

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

Condensed Statement of Financial Position as at 31 December 2017

	Note	Group As at		Company As at	
		31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Assets					
Cash and short-term funds	8	4,807,749	4,502,270	241,074	205,318
Deposits and placements with financial institutions	9	1,159,085	1,153,138	-	-
Financial assets held-for-trading	10	607,431	777,610	-	-
Derivative financial assets	11	68,319	124,572	-	-
Financial assets available-for-sale	12	13,497,437	13,755,389	174,546	135,406
Financial assets held-to-maturity	13	516,524	631,086	-	-
Financing, advances and others	14	42,113,420	39,189,274	-	-
Other assets	15	366,992	444,761	1,951	2,333
Takaful assets	16	677,713	638,199	-	-
Statutory deposits with Bank Negara Malaysia		1,407,284	1,374,876	-	-
Current tax assets		34,333	8,430	20	23
Deferred tax assets		72,023	70,435	10	10
Investments in subsidiaries		-	-	5,166,225	4,965,901
Property and equipment		397,624	417,014	484	571
Investment properties		10,868	14,126	-	-
Intangible assets		47,832	43,947	-	-
Total assets		65,784,634	63,145,127	5,548,310	5,309,562

BIMB Holdings Berhad (423858-X)
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Condensed Statement of Financial Position as at 31 December 2017
(continued)

	Note	Group As at		Company As at	
		31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Liabilities and equity					
Deposits from customers	17	45,870,596	45,491,753	-	-
Investment accounts of customers	18	3,969,344	3,573,871	-	-
Deposits and placements of banks and other financial institutions	19	-	30,000	-	-
Derivative financial liabilities	11	74,668	111,089	-	-
Bills and acceptances payable		420,258	46,278	-	-
Other liabilities	20	1,266,609	1,105,942	232,598	210,137
Takaful liabilities	21	6,962,313	6,639,096	-	-
Sukuk liabilities	22	2,235,862	1,881,751	1,279,512	1,227,494
Zakat and taxation		66,631	48,210	18	-
Total liabilities		60,866,281	58,927,990	1,512,128	1,437,631
Equity					
Share capital		3,875,270	1,588,680	3,875,270	1,588,680
Reserves		658,669	2,294,172	196,912	2,283,251
Equity attributable to owners of the Company		4,533,939	3,882,852	4,072,182	3,871,931
Non-controlling interests		384,414	334,285	-	-
Total equity		4,918,353	4,217,137	4,072,182	3,871,931
Total liabilities and equity		65,784,634	63,145,127	5,584,310	5,309,562
Restricted investment accounts managed by Bank Islam					
	18	124,384	141,343	-	-
Total Islamic banking asset		65,909,018	63,286,470	5,584,310	5,309,562
Commitments and contingencies	38	13,768,162	13,704,559	-	-
Net assets per share attributable to ordinary equity of the Company (RM)		2.77	2.44	2.49	2.44

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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the financial year ended 31 December 2017**

Group	Note	Quarter		Year-to-date	
		3 months ended	3 months ended	12 months ended	12 months ended
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	24	574,639	576,697	2,324,187	2,342,204
Income derived from investment account funds	25	60,174	44,275	237,192	102,281
Income derived from investment of shareholders' funds	26	129,540	93,191	437,429	401,197
Net income from Takaful business	27	181,300	164,794	720,195	677,188
Net allowance for impairment on financing and advances	28	5,418	(4,118)	15,613	(92,105)
Allowance for impairment on investments		-	-	-	(255)
Net allowance of impairment on other assets		-	(256)	(243)	608
Direct expenses		(4,188)	(5,067)	(18,421)	(20,387)
Total distributable income		946,883	869,516	3,715,952	3,410,731
Wakalah performance incentive fees from restricted investment accounts		382	1,443	2,595	5,328
Income attributable to depositors	29	(273,921)	(265,542)	(1,094,433)	(1,061,413)
Income attributable to investment account holders	30	(22,429)	(16,103)	(95,447)	(26,775)
Total net income		650,915	589,314	2,528,667	2,327,871
Personnel expenses	31	(200,789)	(167,361)	(729,771)	(673,757)
Other overhead expenses	32	(203,374)	(192,108)	(735,171)	(674,404)
		246,752	229,845	1,063,725	979,710
Finance cost		(30,676)	(25,777)	(115,395)	(110,509)
Profit before zakat and tax		216,076	204,068	948,330	869,201
Zakat		(6,355)	(6,103)	(14,459)	(13,517)
Tax expense	B5	(36,360)	(42,382)	(230,241)	(226,020)
Profit for the period/year		173,361	155,583	703,630	629,664
Attributable to:					
Owners of the Company		149,635	139,468	619,838	559,040
Non-controlling interests		23,726	16,115	83,792	70,624
Profit for the period/year		173,361	155,583	703,630	629,664
Earnings per share (sen)	B11	9.14	8.78	37.94	35.25

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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the financial year ended 31 December 2017 (continued)**

Group	Quarter		Year-to-date	
	3 months ended 31.12.2017	3 months ended 31.12.2016	12 months ended 31.12.2017	12 months ended 31.12.2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period/year	173,361	155,583	703,630	629,664
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit liabilities	(237)	756	(315)	1,968
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences in respect of foreign operations	11,903	(37,215)	41,123	(19,036)
Fair value reserve:				
Net change in fair value	(6,759)	(154,397)	50,390	16,271
Net amount transferred to profit or loss	(300)	(1,364)	(7,148)	(49,761)
Income tax credit relating to components of other comprehensive income	2,275	36,226	(8,958)	8,645
Other comprehensive income for the period/year, net of tax	6,882	(155,994)	75,092	(41,913)
Total comprehensive income for the period/year	180,243	(411)	778,722	587,751
Total comprehensive income attributable to:				
Owners of the Company	157,861	(10,386)	693,718	518,259
Non-controlling interests	22,382	9,975	85,004	69,492
Total comprehensive income for the period/year	180,243	(411)	778,722	587,751

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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the financial year ended 31 December 2017 (continued)**

Company	Note	Quarter 3 months ended		Year-to-date 12 months ended	
		31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Income derived from investment of shareholders' funds / Total distributable income / Total net income	26	3,722	3,827	338,843	309,713
Personnel expenses	31	(2,506)	(965)	(9,277)	(8,736)
Other overhead expenses	32	(1,697)	(2,013)	(5,320)	(5,342)
		(481)	849	324,246	295,635
Finance cost		(19,430)	(18,649)	(76,849)	(73,809)
Profit before zakat and tax		(19,911)	(17,800)	247,397	221,826
Tax expense	B5	(477)	(683)	(1,938)	(2,455)
Profit for the period/year		(20,388)	(18,483)	245,459	219,371
Attributable to:					
Owners of the Company		(20,388)	(18,483)	245,459	219,371
Profit for the period/year		(20,388)	(18,483)	245,459	219,371
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss:					
Fair value reserve:					
Net change in fair value		52	77	142	659
Net amount transferred to profit or loss		-	(99)	(45)	(642)
Other comprehensive income for the period/year, net of tax		52	(22)	97	17
Total comprehensive income for the period/year		(20,336)	(18,505)	245,556	219,388
Total comprehensive income attributable to:					
Owners of the Company		(20,336)	(18,505)	245,556	219,388
Total comprehensive income for the period/year		(20,336)	(18,505)	245,556	219,388

BIMB Holdings Berhad (423858-X)
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Condensed Statement of Changes in Equity for the financial year ended 31 December 2017

Group	Note	← Attributable to owners of the Company →				Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Non-distributable Share premium RM'000	Other reserves RM'000	Distributable Retained earnings RM'000			
At 1 January 2016		1,542,210	1,991,615	(206,949)	86,782	3,413,658	282,068	3,695,726
Profit for the year		-	-	-	559,040	559,040	70,624	629,664
Other comprehensive income								
Remeasurement of defined benefit liabilities		-	-	-	811	811	1,157	1,968
Currency translation differences in respect of foreign operations		-	-	(15,347)	-	(15,347)	(3,689)	(19,036)
Fair value reserve:								
Net change in fair value		-	-	15,769	-	15,769	502	16,271
Net amount reclassified to profit or loss		-	-	(50,659)	-	(50,659)	898	(49,761)
Income tax credit relating to components of other comprehensive income		-	-	8,645	-	8,645	-	8,645
Total comprehensive income for the year		-	-	(41,592)	559,851	518,259	69,492	587,751
Transfer to statutory reserve		-	-	132,752	(132,752)	-	-	-
Dividends paid to shareholders	B10	-	-	-	(206,529)	(206,529)	-	(206,529)
Dividends paid to non-controlling interest		-	-	-	-	-	(23,835)	(23,835)
Issue of shares pursuant to Dividend Reinvestment Plan		46,469	110,993	-	-	157,462	-	157,462
Share-based payment transactions		-	-	3,927	-	3,927	2,631	6,558
Long Term Incentive Plan exercised		-	-	(3,929)	-	(3,929)	3,929	-
Issue of shares pursuant to conversion of warrants		1	3	-*	-	4	-	4
At 31 December 2016		1,588,680	2,102,611	(115,791)	307,352	3,882,852	334,285	4,217,137

Note 23

* Conversion of warrants amounted to RM242.41

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Condensed Statement of Changes in Equity for the financial year ended 31 December 2017 (continued)

Group	Note	← Attributable to owners of the Company →				Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Non-distributable Share premium RM'000	Other reserves RM'000	Distributable Retained earnings RM'000			
At 1 January 2017		1,588,680	2,102,611	(115,791)	307,352	3,882,852	334,285	4,217,137
Profit for the year		-	-	-	619,838	619,838	83,792	703,630
Other comprehensive income								
Remeasurement of defined benefit liabilities		-	-	-	(141)	(141)	(174)	(315)
Currency translation differences in respect of foreign operations		-	-	42,376	-	42,376	(1,253)	41,123
Fair value reserve:								
Net change in fair value		-	-	47,298	-	47,298	3,092	50,390
Net amount reclassified to profit or loss		-	-	(6,695)	-	(6,695)	(453)	(7,148)
Income tax credit relating to components of other comprehensive income		-	-	(8,958)	-	(8,958)	-	(8,958)
Total comprehensive income for the year		-	-	74,021	619,697	693,718	85,004	778,722
Transfer of reserve fund to retained earnings	1(a)(ii)	-	-	(1,124,774)	1,124,774	-	-	-
Transfer of retained earnings to regulatory reserve	23	-	-	64,645	(64,645)	-	-	-
Dividends payable to shareholders	B10	-	-	-	(229,284)	(229,284)	-	(229,284)
Dividends paid to non-controlling interest		-	-	-	-	-	(39,528)	(39,528)
Issue of shares pursuant to Dividend Reinvestment Plan		183,979	-	-	-	183,979	-	183,979
Transfer of share premium to share capital	1(a)(ii)	2,102,611	(2,102,611)	-	-	-	-	-
Share-based payment transactions		-	-	4,376	-	4,376	2,951	7,327
Long Term Incentive Plan exercised		-	-	(1,702)	-	(1,702)	1,702	-
At 31 December 2017		3,875,270	-	(1,099,225)	1,757,894	4,533,939	384,414	4,918,353

Note 23

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Condensed Statement of Changes in Equity for the financial year ended 31 December 2017 (continued)

Company	Note	Attributable to owners of the Company					Total equity RM'000
		Share capital RM'000	Share premium RM'000	Warrant reserves RM'000	Fair value reserves RM'000	Retained earnings RM'000	
At 1 January 2016		1,542,210	1,991,615	129,300	64	38,417	3,701,606
Profit for the year		-	-	-	-	219,371	219,371
Other comprehensive income							
Fair value reserve:							
Net change in fair value		-	-	-	659	-	659
Net amount reclassified to profit or loss		-	-	-	(642)	-	(642)
Total comprehensive income for the year		-	-	-	17	219,371	219,388
Issue of shares pursuant to Dividend Reinvestment Plan		46,469	110,993	-	-	-	157,462
Issue of shares pursuant to conversion of warrants		1	3	-*	-	-	4
Dividends paid to shareholders	B10	-	-	-	-	(206,529)	(206,529)
At 31 December 2016/ 1 January 2017		1,588,680	2,102,611	129,300	81	51,259	3,871,931
Profit for the year		-	-	-	-	245,459	245,459
Other comprehensive income							
Fair value reserve:							
Net change in fair value		-	-	-	142	-	142
Net amount reclassified to profit or loss		-	-	-	(45)	-	(45)
Total comprehensive income for the year		-	-	-	97	245,459	245,556
Issue of shares pursuant to Dividend Reinvestment Plan		183,979	-	-	-	-	183,979
Transfer of share premium to share capital	1(a)(ii)	2,102,611	(2,102,611)	-	-	-	-
Dividends paid to shareholders	B10	-	-	-	-	(229,284)	(229,284)
At 31 December 2017		3,875,270	-	129,300	178	67,434	4,072,182

* Conversion of warrants amounted to RM242.41

BIMB Holdings Berhad (423858-X)
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**Condensed Statement of Cash Flows for the financial year ended 31
December 2017**

	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before zakat and tax	948,330	869,201	247,397	221,826
Adjustments for:				
Depreciation of property and equipment	66,895	72,580	296	406
Depreciation of investment property	119	224	-	-
Loss/(Gain) on disposal of property and equipment	71	(551)	-	-
Property and equipment written off	(18)	21	-	13
Collective assessment allowance	34,706	161,667	-	-
Individual assessment allowance	71,735	30,662	-	-
Allowance for/(Reversal of) impairment on other assets	243	(608)	-	-
Allowance for impairment on financial assets available-for-sale	-	255	-	-
Net loss/(gain) on sale of financial assets held-for-trading	233	(5,047)	-	-
Net gain on sale of financial assets available-for-sale	(6,157)	(51,249)	-	-
Net gain on sale of financial assets held-to-maturity	(31,551)	-	-	-
Fair value loss/(gain) on financial assets held-for-trading	3,560	(12,020)	-	-
Net derivative loss	779	4,515	-	-
Dividends from securities	(7,727)	(5,871)	(5,080)	(811)
Dividends from subsidiaries	-	-	(325,463)	(298,505)
Reversal of allowance for doubtful debts	-	(4)	-	-
Change in actuarial reserves/ unearned contributions reserve	(10,500)	(6,915)	-	-
Equity settled share-based payment	7,327	6,558	-	-
Amortisation of intangible assets	13,115	12,264	-	-
Finance cost	115,395	110,509	76,849	73,809
Operating profit/(loss) before working capital changes	1,206,555	1,186,191	(6,001)	(3,262)

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**Condensed Statement of Cash Flows for the financial year ended 31
December 2017 (continued)**

