Sukuk Murabahah which are complex financial instruments unless it has the expertise (either alone or with the help of a legal, financial and other adviser) to evaluate how the Sukuk Murabahah will perform under changing conditions, the resulting effects on the value of such Sukuk Murabahah and the impact this investment will have on the potential investor's overall investment portfolio.

(i) Shariah compliance

The Shariah Adviser has issued a pronouncement confirming amongst others that, the transaction and structure of the Sukuk Murabahah are Shariah-compliant as of the date of such pronouncement. However, there is no assurance that the Sukuk Murabahah will be Shariah-compliant by any other Shariah board or Shariah scholar and the Shariah pronouncement is only an expression of the view of the Shariah Adviser. Neither the Issuer, the Lead Arranger, the Principal Adviser nor the Lead Manager makes any representation as to the Shariah permissibility of the structure or the issue and trading of the Sukuk Murabahah. Potential investors are reminded that, as with any Shariah views, differences in opinion are possible. Potential investors should obtain their own independent Shariah advice and make their own determination as to whether the structure and the future tradability of the Sukuk Murabahah in any secondary market meet their individual standards of Shariah compliance.

If the Sukuk Murabahah are deemed not to be Shariah-compliant by an investor's own standard of Shariah compliance, such investor may be required to sell or otherwise dispose of its Sukuk Murabahah by virtue of its own constitutional restraints or otherwise. Similarly, if the Sukuk Murabahah are deemed not to be Shariah-compliant by potential investors' standards of Shariah compliance, they may be prohibited from buying the Sukuk Murabahah by virtue of their own constitutional restraints or otherwise. Accordingly, the liquidity and price of the Sukuk Murabahah in the market may be adversely affected by particular Shariah standards, and the interpretation thereof, of existing or potential investors.

(j) The Issuer may raise other capital which affects the price of the Sukuk Murabahah

The Issuer may raise additional capital through the issue of other securities or other means. There are no restrictions, contractual or otherwise, on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or pari passu with, the Sukuk Murabahah, and there are no restrictions on the Issuer issuing securities with similar, different or no loss absorption event provisions. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by the Sukukholders on a dissolution or winding-up. The issue of any such securities or the incurrence of any such other liabilities might

also have an adverse impact on the trading price of the Sukuk Murabahah and/or the ability of the Sukukholders to sell their Sukuk Murabahah.

(k) Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Sukuk Murabahah are legal investments for it; (ii) the Sukuk Murabahah can be used as collateral for various types of borrowing; and (iii) other restrictions apply to their purchase or pledge of any Sukuk Murabahah. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Sukuk Murabahah under any applicable risk-based capital or similar rules.

(l) Cross default

The declaration of an event of default under the Senior Sukuk Murabahah shall not trigger an enforcement event under the Subordinated Sukuk Murabahah. However, the declaration of an enforcement event under the Subordinated Sukuk Murabahah shall, subject to the provisions in relation to events of default of the Senior Sukuk Murabahah, trigger an event of default under the Senior Sukuk Murabahah.

3.3 Considerations Relating to the Subordinated Sukuk Murabahah

(a) Non-viability Loss Absorption

The purpose of Basel III rules is to ensure greater stability of the banking institutions by requiring them to hold more capital to serve as a buffer against losses and reduce the likelihood of bank failures, and, ultimately, government intervention. The Basel III rules are intended to ensure that all classes of capital instruments can, as fully as possible, absorb losses at the point in time of non-viability.

CAFIB requires the terms and conditions of all Tier 1 and Tier 2 capital instruments issued from 1 January 2013 onwards to contain features that ensure loss absorbency at the point of non-viability. All Tier 1 and Tier 2 capital instruments shall have a provision that requires such instruments to be either written-off in whole or in part or converted in whole or in part into ordinary shares upon the occurrence of a trigger event.

Under the terms of the Sukuk Murabahah Programme, following the occurrence of the following non-viability events (each a “**Non-Viability Event**”), whichever is earlier:

- (i) BNM, jointly with PIDM, notify the Issuer in writing that BNM, jointly with PIDM, are of the opinion that a write-off of the Subordinated Sukuk Murabahah is necessary, without which the Issuer or BHB group (if the Consolidated Capital Recognition Option has been adopted in respect of any tranche of the Subordinated Sukuk Murabahah) would cease to be viable; or
- (ii) BNM, jointly with PIDM, publicly announce that a decision has been made by BNM, PIDM, or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer or BHB group (if the Consolidated Capital Recognition Option has been

adopted in respect of any tranche of the Subordinated Sukuk Murabahah) would cease to be viable,

BNM, jointly with PIDM, shall have the option to require the entire principal outstanding or such portion thereof and all other amount owing under the Subordinated Sukuk Murabahah be written off.

In assessing whether the Issuer would cease to be viable, BNM and PIDM may consider, amongst others, if any of the following circumstances exist in respect of the Issuer:

- (i) the Issuer fails to follow any directive of compliance issued by BNM, which is necessary to preserve or restore its financial soundness;
- (ii) the Issuer fails to meet all or any of its financial obligations as they fall due, that may significantly impair its ability to meet regulatory requirements on a continuing basis;
- (iii) the capital of the Issuer has reached a level or is eroding in a manner that may detrimentally affect its depositors, creditors or the public, and the Issuer is unable to recapitalise on its own;
- (iv) the Issuer's assets are insufficient to provide protection to its depositors and creditors; or
- (v) any other state of affairs exists in respect of the Issuer that would put the interest of the depositors or creditors of the Issuer at risk, including the loss of confidence of depositors and the public.

For the avoidance of doubt, BNM and PIDM shall have the full discretion to elect not to require a write-off when the Issuer has ceased, or is about to cease, to be viable or when a capital injection or equivalent support has been provided. Even if the option is not exercised, the relevant Subordinated Sukukholders may still be exposed to losses from the resolution of the Issuer.

If BNM, jointly with PIDM, elects to exercise such option, each of the Subordinated Sukukholders, via the Sukuk Trustee, agrees that, as of the relevant write-off date, the write-off shall extinguish the claim of the Subordinated Sukuk Murabahah by the Subordinated Sukukholders in liquidation, in which case the Subordinated Sukukholders will irrevocably waive their right to receive, and no longer have any rights against the Issuer with respect to, payment of the aggregate nominal value of the relevant Subordinated Sukuk Murabahah written-off, the amount paid when a Call Option is exercised and the periodic profit payments on the relevant Subordinated Sukuk Murabahah written-off.

The write-off shall be permanent and the full nominal value of the Subordinated Sukuk Murabahah together with all unpaid periodic profit payments thereon that are or would be payable on the maturity date, or on the date of declaration of an enforcement event under the Subordinated Sukuk Murabahah or on the date of early redemption pursuant to a Call Option or Regulatory Event or Tax Event for Subordinated Sukuk Murabahah, will automatically be written-off and such Subordinated Sukuk Murabahah and all unpaid periodic profit payments will be immediately and fully cancelled as of such write-off date.

For the avoidance of doubt, (i) BNM, jointly with PIDM, shall have full discretion to require or not to require a write-off upon the occurrence of a Non-Viability Event; (ii) the write-off of the respective Subordinated Sukuk Murabahah shall not constitute an enforcement event under the Subordinated Sukuk Murabahah, event of default (in the

case of Senior Sukuk Murabahah) or trigger any cross-default clauses; and (iii) the requirement for a write-off following the occurrence of a Non-Viability Event involving BHB group shall only apply to such tranche of the Subordinated Sukuk Murabahah in respect of which the Consolidated Capital Recognition Option has been adopted and shall not apply to other tranches of the Subordinated Sukuk Murabahah in respect of which the Consolidated Capital Recognition Option has not been adopted.

In the event that part of the nominal value of the outstanding Subordinated Sukuk Murabahah is written off, the remaining Subordinated Sukuk Murabahah not written-off shall remain outstanding until maturity and would still be considered as Tier 2 capital subject to compliance with the criteria under the CAFIB. Any write-off of the Subordinated Sukuk Murabahah shall not constitute an enforcement event under the Subordinated Sukuk Murabahah.

For avoidance of doubt, the Subordinated Sukuk Murabahah shall under no circumstances be converted into equity of the Issuer and the Subordinated Sukukholders will have to absorb losses pursuant to the terms specified herein.

Upon the occurrence of a Non-Viability Event, there is a real risk that an investor in the Subordinated Sukuk Murabahah will lose some or all of its investments and will not receive a full return of the principal amount or any unpaid amounts due under the Subordinated Sukuk Murabahah. The Issuer, Principal Adviser, Lead Arranger and Sukuk Trustee are not liable for any liabilities arising upon the occurrence of a Non-Viability Event.

(b) Limited Rights to Accelerate and Subordinated Obligations

The Issuer's obligations under the Subordinated Sukuk Murabahah will constitute direct, unconditional and unsecured obligations of the Issuer, subordinated in right and priority of payment, to the extent and in the manner provided for in the Sukuk Murabahah Programme, to all deposits and investment accounts liabilities and general liabilities of the Issuer except liabilities of the Issuer which by their terms rank pari passu in right and priority of payment with or which are subordinated to the Subordinated Sukuk Murabahah.

The obligation of the Issuer under the Subordinated Sukuk Murabahah will, in the event of a winding-up or liquidation of the Issuer, be subordinated in right of payments to the claims of depositors, investment account holders and all general creditors of the Issuer other than those creditors whose claims are expressed to rank pari passu with or subordinated to the claims of the Subordinated Sukukholders.

The rights of the Subordinated Sukukholders are limited in certain respects. If the Issuer defaults in payment of any principal or profit or any other amount under the Subordinated Sukuk Murabahah and such default continues for a period of seven (7) business days after the relevant due date, the Sukuk Trustee subject to the terms of the Trust Deed, may or shall (if directed to do so by a special resolution of the Subordinated Sukukholders) institute proceedings to enforce the payment obligations under the relevant tranche of the Subordinated Sukuk Murabahah and may institute proceedings in Malaysia for the winding-up of the Issuer, provided that neither the Sukuk Trustee nor any of the Subordinated Sukukholders of that tranche of the Subordinated Sukuk Murabahah shall have the right to accelerate payment of that tranche of the Subordinated Sukuk Murabahah in the case of such default in the payment of amounts owing under that tranche of the Subordinated Sukuk Murabahah

or any default in the performance of any condition, provision or covenant under that tranche of the Subordinated Sukuk Murabahah or the Trust Deed.

If an order is made for the winding-up of the Issuer and such order is not stayed or set aside within thirty (30) days of such order being made or, where so stayed, such stay lapses, or an effective resolution is passed for the winding-up of the Issuer except where such order is made or such resolution is passed for the purpose of a reconstruction or amalgamation the terms of which have been approved by the Subordinated Sukukholders by way of a special resolution, the Sukuk Trustee, subject to the terms of the Trust Deed, may or shall (if directed to do so by a special resolution of the Subordinated Sukukholders) declare (by giving written notice to the Issuer) that the Subordinated Sukuk Murabahah together with all other sums payable under the Subordinated Sukuk Murabahah shall immediately become due and payable notwithstanding the stated maturity of the Subordinated Sukuk Murabahah.

(c) The Issuer may at its option redeem the Subordinated Sukuk under certain circumstances

In relation to each tranche of the Subordinated Sukuk Murabahah, The Issuer may also, at its option, redeem any tranche of the Subordinated Sukuk Murabahah (in whole or in part of such tranche), if there is any occurrence of a Regulatory Event or a Tax Event, subject to the Early Redemption Conditions being satisfied.

The redemption of one tranche of the Subordinated Sukuk Murabahah pursuant to the Regulatory Event or Tax Event shall not trigger the redemption of other tranches of the Subordinated Sukuk Murabahah.

3.4 Considerations Relating to the Malaysian Financial Services Industry

(a) Regulatory environment

The Issuer is regulated by BNM who has extensive powers to regulate the Malaysian banking industry under the Financial Services Act 2013 and the IFSA. Under the IFSA, BNM has the power to regulate Islamic banks, which includes the Issuer. This includes the power to limit the profit rates charged by Islamic banks on certain types of financing, establish caps on financing to certain sectors of the Malaysian economy and establish priority financing guidelines in furtherance of certain social and economic objectives, as well as and establish measures requiring maintenance of reserves and minimum capital adequacy requirement. BNM also has broad investigative and enforcement powers. Accordingly, potential investors should be aware that BNM could, in the future, set profit rates at levels or restrict financing or restrict the activities of banks and financial institutions in Malaysia in a way which may be adverse to the operations, financial condition or asset quality of banks and financial institutions in Malaysia, including the Issuer, and may otherwise significantly restrict the activities of the Issuer and Malaysian banks and financial institutions generally.

The Issuer is required to prepare its financial statements in accordance with Malaysian Financial Reporting Standards (“**MFRS**”), International Financial Reporting Standards (“**IFRS**”) and the requirements of the Companies Act, 2016 in Malaysia.

Malaysian Financial Reporting Standards on Financial Instruments (“MFRS 9”)
Financial Instruments

The International Accounting Standards Board (“IASB”) issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9.

The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates.

(b) The Issuer may face increasing levels of competition in Malaysia

The banking industry has been transforming through a deregulation process as part of BNM’s implementation of its first Financial Sector Master Plan (2001-2010), which has resulted in the liberalisation of the banking industry to allow for a greater presence of foreign and Islamic banks as well as providing greater opportunities for banks to widen their scope of business beyond traditional commercial banking. BNM’s second Financial Sector Master Plan (2011-2020), which was launched in December 2011, is more focused on the future development of the financial sector in promoting the effective intermediation towards the achievement of a high income economy.

The liberalisation of the banking industry has brought about greater competition among banking institutions and this trend is expected to continue. As a result, banking institutions are encouraged to become more efficient, by improving customer service, exploring more effective uses of available technology and to explore cost effective solutions. The Issuer faces competition from other domestic banking groups as well as foreign banks operating in Malaysia. The increased competition may adversely impact the business, financial conditions and results of operations of the Issuer.

(c) Deposits in Malaysia.

BNM is not required to act as lender of last resort to meet liquidity needs in the banking system generally or for specific institutions, although it has, in the past and on a case-by-case basis, provided a safety net for individual banks with an isolated liquidity crisis. However, there can be no assurance that BNM will provide such assistance in the future. On 1 September 2005, BNM introduced a deposit insurance system (the “**Deposit Insurance System**”). Under the Deposit Insurance System, eligible deposits were originally insured up to a prescribed limit of RM60,000.00 (inclusive of principal and interest) per depositor, per member institution. There was also separate coverage of up to RM60,000.00 per depositor, per member institution for Islamic deposits (i.e., those accepted under Shariah principles), accounts held under joint ownership, trust accounts and accounts in the name of sole proprietorships and partnerships. The Deposit Insurance System is administrated by PIDM, an independent statutory body, and all licensed commercial banks (including subsidiaries of foreign banks operating in Malaysia) and Islamic banks are member institutions of the Deposit Insurance System. On 16 October 2008, the Government

moved to guarantee all bank deposits in an effort to shore up confidence in the Malaysian financial system to curb potentially damaging capital outflows. BNM announced the guarantee for all local and foreign currency deposits from 16 October 2008 until 31 December 2010. From 31 December 2010, the Malaysia Deposit Insurance Corporation Act 2011 (the “**MDIC Act**” or any statutory modification, amendment or re-enactment thereof for the time being in force) came into effect and replaced the existing legislation. The MDIC Act was enacted to implement an enhanced financial consumer protection package, whereby, amongst other changes, the deposit insurance limit was increased to RM250,000.00 per depositor per member bank. In addition, under the MDIC Act, foreign currency deposits will now benefit from deposit insurance protection.

Under the Deposit Insurance System, explicit deposit protection is provided to eligible deposits up to the prescribed limit of RM250,000.00 per depositor, per member institution and such amount is inclusive of principal and interest effective as of 31 December 2010.

Notwithstanding the aforesaid, the fact that deposits exceeding the prescribed limits are not insured up to their full amount could lead to or exacerbate liquidity problems, which, if severe, could have an adverse effect on the Issuer’s business, financial condition, results of operations or prospects, or on the Malaysian financial markets generally.

3.5 *Forward Looking Statements*

Certain statements in this Information Memorandum are forward looking in nature. All these statements are based on estimated and assumptions made by the Issuer that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events, the future results, performance or achievements of the Issuer to be materially different from that expected or indicated by such statements and estimates and no assurance can be given that any such statements or estimates will be realised. In light of these uncertainties, the inclusion of forward looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer or any other person that the plans and objectives of the Issuer will be achieved.

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4.0 DESCRIPTION OF THE ISSUER AND THE GROUP

4.1 Introduction

The Issuer was incorporated on 1 March 1983. The Issuer is the first Shariah based banking institution in Malaysia and South East Asia. The Issuer's principal business is Islamic banking business and offers more than 70 Islamic banking products and services through 147 branches and more than 1,100 self-service terminals nationwide.

As at 31 December 2017, the Group has total assets of RM57,742,914,000, gross financing of RM42,685,936,000 and shareholder's equity of RM4,959,704,000. The Group recorded net profits of RM530,962,000 for the year ended 31 December 2016 and RM566,118,000 for the year ended 31 December 2017.

The Issuer's holding company, BHB (holding 100.0%) is listed on the Main Board of Bursa Malaysia Securities Berhad.

The Issuer is well recognised regionally and as the pioneer in the industry, the Issuer has played a leading role in promoting the expansion of Malaysia's brand of Islamic finance into other markets, especially the region.

The subsidiaries of the Issuer as at 31 May 2018:

Name	Principal Activities	% of shareholding
BIMB Investment Management Berhad	Manage Islamic unit trust funds.	100
Farihan Corporation Sdn. Bhd.	Provide manpower of all type of executives, middle management staff, junior level staff, workers, labourers skilled/ unskilled for the provision of services in the relevant areas.	100
Al Wakalah Nominees (Tempatan) Sdn Bhd	Provide nominee services.	100
Bank Islam Trust Company (Labuan) Ltd ("BTL")	Provide services as a Labuan registered trust company.	100
<u>Subsidiary of BTL:</u> BIMB Offshore Company Management Services Sdn. Bhd.	Act as resident corporate secretary and director for offshore companies.	100

4.2 Share Capital and Shareholders

Share Capital of the Issuer

As at 31 May 2018, the share capital of the Issuer was as follows:

Share Capital	(RM)
Issued and Fully Paid up Share Capital	RM2,869,497,600.00 comprising 2,466,021,700 ordinary shares.

Shareholders of the Issuer

The shareholders of the Issuer as at 31 May 2018 are as follows:

Shareholders	No. of ordinary shares held		Percentage (%) of shareholding
	Direct	Indirect	
BHB	2,466,021,700	-	100.0%

4.3 *Financial Highlights of the Group*

	2015	2016	2017
Operating Results (RM'000)			
Total Revenue	2,649,396	2,868,781	3,008,181
Income attributable to depositors and investment account holders	1,031,693	1,108,024	1,208,337
Profit before Zakat and Tax	685,661	720,412	767,053
Profit after Zakat and Tax	507,262	530,962	566,118
Key Statements of Financial Position Items (RM'000)			
Total Assets	49,763,719	55,676,697	57,742,914
Total Financing	34,294,690	39,189,274	42,113,420
of which:			
Gross Impaired Financing	381,270	389,445	398,277
Securities	10,421,041	10,589,824	9,633,608
Deposits from Customers	43,556,350	45,940,414	46,192,910
of which:			
Current and Savings Deposits (CASA)	15,256,290	14,133,576	15,472,127
Investment Accounts of Customers	676,105	3,812,261	4,260,185
Subordinated Sukuk Murabahah	704,380	704,393	1,006,486
Shareholders' Equity	4,032,568	4,385,466	4,959,704
of which:			
Share Capital	2,363,283	2,404,384	2,869,498
Ratio Analysis			
Return on Assets	1.43%	1.37%	1.35%
Return on Equity	17.67%	17.12%	16.42%
Cost Income Ratio	52.67%	52.82%	57.26%
Capital Adequacy Ratio	15.32%	15.52%	16.44%
Gross Impaired Financing Ratio	1.09%	0.98%	0.93%
Financing to Available Fund Ratio – excluding Investment Accounts of Customers	77.46%	77.31%	81.41%
Earnings per Share	22 sen	22 sen	23 sen
Net Tangible Assets Backing	171 sen	182 sen	173 sen

4.4 *Review of Business Operations in 2017*

4.4.1 Consumer Banking

(RM million)	2015	2016	2017
Asset growth	25,634	28,959	32,013
Income growth			
- Fund-based	1,438	1,577	1,691
- Non-fund based	132	145	156

New Financing	Total
Personal financing	RM4.3 billion
House and fixed asset financing	RM3.2 billion
Vehicle financing	RM335.8 million

Bank Islam’s consumer banking division (“**Consumer Banking**”) is the core driver of Bank Islam’s business, contributing over 75% of the Bank’s financing portfolio in 2017. The Bank’s innovative and sophisticated Islamic banking products and services are channeled to more than four million customers throughout a network of 147 branches, more than 1,100 self-service terminals, about 400 personal financial executives and an internet and mobile banking platform.

The house and fixed asset financing (“**HFA**”) was the top performer for Consumer Banking in 2017, recording growth of 14.6% attributed to package financing for government’s home ownership programmes and closer engagement with developers for housing projects for civil servants and housing projects on waqf lands nationwide. In focusing on these projects, the Bank helped realise the value of Malaysia’s affordable homes agenda in promoting home ownership to those of limited means.

Personal financing (“**PF**”) growth was sustained at 9.9% after realigning towards more stable sectors with favourable volume. Consumer Banking enhanced 24-hour accessibility for PF through the establishment of the “ezXcess” online hyperlink. This is a digital marketing initiative whereby potential customers could respond to online promotions by simply clicking the hyperlink to apply for financing or leave a note to be contacted without visiting the branch. All leads were followed through by sales personnel and monitored to ensure the potential customers were contacted and served.

Fee-based income increased on the card front on the back of an all year spending campaign and introduction of more co-brand cards. These supported the government’s initiatives towards a cashless society and the development in education and sports through collaborative features.

Service innovations for the year included the online PF application via Financing Origination System (FOS) Mobile, fast lane financing approval through employment verification via the government’s e-HRMIS portal; and more paperless processes through digitalisation.

4.4.2 Commercial Banking

(RM million)	2015	2016	2017
Asset Growth			
- Term	4,435	5,312	5,866
- Trade	352	296	243
Income Growth			
- Fund-based	254	285	319
- Non-fund based	23	27	27

Bank Islam’s commercial banking division (“**Commercial Banking**”) steadfastly pursued the Bank’s 3D strategy in 2017 (ie. Defensive strategy, deposit drive and digitalisation).

As part of its defensive initiative, Commercial Banking practised a cautious asset growth approach by focusing on favoured industry sectors as well as existing customers with good track record as per the Bank’s risk appetite statement. As a result, the Commercial Banking portfolio grew by RM501 million, mainly contributed by state governments and related companies.

Commercial Banking practiced a vigilant and prudent underwriting standard with stronger due diligence process as the market continued to be challenged by weak currency and lower commodity prices for palm oil, rubber and oil & gas. Certain states also suffered a high property overhang, which affected the Commercial Banking’s bridging financing portfolios. Commercial Banking was selective of new businesses, requiring a minimum base of five years of operations with good track record.

