

BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

Condensed Statement of Financial Position as at 31 March 2018

	Note	Group As at		Company As at	
		31.03.2018 RM'000	31.12.2017 RM'000	31.03.2018 RM'000	31.12.2017 RM'000
Assets					
Cash and short-term funds	9	5,478,836	4,807,749	290,250	241,074
Deposits and placements with financial institutions	10	934,942	1,159,085	-	-
Financial assets held-for-trading	11	-	607,431	-	-
Financial assets at fair value through profit or loss (FVTPL)	12	1,985,726	-	175,880	-
Derivative financial assets	13	71,255	68,319	-	-
Financial assets available-for-sale	14	-	13,497,437	-	174,546
Financial assets at fair value through other comprehensive income (FVOCI)	15	12,888,277	-	-	-
Financial assets held-to-maturity	16	-	516,524	-	-
Financing, advances and others	17	42,381,390	42,113,420	-	-
Other financial assets at amortised cost	18	320,168	366,992	2,129	1,951
Takaful assets	19	739,055	677,713	-	-
Statutory deposits with Bank Negara Malaysia		1,470,235	1,407,284	-	-
Current tax assets		31,736	34,333	-	20
Deferred tax assets		118,704	72,023	10	10
Investments in subsidiaries		-	-	5,166,225	5,166,225
Property and equipment		411,148	397,624	445	484
Investment properties		10,777	10,868	-	-
Intangible assets		43,916	47,832	-	-
Total assets		66,886,165	65,784,634	5,634,939	5,584,310

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(continued)

	Note	Group As at		Company As at	
		31.03.2018 RM'000	31.12.2017 RM'000	31.03.2018 RM'000	31.12.2017 RM'000
Liabilities and equity					
Deposits from customers	20	46,637,083	45,870,596	-	-
Investment accounts of customers	21	4,533,512	3,969,344	-	-
Derivative financial liabilities	13	85,370	74,668	-	-
Bills and acceptances payable		57,999	420,258	-	-
Other liabilities	22	1,028,153	1,266,609	1,534	232,598
Takaful liabilities	23	7,065,355	6,962,313	-	-
Sukuk liabilities	24	2,268,513	2,235,862	1,299,405	1,279,512
Zakat and taxation		60,718	66,631	178	18
Total liabilities		61,736,703	60,866,281	1,301,117	1,512,128
Equity					
Share capital		4,082,939	3,875,270	4,082,939	3,875,270
Reserves		705,899	658,669	250,883	196,912
Equity attributable to owners of the Company					
		4,788,838	4,533,939	4,333,822	4,072,182
Non-controlling interests		360,624	384,414	-	-
Total equity		5,149,462	4,918,353	4,333,822	4,072,182
Total liabilities and equity		66,886,165	65,784,634	5,634,939	5,584,310
Restricted investment accounts managed by Bank Islam					
	21	113,448	124,384	-	-
Total Islamic banking asset		66,999,613	65,909,018	5,634,939	5,584,310
Commitments and contingencies	40	15,667,725	13,768,162	-	-
Net assets per share attributable to ordinary equity of the Company (RM)					
		2.83	2.77	2.56	2.49

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2017.

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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2018**

Group	Note	Quarter 3 months ended		Year-to-date 3 months ended	
		31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Income derived from investment of depositors' funds	26	612,553	565,757	612,553	565,757
Income derived from investment account funds	27	58,708	52,419	58,708	52,419
Income derived from investment of shareholders' funds	28	110,020	103,608	110,020	103,608
Net income from Takaful business	29	218,081	197,140	218,081	197,140
Net allowance for impairment on financing and advances, net of recoveries	30	(21,163)	(8,783)	(21,163)	(8,783)
Reversal of impairment on other financial assets		98	-	98	-
Direct expenses		(4,466)	(5,242)	(4,466)	(5,242)
Total distributable income		973,831	904,899	973,831	904,899
Wakalah fees from restricted investment accounts		-	712	-	712
Income attributable to depositors	31	(294,919)	(271,379)	(294,919)	(271,379)
Income attributable to investment account holders	32	(19,758)	(20,882)	(19,758)	(20,882)
Total net income		659,154	613,350	659,154	613,350
Personnel expenses	33	(173,344)	(162,806)	(173,344)	(162,806)
Other overhead expenses	34	(179,545)	(176,192)	(179,545)	(176,192)
Finance cost		306,265	274,352	306,265	274,352
		(32,651)	(28,153)	(32,651)	(28,153)
Profit before zakat and tax		273,614	246,199	273,614	246,199
Zakat		(3,938)	(2,611)	(3,938)	(2,611)
Tax expense	B5	(69,098)	(69,691)	(69,098)	(69,691)
Profit for the period		200,578	173,897	200,578	173,897
Attributable to:					
Owners of the Company		172,135	151,102	172,135	151,102
Non-controlling interests		28,443	22,795	28,443	22,795
Profit for the period		200,578	173,897	200,578	173,897
Earnings per share (sen)	B11	10.26	9.32	10.26	9.32

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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2018 (continued)**

Group	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Profit for the period	200,578	173,897	200,578	173,897
Other comprehensive income, net of tax Items that are or may be reclassified subsequently to profit or loss:				
Currency translation differences in respect of foreign operations	15,168	8,145	15,168	8,145
Movement in fair value reserve (debt securities):				
Net change in fair value	(9,103)	-	(9,103)	-
Net amount transferred to profit or loss	(1,593)	-	(1,593)	-
Movement in fair value reserve (equity instrument):				
Net change in fair value	(2,817)	-	(2,817)	-
Net amount transferred to profit or loss	-	-	-	-
Movement in fair value reserve (available for sale):				
Net change in fair value	-	14,541	-	14,541
Net amount transferred to profit or loss	-	(1,691)	-	(1,691)
Income tax credit/expense relating to components of other comprehensive income	3,180	(2,493)	3,180	(2,493)
Other comprehensive income for the period, net of tax	4,835	18,502	4,835	18,502
Total comprehensive income for the period	205,413	192,399	205,413	192,399
Total comprehensive income attributable to:				
Owners of the Company	178,753	167,624	178,753	167,624
Non-controlling interests	26,660	24,775	26,660	24,775
Total comprehensive income for the period	205,413	192,399	205,413	192,399

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2017.

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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2018 (continued)**

Company	Note	Quarter		Year-to-date	
		3 months ended	3 months ended	3 months ended	3 months ended
		31.03.2018	31.03.2017	31.03.2018	31.03.2017
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of shareholders' funds / Total distributable income / Total net income	28	77,700	61,942	77,700	61,942
Personnel expenses	33	(2,152)	(2,104)	(2,152)	(2,104)
Other overhead expenses	34	(1,205)	(1,183)	(1,205)	(1,183)
		74,343	58,655	74,343	58,655
Finance cost		(19,893)	(19,140)	(19,893)	(19,140)
Profit before zakat and tax		54,450	39,515	54,450	39,515
Tax expense	B5	(479)	(606)	(479)	(606)
Profit for the period		53,971	38,909	53,971	38,909
Attributable to:					
Owners of the Company		53,971	38,909	53,971	38,909
Profit for the period		53,971	38,909	53,971	38,909

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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2018 (continued)**

Company	Note	Quarter 3 months ended		Year-to-date 3 months ended	
		31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Profit for the period		53,971	38,909	53,971	38,909
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss:					
Movement in fair value reserve (available for sale):					
Net change in fair value		-	117	-	117
Net amount transferred to profit or loss		-	(44)	-	(44)
Other comprehensive income for the period, net of tax		-	73	-	73
Total comprehensive income for the period		53,971	38,982	53,971	38,982
Total comprehensive income attributable to:					
Owners of the Company		53,971	38,982	53,971	38,982
Total comprehensive income for the period		53,971	38,982	53,971	38,982

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2017.

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Condensed Statement of Changes in Equity for the three months ended 31 March 2018

Group	← 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 period	-	-	-	151,102	151,102	22,795	173,897
Other comprehensive income							
Currency translation differences in respect of foreign operations	-	-	7,171	-	7,171	974	8,145
Fair value reserve:							
Net change in fair value	-	-	13,255	-	13,255	1,286	14,541
Net amount reclassified to profit or loss	-	-	(1,411)	-	(1,411)	(280)	(1,691)
Income tax credit relating to components of other comprehensive income	-	-	(2,493)	-	(2,493)	-	(2,493)
Total comprehensive income for the period	-	-	16,522	151,102	167,624	24,775	192,399
Dividends paid to non-controlling interest	-	-	-	-	-	(39,528)	(39,528)
Issue of shares pursuant to Dividend Reinvestment Plan	49,061	134,918	-	-	183,979	-	183,979
Share-based payment transactions	-	-	961	-	961	644	1,605
At 31 March 2017	1,637,741	2,237,529	(98,308)	458,454	4,235,416	320,176	4,555,592

Note 25

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2017.

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Condensed Statement of Changes in Equity for the three months ended 31 March 2018 (continued)

Group	← Attributable to owners of the Company →				Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000			
At 1 January 2018							
- as previously stated	3,875,270	-	(1,099,225)	1,757,894	4,533,939	384,414	4,918,353
- adjustment on adoption of MFRS 9 (net of tax)	-	-	8,232	(140,916)	(132,684)	(1,494)	(134,178)
At 1 January 2018, restated	3,875,270	-	(1,090,993)	1,616,978	4,401,255	382,920	4,784,175
Profit for the period	-	-	-	172,135	172,135	28,443	200,578
Other comprehensive income							
Currency translation differences in respect of foreign operations	-	-	16,845	-	16,845	(1,677)	15,168
Fair value reserve:							
Net change in fair value	-	-	(11,818)	-	(11,818)	(102)	(11,920)
Net amount reclassified to profit or loss	-	-	(1,589)	-	(1,589)	(4)	(1,593)
Income tax credit relating to components of other comprehensive income	-	-	3,180	-	3,180	-	3,180
Total comprehensive income for the period	-	-	6,618	172,135	178,753	26,660	205,413
Transfer from regulatory reserve to retained earnings	-	-	(64,645)	64,645	-	-	-
Dividends paid to non-controlling interest	-	-	-	-	-	(49,739)	(49,739)
Issue of shares pursuant to Dividend Reinvestment Plan	207,669	-	-	-	207,669	-	207,669
Share-based payment transactions	-	-	1,161	-	1,161	783	1,944
At 31 March 2018	4,082,939	-	(1,147,859)	1,853,758	4,788,838	360,624	5,149,462

Note 25

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2017.