	Group		Company	
	12 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before working capital changes	1,206,555	1,186,191	(6,001)	(3,262)
Changes in working capital:				
Deposits and placements of banks and other financial institutions	(30,000)	30,000	-	-
Financing of customers	(3,030,587)	(5,086,913)	-	-
Statutory deposits with Bank Negara Malaysia	(32,408)	216,584	-	-
Other assets	104,720	298,757	214	(115,356)
Deposits from customers	378,843	2,373,224	-	-
Investment accounts of customers	395,473	2,897,766	-	-
Other liabilities	442,060	(45,222)	(294)	(349)
Bills and acceptances payable	373,980	(76,299)	-	-
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Cash (used in)/generated from operations	(191,364)	1,794,088	(6,081)	(118,967)
Zakat paid	(13,171)	(9,009)	-	-
Tax paid	(268,185)	(180,864)	(1,917)	(2,509)
Tax refund	45	10,869	-	-
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Net cash (used in)/generated from operating activities	(472,675)	1,615,084	(7,998)	(121,476)
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Cash flows from investing activities				
Net proceeds from disposal/(purchase) of securities	624,930	(68,464)	(33,795)	-
Purchase of property and equipment	(45,761)	(43,339)	(209)	(42)
Proceeds from disposal of property and equipment	498	1,554	-	-
Dividends from subsidiaries	-	-	325,463	298,505
Dividends from securities	2,647	5,060	-	-
Subscription of ordinary shares pursuant to Dividend Reinvestment Plan	-	-	(200,324)	(130,439)
Intangible assets	(17,000)	-	-	-
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Net cash generated from/(used in) investing activities	565,314	(105,189)	91,135	168,024
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**Condensed Statement of Cash Flows for the financial year ended 31
December 2017 (continued)**

	Group		Company	
	12 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Subordinated Sukuk Murabahah	300,000	-	-	-
Dividends paid	(22,550)	(30,688)	(22,550)	(30,688)
Dividends paid to non-controlling interest	(39,528)	(23,835)	-	-
Payment of coupon on Sukuk	(61,284)	(61,588)	(24,831)	(24,900)
Proceeds from issuance of ordinary shares Pursuant to conversion of warrants	-	4	-	4
	-----	-----	-----	-----
Net cash generated from/(used in) financing activities	176,638	(116,107)	(47,381)	(55,584)
	-----	-----	-----	-----
Net increase/(decrease) in cash and cash equivalents	269,277	1,393,788	35,756	(9,036)
Cash and cash equivalents at beginning of the year	5,655,408	4,280,835	205,318	214,354
Foreign exchange differences	42,149	(19,215)	-	-
	-----	-----	-----	-----
Cash and cash equivalents at end of the year	5,966,834	5,655,408	241,074	205,318
	=====	=====	=====	=====
Cash and cash equivalents comprise:				
Cash and short-term funds	4,807,749	4,502,270	241,074	205,318
Deposits and placements with financial institutions	1,159,085	1,153,138	-	-
	-----	-----	-----	-----
	5,966,834	5,655,408	241,074	205,318
	=====	=====	=====	=====

BIMB Holdings Berhad (423858-X)
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**Explanatory Notes to the Financial Statements for the financial year ended
31 December 2017**

1. Basis of preparation

BIMB Holdings Berhad ("BHB") is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The condensed financial statements of the Group for the financial year ended 31 December 2017 comprise that of the Company and its subsidiaries (together referred to as the Group).

These condensed financial statements were approved for issue by the Board of Directors.

These condensed financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), Financial Reporting for Islamic Banking Institution policy issued by Bank Negara Malaysia ("BNM"), the provisions of the Companies Act, 2016 and Shariah requirements.

The condensed financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016. The explanatory notes attached to the condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

The audited financial statements of the Group for the financial year ended 31 December 2016, are available upon request from the Company's registered office at 31st Floor, Menara Bank Islam, No. 22 Jalan Perak, 50450 Kuala Lumpur.

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1. Basis of preparation (continued)

(i) Amendments to MFRS that were adopted by the Group and the Company

During the financial year, the Group and the Company adopted the following amendments to the standards which came into effect 1 January 2017:

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of these amendments to published standards and interpretations did not have any impact on the financial results of the Group and the Company.

(ii) Significant changes in regulatory requirements

Companies Act 2016

The new Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act became effective from 31 January 2017.

Amongst the key changes introduced in the New Act are:

- (a) the removal of the authorised share capital;
- (b) the ordinary shares will cease to have par or nominal value; and
- (c) the share premium will become part of the share capital.

During the financial year, the Company has transferred RM2,102,611,000 from share premium to its share capital pursuant to the transition provisions set out in Section 618(2) of the New Act.

There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of the transfer of the amount from the share premium account to the share capital account.

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1. Basis of preparation (continued)

(ii) Significant changes in regulatory requirements (continued)

Revised Policy Document on Capital Funds for Islamic Banks issued by Bank Negara Malaysia ("BNM")

On 3 May 2017, BNM issued a revised policy document on Capital Funds for Islamic Banks ("Revised Policy Document"). The issuance of this Revised Policy Document has superseded two guidelines issued by BNM previously, namely Capital Funds and Capital Funds for Islamic Banks dated 1 July 2013.

The key changes in the Revised Policy Document are:

- (a) the removal of the requirement on maintenance of a reserve fund; and
- (b) the revised component of capital funds shall exclude share premium and reserve fund.

During the financial year, the Group has transferred RM1,124,774,000 from reserve fund to its retained earnings pursuant to the Revised Policy Document.

(iii) MFRSs, Amendments to MFRSs and IC Interpretation that have been issued but are not yet effective to the Group and the Company

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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1. Basis of preparation (continued)

(iii) MFRSs, Amendments to MFRSs and IC Interpretation that have been issued but are not yet effective to the Group and the Company (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for the accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2019.
- from the annual period beginning on 1 January 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned in the subsequent paragraphs:

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1. Basis of preparation (continued)

(iii) MFRSs, Amendments to MFRSs and IC Interpretation that have been issued but are not yet effective to the Group and the Company (continued)

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The standard introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The approach for classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held with three measurement categories - amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI").

For impairment, MFRS 9 introduces an expected-loss impairment model which will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments as well as future economic conditions.

The Group and the Company anticipate changes to the financial statements in the areas of classification and measurements for financial assets and liabilities and they are as follows:

- Financing, advances and others that are classified as financing and receivables as well as investments in debt securities classified as held to maturity under MFRS 139 are expected to be classified as financial asset measured at amortised cost under MFRS 9;
- The majority of the debt securities classified as available for sale ("AFS") under MFRS 139 are expected to be classified as investment securities measured at FVOCI;
- Financial assets and liabilities held for trading are expected to be continued to be measured at FVTPL; and
- Investment in equity instruments that are currently classified as AFS and measured at cost due to absent of quoted market price are expected to be classified and measured at FVTPL.

The expected changes on the above classification of financial assets and liabilities are not expected to have material impact on the assets value of the Group.

Separately, under the new expected loss impairment model, the Group expects that the allowance for impairment on financing and investment in securities to increase by approximately 21% as compared to the balance as at 31 December 2017.

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1. Basis of preparation (continued)

(iii) MFRSs, Amendments to MFRSs and IC Interpretation that have been issued but are not yet effective to the Group and the Company (continued)

MFRS 9, *Financial Instruments* (continued)

The Group continues to refine and validate the impairment models which may change the actual impact on adoption.

The Group expects higher impairment provision that would decrease the Group's retained earnings at the date of initial application.

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases. However, a lessee may elect not to apply the requirements for short-term leases which are for the term 12 months or less and leases for which the underlying asset is of low value. For such leases, lessees may elect to expense off the lease payments on a straight line basis over the lease term or using other systematic method. Upon adoption of MFRS 16, the Group is required to account for major part of their operating leases in the balance sheet by recognising the 'right-of-use' asset and the lease liability, thus increasing the assets and liabilities of the Group.

The recognition of the 'right-of-use' asset and the lease liability are expected to increase Bank Islam's total assets and liabilities by less than 1%.

Takaful Malaysia is currently assessing the financial impact that may arise from the adoption of MFRS 16.

2. Audit report of preceding financial year ended 31 December 2016

The auditors' report on the audited financial statements for the financial year ended 31 December 2016 was not qualified.

3. Seasonality and cyclicity of operations

The operations of the Group were not materially affected by any seasonal or cyclical factors for the financial year ended 31 December 2017.

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4. Exceptional or unusual items

There were no items of an exceptional or unusual nature that may affect the assets, liabilities, equity, net income or cash flows of the Group for the financial year ended 31 December 2017.

5. Changes in estimates of amounts reported previously

There were no material changes in estimates of amounts reported in the prior financial year that may have a material effect to the financial statements for the financial year ended 31 December 2017.

6. Issuance or repayment of debt and equity securities

On 31 January 2017, the Company increased its issued and paid-up capital from RM1,588,680,014 to RM1,637,741,014 via the issuance of 49,061,000 new ordinary shares at a consideration of RM3.75 each arising from the Dividend Reinvestment Plan.

7. Significant events during the financial year ended 31 December 2017

- **Dividend received**

On 20 January 2017, Syarikat Takaful Malaysia Berhad paid a single tier dividend of 12.00 sen per ordinary share totalling RM58.986 million for the financial year ended 31 December 2016.

On 15 June 2017, Bank Islam paid a final single tier dividend of 5.58 sen per ordinary share totalling RM134.167 million for the financial year ended 31 December 2016. The entire final dividend was reinvested for acquisition of 41,282,000 new ordinary shares of Bank Islam at a consideration of RM3.25 per share arising from the Dividend Reinvestment Plan.

On 20 September 2017, Bank Islam paid an interim dividend of 5.41 sen per ordinary share totalling RM132.310 million for the six months ended 30 June 2017. From the total dividend amount, approximately 50% was reinvested for acquisition of 20,356,000 new shares of Bank Islam at a consideration of RM3.25 per share via the DRP.

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8. Cash and short-term funds

	31.12.2017	31.12.2016
	RM'000	RM'000
Group		
Cash and balances with banks and other financial institutions	971,106	1,029,924
Money at call and interbank placements with remaining maturity not exceeding one month	3,836,643	3,472,346
	<u>4,807,749</u>	<u>4,502,270</u>
	=====	=====
Company		
Cash and balances with banks and other financial institutions	241,074	205,318
	<u>241,074</u>	<u>205,318</u>
	=====	=====

9. Deposits and placements with financial institutions

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
Licensed banks	1,124,343	1,129,260
Other financial institutions	34,742	23,878
	<u>1,159,085</u>	<u>1,153,138</u>
	=====	=====

10. Financial assets held-for-trading

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
At fair value		
- Malaysian Government Investment Issues	355,681	324,500
- Shares	134,220	121,240
- Sukuk	111,273	311,962
- Unit trusts	6,257	19,908
	<u>607,431</u>	<u>777,610</u>
	=====	=====

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11. Derivative financial assets/(liabilities)

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss and hedging purposes. The principal or contractual amount of these instruments reflect the volume of transactions outstanding at financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

Group	Notional	Fair value	
	Amount	Assets	Liabilities
	RM'000	RM'000	RM'000
31.12.2017			
Forward contracts	3,218,824	63,827	(72,767)
Profit rate swaps	607,992	4,492	(1,901)
	3,826,816	68,319	(74,668)
31.12.2016			
Forward contracts	3,117,570	117,445	(107,469)
Profit rate swaps	836,027	7,127	(3,620)
	3,953,597	124,572	(111,089)

12. Financial assets available-for-sale

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
At fair value		
- Sukuk	10,915,814	10,158,696
- Malaysian Government Investment Issues	1,525,094	2,057,324
- Unit trusts	372,566	353,600
- Institutional Trust Account	251,051	160,112
- Malaysian Government Islamic Papers	218,952	148,793
- Shares	208,660	374,883
- Negotiable Islamic Debt Certificate	-	496,681
	13,492,137	13,750,089

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12. Financial assets available-for-sale (continued)

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
At cost		
- Shares	23,849	25,797
Less: Accumulated impairment loss*	(18,549)	(20,497)
	<u>5,300</u>	<u>5,300</u>
	-----	-----
	<u>13,497,437</u>	<u>13,755,389</u>
	=====	=====

* Movement in accumulated impairment loss due to translation differences.

	Company	
	31.12.2017	31.12.2016
	RM'000	RM'000
At fair value		
- Unit trusts #	174,546	135,406
	=====	=====

Included unit trusts managed by a subsidiary of the Group of RM168,209,955 (2016: RM129,326,180).

13. Financial assets held-to-maturity

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
At amortised cost		
- Malaysian Government Islamic Papers	59,994	105,037
- Sukuk	463,417	532,936
Less: Accumulated impairment loss	(6,887)	(6,887)
	<u>456,530</u>	<u>526,049</u>
	-----	-----
	<u>516,524</u>	<u>631,086</u>
	=====	=====

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14. Financing, advances and others

(a) By type and Shariah contract

Group	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai Al-Dayn RM'000	Bai Al-Inah RM'000	At-Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek RM'000	Ijarah Thumma Al-Bai RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
31 December 2017										
At amortised cost										
Cash line	-	-	-	29,197	1,207,519	-	-	-	-	1,236,716
Term financing										
House financing ^	4,127,474	-	-	-	11,981,534	-	-	55,733	-	16,164,741
Syndicated financing	-	-	-	44,968	578,156	-	108,570	-	-	731,694
Leasing financing	-	-	-	-	-	87,945	299	-	-	88,244
Bridging financing	-	-	-	-	-	-	-	76,622	-	76,622
Personal financing ^	-	-	-	20,340	12,347,365	-	-	-	-	12,367,705
Other term financing	1,532,421	1,130,377	-	3,429	7,558,287	-	-	1,257	-	10,225,771
Staff financing	71,358	7,634	-	-	134,660	-	-	11,676	-	225,328
Credit cards	-	-	-	-	458,138	-	-	-	-	458,138
Trade bills discounted	-	819,992	186,433	-	-	-	-	-	-	1,006,425
Trust receipts	-	2,922	-	-	-	-	-	-	-	2,922
Pawn broking	-	-	-	-	-	-	-	-	87,222	87,222
Investment Account Platform *	-	-	-	-	14,408	-	-	-	-	14,408
	<u>5,731,253</u>	<u>1,960,925</u>	<u>186,433</u>	<u>97,934</u>	<u>34,280,067</u>	<u>87,945</u>	<u>108,869</u>	<u>145,288</u>	<u>87,222</u>	<u>42,685,936</u>
Allowance for impaired financing, advances and others										
- collective assessment allowance										(446,069)
- individual assessment allowance										(126,447)
Net financing, advances and others										<u>42,113,420</u>

^ Included in house financing and personal financing are the underlying assets under the Unrestricted Investment Accounts ("URIA") amounting RM2,982,183,000 and RM987,161,000 respectively as disclosed in Note 18 of these financial statements.