Commercial Banking had enhanced its monitoring infrastructure, focusing on aggressive collection and early care management of potential distressed customers while maintaining asset quality to keep impaired ratio below 3%. The stronger risk assessment and approval process resulted in a low delinquency ratio of 0.46% of Commercial Banking’s assets. Impaired ratio for accounts disbursed less than two years also stood at 0.24% of total portfolio.

Commercial Banking’s focus on state government and related companies sustained Commercial Banking’s overall growth in 2017 as its assets grew by 8.9% with total outstanding financing of RM6.1 billion. This was contributed by a 10.4% increase in term financing. Total income increased by 11.0% to RM346 million in 2017 mainly contributed by an increase of 12.1% or RM34.3 million in fund-based income.

Commercial Banking promoted best practices and business conduct to improve service delivery to the Bank’s customers. Focus was also placed on fortifying good governance by demonstrating discipline and compliance to rules and regulations imposed by the Bank and BNM as a prelude to the Bank’s adoption of value-based intermediation (“**VBI**”) principles.

4.4.3 Corporate Banking

(RM million)	2015	2016	2017
Asset Growth			
- Term	3,653	4,601	3,783
- Trade	648	410	584
Income Growth			
- Fund-based	172	239	219
- Non-fund based	15	12	13

In 2017, Bank Islam’s corporate banking division (“**Corporate Banking**”) started to focus more on asset financing with higher income spread largely from capital expenditure and project financing as compared to working capital financing. This was in line with the Bank’s aspiration to further broaden its revenue growth without straining too much on its capital requirement and preserve its healthy asset quality profile.

Challenging and uncertain global economic conditions in 2017 have heightened corporate customers’ risk profiles. Corporate Banking faced competition from larger banks that continued to dominate the industry with comprehensive product offerings not limited to Ringgit transactions only, ability to offer both conventional and Islamic financing, and regional presence.

As a result, total income reduced by 7.6% or RM19 million to RM232 million mainly contributed by lower fund-based income of RM219 million in tandem with the reduction in overall financing assets during the year. Total financing assets reduced by 13% or RM644 million from RM5.0 billion in December 2016 to RM4.4 billion in December 2017. The decline was mainly attributed to two large asset redemptions totalling RM770 million via *sukuk* and government soft financing at much lower pricing. In addition, there were also some significant pay downs from existing working capital lines of some corporate customers as their sales collection patterns improved during the year. Corporate Banking managed to minimise the attrition via new assets disbursement and higher facility utilisation from existing trade customers resulting in higher facility utilisation ratio.

Nevertheless, the Corporate Banking’s non fund-based income increased by 8.3% to RM13 million on higher processing fees of new financing facilities. The defensive strategy helped protect strong asset quality, without compromising account profitability. Delinquency was minimised with the impaired financing ratio remaining nil as no new account was impaired in 2017.

4.4.4 Capital Market

(RM ‘000)	FY 2016 (Actual)	FY 2017 (Actual)
Income	386	925

In 2017, Bank Islam’s capital market department (“**CMD**”) worked closely with IAP Integrated Sdn Bhd and the investment account platform (“**IAP**”) sponsoring banks to promote IAP and educate industry players in insurance & takaful, funds & asset management, banks and SME companies to source for potential investors and business ventures for Bank Islam’s first and second restricted investment account (“**RIA**”) via IAP.

Furthermore, CMD focused on creating value for the Bank’s stakeholders in the business transactions it arranged and participated. Under IAP transactions, it provided opportunities to individual and non-individuals to participate as investors to finance viable business ventures and earn higher returns as compared to term deposit returns. This also provided a new avenue for SME companies to raise funds to finance their business activities and help more SME companies to grow their business.

In terms of achievements, both financial technology (“**FinTech**”) deals completed by CMD during the year were well recognised by the industry. These were the CMC Group RIA and KOBIMBING RIA. Beyond this, CMD acted as Joint Lead Manager for Danainfra Nasional Berhad’s RM13 billion Islamic commercial papers and Islamic medium term notes issuance programme for the Pan Borneo highway project; for issuance of Lembaga Pembiayaan Perumahan Sektor Awam’s RM3.25 billion government guaranteed Islamic medium term notes; issuance of Pengurusan Air SPV Bhd’s RM2.1 billion government guaranteed Islamic medium term notes; and was Lead Manager for issuance of Bank Islam’s RM300 million *subordinated sukuk murabahah*.

4.4.5 Treasury

(RM million)	2015	2016	2017
Asset Growth	12,976	14,088	13,227
Income Growth			
- Fund-based	496,532	427,684	445,313
- Non-fund based	94,725	130,696	109,234

(RM billion)	2015	2016	2017
Deposits	24.38	27.27	28.00
Investment accounts	0.21	0.90	1.19

Bank Islam’s treasury division (“**Treasury**”)’s balance sheet management, trading activities, and corporate sales experienced mixed performance throughout 2017 in response to the mostly lacklustre and bearish bond market amid a hawkish outlook of the Federal Reserve System of the United States. Despite seeing continued foreign fund outflow early in the year, local bonds were generally well supported by domestic demand. The relaxation of onshore foreign exchange (“**Forex**”) hedging provided support for the Ringgit as funds started to flow steadily back in the latter part of the year.

Treasury assets registered a decline of 6.1% to RM13.2 billion (2016: RM14.1 billion) on Treasury’s defensive and selective reinvestment approach. Treasury deposits recorded an increase of 2.7% to RM28 billion (2016: RM27.3 billion) while investment account (“**IA**”) registered a growth of 32.3% to RM1.2 billion (2016: RM898 million) year-on-year.

Treasury continued with proactive management of the investment portfolio in order to optimise asset yields. The portfolio registered improved fund-based income to RM445.3 million for the year from RM427.7 million in 2016. Portfolio yield improved while duration increased slightly. In ensuring all the internal and regulatory guidelines and requirements were complied with, the portfolio composition remained concentrated on liquid assets with 67.3% in government securities and government guaranteed papers, 21.5% in AAA/P1 papers while 11.2% in AA papers made up the

balance. More than 95% of portfolio qualified as high-quality liquid assets (“**HQLA**”) under Basel III Liquidity Coverage Ratio requirements.

In terms of funding, the term deposit *Tawarruq-i Special* (“**TDTS**”) remained Treasury’s main deposit product with placements from government-linked companies, corporations, universities and asset management companies. To ensure optimal capital management, Treasury aggressively marketed IA products such as the *Wafiyah* Investment Account.

Treasury’s Forex trading activities continued to show commendable performance despite stringent the foreign exchange administration (“**FEA**”) rules affecting the corporate customers of the Bank.

4.4.6 Deposits & Cash Management

(RM million)	2015	2016	2017
CASA Growth			
- Individual	10,035.5	9,452.3	10,915.1
- Non-Individual	4,997.6	4,477.2	4,499.3
Al-Awfar Growth	461.3	1,516.8	1,986.0

The drive for deposits was strengthened in 2017 as tightened regulations were imposed on deposit requirements. However, the rise in cost of living hampered by low net take-home pay meant a shrinking market for the banking industry. Competitive rates on term deposits were seen throughout the year making every new account hard earned.

Within this environment, Bank Islam’s deposits & cash management division (“**D&CM**”) managed to attain current and savings account (“**CASA**”) and Al-Awfar growth of 10.7% and 30.9% respectively. This was achieved through an active year of campaigning and strategic promotions. From April to December, the Al-Awfar “3Xtra Drive 2017” campaign offered grand prizes of three units of Audi A4 2.0 sedans. This campaign successfully garnered 95,000 new Al-Awfar accounts and contributed to Al-Awfar growth of RM324 million. The campaign was recognised as the Best Advertising Campaign by Islamic Business & Finance during the year.

Other campaigns introduced by D&CM included the “Al-Awfar Go *Umrah* Campaign” and a Term Deposit *Tawarruq* Promotion. The “Al-Awfar Go *Umrah* Campaign” kicked off in October 2017 and will run till December 2018. Under this campaign, five lucky winners were and continue to be selected on a monthly basis for *Umrah* Packages. The Term Deposit *Tawarruq* Promotion was held from May to December to attract fresh funds from new or existing customers. During the period, RM1 billion was successfully secured.

New products and services were also pioneered during the year. Bank Islam became the first bank to implement e-Mandate MEPS Direct Debit for Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) through D&CM’s efforts in anchoring projects with its top clients. In addition, D&CM introduced new initiatives such as e-*Masjid*, e-*Waqaf* and CA *Mudharabah*. e-*Masjid* is a simplified and easy to use cash management solution specially designed to assist *masjids* and *suraus* in managing their daily operations; e-*Waqaf* facilitates collection of cash *waqaf* from retail and

corporate clients; while CA *Mudharabah* is a new account designed for valued corporate entities, that targets higher yield compared to CA *Wadiah*.

4.5 *Financing by Contract*

	2016		2017	
	(RM '000)	Percentage	(RM '000)	Percentage
At-Tawarruq	30,607,236	76.8%	34,280,067	80.3%
Bai' Bithaman Ajil	6,654,178	16.7%	5,731,253	13.4%
Murabahah	1,684,609	4.2%	1,960,925	4.6%
Bai' Al-Inah	289,272	0.7%	97,934	0.2%
Bai' Al-Dayn	180,010	0.5%	186,433	0.4%
Istisna'	157,122	0.4%	145,288	0.4%
Ijarah Thumma Al-Bai'	124,091	0.3%	108,869	0.3%
Ijarah Muntahiah Bit-Tamleek	90,610	0.2%	87,945	0.2%
Ar-Rahnu	85,315	0.2%	87,222	0.2%

4.6 *Financing by Segment of Business Units*

	2016		2017	
	(RM '000)	Percentage	(RM '000)	Percentage
Consumer Banking	28,959,002	72.6%	32,012,498	75.0%
Commercial Banking	5,812,174	14.6%	6,231,226	14.6%
Corporate Banking	5,101,267	12.8%	4,442,212	10.4%

4.7 *Awards and Recognition in 2017 and 2018*

As a testimony of the Bank's banking excellence, the Bank has received numerous awards and recognition over the years, the details of which can be found in Bank Islam's annual reports and on Bank Islam's website at www.bankislam.com.my.

The awards and recognition received by the Bank in the year 2017 and up to 31 July 2018 are as follows:

Description of Award/Recognition
<ul style="list-style-type: none"> • Voted Top 3 Most Popular Graduate Employer in Banking and Financial Services Sector 2017 • Ranked Top 20 in Malaysia's 100 Leading Graduate Employers 2017 for the fourth consecutive year, putting the Bank amongst the country's top recruiters • Best Sustainability at the Islamic Business & Finance South East Asia Awards 2017 • Best Advertising Campaign at the Islamic Business & Finance South East Asia Awards 2017 • Most Outstanding Islamic Retail Bank at the KLIFF Islamic Finance Awards 2017 • Company of the Year Award (Banking Category – GLC) at the CSR Malaysia Awards 2017

- **Largest Payment Volume – Islamic Debit Card Award** by Visa Malaysia Bank Awards
- **Highest Payment Volume Growth – Debit Co-Brand Card Award** by Visa Malaysia Bank Awards
- **Best Islamic ESG Bank** by The Assets Asian Awards 2017
- **Best Islamic Fintech Deal** by The Assets Asian Awards 2017
- **Best Customer Experience (DirectDebit)** at the Malaysian e-Payments Excellence Awards 2017 by MyClear
- **Highly Commended Award for Best New Product, Service or Innovation Launch** at the Retail Banker International Asia Trailblazer Awards 2017 by Retail Banker International
- **Best CSR Initiative (Projek #Buatbaik) 2018** by The Retail Banker International (RBI) Asia Trailblazer Awards
- **Malaysia Deal of the Year 2017** by Islamic Finance News
- **Asia’s Best Employer Brand Awards 2018** at the 9th edition of the Best Employer Brand

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5.0 BOARD OF DIRECTORS, SHARIAH SUPERVISORY COUNCIL AND KEY MANAGEMENT

5.1 Profiles of Board of Directors

5.1.1 Datuk Zamani Abdul Ghani (Chairman/Independent Non-Executive Director)

Age / Nationality	70 years old / Malaysian
Date of Appointment	1 March 2011
Academic and Professional Qualifications	<ul style="list-style-type: none"> • Master of Management, Asian Institute of Management, Manila, the Philippines • Bachelor of Economics (Analytical), University of Malaya, Kuala Lumpur • Fellow, Malaysia Institute of Bankers
Areas of Expertise	Banking and Finance
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Chairman, Bank Islam Malaysia Berhad • Chairman, Raed Holdings Sdn Bhd • Chairman, IAP Integrated Sdn Bhd • Deputy President, Kelab Alumni Kakitangan Bank Negara Malaysia <p>Previous:</p> <ul style="list-style-type: none"> • Special Advisor, Attorney General's Chambers of Malaysia • Deputy Governor/Special Advisor, Bank Negara Malaysia • Executive Director, International Monetary Fund • Asia Chair Egmont Group of international official Financial Intelligence Units • Director, Bank Regulation, Bank Negara Malaysia • Director General, Labuan Financial Services Authority (previously known as the Labuan Offshore Financial Services Authority) • Assistant Governor, Bank Negara Malaysia • Member, Governing Council and Executive Committee, International Centre for Education in Islamic Financial • Head, Bank Negara Malaysia's Representative Office in London and New York • Director, Insurance Regulation & Supervision, Bank Negara Malaysia • Member, Operations Review Panel, Malaysian Anti-Corruption Commission

	<ul style="list-style-type: none"> • Chairman, Credit Guarantee Corporation • Chairman, Danamodal Nasional Berhad • Commissioner, Securities Commission of Malaysia • Member, Board of Directors, Lembaga Tabung Haji
Directorship in Other Public Companies	None
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> • Member, Audit and Examination Committee • Member, Board Risk Committee • Member, Nomination and Remuneration Committee • Member, Board Financing Review Committee
Declaration of Interest	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

5.1.2 Datuk Zaiton Mohd Hassan (Non-Independent Non-Executive Director)

Age / Nationality	62 years old / Malaysian
Date of Appointment	2 February 2006
Academic and Professional Qualifications	<ul style="list-style-type: none"> • Fellow, Association of Chartered Certified Accountants (ACCA), United Kingdom • Member of the Malaysian Institute of Accountants (“MIA”) • Member of the Malaysian Institute of Certified Public Accountants (“MICPA”)
Areas of Expertise	Banking, Accounting and Finance
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Chief Executive Officer, Malaysia Professional Accountancy Centre (“MyPAC”) • Chairman, Private Pension Administrator Malaysia <p>Previous:</p> <ul style="list-style-type: none"> • Managing Director, Capital Intelligence Advisors Sdn Bhd • President/Executive Director, Malaysian Rating Corporation Berhad (“MARC”)

	<ul style="list-style-type: none"> • Served 12 years with Maybank in various senior positions in Treasury Operations, International Banking, Assets & Liability Management, Branch Operations including that of General Manager, Group Strategic Planning • Audit Trainee, PricewaterhouseCoopers
Directorship in Other Public Companies	<ul style="list-style-type: none"> • Sime Darby Plantation Berhad • Dolphin International Berhad • FIDE Forum • Malaysia Institute of Corporate Governance
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> • Member, Audit and Examination Committee (was the Chairman until 1 February 2018) • Member, Board Risk Committee (was the Chairman until 1 February 2018) • Member, Nomination and Remuneration Committee • Member, Board Financing Review Committee • Member, Board Strategic Review Committee
Declaration of Interest	She has no conviction for offences within the past five years. She has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

5.1.3 Nik Mohd Hasyudeen Yusoff (Independent Non-Executive Director)

Age / Nationality	53 years old / Malaysian
Date of Appointment	1 October 2016
Academic and Professional Qualifications	<ul style="list-style-type: none"> • Bachelor of Business, Curtin University of Technology, Australia • Advanced Business Management Program, IMD International, Switzerland • Fellow, CPA Australia • Member, MIA
Areas of Expertise	Accounting
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Director, Inovastra Capital Sdn Bhd • Chairman, BIMB Investment Management Berhad

	<p>Previous:</p> <ul style="list-style-type: none"> • Executive Director, Market and Corporate Supervision, Securities Commission Malaysia • Executive Chairman, Audit Oversight Board, Securities Commission Malaysia • Chief Executive Officer, Inovastra Sdn Bhd • Chairman, Khairuddin, Hasyudeen & Razi, Chartered Accountants
Directorship in Other Public Companies	<ul style="list-style-type: none"> • BHB • Cagamas Holdings Berhad • Malaysia Professional Accountancy Center (MyPAC) • Federation of Investment Managers Malaysia (“FIMM”) • BIMB Investment Management Berhad
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> • Chairman, Board Risk Committee • Chairman, Board Strategic Review Committee • Member, Audit and Examination Committee • Member, Board Financing Review Committee • Member, Nomination and Remuneration Committee
Declaration of Interest	<p>He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.</p>

5.1.4 Noraini Che Dan (Independent Non-Executive Director)

Age / Nationality	62 years old / Malaysian
Date of Appointment	1 October 2016
Academic and Professional Qualifications	<ul style="list-style-type: none"> • Member of the MICPA • Member of the MIA • Bachelor of Econs (Hons), University of Manchester, United Kingdom
Areas of Expertise	Accounting and Finance
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • None

	<p>Previous:</p> <ul style="list-style-type: none"> • Vice President, Finance, MISC Berhad • Served 15 years with Perbadanan Nasional Berhad (PERNAS) in various senior positions including that of Group General Manager, Finance • Senior Auditor in Hanafiah, Raslan & Mohamed
Directorship in Other Public Companies	<ul style="list-style-type: none"> • BHB • SP Setia Berhad • Tenaga Nasional Berhad
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> • Chairman, Nomination and Remuneration Committee • Chairman, Audit and Examination Committee • Member, Board Risk Committee • Member, Board Strategic Review Committee
Declaration of Interest	<p>She has no conviction for offences within the past five years. She has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.</p>

5.1.5 Zahari @ Mohd Zin Idris (Non-Independent Non-Executive Director)

Age / Nationality	75 years old / Malaysian
Date of Appointment	20 September 2002
Academic and Professional Qualifications	Senior Cambridge Certificate
Areas of Expertise	Banking and Finance
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Chairman, Bank Islam Trust Company (Labuan) Ltd • Chairman, BIMB Offshore Company Management Services Sdn Bhd • Chairman, BIMB Securities (Holdings) Sdn Bhd • Chairman, BIMB Securities Sdn Bhd <p>Previous:</p> <ul style="list-style-type: none"> • Executive Director/Chief Executive Officer, Inter-City MPC (M) Sdn Bhd

	<ul style="list-style-type: none"> • General Manager, Commercial Banking, Malayan Banking Berhad • Assistant General Manager, Malayan Banking Berhad • Deputy Zone Head, Head Office, Malayan Banking Berhad • Area Manager, Malayan Banking Berhad • Branch Manager, Malayan Banking Berhad • Assistant Branch Manager, Malayan Banking Berhad • Trainee Officer, Malayan Banking Berhad
Directorship in Other Public Companies	None
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> • Chairman, Board Financing Review Committee • Member, Audit and Examination Committee • Member, Board Risk Committee • Member, Nomination and Remuneration Committee
Declaration of Interest	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

5.1.6 Professor Emeritus Tan Sri Dato’ Dr Abdul Shukor Husin (Non Independent Non-Executive Director)

Age / Nationality	76 years old / Malaysian
Date of Appointment	2 May 2014
Academic and Professional Qualifications	<ul style="list-style-type: none"> • Doctor of Aqidah and Philosophy of Islam, University of Al-Azhar, Egypt • Master of Aqidah and Philosophy of Islam, University of Al-Azhar, Egypt • Bachelor of Arts (Honours) Usuluddin, University of Al-Azhar, Egypt • Diploma in Education, University of Ain Shams, Egypt
Areas of Expertise	Aqidah and Philosophy of Islam
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Distinguished Fellow, Faculty of Leadership and Management, Universiti Sains Islam Malaysia (“USIM”)

	<ul style="list-style-type: none"> • Chairman, Zakat Distribution Committee, State of Pahang • Chairman, Shariah Advisory Committee of Lembaga Tabung Haji • Member, Board of Directors of Lembaga Tabung Haji • Member, Board of Directors of TH Properties Sdn Bhd • Member, Council of Islamic Religion and Malay Customs, State of Pahang (MUIP) • Member of Special Cabinet, Shariah Governance Index Malaysia • Member, Syarak Legal Advisory Committee, Mufti Department, State of Pahang <p>Previous:</p> <ul style="list-style-type: none"> • Chairman, Board of Directors, USIM • Chairman, Fatwa Committee of the National Council for Islamic Affairs Malaysia • Member, National Council for Islamic Affairs (“MKI”), Prime Minister Department • Vice Chancellor and Senior Professor, USIM • Director and Fellow, World Fatwa Management and Research Institute (INFAD) • Director, Shariah Governance Index, Jabatan Kemajuan Islam Malaysia (JAKIM) • Dean, Faculty of Islamic Studies, Universiti Kebangsaan Malaysia (UKM) • Head of Usuluddin and Philosophy Department, UKM • Visiting Professor, various universities • Member, Board of Wakaf Syar’ie, State of Pahang • Chairman, Shariah Advisory Council for Silver Bird Group Berhad • Member, Board of International Shariah Research for Islamic Finance (ISRA), Bank Negara Malaysia
Directorship in Other Public Companies	None
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> • Member, Board Risk Committee • Member, Nomination and Remuneration Committee

Declaration of Interest	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam except by virtue of being a nominee director of BHB.
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5.1.7 Mohamed Ridza Mohamed Abdulla (Independent Non-Executive Director)

Age / Nationality	49 years old / Malaysian
Date of Appointment	1 December 2010
Academic and Professional Qualifications	<ul style="list-style-type: none"> • LLB (First Class Honours), International Islamic University Malaysia • Institute of Chartered Secretaries and Administrators (London) (ICSA) • Fellow, Institute of Chartered Secretaries and Administrators (FCIS) • Fellow, Malaysian Society of Adjudicators • Associate Member, Chartered Institute of Arbitrators (ACI Arb)
Areas of Expertise	Legal
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Managing Partner, Mohamed Ridza & Co <p>Previous:</p> <ul style="list-style-type: none"> • Partner, Zaid Ibrahim & Co • General Legal Counsel, Technip Asia Pacific • Group Legal Advisor, Arab Malaysian Corporation Berhad • Advocate and Solicitor, Corporate Department, Messrs. Rashid & Lee • Trainer, Securities Industry Development Corporation (SIDC) and Financial Sector Talent Enrichment Programme (FSTEP) • Member, Arbitration Panel, KL Arbitration Centre for Islamic Banking & Finance
Directorship in Other Public Companies	Theta Edge Berhad
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> • Chairman, Board Information Technology Committee • Member, Audit and Examination Committee • Member, Board Strategic Review Committee

Declaration of Interest	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.
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5.1.8 Dato' Sri Khazali Ahmad (Independent Non-Executive Director)