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Condensed Statement of Changes in Equity for the three months ended 31 March 2018 (continued)

Company	← Attributable to owners of the Company →						
	Share capital RM'000	← Non-distributable →			Distributable		Total equity RM'000
		Share premium RM'000	Warrant reserves RM'000	Fair value reserves RM'000	Retained earnings RM'000		
At 1 January 2017	1,588,680	2,102,611	129,300	81	51,259	3,871,931	
Profit for the period	-	-	-	-	38,909	38,909	
Other comprehensive income							
Fair value reserve:							
Net change in fair value	-	-	-	117	-	117	
Net amount reclassified to profit or loss	-	-	-	(44)	-	(44)	
Total comprehensive income for the period	-	-	-	73	38,909	38,982	
Issue of shares pursuant to Dividend Reinvestment Plan	49,061	134,918	-	-	-	183,979	
At 31 March 2017	1,637,741	2,237,529	129,300	154	90,168	4,094,892	
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At 1 January 2018							
- as previously stated	3,875,270	-	129,300	178	67,434	4,072,182	
- adjustment on adoption of MFRS 9 (net of tax)	-	-	-	(178)	178	-	
At 1 January 2018, restated	3,875,270	-	129,300	-	67,612	4,072,182	
Profit for the period	-	-	-	-	53,971	53,971	
Issue of shares pursuant to Dividend Reinvestment Plan	207,669	-	-	-	-	207,669	
At 31 March 2018	4,082,939	-	129,300	-	121,583	4,333,822	
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Condensed Statement of Cash Flows for the three months ended 31 March 2018

	Group		Company	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before zakat and tax	273,614	246,199	54,450	39,515
Adjustments for:				
Depreciation of property and equipment	14,840	18,093	80	80
Depreciation of investment property	73	74	-	-
(Gain)/Loss on disposal of property and equipment	(41)	3	-	-
Property and equipment written off	29	4	8	-
Collective assessment allowance	-	29,946	-	-
Individual assessment allowance	-	(3,455)	-	-
Reversal of impairment loss on financial assets at FVOCI	(98)	-	-	-
Allowance for impairment loss on financing, advances and others	47,785	-	-	-
Net gain on sale of financial assets at FVTPL	(1,150)	-	-	-
Net loss on sale of financial assets held-for-trading	-	4,728	-	-
Net gain on sale of financial assets at FVOCI	(1,582)	-	-	-
Net gain on sale of financial assets available-for-sale	-	(966)	-	-
Fair value loss/(gain) on financial assets at FVTPL	2,511	-	(458)	-
Fair value gain on financial assets held-for-trading	-	(6,544)	-	-
Net derivative loss	(229)	(53)	-	-
Dividends from securities	(1,747)	(1,472)	(876)	(1,025)
Dividends from subsidiaries	-	-	(73,733)	(58,986)
Change in actuarial reserves/ unearned contributions reserve	(13,003)	(9,167)	-	-
Equity settled share-based payment	1,944	1,605	-	-
Amortisation of intangible assets	3,916	3,066	-	-
Finance cost	32,651	28,153	19,893	19,140
Operating profit/(loss) before working capital changes	359,513	310,214	(636)	(1,276)

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Condensed Statement of Cash Flows for the three months ended 31 March 2018 (continued)

	Group		Company	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before working capital changes	359,513	310,214	(636)	(1,276)
Changes in working capital:				
Deposits and placements of banks and other financial institutions	-	(30,000)	-	-
Financing of customers	(504,854)	(593,618)	-	-
Statutory deposits with Bank Negara Malaysia	(62,951)	159,820	-	-
Other assets	(4,344)	30,963	(178)	305
Deposits from customers	766,487	(2,238,877)	-	-
Investment accounts of customers	564,168	115,711	-	-
Other liabilities	72,307	20,999	(1,780)	(2,303)
Bills and acceptances payable	(362,259)	135,513	-	-
Cash generated from/(used in) operations	828,067	(2,089,275)	(2,594)	(3,274)
Zakat paid	(500)	(600)	-	-
Tax paid	(61,455)	(54,073)	(319)	(404)
Tax refund	113	-	20	-
Net cash generated from/(used in) operating activities	766,225	(2,143,948)	(2,893)	(3,678)
Cash flows from investing activities				
Net proceeds from purchase of securities	(235,641)	(277,403)	(876)	(33,794)
Purchase of property and equipment	(28,836)	(12,886)	(49)	(24)
Proceeds from disposal of property and equipment	56	76	-	-
Dividends from subsidiaries	-	-	73,733	58,986
Dividends from securities	871	447	876	-
Net cash (used in)/generated from investing activities	(263,550)	(289,766)	73,684	25,168

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Condensed Statement of Cash Flows for the three months ended 31 March 2018 (continued)

	Group		Company	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Dividends paid	(21,615)	(22,550)	(21,615)	(22,550)
Dividends paid to non-controlling interest	(49,739)	(39,528)	-	-
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Net cash used in financing activities	(71,354)	(62,078)	(21,615)	(22,550)
	<hr/>	<hr/>	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	431,321	(2,495,792)	49,176	(1,060)
Cash and cash equivalents at beginning of the period	5,966,834	5,655,408	241,074	205,318
Foreign exchange differences	15,623	8,198	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of the period	6,413,778	3,167,814	290,250	204,258
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:				
Cash and short-term funds	5,478,836	1,970,340	290,250	204,258
Deposits and placements with financial institutions	934,942	1,197,474	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,413,778	3,167,814	290,250	204,258
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The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2017.

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**Explanatory Notes to the Financial Statements for the three months ended
31 March 2018**

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 three months ended 31 March 2018 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 2017. 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 2017.

The audited financial statements of the Group for the financial year ended 31 December 2017, 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)

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the recent audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following:

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*
- 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*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

The adoption of the new standards, amendments to published standards and interpretation are not expected to have impact on the financial results of the Group, except for MFRS 9. The principal effects of the changes in accounting policies arising from adoption of MFRS 9 are disclosed in Note 6.

2. Audit report of preceding financial year ended 31 December 2017

The auditors' report on the audited financial statements for the financial year ended 31 December 2017 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 three months ended 31 March 2018.

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 three months ended 31 March 2018.

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5. Changes in estimates of amounts reported previously

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of MFRS 9, which are described below in Note 6.

6. Changes in accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017, except for the impact of adopting MFRS 9 as described below.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

MFRS 9 Financial Instruments

During the current reporting period, the Group has adopted the MFRS 9 as issued by the IASB in July 2014, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

MFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 *Financial Instruments: Recognition and Measurement*.

(i) Classification of financial assets and liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification and measurement of financial liabilities. As such, there is no change on the Group's accounting policies related to financial liabilities. However, the standard eliminates the previous MFRS 139 categories of held-for-trading ("HFT"), held-to-maturity ("HTM"), financing and receivables ("FAR") and available for sale ("AFS").

Under MFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost ("AC"), Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL"). The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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6. Changes in accounting policies (continued)

(i) Classification of financial assets and liabilities (continued)

The impact on classification and measurement to the Group's financial assets are summarised below on the initial application of MFRS 9 on 1 January 2018.

Group	Note	Measurement category		Carrying amount	
		Original classification under MFRS 139	New classification under MFRS 9	Original under MFRS 139 RM'000	New under MFRS 9 RM'000
Financial assets					
Cash and short term funds		FAR	AC	4,807,749	4,807,749
Deposits and placements with banks and other financial institutions	(a)	FAR	FVTPL	360,000	351,322
Deposits and placements with banks and other financial institutions		FAR	AC	799,085	799,085
Financial assets HFT	(b)	FVTPL	FVTPL	607,431	607,431
Derivative financial assets		FVTPL	FVTPL	68,319	68,319
Financial assets AFS					
- Debt securities	(c)	AFS	FVOCI	12,454,199	12,453,854
- Debt securities	(d)	AFS	FVTPL	205,661	205,661
- Equity instruments	(e)	AFS	FVOCI	22,912	41,016
- Equity instruments	(f)	AFS	FVTPL	191,048	191,048
- Unit trusts	(g)	AFS	FVTPL	372,566	372,566
- Institutional Trust Account	(c)	AFS	FVOCI	251,051	250,238
Financial assets HTM	(h)	HTM	FVOCI	434,199	437,715
Financial assets HTM	(i)	HTM	FVTPL	82,325	89,764
Financing, advances and others	(j)	FAR	AC	42,113,420	41,924,321
Other financial assets	(j)	FAR	AC	366,992	366,400
Retakaful assets	(j)	FAR	AC	505,596	505,596
Takaful receivable	(j)	FAR	AC	172,117	170,425

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6. Changes in accounting policies (continued)

(i) Classification of financial assets and liabilities (continued)

- a) Structured deposits classified as financing and receivables under MFRS 139 failed to meet the Solely Payment of Principal and Profit ("SPPI") requirements under MFRS 9. As a result, these instruments were classified as FVTPL from the date of initial application.
- b) Before the adoption of MFRS 9, financial assets HFT were designated as at FVTPL and this designation eliminated or significantly reduced an accounting mismatch that would otherwise arise. Under MFRS 9, these assets meet the criteria for mandatory measurement at FVTPL because the contractual cash flows of these securities are not solely payment of principal and profit on the principal outstanding.
- c) Islamic debt securities, Malaysian Government Islamic Papers and Institutional Trust Account are held to meet everyday liquidity needs. The Group seeks to minimise the costs of managing those liquidity needs and therefore actively manages the return on the portfolio. The return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group considers that under MFRS 9, these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset. These assets have therefore been classified as financial assets at FVOCI under MFRS 9.
- d) Islamic debt securities categorised as AFS under MFRS 139 that failed to meet the SPPI requirement under MFRS 9 are classified as FVTPL.
- e) Comprise of non-traded equity investments for which the Group has elected to designate at FVOCI under MFRS 9. Accordingly, the assets will remain accounted for at FVOCI with no subsequent recycling of realised gains and losses permitted. Before the adoption of MFRS 9, these securities were measured at cost because their fair value was not considered to be reliably measureable. MFRS 9 has removed this cost exception.
- f) Investment in equity securities categorised as AFS under MFRS 139 are managed on fair value basis. These assets have been classified as mandatorily measured at FVTPL under MFRS 9.
- g) Comprise of investments in unit trust & investment-linked funds previously classified as available-for-sale under MFRS 139. These investments were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under MFRS 9.