* This represents a term financing of Bank Islam's participation in Investment Account Platform ("IAP") to finance viable ventures via Restricted Investment Account.

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14. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group	Bai'		Bai	Bai		Ijarah	Ijarah			Total
31 December 2016	Bithaman	Murabahah	Al-Dayn	Al-Inah	At-Tawarruq	Muntahiah	Thumma	Istisna'	Ar-Rahnu	RM'000
	Ajil	RM'000	RM'000	RM'000	RM'000	Bit-Tamleek	Al-Bai	RM'000	RM'000	RM'000
	RM'000					RM'000	RM'000			
At amortised cost										
Cash line	-	-	-	37,899	1,199,021	-	-	-	-	1,236,920
Term financing										
House financing ^	4,484,247	-	-	-	9,503,014	-	-	59,088	-	14,046,349
Syndicated financing	-	-	-	196,129	1,045,889	-	123,189	-	-	1,365,207
Leasing financing	-	-	-	-	-	90,610	902	-	-	91,512
Bridging financing	-	-	-	-	-	-	-	82,313	-	82,313
Personal financing ^	-	-	-	42,177	11,197,744	-	-	-	-	11,239,921
Other term financing	2,086,188	933,316	-	4,063	7,106,669	-	-	1,503	-	10,131,739
Staff financing	83,743	5,087	-	-	98,821	-	-	14,218	-	201,869
Credit cards	-	-	-	9,004	450,388	-	-	-	-	459,392
Trade bills discounted	-	741,037	180,010	-	-	-	-	-	-	921,047
Trust receipts	-	5,169	-	-	-	-	-	-	-	5,169
Pawn broking	-	-	-	-	-	-	-	-	85,315	85,315
Investment Account Platform *	-	-	-	-	5,690	-	-	-	-	5,690
	<u>6,654,178</u>	<u>1,684,609</u>	<u>180,010</u>	<u>289,272</u>	<u>30,607,236</u>	<u>90,610</u>	<u>124,091</u>	<u>157,122</u>	<u>85,315</u>	<u>39,872,443</u>
	=====	=====	=====	=====	=====	=====	=====	=====	=====	
Allowance for impaired financing, advances and others										
- collective assessment allowance										(554,971)
- individual assessment allowance										(128,198)
										<u>39,189,274</u>
										=====

^ Included in house financing and personal financing are the underlying assets under the Unrestricted Investment Accounts ("URIA") amounting RM2,568,123,000 and RM1,005,748,000 respectively as disclosed in Note 18 of these financial statements.

* This represents a term financing of Bank Islam's participation in Investment Account Platform ("IAP") to finance viable ventures via Restricted Investment Account.

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14. Financing, advances and others (continued)

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
(b) By type of customer		
Domestic non-bank financial institutions	1,354,806	1,376,559
Domestic business enterprise	7,015,168	6,908,806
Small medium industries	896,444	896,530
Government and statutory bodies	820,586	938,069
Individuals	31,986,842	28,957,975
Other domestic entities	8,195	7,239
Foreign entities	603,895	787,265
	42,685,936	39,872,443
	=====	=====
(c) By profit rate sensitivity		
Fixed rate		
House financing	1,168,200	1,268,632
Others	3,560,756	4,059,422
Floating rate		
House financing	15,625,095	13,382,969
Others	22,331,885	21,161,420
	42,685,936	39,872,443
	=====	=====
(d) By remaining contractual maturity		
Maturity within one year	4,414,217	4,312,581
More than one year to three years	1,087,304	1,400,480
More than three years to five years	2,598,903	2,197,573
More than five years	34,585,512	31,961,809
	42,685,936	39,872,443
	=====	=====
(e) By geographical distribution		
Central Region	20,673,380	18,853,925
Eastern Region	6,860,968	6,534,376
Northern Region	6,121,471	5,864,200
Southern Region	5,908,526	5,499,121
East Malaysia Region	3,121,591	3,120,821
	42,685,936	39,872,443
	=====	=====

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14. Financing, advances and others (continued)

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
(f) By sector		
Primary agriculture	486,679	377,285
Mining and quarrying	8,080	12,931
Manufacturing (including agro-based)	835,268	747,410
Electricity, gas and water	337,388	868,319
Wholesale & retail trade, and hotels & restaurants	1,228,681	1,274,954
Construction	2,176,453	2,161,215
Real estate	1,582,531	1,205,740
Transport, storage and communications	655,633	870,559
Finance, insurance and business activities	2,147,118	2,134,947
Education, health and others	1,210,056	1,256,209
Household sectors	32,018,049	28,962,874
	42,685,936	39,872,443
	=====	=====
(g) Movement in impaired financing and advances ("impaired financing") are as follows:		
At 1 January 2017/2016	389,445	381,270
Classified as impaired during the year	648,281	580,341
Reclassified as not impaired during the year	(331,592)	(284,602)
Amount recovered	(92,432)	(112,502)
Amount written off	(209,231)	(178,052)
Exchange differences	(6,194)	2,990
	398,277	389,445
	=====	=====
Gross impaired financing as a percentage of gross financing, advances and others	0.93%	0.98%
	=====	=====

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14. Financing, advances and others (continued)

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
(h) Impaired financing by geographical distribution		
Central Region	223,305	142,841
Eastern Region	107,422	92,848
Northern Region	28,710	36,299
Southern Region	22,915	31,329
East Malaysia Region	15,925	86,128
	<hr/> 398,277 <hr/>	<hr/> 389,445 <hr/>
	=====	=====
(i) Impaired financing by sector		
Primary agriculture	-	1,311
Manufacturing (including agro-based)	35,448	36,739
Wholesale & retail trade, and hotels & restaurants	38,433	25,651
Construction	86,357	13,714
Transport, storage and communications	12,604	15,579
Finance, insurance and business activities	3,799	70,948
Education, health and others	5,106	3,076
Household sectors	216,530	222,427
	<hr/> 398,277 <hr/>	<hr/> 389,445 <hr/>
	=====	=====
(j) Movement of allowance for impaired financing		
<u>Collective assessment allowance</u>		
At 1 January 2017/2016	554,971	541,065
Allowance made during the year	34,706	161,667
Amount written off	(141,940)	(146,725)
Exchange differences	(1,668)	(1,036)
	<hr/> 446,069 <hr/>	<hr/> 554,971 <hr/>
At 31 December 2017/2016	=====	=====

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14. Financing, advances and others (continued)

(j) Movement of allowance for impaired financing (continued)

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
<u>Individual assessment allowance</u>		
At 1 January 2017/2016	128,198	124,471
Allowance made during the year	102,059	54,566
Amount recovered	(30,324)	(23,904)
Amount written off	(67,291)	(29,928)
Exchange differences	(6,195)	2,993
	<hr/>	<hr/>
At 31 December 2017/2016	126,447	128,198
	<hr/> <hr/>	<hr/> <hr/>

15. Other assets

	31.12.2017	31.12.2016
	RM'000	RM'000
Group		
Clients' and dealers' debit balances	47,395	63,599
Deposits and prepayments	43,714	46,237
Other financing	78,620	81,850
Investment receivables	97,659	172,014
Other receivables	99,604	81,061
	<hr/>	<hr/>
	366,992	444,761
	<hr/> <hr/>	<hr/> <hr/>
Company		
Amount due from subsidiaries	320	479
Deposits and prepayments	462	409
Other receivables	1,169	1,445
	<hr/>	<hr/>
	1,951	2,333
	<hr/> <hr/>	<hr/> <hr/>

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16. Takaful assets

		Group	
	Note	31.12.2017	31.12.2016
		RM'000	RM'000
Retakaful assets:			
- Claims liabilities	21(a)(i)	254,804	261,426
- Contribution liabilities	21(a)(ii)	71,308	62,969
- Actuarial liabilities	21(a)(iii)	179,484	144,096
		<hr/> 505,596	<hr/> 468,491
		-----	-----
Takaful receivables			
- Due contributions		139,677	136,214
- Due from retakaful/co-takaful		39,728	42,869
		<hr/> 179,405	<hr/> 179,083
Less: Allowance for impaired receivables		(7,288)	(9,375)
		<hr/> 172,117	<hr/> 169,708
		-----	-----
		677,713	638,199
		=====	=====

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17. Deposits from customers

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
(a) By type of deposit		
Savings deposits		
<i>Wadiah</i>	4,138,519	4,131,604
Demand deposits		
<i>Wadiah</i>	11,297,399	9,928,598
Term Deposit	30,331,784	31,325,023
Special Investment Deposit <i>Mudharabah</i>	6,182	27,711
General Investment Deposit <i>Mudharabah</i>	322,388	394,472
Term Deposit-i <i>Tawarruq</i>	26,442,155	27,833,428
Negotiable Islamic Debt Certificates ("NIDC")	3,561,059	3,069,412
Others	102,894	106,528
Total Deposits	45,870,596	45,491,753
(b) Maturity structure of term deposits are as follows:		
Due within six months	18,287,237	26,108,266
More than six months to one year	8,734,219	4,157,963
More than one year to three years	1,618,691	690,590
More than three years to five years	1,691,637	368,204
	30,331,784	31,325,023
(c) By type of customer		
Domestic non-bank financial institutions	13,741,161	15,053,052
Business enterprises	12,406,686	11,730,076
Government and statutory bodies	8,847,454	6,890,474
Individuals	4,810,541	4,817,561
Domestic banking institutions	3,395,740	2,994,256
Others	2,669,014	4,006,334
	45,870,596	45,491,753

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18. Investment accounts of customers

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
(a) By type and Shariah contract		
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	1,994,491	1,516,844
With maturity		
<i>Wakalah</i>	1,974,853	2,057,027
	3,969,344	3,573,871
	=====	=====
Restricted investment accounts ("RIA") managed by		
Bank Islam[^]		
With maturity		
<i>Wakalah</i>	124,384	141,343
	=====	=====

[^] Included in RIA managed by Bank Islam ("the Bank") is an arrangement between the Bank and its ultimate holding entity where the Bank acts as an investment agent to manage and administer the RIA, with underlying assets amounting to RM123,962,000 (2016:RM141,033,000).

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
(b) By type of customers		
Individuals	2,212,239	1,677,636
Government and statutory bodies	400,709	762,888
Business enterprises	474,464	737,961
Non-bank financial institutions	786,457	237,735
Bank and other financial institutions	-	45,919
Others	95,475	111,732
	3,969,344	3,573,871
	=====	=====

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18. Investment accounts of customers (continued)

(c) Movement of investment accounts of customers

Group	Unrestricted investment accounts			Restricted investment
	Mudharabah RM'000	Wakalah RM'000	Total RM'000	Wakalah RM'000
As at 1 January 2016	461,312	214,793	676,105	82,567
<i>Funding inflows/outflows:</i>				
Net movement	1,054,331	-	1,054,331	-
New placement	-	12,316,909	12,316,909	75,412
Redemption/Principal repayment	-	(10,500,249)	(10,500,249)	(20,256)
Income from investment	61,379	34,620	95,999	8,948
<i>Bank Islam's share of profit:</i>				
Profit distributed to Mudharib	(60,178)	-	(60,178)	-
Wakalah performance incentive fee	-	(9,046)	(9,046)	(5,328)
As at 31 December 2016/ 1 January 2017	1,516,844	2,057,027	3,573,871	141,343
<i>Funding inflows/outflows:</i>				
Net movement	475,709	-	475,709	-
New placement	-	3,550,293	3,550,293	19,939
Redemption/Principal repayment	-	(3,727,155)	(3,727,155)	(46,150)
Income from investment	94,386	139,112	233,498	11,847
<i>Bank Islam's share of profit:</i>				
Profit distributed to Mudharib	(92,448)	-	(92,448)	-
Wakalah performance incentive fee	-	(44,424)	(44,424)	(2,595)
As at 31 December 2017	1,994,491	1,974,853	3,969,344	124,384
<i>Investment portfolio:</i>				
2016				
House financing	1,516,844	1,051,279	2,568,123	-
Personal financing	-	1,005,748	1,005,748	-
Other term financing	-	-	-	141,343
	1,516,844	2,057,027	3,573,871	141,343
2017				
House financing	1,994,491	987,692	2,982,183	-
Personal financing	-	987,161	987,161	-
Other term financing	-	-	-	124,384
	1,994,491	1,974,853	3,969,344	124,384

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18. Investment accounts of customers (continued)

(d) By maturity structures, profit sharing ratio and rate of return

	Investment account holders			Bank Islam's
	Total	Average	Average	wakalah
	Amount	profit	rate	performance
	RM'000	sharing ratio	of return	incentive fee
		(%)	(%)	(%)
2017				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
- <i>Mudharabah</i>	1,994,491	2	0.11	-
- <i>Wakalah</i>	938,830	-	3.69	1.45
	<u>2,933,321</u>			
<i>Between 3 to 12 months</i>				
- <i>Wakalah</i>	1,036,023	-	3.72	1.42
	<u>3,969,344</u>			
	=====			
Restricted investment accounts:				
<i>Less than 2 years</i>	10,000	-	6.30	0.30
<i>Between 2 to 5 years</i>	114,384	-	3.52	1.88
	<u>124,384</u>			
	=====			
2016				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
- <i>Mudharabah</i>	1,516,844	2	0.13	-
- <i>Wakalah</i>	1,863,040	-	3.61	1.27
	<u>3,379,884</u>			
<i>Between 3 to 12 months</i>				
- <i>Wakalah</i>	193,987	-	3.72	1.16
	<u>3,573,871</u>			
	=====			
Restricted investment accounts:				
<i>Between 2 to 5 years</i>	141,343	-	3.00	1.18
	<u>141,343</u>			
	=====			

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19. Deposits and placements of banks and other financial institutions

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
<i>Non-Mudharabah fund</i>		
Licensed Islamic banks	-	30,000
	=====	=====

20. Other liabilities

	31.12.2017	31.12.2016
	RM'000	RM'000
Group		
Accruals and other payables	990,277	836,208
Clients' and dealers' credit balances	47,048	63,205
Dividend payable	229,284	206,529
	<u>1,266,609</u>	<u>1,105,942</u>
	=====	=====
Company		
Accruals and other payables	3,244	3,607
Amount due to subsidiaries	70	1
Dividend payable	229,284	206,529
	<u>232,598</u>	<u>210,137</u>
	=====	=====

The amount due to subsidiaries is non-trade, unsecured, not subject to financing charge and repayable on demand.