Age / Nationality	63 years old / Malaysian
Date of Appointment	2 January 2018
Academic and Professional Qualifications	<ul style="list-style-type: none"> • Master Degree (Econs) (Oklahoma), University of Central of Oklahoma, USA • Bachelor of Economy (Hons) (Agricultural Economy), Universiti Kebangsaan Malaysia • Diploma in Public Administration, National Institute of Public Administration (INTAN)
Areas of Expertise	Economy, Finance and Tax Management
Work Experience & Positions	<p>Present: None</p> <p>Previous:</p> <ul style="list-style-type: none"> • Director General of Customs, Royal Malaysia Customs • Sabah Federal Secretary, Prime Minister's Department • Deputy General of Customs (Management), Royal Malaysia Customs • Special Functions Officer to Chief Secretary to the Government of Malaysia, Prime Minister's Department • Section Chief, Tax Analysis Division, Ministry of Finance • Principal Assistant Director, Tax Analysis Division, Ministry of Finance • Malaysia Trade Commissioner to Beijing, Ministry of International Trade and Industry • Principal Assistant Director, International Trade Division, Ministry of International Trade and Industry • Assistant Director, International Trade Division, Ministry of International Trade and Industry • Principal Assistant Secretary, Ministry of Health • Education Attache, Malaysia Student

	<p>Department, High Commission of Malaysia, London</p> <ul style="list-style-type: none"> • Assistant Director, Public Service Department
Directorship in Other Public Companies	<ul style="list-style-type: none"> • Malaysia Venture Capital Management Berhad • Shangri-La Hotels (Malaysia) Berhad • Favelle Favco Berhad • Muhibbah Engineering (M) Berhad
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> • Member, Audit and Examination Committee • Member, Board Information Technology Committee
Declaration of Interest	<p>He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.</p>

5.1.9 Azizan Ahmad (Independent Non-Executive Director)

Age / Nationality	64 years old / Malaysian
Date of Appointment	2 January 2018
Academic and Professional Qualifications	Diploma in Agriculture, Universiti Putra Malaysia
Areas of Expertise	Banking and Credit Management
Work Experience & Positions	<p>Present: None</p> <p>Previous:</p> <ul style="list-style-type: none"> • Principal Consultant for School of Credit, Agrobank • Executive Vice President, President/CEO Office, Agrobank • Chief Credit Officer, Agrobank • Chief Commercial Officer, Agrobank • Executive Vice President, Credit Management Division, Bank Muamalat (M) Berhad • General Manager, Human Resource Division, Malayan Banking Berhad • General Manager, Credit Control Division, Malayan Banking Berhad • Regional Manager, Malayan Banking

	<p>Berhad</p> <ul style="list-style-type: none"> • Credit Manager/Senior Credit Manager, Malayan Banking Berhad • Credit Officer/Senior Credit Officer, Malayan Banking Berhad
Directorship in Other Public Companies	None
Membership of Board Committees in Bank Islam	<ul style="list-style-type: none"> • Member, Board Risk Committee • Member, Board Financing Review Committee • Member, Board Information Technology Committee
Declaration of Interest	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

5.2 Profiles of Shariah Supervisory Council

5.2.1 Professor Dato' Dr Ahmad Hidayat Buang (Chairman)

Age / Nationality	56 years old / Malaysian
Academic and Professional Qualifications	<ul style="list-style-type: none"> • Doctor of Philosophy, University of London • Master of Law, University of London • Bachelor of Shariah, University of Malaya
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Professor/ Head, Department of Shariah and Law, Academy of Islamic Studies, University of Malaya • Chairman, Group Shariah Committee, MNRB Holdings Berhad • Member, Shariah Committee, Amanah Raya Berhad <p>Previous:</p> <ul style="list-style-type: none"> • Director, Academy of Islamic Studies, University of Malaya • Member, Shariah Committees of CIMB Bank Berhad, OCBC Bank, Commerce Tijari Bank, Amanah Raya Unit Trust Management Sdn Bhd, ASM MARA Unit Trust Management Berhad, I-Free Capital Pte Ltd (Singapore), Bumiputra Commerce Trustee Sdn Bhd and Perbadanan Usahawan Nasional Berhad. • Member, Shariah Working Committee of

	<p>Islamic Banking and Takaful of BNM</p> <ul style="list-style-type: none"> • Member, Islamic Education Coordination Advisory Council for the Council of Rulers Malaysia.
Declaration of Interest	<p>He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.</p>

5.2.2 Ustaz Dr Ahmad Shahbari @ Sobri Salamon (Member)

Age / Nationality	76 years old / Malaysian
Academic and Professional Qualifications	<ul style="list-style-type: none"> • Doctor of Philosophy (Modern Middle Eastern History), New York University (USA) • Master of Economic, Fairleigh Dickinson University (USA) • Bachelor of Shariah Islamiyyah, Al-Azhar University, Egypt
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Chairman, Shariah Committee, BIMB Investment Management Sdn. Bhd. • Member, Shariah Advisory Body, Syarikat Takaful Malaysia Berhad. • Approved Individual Shariah Advisor by the Securities Commissions of Malaysia. <p>Previous:</p> <ul style="list-style-type: none"> • Associate Professor, Shariah Department, Faculty of Islamic Studies, Universiti Kebangsaan Malaysia • Lecturer, Kuliyyah of Economics, International Islamic University Malaysia • Lecturer, Ahmad Ibrahim Kuliyyah of Laws, International Islamic University Malaysia. • Executive Director/ Executive Chairman, Pusat Rawatan Islam, Majlis Agama Islam Selangor • Member, Shariah Committees of Abrar Group, Arab Malaysia Merchant Bank, Arab Malaysian Finance, PT Takaful Indonesia, Asean ReTakaful International Ltd, Labuan Financial Services Authority • Member, Board of Directors, Yayasan Pembangunan Ekonomi Islam Malaysia • Member, Majlis Agama Islam Selangor • Member, Islamic Consultative Council of

	Prime Minister's Office.
Declaration of Interest	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

5.2.3 Assistant Professor Dr Uzaimah Ibrahim (Member)

Age / Nationality	48 years old / Malaysian
Academic and Professional Qualifications	<ul style="list-style-type: none"> • Doctor of Philosophy, University of Wales, United Kingdom • Master in Comparative Law, International Islamic University of Malaysia (IIUM) • LLB (Shariah), IIUM • LLB, IIUM
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Assistant Professor, Ahmad Ibrahim Kuliyyah of Laws, IIUM • Member, Shariah Committee, Hong Leong MSIG Takaful Berhad, • Shari'e Lawyer <p>Previous:</p> <ul style="list-style-type: none"> • Deputy Director, Islamic Banking and Finance Institute, IIUM
Declaration of Interest	She has no conviction for offences within the past five years. She has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

5.2.4 Associate Professor Dr Yasmin Hanani Mohd Safian (Member)

Age / Nationality	41 years old / Malaysian
Academic and Professional Qualifications	<ul style="list-style-type: none"> • Doctor of Philosophy in Islamic Studies, University of Exeter, United Kingdom • Master in Islamic Studies, University of Birmingham, United Kingdom • Bachelor of Shariah Islamiyyah, Al-Azhar University, Egypt
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Associate Professor, Faculty of Shariah Law, Universiti Sains Islam Malaysia ("USIM")

	<ul style="list-style-type: none"> • Member, Selangor Islamic Religious Council, • Member, Fatwa Committee of Federal Territories Islamic Religious Council <p>Previous:</p> <ul style="list-style-type: none"> • Member, Shariah Committee of Affin Islamic Bank Berhad • Dean, Faculty of Shariah Law, USIM • Deputy Dean, Postgraduate Centre, USIM
Declaration of Interest	She has no conviction for offences within the past five years. She has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

5.2.5 Sahibus Samahah Dato' Dr Haji Anhar Haji Opir (Member)

Age / Nationality	42 years old / Malaysian
Academic and Professional Qualifications	<ul style="list-style-type: none"> • Doctor of Philosophy (Fiqh and Usul Fiqh), The World Islamic Sciences And Education University (WISE), Jordan • Master of Islamic Philosophy, Cairo University, Egypt • Bachelor of Shariah Islamiyyah, Al-Azhar University, Egypt
Work Experience & Positions	<p>Present:</p> <ul style="list-style-type: none"> • Deputy Mufti, State of Selangor • Member, Shariah Committee, Perbadanan Usahawan Nasional Berhad • Member, Shariah Committee, SIRIM Berhad. • Member, Selangor Fatwa Committee • Member, Selangor Falak Committee • Member, Curricular Assessment Committee of Jabatan Agama Islam Selangor • Member, Hisbah (Audit) Committee for Skim Infaq Lil Waqaf Angkatan Koperasi Kebangsaan Malaysia Berhad • Member, Advisory Committee for Asnaf Development, Lembaga Zakat Selangor <p>Previous:</p> <ul style="list-style-type: none"> • Senior Lecturer, Islamic Education Department, Universiti Perguruan Sultan Idris • Lecturer, Centre for Islamic Thought and Understanding, Universiti Teknologi

	MARA Pahang.
Declaration of Interest	He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of Bank Islam and no conflict of interest in Bank Islam.

5.3 *Profiles of Key Management*

5.3.1 **Mohd Muazzam Mohamed (Acting Chief Executive Officer)**

Encik Muazzam Mohamed was appointed as the Acting Chief Executive Officer on 20 July 2018. Encik Muazzam Mohamed carries with him 22 years of experience in the field of finance, audit and consulting. He joined Bank Islam as the Chief Financial Officer on 11 May 2015. Prior to that, he was a Partner with a “Big 4” audit firm where he spent 19 years carrying out projects in various countries and serving numerous clients in the financial services and oil & gas across public and private sectors. Encik Muazzam holds a Bachelor’s Degree in Accounting from International Islamic University Malaysia and is a member of the Malaysian Institute of Certified Public (MICPA) Accountants, a Chartered Accountant with the MIA, a Chartered Public Finance Accountant and a Certified Information Security Auditor.

5.3.2 **Business Units**

5.3.2.1 **Zamree Mohamed (Acting Head, Consumer Banking)**

Encik Zamree Mohamed has 33 years of experience in the Credit Sales Marketing in the banking industries. He joined Bank Islam as the Assistant Manager of Consumer Banking Department Southern Regional Office in 2004 from Affin Bank Berhad and was responsible in Credit Sales & Marketing. Encik Zamree holds a Master of Business Administration (MBA) from Universiti Teknologi MARA.

5.3.2.2 **Ahmad Haliman Abdul Halim (Acting Head, Commercial Banking)**

Encik Ahmad Haliman Abdul Halim has over 21 years of experience in the banking industry. He started his career as an executive trainee in HSBC Bank (M) Bhd in 1996 and has served various divisions during his tenor of 12 years with the Bank. He moved on to join the Saudi Investment Bank in Riyadh in Corporate Banking division in 2008 to gain international banking exposure and returned to Malaysia to join Bank Islam in 2014. He joined Bank Islam as the Assistant General Manager of Commercial Banking and was responsible to drive the Commercial Banking business. En Ahmad Haliman holds a Bachelor of Science Degree in Business Administration (Finance) from University of North Carolina at Charlotte and Masters of Business Administration from Winthrop University, South Carolina, USA.

5.3.2.3 **Zaharin Mohd Ali (Head, Corporate Banking)**

Encik Zaharin Mohd Ali has 22 years of experience in the banking industry. Since starting his career in 1995 as an executive trainee, he has served various departments in his capacity, both in sales and services with a foreign

bank. Encik Zaharin joined Bank Islam in 2010 as the Head of Business in Commercial Banking, where he was entrusted to drive the performance-based sales culture within the division. Since promoted as Head of Corporate Banking in January 2015, he is responsible in overseeing Bank Islam's Corporate Banking portfolio. Encik Zaharin holds a Bachelor of Accountancy from University of Central England, UK.

5.3.2.4 Hamid Mohd Noor (Head, SME Banking)

Encik Hamid Mohd Noor has 36 years of experience in the credit related field in the banking industry and asset management company. He joined Bank Islam as the Assistant General Manager of Commercial Banking in 2013 from Prokhas Sdn Bhd (MoF Inc) and was responsible in managing the "Working Capital Guarantee Scheme" and "Industry Restructuring Financing Guarantee Scheme" under Syarikat Jaminan Perniagaan Perniagaan Berhad (SJPP). Encik Hamid holds a Diploma in Accountancy from Universiti Teknologi MARA.

5.3.2.5 Adi Asri Baharom (Head, Treasury)

Encik Adi Asri Baharom has more than 30 years of experience in commercial/investment banking and corporate advisory encompassing Treasury and Debt Capital Markets, Risk Management, Investments, Corporate Finance, Project Finance and Strategic Planning. Prior to joining Bank Islam in January 2018, Encik Adi was Executive Vice President, Treasury and Capital Markets at Bank Muamalat Malaysia Berhad. His past work experience include various senior management positions at Malaysian Rating Corporation Berhad (MARC), PT Bank Bumiputera Indonesia Tbk, PT Danareksa (Persero), and Perwira Affin Bank Berhad. He started his career at Amanah Merchant Bank Berhad in 1987. Encik Adi holds a Master of Business Administration (Finance) from San Francisco State University, USA.

5.3.2.6 Zury Rahimee Zainal Abiden (Head, Deposits & Cash Management)

Encik Zury Rahimee Zainal Abiden joined Bank Islam in 2004 and has served in various positions at branch and regional office levels, primarily in retail sales. He was appointed as Assistant General Manager, Sales Management under Consumer Banking in 2013. Encik Zury Rahimee currently holds the portfolio of Head, Deposits & Cash Management since 2016 where he oversees the Bank's liquidity position as well as promotes deposits and investments. Encik Zury holds a Bachelor's Degree with Honours in Marketing from Universiti Teknologi MARA.

5.3.3 Corporate & Operations Support Units

5.3.3.1 Mohamed Iran Moriff Mohd Shariff (Chief Operating Officer)

Encik Mohamed Iran Moriff began his career at Messrs Price Waterhouse, specialising in the audit of banks and financial institutions before furthering his studies and subsequently working in the United Kingdom for 10 years. Encik Iran joined Bank Islam in October 2009 as an Assistant General Manager in the Consumer Banking Division. Encik Iran then joined Bank Islam's Internal Audit Division in June 2012 as Deputy Chief Internal

Auditor and was appointed as Bank Islam's Chief Internal Auditor in May 2014. He was then appointed as Chief Operating Officer on 1 June 2017. A Certified Public Accountant (CPA) and a fellowship member of the Association of Chartered Certified Accountants, Encik Iran completed the Certificate in Internal Auditing for Financial Institutions (CIAFIN) examinations with distinction. Encik Iran holds a Masters in Business Administration from Strathclyde Business School, Glasgow and Bachelors in Accountancy from University of East Anglia, Norwich, UK.

5.3.3.2 Maria Mat Said (Head, Legal & Secretarial)

Puan Maria Mat Said has about 26 years of experience in the banking industry, performing legal and company secretary functions. She has been with Bank Islam since 2005 and was appointed to her current position in 2009. Her areas of responsibility include provision of legal and corporate secretarial services for the Bank. As the Company Secretary, Puan Maria ensures proper governance within the Bank. Puan Maria is also the group Company Secretary where she acts as the Company Secretary for BHB. Puan Maria holds a Bachelor of Law from University of Malaya.

5.3.3.3 Razman Ismail (Head, Human Resource)

Encik Razman Ismail carries with him more than 20 years of experience in Human Resource (HR) both as consultant and practicing HR professional. He joined Bank Islam as the Head of Human Resource on 1 July 2014. His initial focus has been on strengthening employer branding, establishing succession management process and developing the Bank's talent development blueprint. Prior to joining Bank Islam, he had held various senior HR positions at renowned banking institutions. Encik Razman started his career at a consulting firm before moving on to a major multinational technology company. As a consultant, his client engagements cut across various HR functions from organisation development, rewards, performance management, talent assessment as well as merger and integration. Encik Razman holds a Bachelor's Degree in Management with a major in Human Resource and a minor in Communication from Universiti Sains Malaysia.

5.3.3.4 Zainal Azlan Zainudin (Chief Technology Officer)

Encik Zainal Azlan Zainudin has over 20 years of experience in banking industry. He rejoined Bank Islam as Chief Technology Officer in August 2016. Prior to this, he has served with other leading financial institutions in Malaysia including Maybank, CIMB Bank, Phileo Allied Bank, Hong Leong Bank and also Bank Islam where he holds various leadership positions in IT Strategy and Operations. Encik Zainal holds a Bachelor's Degree in Computer Science (Hons.) from Universiti Kebangsaan Malaysia.

5.3.3.5 Mizan Misram (Head, Recovery & Rehabilitation)

Encik Mizan Masram has 20 years of experience in related fields and has held various positions with several foreign banks. He currently heads the Recovery & Rehabilitation division where he is responsible for the Bank's crucial credit recovery and collection operations. Encik Mizan holds a Diploma in Business Studies majoring in Business from the Association of Business Executives, UK.

5.3.4 Independent Units

5.3.4.1 Ustaz Mohd Nazri Chik (Chief Shariah Officer)

Ustaz Mohd Nazri Chik, a Certified Shariah Adviser and Auditor (CSAA-AAOIFI), has over 14 years of experience in Shariah management of an Islamic bank. He joined Bank Islam in June 2004 before leaving in 2009 to join an Islamic investment group in Dubai until rejoining the Bank in January 2011. An Accreditation Panel of Finance Accreditation Agency, a Distinguished Trainer of Islamic Banking and Finance Institute Malaysia and a member of Waqf and Rahn Committees of Terengganu State Islamic Religious Council and academic adviser to several public and private universities, Ustaz Mohd Nazri is also the Deputy Chairman of the Shariah Supervisory Council of Amana PLC, Sri Lanka. He also completed the Certificate in Internal Auditing for Financial Institutions (CIAFIN) examinations with distinction. Ustaz Mohd Nazri holds a Master Degree and a Bachelor Degree in Shariah from University of Malaya.

5.3.4.2 Khairul Muzamel Perera (Chief Credit Officer)

Encik Khairul Muzamel Perera has over 30 years of banking related experience including stints at a debt rating agency and a national asset management institution. He is currently the Chief Credit Officer overseeing the Credit Management Division which covers Credit Analysis, Credit Analytics, Valuation and the Central Financing Processing function in Bank Islam. Encik Khairul joined the Risk Management Division of the Bank in April 2009, heading the Credit Risk Management unit. He also served as the alternate Director to the Chief Risk Officer on the Board of Amana Bank Ltd (Sri Lanka) and is currently the Chairman of the Investment Committee at BIMB Investment Management Berhad. A Chartered Company Secretary by profession, Encik Khairul is an Associate Member of the Institute of Chartered Secretaries & Administrators, London.

5.3.4.3 Alina Sylvia Appoo (Chief Risk Officer)

Ms Alina Sylvia Appoo has over 15 years of banking experience focusing predominantly on Market Risk in Malaysia and the Asian region. She joined Bank Islam in 2012 as Head of Market & Operational Risk, and was appointed as Chief Risk Officer in August 2017. She oversees the risk management function of Bank covering Credit Risk Portfolio Reporting, Market & Liquidity risk, Operational risk, Capital Adequacy and Stress Testing. Prior to joining the Bank, Ms Alina held key leadership and management positions in related fields at various local banks. She has been instrumental in change management initiatives within Market Risk including driving required changes arising from Basel II & III together with systems enhancements for Treasury and Risk. Ms Alina has a Bachelor's Degree in Mathematics (Hons.) from Universiti Sains Malaysia.

5.3.4.4 Nik Azmir Nik Anis (Chief Compliance Officer)

Encik Nik Azmir Nik Anis has over 22 years of banking experience having served various local and foreign financial institutions focusing predominantly in the areas of Compliance, Operational Risk Management, Anti-Money Laundering and Operations. He joined Bank Islam in 2013 and his primary

roles and responsibilities include managing the Bank's overall compliance and regulatory risk. He also acts as key liaison officer to the regulators and is the Bank's Money Laundering Reporting Officer (MLRO). Encik Nik Azmir holds a Bachelor of Arts in Economics from University of Pittsburgh, USA and a Master in Business Administration from Nottingham Trent University, UK. He has also been accorded as a Certified Professional in Anti-Money Laundering/Counter Financing of Terrorism by the International Compliance Association UK.

5.3.4.5 Zalfitri Abd Mutalip (Acting Head, Internal Audit)

Encik Zalfitri Abd Mutalip has over 22 years of audit experience in the banking industry. He began his career in 1994 where he gained extensive audit experience in the field of management, operations and credit involving the branches, regional offices, automobile financing centres and head office departments/divisions including investigation audit. He joined Bank Islam in October 2007 as the Head of Branch Audit and was later appointed as the Head of Head Office Audit in January 2011. In 2014, he was promoted to an Assistant General Manager. He was appointed to his current position in June 2017. He completed the Certificate in Internal Auditing for Financial Institutions (CIAFIN) examination with distinction. Encik Zalfitri holds a Bachelor of Science in Business Administration (Finance) from Denver University, USA.

5.3.5 Head of Subsidiaries

5.3.5.1 Najmuddin Mohd Lutfi (Chief Executive Officer and Non-Independent Director, BIMB Investment Management Berhad)

Encik Najmuddin Mohd Lutfi is currently the Chief Executive Officer and Non-Independent Director of BIMB Investment Management Berhad ("**BIMB Investment**"). BIMB Investment was incorporated in 1993 and is a wholly-owned subsidiary of Bank Islam.

He was formerly an Executive Director at Goldman Sachs (Malaysia) Sdn Bhd in the Investment Management Division, an Assistant Director at CIMB-Principal Asset Management Berhad and a Deputy Director at Bank Negara Malaysia.

Encik Najmuddin graduated with an MBA and Bachelor of Science of Business Administration from the University of Missouri – St. Louis, USA, registered with the FIMM and holds the Securities Commission's Capital Markets Services Representative's License.

5.3.5.2 Masdayana Md Setamam (Chief Executive Officer/Principal Officer, Bank Islam Trust Company (Labuan) Ltd)

Puan Masdayana Md Setamam started her career with Bank Islam Trust Company (Labuan) Ltd ("**BTL**") back in 2005 as the Assistant Manager which undertakes the task of all financial & fiscal management aspects of BTL's operations. She was appointed as the Chief Executive Officer and Principal Officer of BTL on 13 October 2017. She is also a qualified Trust Officer, a license certified by the Labuan Financial Services Authority.

She has over 11 years of experience in Offshore Trust industries and held various positions including Compliance Manager, Business Continuity Management Division Coordinator as well as Business Risk Officer. She was also appointed by the Board of Director of BTL to be the Manager and authorised officer of BIMB Offshore Company Management Services which was the subsidiary company of BTL.

Puan Masdayana possesses a bachelor degree in International Business from University Malaysia Sabah.