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6. Changes in accounting policies (continued)

(i) Classification of financial assets and liabilities (continued)

- h) Investments in debt securities and Malaysian Government Islamic papers classified as held to maturity under MFRS 139 are classified as FVOCI under MFRS 9.
- i) Investment in debt securities classified as held to maturity under MFRS 139 are classified as FVTPL under MFRS 9.
- j) Financing, advances and others, other financial assets, retakaful assets and takaful receivables classified as financing and receivables under MFRS 139 are now classified as financial asset measured at amortised cost under MFRS 9.

(ii) Impairment of financial assets

MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model. This considerable judgement about how changes in economic factors affect ECLs which will be determined on a probability-weighted basis. The new impairment model applies to financial assets measured at AC, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortised cost consist of cash and short-term funds, deposits and placements with banks and other financial institutions, financing, advances and others, other financial assets, retakaful assets and takaful receivable.

Under MFRS 9, the Group applies a three-stage approach to measuring ECL on financial assets measured at amortised cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

- i) Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon recognition, the portion of lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.
- ii) Stage 2: Lifetime ECL - not credit impaired
For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

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6. Changes in accounting policies (continued)

(ii) Impairment of financial assets (continued)

iii) Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and profit is calculated by applying the effective profit rate to the amortised cost (net of provision) rather than the gross carrying amount.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly when it is more than 30 days past due. The Group also use its internal credit risk grading system and external risk rating to assess deterioration in credit quality of a financial asset.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective profit rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impact of the new impairment model

For assets in the scope of the MFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of MFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

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6. Changes in accounting policies (continued)

(ii) Impairment of financial assets (continued)

	RM'000
Group	
Loss allowance at 31 December 2017 under MFRS 139	580,543
Additional impairment recognised at 1 January 2018	
- Financing, advances and others	189,099
- Islamic debt securities	4,442
- Takaful receivables	1,692
- Institutional Trust Account	813
- Other receivables	527
- Fixed and call deposits	65
	<hr/>
Loss allowance at 1 January 2018 under MFRS 9	777,181
	<hr/> <hr/>

(iii) Transition upon the adoption of MFRS 9

As permitted by the transitional provisions of MFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

The following table summarises the impact, net of tax, of transition to MFRS 9 on the opening balance of reserves and retained earnings.

	Impact of adopting MFRS 9 on opening balance RM'000
<u>Fair value reserve</u>	
Group	
Remeasurement of equity investment at FVOCI	18,104
Recognition of fair value gain under MFRS 9 for Islamic debt securities at FVOCI	319
Reclassification of fair value gain from financial assets designated at FVTPL under MFRS 9	(7,399)
Related tax	(2,792)
	<hr/>
Impact at 1 January 2018	8,232
	<hr/> <hr/>
Company	
Reclassification of fair value gain from financial assets designated at FVTPL under MFRS 9	(178)
	<hr/> <hr/>

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6. Changes in accounting policies (continued)

(iii) Transition upon the adoption of MFRS 9 (continued)

The following table summarises the impact, net of tax, of transition to MFRS 9 on the opening balance of reserves and retained earnings. (continued)

	Impact of adopting MFRS 9 on opening balance RM'000
<u>Retained earnings</u>	
Group	
Recognition of expected credit losses under MFRS 9	(189,835)
Adjustment of the deficits transferred from Takaful funds arising from the initial application of MFRS 9	(3,004)
Recognition of fair value loss from financial assets designated at FVTPL under MFRS 9	(220)
Reclassification of fair value gain from financial assets designated at FVTPL under MFRS 9	7,399
Related tax	44,744
Impact at 1 January 2018	<u>(140,916)</u> =====
Company	
Reclassification of fair value gain from financial assets designated at FVTPL under MFRS 9	178 =====
<u>Non-controlling interest</u>	
Group	
Recognition of fair value gain from financial assets designated at FVTPL under MFRS 9	20
Recognition of fair value gain under MFRS 9 for Islamic debt securities at FVOCI	215
Recognition of expected credit losses under MFRS 9	(263)
Adjustment of the deficits transferred from Takaful funds arising from the initial application of MFRS 9	(2,026)
Related tax	560
Impact at 1 January 2018	<u>(1,494)</u> =====

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7. Issuance or repayment of debt and equity securities

On 26 January 2018, the Company increased its issued and paid-up capital from RM1,637,741,014 to RM1,693,566,014 via the issuance of 55,825,000 new ordinary shares of RM1.00 each at a consideration of RM3.72 each arising from the Dividend Reinvestment Plan.

8. Significant events during the three months ended 31 March 2018

- **Dividend received**

On 19 January 2018, Syarikat Takaful Malaysia Berhad paid a single tier dividend of 15.00 sen per ordinary share totalling RM73.733 million for the financial year ended 31 December 2017.

9. Cash and short-term funds

	31.03.2018	31.12.2017
	RM'000	RM'000
Group		
Cash and balances with banks and other financial institutions	978,603	971,106
Money at call and interbank placements with remaining maturity not exceeding one month	4,500,233	3,836,643
	5,478,836	4,807,749
	=====	=====
Company		
Cash and balances with banks and other financial institutions	290,250	241,074
	290,250	241,074
	=====	=====

10. Deposits and placements with financial institutions

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
Licensed banks	899,974	1,124,343
Other financial institutions	34,968	34,742
	934,942	1,159,085
	=====	=====

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11. Financial assets held-for-trading

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
At fair value		
- Malaysian Government Investment Issues	-	355,681
- Shares	-	134,220
- Sukuk	-	111,273
- Unit trusts	-	6,257
	<u>-</u>	<u>607,431</u>
	=====	=====

12. Financial assets at fair value through profit or loss (FVTPL)

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
At fair value		
- Sukuk	732,816	-
- Structured deposits	347,554	-
- Malaysian Government Investment Issues	304,139	-
- Shares	253,887	-
- Unit trusts	342,592	-
- Bank Negara Negotiable Notes	4,358	-
	<u>1,985,346</u>	<u>-</u>
	-----	-----
At cost		
- Unquoted shares in Malaysia	380	-
	<u>380</u>	<u>-</u>
	-----	-----
	<u>1,985,726</u>	<u>-</u>
	=====	=====

	Company	
	31.03.2018	31.12.2017
	RM'000	RM'000
At fair value		
- Unit trusts [#]	175,880	-
	<u>175,880</u>	<u>-</u>
	=====	=====

[#] Included unit trusts managed by a subsidiary of the Group of RM169,477,376.

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13. 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
31.03.2018			
Forward contracts	3,790,357	66,675	(83,555)
Profit rate swaps	600,740	4,580	(1,815)
	4,391,097	71,255	(85,370)
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)

14. Financial assets available-for-sale

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
At fair value		
- Sukuk	-	10,915,814
- Malaysian Government Investment Issues	-	1,525,094
- Unit trusts	-	372,566
- Institutional Trust Account	-	251,051
- Malaysian Government Islamic Papers	-	218,952
- Shares	-	208,660
		13,492,137

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15. Financial assets at fair value through other comprehensive income (FVOCI) (continued)

a) Debt investments securities at fair value through other comprehensive income

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
Sukuk	10,827,203	-
Malaysian Government Investment Issues	1,548,785	-
Institutional Trust Account	253,172	-
Malaysian Government Islamic Papers	220,707	-
	<u>12,849,867</u>	<u>-</u>
Allowance for impairment losses		
- Collective assessment – 12 months expected credit losses (ECL)	(247)	-
	<u>12,849,620</u>	<u>-</u>
	<u>=====</u>	<u>=====</u>

b) Equity investments at fair value through other comprehensive income

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
Quoted shares		
- outside Malaysia	14,795	-
	<u>14,795</u>	<u>-</u>
	<u>-----</u>	<u>-----</u>
Unquoted shares		
- in Malaysia	23,846	-
- outside Malaysia	16	-
	<u>23,862</u>	<u>-</u>
	<u>-----</u>	<u>-----</u>
	<u>38,657</u>	<u>-</u>
	<u>=====</u>	<u>=====</u>

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16. Financial assets held-to-maturity

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
At amortised cost		
- Malaysian Government Islamic Papers	-	59,994
- Sukuk	-	463,417
Less: Accumulated impairment loss	-	(6,887)
	-	456,530
	-----	-----
	-	516,524
	=====	=====

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17. Financing, advances and others

(a) By type and Shariah contract

Group	Bai'		Bai	Bai		Ijarah	Ijarah			Total
31 March 2018	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			RM'000
At amortised cost										
Cash line	-	-	-	4,938	1,241,561	-	-	-	-	1,246,499
Term financing										
House financing ^	4,032,594	-	-	-	12,562,924	-	-	54,276	-	16,649,794
Syndicated financing	-	-	-	44,119	569,871	-	110,163	-	-	724,153
Leasing financing	-	-	-	-	-	85,092	223	-	-	85,315
Bridging financing	-	-	-	-	-	-	-	73,440	-	73,440
Personal financing ^	-	-	-	16,943	12,708,061	-	-	-	-	12,725,004
Other term financing	1,413,726	1,157,464	-	7,404	7,308,092	-	-	1,241	-	9,887,927
Staff financing	68,311	8,002	-	-	139,459	-	-	11,283	-	227,055
Credit cards	-	-	-	-	455,492	-	-	-	-	455,492
Trade bills discounted	-	814,199	153,065	-	-	-	-	-	-	967,264
Trust receipts	-	1,577	-	-	-	-	-	-	-	1,577
Pawn broking	-	-	-	-	-	-	-	-	81,975	81,975
Investment Account Platform *	-	-	-	-	12,207	-	-	-	-	12,207
	<u>5,514,631</u>	<u>1,981,242</u>	<u>153,065</u>	<u>73,404</u>	<u>34,997,667</u>	<u>85,092</u>	<u>110,386</u>	<u>140,240</u>	<u>81,975</u>	<u>43,137,702</u>
Allowance for impaired financing, advances and others										
- collective assessment – 12 months expected credit losses (ECL)										(392,852)
- collective assessment – Lifetime ECL										(221,150)
- individual assessment – Lifetime ECL										(142,310)
Net financing, advances and others										<u>42,381,390</u>