21. Takaful liabilities

		Group	
	Note	31.12.2017	31.12.2016
		RM'000	RM'000
Takaful contract liabilities	21(a)	6,658,675	6,396,375
Expense reserves	21(b)	196,655	159,310
Takaful payables	21(c)	106,983	83,411
		<u>6,962,313</u>	<u>6,639,096</u>
		=====	=====

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21. Takaful liabilities (continued)

(a) Takaful contract liabilities

The takaful contract liabilities comprise the following:

		Group	
	Note	31.12.2017	31.12.2016
		RM'000	RM'000
Provision for outstanding claims	21(a)(i)	545,134	582,184
Provision for unearned contributions	21(a)(ii)	341,975	316,569
Participants' fund	21(a)(iii)	5,771,566	5,497,622
		<u>6,658,675</u>	<u>6,396,375</u>
		=====	=====

(i) Provision for outstanding claims

The provision for outstanding claims is further analysed as follows:

	Gross	31.12.2017	Net
	RM'000	Retakaful	RM'000
		RM'000	RM'000
Group			
Provision for claims reported by participants	253,121	(143,907)	109,214
Provision for IBNR*	292,013	(110,897)	181,116
	<u>545,134</u>	<u>(254,804)</u>	<u>290,330</u>
	=====	=====	=====
		Note 16	

	Gross	31.12.2016	Net
	RM'000	Retakaful	RM'000
		RM'000	RM'000
Group			
Provision for claims reported by participants	259,275	(150,305)	108,970
Provision for IBNR*	322,909	(111,121)	211,788
	<u>582,184</u>	<u>(261,426)</u>	<u>320,758</u>
	=====	=====	=====
		Note 16	

* Incurred-but-not-reported ("IBNR")

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21. Takaful liabilities (continued)

(a) Takaful contract liabilities (continued)

(i) Provision for outstanding claims (continued)

Movement of provision for outstanding claims:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 1 January 2016	741,069	(404,205)	336,864
Claims incurred during the year	1,053,099	(161,586)	891,513
Adjustment to claims incurred in prior accident years	(60,464)	44,530	(15,934)
Claims paid during the year	(1,127,519)	244,762	(882,757)
(Decrease)/Increase in IBNR	(24,576)	15,275	(9,301)
Effect of movement in exchange rates	575	(202)	373
	-----	-----	-----
At 31 December 2016/ 1 January 2017	582,184	(261,426)	320,758
Claims incurred during the year	1,029,324	(164,258)	865,066
Adjustment to claims incurred in prior accident years	(10,176)	2,108	(8,068)
Claims paid during the year	(1,005,307)	163,996	(841,311)
(Decrease)/Increase in IBNR	(48,452)	3,617	(44,835)
Disposal of subsidiary	(1,729)	861	(868)
Effect of movement in exchange rates	(710)	298	(412)
	-----	-----	-----
At 31 December 2017	545,134	(254,804)	290,330
	=====	=====	=====

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21. Takaful liabilities (continued)

(a) Takaful contract liabilities (continued)

(ii) Provision for unearned contributions

The provision for unearned contributions is further analysed as follows:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
31.12.2017	341,975 =====	(71,308) =====	270,667 =====
		Note 16	
31.12.2016	316,569 =====	(62,969) =====	253,600 =====
		Note 16	

Movement of provision for unearned contributions:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 1 January 2016	297,773	(55,893)	241,880
Contributions written during the year	516,651	(201,122)	315,529
Contributions earned during the year	(498,631)	194,207	(304,424)
Effect of movement in exchange rates	776	(161)	615
	-----	-----	-----
At 31 December 2016/ 1 January 2017	316,569	(62,969)	253,600
Contributions written during the year	587,344	(250,490)	336,854
Contributions earned during the year	(554,244)	241,398	(312,846)
Disposal of subsidiary	(6,886)	603	(6,283)
Effect of movement in exchange rates	(808)	150	(658)
	-----	-----	-----
At 31 December 2017	341,975 =====	(71,308) =====	270,667 =====

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21. Takaful liabilities (continued)

(a) Takaful contract liabilities (continued)

(iii) Participants' fund

Participants' fund balance at end of the reporting period comprises the following:

	Gross	Group	Net
	RM'000	Retakaful	RM'000
		RM'000	RM'000
31.12.2017			
Actuarial liabilities	4,755,894	(179,484)	4,576,410
Unallocated surplus/accumulated surplus	962,329	-	962,329
AFS reserve	(27,468)	-	(27,468)
Translation reserve	(1,565)	-	(1,565)
Net assets value attributable to unitholders	82,376	-	82,376
	<u>5,771,566</u>	<u>(179,484)</u>	<u>5,592,082</u>
	=====	=====	=====
		Note 16	
31.12.2016			
Actuarial liabilities	4,389,596	(144,096)	4,245,500
Unallocated surplus/accumulated surplus	954,378	-	954,378
AFS reserve	(54,684)	-	(54,684)
Translation reserve	(872)	-	(872)
Net assets value attributable to unitholders	209,204	-	209,204
	<u>5,497,622</u>	<u>(144,096)</u>	<u>5,353,526</u>
	=====	=====	=====
		Note 16	

(b) Expense reserves

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
At 1 January 2017/2016	159,310	142,258
Provision for the year, net	37,897	16,676
Effect of movement in exchange rates	(552)	376
	<u>196,655</u>	<u>159,310</u>
	=====	=====

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21. Takaful liabilities (continued)

(c) Takaful payables

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
Due to retakaful companies	86,409	65,610
Due to Intermediaries/Participants	20,574	17,801
	106,983	83,411
	=====	=====

22. Sukuk liabilities

	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Sukuk liabilities	1,279,512	1,227,494	1,279,512	1,227,494
Subordinated Sukuk Murabahah	956,350	654,257	-	-
	2,235,862	1,881,751	1,279,512	1,227,494
	=====	=====	=====	=====

The Sukuk liabilities comprise the following:

- a) The 10-year Islamic securities of RM1.66 billion (2016: RM1.66 billion) in nominal value issued by the Company on 12 December 2013; and
- b) Three (3) Tranches of the Subordinated Sukuk Murabahah amounting to RM1.0 billion (2016: RM700 million) issued by Bank Islam Malaysia Berhad ("the Bank") are as follows:
 - On 22 April 2015, the Bank issued the first tranche of RM300 million in nominal value of the 10-year Subordinated Sukuk Murabahah which is due on 22 April 2025, with optional redemption on 22 April 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.75% per annum payable semi-annually in arrears.
 - On 15 December 2015, the Bank issued the second tranche of RM400 million which is due on 15 December 2025, with optional redemption on 15 December 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.50% per annum payable semi-annually in arrears.
 - On 13 November 2017, the Bank issued the third tranche of RM300 million which are due on 12 November 2027, with optional redemption on 12 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.08% per annum payable semi-annually in arrears.

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22. Sukuk liabilities (continued)

The Sukuk liabilities comprise the following: (continued)

- b) The Subordinated Sukuk Murabahah qualifies as Tier II capital for the computation of the regulatory capital of the Bank in accordance with the Capital Adequacy Framework (Capital Components) for Islamic Banks issued by BNM.

Reconciliation of movement of Sukuk Liabilities to cash flows arising from financing activities is as follows:

	At 1.1.2017 RM'000	Net changes from financing cash flows			Finance cost for the year RM'000	At 31.12.2017 RM'000
		Issuance	Finance cost payable	Total		
		RM'000	RM'000	RM'000		
Group Sukuk Liabilities	1,227,494	-	(24,831)	(24,831)	76,849	1,279,512
Sukuk Murabahah	654,257	300,000	(36,453)	263,547	38,546	956,350
	1,881,751	300,000	(61,284)	238,716	115,395	2,235,862

23. Other reserves

	Group	
	31.12.2017 RM'000	31.12.2016 RM'000
Capital reserve	6,863	6,863
Warrant reserve	129,300	129,300
Statutory reserve	-	1,124,774
Fair value reserve	(10,956)	(42,601)
Translation reserve	(96,615)	(138,991)
Regulatory reserve #	64,645	-
Long Term Incentive Plan reserve	7,285	4,611
	100,522	1,083,956
Acquisition reserve	(1,199,747)	(1,199,747)
	(1,099,225)	(115,791)

This represents the Bank Islam's compliance with BNM's Policy on Classification and Impairment Provisions for Financing to maintain, in aggregate, collective impairment allowances and regulatory reserve of no less than 1.2% of total outstanding financing, net of individual impairment allowances.

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23. Other reserves (continued)

Group	Capital reserve RM'000	Statutory reserve RM'000	Warrant reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Regulatory reserve RM'000	LTIP* reserve RM'000	Total RM'000
At 1 January 2016	6,863	992,022	129,300	(16,356)	(123,644)	-	4,613	992,798
Foreign exchange translation differences	-	-	-	-	(15,347)	-	-	(15,347)
Fair value reserve:								
Net change in fair value	-	-	-	15,769	-	-	-	15,769
Net amount reclassified to profit or loss	-	-	-	(50,659)	-	-	-	(50,659)
Income tax credit relating to components of other comprehensive income	-	-	-	8,645	-	-	-	8,645
Transfer from current year profit	-	132,752	-	-	-	-	-	132,752
Share-based payment transactions	-	-	-	-	-	-	3,927	3,927
LTIP exercised	-	-	-	-	-	-	(3,929)	(3,929)
Issue of shares pursuant to conversion of warrant	-	-	-	-	-	-	-	-
At 31 December 2016/1 January 2017	6,863	1,124,774	129,300	(42,601)	(138,991)	-	4,611	1,083,956
Foreign exchange translation differences	-	-	-	-	42,376	-	-	42,376
Fair value reserve:								
Net change in fair value	-	-	-	47,298	-	-	-	47,298
Net amount reclassified to profit or loss	-	-	-	(6,695)	-	-	-	(6,695)
Income tax credit relating to components of other comprehensive income	-	-	-	(8,958)	-	-	-	(8,958)
Transfer of reserve fund to retained earnings	-	(1,124,774)	-	-	-	-	-	(1,124,774)
Transfer of retained earnings to regulatory reserve	-	-	-	-	-	64,645	-	64,645
Share-based payment transactions	-	-	-	-	-	-	4,376	4,376
LTIP exercised	-	-	-	-	-	-	(1,702)	(1,702)
At 31 December 2017	6,863	-	129,300	(10,956)	(96,615)	64,645	7,285	100,522

^ Conversion of warrants amounted to RM242.41

* Long Term Incentive Plan

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24. Income derived from investment of depositors' funds

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	5,111	35,756	22,296	55,715
(ii) Term deposit-i	342,832	330,132	1,370,064	1,339,854
(iii) Saving and demand deposits	186,307	179,015	739,255	793,868
(iv) Other deposits	40,389	31,794	192,572	152,767
	574,639	576,697	2,324,187	2,342,204
	=====	=====	=====	=====

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24. Income derived from investment of depositors' funds (continued)

(i) **Income derived from investment of general investment deposits**

Group	Quarter 3 months ended		Year-to-date 12 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Finance income and hibah				
Financing, advances and others	4,593	29,783	19,305	46,815
Financial assets:				
- Held-for-trading	25	342	142	497
- Available-for-sale	387	4,379	2,136	6,207
- Held-to-maturity	2	82	60	128
Money at call and deposit with financial institutions	84	488	296	697
	5,091	35,074	21,939	54,344
Other dealing income				
Net (loss)/gain from sale of financial assets held-for-trading	(3)	34	(10)	149
Net gain/(loss) on revaluation of financial assets held-for-trading	11	(128)	46	(70)
	8	(94)	36	79
Other operating income				
Net gain from sale of financial assets available-for-sale	12	776	51	1,292
Net gain from sale of financial assets held-to-maturity	-	-	270	-
	12	776	321	1,292
	5,111	35,756	22,296	55,715
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	57	181	322	827

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24. Income derived from investment of depositors' funds (continued)

(ii) **Income derived from investment of term deposit-i**

Group	Quarter		Year-to-date	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	305,069	281,514	1,170,411	1,137,396
Financial assets:				
- Held-for-trading	1,939	3,191	9,643	11,313
- Available-for-sale	28,901	46,095	144,803	142,503
- Held-to-maturity	161	465	4,085	2,861
Money at call and deposit with financial institutions	5,461	5,023	16,156	16,007
	341,531	336,288	1,345,098	1,310,080
Other dealing income				
Net (loss)/gain from sale of financial assets held-for-trading	(283)	(2,987)	(442)	2,995
Net gain/(loss) on revaluation of financial assets held-for-trading	730	(5,175)	3,084	(2,247)
	447	(8,162)	2,642	748
Other operating income				
Net gain from sale of financial assets available-for-sale	854	2,006	3,480	29,026
Net gain from sale of financial assets held-to-maturity	-	-	18,844	-
	854	2,006	22,324	29,026
	342,832	330,132	1,370,064	1,339,854
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	4,233	4,577	18,818	18,818

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24. Income derived from investment of depositors' funds (continued)

(iii) **Income derived from investment of saving and demand deposits**

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	12 months ended	12 months ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	165,778	152,621	630,634	673,911
Financial assets:				
- Held-for-trading	1,054	1,753	5,192	6,703
- Available-for-sale	15,701	26,084	78,063	84,433
- Held-to-maturity	90	204	2,202	1,695
Money at call and deposit with financial institutions	2,972	2,812	10,077	9,484
	185,595	183,474	726,168	776,226
Other dealing income				
Net (loss)/gain from sale of financial assets held-for-trading	(156)	(1,882)	(275)	1,775
Net gain/(loss) on revaluation of financial assets held-for-trading	412	(3,144)	1,649	(1,331)
	256	(5,026)	1,374	444
Other operating income				
Net gain from sale of financial assets available-for-sale	456	567	1,866	17,198
Net gain from sale of financial assets held-to-maturity	-	-	9,847	-
	456	567	11,713	17,198
	186,307	179,015	739,255	793,868
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	2,300	2,379	10,288	11,150

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24. Income derived from investment of depositors' funds (continued)

(iv) **Income derived from investment of other deposits**

Group	Quarter 3 months ended		Year-to-date 12 months ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Finance income and hibah				
Financing, advances and others	35,911	27,225	164,014	129,683
Financial assets:				
- Held-for-trading	233	323	1,371	1,290
- Available-for-sale	3,390	4,614	20,574	16,248
- Held-to-maturity	23	73	578	327
Money at call and deposit with financial institutions	656	491	2,560	1,825
	40,213	32,726	189,097	149,373
Other dealing income				
Net (loss)/gain from sale of financial assets held-for-trading	(35)	(374)	(38)	341
Net gain/(loss) on revaluation of financial assets held-for-trading	123	(713)	435	(256)
	88	(1,087)	397	85
Other operating income				
Net gain from sale of financial assets available-for-sale	88	155	488	3,309
Net gain from sale of financial assets held-to-maturity	-	-	2,590	-
	88	155	3,078	3,309
	40,389	31,794	192,572	152,767
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	495	484	2,738	2,145

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25. Income derived from investment account funds