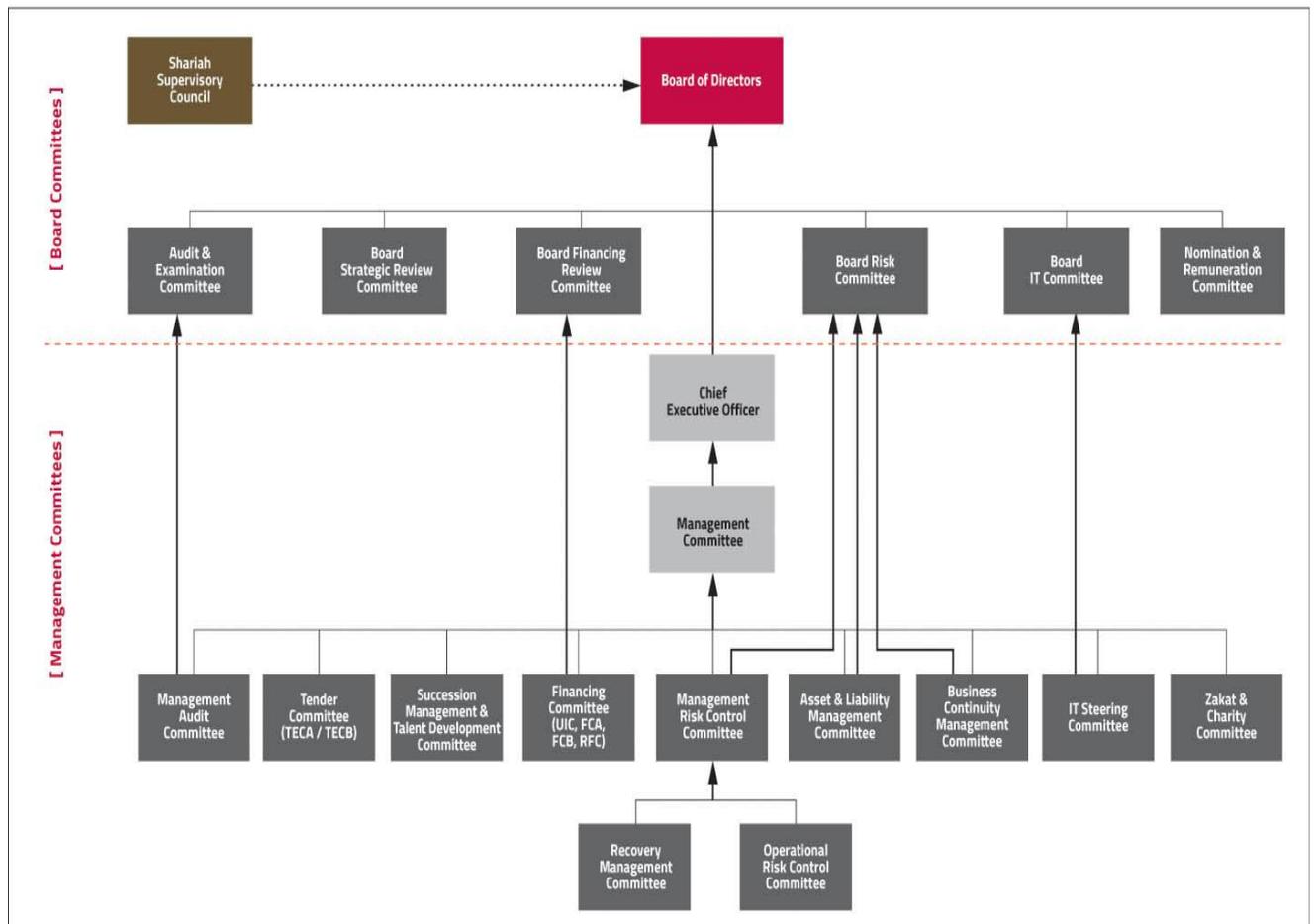
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6.0 CORPORATE GOVERNANCE

6.1 Overview

The corporate governance framework of the Bank embraced the recommended practices of BNM’s Corporate Governance Policy issued on 3 August 2016 (“**BNM CG Policy**”), the Malaysian Code on Corporate Governance issued in 2017 (“**MCCG 2017**”) and other relevant requirements as outlined under the respective guidelines by BNM. The application of the recommendations set out in BNM CG Policy and MCCG 2017 will be highlighted in the various sections below.

The governance structure of Bank Islam is illustrated below:



6.2 Board of Directors

Board Charter

The Board is ultimately responsible to provide the leadership in meeting the strategic objectives and goal of the Bank. Towards achieving this intended outcome, the Board has established the board charter (“**Board Charter**”). The Board Charter clearly outlines the Board’s duties and responsibilities, powers and relevant requirements to promote the Board’s effectiveness and good conduct in accordance with good corporate governance practices based on the recommendations and guidelines issued by the relevant regulatory authorities.

The salient areas covered in the Board Charter are as follows:

DUTIES & RESPONSIBILITIES	<ul style="list-style-type: none"> • Fiduciary Duties of Directors • Roles & Responsibilities of the Board, Board Committees, Chairman, Chief Executive Officer & Management, Independent Directors, Nominee Directors and Company Secretary
POWERS OF THE BOARD	<ul style="list-style-type: none"> • Authority & Delegation • Matters Reserved for the Board
BOARD CONDUCT	<ul style="list-style-type: none"> • Code of Ethics • Conflict of Interest • Whistle Blowing
BOARD EFFECTIVENESS	<ul style="list-style-type: none"> • Board Composition • Board Appointment/Removal/ Succession Planning • Board Training • Board Evaluation • Board Remuneration

In addition to the Board Charter, the Board is also guided by its terms of reference (“**Terms of Reference**”) which sets out amongst others, the primary duties and responsibilities of the Board, the authority and conduct of the Board meetings.

The Board Charter and the Terms of Reference are reviewed regularly from time to time or at least once every two (2) years to reflect the relevant changes in the Bank’s policies and rules and regulations imposed by the relevant regulatory authorities.

The Board Charter and the Terms of Reference of the Board is available at www.bankislam.com.my.

Roles and Responsibilities of the Board

The Board has the overall responsibility to promote the sustainable growth and financial soundness of Bank Islam. The business and operations of Bank Islam are managed under the direction and oversight of the Board since the Board is ultimately responsible for the stewardship of the Bank. The Board has the fiduciary duty to ensure that at all times they act in the best interest of the Bank.

The roles and responsibilities of the Chairman and the Chief Executive Officer are clearly demarcated in the Board Charter. The Board Charter also stipulates the roles and responsibilities of the Non-Executive Directors and the Company Secretary.

ROLE	KEY RESPONSIBILITIES
CHAIRMAN Datuk Zamani Abdul Ghani	<p>The key responsibilities of the Chairman include the following:</p> <ul style="list-style-type: none"> • Provide leadership to the Board and steer the Board in meeting the corporate goals and objectives of Bank Islam; • Preside over the Board meetings and ensure the

	<p>effective functioning of the Board in line with good corporate governance standards;</p> <ul style="list-style-type: none"> • Encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed; • Ensure that decisions are taken on a sound and well-informed basis; and • Lead efforts to address the Board’s developmental needs.
<p>NON-EXECUTIVE DIRECTORS (both Independent and Non-Independent)</p> <ul style="list-style-type: none"> • Professor Emeritus Tan Sri Dato’ Dr Abdul Shukor Husin • Zahari @ Mohd Zin Idris • Datuk Zaiton Mohd Hassan • Mohamed Ridza Mohamed Abdulla • Noraini Che Dan • Nik Mohd Hasyudeen Yusof • Dato’ Sri Khazali Ahmad • Azizan Ahmad 	<p>The key responsibilities of the Non-Executive Directors include the following:</p> <ul style="list-style-type: none"> • Review and approve strategic and policy matters of the Bank’s business and operations. Supervise and monitor the performance of the management in implementing the approved strategies and policies; • Review the adequacy and integrity of the Bank’s accounting and financial reporting system and ensure appropriate controls are in place; • Oversee the implementation of the Bank’s governance, risk management and internal control framework and periodically review whether these remain appropriate with the Bank’s operations; • Oversee the Bank’s compliance with any regulatory requirements as imposed by the relevant regulatory authorities; and • Review the succession plan for the Board, Shariah Supervisory Council and Senior Management.
<p>ACTING CHIEF EXECUTIVE OFFICER Mohd Muazzam Mohamed</p>	<p>The key responsibilities of the Acting Chief Executive Officer include the following:</p> <ul style="list-style-type: none"> • Develop and provide the strategic direction of Bank Islam’s business plan; • Ensure the Bank’s strategies, corporate policies and day-to-day business affairs are effectively implemented and managed; • Ensure that the Board’s decisions are implemented and the Board’s directions are responded to; • Keep the Board fully informed of all important aspects of the Bank’s operations and ensure sufficient information is disseminated to the Board; and • Provide strong leadership and effectively communicate the vision, management philosophy and business strategies of the Bank to the employees.
<p>COMPANY SECRETARY Maria Mat Said</p>	<p>The key responsibilities of the Company Secretary to the Board include the following:</p> <ul style="list-style-type: none"> • Support the effective functioning of the Board by

	<p>providing counsel on governance matters and advising on relevant laws, rules and regulations affecting the Board;</p> <ul style="list-style-type: none"> • Advise the directors on their obligations and duties, disclosure of their interest or any conflict of interest in any transaction involving the Bank; • Manage the Board and Board Committees' meetings logistics and record the proceedings of the meetings including any significant concerns or dissenting views from the Board; • Facilitate effective information flows between the Board and senior management; and • Facilitate the orientation of new directors and assist in Directors' training and development. <p>All directors have direct and unrestricted access to the advice and services of the Company Secretary.</p>
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As the Board of an Islamic bank, the Board has the responsibility to ensure the business operation of the Bank complies with the Shariah requirements, in accordance with the expectation set out in the Shariah Governance Framework for Islamic Financial Institutions issued by BNM. Hence, the Board must give due regard to any decisions of the Shariah Supervisory Council and BNM Shariah Advisory Council.

Roles and Responsibilities of the Board Committees

Six (6) board committees ("**Board Committees**") are established to assist the Board in carrying out their duties and responsibilities. The Board remains fully accountable for any authority delegated to the Board Committees. The Board Committees' specific responsibilities are clearly defined in their respective terms of reference.

The Board Committees and their main responsibilities are as follows:

ROLE	KEY RESPONSIBILITIES
<p>BOARD RISK COMMITTEE ("BRC")</p> <p>Chairman Datuk Zaiton Mohd Hassan Ceased w.e.f. 1 February 2018</p> <p>Nik Mohd Hasyudeen Yusoff Appointed w.e.f. 1 February 2018</p>	<p>Responsible to assist the Board in meeting the expectations on risk management as set out by BNM and oversee the management's activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah risk and other risk and to ensure that the risk management process is in place and functioning.</p>
<p>AUDIT & EXAMINATION COMMITTEE ("AEC")</p> <p>Chairman Datuk Zaiton Mohd Hassan Ceased w.e.f. 1 February 2018</p> <p>Noraini Che Dan Appointed w.e.f. 1 February 2018</p>	<p>Responsible to support the Board in ensuring that there is a reliable and transparent financial reporting process and internal control system within the Bank and oversee the effectiveness of the internal auditors and external auditors of the Bank.</p>

<p>NOMINATION & REMUNERATION COMMITTEE (“NRC”)</p> <p>Chairman Noraini Che Dan</p>	<p>Responsible to assist the Board on the process for the nomination and remuneration as well as the succession plan of the Board, Board Committees, Shariah Supervisory Council, the Chief Executive Officer and key senior management personnel.</p>
<p>BOARD FINANCING REVIEW COMMITTEE (“BFRC”)</p> <p>Chairman Zahari @ Mohd Zin Idris</p>	<p>Responsible for the review of financing and/or investment proposals approved by the Financing Committee ‘A’ (FCA) and/or Underwriting & Investment Committee (UIC) of the management based on the limits determined by the Board. The BFRC, may if necessary, exercise the right to veto FCA/UIC approvals/decisions.</p>
<p>BOARD STRATEGIC REVIEW COMMITTEE (“BSRC”)</p> <p>Chairman Nik Mohd Hasyudeen Yusoff</p>	<p>Responsible to oversee, supervise and monitor the implementation of identified key strategic matters and any corporate exercises involving the Bank that the Board has endorsed or approved.</p>
<p>BOARD INFORMATION TECHNOLOGY COMMITTEE (“BITC”)</p> <p>Chairman Mohamed Ridza Mohamed Abdulla</p>	<p>Responsible to assist the Board in overseeing the implementation of strategies of Information Technology (“IT”) and digitalisation activities including e-banking initiatives of the Bank.</p>

The Terms of Reference of the BRC, AEC and NRC are available at www.bankislam.com.my.

Authority and Delegation

The Board has the authority to decide and approve matters within its primary duties and responsibilities. However, the Board has authorised the management to execute certain functions to facilitate the day-to-day operations of Bank Islam. The said authorisation is stipulated in the authority limits document which is reviewed at least once every two (2) years or as and when necessary. The said delegation and authorisation does not absolve the Board’s responsibility as the Board will remain responsible for the exercise of power by the Management.

Nevertheless, there are certain key matters which are not delegated and reserved for the Board’s ultimate decision:

KEY MATTERS RESERVED FOR THE BOARD	
<ul style="list-style-type: none"> • Strategic policy matters which include business plan, budget and corporate structure; • Financial results and declaration of dividends; • Any significant operating and credit 	<ul style="list-style-type: none"> • Major acquisition or disposal of capital expenditure; • Appointment and remuneration of directors, Shariah Supervisory Council members, the Chief Executive Officer and key senior management

<ul style="list-style-type: none">• policies;• Risk appetite setting;• Capital management plan;• Authority limits including discretionary authority;• Any corporate exercise which include acquisition or divestment of strategic interest;	<ul style="list-style-type: none">• officers;• Entry into any related party transaction; and• Any new outsourcing proposals.
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Access to Information

The Board has full and unrestricted access to all information pertaining to the Bank's business and affairs which include the financial results, annual budgets and business plan to enable the Board to discharge its duties effectively. All directors have access to the management and to the advice and services of the Company Secretary. In addition, they may also seek independent professional advice where necessary. The Board is regularly updated by the management and/or the Company Secretary on any changes to the regulations and guidelines issued by BNM or other regulatory authorities.

Board materials and reports providing updates on operational, financial and corporate developments are circulated prior to Board meetings to enable the directors to seek further clarification or explanation where necessary in order to be adequately apprised before the meeting. The management and external advisers may be invited to attend the Board meetings to provide explanation and clarification to the Board, when necessary.

Board Evaluation

An annual performance evaluation process for the Board is implemented to assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual director.

The Board Evaluation comprises a detailed set of questionnaires covering the following areas:

- a) Board Composition/Structure;
- b) Board Process;
- c) Board Governance;
- d) Major Responsibilities of the Board; and
- e) Board Committees Functions.

A peer assessment by each individual director is also performed to evaluate the effectiveness of the individual directors, the independent directors and the nominee directors.

The results of the evaluation are tabulated and reviewed by the NRC prior to deliberation at the Board.

Board Composition

On 2 January 2018, two (2) additional independent non-executive directors, namely, Dato' Sri Khazali Ahmad and Encik Azizan Ahmad were appointed to the Board. On 2 February 2018, Datuk Zaiton Mohd Hassan, was re-designated as a non-independent non-executive director, after serving the Bank for more than eleven (11) years as an independent non-executive director. With these changes, the Board composition consists of nine (9) members

of which six (6) are independent non-executive directors and three (3) are non-independent non-executive directors.

The above composition complies with the BNM CG Policy requirement, i.e. for the Board to have majority independent directors. The Chairman of the Board is also an independent non-executive director. This provides an effective check and balance in the functions of the Board.

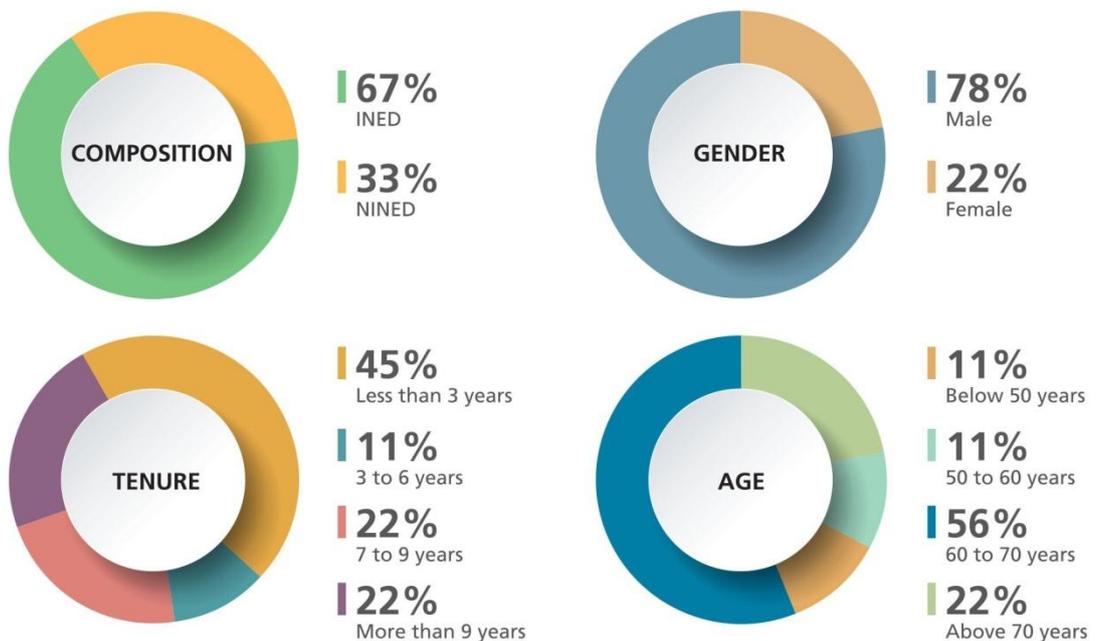
Based on the current Board composition, Bank Islam also adheres to the BNM CG Policy requirement, i.e. for the number of directors with common directorship within the group to remain in the minority to ensure that the group interests are appropriately balanced. Only three (3) out of nine (9) directors on the Board of the Bank have common directorship within the group.

Meanwhile, the composition of the Board Committees, in particular the BRC, AEC and NRC complies with the following requirements of the BNM CG Policy:

1. Have at least three (3) directors;
2. Have a majority of independent directors;
3. Chaired by an independent director;
4. The Chairman of the Board does not chair any of the Board Committees;
5. The Executive Director is not a member of the Board Committees; and
6. Comprised directors who have skill, knowledge and experience relevant to the responsibilities of the Board Committees.

Diversity

The Board is committed in ensuring diversity in its composition and acknowledged that having a diverse Board would have a positive impact to the Bank. In this regard, the Board aims to maintain diversity in terms of gender, age, educational background, professional experience, skills, knowledge and length of service.





Independent Non-Executive Director

The current Board composition has a strong degree of independence in view that more than half of its members comprised independent non-executive directors. The independent non-executive directors are responsible to provide the necessary independence and objectivity to the Board. He/she must be able to constructively challenge and contribute feedback to the management on any proposals presented to the Board. The effective participation of independent non-executive directors will enhance the accountability in the Board decision making process.

The Board via the NRC will assess the independence of an independent non-executive director upon his/her appointment and re-appointment. The Board has adopted a set of criteria in determining the independence of a director which include, whether he/she has been engaged in any significant business or contractual relationship with a value of above RM1.0 million, either with Bank Islam or any of its affiliates within the last two (2) years.

All independent non-executive directors are required to declare their compliance with the independence criteria adopted by the Bank on annual basis to facilitate the Board in assessing the independence of a director.

An independent non-executive director is also subject to a maximum tenure of nine (9) consecutive years. Nevertheless, the Board acknowledged that the independence of a director does not necessarily depend on the tenure. Hence, in certain circumstances, the Board may decide to retain a member as an independent non-executive director beyond the nine (9) years period subject to the approval of the shareholders and BNM. With the exception of Datuk Zaiton Mohd Hassan who was re-designated as a Non-Independent Non-Executive Director on 2 February 2018, after serving the Board for eleven (11) years, all other independent non-executive directors have not reached the 9-year tenure in Bank Islam.

Appointment and Re-appointment of Directors

There is a formal and transparent process which has been adopted and implemented by the Board for the appointment and reappointment of directors. The said process is in accordance with BNM CG Policy. The Board delegated its duties to the NRC in ensuring that the level and make-up of its members are of the necessary credibility, integrity and calibre with the required skills and knowledge. The NRC is responsible to screen and perform the requisite evaluation and assessment on the candidate's ability to discharge his/her duties effectively prior to making any recommendation to the Board for approval. Where necessary, the NRC

will interview the candidate to determine his/her suitability for appointment before making any recommendation to the Board.

The appointment and re-appointment of a director is subject to the minimum requirements as stipulated in BNM CG Policy as well as the “Fit and Proper Criteria” as adopted by Bank Islam, in line with the BNM Fit and Proper Criteria Policy. The Fit and Proper Criteria sets out the attributes and qualifications required of a candidate to determine his/her suitability. In determining if an individual is ‘fit and proper’ to hold the position of a director, the following criteria will be taken into consideration:

- His/her probity, personal integrity and reputation which is demonstrated through personal qualities such as honesty, integrity, diligence, independence of mind and fairness;
- His/her financial integrity which is reflected whether he/she has been declared a bankrupt or any bankruptcy proceeding/legal action in relation to dishonesty and fraud has been taken against him/her;
- His/her history of offence(s) involving fraud and dishonesty;
- Whether he/she has been a director of a company that has been wound up due to insolvency;
- His/her competency and capabilities which is demonstrated whether he/she possess the necessary qualification, skills, technical expertise and relevant experience (which include holding senior position of not less than 10 years) to carry out the role; and
- His/her compliance with the restriction on the number of external professional commitment set by the Bank to ensure that he/she will have sufficient time and commitment to discharge his/her duties effectively. In this regard, the Bank set the maximum number of external professional commitment that a director could hold to be not more than ten (10) in organisations other than Bank Islam with the number of directorship in listed companies must not be more than five (5).

For the re-appointment of a director, the history of his/her attendance in Board and Board Committee meetings and the results of peer evaluation on the director’s effectiveness, contribution and participation will be taken into consideration.

The appointment and re-appointment of directors are subject to BNM’s approval.

All directors are required to declare their compliance with the fit and proper criteria set by the Bank annually. This will facilitate the Bank to determine their suitability in holding such position, in line with the BNM Fit and Proper Criteria Policy and BNM CG Policy.

Re-Election of Directors

In accordance with Bank Islam’s Articles of Association, all directors are subject to retirement by rotation. The retiring directors are eligible for re-election.

Directors who are appointed as additional new directors or to fill casual vacancies during the year are subject to re-election by the shareholder at the next annual general meeting following their appointment.

Succession Planning

The Board has conducted a review to ensure a proper and smooth implementation of its succession plan for those directors who are expected to retire or to undertake new responsibilities within the group. The review takes into consideration various factors which include compliance with the requirements of BNM CG Policy pertaining to Board

composition, potential vacancy due to expiry of tenure and retirement as well as the risk of independent non-executive directors being re-designated as non-independent non-executive directors after serving the Board more than nine (9) years.

Following the above review, the composition of the Board Committee membership has been revised to ensure compliance with BNM CG Policy as well as to facilitate the potential successors to be familiar with the role and function of the Board Committees. As per BNM CG Policy requirement, the Chairman of the Board no longer chairs the Board Committees. Relevant directors have been identified as potential successors to the existing directors who potentially would be retiring within the next one (1) or two (2) years.