^ Included in house financing and personal financing are the underlying assets under the Unrestricted Investment Accounts ("URIA") amounting RM3,594,086,000 and RM939,426,000 respectively as disclosed in Note 21 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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17. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group	Bithaman Ajil RM'000	Bai' Murabahah RM'000	Bai Al-Dayn RM'000	Bai Al-Inah RM'000	At-Tawarruq RM'000	Muntahiah Bit-Tamleek RM'000	Ijarah Thumma Al-Bai RM'000	Ijarah 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 21 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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17. Financing, advances and others (continued)

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
(b) By type of customer		
Domestic non-bank financial institutions	1,375,380	1,354,806
Domestic business enterprise	6,940,221	7,015,168
Small medium industries	885,399	896,444
Government and statutory bodies	577,827	820,586
Individuals	32,750,341	31,986,842
Other domestic entities	8,028	8,195
Foreign entities	600,506	603,895
	43,137,702	42,685,936
	=====	=====
(c) By profit rate sensitivity		
Fixed rate		
House financing	1,139,234	1,168,200
Others	3,405,436	3,560,756
Floating rate		
House financing	16,129,948	15,625,095
Others	22,463,084	22,331,885
	43,137,702	42,685,936
	=====	=====
(d) By remaining contractual maturity		
Maturity within one year	4,451,602	4,414,217
More than one year to three years	1,628,631	1,087,304
More than three years to five years	3,274,322	2,598,903
More than five years	33,783,147	34,585,512
	43,137,702	42,685,936
	=====	=====
(e) By geographical distribution		
Central Region	20,681,210	20,673,380
Eastern Region	7,001,724	6,860,968
Northern Region	6,176,609	6,121,471
Southern Region	6,113,069	5,908,526
East Malaysia Region	3,165,090	3,121,591
	43,137,702	42,685,936
	=====	=====

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17. Financing, advances and others (continued)

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
(f) By sector		
Primary agriculture	492,718	486,679
Mining and quarrying	8,059	8,080
Manufacturing (including agro-based)	765,068	835,268
Electricity, gas and water	368,106	337,388
Wholesale & retail trade, and hotels & restaurants	1,280,544	1,228,681
Construction	2,234,526	2,176,453
Real estate	1,578,995	1,582,531
Transport, storage and communications	684,490	655,633
Finance, insurance and business activities	1,991,306	2,147,118
Education, health and others	964,107	1,210,056
Household sectors	32,769,783	32,018,049
	43,137,702	42,685,936
	=====	=====
(g) Movement in impaired financing and advances ("impaired financing") are as follows:		
At 1 January 2018/2017	398,277	389,445
Classified as impaired during the period/year	183,096	648,281
Reclassified as not impaired during the period/year	(77,471)	(331,592)
Amount recovered	(22,226)	(92,432)
Amount written off	(52,620)	(209,231)
Exchange differences	-	(6,194)
	429,056	398,277
	=====	=====
Gross impaired financing as a percentage of gross financing, advances and others	0.99%	0.93%
	=====	=====

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17. Financing, advances and others (continued)

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
(h) Impaired financing by geographical distribution		
Central Region	262,368	223,305
Eastern Region	87,058	107,422
Northern Region	29,858	28,710
Southern Region	26,424	22,915
East Malaysia Region	23,348	15,925
	<hr/>	<hr/>
	429,056	398,277
	=====	=====
(i) Impaired financing by sector		
Manufacturing (including agro-based)	18,976	35,448
Wholesale & retail trade, and hotels & restaurants	38,426	38,433
Construction	122,159	86,357
Transport, storage and communications	11,861	12,604
Finance, insurance and business activities	1,899	3,799
Education, health and others	5,099	5,106
Household sectors	230,636	216,530
	<hr/>	<hr/>
	429,056	398,277
	=====	=====

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17. Financing, advances and others (continued)

j) Movement of allowance for impaired financing

Group	← Collective →			Impairment provision	Individual assessment allowance	Total assessment allowance
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired			
31 March 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018				446,069	126,447	572,516
Effect of adopting MFRS 9				187,404	1,695	189,099
Restated as at 1 January 2018	390,478	139,501	103,494	633,473	128,142	761,615
Transfer to 12-month ECL	49,779	(33,788)	(15,991)	-	(1,470)	(1,470)
Transfer to Lifetime ECL not credit-impaired	(4,432)	18,486	(14,054)	-	-	-
Transfer to Lifetime ECL credit-impaired	(111)	(12,654)	12,765	-	-	-
Allowance made during the period	42,778	24,634	37,655	105,067	38,432	143,499
Financial assets that have been derecognised	(84,058)	(10,186)	-	(94,244)	-	(94,244)
Write-offs	(1,114)	(1,127)	(27,585)	(29,826)	(22,794)	(52,620)
Exchange differences	(468)	-	-	(468)	-	(468)
	392,852	124,866	96,284	614,002	142,310	756,312

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17. Financing, advances and others (continued)

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

	Group
	31.12.2017
	RM'000
<u>Collective assessment allowance</u>	
At 1 January 2017	554,971
Allowance made during the year	34,706
Amount written off	(141,940)
Exchange differences	(1,668)
	<hr/>
At 31 December 2017	446,069
	=====
<u>Individual assessment allowance</u>	
At 1 January 2017	128,198
Allowance made during the year	102,059
Amount recovered	(30,324)
Amount written off	(67,291)
Exchange differences	(6,195)
	<hr/>
At 31 December 2017	126,447
	=====

18. Other financial assets at amortised cost

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
Clients' and dealers' debit balances	42,957	47,395
Deposits and prepayments	52,866	43,714
Other financing	78,449	78,620
Investment receivables	123,674	97,659
Other receivables	22,697	99,604
Sukuk	6,887	-
	<hr/>	<hr/>
	327,530	366,992
Less: Accumulated impairment loss: Individual assessment		
- Sukuk	(6,887)	-
- Other receivables	(475)	-
	<hr/>	<hr/>
	320,168	366,992
	=====	=====

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18. Other financial assets at amortised cost (continued)

	Company	
	31.03.2018	31.12.2017
	RM'000	RM'000
Amount due from subsidiaries	308	320
Deposits and prepayments	422	462
Other receivables	1,399	1,169
	<hr/>	<hr/>
	2,129	1,951
	<hr/> <hr/>	<hr/> <hr/>

19. Takaful assets

		Group	
	Note	31.03.2018	31.12.2017
		RM'000	RM'000
Retakaful assets:			
- Claims liabilities	23(a)(i)	239,400	254,804
- Contribution liabilities	23(a)(ii)	84,309	71,308
- Actuarial liabilities	23(a)(iii)	165,447	179,484
		<hr/>	<hr/>
		489,156	505,596
		<hr/>	<hr/>
Takaful receivables			
- Due contributions		221,632	139,677
- Due from retakaful/co-takaful		37,159	39,728
		<hr/>	<hr/>
		258,791	179,405
Less: Allowance for impaired receivables		(8,892)	(7,288)
		<hr/>	<hr/>
		249,899	172,117
		<hr/>	<hr/>
		739,055	677,713
		<hr/> <hr/>	<hr/> <hr/>

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20. Deposits from customers

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
(a) By type of deposit		
Savings deposits		
<i>Wadiah</i>	4,450,835	4,138,519
Demand deposits		
<i>Wadiah</i>	9,926,897	11,297,399
Term Deposit	32,163,659	30,331,784
Special Investment Deposit <i>Mudharabah</i>	6,182	6,182
General Investment Deposit <i>Mudharabah</i>	313,868	322,388
Term Deposit-i <i>Tawarruq</i>	27,467,503	26,442,155
Negotiable Islamic Debt Certificates ("NIDC")	4,376,106	3,561,059
Others	95,692	102,894
Total Deposits	46,637,083	45,870,596
(b) Maturity structure of term deposits are as follows:		
Due within six months	18,813,230	18,287,237
More than six months to one year	8,332,655	8,734,219
More than one year to three years	3,142,989	1,618,691
More than three years to five years	1,874,785	1,691,637
	32,163,659	30,331,784
(c) By type of customer		
Domestic non-bank financial institutions	10,199,231	13,741,161
Business enterprises	13,392,703	12,406,686
Government and statutory bodies	12,209,913	8,847,454
Individuals	5,194,999	4,810,541
Domestic banking institutions	3,486,997	3,395,740
Others	2,153,240	2,669,014
	46,637,083	45,870,596

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21. Investment accounts of customers

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
(a) By type and Shariah contract		
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	2,654,125	1,994,491
With maturity		
<i>Wakalah</i>	1,879,387	1,974,853
	<u>4,533,512</u>	<u>3,969,344</u>
Investment portfolio:		
- <i>House financing</i>	3,594,086	2,982,183
- <i>Personal financing</i>	939,426	987,161
	<u>4,533,512</u>	<u>3,969,344</u>
Restricted investment accounts ("RIA") managed by Bank Islam[^]		
With maturity		
<i>Wakalah</i>	113,448	124,384
Investment portfolio:		
- <i>Other term financing</i>	113,448	124,384

[^] 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 RM112,857,000 (2017: RM123,962,000).