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	25,517	19,925	94,386	61,379
- <i>Wakalah</i>	34,657	24,350	142,806	40,902
	<u>60,174</u>	<u>44,275</u>	<u>237,192</u>	<u>102,281</u>
	=====	=====	=====	=====

26. Income derived from investment of shareholders' funds

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	1,898	1,646	6,951	6,355
Financial assets available-for-sale	44,297	14,581	147,372	125,468
Money at call and deposits with financial institutions	3,258	2,372	11,391	12,583
	<u>49,453</u>	<u>18,599</u>	<u>165,714</u>	<u>144,406</u>
	-----	-----	-----	-----
Other dealing income				
Net gain from foreign exchange transactions	16,986	22,110	66,396	73,114
Net (loss)/gain from sale of financial assets held-for-trading	(7)	1	532	(213)
Net gain/(loss) on revaluation of financial assets held-for-trading	116	2	(66)	362
Net derivatives gain/(loss)	342	2,884	(779)	(4,515)
	<u>17,437</u>	<u>24,997</u>	<u>66,083</u>	<u>68,748</u>
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26. Income derived from investment of shareholders' funds (continued)

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Other operating income				
Net gain from sale of financial assets available-for-sale	-	-	272	424
Reversal of doubtful debts	-	1	-	4
Gross dividend income from securities:				
- Quoted in Malaysia	4	33	47	69
- Unquoted in Malaysia	-	-	-	1,612
- Unit trust in Malaysia	2,096	1,032	7,680	4,190
Fees and commission	60,012	47,040	195,857	179,581
Net (loss)/gain on disposal of property and equipment	(3)	1,009	(71)	551
Rental income	377	403	1,445	1,439
Others	164	77	402	173
	<u>62,650</u>	<u>49,595</u>	<u>205,632</u>	<u>188,043</u>
	<u>129,540</u>	<u>93,191</u>	<u>437,429</u>	<u>401,197</u>

Company	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Money at call and deposits with financial institutions	2,488	3,048	8,294	10,394
	<u>2,488</u>	<u>3,048</u>	<u>8,294</u>	<u>10,394</u>
Other operating income				
Gross dividend income from securities:				
- Unit trust in Malaysia	1,234	268	5,080	811
Gross dividend income from subsidiary companies	-	510	325,463	298,505
Others	-	1	6	3
	<u>1,234</u>	<u>779</u>	<u>330,549</u>	<u>299,319</u>
	<u>3,722</u>	<u>3,827</u>	<u>338,843</u>	<u>309,713</u>

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27. Net income from Takaful business

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Net earned contributions				
Gross earned contributions	457,104	447,150	1,814,765	1,725,099
Contribution ceded to retakaful	(85,884)	(64,784)	(297,576)	(242,172)
	371,220	382,366	1,517,189	1,482,927
Other income				
Administration income	24,638	20,487	80,865	56,583
Investment income	76,401	67,745	291,746	268,612
Realised gains and losses	(1,831)	(21,886)	23,135	(2,997)
Fair value gains and losses	7,314	19	(8,708)	15,562
Other operating income	(739)	2,459	4,047	6,002
	105,783	68,824	391,085	343,762
Net benefits and claims				
Gross benefits and claims paid	(263,763)	(283,193)	(1,003,654)	(1,127,519)
Claims ceded to retakaful	74,071	66,004	163,996	244,762
Gross change to contract liabilities	47,333	64,014	34,611	159,460
Change to contract liabilities ceded to takaful	(31,833)	(31,465)	(5,463)	(142,981)
	(174,192)	(184,640)	(810,510)	(866,278)
Expense reserves	(6,339)	(8,311)	(37,897)	(16,676)
Income from takaful business	296,472	258,239	1,059,867	943,735
Profits attributable to participants/ takaful operator	(115,172)	(93,445)	(339,672)	(266,547)
Net income from takaful business	181,300	164,794	720,195	677,188

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28. Net allowance for impairment on financing and advances

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired financing, advances and others				
- collective assessment allowance	(29,295)	39,781	34,706	161,667
- individual assessment allowance	54,713	(4,262)	71,735	30,662
Bad debts and financing recovered	(30,836)	(31,401)	(122,054)	(100,224)
	(5,418)	4,118	(15,613)	92,105
	=====	=====	=====	=====

29. Income attributable to depositors

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah Fund	2,660	3,338	11,445	18,467
- Non-Mudharabah Fund	270,239	261,776	1,079,642	1,012,306
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah Fund	1,022	428	3,346	30,640
	273,921	265,542	1,094,433	1,061,413
	=====	=====	=====	=====

30. Income attributable to investment account holders

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts				
- <i>Mudharabah</i>	563	397	1,938	1,201
- <i>Wakalah</i>	21,866	15,706	93,509	25,574
	22,429	16,103	95,447	26,775
	=====	=====	=====	=====

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31. Personnel expenses

	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Group				
Salaries and wages	140,488	114,078	561,442	519,182
Employees' Provident Fund	17,461	15,543	72,096	66,522
Chief Executive Officer, Directors and Shariah Supervisory Council Members' remuneration	18,431	17,266	25,556	23,444
Others	24,409	20,474	70,677	64,609
	<u>200,789</u>	<u>167,361</u>	<u>729,771</u>	<u>673,757</u>
	=====	=====	=====	=====
Company				
Salaries and wages	1,362	(286)	5,706	5,335
Employees' Provident Fund	169	160	653	634
Chief Executive Officer, Directors and Shariah Supervisory Council Members' remuneration	793	918	2,299	2,169
Others	182	173	619	598
	<u>2,506</u>	<u>965</u>	<u>9,277</u>	<u>8,736</u>
	=====	=====	=====	=====

32. Other overhead expenses

	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Group				
Promotion				
Advertisement and publicity	15,422	13,810	85,825	49,566
Credit and debit card expenses	9,246	6,326	31,114	25,513
Commission	34,641	25,963	135,477	122,916
	<u>59,309</u>	<u>46,099</u>	<u>252,416</u>	<u>197,995</u>
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32. Other overhead expenses (continued)

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	12 months ended	12 months ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
<i>Establishment</i>				
Depreciation of property and equipment	14,989	18,272	66,895	72,580
Depreciation of investment property	(103)	3	119	224
Information technology expenses	17,700	14,952	59,614	49,978
Office rental	14,154	14,372	58,157	57,061
Office maintenance	8,154	7,051	24,121	22,504
Utilities	5,318	6,219	20,435	22,659
Security services	4,136	5,220	16,395	18,138
Rental equipment	2,096	1,142	6,092	5,055
Takaful and insurance	2,338	4,672	5,808	10,353
Others	216	185	1,121	1,190
	68,998	72,088	258,757	259,742
<i>General expenses</i>				
Professional fees	15,530	15,027	44,588	45,080
Indirect tax expenses	6,448	4,343	23,318	15,457
Outsourcing fees				
- Management of self-service terminal	4,008	4,135	12,128	11,466
- Credit recovery	762	1,510	2,516	5,230
- Others	(508)	2,467	4,169	4,195
Travelling & transport	4,075	3,479	12,705	10,270
Office supplies	3,131	3,094	11,371	11,250
Agency related expenses	4,201	2,402	10,754	7,466
Licenses	4,014	3,298	9,500	7,048
Bank and service charges	2,720	911	7,615	3,956
Security services for cash in transit	1,888	1,621	6,419	6,201
Postage and delivery charges	986	1,447	4,979	5,896
Subscription fees	1,082	919	4,210	4,150
Auditors' remuneration				
- Statutory audit fees	(8)	326	1,781	1,599
- Others	647	435	1,051	701
Mobile banking expenses	659	439	1,359	2,699
Processing charges	289	236	655	852
Property and equipment written off	11	-	56	8
Others	25,132	27,832	64,824	73,143
	75,067	73,921	223,998	216,667
	203,374	192,108	735,171	674,404

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32. Other overhead expenses (continued)

Company	Quarter		Year-to-date	
	3 months ended	3 months ended	12 months ended	12 months ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Promotion				
Advertisement and publicity	283	144	646	507
	283	144	646	507
Establishment				
Office rental	265	255	1,031	1,014
Depreciation of property and equipment	58	79	296	406
Information technology expenses	77	12	144	22
Rental equipment	22	23	97	97
Office maintenance	2	8	25	19
Utilities	8	12	28	37
Takaful and insurance	29	29	113	116
	461	418	1,734	1,711
General expenses				
Auditors' remuneration	64	173	191	286
Professional fees	590	656	1,012	1,118
Office supplies	20	19	78	55
Travelling & transport	14	20	38	39
Subscription fees	3	-	5	2
Others	262	583	1,616	1,624
	953	1,451	2,940	3,124
	1,697	2,013	5,320	5,342

33. Operating segment information

The Group comprises of the following main business segments:

Banking	Islamic banking and provision of related services.
Takaful	Underwriting of family and general Islamic insurance ("Takaful").
Others	Investment holding, ijarah financing, stockbroking and unit trust.

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33. Operating segment information (continued)

Quarter ended 31 December 2017	Banking RM'000	Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<i>Business segments</i>					
Segment result					
Revenue from external customers	759,030	181,300	5,705	-	946,035
Inter-segment revenue	6,569	4,483	3,031	(14,083)	-
Total revenue	765,599	185,783	8,736	(14,083)	946,035
Net income from operations (before allowance for impairment on financing and other assets)	463,881	185,783	8,736	(8,715)	649,685
Operating overheads	(281,559)	(126,995)	(7,819)	8,022	(408,351)
Operating results	182,322	58,788	917	(693)	241,334
Allowance for impairment	5,418	-	-	-	5,418
Finance cost	(11,939)	-	(19,430)	693	(30,676)
Profit before zakat and taxation	175,801	58,788	(18,513)	-	216,076

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33. Operating segment information (continued)

Quarter ended 31 December 2016	Banking	Takaful	Others	Elimination	Consolidated
<i>Business segments</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Segment result					
Revenue from external customers	712,886	164,794	2,720	-	880,400
Inter-segment revenue	8,879	5,217	4,770	(18,866)	-
Total revenue	721,765	170,011	7,490	(18,866)	880,400
Net income from operations (before allowance for impairment on financing and other assets)	434,405	170,011	7,490	(13,151)	598,755
Operating overheads	(241,162)	(126,946)	(6,304)	9,876	(364,536)
Operating results	193,243	43,065	1,186	(3,275)	234,219
Allowance for impairment	(4,374)	-	-	-	(4,374)
Finance cost	(9,893)	-	(18,649)	2,765	(25,777)
Profit before zakat and taxation	178,976	43,065	(17,463)	(510)	204,068

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33. Operating segment information (continued)

Year-to-date financial year ended 31 December 2017	Banking RM'000	Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<i>Business segments</i>					
Segment result					
Revenue from external customers	2,982,331	720,195	19,072	-	3,721,598
Inter-segment revenue	25,850	16,136	335,921	(377,907)	-
Total revenue	3,008,181	736,331	354,993	(377,907)	3,721,598
Net income from operations (before allowance for impairment on financing and other assets)	1,799,844	736,331	354,993	(359,450)	2,531,718
Operating overheads	(1,006,865)	(479,950)	(27,785)	31,237	(1,483,363)
Operating results	792,979	256,381	327,208	(328,213)	1,048,355
Allowance for impairment	15,370	-	-	-	15,370
Finance cost	(41,296)	-	(76,849)	2,750	(115,395)
Profit before zakat and taxation	767,053	256,381	250,359	(325,463)	948,330
Segment assets	57,742,914	8,122,540	5,802,249	(5,883,069)	65,784,634
Segment liabilities	52,783,210	7,310,309	1,562,078	(789,316)	60,866,281

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Year-to-date financial year ended 31 December 2016	Banking	Takaful	Others	Elimination	Consolidated
<i>Business segments</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Segment result					
Revenue from external customers	2,838,654	677,188	12,356	-	3,528,198
Inter-segment revenue	30,128	15,463	312,441	(358,032)	-
Total revenue	2,868,782	692,651	324,797	(358,032)	3,528,198
Net income from operations (before allowance for impairment on financing and other assets)	1,760,758	692,651	324,797	(338,196)	2,440,010
Operating overheads	(909,129)	(468,713)	(27,122)	36,416	(1,368,548)
Operating results	851,629	223,938	297,675	(301,780)	1,071,462
Allowance for impairment	(91,752)	-	-	-	(91,752)
Finance cost	(39,465)	-	(73,809)	2,765	(110,509)
Profit before zakat and taxation	720,412	223,938	223,866	(299,015)	869,201
Segment assets	55,676,697	7,693,806	5,540,532	(5,765,908)	63,145,127
Segment liabilities	51,291,231	6,974,410	1,502,934	(840,585)	58,927,990

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34. Valuation of property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

35. Changes in composition of the Group

As announced to Bursa Securities on 13 September 2017, Takaful Malaysia had on 12 September 2017 incorporated a wholly-owned subsidiary under the Companies Act 2016 by the name of Syarikat Takaful Malaysia Am Berhad ("STMAB") in connection with the conversion of composite licence to single licences for Takaful Malaysia's family takaful business and general takaful business pursuant to the requirements of Sections 16(1) and 286 of the Islamic Financial Services Act, 2013.

As announced to Bursa Securities on 3 November 2017, a Conditional Shares Sale and Purchase Agreement ("CSPA") between PT Syarikat Takaful Indonesia ("STI"), PT Asuransi Takaful Keluarga ("ATK") and Koperasi Karyawan Takaful ("Kopkar") ("Sellers"), and Koperasi Simpan Pinjam Jasa ("KOSPIN"), M Andy Arslan Djunaid SE and Bahroji ("Purchasers") was entered into on 27 October 2017, for the disposal of the entire equity interest in PT Asuransi Takaful Umum ("ATU") held by STI, ATK and Kopkar.

As announced to Bursa Securities on 10 January 2018, the disposal of ATU has been completed on 28 December 2017 and effectively, ATU ceased to be a subsidiary of Takaful Malaysia.

Other than the above, there is no change in the composition of the Group for the current financial quarter under review.

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36. Fair value of financial instruments

Fair value hierarchy

MFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques adopted are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes profit rates swap and structured debt. The sources of input parameters include Bank Negara Malaysia ("BNM") indicative yields.

There has been no transfer between Level 1 and 2 fair values during the financial year ended 31 December 2017.

- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include short-term / on demand financial assets and financial liabilities where the carrying amount is a reasonable approximation of their fair value:

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36. Fair value of financial instruments (continued)

Fair value information

31.12.2017 RM'000 Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying Amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial assets										
Financial assets held-for-trading	194,644	412,787	-	607,431	-	-	-	-	607,431	607,431
Derivative financial assets	-	68,319	-	68,319	-	-	-	-	68,319	68,319
Financial assets available-for-sale	531,204	12,709,502	251,051	13,491,757	-	-	5,300	5,300	13,497,057	13,497,437
Financial assets held-to-maturity	-	-	-	-	86,379	437,715	-	524,094	524,094	516,524
Financing, advances and others	-	-	-	-	-	-	42,299,796	42,299,796	42,299,796	42,113,420
Total assets	725,848	13,190,608	251,051	14,167,507	86,379	437,715	42,305,096	42,829,190	56,996,697	56,803,131
Financial liabilities										
Derivative financial liabilities	-	74,668	-	74,668	-	-	-	-	74,668	74,668
Sukuk liabilities	-	-	-	-	-	-	2,280,126	2,280,126	2,280,126	2,235,862
Total liabilities	-	74,668	-	74,668	-	-	2,280,126	2,280,126	2,354,794	2,310,530
31.12.2017 Company										
Financial assets										
Financial assets available-for-sale	174,546	-	-	174,546	-	-	-	-	174,546	174,546
Total assets	174,546	-	-	174,546	-	-	-	-	174,546	174,546
Financial liabilities										
Sukuk liabilities	-	-	-	-	-	-	1,279,512	1,279,512	1,279,512	1,279,512
Total liabilities	-	-	-	-	-	-	1,279,512	1,279,512	1,279,512	1,279,512

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36. Fair value of financial instruments (continued)

Fair value information (continued)

31.12.2016 RM'000 Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying Amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial assets										
Financial assets held-for-trading	169,361	608,249	-	777,610	-	-	-	-	777,610	777,610
Derivative financial assets	-	124,572	-	124,572	-	-	-	-	124,572	124,572
Financial assets available-for-sale	669,072	12,920,481	160,112	13,749,665	-	-	5,300	5,300	13,754,965	13,755,389
Financial assets held-to-maturity	-	-	-	-	93,990	482,378	57,703	634,071	634,071	631,086
Financing, advances and others	-	-	-	-	-	-	39,233,082	39,233,082	39,233,082	39,189,274
Total assets	838,433	13,653,302	160,112	14,651,847	93,990	482,378	39,296,085	39,872,453	54,524,300	54,477,931
Financial liabilities										
Derivative financial liabilities	-	111,089	-	111,089	-	-	-	-	111,089	111,089
Sukuk liabilities	-	-	-	-	-	-	1,917,468	1,917,468	1,917,468	1,881,751
Total liabilities	-	111,089	-	111,089	-	-	1,917,468	1,917,468	2,028,557	1,992,840
31.12.2016 Company										
Financial assets										
Financial assets available-for-sale	135,406	-	-	135,406	-	-	-	-	135,406	135,406
Total assets	135,406	-	-	135,406	-	-	-	-	135,406	135,406
Financial liabilities										
Sukuk liabilities	-	-	-	-	-	-	1,227,494	1,227,494	1,227,494	1,227,494
Total liabilities	-	-	-	-	-	-	1,227,494	1,227,494	1,227,494	1,227,494

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36. Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2017 for the Group:

	12 months 31.12.2017 RM'000	12 months 31.12.2016 RM'000
<i>Financial assets available-for-sale</i>		
At 1 January 2017/2016	160,112	152,641
Purchases	101,539	48,545
Maturities	(21,539)	(48,545)
Gains	10,939	7,471
	<hr/>	<hr/>
At 31 December 2017/2016	251,051	160,112
	<hr/> <hr/>	<hr/> <hr/>

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

(a) Financial instruments carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets available-for-sale	Valued at cost less impairment	Not applicable	Not applicable
Institutional trust account	Discounted cash flows using market profit rate for a similar instrument at the measurement date	4.58% (2016: 4.58%)	The estimated fair value would increase (decrease) if the discount rate were (lower) higher.

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36. Fair value of financial instruments (continued)

(b) Financial instruments not carried at fair value

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Financial investments held-to-maturity ("HTM")

The fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, the fair values are valued at cost less impairment or estimated using discounted cash flow analysis. Where discounted cash flow technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Financing and advances

The fair values of variable rate financing are estimated to approximate their carrying values. For fixed rate financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(iii) Subordinated Sukuk Murabahah

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates of borrowings with similar risk profiles.

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37. Off balance sheet financial instruments by value of contracts classified by remaining period to maturity/net re-pricing date (whichever earlier)

Group Items	31.12.2017				
	Principal Amount RM'000	up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000
Foreign exchange related contracts					
- forwards	1,273,048	90,213	424,252	377,577	381,006
- swaps	1,444,836	443,430	397,886	199,510	404,010
- spot	500,940	500,940	-	-	-
Total	3,218,824	1,034,583	822,138	577,087	785,016

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2017, the amount of contracts which were not hedged and, hence, exposed to market risk was RM602.09 million (31 December 2016: RM609.93 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. This amount will increase or decrease over the life of the contracts, maturity dates and rates or prices. As at 31 December 2017, the credit risk measured in terms of the cost to replace the profitable contracts was RM132.15 million (31 December 2016: RM192.49 million).

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38. Commitments and contingencies

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These exclude all contracts cleared in the normal course of the takaful business.

The off-balance sheet and counterparties credit risk for Bank Islam is as follows:

As at 31.12.2017	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Credit-related Exposures				
Direct credit substitutes	2,871,511		2,871,511	2,167,427
Transaction related contingent items	1,066,956		533,478	499,771
Short term self-liquidating trade related contingencies	373,328		74,666	71,836
Other commitments, such as formal standby facilities and credit lines with original maturity of:				
- not exceeding one year	318		64	32
- exceeding one year	1,226,538		613,269	445,326
Unutilised credit card lines	-		-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	4,402,695		-	-
	9,941,346		4,092,988	3,184,392
Derivative Financial Instruments				
Foreign exchange related contracts				
- Less than one year	3,218,824	63,827	112,875	41,796
Profit rate related contracts				
- Less than one year	-	-	-	-
- One year to less than five years	207,992	2,132	4,921	984
- Five years and above	400,000	2,360	14,351	8,895
	3,826,816	68,319	132,147	51,675
	13,768,162	68,319	4,225,135	3,236,067

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38. Commitments and contingencies (continued)

**The off-balance sheet and counterparties credit risk for Bank Islam is as follows:
(continued)**

As at 31.12.2016	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Credit-related Exposures				
Direct credit substitutes	294,460		294,460	293,848
Transaction related contingent items	952,188		476,094	443,165
Short term self-liquidating trade related contingencies	341,524		68,305	67,309
Other commitments, such as formal standby facilities and credit lines with original maturity of:				
- not exceeding one year	591,031		118,206	88,979
- exceeding one year	1,792,008		896,004	715,873
Unutilised credit card lines	1,140,141		228,028	171,563
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	4,639,610		-	-
	<u>9,750,962</u>		<u>2,081,097</u>	<u>1,780,737</u>
Derivative Financial Instruments				
Foreign exchange related contracts				
- Less than one year	3,117,570	117,445	163,823	79,734
Profit rate related contracts				
- Less than one year	200,000	1,397	200	40
- One year to less than five years	400,000	2,729	9,497	1,899
- Five years and above	236,027	3,001	18,971	11,606
	<u>3,953,597</u>	<u>124,572</u>	<u>192,491</u>	<u>93,279</u>
	<u>13,704,559</u>	<u>124,572</u>	<u>2,273,588</u>	<u>1,874,016</u>

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39. Capital adequacy

Total capital and capital adequacy ratios of Bank Islam ("the Bank") have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 4 August 2017 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 2 March 2017. The Bank is required to meet minimum Common Equity Tier I ("CET I"), Tier I and Total Capital adequacy ratios of 4.5%, 6.0% and 8.0% respectively in 2017. To ensure that banks build up adequate capital buffer outside period of stress, a Capital Conservation Buffer ("CCB") of 2.5% above the minimum capital adequacy was introduced by Bank Negara Malaysia. The CCB is maintained in the form of CET I capital at 1.25% on 1 January 2017 and progressively increases by 0.625% each year to reach 2.5% on 1 January 2019.

As a result, the minimum regulatory capital adequacy ratios requirement for CET I capital ratio, Tier I capital ratio and Total Capital ratio are 5.75%, 7.25% and 9.25% respectively for year 2017 (2016: 5.125%, 6.625% and 8.625%). The Bank has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

The capital adequacy ratios of the Bank are set out below:

	31.12.2017	31.12.2016
	%	%
Common Equity Tier I ("CET I") Capital Ratio	12.729	12.397
Total Tier I Capital Ratio	12.729	12.397
Total Capital Ratio	16.435	15.518

The components of CET I, Tier I and Tier II capital of Bank Islam:

	31.12.2017	31.12.2016
	RM'000	RM'000
Paid-up share capital	2,869,498	2,404,384
Share premium	-	264,790
Retained earnings	2,150,402	523,247
Other reserves*	(124,841)	1,193,045
Less: Deferred tax assets	(37,288)	(48,378)
Total CET I and Tier I Capital	4,857,771	4,337,088
Sukuk Murabahah	1,000,000	700,000
Collective assessment allowance ^	414,193	391,782
Total Tier II Capital	1,414,193	1,091,782
Total Capital	6,271,964	5,428,870
	=====	=====

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39. Capital adequacy (continued)

The components of CET I, Tier I and Tier II capital of Bank Islam: (continued)

* Other reserves exclude regulatory reserve amounting to RM64,645,000 (2016: RM Nil)

^ Collective assessment allowance on non-impaired financing subject to maximum of 1.25% of total credit risk-weighted assets less credit risk absorbed by unrestricted investment accounts.

The breakdown of risk-weighted assets by each major risk category is as follows:

	31.12.2017	31.12.2016
	RM'000	RM'000
Credit risk	37,442,256	33,908,778
Less: Credit risk absorbed by unrestricted investment accounts	(3,034,004)	(2,566,180)
Market risk	602,089	609,931
Operational risk	3,152,951	3,031,801
	<u>38,163,292</u>	<u>34,984,330</u>
	=====	=====

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Explanatory notes pursuant to Appendix 9B of the listing requirements of Bursa Malaysia Securities Berhad

B1. Performance review for the financial year ended 31 December 2017

	Individual Period		Variance		Cumulative Period		Variance	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To-date	Preceding Year Corresponding Period		
	31.12.2017	31.12.2016	Amount	%	31.12.2017	31.12.2016	Amount	%
RM'000								
Revenue	946,035	880,400	65,635	7.46	3,721,598	3,528,198	193,400	5.48
Operating Profit	241,334	234,219	7,115	3.04	1,048,355	1,071,462	(23,107)	-2.16
Profit Before Zakat and Taxation	216,076	204,068	12,008	5.88	948,330	869,201	79,129	9.10
Profit After Zakat and Taxation	173,361	155,583	17,778	11.43	703,630	629,664	73,966	11.75
Profit Attributable to Equity Holders of the Parent	149,635	139,468	10,167	7.29	619,838	559,040	60,798	10.88

Table 1: Financial review for current quarter and financial year to date

BIMB Holdings Berhad (423858-X)
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B1. Performance review for the financial year ended 31 December 2017
(continued)

Current Year-to date vs. Previous Year-to-date

BIMB Holdings Berhad ("BHB") Group reported Profit Before Zakat and Taxation ("PBZT") for the financial year ended 31 December 2017 of RM948.3 million, representing an increase of 9.1% or RM79.1 million as compared to the corresponding period in 2016 of RM869.2 million. The increase was mainly contributed by a net write-back of allowances for impairment recovered against a net allowance charged in the corresponding period in 2016.

At the operating profit level, the Group's operating profit of RM1,048.4 million was lower by RM23.1 million or 2.2% compared to the corresponding period in 2016 of RM1,071.5 million mainly due to higher income attributable to depositors and investment account holders ("IATD") as well as higher operating overheads.

The net profit attributable to shareholders increased by 10.9% or RM60.8 million to RM619.8 million as compared to the corresponding period in 2016.

BHB registered a Return on Equity ("ROE") of 15.4% (based on PAT). Consequently, net assets per share has also improved to RM2.77 as at 31 December 2017 compared to RM2.44 as at 31 December 2016.

The Group's performance is mainly dependent on its two main operating subsidiaries, namely, Bank Islam Malaysia Berhad Group ("Bank Islam" or "the Bank") and Syarikat Takaful Malaysia Berhad Group ("Takaful Malaysia").

Bank Islam Malaysia Berhad

For the financial year ended 31 December 2017, Bank Islam achieved PBZT of RM767.1 million, an increase of RM46.7 million or 6.5% over the PBZT of the previous financial year of RM720.4 million.

The increase in PBZT was mainly contributed by a net allowance for impairment on financing and advances recovered of RM15.6 million, compared to a net allowance charged of RM92.1 million recorded in the previous financial year. The improvement was mainly contributed by lower net allowance charged for collective and individual assessment by RM85.9 million coupled with higher bad debt recovered of RM21.8 million.

BIMB Holdings Berhad (423858-X)
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B1. Performance review for the financial year ended 31 December 2017
(continued)

Current Year-to date vs. Previous Year-to-date (continued)

Bank Islam Malaysia Berhad (continued)

The Bank's total income for the financial year ended 31 December 2017 was higher by RM139.4 million compared to the previous financial year, mainly due to higher fund based income arising from the year-on-year growth in net financing assets of RM2.9 billion or 7.5% to reach RM42.1 billion as at end December 2017.

The increase in total income was partly offset with higher IATD by RM100.3 million compared to previous financial year. The increase in IATD was mainly due to the higher average volume of deposits and investments accounts.

Total overheads were higher by RM97.7 million or 10.8% over the previous financial year mainly due to higher staff costs and general expenses.

The Bank's total assets stood at RM57.7 billion as at 31 December 2017, a year-on-year increase by RM2.0 billion from RM55.7 billion reported as at 31 December 2016 which was mainly contributed by an increase in net financing by RM2.9 billion and partly offset by lower investment in securities by RM0.9 billion.

As at end of December 2017, customer deposits and investment accounts stood at RM46.2 billion and RM4.3 billion respectively with a year-on-year increase by RM0.3 billion and RM0.4 billion respectively. Current and saving accounts (CASA) reported a year-on-year increase of RM1.3 billion or 9.5% to reach RM15.5 billion as at 31 December 2017. The CASA ratio as at end December 2017 was 33.5% compared to 30.8% as at 31 December 2016.

Total gross impaired financing as at 31 December 2017 was RM398.3 million compared to RM389.4 million as at 31 December 2016.

Syarikat Takaful Malaysia Berhad

For the twelve month period, Takaful Malaysia recorded PBZT of RM253.7 million, an increase of 15% as compared to RM221.0 million achieved in the same period last year. The improvement in profit was mainly attributable to higher net Wakalah fee income arising from the robust business growth in the General Takaful business.