6.3 Shariah Supervisory Council (“SSC”)

Composition of the SSC

The SSC currently has five (5) members, a composition that is in line with the requirement of Principle 2 of the Shariah Governance Framework issued by BNM.

The members come from diverse background, experience and knowledge. Each SSC member is an expert in their respective specialised field such as Islamic law, Islamic banking, capital market, takaful, waqf, zakat, fatwa, halal industry etc. Additionally, their qualification in Islamic jurisprudence (*usul al-fiqh*) and Islamic commercial laws (*fiqh al-mu’amalat*), expertise and vast experiences in the academia as well as in the industry definitely support the depth and breadth of the Shariah deliberations.

Duties and Responsibilities of the SSC

In addition to the Board’s oversight accountability on Shariah compliance, the SSC, which functionally reports to the Board, was established to perform an oversight role on any Shariah matters and to advise the Bank in ensuring its business, affairs and activities comply with Shariah.

The SSC’s primary duties and responsibilities are outlined in the Terms of Reference that includes performing any specific duties and responsibilities outlined in any policy documents or standards issued by the relevant authority at all times, e.g., the Shariah Contract Based Regulatory Framework issued by BNM.

The Terms of Reference also sets out the conduct of the SSC meetings and contains statements on the SSC’s code of conduct, fit and proper criteria, methodology and means of decision making, parameters on SSC’s decision pronouncement, methodology on the retreat from a mistaken decision and review to the previous decision and delegation of SSC authorities to the Chief Shariah Officer of the Bank.

The Terms of Reference are reviewed from time to time, at least once every two (2) years to reflect relevant changes in Bank’s policies and any updated rules and regulations imposed by the relevant regulatory authorities.

The Terms of Reference of the SSC is available at www.bankislam.com.my.

Authorities of the SSC

In discharging its duties and responsibilities, the SSC shall have the following authorities:

- To decide on Shariah-related matters referred to the SSC by taking into consideration of the published rulings of the Shariah Advisory Council (“SAC”) of BNM. In the event where the decision given by the SSC is different from the ruling given by the SAC, the rulings of the SAC shall prevail. However, the SSC is allowed to adopt a more stringent Shariah decision;
- To decide on Shariah-related matters without undue influence that would hamper the SSC from exercising objective judgment in deliberating issues brought before them;
- To ensure that decisions made by the SSC are duly observed and implemented by the Bank. Decisions made by the SSC should not be set aside or modified without its consent;
- Access to accurate, timely and complete information from the management including but not limited to all relevant records, transactions, or manuals as required by them in performing their duties. If the information provided is insufficient, the SSC may request for additional information which shall be duly provided by the Bank; and
- To inform the Board of any case that the SSC has reason to believe that the Bank has been carrying on Shariah non-compliant activities and to recommend suitable measures to rectify the situation. In cases where Shariah non-compliant activities are not effectively or adequately addressed or no rectification measures are made by the Bank, the SSC shall inform BNM of the fact. In this case, the SSC will not be regarded as breaching the confidentiality and secrecy code if the confidential information is disclosed to BNM in good faith.

Code of Conduct of SSC Members

In discharging its duties, the SSC members are expected to possess good character, competence, diligence and capability of making sound judgment. In this regard, the SSC has formalised its Code of Conduct that includes the following:

- The member must at all times maintain good character, i.e. demonstrate honesty, integrity, fairness and good reputation at all times when dealing with the Bank as well as personal relationships with the public;
- The member must maintain independence and professionalism while carrying out his/her duties. A member must always have complete moral, intellectual and professional independence. In carrying out his/her obligations, the member is required to:
 - ✓ Uphold fairness and equity for all the stakeholders;
 - ✓ Act in a manner that preserves his/her honesty and integrity;
 - ✓ Exercise appropriate discretion in decision-making by taking into consideration not only the technical aspects of Shariah compliance; and
 - ✓ Appreciate the diversity of opinions among various *mazhabs* and differences in expertise among the members of the SSC; and
- The member has the duty to observe confidentiality of information with which the member is entrusted by the Bank.

In order to ensure the quality and consistency of the decisions, the SSC has formulated the “Methodology and Means of Decision Making” to arrive to a decision on a given issue by

applying the *usul fiqh* discipline and making reference to Shariah standards, *fatwa* and resolutions of Shariah authority councils and *fiqh* academies. It also provides the process of the SSC and the Bank to review previous decisions at the request of the Bank or on its own initiative.

Responsibilities of the Bank Towards Shariah Compliance

While the SSC is responsible for forming and expressing decisions on the Bank's compliance with Shariah, the ultimate responsibility for compliance rests with the management of the Bank. Therefore, it is crucial that the Bank works hand-in-hand with the SSC to ensure that all business activities, products, services and operations are in compliance with Shariah. Therefore, it is the responsibility of the Bank to perform the following:

- To refer all Shariah issues in its business operations to the SSC for decision;
- To adopt and take necessary measures for implementation of the SSC's decisions;
- To provide sufficient resources to the SSC including budget allocation, independent expert consultation, reference materials and training;
- To ensure that the SSC is familiar with the operations and business of the Bank;
- To provide the SSC access to all relevant records, transactions, manuals and relevant information, as required by its members in performing their duties; and
- To recommend the appropriate remuneration to the SSC members which commensurate with and reflect the duties and responsibilities of the SSC.

It is the Bank's responsibility to perform the following with regard to Shariah Compliance:

- To comply with SSC decisions and establish Shariah requirements in its entire products, services, legal documentations and activities; and
- The Bank shall not change its allegiance and obedience to the SSC decisions to suit its convenience. Such a practice can impair the independence of the SSC and have a damaging impact on the integrity and credibility of the Bank, in particular, and the Islamic banking industry as a whole.

Appointment and Re-Appointment of SSC Members

The Board, on the recommendation of the NRC, decides on the appointment and re-appointment of the SSC members, subject to BNM's written approval. The Board ensures the level and make-up of the SSC members are of the necessary credibility, integrity and calibre with the required skills and knowledge.

The appointment and re-appointment of the SSC member will be subject to the "Fit and Proper Criteria" adopted by Bank Islam as required under Principle 4 of the SGF and Fit and Proper policy document issued by BNM. The Fit and Proper Criteria sets out the attributes and qualifications required of a candidate to determine his/her suitability that includes the following:

- Probity, personal integrity and reputation – the person must have key qualities such as honesty, integrity, diligence, independence of mind and fairness;
- Competency and capability – the person must have the relevant knowledge, experience and ability to understand the technical requirements of the business, the inherent risks and the management process required to perform his role as a SSC member; and

- Financial integrity – the person must manage his own financial affairs properly and prudently.

For the re-appointment of a SSC member, the results of a peer evaluation and evaluation by internal resources management on the member's effectiveness, contribution and participation will be taken into account.

A scholar among the approved members of the SSC, was appointed by the Board to become the Chairman of the SSC.

SSC Evaluation

The SSC has formulated the evaluation process that was duly approved by the Board in line with the requirements of Para 4.4 of the SGF to annually assess its effectiveness in supporting a sound Shariah governance system within the Bank. The evaluation process includes collective assessment, peer evaluation and evaluation by internal resources.

The SSC, led by its Chairman, together evaluates the overall performance of the SSC against the pre-established criteria in the following areas:

- a) Effectiveness of the SSC structure;
- b) Effectiveness of the SSC meeting;
- c) Quality of proposal and meeting materials; and
- d) Succession planning.

A peer assessment is also performed by each SSC member to evaluate the individual performance of his/her peers based on the competency, knowledge and contribution as well as the overall effectiveness of the SSC. In addition, another evaluation is conducted by internal resources, i.e. the Management members who attend the SSC meetings to evaluate on the contribution of the SSC members in deliberating papers presented before them and their accessibility as and when guidance and decision is required.

The results of the assessments are tabulated and reviewed at the NRC meeting prior to deliberation at the Board meeting.

6.4 Audit and Accountability

Internal Audit Function

The internal audit function of the Bank is fulfilled by the internal audit division (“**IAD**”), led by the Chief Internal Auditor. The IAD reports directly to the AEC and is independent of the activities and operations of the operating units of the Bank. Its authority is provided in the internal audit charter, which formally documents the roles, authority, duties and responsibilities of the IAD and its relationship with the Board, AEC, the management, external auditor and regulators.

The primary function of the IAD is to assist the Board, mainly through the AEC, by independently reviewing and reporting on the adequacy and effectiveness of the Bank's risk management, internal control and governance systems and processes.

IAD undertakes the audit of entities within the Bank, its subsidiaries and related parties of the Bank. The annual Audit Plan is reviewed and approved by the AEC prior to the start of each financial year. IAD adopts a risk-based approach in determining the auditable units and frequency of the audits.

The results of the audits conducted, including its risks and recommendations are reported to the AEC on a regular basis. Resolution of the audit findings and recommendations are performed by the management and closely observed by the management audit committee whose members comprise of the members of the senior management. Additionally, Shariah audit reports including their findings, risks and recommendations are notified and deliberated at the SSC meetings.

The IAD is committed to provide an independent, objective assurance and advisory services that will add value and improve the Bank's operations. It does this by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes, in line with the conceptual framework and guidance promulgated by the Institute of Internal Auditors (IIA).

Financial Reporting

The Board takes responsibility for presenting a clear, balanced and comprehensive assessment of the Bank's financial performance, position and future prospects through its annual audited financial statements and quarterly reports. The Board ensures that the financial statements are properly drawn up and gives a true and fair view of the state of affairs of the Bank in accordance with the provisions of the Companies Act 2016 (or any statutory modification, amendment or re-enactment thereof for the time being in force) and approved accounting standards in Malaysia. The Board is assisted by the AEC in scrutinising the information disclosed in the Annual Audited Financial Statements and quarterly reports to ensure accuracy, adequacy, completeness and transparency.

Statement of Internal Control

The Board recognises the importance of maintaining a sound system of internal control and risk management practices as well as good corporate governance. The Board exercises overall responsibility in identifying, evaluating and reviewing the adequacy and effectiveness of the Bank's risk management, governance and internal controls. The Board recognises that risks cannot be eliminated completely and as such, systems and processes have been put in place to provide reasonable, and not absolute, assurance against material misstatement of financial information or against any losses and fraud.

The Board is of the view that the internal control framework that has been instituted throughout Bank Islam is sufficient to safeguard the shareholder's investment, customers' interest and Bank Islam's assets. Reviews are continuously carried out to ensure effectiveness of the system.

The BRC was established to further strengthen Bank Islam's risk management process, where it meets regularly with the objective of assisting the Board in managing Bank Islam's range of inter-related risks in an integrated manner.

The key processes that the Board has established in reviewing the integrity of the system of internal controls are as follows:

- a) The Chief Executive Officer is entrusted with the management of Bank Islam, where his role and responsibilities, and authority limits are set by the Board. The appointment of the Chief Executive Officer requires the approval of the Board;
- b) Specific responsibilities have been delegated to the relevant Board Committees, based on their respective terms of reference. These committees have the authority to examine all matters within their scope of responsibility and submit their

recommendations to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board;

- c) Delegation of authority, including limits at various levels of management and those requiring the Board's approval, are documented and designed to ensure proper accountability and responsibility;
- d) Policies and procedure manuals for key processes are documented and regularly reviewed and updated for application across Bank Islam;
- e) The AEC regularly reviews the adequacy and integrity of Bank Islam's internal control systems and management information system including systems for compliance with applicable laws, regulations, rules, directives and guidelines as identified by the internal auditors, the external auditor and regulatory authorities. It also reviews the adequacy and comprehensiveness of the internal audit process, scope of audit, competency of the auditors and the independence of the Internal Audit function;
- f) Bank Islam's annual business plan and budget are submitted to the Board for approval. In addition, variances between actual and targeted results are also presented on a monthly basis. This allow for timely responses and corrective actions to be taken to mitigate risks;
- g) The IAD reports to the AEC, performs regular reviews of the processes to assess their effectiveness and highlights any significant risks affecting Bank Islam. The AEC reviews the internal auditors auditable areas and resources annually, via the Audit Plan and budget;
- h) The AEC regularly reviews and holds discussions with the management on actions taken to address lapses in internal controls and issues identified in reports prepared by the internal auditors, external auditor and regulatory authorities; and
- i) The BRC regularly reviews risk profiles based on a range of key risk indicators, as well as other risk assessment tools.

Relationship with External Auditors

Bank Islam, through the AEC, has established an appropriate and transparent relationship with the external auditor. The AEC will conduct an annual assessment on the external auditor's performance to ensure their suitability, objectivity and independence. The assessment include the ability of the external auditor in meeting the Bank's requirements, business insights and ideas, service efficiency and effectiveness as well as value management. The AEC also meets at least once a year with the external auditors without the presence of the management.

6.5 Risk Management

Overview

The banking industry continues to face challenges globally and locally in the form of rising funding and operational costs, volatility in markets, and changes in consumer demand and preferences. Against such rapidly evolving and highly competitive environment, the Bank remains resilient and will continue to strive for innovation in products and services, and

strengthen overall liquidity and capital levels. Asset quality preservation, retention of customers; as well as cost and resources optimisation remains critical to the Bank.

In the course of achieving the Bank’s competitive advantage, risk management continues to be a compelling advocate in making the Bank’s key business decisions. Leveraging on the strategic partnership with the business units, the Bank’s risk management function continues to be the core element of doing business as well as in strategic decision-making.

Risk Management Framework

Risk is inherent in all aspects of the Bank’s businesses and operations. The management of risk has therefore become an important driver for strategic decision in supporting the business objectives, balancing the risk appetite and return and maintaining sound financial position and capital of the Bank.

The Bank’s approach to management of risk is being guided by its risk management framework (“**Risk Management Framework**”), which consists of the following key elements:

- Risk governance;
- Risk appetite;
- Risk management process; and
- Risk culture.

(a) Risk governance

The risk governance approach adopted by the Bank is guided by BNM’s Risk Governance Policy, Corporate Governance Policy and Shariah Governance Framework for Islamic Financial Institutions.

The Bank’s risk governance structure is the key component of the Risk Management Framework as it provides a formalised and transparent structure in supporting the implementation of the Risk Management Framework.

The following risk committees have been established to facilitate the implementation of Risk Management Framework. Each Committee plays an important role in ensuring sound and prudent system of risk management. The roles and responsibilities of the Committees and their sub-Committees are set out in the following chart:

Board of Directors	
The Bank’s ultimate governing body which plays a critical role in ensuring sound and prudent policy and practices in the Bank. It provides an effective check and balance mechanism in the overall management of the Bank.	
Board Committees	
Board Financing Review Committee (“BFRC”)	Board Risk Committee (“BRC”)
A committee of the Board responsible for	A committee of the Board responsible for overseeing the Bank’s activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah-compliance risk, compliance risk and any other relevant risks and to ensure that the

reviewing all investment and financing/credit related proposals above specified limits.	risk management process is in place and functioning.				
Management Committees					
Financing Committees	Business Continuity Management Steering Committee (“BCMSC”)	Management Risk Control Committee (“MRCC”)		Product Management Committee (“PMC”)	Asset & Liability Management Committee (“ALCO”)
Committees of BFRC and responsible to assess/ approve credits and investment/ capital market proposals.	BCMSC is a subcommittee of BRC and responsible to review the Bank’s BCM issues and make appropriate recommendations where necessary.	MRCC is a sub-committee of BRC and the highest risk committee at Management level. It is responsible to perform the oversight functions and to ensure effective management of key issues relating to the overall risk management of the Bank.		PMC is a sub-committee of BRC with the main function to review end-to-end process of product origination and compliance to Shariah Contract Based Regulatory Framework.	ALCO is a subcommittee of BRC and responsible to perform the oversight function and deliberate key issues related to the Bank’s asset and liability management and market risk.
		Operational Risk Control Committee (“ORCC”)	Recovery Management Committee (“RMC”)		
		ORCC is a subcommittee of MRCC and responsible to facilitate the function and objective of MRCC in the management of key issues on operational risk.	RMC is a subcommittee of MRCC and responsible to provide the oversight function on recovery issues and related operational strategies on recovery in the Bank.		

The Bank’s risk governance approach is premised on the “3-Lines of Defence Approach” by placing accountability and ownership of risks to where they arise while maintaining level of independence among risk taking units, risk control units and independent assurance unit in managing risk.

Three Lines of Defence Approach		
1 st line of defence	Risk owner of risk taking units	Responsible for ongoing oversight of risk & control at day to day work level and promoting strong risk culture within business/support unit.

2 nd line of defence	Risk control units*	Responsible for establishing and maintaining Risk Management Framework; developing risk management tools; assessing, monitoring, reporting and controlling risk; and promoting risk awareness across the Bank.
3 rd line of defence	Internal audit	Responsible for providing independent assurance to Board of Directors and senior management that Risk management processes and tools are effectively implemented.

* Consists of Risk Management Division (including Shariah Risk Management), Credit Management Division, Compliance Division and Information Security & Governance Division.

(b) Risk appetite

The Bank has established a risk appetite framework that forms an integral part of the Bank’s strategy and business plans. Risk appetite is an expression of the maximum level of risk that the Bank is prepared to accept in support of a stated strategy, impacting all business from a credit, market and operational risk viewpoint.

The risk appetite is a critical component of the Bank’s robust Risk Management Framework and is driven by both top-down Board leadership and bottom-up involvement of management at all levels. It enables the Board and management at all levels to communicate, understand and assess the types and level of risks that the Bank is willing to accept in pursuing its strategy.

The Bank’s risk appetite has been integrated into its “Corporate Direction and Business Plan” and is changeable based on business and market conditions. The various elements of the risk appetite adopted by the Bank are depicted below:

Risk Appetite Elements	
Capacity	Risk Capacity: the maximum limit of risk an organisation can withstand without causing its failure.
Appetite	Risk Appetite: level of risk deemed acceptable by the Board in pursuing its strategy.
Tolerance	Risk Tolerance: how much risk the organisation is prepared to take per risk type or business unit.
Limits	Risk Limits: level of risk deemed acceptable by the Board in pursuing its strategy.

The Bank constantly ensures that trigger levels, limit structures and delegated authorities are realigned and potential risk appetite implications are considered in all major resource allocation decisions, especially during the Bank’s annual budget exercise. This will help shift the discussion of risks from a mindset of ‘loss minimising’ to one of optimising the organisation’s risk-return profile and as such the risk appetite setting process can greatly enhance the Bank’s risk adjusted returns.

The articulation of the risk appetite has been integrated across the Bank and it takes into consideration the needs of the Bank’s stakeholders. Notwithstanding that, the Bank will at all times be guided and adheres to relevant laws, including Shariah rules and principles. The Bank has zero-tolerance with respect to regulatory and Shariah non-compliance (“SNC”).

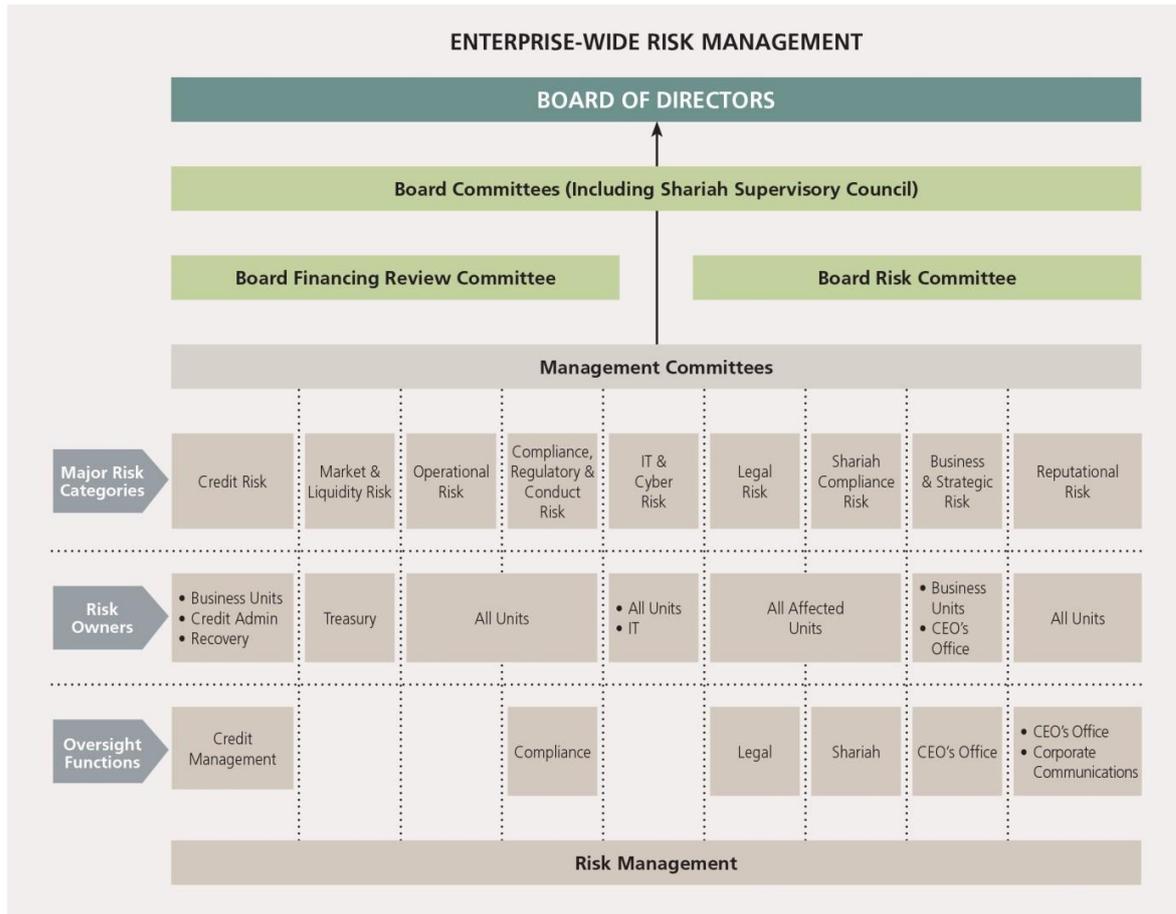
(c) Risk management process

Based on the Bank's structure, the Bank's risk management has continuously enhanced its integrated risk management approach towards an effective management of enterprise-wide risks. Under this approach, active involvement of the Board, senior management and all level of staff is required in the risk management process to ensure a uniform view of risks across the Bank.

A standard risk management process has been adopted by the Bank to ensure that Bank-wide risks are properly identified and managed in a structured, systematic and consistent manner. The risk management process comprises the following:



With the standard risk management process adopted, the principal/major categories risks faced by the Bank together with their respective risk owners and oversight functions have been identified accordingly under the enterprise-wide risk management structure as follows:



(d) Risk culture

Risk culture is a key aspect of an effective enterprise-wide risk management and the most important factor in determining the long-term effectiveness of the risk management strategy. Culture, as defined by the Institute of International Finance is “*the norms and traditions of individuals and of Banks within an organisation that determine the way in which they identify, understand, discuss and act upon the risks the organisation confronts and the risk it takes.*”

The Bank views that risk culture is the responsibility of the Board, senior management and ultimately all employees of the Bank, in tandem with the Bank’s risk management’s tagline, i.e. “Managing Risk is Everyone’s Business”.