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
(b) By type of customers		
Individuals	2,374,023	2,212,239
Government and statutory bodies	710,220	400,709
Business enterprises	586,848	474,464
Non-bank financial institutions	766,184	786,457
Others	96,237	95,475
	<u>4,533,512</u>	<u>3,969,344</u>

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22. Other liabilities

	31.03.2018	31.12.2017
	RM'000	RM'000
Group		
Accruals and other payables	985,249	990,277
Clients' and dealers' credit balances	42,904	47,048
Dividend payable	-	229,284
	<u>1,028,153</u>	<u>1,266,609</u>
	=====	=====
Company		
Accruals and other payables	1,534	3,244
Amount due to subsidiaries	-	70
Dividend payable	-	229,284
	<u>1,534</u>	<u>232,598</u>
	=====	=====

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

23. Takaful liabilities

		Group	
	Note	31.03.2018	31.12.2017
		RM'000	RM'000
Takaful contract liabilities	23(a)	6,761,179	6,658,675
Expense reserves	23(b)	227,542	196,655
Takaful payables	23(c)	76,634	106,983
		<u>7,065,355</u>	<u>6,962,313</u>
		=====	=====

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23. Takaful liabilities (continued)

(a) Takaful contract liabilities

The takaful contract liabilities comprise the following:

		Group	
	Note	31.03.2018	31.12.2017
		RM'000	RM'000
Provision for outstanding claims	23(a)(i)	533,098	545,134
Provision for unearned contributions	23(a)(ii)	376,520	341,975
Participants' fund	23(a)(iii)	5,851,561	5,771,566
		<hr/>	<hr/>
		6,761,179	6,658,675
		<hr/> <hr/>	<hr/> <hr/>

(i) Provision for outstanding claims

The provision for outstanding claims is further analysed as follows:

		31.03.2018		
		Gross	Retakaful	Net
		RM'000	RM'000	RM'000
Group				
Provision for claims reported by participants		241,793	(137,395)	104,398
Provision for IBNR*		291,305	(102,005)	189,300
		<hr/>	<hr/>	<hr/>
Provision for outstanding claims		533,098	(239,400)	293,698
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note 19

		31.12.2017		
		Gross	Retakaful	Net
		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
		<hr/>	<hr/>	<hr/>
Provision for outstanding claims		545,134	(254,804)	290,330
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note 19

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

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23. 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 2017	582,184	(261,426)	320,758
Claims incurred during the year	1,011,841	(160,964)	850,877
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	(30,969)	323	(30,646)
Disposal of subsidiary	(1,729)	861	(868)
Effect of movement in exchange rates	(710)	298	(412)
	-----	-----	-----
At 31 December 2017/ 1 January 2018	545,134	(254,804)	290,330
Claims incurred during the period	288,183	(37,237)	250,946
Claims paid during the period	(299,373)	43,685	(255,688)
(Decrease)/Increase in IBNR	(635)	8,859	8,224
Effect of movement in exchange rates	(211)	97	(114)
	-----	-----	-----
At 31 March 2018	533,098	(239,400)	293,698
	=====	=====	=====

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23. 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
31.03.2018	376,520	(84,309)	292,211
	=====	=====	=====
		Note 16	
31.12.2017	341,975	(71,308)	270,667
	=====	=====	=====
		Note 19	

Movement of provision for unearned contributions:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 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/ 1 January 2018	341,975	(71,308)	270,667
Contributions written during the period	216,843	(79,973)	136,870
Contributions earned during the period	(182,298)	66,972	(115,326)
	-----	-----	-----
At 31 March 2018	376,520	(84,309)	292,211
	=====	=====	=====

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23. 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
31.03.2018			
Actuarial liabilities	4,808,782	(165,447)	4,643,335
Unallocated surplus/accumulated surplus	876,852	-	876,852
Fair value reserve	(19,318)	-	(19,318)
Translation reserve	-	-	-
Net assets value attributable to unitholders	185,245	-	185,245
	<u>5,851,561</u>	<u>(165,447)</u>	<u>5,686,114</u>
	=====	=====	=====
		Note 19	
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 19	

(b) Expense reserves

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
At 1 January 2018/2017	196,655	159,310
Provision for the period/year, net	31,195	37,897
Effect of movement in exchange rates	(308)	(552)
	<u>227,542</u>	<u>196,655</u>
	=====	=====

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23. Takaful liabilities (continued)

(c) Takaful payables

	Group	
	31.03.2018	31.12.2017
	RM'000	RM'000
Due to retakaful companies	49,540	86,409
Due to Intermediaries/Participants	27,094	20,574
	<hr/>	<hr/>
	76,634	106,983
	<hr/> <hr/>	<hr/> <hr/>

24. Sukuk liabilities

	Group		Company	
	31.03.2018	31.12.2017	31.03.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Sukuk liabilities	1,299,405	1,279,512	1,299,405	1,279,512
Subordinated Sukuk Murabahah	969,108	956,350	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,268,513	2,235,862	1,299,405	1,279,512
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Sukuk liabilities comprise the following:

- a) The 10-year Islamic securities of RM1.66 billion (2017: 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 (2017: RM1.0 billion) 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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24. 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 1.1.2018 RM'000	Net changes from financing cash flows			Finance cost for the year RM'000	At 31.03.2018 RM'000
		Issuance	Finance cost payable	Total		
		RM'000	RM'000	RM'000		
Group						
Sukuk Liabilities	1,279,512	-	-	-	19,893	1,299,405
Sukuk Murabahah	956,350	-	-	-	12,758	969,108
	2,235,862	-	-	-	32,651	2,268,513

25. Other reserves

	Group	
	31.03.2018 RM'000	31.03.2017 RM'000
Capital reserve	6,863	6,863
Warrant reserve	129,300	129,300
Statutory reserve	-	1,124,774
Fair value reserve	(12,951)	(33,250)
Translation reserve	(79,770)	(131,820)
Regulatory reserve	-	-
Long Term Incentive Plan (LTIP) reserve	8,446	5,572
	51,888	1,101,439
Acquisition reserve	(1,199,747)	(1,199,747)
	(1,147,859)	(98,308)

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25. 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 2017	6,863	1,124,774	129,300	(42,601)	(138,991)	-	4,611	1,083,956
Foreign exchange translation differences	-	-	-	-	7,171	-	-	7,171
Fair value reserve:								
Net change in fair value	-	-	-	13,255	-	-	-	13,255
Net amount reclassified to profit or loss	-	-	-	(1,411)	-	-	-	(1,411)
Income tax credit relating to components of other comprehensive income	-	-	-	(2,493)	-	-	-	(2,493)
Share-based payment transactions	-	-	-	-	-	-	961	961
At 31 March 2017	<u>6,863</u>	<u>1,124,774</u>	<u>129,300</u>	<u>(33,250)</u>	<u>(131,820)</u>	<u>-</u>	<u>5,572</u>	<u>1,101,439</u>
At 1 January 2018	<u>6,863</u>	-	<u>129,300</u>	<u>(10,956)</u>	<u>(96,615)</u>	<u>64,645</u>	<u>7,285</u>	<u>100,522</u>
- Adjustment on adoption of MFRS 9	-	-	-	8,232	-	-	-	8,232
At 1 January 2018, restated	<u>6,863</u>	-	<u>129,300</u>	<u>(2,724)</u>	<u>(96,615)</u>	<u>64,645</u>	<u>7,285</u>	<u>108,754</u>
Foreign exchange translation differences	-	-	-	-	16,845	-	-	16,845
Fair value reserve:								
Net change in fair value	-	-	-	(11,818)	-	-	-	(11,818)
Net amount reclassified to profit or loss	-	-	-	(1,589)	-	-	-	(1,589)
Income tax credit relating to components of other comprehensive income	-	-	-	3,180	-	-	-	3,180
Transfer from regulatory reserve to retained earnings	-	-	-	-	-	(64,645)	-	(64,645)
Share-based payment transactions	-	-	-	-	-	-	1,161	1,161
At 31 March 2018	<u>6,863</u>	-	<u>129,300</u>	<u>(12,951)</u>	<u>(79,770)</u>	<u>-</u>	<u>8,446</u>	<u>51,888</u>

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26. Income derived from investment of depositors' funds

Group	Quarter		Year-to-date	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	4,874	8,795	4,874	8,795
(ii) Term deposit-i	357,280	320,637	357,280	320,637
(iii) Saving and demand deposits	193,758	182,331	193,758	182,331
(iv) Other deposits	56,641	53,994	56,641	53,994
	612,553	565,757	612,553	565,757
	=====	=====	=====	=====

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

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

Group	Quarter		Year-to-date	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	4,295	7,659	4,295	7,659
Financial assets:				
- At FVTPL	29	-	29	-
- At FVOCI	386	-	386	-
- Held-for-trading	-	64	-	64
- Available-for-sale	-	893	-	893
- Held-to-maturity	-	9	-	9
Money at call and deposit with financial institutions	144	161	144	161
	4,854	8,786	4,854	8,786
Other dealing income				
Net gain from sale of financial assets at FVTPL	6	-	6	-
Net gain on revaluation of financial assets at FVTPL	3	-	3	-
Net loss from sale of financial assets held-for-trading	-	(90)	-	(90)
Net gain on revaluation of financial assets held-for-trading	-	90	-	90
	9	-	9	-
Other operating income				
Net gain from sale of financial assets at FVOCI	11	-	11	-
Net gain from sale of financial assets available-for-sale	-	9	-	9
	11	9	11	9
	4,874	8,795	4,874	8,795
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<i>74</i>	<i>118</i>	<i>74</i>	<i>118</i>

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

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

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	311,349	275,975	311,349	275,975
Financial assets:				
- At FVTPL	2,327	-	2,327	-
- At FVOCI	31,253	-	31,253	-
- Held-for-trading	-	2,522	-	2,522
- Available-for-sale	-	36,310	-	36,310
- Held-to-maturity	-	351	-	351
Money at call and deposit with financial institutions	10,752	5,328	10,752	5,328
	355,681	320,486	355,681	320,486
Other dealing income				
Net gain from sale of financial assets at FVTPL	464	-	464	-
Net gain on revaluation of financial assets at FVTPL	215	-	215	-
Net loss from sale of financial assets held-for-trading	-	(2,991)	-	(2,991)
Net gain on revaluation of financial assets held-for-trading	-	2,591	-	2,591
	679	(400)	679	(400)
Other operating income				
Net gain from sale of financial assets at FVOCI	920	-	920	-
Net gain from sale of financial assets available-for-sale	-	551	-	551
	920	551	920	551
	357,280	320,637	357,280	320,637
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	5,966	4,617	5,966	4,617