For the financial year ended 31 December 2017, Takaful Malaysia recorded operating revenue of RM2,139.1 million, an increase of 6% or RM125.9 million as compared to the preceding financial period ended 31 December 2016. The increase was mainly attributable to higher sales generated by both Family Takaful and General Takaful business.

BIMB Holdings Berhad (423858-X)
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B1. Performance review for the financial year ended 31 December 2017
(continued)

Current Year-to date vs. Previous Year-to-date (continued)

Syarikat Takaful Malaysia Berhad (continued)

Family Takaful business generated gross earned contributions of RM1,264.5 million in the financial period ended 31 December 2017, an increase of 3% as compared to RM1,229.4 million achieved in the corresponding period last year. The increase was mainly attributable to higher sales from Family Takaful mortgage related products.

The 12 months net benefits and claims for Family Takaful business decreased by 12% to RM672.5 million from RM762.5 million in the same period of the preceding year mainly due to decrease in medical claims.

The YTD investment income also grew by 7% to RM242.0 million from RM225.3 million achieved in the same period of the preceding year. The increase was mainly due to higher profit from Islamic debts securities, partially offset by the lower dividend income from equity securities.

General Takaful business generated gross earned contributions of RM554.2 million in the financial period ended 31 December 2017, an increase of 11% as compared to RM498.6 million achieved in the corresponding period last year. The growth was mainly from fire and motor classes.

The 12 months net benefits and claims for General Takaful business increased by 33% to RM146.0 million from RM109.8 million in the same period of the preceding year mainly due to increase in claims relating to fire and motor classes.

The YTD investment income of RM29.3 million is almost on par with the investment income achieved in the same period of the preceding year of RM29.6 million.

Current Quarter vs. Previous Year Corresponding Quarter

For the fourth quarter ended 31 December 2017 (Q4 2017), the Group registered PBZT of RM216.1 million, an improvement of 5.9% or RM12.0 million as compared to the previous year corresponding quarter of RM204.1 million (Q4 2016). The improved PBZT was mainly due to net writeback of allowances for impairment in Q4 2017 against a net allowance charged for impairment in Q4 2016.

At the operating profit level, the Group's operating profit for the Q4 2017 of RM241.3 million was higher by RM7.1 million or 3.0% compared to the Q4 2016 of RM234.2 million.

Net profit attributable to shareholders grew by 7.3% or RM10.2 million over the same period to RM149.6 million.

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B1. Performance review for the financial year ended 31 December 2017
(continued)

Current Quarter vs. Previous Year Corresponding Quarter (continued)

Bank Islam Malaysia Berhad

For the fourth quarter ended December 2017, the Bank achieved PBZT of RM175.8 million, a decrease of RM3.2 million or 1.8% over the PBZT of the corresponding quarter last year of RM179.0 million.

The decrease in PBZT was mainly due to higher overheads by RM40.4 million compared to the corresponding quarter last year. The higher overheads was mainly contributed by higher staff cost and general expenses.

The Bank's total income for the Q4 2017 was higher by RM43.8 million compared to the preceding quarter last year, mainly due to higher fund based income arising from the year-on-year growth in net financing assets of RM2.9 billion or 7.5% to reach RM42.1 billion as at end December 2017.

The increase in total income was partly offset with higher income attributable to depositors and investment account holders (IATD) by RM14.4 million in line with the increase in average volume of both deposits and investment accounts.

Syarikat Takaful Malaysia Berhad

For the fourth quarter ended 31 December 2017, Takaful Malaysia recorded PBZT of RM56.0 million, an increase of 37% as compared to RM40.9 million in the same period last year. The increase in profit was mainly attributable to increase in net wakalah fee income and lower management expenses.

For the fourth quarter under review, Takaful Malaysia generated Operating Revenue of RM517.7 million as compared to RM490.8 million achieved in the corresponding quarter of the preceding year. The increase was mainly attributable to higher sales generated by General Takaful business.

For the quarter under review, Family Takaful business recorded gross earned contributions of RM316.5 million as compared to RM327.8 million achieved in the same period last year. The decrease was mainly attributable to lower sales from the subsidiary, ATK and cessation of retail business.

Family Takaful business recorded net benefits and claims of RM153.0 million, a decrease of 11% as compared to the corresponding quarter of the preceding year. The decrease was mainly due to lower surrender cases.

BIMB Holdings Berhad (423858-X)
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**B1. Performance review for the financial year ended 31 December 2017
(continued)**

Current Quarter vs. Previous Year Corresponding Quarter (continued)

Syarikat Takaful Malaysia Berhad (continued)

Investment income for the Family Takaful business for the current year quarter of RM63.3 million is higher by 9% as compared to RM58.2 million achieved in the corresponding quarter last year mainly due to higher profit from Islamic debts securities.

For the quarter under review, General Takaful business generated gross earned contributions of RM141.1 million, an increase of 18%, as compared to RM119.4 million achieved in the corresponding quarter of the preceding year. The growth was mainly from fire and motor classes.

General Takaful business recorded net benefits and claims of RM22.5 million for the quarter under review, an increase of 55% as compared to the corresponding quarter of the preceding year. The increase was mainly due to increase in claims relating to fire and motor classes.

Investment income for the General Takaful business of RM7.3 million is almost on par with the investment income recorded in the corresponding quarter of the preceding year of RM7.7 million.

B2. Comparison with the preceding quarter's results for the three months performance (Fourth Quarter 2017 vs. Third Quarter 2017)

RM'000	Current Quarter	Immediate Preceding Quarter	Variance	
	31.12.2017	30.09.2017	Amount	%
Revenue	946,035	912,736	33,299	3.65
Operating Profit	241,334	255,375	(14,041)	-5.50
Profit Before Zakat and Taxation	216,076	270,826	(54,750)	-20.22
Profit After Zakat and Taxation	173,361	202,846	(29,485)	-14.54
Profit Attributable to Equity Holders of the Parent	149,635	183,434	(33,799)	-18.43

Table 2: Financial review for current quarter compared with immediate preceding quarter

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B2. Comparison with the preceding quarter's results for the three months performance (Fourth Quarter 2017 vs. Third Quarter 2017) (continued)

For the fourth quarter ended 31 December 2017, the BHB Group reported PBZT of RM216.1 million against a PBZT of RM270.8 million achieved for the immediate preceding quarter ended 30 September 2017 (Q3 2017), a decrease of RM54.7 million or 20.2%.

At the operating profit level, the Group's operating profit for the quarter ended 31 December 2017 of RM241.3 million was lower by RM14.0 million or 5.5% compared to the immediate preceding quarter of RM255.3 million mainly due to lower non fund based income.

Bank Islam Malaysia Berhad

For the fourth quarter ended 31 December 2017, the Bank achieved PBZT of RM175.8 million, a decrease of RM47.7 million or 21.3% over the PBZT of the immediate preceding quarter (Q3 2017) of RM223.5 million.

The decrease in PBZT was mainly due to lower net recoveries for financing and advances of RM5.4 million, compared to RM43.8 million recorded in the immediate preceding quarter. The lower net recoveries was contributed by higher allowance for impairment on financing and advances coupled with lower bad debts recovered amounting to RM12.3 million and RM26.1 million respectively.

The Bank's total income for the Q4 2017 was higher by RM24.6 million compared to Q3 2017, mainly due to higher fund based income by RM14.6 million arising from growth in net financing assets and higher non fund based income by RM10.0 million.

The increase in total income was partly offset with higher overheads by RM32.6 million or 13.1% over Q3 2017 mainly due to higher staff costs and general expenses by RM20.6 million and RM11.0 million respectively.

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B2. Comparison with the preceding quarter's results for the three months performance (Fourth Quarter 2017 vs. Third Quarter 2017) (continued)

Syarikat Takaful Malaysia Berhad

For the quarter ended 31 December 2017, Takaful Malaysia registered PBZT of RM56.0 million, lower by 15% as compared to the immediate preceding quarter of RM66.0 million. The decrease in profit was mainly attributable to increase in management expenses.

For the quarter under review, Takaful Malaysia generated Operating Revenue of RM517.7 million as compared to RM476.2 million in the immediate preceding quarter. The increase is mainly attributable to higher sales generated from General Takaful business.

Family Takaful business recorded gross earned contributions of RM316.5 million, an increase of 4%, as compared to RM303.0 million achieved in the immediate preceding quarter. The increase was mainly attributable to higher sales from mortgage and credit-related products.

For the quarter under review, Family Takaful business recorded net benefits and claims of RM153.0 million, an increase of 3% as compared to the immediate preceding quarter. The increase was mainly due to increase in medical claims.

Investment income for the Family Takaful business of RM63.3 million, increased by 6% as compared to RM59.5 million achieved in the immediate preceding quarter. The increase was mainly attributable to higher profits from Islamic debts securities.

For the quarter under review, General Takaful business generated gross earned contributions of RM141.1 million, almost on par with RM140.3 million achieved in the immediate preceding quarter.

For the quarter under review, General Takaful business recorded net benefits and claims of RM22.5 million, a decrease of 49% as compared to the immediate preceding quarter, arising from improvement in claims experience.

Investment income for the General Takaful business of RM7.3 million for the quarter under review is almost on par with the investment income in the immediate preceding quarter of RM7.1 million.

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B3. Prospects for 2018

Bank Islam Malaysia Berhad

Bank Islam's corporate direction for 2018 is premised on the overarching themes of Value-Based Intermediation ("VBI"). VBI is at the heart of the Bank's business model, to deliver a sustainable performance with a strategic focus to support economic, social and environmental development. Shariah rules and principles remain as fundamentals to the Bank's direction along with the new Triple Bottom Line ("TBL") approach embedded in all operating principles.

The Bank will focus on optimising its risks and returns, optimising its resource and productivity as well as its franchise value, which is underpinned by a disciplined balance sheet management. This is to sustain net income margin, preserve asset quality as well as to minimise financial impact arising from the implementation of Malaysian Financial Reporting Standards on Financial Instruments ("MFRS9") in 2018 and the upcoming Net Stable Funding Ratio ("NSFR") requirements.

The Bank will stay the course with its strategy to collaborate with FinTech companies in enhancing its reach and spurring innovation. The Bank will also carry on to invest in its people, to build a strong compliance and risk culture as well as enhance its capability and capacity as one of the key players in the Islamic Finance world.

Syarikat Takaful Malaysia Berhad

Takaful Malaysia in 2018 will remain focused on sustaining its position as the market leader in the Family Takaful business whilst expanding its market share in the General Takaful business to establish a strong foothold in the industry. Takaful Malaysia will continue to enhance its digital capability to increase its product and service accessibility to the consumers by intensifying its online marketing initiatives. Takaful Malaysia will also embark on multiple digital initiatives to further develop 'customer centric' value propositions to remain competitive in the industry. Takaful Malaysia will carry out its key initiatives, including an active management strategy as well as prudent investment and underwriting activities to deliver sustainable results for its shareholders and promote financial security to its customers. Takaful Malaysia will amplify its brand presence and the 15% Cash Back offered to its customers for selected products in the event of no claims during the coverage period. Takaful Malaysia will continue to emphasize the four core areas of customer reach, operational agility, cost competitiveness and stakeholder confidence to firmly establish Takaful Malaysia as the preferred choice for insurance amongst the consumers.

B4. Variance from profit forecast and profit guarantee

The Group neither made any profit forecast nor issued any profit guarantee.

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B5. Tax expense

Major components of tax expense

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	12 months ended	12 months ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Current tax expense	60,641	56,855	247,629	232,952
Over/(Under) provision in prior years	1,413	(10,129)	(5,310)	(8,313)
Deferred tax expense:				
Origination and reversal of temporary differences	(18,866)	(4,819)	(5,250)	906
(Under)/Over provision in prior years	(6,828)	475	(6,828)	475
	-----	-----	-----	-----
	36,360	42,382	230,241	226,020
	=====	=====	=====	=====

A reconciliation of effective tax expense for the Group is as follows:

Profit before tax	216,076	204,068	948,330	869,201
	=====	=====	=====	=====
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	51,858	48,976	227,599	208,608
Non-deductible expenses	11,362	8,783	65,114	48,956
Non-deductible Sukuk's finance cost	4,663	4,476	18,444	17,714
Non-taxable income	(33,556)	(10,199)	(80,778)	(41,420)
	-----	-----	-----	-----
	34,327	52,036	230,379	233,858
Derecognition of deferred tax assets	7,448	-	12,000	-
	-----	-----	-----	-----
	41,775	52,036	242,379	233,858
Over/(Under) provision in prior years	1,413	(10,129)	(5,310)	(8,313)
(Under)/Over provision of deferred tax	(6,828)	475	(6,828)	475
	-----	-----	-----	-----
Tax expense	36,360	42,382	230,241	226,020
	=====	=====	=====	=====

The Inland Revenue Board ("IRB") had, on 8 September 2017, issued to Takaful Malaysia notices of additional assessment (i.e. Form JA) for the years of assessment ("YA") 2012, 2013, and 2014. The additional tax payable by Takaful Malaysia under the above-mentioned notices is RM12,561,630.50. As a result of the above, IRB had also treated the tax returns made by Takaful Malaysia for the above years of assessment as incorrect, and imposed a penalty of RM6,200,802.97 to Takaful Malaysia.

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B5. Tax expense (continued)

Takaful Malaysia has paid the additional tax on 4 October 2017 and submitted an appeal (Form Q) to Special Commissioner of Income Tax against the notice of assessment on 5 October 2017.

Takaful Malaysia is of the view that there are strong justifications for its appeal and have treated the additional tax payment as tax recoverable.

Major components of tax expense

Company	Quarter		Year-to-date	
	3 months ended	3 months ended	12 months ended	12 months ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Current tax expense	474	683	1,935	2,401
Over provision in prior years	3	-	3	54
	-----	-----	-----	-----
	477	683	1,938	2,455
	=====	=====	=====	=====

A reconciliation of effective tax expense for the Company is as follows:

Profit before tax	(19,911)	(17,800)	247,397	221,826
	=====	=====	=====	=====
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	(4,779)	(4,272)	59,375	53,238
Non-deductible expenses	886	666	3,446	3,285
Non-deductible Sukuk's finance cost	4,663	4,476	18,444	17,714
Non-taxable income	(296)	(187)	(79,330)	(71,836)
	-----	-----	-----	-----
Over provision in prior years	3	-	3	54
	-----	-----	-----	-----
Tax expense	477	683	1,938	2,455
	=====	=====	=====	=====

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B6. Corporate proposals

Takaful Malaysia announced to Bursa Securities on 10 August 2017 the conversion of composite licence to single licences for Takaful Malaysia's family takaful business and general takaful business ("Proposed Reorganisation") pursuant to the requirements of Sections 16(1) and 286 of the Islamic Financial Services Act, 2013.