In building a strong risk culture, the risk management process/approach has been embedded in all the Bank’s core business processes, functions and activities. The Bank views that risk management as an important means of enhancing the Bank’s competitiveness and performance.

Shariah Compliance Risk

Shariah compliance risk (“**SCR**”) is classified as part of the operational risk. It is defined as “the possible failures to meet the obligation to Shariah principles, or in other words, possible incidences of Shariah non-compliances”.¹

⁽¹⁾ BNM’s Shariah Governance Framework, 2011 page 5. The term Shariah compliance risk and Shariah non-compliance risk are used interchangeably in the Bank’s documents. However, they carry the same meaning.)

The Bank's Shariah risk management is guided by its Shariah risk management guideline which sets out the high-level framework supporting the Shariah compliance policy and details out the Shariah risk management processes and tools. The guideline serves to provide a consistent framework for managing SCR across the Bank.

Shariah risk management is a discipline that systematically identifies, measures, monitors and controls SCR to mitigate the occurrence of SNC events within the Bank. Being part of operational risk, it leverages on the same principles, processes and tools of operational risk. The responsibility of managing SCR is spearheaded by the Bank's Shariah Risk Management Department.

In general, all Operational Risk Management ("ORM") tools are extended to the process of managing SCR. However, the tools are modified to suit the regulatory requirements on Shariah governance in order to provide a robust and consistent approach in managing SCR.

In managing SCR, the reactive ORM tool, i.e. Risk Loss Event Management & Reporting ("RLEMR") is replaced with the Shariah Non-Compliance Management & Reporting ("SNCMR"). It behaves similar to ORM's RLEMR, with some modification to comply with BNM's SNC reporting requirements², i.e. confirmation on SNC event, its rectification plans which include corrective and preventive measures to ensure non-recurrence and systematic capturing of the loss due to SNC events.

⁽²⁾ BNM Operational Risk Integrated Online Network (ORION) Policy Document)

In 2017, the generic Shariah Key Risk Indicators ("KRI") were introduced and implemented. The KRI serves as a "Dashboard View" on the effectiveness of Shariah Governance, Risk Management and Controls ("GRC"). It is used as an indicator to trigger the independent Shariah Risk Mapping as well as to provide standardised parameters for reporting of SCR.

Extensive and continuous Shariah risk awareness initiatives have been conducted for the Bank's staff including Shariah session for Risk Controllers. A structured Islamic banking certification programme which includes important modules on Shariah has been offered as an effort to grow the Bank's own timber. Meanwhile, all new recruits of the Bank are required to undergo a *Muamalat 101* training in conjunction with the orientation programme in which they are exposed to the fundamentals of Shariah applied in Islamic banking business.

Information Technology Risk

Banking industry heavily relies on technology and Bank Islam is of no exception. Such reliance poses the Bank to IT risks such as cyber attacks and system disruptions. To mitigate this, Bank Islam continues to enhance its controls and processes as well as invest in the latest IT infrastructure. In essence, the Bank is leveraging on information technology not only as an enabler to serve and protect customers better but also to minimise business disruptions.

The responsibility for managing IT risk is spearheaded by the Information Security & Governance Department. While it is responsible to establish, maintain and enforce IT risk policies and guidelines, it also works closely with the IT Division, especially in identification, assessment, mitigation and monitoring of IT risk in the Bank.

The following are steps taken by the Bank in managing IT risk:

- a) Design policies and internal controls - policies and internal controls are designed to reduce IT related risks to an acceptable level and the effectiveness of those controls are monitored;

- b) Perform risk assessment - risk assessment exercise is performed, looking at vulnerabilities and threats including those related to emerging technologies, making reference to audit findings, loss events, IT projects etc.; and
- c) Monitor process - reviews are conducted to ensure controls are adequately implemented and if not available, interim actions to mitigate the risk must be applied.

6.6 *Compliance Culture*

The Board and the Management have continuously demonstrated commitment to mitigate conduct risk and promote compliance culture as part of Bank Islam's corporate culture. The initiatives rolled out in 2017 further promotes ethical behavior, integrity and trust. KPI and remuneration were also used as a compliance tool to mitigate conduct risk and propagates compliance culture. The aforementioned criteria are taken into account during assessment of staff's performance. This is in line with one of the Bank's core values – to be an organisation that is trustworthy; constantly strives for the highest level of integrity, honesty and responsibility, which are the foundation of Islamic principles.

The initiatives rolled out in 2017 to enhance the compliance culture comprises amongst others, the following:

- Compliance & Integrity Day – Personal email issued by the Chief Executive Officer on topics of Compliance, Integrity and Ethics every Monday;
- Weekly Compliance Briefing - Thursday scheduled briefing at branches on slides prepared by Compliance;
- Zero-Tolerance Campaign – Launch of pinned badge to all staff to remind them Management's zero-tolerance stance on noncompliance;
- Scenario Learning – Scenarios with dialogues on the Anti-Money Laundering (“AML”) policy and banking secrecy learning fitted as posters and screen savers;
- Branch Compliance Awareness Programme – Role play video and essay writing competitions; and
- Anti-Corruption Pledge – by BHB and Bank Islam's Senior Management team to launch a nationwide pledge by all branches in each state.

In addition to the above initiatives, the Bank continues to enhance staff's awareness on AML compliance requirements and new typologies. This was done by face-to-face training by AML Department nationwide and via e-Learning platform which was made mandatory for all staff.

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7.0 MALAYSIAN BANKING INDUSTRY OVERVIEW

The following information regarding Malaysia is included for information purposes only and has not been independently verified by the Issuer or the Lead Arranger/Principal Adviser/Lead Manager or any of their respective affiliates or advisers. All the data and information contained below has been obtained from publicly available official sources in Malaysia and neither the Issuer nor the Lead Arranger/Principal Adviser/Lead Manager takes any responsibility for the accuracy of such information.

7.1 ***BNM - Economic and Financial Developments in Malaysia in the First Quarter of 2018***

The Malaysian economy grew by 5.4% in the first quarter of 2018

Overall growth was underpinned by continued expansion in private sector activity and strong support from net exports. From the supply side, all economic sectors expanded. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (4Q 2017: 1.0%). Headline inflation declined to 1.8% in 1Q 2018 (4Q 2017: 3.5%), reflecting the smaller contribution of domestic fuel prices due to the smaller increase in global oil prices compared to the previous quarter and a stronger ringgit exchange rate in 1Q 2018.

Financial stability sustained with financial intermediation and domestic market conditions remaining orderly

Domestic financial market conditions remained orderly despite heightened volatility arising from external developments. Domestic financial institutions demonstrated resilience with healthy asset quality, sound profitability and ample liquidity. Credit intermediation activities remained supportive of real economic activities with businesses and households maintaining sound debt servicing capacity.

Going forward, the Malaysian economy is expected to remain on a favourable growth path in 2018

Growth is expected to remain favourable in 2018, with domestic demand continuing to be the key driver of growth. Growth prospects are further supported by continued positive spillovers from the external sector to domestic economic activity. Headline inflation is projected to average 2% – 3% in 2018, due to a smaller contribution from global cost factors and a stronger ringgit exchange rate compared to 2017. Underlying inflation, as measured by core inflation, is also expected to remain small, due to smaller cost pass-through to retail prices compared to 2017.

The Bank also wishes to feature three issues. The first – “Trade Disputes: Implications for Trade and Investments” – assesses the potential impact and policy implications from recent potential trade measures announced by the US and PR China (arising on both the global and Malaysian economy). A key policy consideration includes pursuing reforms to ensure domestic demand remains resilient to mitigate any external shocks to the economy. The second – “Global Slack as a Determinant of Inflation” – looks into the influence of the factors associated with globalisation on inflation dynamics in Asia-Pacific economies. It highlights the growing challenges faced by monetary authorities in forecasting and managing inflation when it is increasingly influenced by global factors. The third – “Improving Quality and Transparency of Services to Financial Consumers” – highlights to the public, initiatives taken by the financial industry in collaboration with the Bank to improve the quality and transparency of customer services. These initiatives include setting sector-wide customer service standards for the banking sector and conducting a Customer Satisfaction Survey to assess consumers’ actual banking experiences.

(Extracted from BNM's Economic and Financial Developments in Malaysia in the First Quarter of 2018)

7.2 Ministry of Finance Malaysia – Quarterly Update on the Malaysian Economy – First Quarter of 2018

Demand

The Malaysian economy grew 5.4% in the first quarter of 2018. Growth was supported by steady **domestic demand**, which expanded 4.1%, in particular, the private sector expenditure.

- **Private consumption** grew 6.9% supported by steady employment and low inflation rate. Consumer spending was mainly in food & non-alcoholic beverages segment, constituting 21.2% of overall consumer spending, followed by housing, water, electricity, gas and other fuels (15.9%), and communication (10.2%) segments.
- **Private investment** grew marginally by 0.5% mainly channelled into services sector, particularly in wholesale and retail, health, education and utilities subsectors.
- **Public consumption** moderated 0.4% due to lower spending on supplies and services.
- **Public investment** contracted 1% on account of lower capital spending by public corporations.

Supply

On the **supply side**, all sectors registered positive growth.

- The **services** sector expanded 6.5% driven by wholesale and retail trade; information and communication; and finance and insurance subsectors.
- The **manufacturing** sector grew 5.3% supported by sustained demand for E&E as well as petroleum, chemical, rubber and plastic products.
- The **construction** sector increased 4.9% mainly led by civil engineering and special trade subsectors.
- The **agriculture** sector grew 2.8% supported by oil palm, livestock and other agriculture subsectors.
- The **mining** sector rebounded 0.1% on account of the higher production of crude oil and condensate.

Trade

Total trade rose slightly due to lower imports, while the trade balance stood at RM33.4 billion. **Gross exports** grew 5.8% mainly driven by manufactured goods. At the same time, **gross imports** contracted marginally by 0.8% due to lower imports of capital and intermediate goods.

Balance of Payment

The **current account** surplus rose to its highest level since Q2 2014 to RM15 billion or 4.5% of Gross National Income (GNI) largely driven by a higher surplus in the goods account.

International Reserves

As at end-March 2018, Malaysia's international reserves remained ample at RM416.4 billion

(USD107.8 billion) sufficient to finance 7.4 months of retained imports and is 1.1 times short-term external debt.

As at 30 April 2018, the international reserves were higher at RM423.1 billion (USD109.5 billion) sufficient to finance 7.5 months of retained imports and is 1.1 times short-term external debt.

Prices

Headline **inflation** moderated 1.8% due to relatively slower increase in fuel prices and stronger ringgit.

Meanwhile, the **Producer Price Index (PPI)** contracted 2.3% mainly attributed to a significant decrease in the agriculture, forestry and fishing at 13.8% following lower commodity prices as well as manufacturing sector (-1.8%). However, prices of mining grew 5.8% while water supply, and electricity and gas moderated at 0.8% and 0.6% respectively. The PPI for local production by stages of processing declined at all stages with crude material for further processing recording 2.5%, intermediate material, supplies and components (-2.4%) and finished goods (-1.6%).

Labour Market

The labour market improved with the **unemployment rate** falling to 3.3% while **total employment** recording 14.7 million. The services sector remained as the major contributor of total employment (61.7%), followed by manufacturing (17.4%) and agriculture (10.9%) sectors. Meanwhile, salaries and wages of the manufacturing sector grew 13.9% dominated by E&E products; and non-metallic mineral, basic metal and fabricated metal products. Salaries and wages of the services sector grew 3.5% mainly in the professional and real estate agent followed by health, education and arts, entertainment and recreation services subsectors.

Monetary aggregates

Money supply increased following higher net foreign assets. The **Overnight Policy Rate (“OPR”)** increased to 3.25% in January in line with the strong growth performance. At the current level of OPR, the stance of monetary policy remains accommodative amid manageable inflation.

During the quarter, **ringgit** appreciated against USD by 5.2% at RM3.8620 and against most major and regional currencies in the range of 0.5% – 9.8%. The firm performance of the ringgit was in tandem with the recovery in global crude oil prices coupled with increased optimism over higher GDP growth in 2018. Furthermore, stronger trade performance, healthy liquidity in the banking system and the hike in OPR improved the ringgit sentiment further.

Equity market

The **FBM KLCI** rose 3.7% at 1,863.46 points (end-March 2017: 1,740.09 points). The market commenced the quarter on a soft note following concerns over uncertainties of the US policies and political instability in the eurozone. BNM’s decision to increase the OPR by 25 basis points led to buying interest in finance-related stocks, which in turn, lifted Bursa Malaysia to close at a year-to-date high of 1,870.52 points in January. The FBM KLCI continued to close at a record high on 22 March at 1,876.87 points the highest level since August 2014, after the Federal Reserve raised interest rates for the first time this year. In

addition, the FBM KLCI strengthened owing to a strong inflow of foreign funds during the quarter.

Federal Government Finance

Federal Government revenue for the first quarter of 2018 rebounded 16.5% to RM54.3 billion (Q1 2017: -5.3%; RM48.8 billion) largely contributed by:

- a significant increase in direct tax collection of 21.1% to RM29.3 billion (Q1 2017: -7.6%, RM25.5 billion) mainly attributed to the higher collection from Petroleum Income Tax (PITA). PITA improved substantially to RM3.4 billion (Q1 2017: RM2 billion) in tandem with higher crude oil prices averaging USD67 per barrel (Q1 2017: USD54.1 per barrel); and
- a rebound of 31.3% in non-tax revenue to RM11.8 billion (Q1 2017: -38.2%; RM9 billion), was contributed by higher receipts from petroleum royalty and PETRONAS dividend. Petroleum royalty amounted to RM2.4 billion (Q1 2017: RM2 billion) while PETRONAS dividend recorded RM3 billion.

Indirect tax collection decreased 1.8% to RM13.2 billion (Q1 2017: 51.4%; RM14.3 billion) mainly due to lower goods and services tax (GST) collection. Similarly, excise duties registered a decline of 1% to RM2.4 billion (Q1 2017: -3.7%; RM2.6 billion) mainly due to lower duties collection from Complete Build-Up (CBU) vehicles.

Federal Government total expenditure decreased to RM65.8 billion or 1.8% (Q1 2017: RM67 billion; 0.3%) attributed to a decrease in operating expenditure (OE).

OE decreased 4.6% to RM54.9 billion (Q1 2017: 0.3%; RM57.6 billion). The decrease was mainly attributed to lower supplies and services, and debt service charges.

- Emoluments, representing the biggest OE component, amounted to RM20 billion, compared with RM19 billion in the previous year. This was mainly due to the higher payment of financial assistance to civil servants of RM1,000 in January this year vis-à-vis RM500 in 2017.
- Supplies and services decreased to RM4.9 billion mainly due to lower spending on rental, professional services and other supplies.
- Transfers to state governments decreased to RM2.5 billion from RM2.6 billion, while transfers to statutory bodies increased to RM5.6 billion from RM4.4 billion.

Development expenditure (DE) stood at RM10.9 billion during the quarter, an increase of 15.5%, with the largest expenditure channelled to the economic sector.

Federal Government financial position recorded a deficit of RM11.3 billion (Q1 2017: -RM20.2 billion).

Federal Government gross borrowings registered RM31.5 billion. As at end-March 2018, Federal Government debt as a percentage of GDP stood at 48.7% or RM705 billion. Domestic debt remained as the main component of total Federal Government debt at 97.1% while the balance is offshore borrowings.

(Extracted from Quarterly Update on the Malaysian Economy –First Quarter 2018, Ministry of Finance Malaysia)

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8.0 OTHER MATERIAL INFORMATION

8.1 *Material Contracts*

There are no material contracts which are not in the ordinary course of business entered into by the Issuer in the 2 years preceding 31 May 2018.

8.2 *Material Litigation*

As at 31 May 2018, the Issuer is not engaged in any material litigation, claims or arbitration where the Issuer either acts as a plaintiff (other than proceedings in relation to ordinary course of business) or defendant and which has an impact on the current and future financial position of the Issuer and the directors are not aware of any proceeding whether pending or threatened or of any facts likely to give rise to any proceeding, which might have an impact on the current and future financial position of the Issuer.

8.3 *Conflict of Interests and appropriate Mitigating Measures*

8.3.1 **Bank Islam**

Save as disclosed below, the Issuer is not aware of any conflict of interest situation.

Bank Islam is the Issuer and is also acting as the Principal Adviser, Lead Arranger, Lead Manager and the Shariah Adviser for the Sukuk Murabahah Programme.

The potential conflict of interest situation arising from the above is and/or shall be mitigated by the following:

- (a) Bank Islam is a licensed Islamic bank and its appointment as the Principal Adviser, Lead Arranger, Lead Manager and Shariah Adviser in relation to the Sukuk Murabahah Programme is in the ordinary course of its business, whilst the duties and responsibilities of Bank Islam in each role, apart from being assumed by relevant distinct units within the Bank, are provided for in the legal documentation governing the Sukuk Murabahah Programme and subject to the relevant guidelines issued by the SC, BNM and such other regulatory authorities applicable from time to time;
- (b) Bank Islam, being a licensed Islamic bank, is governed by the provisions of the IFSA and regulated by BNM and is hence subject to the guidelines issued by BNM from time to time and required to maintain the highest professional standards at all times;
- (c) the Shariah Supervisory Council of Bank Islam comprises independent and non-executive Shariah scholars appointed in compliance with the IFSA and the Shariah Governance Framework issued by BNM;
- (d) the potential conflict of interest situation is being disclosed to prospective investors in this Information Memorandum.

The board of directors of the Issuer has acknowledged the potential conflict of interest and the mitigating measures above. The board of the Issuer is agreeable to proceed with the establishment of the Sukuk Murabah Programme notwithstanding the potential conflict of interest.

8.3.2 RHB Investment Bank Berhad

After making enquiries as were reasonable in the circumstances, RHB Investment Bank Berhad is not aware of any circumstances that would give rise to a conflict of interest or potential conflict of interest situation, arising from its role as the facility agent in relation to the Sukuk Murabahah Programme.

8.3.3 Zul Rafique and partners

After making enquiries as were reasonable in the circumstances, Zul Rafique & Partners is not aware of any circumstances that would give rise to a conflict of interest or potential conflict of interest situation, arising from its role as the solicitors to Bank Islam as the Principal Adviser, Lead Arranger, Lead Manager in relation to the Sukuk Murabahah Programme.

8.3.4 Malaysian Trustee Berhad

To the best of its knowledge and belief, Malaysian Trustees Berhad is not aware of any circumstances that would give rise to a conflict of interest situation, arising from its role as the Sukuk Trustee in relation to the Sukuk Murabahah Programme.

8.4 Audited Financial Statements

Please refer to the Issuer's website for the audited financial statements for the financial years ended 31 December 2016 and 31 December 2017, together with the Pillar 3 disclosure as at 31 December 2017 at <http://www.bankislam.com.my/home/corporate-info/annual-reports/>.

Appendix 1

Principal Terms and Conditions of the Sukuk Murabahah Programme

DETAILS OF FACILITY/PROGRAMME

- (1) Name of facility : Sukuk programme of RM10.0 billion in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement(s)) for the issuance of Subordinated Sukuk Murabahah (as defined below) and Senior Sukuk Murabahah (as defined below) from time to time up to a combined limit of RM10.0 billion in nominal value (“**Sukuk Murabahah Programme**”).
- (2) One-time issue or programme : Programme.
- (3) Shariah principles (for sukuk) : Murabahah (via Tawarruq arrangement(s)).
- (4) Facility description : Sukuk programme of up to RM10.0 billion in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement(s)), for the issuance of subordinated Sukuk (“**Subordinated Sukuk Murabahah**”) and senior Sukuk (“**Senior Sukuk Murabahah**”) from time to time up to a combined limit of RM10.0 billion in nominal value. The Subordinated Sukuk Murabahah and Senior Sukuk Murabahah are collectively referred to as the “**Sukuk Murabahah**”.

The Subordinated Sukuk Murabahah is a Tier 2 instrument, which shall comply with the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM on 2 February 2018 (“**CAFIB**”).

The issuance of each tranche of the Sukuk Murabahah under the Sukuk Murabahah Programme shall be effected as follows:-

1. Under an agency agreement (“**Agency Agreement 1**”), the Sukuk Trustee, for and on behalf of the holders of the Sukuk Murabahah (“**Sukukholders**”), shall appoint the Facility Agent to act as its buying and selling agent (“**Wakil 1**”) for the purchase and sale of the Commodities (as defined under the section entitled “Identified Assets”) under “Other terms and conditions” from time to time.
2. Under another agency agreement (“**Agency Agreement 2**”), the Issuer shall appoint the Facility Agent to act as its selling agent (“**Wakil 2**”) for the sale of the Commodities from time to time.
3. Pursuant to a commodity murabahah agreement (“**Commodity Murabahah Agreement**”) entered into between the Issuer, the Facility Agent and the Sukuk Trustee, the Issuer shall request the Wakil 1 to purchase the Commodities by issuing a Form of Transaction Request (“**FTR**”) (which is similar to a purchase order) to the Wakil 1. In the FTR, the Issuer shall irrevocably undertake to purchase the Commodities as stipulated therein from the Wakil 1, at a selling price (“**Selling Price**”) to be paid on a deferred payment basis. The Selling Price comprises the Purchase Price (as defined below) and

the profit portion which shall be determined based on the yield-to-maturity for the relevant Sukuk Murabahah agreed between the Issuer and the Wakil 1 (on behalf of the Sukukholders) prior to the sale of the Commodities to the Issuer to be evidenced by the issue of the relevant Sukuk Murabahah.

4. Pursuant to the FTR issued by the Issuer to the Wakil 1, the Sukukholders shall pay the purchase price ("**Purchase Price**") of the Commodities to the Wakil 1, which shall be equivalent to the proceeds of the relevant Sukuk Murabahah.
5. Upon receipt of the Purchase Price from the Sukukholders, the Wakil 1 shall then purchase the Commodities from commodity sellers on spot basis.
6. Upon completion of the purchase, the Wakil 1 shall sell the Commodities to the Issuer at the Selling Price on deferred payment basis and the Wakil 1 shall permit the Issuer to take immediate constructive possession of the Commodities.
7. The Issuer shall issue and the Sukukholders shall subscribe to the relevant Sukuk Murabahah which will evidence the Sukukholders' entitlement to receive the Selling Price.
8. Subsequently, the Wakil 2 shall sell the Commodities to commodity buyers on spot basis at an amount equivalent to the Purchase Price. The proceeds from the sale of the Commodities shall be utilised by the Issuer for the purposes as stipulated in the section entitled "Details on utilisation of proceeds by issuer" under "Other terms and conditions".
9. Upon conclusion of the sale of the Commodities to the commodity buyers, the Wakil 2 shall issue the Confirmation of Transactions to the Issuer (upon request).

During the tenure of the Sukuk Murabahah, the Issuer (as part of its obligation to pay the Selling Price) shall make periodic payments towards the profit portion of the Selling Price to the Sukukholders ("**Periodic Profit Payments**") of an amount calculated based on the Profit Rate (as defined in the section entitled "Profit Rate" under "Other terms and conditions" on each Periodic Profit Payment Date (as defined in the section entitled "Profit payment frequency" under "Other terms and conditions").