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26. 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	3 months ended	3 months ended
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	168,853	156,936	168,853	156,936
Financial assets:				
- At FVTPL	1,263	-	1,263	-
- At FVOCI	16,948	-	16,948	-
- Held-for-trading	-	1,434	-	1,434
- Available-for-sale	-	20,648	-	20,648
- Held-to-maturity	-	199	-	199
Money at call and deposit with financial institutions	5,831	3,029	5,831	3,029
	192,895	182,246	192,895	182,246
Other dealing income				
Net gain from sale of financial assets at FVTPL	252	-	252	-
Net gain on revaluation of financial assets at FVTPL	112	-	112	-
Net loss from sale of financial assets held-for-trading	-	(1,701)	-	(1,701)
Net gain on revaluation of financial assets held-for-trading	-	1,473	-	1,473
	364	(228)	364	(228)
Other operating income				
Net gain from sale of financial assets at FVOCI	499	-	499	-
Net gain from sale of financial assets available-for-sale	-	313	-	313
	499	313	499	313
	193,758	182,331	193,758	182,331
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	3,239	2,626	3,239	2,626

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

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

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	49,354	46,473	49,354	46,473
Financial assets:				
- At FVTPL	367	-	367	-
- At FVOCI	4,950	-	4,950	-
- Held-for-trading	-	425	-	425
- Available-for-sale	-	6,115	-	6,115
- Held-to-maturity	-	59	-	59
Money at call and deposit with financial institutions	1,724	897	1,724	897
	56,395	53,969	56,395	53,969
Other dealing income				
Net gain from sale of financial assets at FVTPL	80	-	80	-
Net gain on revaluation of financial assets at FVTPL	14	-	14	-
Net loss from sale of financial assets held-for-trading	-	(504)	-	(504)
Net gain on revaluation of financial assets held-for-trading	-	436	-	436
	94	(68)	94	(68)
Other operating income				
Net gain from sale of financial assets at FVOCI	152	-	152	-
Net gain from sale of financial assets available-for-sale	-	93	-	93
	152	93	152	93
	56,641	53,994	56,641	53,994
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	950	777	950	777

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27. Income derived from investment account funds

Group	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	29,699	21,900	29,699	21,900
- <i>Wakalah</i>	29,009	30,519	29,009	30,519
	<u>58,708</u>	<u>52,419</u>	<u>58,708</u>	<u>52,419</u>
	=====	=====	=====	=====

28. Income derived from investment of shareholders' funds

Group	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Finance income and hibah				
Financing, advances and others	1,784	1,627	1,784	1,627
Financial assets at FVOCI	38,144	-	38,144	-
Financial assets available-for-sale	-	36,128	-	36,128
Money at call and deposits with financial institutions	3,428	1,461	3,428	1,461
	<u>43,356</u>	<u>39,216</u>	<u>43,356</u>	<u>39,216</u>
	-----	-----	-----	-----
Other dealing income				
Net gain from foreign exchange transactions	14,760	18,587	14,760	18,587
Net gain from sale of financial assets at FVTPL	348	-	348	-
Net gain on revaluation of financial assets at FVTPL	131	-	131	-
Net gain from sale of financial assets held-for-trading	-	558	-	558
Net loss on revaluation of financial assets held-for-trading	-	(413)	-	(413)
Net derivatives gain	229	53	229	53
	<u>15,468</u>	<u>18,785</u>	<u>15,468</u>	<u>18,785</u>
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28. Income derived from investment of shareholders' funds (continued)

Group	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Other operating income				
Gross dividend income from securities:				
- Quoted in Malaysia	16	30	16	30
- Unit trust in Malaysia	1,731	1,442	1,731	1,442
Fees and commission	49,021	43,659	49,021	43,659
Net gain/(loss) on disposal of property and equipment	41	(3)	41	(3)
Rental income	361	366	361	366
Others	26	113	26	113
	<u>51,196</u>	<u>45,607</u>	<u>51,196</u>	<u>45,607</u>
	<u>110,020</u>	<u>103,608</u>	<u>110,020</u>	<u>103,608</u>

Company	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Finance income and hibah				
Money at call and deposits with financial institutions				
	2,631	1,927	2,631	1,927
	<u>2,631</u>	<u>1,927</u>	<u>2,631</u>	<u>1,927</u>
Other dealing income				
Net gain on revaluation of financial assets at FVTPL				
	458	-	458	-
	<u>458</u>	<u>-</u>	<u>458</u>	<u>-</u>
Other operating income				
Gross dividend income from securities:				
- Unit trust in Malaysia	876	1,025	876	1,025
Gross dividend income from subsidiary companies	73,733	58,986	73,733	58,986
Others	2	4	2	4
	<u>74,611</u>	<u>60,015</u>	<u>74,611</u>	<u>60,015</u>
	<u>77,700</u>	<u>61,942</u>	<u>77,700</u>	<u>61,942</u>

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29. Net income from Takaful business

Group	Quarter		Year-to-date	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Net earned contributions				
Gross earned contributions	504,777	471,645	504,777	471,645
Contribution ceded to retakaful	(82,663)	(72,982)	(82,663)	(72,982)
	422,114	398,663	422,114	398,663
Other income				
Administration income	19,155	16,425	19,155	16,425
Investment income	72,183	68,371	72,183	68,371
Realised gains and losses	1,931	8,596	1,931	8,596
Fair value gains and losses	(2,998)	2,367	(2,998)	2,367
Other operating income	2,061	1,775	2,061	1,775
	92,332	97,534	92,332	97,534
Net benefits and claims				
Gross benefits and claims paid	(299,356)	(272,795)	(299,356)	(272,795)
Claims ceded to retakaful	43,685	34,014	43,685	34,014
Gross change to contract liabilities	11,825	(2,286)	11,825	(2,286)
Change to contract liabilities ceded to takaful	(15,307)	7,847	(15,307)	7,847
	(259,153)	(233,220)	(259,153)	(233,220)
Expense reserves	(31,195)	(23,629)	(31,195)	(23,629)
Income from takaful business	224,098	239,348	224,098	239,348
Profits attributable to participants/ takaful operator	(6,017)	(42,208)	(6,017)	(42,208)
Net income from takaful business	218,081	197,140	218,081	197,140

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30. Net allowance for impairment on financing and advances

Group	Quarter		Year-to-date	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired financing, advances and others				
- collective assessment – 12 months expected credit losses (ECL)	3,956	-	3,956	-
- collective assessment – lifetime ECL	6,867	-	6,867	-
- individual assessment – lifetime ECL	36,962	-	36,962	-
- collective assessment allowance	-	29,946	-	29,946
- individual assessment allowance	-	(3,455)	-	(3,455)
Bad debts and financing recovered	(26,622)	(17,708)	(26,622)	(17,708)
	21,163	8,783	21,163	8,783
	=====	=====	=====	=====

31. Income attributable to depositors

Group	Quarter		Year-to-date	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah Fund	2,499	3,015	2,499	3,015
- Non-Mudharabah Fund	292,089	268,052	292,089	268,052
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah Fund	331	312	331	312
	294,919	271,379	294,919	271,379
	=====	=====	=====	=====

32. Income attributable to investment account holders

Group	Quarter		Year-to-date	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts				
- <i>Mudharabah</i>	1,711	438	1,711	438
- <i>Wakalah</i>	18,047	20,444	18,047	20,444
	19,758	20,882	19,758	20,882
	=====	=====	=====	=====

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33. Personnel expenses

	Quarter		Year-to-date	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Group				
Salaries and wages	136,415	125,546	136,415	125,546
Employees' Provident Fund	19,344	18,282	19,344	18,282
Directors remuneration	3,458	3,470	3,458	3,470
Others	14,127	15,508	14,127	15,508
	173,344	162,806	173,344	162,806
	=====	=====	=====	=====
Company				
Salaries and wages	1,096	1,045	1,096	1,045
Employees' Provident Fund	161	168	161	168
Directors remuneration	716	708	716	708
Others	179	183	179	183
	2,152	2,104	2,152	2,104
	=====	=====	=====	=====

34. Other overhead expenses

	Quarter		Year-to-date	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Group				
<i>Promotion</i>				
Advertisement and publicity	27,987	25,302	27,987	25,302
Credit and debit card expenses	9,147	7,892	9,147	7,892
Commission	47,055	37,492	47,055	37,492
	84,189	70,686	84,189	70,686
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34. Other overhead expenses (continued)

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
<i>Establishment</i>				
Depreciation of property and equipment	14,840	18,093	14,840	18,093
Depreciation of investment property	73	74	73	74
Information technology expenses	7,172	7,461	7,172	7,461
Office rental	13,849	13,998	13,849	13,998
Office maintenance	5,447	5,122	5,447	5,122
Utilities	4,757	5,046	4,757	5,046
Security services	2,806	3,897	2,806	3,897
Rental equipment	1,811	1,279	1,811	1,279
Takaful and insurance	858	993	858	993
Others	248	479	248	479
	51,861	56,442	51,861	56,442
<i>General expenses</i>				
Professional fees	11,421	9,678	11,421	9,678
Outsourcing fees	3,082	5,334	3,082	5,334
Travelling & transport	2,158	2,800	2,158	2,800
Office supplies	1,904	2,366	1,904	2,366
Subscription fees	826	1,149	826	1,149
Auditors' remuneration	524	577	524	577
Processing charges	162	98	162	98
Others	23,418	27,062	23,418	27,062
	43,495	49,064	43,495	49,064
	179,545	176,192	179,545	176,192

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34. Other overhead expenses (continued)