In connection with the above, on 12 September 2017, Takaful Malaysia incorporated a wholly-owned subsidiary under the Companies Act, 2016 by the name of Syarikat Takaful Malaysia Am Berhad ("STMAB").

On 25 January 2018, Takaful Malaysia entered into a business transfer agreement ("BTA") with STMAB in relation to the transfer of Takaful Malaysia's general takaful business ("GT Business") as a going concern to STMAB to be undertaken by way of a scheme of transfer ("Scheme of Transfer") for the Proposed Reorganisation. The Proposed Reorganisation is expected to be completed by the second quarter of 2018.

Other than that above, there has been no new corporate proposal since the date of the last quarterly report.

B7. Status of utilisation of proceeds raised from corporate proposals

The proceeds raised from the issuances of all debt securities in prior years have been used for working capital, general banking and other corporate purposes, as intended.

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B8. Deposits and placements of financial institutions and debt securities and borrowings

	Group	
	31.12.2017	31.12.2016
	RM'000	RM'000
Deposits from customers		
Mudharabah and Tawarruq term deposits and Negotiable Islamic Debt Certificates		
- One year or less (short-term)	28,617,107	30,914,953
- More than one year (medium/long-term)	1,714,677	410,070
	30,331,784	31,325,023
Current accounts	11,297,399	9,928,598
Savings accounts	4,138,519	4,131,604
Others	102,894	106,528
	<hr/> 45,870,596 <hr/>	<hr/> 45,491,753 <hr/>
Total deposits		
Investment accounts of customers		
- One year or less (short-term)	3,969,344	3,573,871
	<hr/> 3,969,344 <hr/>	<hr/> 3,573,871 <hr/>
Deposits and placements of banks and other financial institutions		
- One year or less (short-term)	-	30,000
	<hr/> - <hr/>	<hr/> 30,000 <hr/>

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B8. Deposits and placements of financial institutions and debt securities and borrowings (continued)

RM'000	As at 4 th quarter ended 31.12.2017		
	Long term	Short term	Total borrowings
Secured	-	-	-
Unsecured	2,229,376	6,486	2,235,862
- Sukuk liabilities	1,279,512	-	1,279,512
- Subordinated Sukuk Murabahah	949,864	6,486	956,350
RM'000	As at 4 th quarter ended 31.12.2016		
	Long term	Short term	Total borrowings
Secured	-	-	-
Unsecured	1,877,358	4,393	1,881,751
- Sukuk liabilities	1,227,494	-	1,227,494
- Subordinated Sukuk Murabahah	649,864	4,393	654,257

The borrowings comprise the following:

- a) The 10-year Islamic securities of RM1.66 billion (2016: RM1.66 billion) in nominal value issued by the Company on 12 December 2013; and
- b) Three (3) Tranches of the Subordinated Sukuk Murabahah amounting to RM1.0 billion (2016: RM700 million) issued by Bank Islam Malaysia Berhad are as follows:
 - On 22 April 2015, the Bank issued the first tranche of RM300 million in nominal value of the 10-year Subordinated Sukuk Murabahah which is due on 22 April 2025, with optional redemption on 22 April 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.75% per annum payable semi-annually in arrears.
 - On 15 December 2015, the Bank issued the second tranche of RM400 million which is due on 15 December 2025, with optional redemption on 15 December 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.50% per annum payable semi-annually in arrears.
 - On 13 November 2017, the Bank issued the third tranche of RM300 million which are due on 12 November 2027, with optional redemption on 12 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.08% per annum payable semi-annually in arrears.

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B9. Material litigation

Save as disclosed below, there were no changes in material litigation, including the status of pending material litigations since the last annual balance sheet date of 31 December 2016.

- (a) On 14 November 2016, Bank Islam filed a civil suit against Tidalmarine Engineering Sdn Bhd ("Customer") and the guarantors, namely Nik Mohd Kamel Bin Nik Hassan and Nik Faizah Binti Nik Mohd Kamel (collectively be referred to as "the Defendants") claiming for the amount of RM18,563,506.17 being the outstanding financing facilities granted by Bank Islam to the Customer whose accounts had been defaulted.

On 23 May 2017, the High Court has allowed Bank Islam's summary judgment application with cost of RM5,000.00.

On 21 July 2017, the Defendants filled an appeal against the High Court's decision. However, on 2 October 2017, the Court of Appeal ("COA") had struck out the Defendants' application for extension of time to file appeal to COA. As a result, the Defendants' appeal was dismissed with cost of RM5,000.00.

On 1 November 2017, the Defendants filed an application to the Federal Court ("FC") seeking for FC's determination to allow extension of time for Defendants to file appeal to COA.

The FC has fixed 8 February 2018 for hearing.

- (b) In 2007, Alam Maritim Resources Sdn Bhd ("Issuer") vide its Information Memorandum dated 25 June 2007 undertook a fund raising exercise via the issuance of Islamic securities of up to RM600 million comprising Sukuk Ijarah MTN of RM500 million and Murabahah Commercial Papers / Murabahah Medium Term Notes of RM100 million. The issuer appointed Trustees Malaysia Berhad ("Defendant") as the Trustee. Pursuant to a Trust Deed dated 18 June 2007 ("Trust Deed"), the Defendant is entrusted to hold the benefit of the Sukuk Ijarah MTN Facility and all amounts received for each Sukukholder based on the terms and conditions of the Trust Deed.

Bank Islam subscribed RM20 million of the Sukuk Ijarah MTN. The said Sukuk Ijarah MTN matured and was due for payment on 6 July 2017 ("Maturity Date").

However, the Defendant failed to pay the Sukuk Ijarah MTN upon maturity Date. Pursuant to the above, Bank Islam filed a civil suit against the Defendant on 4 December 2017 claiming for the proportionate amount of RM16,870,000.00 (from the total available amount in the collection account).

The High Court has fixed 9 February 2018 for case management.

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B10. Dividend

a) On 27 January 2017, the Company had paid a dividend of 13.00 sen per ordinary share totalling RM206,528,402 in respect of the financial year ended 31 December 2016. From the total dividend amount, approximately 10.9% or RM22.5 million was distributed as cash dividend whilst the remaining 89.1% amounting to RM184.0 million was reinvested to subscribe for 49,061,000 new ordinary shares at a consideration of RM3.75 each arising from the Dividend Reinvestment Plan.

b) i) On 30 November 2017, the Board of Directors of BIMB Holdings Berhad had declared a dividend of 14.00 sen per ordinary share totalling RM229,283,742 for the financial year ended 31 December 2017. The said dividend was paid on 25 January 2018.

From the total amount declared, approximately 9.1% or RM21.6 million was distributed as cash dividend whilst the remaining 90.9% amounting to RM207.7 million was reinvested to subscribe for 55,825,000 new ordinary shares at a consideration of RM3.72 each via the Dividend Reinvestment Plan.

ii) Amount per share : Dividend of 14.00 sen.

iii) Previous corresponding period: Dividend of 13.00 sen.

iv) Payment date : 25 January 2018.

v) Entitlement to dividend was determined on the basis of the record of shareholders as at book closing date on 29 December 2017.

B11. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the number of average ordinary shares in issue during the period.

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	12 months ended	12 months ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the period under review attributable to equity holders of the parent	149,635	139,468	619,838	559,040
Number of ordinary shares	1,637,741	1,588,680	1,637,741	1,588,680
Number of average ordinary shares	1,637,741	1,588,680	1,633,709	1,586,013
Earnings per share (sen)	9.14	8.78	37.94	35.25

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B11. Earnings per share (continued)

Diluted earnings per share

There is no dilution due to the Company's warrants, as the warrants are currently out-of-money in view that the exercise price for each warrant is higher than the closing market price of the Company's shares as at 31 December 2017.

B12. Economic profit statement

Group	Quarter		Year-to-date	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Net Operating profit after zakat & tax (NOPAT)				
Profit before zakat and taxation (PBZT)	216,076	204,068	948,330	869,201
Zakat & Taxation	(42,715)	(48,485)	(244,700)	(239,537)
NOPAT	173,361	155,583	703,630	629,664
Economic charge computation				
Average invested capital (excludes the debit balance of the acquisition reserve arising from the acquisition of shares from non-controlling interests)	6,141,133	5,519,383	5,767,492	5,156,179
Weighted Average Cost of Capital (WACC) (%)	5.93	6.35	5.93	6.35
Economic charge	91,791	88,099	342,012	327,417
Economic profit	81,570	67,484	361,618	302,247

B13. Foreign exchange exposure/hedging policy

The breakdown of Bank Islam's net foreign exchange exposure in RM equivalent is as follows:

RM equivalent	As at	
	31.12.2017	31.12.2016
	RM'000	RM'000
USD	(230,227)	(256,425)
EURO	(107,198)	(171,635)
Others	(6,171)	21,453

The Bank's exposure on USD and other currencies are mainly related to its Labuan branch operations and maintenance of foreign current accounts ("FCA").

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B14. Takaful receivables

- a) The average credit terms of takaful receivables granted to related parties and non-related parties are 6 months from the contractual due date. Letter of Demand is issued to the debtor for the recovery of takaful receivables which exceeds the average credit term.

	Family Takaful		General Takaful		Group	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Non-related parties	77,307	123,310	92,266	44,239	169,572	167,549
Related parties	134	724	2,410	1,435	2,545	2,159
	77,441	124,034	94,676	45,674	172,117	169,708

- b) The age analysis of takaful receivables past-due but not impaired as at the end of the reporting period based on days past-due was as follows:

Days past due	Family Takaful		General Takaful		Group	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
1-30 days	1,451	2,195	1,044	554	2,495	2,749
31-60 days	157	2,903	270	527	427	3,430
61-90 days	77	1,572	248	720	325	2,292
91-180 days	2,713	19,474	2,602	1,477	5,315	20,951
> 180 days	1,037	31	3,396	4,487	4,433	4,518
	5,435	26,175	7,560	7,765	12,995	33,940

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B14. Takaful receivables (continued)

c) Takaful receivables due from related parties are trade related and have been entered into in the normal course of business under normal trade terms. The significant takaful receivables of Takaful Malaysia with its related parties as at the end of the reporting period, are as follows.

	Family Takaful		General Takaful		Group	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank Islam Malaysia Berhad	135	252	825	1,094	960	1,346

Takaful Malaysia assess impairment on an individual and collective basis. Takaful Malaysia will assess on a case by case basis, whether there is any objective evidence that the outstanding due is impaired for contribution due and claims recovery that are considered individually significant. The criteria that Takaful Malaysia uses to determine whether there is objective evidence of impairment for those selected for individual assessment include:

- (i) contribution due or claims recovery past-due for 6 months or more and where outstanding receivables is above 2% of total takaful receivables and RM200,000 for Family and General takaful receivables respectively;
- (ii) significant financial difficulty of customer / intermediaries;
- (iii) long outstanding balances where these are disputed and not resolved; and
- (iv) breach of contract, such as default or delinquency in payments.

Takaful Malaysia records impairment allowance for loans and receivables and takaful receivables in separate "Allowance for Impairment" accounts. Unless Takaful Malaysia is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly. There were no material provisions and write-off of trade receivables during the period.

Before takaful receivables are deemed uncollectible, consistent follow-up action such as requesting for payments including reminders will be sent to the relevant debtors. Where the amount due exceeds the internal threshold, a Letter of Demand will be issued to the debtors.

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B15. Material impairment of assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

The breakdown of the assets' carrying value in the book before impairment, impairment losses and carrying value in the book after impairment against its market value are as follows:

Group	12 months ended 31 December 2017				12 months ended 31 December 2016			
	Carrying value before impairment	Impairment losses	Carrying value after impairment	Market value	Carrying value before impairment	Impairment losses	Carrying value after impairment	Market value
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financing, advances and others	42,685,936	(572,516)	42,113,420	42,299,796	39,872,443	(683,169)	39,189,274	39,233,082

For financing, advances and others, the criteria that is used to determine that there is objective evidence of an impairment loss include:

- i) significant financial difficulty of the issuer or obligor; or
- ii) a breach of contract, such as default or delinquency in profit or principal payments; or
- iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- iv) consecutive downgrade of two notches for external ratings.

Financing is classified as impaired when the principal or profit or both are past due for three (3) months or more or where a financing is in arrears for less than three (3) months, the financing exhibits indications of credit weakness, or when the financing is classified as rescheduled and restructured in Central Credit Reference Information System ("CCRIS").

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B15. Material impairment of assets (continued)

For financing and receivables, the Group first assesses whether objective evidence of impairment exists individually for financing and receivables that are individually significant, and collectively for financing and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exist for an individually assessed financing and receivable, whether significant or not, it includes the assets in a group of financing and receivables with similar credit risk characteristics and collectively assesses them for impairment. Financing and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment for impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The amount of the loss is recognised using an allowance account and recognised in the profit or loss. The estimation of the amount and timing of the future cash flows requires management judgement. In estimating these cash flows, judgements are made about the realisable value of the collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual results may differ from these, hence resulting in changes to impairment losses recognised.

For the purposes of a collective evaluation of impairment, financing and receivables are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows for a group of financing and receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and remove the effects of conditions in the historical period that do not currently exist.

When a financing is uncollectable, it is written off against the related allowance for impairment. Such financing are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequently recoveries of amounts previously written off are credited to the profit or loss.

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B15. Material impairment of assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance for impairment account. The amount of reversal is recognised in the profit or loss.

B16. Derivatives

Bank Islam holds derivative financial instruments to hedge its foreign currency and profit rate exposures.

As at 31 December 2017

Type of derivatives	Contract/notional Value as at the date Of the statement of Financial position RM'000	Fair value as at the date of statement of financial position RM'000
<i>Derivative Financial Instruments</i>		
Foreign exchange related contracts		
- Less than one year	3,218,824	(8,940)
Profit rate related contracts		
- Less than one year	-	-
- One year to 3 years	400,000	741
- More than 3 years	207,992	1,850
	3,826,816	(6,349)

B17. The amount of gains/losses arising from fair value changes of its financial liabilities for the current quarter and financial year to date

Derivative financial assets and liabilities are measured at fair value. Gain and loss arising from fair value changes of these instruments are as follows:

Type of derivatives	Current quarter 31.12.2017 RM'000	Current year-to-date 31.12.2017 RM'000
<i>Derivative Financial Instruments</i>		
Gain/(loss) arising from fair value changes from derivatives assets and liabilities	283	(971)

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B17. The amount of gains/losses arising from fair value changes of its financial liabilities for the current quarter and financial year to date (continued)

Bank Islam holds derivative financial instruments to hedge its foreign currency and profit rate exposures. However, Bank Islam elects not to apply hedge accounting. Hence, foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at statement of financial position date and the resultant gains and losses for the financial year are recognised in the profit or loss.

By order of the Board

MARIA MAT SAID (LS 0009400)
Company Secretary
January 26, 2018