In the case of Subordinated Sukuk Murabahah, on the Maturity Date (as defined under the section entitled "Maturity date" under "Other terms and conditions") or on the date of declaration of an Enforcement Event (as defined under the section entitled "Events of default or enforcement events, where applicable, including recourse available to investors") or on the date of early redemption of the relevant Subordinated Sukuk Murabahah pursuant to a Call Option (as defined under the section entitled "Call option") or Regulatory Event (as defined under the section entitled "Provisions on early redemptions") or Tax Event (as defined under the section entitled "Provisions on early redemptions") ("**Early Redemption Events for Subordinated Sukuk Murabahah**"), subject to the provisions under the section entitled "Events of default or enforcement events, where

applicable, including recourse available to investors”, the section entitled “Provisions on buy-back” and the section entitled “Provisions on early redemption”, the Issuer shall pay all amounts outstanding under the Selling Price as final settlement of the same (subject to Ibra' (as defined under the section entitled “Ibra'”) where applicable) upon which the relevant Subordinated Sukuk Murabahah shall be cancelled.

In the case of Senior Sukuk Murabahah, on the Maturity Date or on the date of declaration of an Event of Default (as defined under the section entitled “Events of default or enforcement events, where applicable, including recourse available to investors”) or on the date of early redemption of the relevant Senior Sukuk Murabahah pursuant to a Call Option (“**Early Redemption Event for Senior Sukuk Murabahah**”), subject to the provisions under the section entitled “Events of default or enforcement events, where applicable, including recourse available to investors”, the section entitled “Provisions on buy-back” and the section entitled “Provisions on early redemption”, the Issuer shall pay all amounts outstanding under the Selling Price as final settlement of the same (subject to Ibra' where applicable) upon which the relevant Senior Sukuk Murabahah shall be cancelled.

- (5) Currency : Ringgit.
- (6) Expected facility/programme size : RM10,000,000,000.00
- (7) Option to upsize (for programme) : Yes.
- (8) Tenure of facility/programme : Perpetual.
- (9) Availability period of debt/sukuk programme : The Sukuk Murabahah may be issued at any time during the tenure of the Sukuk Murabahah Programme, provided that the first issuance under the Sukuk Murabahah Programme shall be within sixty (60) business days from the date of the lodgement with the Securities Commission Malaysia (“SC”) (“**Lodgement**”) and subject to completion of all documentation and, unless waived by the Principal Adviser (“PA”)/Lead Arranger (“LA”), compliance of all Conditions Precedent and all other applicable conditions to the satisfaction of the PA/LA.
- (10) Clearing and settlement platform : Payments Network Malaysia Sdn Bhd (formerly known as Malaysian Electronic Clearing Corporation Sdn Bhd (MyClear) (“**PayNet**”).
- (11) Mode of issue :
 - Book running.
 - Bought deal.
 - Private placement.

The Sukuk Murabahah shall be issued in accordance with (1) the Participation Rules for Payments and Securities Services issued by PayNet (“**PayNet Rules**”) and (2) the Operational Procedures for Securities

Services and the Operational Procedures for Malaysian Ringgit Settlement in Real Time Electronic Transfer of Funds and Securities (RENTAS) (collectively the "**PayNet Procedures**"), or their replacement thereof applicable from time to time (collectively the "**PayNet Rules and Procedures**").

- (12) Selling restrictions : (i) At issuance:
- ✓ Part 1 of Schedule 6 of the Capital Markets & Services Act 2007 ("CMSA").
 - ✓ Part 1 of Schedule 7 of the CMSA.
 - ✓ Read together with Schedule 9 of the CMSA.
- (ii) After issuance:
- ✓ Part 1 of Schedule 6 of the CMSA.
 - ✓ Read together with Schedule 9 of the CMSA.

Selling Restrictions at Issuance

The Sukuk Murabahah may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Sukuk Murabahah and to whom the Sukuk Murabahah are issued would fall within Part 1 of Schedule 6 and Part 1 of Schedule 7 of the Capital Markets and Services Act, 2007 as amended from time to time ("**CMSA**"), read together with Schedule 9 or Section 257(3) of the CMSA.

Selling Restrictions Thereafter

The Sukuk Murabahah may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Sukuk Murabahah and to whom the Sukuk Murabahah are issued would fall within Part 1 of Schedule 6 or Section 229(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA.

- (13) Tradability and transferability : • Tradable & transferable.
- (14) Details of security/collateral pledged, if applicable : Unsecured.
- (15) Details of guarantee, if applicable : Not guaranteed.
- (16) Convertibility of issuance and details of the convertibility, if applicable : Non-convertible.
- (17) Exchangeability : Non-exchangeable.

- of issuance and details of the exchangeability, if applicable
- (18) Call option and details, if applicable : Each tranche of Sukuk Murabahah issued under the Sukuk Murabahah Programme shall have a call option (“**Call Option**”) to allow the Issuer to redeem (in whole or in part) that tranche of the Sukuk Murabahah on the Call Date.
- “**Call Date**” is defined as:-
- (a) In the case of the Subordinated Sukuk Murabahah, any Periodic Profit Payment Date after a minimum period of five (5) years from the date of issue of that tranche of Subordinated Sukuk Murabahah; and
- (b) In the case of the Senior Sukuk Murabahah, any Periodic Profit Payment Date after the issue date of that tranche of Senior Sukuk Murabahah.
- (19) Put option and details, if applicable : No put option.
- (20) Details of covenants : (a) **Positive Covenants**
- Positive covenants usual and customary for an issuance of such nature and/or which are required in order to comply with the SC's Trust Deeds Guidelines, including but not limited to the following:
- (i) At all times comply with the provisions of the Trust Deed and the terms and conditions of the Transaction Documents;
- (ii) Redeem in full all outstanding Sukuk Murabahah in accordance with the terms and conditions of the Transaction Documents;
- (iii) At all times provide the Sukuk Trustee such information as it may reasonably require in order to discharge its duties and obligations as trustee to the extent as permitted by law;
- (iv) At all times maintain a paying agent who is based in Malaysia;
- (v) Procure that the paying agent shall notify the Sukuk Trustee in the event that the paying agent does not receive payment from the Issuer on the due dates as required under the Transaction Documents;
- (vi) At all times keep proper books and accounts and to provide the Sukuk Trustee and any person appointed by it access to such books and accounts to the extent permitted by law and at all times exercise reasonable diligence in carrying out its business in a proper and efficient manner which should ensure, amongst others, that all necessary approvals or relevant licences are obtained and maintained; and

- (vii) Such other positive covenants as may be advised by the Solicitors and mutually agreed between the LA and the Issuer to be incorporated in the Transaction Documents.

(b) Negative Covenants

Subordinated Sukuk Murabahah

No negative covenants.

Senior Sukuk Murabahah

- (i) The Issuer shall not, unless it has obtained BNM's approval, reduce or alter except increase its authorised or issued and paid-up capital whether by varying the amount, structure or value thereof or the rights attached thereto or convert any of its share capital into stock, or by consolidation, dividing or sub-dividing all or any of its shares. For the avoidance of doubt, this covenant shall not restrict the Issuer from dividing or sub-dividing all or any of its shares provided that its authorised and paid-up share capital is not reduced, pursuant to such dividing or sub-dividing of its shares;
- (ii) The Issuer shall not:
- (a) consolidate or amalgamate with or merge with any other person or into another entity or transfer all or substantially all its assets to another entity; or
- (b) enter into any de-merger, reconstruction or winding up unless the successor person or entity expressly assumes the Issuer's obligations under the Transaction Documents and after giving effect to such transaction, no event of default has occurred or is continuing or would occur,
- unless BNM has granted its approval in respect of the relevant events set out in items (a) and (b) above;
- (iii) The Issuer shall not cause itself to take steps to be voluntarily wound up or to dissolve itself and / or its respective affairs;
- (iv) The Issuer shall not do or permit to occur or omit to do any act or omission, or execute or omit to execute any document which may render any of the Transaction Documents to be illegal, void, voidable or unenforceable;
- (v) The Issuer shall not use the proceeds derived from the issuance of the Senior Sukuk Murabahah hereunder except for the purposes set out in the Lodgement, the Transaction Documents and the Information Memorandum;
- (vi) The Issuer shall not surrender, transfer, assign, relinquish or otherwise dispose any of its rights and interest under the Transaction Documents (except as permitted or required under

the Transaction Documents);

- (vii) The Issuer shall not add, delete, amend or substitute its memorandum or articles of association in a manner inconsistent with the provisions of the Transaction Documents;
- (viii) The Issuer shall not enter into any transaction, whether directly or indirectly with interested person (including any of its directors or its related corporation's directors, substantial shareholders or persons connected with any of them) (for the purpose of this covenant, the term "transaction" shall have the same meaning as ascribed to "related party transaction" in the Listing Rules of Bursa Malaysia ("LR")) unless:
 - (a) such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not Interested Persons; and
 - (b) with respect to transactions involving an aggregate payment or value equal to or exceeding the applicable percentage ratios as set out in the LR at the relevant point in time, the Issuer shall obtain certification from an independent adviser that the transaction is carried out on fair and reasonable terms,

provided that the Issuer certifies to the Sukuk Trustee that the transaction complies with paragraph (a), where applicable, that the Issuer has received the certification referred to in this subparagraph (b) above, and that the transaction has been approved by the majority of its board of directors and, where applicable, shareholders at a general meeting; and

- (ix) Such other covenants deemed necessary or as may be advised by the Solicitors, including but not limited to the covenants which are required in order to comply with the SC's Trust Deeds Guidelines.

(c) Financial Covenants

No financial covenants.

(d) Information Covenants

For so long as any Sukuk Murabahah is outstanding, the Issuer covenants and undertakes with the Sukuk Trustee and each of the Sukukholders that, inter alia:-

- (i) The Issuer shall deliver to the Sukuk Trustee:-
 - (a) A copy of its annual audited accounts within 180 days after the end of each financial year, and any other accounts, reports, notices, statements or circulars issued to shareholders; and

- (b) Annually a certificate that the Issuer has complied with its obligations under the Trust Deed and the terms and conditions of the Sukuk Murabahah Programme and that there did not exist or had not existed, from the date the first tranche of the Sukuk Murabahah were issued or from the date of the last certificate, any Enforcement Event/Event of Default and if such is not the case, to specify the same;
- (ii) The Issuer shall notify the Sukuk Trustee in the event that the Issuer becomes aware of the following:-
 - (a) any Enforcement Event/Event of Default or that such other right or remedy under the terms, provisions and covenants of the Sukuk Murabahah and Trust Deed have become immediately enforceable;
 - (b) any circumstance that has occurred that would materially prejudice the Issuer or any security included in or created by the Sukuk Murabahah Programme or the Trust Deed;
 - (c) any substantial change in the nature of the business of the Issuer;
 - (d) any change in the utilisation of proceeds from the Sukuk Murabahah other than for the purpose stipulated in the Transaction Documents;
 - (e) any change in the withholding tax position or tax jurisdiction of the Issuer; and
 - (f) any other matter that may materially prejudice the interest of the Sukukholders; and
- (iii) Such other information covenants as may be advised by the Solicitors and to be mutually agreed between the LA and the Issuer to be incorporated in the Transaction Documents.

(21) Details of designated account(s), if applicable : No designated account.

(22) Details of credit rating, if applicable :

	Sukuk Murabahah	Credit Rating Agency	Credit Rating	Final/ Indicative rating	Part-ial	Amount rated
1	Senior Sukuk Murabahah	RAM Rating Services Bhd (“RAM”)	AA ₃ /Stable	Final	No	RM10.0 billion

2	Subordinated Sukuk Murabahah	RAM	A ₁ / Stable	Final	No	RM10.0 billion
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(23) Conditions precedent : Conditions precedent usual and customary for an issuance of such nature, including but not limited to the following, all of which shall be in form and substance acceptable to the Lead Arranger:-

A. Main Documentation

- (i) The Transaction Documents (as defined under the section entitled “Transaction Documents” under “Other terms and conditions”) shall have been signed and, where applicable, stamped or endorsed as exempted from stamp duty under the relevant legislation and presented for registration.

B. The Issuer

- (i) Certified true copies of the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer;
- (ii) Certified true copies of the latest Forms 24, 44 and 49 of the Issuer;
- (iii) A certified true copy of a board resolution of the Issuer, authorising, amongst others, the establishment of the Sukuk Murabahah Programme and the execution of the Transaction Documents;
- (iv) A list of the Issuer's authorised signatories and their respective specimen signatures;
- (v) A report of the relevant company search of the Issuer; and
- (vi) A report of the relevant winding up search or the relevant statutory declaration of the Issuer signed by a director of the Issuer declaring that the Issuer is not wound up and that no winding up petition has been presented against the Issuer.

C. General

- (i) Evidence that all relevant regulatory approvals and acknowledgments, including written approval from BNM in relation to the issuance of Subordinated Sukuk Murabahah, endorsement from the SC's Shariah Advisory Council (“**SAC of the SC**”) and the acknowledgement by the SC of the Lodgement in accordance with SC's LOLA Guidelines;
- (ii) Confirmation from the rating agency that the Sukuk Murabahah Programme has obtained a minimum rating as stated in the section entitled “Name of credit rating agency and credit rating”.

Where a tranche of the Subordinated Sukuk Murabahah is to be recognized as capital in the consolidated total capital of BHB group, which shall be decided by the Issuer prior to the issuance of such tranche (“**Consolidated Capital Recognition Option**”), it is a condition precedent to the issuance of such tranche that the Issuer has procured a written confirmation from the rating agency on the rating assigned to such tranche, which confirmation shall be in form and substance acceptable to the Facility Agent. For avoidance of doubt, the rating assigned to such tranche may or may not be the same to the prevailing rating of the Subordinated Sukuk Murabahah;

- (iii) The approval and confirmation from the Shariah Adviser that the structure and mechanism together with the Transaction Documents of the Sukuk Murabahah Programme are in compliance with Shariah principles;
- (iv) The opening and deposit of the required sum into the Sukuk Trustee's Reimbursement Account (as defined under the section entitled “Sukuk Trustee’s Reimbursement Account” under “Other terms and conditions”);
- (v) Satisfactory legal opinion from the Solicitors with respect to, amongst others, the legality, validity and enforceability of the Transaction Documents and a confirmation that all conditions precedent have been fulfilled; and

Such other conditions precedent as may be advised by the Solicitors and agreed by the Issuer and the LA to be incorporated in the Transaction Documents.

- (24) Representations and warranties : Representations and warranties usual and customary for a transaction of such nature, which shall include but are not limited to the following:-
- (a) The Issuer (i) has been duly incorporated and validly exists under the laws of Malaysia, (ii) has full power and authority to engage in the business of banking and finance in Malaysia and each other jurisdiction where it is so engaged and conduct its business, and (iii) is duly qualified to transact business under the laws of Malaysia and each other jurisdiction in which it owns or leases properties, or conduct any business, to the extent such qualification is required, other than where the failure to be so qualified would not have a Material Adverse Effect (as defined under the section entitled “Material Adverse Effect” under “Other terms and conditions”);
 - (b) The establishment of the Sukuk Murabahah Programme has been duly authorized, and when issued and delivered pursuant to the Transaction Documents, will have been duly executed, authenticated, issued and delivered and will constitute valid and binding obligations of the Issuer enforceable in accordance with its terms;
 - (c) No event has occurred which would constitute an Enforcement Event under the Subordinated Sukuk Murabahah or an Event of Default under the Senior Sukuk Murabahah or which with the giving of notice

or the lapse of time or other condition would constitute an Enforcement Event or an Event of Default, as the case may be;

- (d) The Issuer is not in breach of the provisions of any law or regulations governing such approvals, consents, authorizations and/or such licenses and, after due and careful consideration, the Issuer is not aware of any reason why such approval, consent, authorization and/or license should be withdrawn or cancelled or any conditions attached thereto adversely altered, other than where the absence of such approval, consent, authorization and/or license would not have a Material Adverse Effect;
- (e) There are no legal or governmental proceedings pending or, to the knowledge of the Issuer, threatened, to which the Issuer is or may be a party or to which any property or asset of the Issuer is or may be the subject which, if determined adversely to the Issuer, could individually or in the aggregate reasonably be expected to have a Material Adverse Effect;
- (f) The Issuer has all licenses, franchises, permits, authorizations, approvals, orders and other concessions of and from all governmental and regulatory officials and bodies that are necessary to own or lease its properties and conduct its business, other than where the failure to obtain such licenses, franchises, permits, authorizations, approvals, orders and other concessions would not have a Material Adverse Effect;
- (g) The audited financial statements of the Issuer are prepared in accordance with applicable approved accounting principles and standards in Malaysia and fairly represent the Issuer's financial position as at the date of the financial statements;
- (h) The Issuer and its obligations under the Transaction Documents and the Sukuk Murabahah are subject to commercial law and to suit in Malaysia and neither the Issuer nor any of its properties, assets or revenues has any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any court, from set off or counterclaim, from the jurisdiction of any court, or other legal process or proceeding for the giving of any relief or for the enforcement of judgment, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Transaction Documents and the Sukuk Murabahah; and
- (i) Such other representations and warranties as may be advised by the Solicitors and to be mutually agreed between the LA and the Issuer.

(25) Events of defaults or enforcement events, where applicable, including recourse

: **Subordinated Sukuk Murabahah**

Enforcement events (“**Enforcement Events**”) shall encompass the following:-

- (i) The Issuer defaults in payment of any principal or profit or any other amount under the Subordinated Sukuk Murabahah and such default

available to
investors

continues for a period of seven (7) business days after the relevant due date; or

- (ii) An order is made for the winding-up of the Issuer and such order is not stayed or set aside within thirty (30) days of such order being made or, where so stayed, such stay lapses, or an effective resolution is passed for the winding-up of the Issuer except where such order is made or such resolution is passed for the purpose of a reconstruction or amalgamation the terms of which have been approved by the holders of the Subordinated Sukuk Murabahah (“**Subordinated Sukukholders**”) by way of a special resolution.

Upon the occurrence of Enforcement Event (i) above, subject to the terms of the Trust Deed, the Sukuk Trustee may or shall (if directed to do so by a special resolution of the Subordinated Sukukholders) institute proceedings to enforce the payment obligations under the relevant tranche of the Subordinated Sukuk Murabahah and may institute proceedings in Malaysia for the winding-up of the Issuer, provided that neither the Sukuk Trustee nor any of the Subordinated Sukukholders of that tranche of the Subordinated Sukuk Murabahah shall have the right to accelerate payment of that tranche of the Subordinated Sukuk Murabahah in the case of such default in the payment of amount owing under that tranche of the Subordinated Sukuk Murabahah or any default in the performance of any condition, provision or covenant under that tranche of the Subordinated Sukuk Murabahah or the Trust Deed.

Upon the occurrence of Enforcement Event (ii) above, subject to the terms of the Trust Deed, the Sukuk Trustee may or shall (if directed to do so by a special resolution of the Subordinated Sukukholders) declare (by giving written notice to the Issuer) that the Subordinated Sukuk Murabahah together with all other sums payable under the Subordinated Sukuk Murabahah shall immediately become due and payable notwithstanding the stated maturity of the Subordinated Sukuk Murabahah.

For avoidance of doubt, the occurrence of Enforcement Event (i) above for any tranche of the Subordinated Sukuk Murabahah will not trigger an Enforcement Event for other tranches of the Subordinated Sukuk Murabahah outstanding. However, the occurrence of Enforcement Event (ii) above will trigger an Enforcement Event for all tranches of the Subordinated Sukuk Murabahah outstanding.

For avoidance of doubt, any payment by the Issuer upon the occurrence of an Enforcement Event shall be subject to the provisions of CAFIB.

Senior Sukuk Murabahah

Events of default (“**Events of Default**”) shall encompass the following:-

- (a) The Issuer fails to pay any money payable in respect of the Senior Sukuk Murabahah when the same become due and payable in accordance with the Transaction Documents and the Issuer fails to remedy such failure to pay within a period of seven (7) business days after the relevant due date;

- (b) A winding-up order has been made against the Issuer or a resolution to wind-up the Issuer has been passed;
- (c) A scheme of arrangement under Section 366 of Companies Act 2016 has been instituted against the Issuer;
- (d) An encumbrancer takes possession or a receiver or similar officer is appointed over the whole or a substantial part of the assets or undertaking of the Issuer;
- (e) There has been a breach by the Issuer of any obligation under any of the Issuer's existing contractual obligations which may have a Material Adverse Effect, and if in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the breach within a period of twenty one (21) business days after the Issuer became aware or having been notified by the Sukuk Trustee of the failure, whichever is earlier;
- (f) Any other indebtedness of the Issuer becomes due and payable prior to its stated maturity or where the security created for any other indebtedness becomes enforceable which in the opinion of the Sukuk Trustee, may have a Material Adverse Effect;
- (g) Where there is revocation, withholding, invalidation or modification of any license, authorization, approval or consent which in the opinion of the Sukuk Trustee may have a Material Adverse Effect;
- (h) The Issuer fails to observe or perform any of its obligations under any of the Transaction Documents (other than the obligation referred to in (a) above) and in the case of a failure which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of twenty one (21) business days after the Issuer became aware or having been notified by the Sukuk Trustee of the failure, whichever is earlier;
- (i) Any representations and warranties made or given by the Issuer under the Transaction Documents or any certificate or document furnished pursuant to the terms of any Transaction Documents, proves to be incorrect or misleading in any material respect on or as at the date made or given, and in the case of such event which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy it within a period of twenty one (21) business days after the Issuer became aware or having been notified by the Sukuk Trustee of the failure, whichever is earlier;
- (j) At any time any of the provisions of the Transaction Documents is or becomes illegal, void, voidable or unenforceable; and
- (k) Such other events of default as may be advised by the Solicitors and to be mutually agreed between the LA and the Issuer.

Upon the occurrence of any of the above Events of Default, the Sukuk Trustee may, at its discretion, or shall (if so directed to do so by a special resolution of the holders of the Senior Sukuk Murabahah ("**Senior**

Sukukholders”) declare (by giving written notice to the Issuer) that an Event of Default has occurred and all sums payable under the Senior Sukuk Murabahah are immediately due and payable, and the Sukuk Trustee may enforce its rights under the Transaction Documents, including amongst others, to accelerate payment of that tranche of the Senior Sukuk Murabahah.

The declaration of an Event of Default under the Senior Sukuk Murabahah shall not trigger an Enforcement Event under the Subordinated Sukuk Murabahah. However, the declaration of an Enforcement Event under the Subordinated Sukuk Murabahah shall, subject to the provisions under “Events of default” above, trigger an Event of default under the Senior Sukuk Murabahah.

(26) Governing laws : Laws of Malaysia.

(27) Provisions on buy-back, if applicable : (a) **Subordinated Sukuk Murabahah**

Subject to the prior written approval from BNM (but which approval shall not be required for a purchase done in the ordinary course of business), the Issuer, the Issuer's subsidiaries or the Issuer's related corporations may at any time purchase the Subordinated Sukuk Murabahah at any price in the open market or by private treaty provided that a Non-Viability Event (as defined under the section entitled “Non-Viability Event” under “Other terms and conditions”) has not occurred prior to the date of such purchase. If purchase is made by tender, such tender must (subject to any applicable rules and regulations) be made available to all Subordinated Sukukholders of the relevant tranche of the Subordinated Sukuk Murabahah equally.