Company	Quarter		Year-to-date	
	3 months ended		3 months ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Promotion				
Advertisement and publicity	2	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Establishment				
Office rental	280	255	280	255
Depreciation of property and equipment	80	80	80	80
Information technology expenses	6	4	6	4
Rental equipment	24	25	24	25
Office maintenance	3	3	3	3
Utilities	7	9	7	9
Takaful and insurance	27	28	27	28
	<u>427</u>	<u>404</u>	<u>427</u>	<u>404</u>
General expenses				
Auditors' remuneration	51	42	51	42
Professional fees	75	81	75	81
Office supplies	13	8	13	8
Travelling & transport	2	1	2	1
Subscription fees	4	-	4	-
Others	631	645	631	645
	<u>776</u>	<u>777</u>	<u>776</u>	<u>777</u>
	<u><u>1,205</u></u>	<u><u>1,183</u></u>	<u><u>1,205</u></u>	<u><u>1,183</u></u>

35. 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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35. Operating segment information (continued)

	Banking RM'000	Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Quarter ended 31 March 2018					
<i>Business segments</i>					
Segment result					
Revenue from external customers	776,460	218,081	4,821	-	999,362
Inter-segment revenue	7,936	4,720	76,907	(89,563)	-
Total revenue	784,396	222,801	81,728	(89,563)	999,362
Net income from operations (before allowance for impairment on financing and other assets)	464,717	222,801	81,728	(84,561)	684,685
Operating overheads	(223,035)	(137,005)	(7,465)	10,150	(357,355)
Operating results	241,682	85,796	74,263	(74,411)	327,330
Allowance for impairment	(21,065)	-	-	-	(21,065)
Finance cost	(13,436)	-	(19,893)	678	(32,651)
Profit before zakat and taxation	207,181	85,796	54,370	(73,733)	273,614

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35. Operating segment information (continued)

Quarter ended 31 March 2017	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	718,075	197,140	4,421	-	919,636
Inter-segment revenue	5,389	1,716	61,428	(68,533)	-
Total revenue	723,464	198,856	65,849	(68,533)	919,636
Net income from operations (before allowance for impairment on financing and other assets)	427,260	198,856	65,849	(64,590)	627,375
Operating overheads	(216,746)	(126,301)	(6,132)	4,939	(344,240)
Operating results	210,514	72,555	59,717	(59,651)	283,135
Allowance for impairment	(8,783)	-	-	-	(8,783)
Finance cost	(9,678)	-	(19,140)	665	(28,153)
Profit before zakat and taxation	192,053	72,555	40,577	(58,986)	246,199

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35. Operating segment information (continued)

Year-to-date 3 months ended 31 March 2018	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	776,460	218,081	4,821	-	999,362
Inter-segment revenue	7,936	4,720	76,907	(89,563)	-
Total revenue	784,396	222,801	81,728	(89,563)	999,362
Net income from operations (before allowance for impairment on financing and other assets)	464,717	222,801	81,728	(84,561)	684,685
Operating overheads	(223,035)	(137,005)	(7,465)	10,150	(357,355)
Operating results	241,682	85,796	74,263	(74,411)	327,330
Allowance for impairment	(21,065)	-	-	-	(21,065)
Finance cost	(13,436)	-	(19,893)	678	(32,651)
Profit before zakat and taxation	207,181	85,796	54,370	(73,733)	273,614
Segment assets	58,732,169	8,163,047	5,847,932	(5,856,983)	66,886,165
Segment liabilities	53,744,411	7,285,915	1,346,135	(639,758)	61,736,703

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35. Operating segment information (continued)

	Banking	Takaful	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Year-to-date 3 months ended 31 March 2017					
<i>Business segments</i>					
Segment result					
Revenue from external customers	718,075	197,140	4,421	-	919,636
Inter-segment revenue	5,389	1,716	61,428	(68,533)	-
Total revenue	723,464	198,856	65,849	(68,533)	919,636
=====					
Net income from operations (before allowance for impairment on financing and other assets)	427,260	198,856	65,849	(64,590)	627,375
Operating overheads	(216,746)	(126,301)	(6,132)	4,939	(344,240)
Operating results	210,514	72,555	59,717	(59,651)	283,135
Allowance for impairment	(8,783)	-	-	-	(8,783)
Finance cost	(9,678)	-	(19,140)	665	(28,153)
Profit before zakat and taxation	192,053	72,555	40,577	(58,986)	246,199
=====					
Segment assets	53,525,730	7,797,954	5,621,678	(5,625,304)	61,320,058
=====					
Segment liabilities	48,989,321	7,016,335	1,360,277	(601,467)	56,764,466
=====					

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36. Valuation of property and equipment

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

37. Changes in composition of the Group

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.

38. 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 three months ended 31 March 2018.

- 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 table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair value and carrying amounts shown in the statement of financial position.

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38. Fair value of financial instruments (continued)

Fair value information

31.03.2018 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 at FVTPL	962,710	1,023,016	-	1,985,726	-	-	-	-	1,985,726	1,985,726
Derivative financial assets	-	71,255	-	71,255	-	-	-	-	71,255	71,255
Financial assets at FVOCI	102,204	12,509,039	277,034	12,888,277	-	-	-	-	12,888,277	12,888,277
Financing, advances and others	-	-	-	-	-	-	42,533,908	42,533,908	42,533,908	42,381,390
Total assets	1,064,914	13,603,310	277,034	14,945,258	-	-	42,533,908	42,533,908	57,479,166	57,326,648
Financial liabilities										
Derivative financial liabilities	-	85,370	-	85,370	-	-	-	-	85,370	85,370
Sukuk liabilities	-	-	-	-	-	-	2,306,413	2,306,413	2,306,413	2,268,513
Total liabilities	-	85,370	-	85,370	-	-	2,306,413	2,306,413	2,391,783	2,353,883
31.03.2018 Company										
Financial assets										
Financial assets at FVTPL	175,880	-	-	175,880	-	-	-	-	175,880	175,880
Total assets	175,880	-	-	175,880	-	-	-	-	175,880	175,880
Financial liabilities										
Sukuk liabilities	-	-	-	-	-	-	1,299,405	1,299,405	1,299,405	1,299,405
Total liabilities	-	-	-	-	-	-	1,299,405	1,299,405	1,299,405	1,299,405

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38. Fair value of financial instruments (continued)

Fair value information (continued)

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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38. Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the three months ended 31 March 2018 for the Group:

	Group RM'000
At 1 January 2017	160,112
Purchases	101,539
Maturities	(21,539)
Gains	10,939
	<hr/>
At 31 December 2017, as previously stated	251,051
Adjustment on adoption of MFRS 9 (net of tax)	23,049
	<hr/>
Adjusted balances at 1 January 2018	274,100
Gains recognised in profit or loss	
- Investment income - realised	2,943
- Credit impairment losses	(9)
	<hr/>
At 31 March 2018	277,034
	<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
Equity investments	Adjusted net asset method	Assets and liabilities of the investee company	Changes on the assets and liabilities would reflect the fair value measurement
Institutional trust account	Discounted cash flows using market profit rate for a similar instrument at the measurement date	4.58% (2017: 4.58%)	The estimated fair value would increase (decrease) if the discount rate were (lower) higher.

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38. 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) Other financial assets at amortised cost

The fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities that classified as other financial assets at amortised cost, the fair values are valued at cost less impairment or estimated using discounted cash flows analysis. Where discounted cash flows 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, advances and others

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

Group	31.03.2018				
	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
Items					
Foreign exchange related contracts					
- forwards	1,263,243	209,519	216,816	392,204	444,704
- swaps	1,929,675	1,200,807	88,003	336,605	304,260
- spot	597,439	597,439	-	-	-
Total	3,790,357	2,007,765	304,819	728,809	748,964

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 March 2018, the amount of contracts which were not hedged and, hence, exposed to market risk was RM556.51 million (31 December 2017: RM602.09 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 March 2018, the credit risk measured in terms of the cost to replace the profitable contracts was RM123.71 million (31 December 2017: RM132.15 million).

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40. 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 31.03.2018	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	414,060		414,060	414,128
Transaction related contingent items	1,019,618		509,809	476,620
Short term self-liquidating trade related contingencies	384,523		76,905	76,644
Other commitments, such as formal standby facilities and credit lines with original maturity of:				
- not exceeding one year	11,000		2,200	1,900
- exceeding one year	1,589,901		794,950	593,436
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	7,857,526		-	-
	11,276,628		1,797,924	1,562,728
Derivative Financial Instruments				
Foreign exchange related contracts				
- Less than one year	3,790,357	66,675	106,819	39,859
Profit rate related contracts				
- One year to less than five years	400,000	2,936	5,708	1,142
- Five years and above	200,740	1,644	11,185	7,170
	4,391,097	71,255	123,712	48,171
	15,667,725	71,255	1,921,636	1,610,899

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40. Commitments and contingencies (continued)

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

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		-	-
	<u>9,941,346</u>		<u>4,092,988</u>	<u>3,184,392</u>
Derivative Financial Instruments				
Foreign exchange related contracts				
- Less than one year	3,218,824	63,827	112,875	41,796
Profit rate related contracts				
- 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
	<u>3,826,816</u>	<u>68,319</u>	<u>132,147</u>	<u>51,675</u>
	<u>13,768,162</u>	<u>68,319</u>	<u>4,225,135</u>	<u>3,236,067</u>

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41. 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 2018. 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 1.875% on 1 January 2018 and progressively increases by 0.625% each year to reach 3.125% on 1 January 2020.