(b) **Senior Sukuk Murabahah**

The Issuer, the Issuer's subsidiaries or the Issuer's related corporations may at any time purchase the Senior Sukuk Murabahah at any price in the open market or by private treaty. If purchase is made by tender, such tender must (subject to any applicable rules and regulations) be made available to all Senior Sukukholders of the relevant tranche of the Senior Sukuk Murabahah equally.

The Sukuk Murabahah purchased by the Issuer or the Issuer's subsidiaries or by agents of the Issuer (other than in the ordinary course of business) shall be cancelled and shall not be resold. The Sukuk Murabahah purchased by the Issuer's related corporations (other than the Issuer's subsidiaries) or any interested person of the Issuer, which includes the directors, major shareholders and chief executive officer, is not required to be cancelled but such related corporations or interested persons shall not be entitled to vote under the terms of the Sukuk Murabahah subject to any exceptions in the Trust Deeds Guidelines.

For the purpose of this clause, the term "ordinary course of business" includes those activities performed by the Issuer, the Issuer's subsidiaries or the Issuer's related corporations for third parties (such as clients of the Issuer, the Issuer's subsidiaries' and the Issuer's related corporations) and excludes those performed for the own account of the Issuer, the Issuer's

subsidiaries or the Issuer's related corporations.

- (28) Provisions on early redemption, if applicable : **Subordinated Sukuk Murabahah**
- (i) **Early redemption pursuant to Call Option**

In respect of each tranche of the Subordinated Sukuk Murabahah, the Issuer may, at its option, and subject to the Early Redemption Conditions (as defined under the section entitled “Early Redemption Conditions of the Subordinated Sukuk Murabahah”) being satisfied, redeem that tranche of Subordinated Sukuk Murabahah (in whole or in part) prior to its Maturity Date, on the Call Date at the Redemption Amount (as defined under the section entitled “Redemption Amount”). The redemption of any tranche of the Subordinated Sukuk Murabahah shall not trigger redemption of other tranches of the Subordinated Sukuk Murabahah.

- (ii) **Early redemption pursuant to the Regulatory Redemption (“Regulatory Redemption”)**

The Issuer may, at its option, redeem the Subordinated Sukuk Murabahah (in whole or in part) at the Redemption Amount, subject to the Early Redemption Conditions being satisfied, if a Regulatory Event (as defined below) occurs.

“**Regulatory Event**” means any time there is more than an insubstantial risk, as determined by the Issuer, that:-

- (a) All or any part of the Subordinated Sukuk Murabahah will, either immediately or with the passage of time or upon either the giving of notice or fulfillment of a condition, no longer qualify as Tier 2 Capital of the Issuer for the purposes of BNM’s capital adequacy requirements under any applicable regulations; or
- (b) Changes in law will make it unlawful for the Issuer to continue performing its obligations under all or any part of Subordinated Sukuk Murabahah.

The redemption of any tranche of the Subordinated Sukuk Murabahah pursuant to a Regulatory Event shall not trigger the redemption of other tranches of the Subordinated Sukuk Murabahah.

- (iii) **Early redemption pursuant to the Tax Redemption (“Tax Redemption”)**

The Issuer may, at its option, redeem the Subordinated Sukuk Murabahah (in whole or in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied, if a Tax Event (as defined below) occurs.

“**Tax Event**” means any time there is more than an insubstantial risk, as determined by the Issuer, that:-

- (a) The Issuer has or will become obliged to pay any additional

taxes, duties, assessments or government charges of whatever nature in relation to the Subordinated Sukuk Murabahah; or

- (b) The Issuer would no longer obtain tax deductions for the purposes of Malaysian corporation tax for any payment in respect of the Subordinated Sukuk Murabahah,

as a result of a change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the issue date and the Issuer cannot, by taking reasonable measures available to it, avoid such obligations.

The redemption of any tranche of the Subordinated Sukuk Murabahah pursuant to a Tax Event shall not trigger the redemption of other tranches of the Subordinated Sukuk Murabahah.

Senior Sukuk Murabahah

Early redemption pursuant to Call Option

In respect of each tranche of the Senior Sukuk Murabahah, the Issuer may, at its option, redeem that tranche of Senior Sukuk Murabahah (in whole or in part) prior to its Maturity Date, on the Call Date at the Redemption Amount. The redemption of any tranche of the Senior Sukuk Murabahah shall not trigger the redemption of other tranches of the Senior Sukuk Murabahah.

- (29) Voting : Voting by the Sukukholders shall be carried out on a “per series” basis and not on a collective basis. The Sukukholders shall have no voting rights in the Issuer.
- (30) Permitted investments, if applicable : No permitted investments.
- (31) Ta’widh (for ringgit-denominated sukuk) : In the event of any delay in payment of the Selling Price under the Sukuk Murabahah, the Issuer shall pay to the Sukuk Trustee, for the benefit of the Sukukholders, Ta’widh (compensation) on such overdue amounts at a rate and manner prescribed by the SAC of the SC from time to time in accordance with Shariah principles.
- (32) Ibra’ (for ringgit-denominated sukuk) : Ibra’ refers to an act of releasing absolutely or conditionally one’s rights and claims on any obligation against another party which would result in the latter being discharged of his/its obligation or liabilities towards the former. The release may be either partially or in full.

As the Selling Price is calculated based on the Purchase Price and profit portion up to (and excluding) the Maturity Date, Ibra’ shall be granted if the relevant Sukuk Murabahah is redeemed prior to its Maturity Date:

- (a) In respect of the Subordinated Sukuk Murabahah, upon declaration of an Enforcement Event or pursuant to the Early Redemption

Events for Subordinated Sukuk Murabahah, or is written-off upon occurrence of a Non-Viability Event; and

- (b) In respect of the Senior Sukuk Murabahah, upon declaration of an Event of Default or pursuant to the Early Redemption Event for Senior Sukuk Murabahah.

Subordinated Sukuk Murabahah

The Subordinated Sukukholders in subscribing or purchasing the Subordinated Sukuk Murabahah consent to grant Ibra' in the following scenarios:

- (i) Upon declaration of an Enforcement Event or early redemption pursuant to the Early Redemption Events for Subordinated Sukuk Murabahah.

The amount of Ibra' in this instance shall be the difference between the aggregate Periodic Profit Payments due to the Subordinated Sukukholders calculated up to (and excluding) the Maturity Date and the aggregate Periodic Profit Payments due to the Subordinated Sukukholders calculated up to (and excluding) the date of declaration of an Enforcement Event or date of early redemption pursuant to the Early Redemption Events for Subordinated Sukuk Murabahah.

The Ibra' clause and the formula for computation of early redemption may be stated in the main agreement of the Sukuk Murabahah Programme. However, the Ibra' clause in the main agreement shall be separated from the part related to the price of the transacted asset. The Ibra' clause shall only be stated under the section for mode of payment or settlement in the said agreement.

- (ii) Upon occurrence of a Non-Viability Event.

The amount of Ibra' in this instance shall be the outstanding Selling Price of the Subordinated Sukuk Murabahah that are written-off.

Senior Sukuk Murabahah

The Senior Sukukholders in subscribing or purchasing the Senior Sukuk Murabahah consent to grant Ibra' upon declaration of an Event of Default or early redemption pursuant to the Early Redemption Event for Senior Sukuk Murabahah.

The amount of Ibra' in this instance shall be the difference between the aggregate Periodic Profit Payments due to the Senior Sukukholders calculated up to (and excluding) the Maturity Date and the aggregate Periodic Profit Payments due to the Senior Sukukholders calculated up to (and excluding) the date of declaration of an Event of Default or date of early redemption pursuant to the Early Redemption Event for Senior Sukuk Murabahah.

The Ibra' clause and the formula for computation of early redemption may be stated in the main agreement of the Sukuk Murabahah Programme.

However, the Ibra' clause in the main agreement shall be separated from the part related to the price of the transacted asset. The Ibra' clause shall only be stated under the section for mode of payment or settlement in the said agreement.

(33) Kafalah (for ringgit-denominated sukuk) : Not applicable.

(34) Other terms and conditions

(a) Identified Assets : Shariah-compliant commodities (excluding ribawi items in the category of medium of exchange such as currency, gold and silver) ("**Commodities**").

(b) Purchase and Selling Price : **Purchase Price**

The Purchase Price in relation to each purchase of the Commodities shall be equal to the proceeds of the relevant Sukuk Murabahah. The Purchase Price shall comply with the asset pricing requirements as stipulated under Section C of the LOLA Guidelines.

Selling Price

The Selling Price shall comprise the Purchase Price plus the aggregate Periodic Profit Payments which shall be determined based on the yield-to-maturity for the relevant Sukuk Murabahah agreed between the Issuer and the Wakil 1 (on behalf of the Sukukholders) prior to the sale of the Commodities to the Issuer to be evidenced by the issue of the relevant Sukuk Murabahah, and shall be on a deferred payment basis.

(c) Tenure of the Sukuk Murabahah : **Subordinated Sukuk Murabahah**

The tenure of each issuance of the Subordinated Sukuk Murabahah shall be not less than five (5) years from the issue date, subject to the Call Option.

Senior Sukuk Murabahah

The tenure of each issuance of the Senior Sukuk Murabahah shall be not less than one (1) year from the issue date, subject to the Call Option.

(d) Details on utilisation of proceeds by Issuer : The proceeds from the Sukuk Murabahah shall be utilised by the Issuer to finance its Islamic banking activities, working capital requirements and other corporate purposes and/or, if required, to redeem any outstanding Sukuk Murabahah issued under the Sukuk Murabahah Programme and the Issuer's existing Subordinated Sukuk Murabahah Programme of up to RM1.0 billion.

In any case, all utilisation of proceeds under the Sukuk Murabahah Programme shall be Shariah compliant.

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- (e) Upsizing Conditions : The Issuer shall have the option to upsize the Sukuk Murabahah Programme provided that:-
- (a) Such increase will not result in any adverse impact on the rating of the Sukuk Murabahah Programme;
 - (b) The relevant requirements under the LOLA Guidelines in relation to such upsizing have been complied with; and
 - (c) The relevant regulatory approvals have been obtained (if applicable).
- No consent will be required from the Sukukholders, the Sukuk Trustee or from any other party under the Sukuk Murabahah Programme for the Issuer to exercise the option to increase the limit of the Sukuk Murabahah Programme from time to time.
- (f) Profit rate : The profit rate of the Sukuk Murabahah shall be on a fixed rate basis and shall be determined prior to the issue date of each tranche of the Sukuk Murabahah ("**Profit Rate**"). The Profit Rate shall be applicable throughout the tenure of each tranche of the Sukuk Murabahah.
- For avoidance of doubt, in the case of Subordinated Sukuk Murabahah, there is no step-up profit rate after the Call Date of the Subordinated Sukuk Murabahah, in the event the Call Option is not exercised by the Issuer or any other incentives for the Issuer to redeem the Subordinated Sukuk Murabahah prior to its maturity.
- (g) Profit payment frequency : The Sukukholders shall receive Periodic Profit Payment at the Profit Rate semi-annually in arrears ("**Periodic Profit Payment Date**") with the first payment commencing six (6) months from the issue date of the relevant tranche of the Sukuk Murabahah and the last ending on the Maturity Date or on the date of early redemption of the relevant tranche of the Sukuk Murabahah, whichever is earlier.
- (h) Profit payment basis : Actual/365 days
- (i) Yield to Maturity : To be determined prior to the issue date of each tranche of the Sukuk Murabahah
- (j) Issue Price : The Sukuk Murabahah shall be issued at par to nominal value and the issue price shall be calculated in accordance with PayNet Rules and Procedures.
- (k) Maturity Date : "**Maturity Date**" means the date specified as the maturity date on the Global Certificate or Definitive Certificates (as the case may be) of the Sukuk Murabahah for payment of the face value of the Sukuk Murabahah, provided that it is construed in accordance with the PayNet Rules and Procedures.
- (l) Listing Status and types of listing, where applicable : The Sukuk Murabahah shall not be listed on any stock exchange.

(m) Status : **Subordinated Sukuk Murabahah**

The Issuer's obligations under the Subordinated Sukuk Murabahah will constitute direct, unconditional and unsecured obligations of the Issuer, subordinated in right and priority of payment, to the extent and in the manner provided for in the Subordinated Sukuk Murabahah, to all deposit and investment accounts liabilities and general liabilities of the Issuer except liabilities of the Issuer which by their terms rank *pari-passu* in right and priority of payment with or which are subordinated to the Subordinated Sukuk Murabahah.

The obligation of the Issuer under the Subordinated Sukuk Murabahah will, in the event of a winding-up or liquidation of the Issuer, be subordinated in right of payments to the claims of Senior Creditors (as defined below).

"**Senior Creditors**" means depositors, investment account holders and all general creditors of the Issuer other than those creditors whose claims are expressed to rank *pari passu* with or subordinated to the claims of the Subordinated Sukukholders.

Senior Sukuk Murabahah

The Issuer's obligations under the Senior Sukuk Murabahah will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, ranking *pari-passu* without any preference amongst themselves and *pari-passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, except preferred by law.

(n) Transaction Documents : The Sukuk Murabahah shall be evidenced by, inter alia, the following ("**Transaction Documents**"):

- (i) Programme Agreement;
- (ii) Subscription Agreement;
- (iii) Commodity Murabahah Agreement;
- (iv) Securities Lodgement Form for Central Securities Depository and Paying Agency Services;
- (v) Trust Deed;
- (vi) Agency Agreement 1;
- (vii) Agency Agreement 2;
- (viii) Form of Transaction Request;
- (ix) Confirmation of Transactions; and
- (x) Any other relevant documents that may be required to complete the Sukuk Murabahah as may be advised by the Solicitors and mutually agreed between the LA and the Issuer.

(o) Taxation : All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty, or charge of whatsoever nature imposed or levied by or on behalf of the Government of Malaysia, or any other applicable jurisdictions, or any authority therein having power to tax, unless such withholding or deduction is required by law, in which event the Issuer shall be required to make such additional amount so that the payee(s) would

receive the full amount which the payee would have received if no such withholding or deductions are made.

- (p) Redemption : Unless previously redeemed or purchased and cancelled, the Sukuk Murabahah shall be redeemed at the Redemption Amount on the Maturity Date.
- (q) Partial Redemption : In the case of partial redemption of a tranche of the Sukuk Murabahah, the selection of the Sukuk Murabahah to be redeemed shall be made by the Sukuk Trustee on a pro rata basis, by lot or by such other method as the Sukuk Trustee (with the agreement of the Issuer) shall deem to be fair and appropriate, although no Sukuk Murabahah of RM10,000,000 in original nominal value or less shall be redeemed in part.
- (r) Sukuk Trustee's Reimbursement Account : The Sukuk Trustee shall open and maintain, throughout the tenure of the Sukuk Murabahah, a Shariah-compliant account to be named the "Sukuk Trustee's Reimbursement Account for Sukukholders' Actions" ("**Sukuk Trustee's Reimbursement Account**") with a bank which is acceptable to the Issuer with a sum of Ringgit Malaysia Thirty Thousand (RM30,000.00).

The Sukuk Trustee's Reimbursement Account shall be operated solely by the Sukuk Trustee and the money shall be used strictly by the Sukuk Trustee in carrying out its duties in relation to the declaration of an Enforcement Event/Event of Default in the manner as provided in the Trust Deed.

The moneys in the Sukuk Trustee's Reimbursement Account may be invested in Shariah compliant bank deposits or Shariah compliant instruments or securities in the manner as provided in the Trust Deed, with profit from the investment to be accrued to the Issuer. The moneys in the Sukuk Trustee's Reimbursement Account shall be returned to the Issuer upon full redemption of the Sukuk Murabahah in the event there is no declaration of an Enforcement Event/Event of Default.

- (s) Material Adverse Effect : "**Material Adverse Effect**" means the occurrence of any event which in the reasonable opinion of the Sukukholders materially and adversely affects the ability of the Issuer to perform any of its obligations under any of the Transaction Documents or which materially and adversely affects the business, financial position, shareholders' funds or results of the operations of the Issuer.
- (t) Non-Viability Event (applicable to the Subordinated Sukuk Murabahah only) : "**Non-Viability Event**" means the earlier to occur of the following:
- (i) BNM, jointly with the Malaysia Deposit Insurance Corporation ("**PIDM**"), notify the Issuer in writing that BNM, jointly with PIDM, are of the opinion that a write-off of the Subordinated Sukuk Murabahah is necessary, without which the Issuer or BHB group (if the Consolidated Capital Recognition Option has been adopted in respect of any tranche of the Subordinated Sukuk Murabahah) would cease to be viable; or

- (ii) BNM, jointly with PIDM, publicly announce that a decision has been made by BNM, PIDM, or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer or BHB group (if the Consolidated Capital Recognition Option has been adopted in respect of any tranche of the Subordinated Sukuk Murabahah) would cease to be viable.

A Non-Viability Event shall be deemed to have occurred on the day on which the Issuer receives the relevant notification from, or the relevant public announcement is made by, BNM, jointly with PIDM.

- (u) Non-viability Loss Absorption (applicable to the Subordinated Sukuk Murabahah only) : Upon the occurrence of a Non-Viability Event, BNM, jointly with PIDM, shall have the option to require the entire or part of the nominal value of the outstanding Subordinated Sukuk Murabahah, and all other amounts owing under the Subordinated Sukuk Murabahah, to be written off. If BNM, jointly with PIDM, elects to exercise such option, the Issuer is required to give written notice to the Subordinated Sukukholders and the rating agency in accordance with the terms of the Subordinated Sukuk Murabahah and each of the Subordinated Sukukholders, via the Sukuk Trustee, agrees that, as of the relevant write-off date, the write-off shall extinguish the claim of the Subordinated Sukuk Murabahah by the Subordinated Sukukholders in liquidation, in which case the Subordinated Sukukholders will irrevocably waive their right to receive, and no longer have any rights against the Issuer with respect to, payment of the aggregate nominal value of the relevant Subordinated Sukuk Murabahah written-off, the amount paid when a Call Option is exercised and the Periodic Profit Payments on the relevant Subordinated Sukuk Murabahah written-off.

The write-off shall be permanent and the full nominal value of the Subordinated Sukuk Murabahah together with all unpaid Periodic Profit Payments thereon that are or would be payable on the Maturity Date, or on the date of declaration of an Enforcement Event or on the date of early redemption pursuant to the Early Redemption Events for Subordinated Sukuk Murabahah, will automatically be written-off and such Subordinated Sukuk Murabahah and all unpaid Periodic Profit Payments will be immediately and fully cancelled as of such write-off date.

For the avoidance of doubt, (i) BNM, jointly with PIDM, shall have full discretion to require or not to require a write-off upon the occurrence of a Non-Viability Event; (ii) the write-off of the respective Subordinated Sukuk Murabahah shall not constitute an Enforcement Event, Event of Default (in the case of Senior Sukuk Murabahah) or trigger any cross-default clauses; and (iii) the requirement for a write-off following the occurrence of a Non-Viability Event involving BHB group shall only apply to such tranche of the Subordinated Sukuk Murabahah in respect of which the Consolidated Capital Recognition Option has been adopted and shall not apply to other tranches of the Subordinated Sukuk Murabahah in respect of which the Consolidated Capital Recognition Option has not been adopted.

In the event that part of the nominal value of the outstanding Subordinated Sukuk Murabahah is written off, the remaining Subordinated Sukuk Murabahah not written-off shall remain outstanding until maturity and would still be considered as Tier 2 capital subject to compliance with the criteria under the CAFIB. Any write-off of the Subordinated Sukuk Murabahah shall not constitute an Enforcement Event under the Subordinated Sukuk Murabahah.

No Conversion into Equity

For avoidance of doubt, the Subordinated Sukuk Murabahah shall under no circumstances be converted into equity of the Issuer and the Subordinated Sukukholders will have to absorb losses pursuant to the terms specified herein.

(v) Early Redemption Conditions of the Subordinated Sukuk Murabahah : **"Early Redemption Conditions of the Subordinated Sukuk Murabahah"** means:-

(i) The Issuer must have received a written approval from BNM prior to redemption of any tranche of the Subordinated Sukuk Murabahah;

(ii) The Issuer is solvent at the time of redemption of such tranche of the Subordinated Sukuk Murabahah and immediately thereafter;

(iii) The Issuer is not in breach of BNM's minimum capital adequacy requirements and capital buffer requirements applicable to the Issuer after redemption of such tranche of the Subordinated Sukuk Murabahah; and

(iv) In respect of a Call Option only, the Issuer shall:-

(a) Replace the called tranche of the Subordinated Sukuk Murabahah with capital of the same or better quality and the replacement of this capital shall be done at conditions which are sustainable for the income capacity of the Issuer; or

(b) Demonstrate that its capital position is well above the minimum capital adequacy requirements and capital buffer requirements as outlined in CAFIB after the tranche of the Subordinated Sukuk Murabahah is called.

(w) Redemption Amount : **"Redemption Amount"** means Selling Price of the relevant Sukuk Murabahah less the aggregate of Periodic Profit Payments paid (if any) in respect of such Sukuk Murabahah less Ibra' (if any).

The Redemption Amount payable by the Issuer on the Maturity Date, or on the date of declaration of an Enforcement Event/Event of Default or on the date of early redemption pursuant to the Early Redemption Events, is an amount as determined by the Facility Agent, which shall be calculated in accordance with the above formula.

- (x) Rights to participate in profits and assets : The Sukukholders shall have no right or claim and shall not be conferred any right or claim as regards to participation in the profits and assets of the Issuer.
- (y) Voting rights : Sukukholders shall not be entitled to receive notice of or attend or vote at any meeting of the ordinary shareholders of the Issuer or participate in the management of the Issuer. No company-shareholder relationship is intended or has been contemplated between the Issuer and the Sukukholders and as such the relationship between the Issuer and the Sukukholders shall not be governed by the Memorandum and Articles of Association of the Issuer.
- (z) No payment of interest : For the avoidance of doubt and notwithstanding any other provision to the contrary herein, it is hereby agreed and declared that nothing in these principal terms and conditions and the Transaction Documents shall oblige or entitle any party nor shall any party pay or receive or recover interest on any amount due or payable to another party pursuant to the principal terms and conditions or the Transaction Documents and the parties hereby expressly waive and reject any entitlement to recover such interest.
- (aa) Other Conditions : The Sukuk Murabahah Programme shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and PayNet having jurisdiction over matters pertaining to the Sukuk Murabahah Programme.

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The Issuer



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Registered Address

32nd Floor, Menara Bank Islam
22, Jalan Perak
50450 Kuala Lumpur

Principal Adviser and Lead Arranger



Bank Islam Malaysia Berhad
(Company No. 98127-X)

Facility Agent

RHB Investment Bank Berhad
(Company No. 19663-P)

Sukuk Trustee

Malaysian Trustees Berhad
(Company No. 21666-V)

Central Depository and Paying Agent
Bank Negara Malaysia

Rating Agency
RAM Rating Services Berhad
(Company No. 763588-T)

Legal Counsel for the Principal Adviser and Lead Arranger

ZUL RAFIQUE & partners