As a result, the minimum regulatory capital adequacy ratios requirement for CET I capital ratio, Tier I capital ratio and Total Capital ratio are 6.375%, 7.875% and 9.875% respectively for year 2018 (2017: 5.75%, 7.25% and 9.25%). 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:

	31.03.2018	31.12.2017
	%	%
Common Equity Tier I ("CET I") Capital Ratio	13.029	12.729
Total Tier I Capital Ratio	13.029	12.729
Total Capital Ratio	16.888	16.435

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

	31.03.2018	31.12.2017
	RM'000	RM'000
Paid-up share capital	2,869,498	2,869,498
Retained earnings	2,071,819	2,150,402
Other reserves	(103,300)	(124,841)
Less: Deferred tax assets	(80,133)	(37,288)
Total CET I and Tier I Capital	4,757,884	4,857,771
Sukuk Murabahah	1,000,000	1,000,000
Collective assessment allowance ^	409,527	414,193
Total Tier II Capital	1,409,527	1,414,193
Total Capital	6,167,411	6,271,964
	=====	=====

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41. Capital adequacy (continued)

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

- ^ 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:

	31.03.2018	31.12.2017
	RM'000	RM'000
Credit risk	36,035,931	37,442,256
Less: Credit risk absorbed by unrestricted investment accounts	(3,273,806)	(3,034,004)
Market risk	556,507	602,089
Operational risk	3,200,390	3,152,951
	36,519,022	38,163,292
	=====	=====

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

B1. Performance review for the three months ended 31 March 2018

	Individual Period		Variance		Cumulative Period		Variance	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To-date	Preceding Year Corresponding Period		
	31.03.2018	31.03.2017	Amount	%	31.03.2018	31.03.2017	Amount	%
RM'000								
Revenue	999,362	919,636	79,726	8.67	999,362	919,636	79,726	8.67
Operating Profit	327,330	283,135	44,195	15.61	327,330	283,135	44,195	15.61
Profit Before Zakat and Taxation	273,614	246,199	27,415	11.14	273,614	246,199	27,415	11.14
Profit After Zakat and Taxation	200,578	173,897	26,681	15.34	200,578	173,897	26,681	15.34
Profit Attributable to Equity Holders of the Parent	172,135	151,102	21,033	13.92	172,135	151,102	21,033	13.92

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

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B1. Performance review for the three months ended 31 March 2018
(continued)

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

BIMB Holdings Berhad ("BHB") Group reported Profit Before Zakat and Taxation ("PBZT") for the three months ended 31 March 2018 of RM273.6 million, representing an increase of 11.1% or RM27.4 million as compared to the corresponding period in 2017 of RM246.2 million.

At the operating profit level, the Group's operating profit of RM327.3 million was higher by RM44.2 million or 15.6% compared to the corresponding period in 2017 of RM283.1 million.

The net profit attributable to shareholders increased by 13.9% or RM21.0 million to RM172.1 million as compared to the corresponding period in 2017.

BHB registered a Return on Equity ("ROE") of 20.8% (based on PBZT). Consequently, net assets per share has also improved to RM2.83 as at 31 March 2018 compared to RM2.77 as at 31 December 2017.

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 three months ended 31 March 2018, Bank Islam achieved PBZT of RM207.2 million, an increase of RM15.1 million or 7.9% over the PBZT of the corresponding period last year of RM192.1 million. The increase in PBZT was mainly due to total higher income.

The Bank's total income for the three months ended 31 March 2018 was higher by RM60.9 million compared to the corresponding period last year, mainly due to higher fund based income of RM54.8 million, which was mainly attributed to increase in Base Rate and Base Financing Rate by 25 basis points effective February 2018, in response to the 25 basis points increase in Overnight Policy Rate on 25 January 2018. The increase was also attributed to the year-on-year growth in net financing assets of RM2.6 billion or 6.6% to reach RM42.4 billion as at end March 2018 from RM39.8 billion as at end March 2017.

The increase in total income was partly offset with higher income attributable to depositors and investment account holders ("IATD") by RM23.5 million in line with the increase in average volume of both deposits and investment accounts.

Total overheads were higher by RM6.3 million or 2.9% over the corresponding period last year mainly due to higher staff costs.

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B1. Performance review for the three months ended 31 March 2018
(continued)

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

Bank Islam Malaysia Berhad (continued)

For the three months ended 31 March 2018, the Bank recorded net allowance charged for impairment on financing and advances of RM21.2 million compared to RM8.8 million in the corresponding period last year. The increase in net allowance charged was mainly due to higher net allowance charged for impairment on financing amounting to RM21.3 million and it was partly offset with higher bad debts recovered by RM12.4 million.

The Bank's total assets stood at RM58.7 billion as at 31 March 2018, a year-on-year increase by RM5.2 billion from RM53.5 billion reported as at 31 March 2017 which was mainly contributed by increase in cash and short term funds and net financing by RM3.3 billion and RM2.6 billion respectively.

As at end of March 2018, customer deposits and investment accounts stood at RM46.9 billion and RM4.9 billion with a year-on-year increase by RM3.3 billion and RM0.9 billion respectively. Current and saving accounts ("CASA") reported a year-on-year increase of RM0.6 billion or 4.4% to reach RM14.4 billion as at 31 March 2018. The CASA ratio as at end March 2018 remained at 30.7% similar to the 31 March 2017 position.

Syarikat Takaful Malaysia Berhad

For the three months period, Takaful Malaysia recorded PBZT of RM84.9 million, increased by 17.1% as compared to RM72.6 million in the same period last year. The improvement in profit was mainly attributable to higher net Wakalah fee income arising from robust business growth in the General Takaful business.

Takaful Malaysia recorded operating revenue of RM746.2 million for the three months ended 31 March 2018, an increase of 13.1% or RM86.3 million as compared to the corresponding period in 2017. The increase was mainly attributable to higher sales generated by both Family Takaful and General Takaful business.

Family Takaful business generated gross earned contributions of RM324.0 million for the period ended 31 March 2018, almost at par as compared to RM327.2 million in the corresponding period last year.

The net benefits and claims for Family Takaful business increased by 10.1% to RM210.6 million in the period ended 31 March 2018 from RM191.2 million for the same period of the preceding year. This was mainly due to higher death and surrender claims.

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B1. Performance review for the three months ended 31 March 2018
(continued)

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

Syarikat Takaful Malaysia Berhad (continued)

Investment income for the Family Takaful business increased by 5.1% to RM59.7 million as compared to RM56.8 million in the corresponding period last year, mainly due to higher profit from Islamic debts securities.

General Takaful business generated gross earned contributions of RM182.4 million for the period ended 31 March 2018, increased by 27.2% as compared to RM143.4 million in the corresponding period last year. The growth was mainly from fire and motor classes.

The net benefits and claims for General Takaful business increased by 16.4% to RM51.1 million in the period ended 31 March 2018 from RM43.9 million in the same period of the preceding year, mainly due to increase in claims relating to fire and motor classes.

The investment income for the period ended 31 March 2018 was RM6.8 million, decreased by 8.1%, as compared to the investment income in the same period of the preceding year of RM7.4 million, mainly due to lower profit from Islamic debts securities.

B2. Comparison with the preceding quarter's results for the three months performance (First Quarter 2018 vs. Fourth Quarter 2017)

RM'000	Current Quarter	Immediate Preceding Quarter	Variance	
	31.03.2018	31.12.2017	Amount	%
Revenue	999,362	946,035	53,327	5.64
Operating Profit	327,330	241,334	85,996	35.63
Profit Before Zakat and Taxation	273,614	216,076	57,538	26.63
Profit After Zakat and Taxation	200,578	173,361	27,217	15.70
Profit Attributable to Equity Holders of the Parent	172,135	149,635	22,500	15.04

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 (First Quarter 2018 vs. Fourth Quarter 2017) (continued)

For the first quarter ended 31 March 2018 (Q1 2018), the BHB Group reported PBZT of RM273.6 million against a PBZT of RM216.1 million achieved for the immediate preceding quarter ended 31 December 2017 (Q4 2017), an increase of RM57.5 million or 26.6%.

At the operating profit level, the Group's operating profit for Q1 2018 of RM327.3 million was higher by RM86.0 million or 35.6% compared to Q4 2017 of RM241.3 million.

Bank Islam Malaysia Berhad

For Q1 2018, the Bank achieved PBZT of RM207.2 million, an increase of RM31.4 million or 17.8% over the PBZT for Q4 2017 of RM175.8 million.

The increase in PBZT was mainly due to higher fund based income and lower overheads. The Bank's total income for the Q1 2018 was higher by RM18.8 million compared to Q4 2017, mainly due to higher fund based income by RM29.8 million arising from growth in net financing assets and it was partly offset with lower non fund based income by RM11.0 million. The overheads was lower by RM58.5 million mainly due to lower staff costs and general expenses by RM27.4 million and RM15.3 million respectively.

The above positive variance was partly offset by an increase in net allowance for impairment on financing and advances of RM26.6 million. For Q1 2018, net allowance charged for impairment on financing was RM21.2 million compared to a write back of RM5.4 million for Q4 2017.

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B2. Comparison with the preceding quarter's results for the three months performance (First Quarter 2018 vs. Fourth Quarter 2017) (continued)

Syarikat Takaful Malaysia Berhad

For Q1 2018, Takaful Malaysia registered PBZT of RM84.9 million, higher by 51.6% as compared to Q4 2017 of RM56.0 million. The increase in profit was mainly attributable to higher net wakalah fee income.

For Q1 2018, Takaful Malaysia generated Operating Revenue of RM746.2 million as compared to RM517.7 million for Q4 2017. The increase was mainly attributable to higher sales generated from both Family Takaful and General Takaful business.

Family Takaful business recorded gross earned contributions of RM324.0 million, increased by 2.4%, as compared to RM316.5 million for Q4 2017. The increase was mainly attributable to higher sales from mortgage and credit-related products.

For Q1 2018, Family Takaful business recorded net benefits and claims of RM210.6 million, an increase of 37.6% as compared to Q4 2017. The increase was mainly due to higher death and surrender claims.

Investment income for the Family Takaful business of RM59.7 million, decreased by 5.7% as compared to RM63.3 million in the Q4 2017. The decrease was mainly attributable to lower dividend income and lower profit from Islamic debts securities.

For Q1 2018, General Takaful business generated gross earned contributions of RM182.4 million, increased by 29.3%, as compared to RM141.1 million in the Q4 2017. The growth was mainly from fire and motor classes.

For Q1 2018, General Takaful business recorded net benefits and claims of RM51.1 million, an increase of 127.1% as compared to Q4 2017. The increase was mainly due to increase in claims relating to fire and motor classes.

Investment income for the General Takaful business of RM6.9 million for Q1 2018 is almost at par with the investment income in the Q4 2017 of RM7.3 million.

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B3. Prospects for 2018

Bank Islam Malaysia Berhad

In its annual report released on 28th March 2018, BNM has projected Malaysia's GDP growth to range from 5.5% to 6.0% in 2018. Growth is expected to be primarily driven by domestic spending, of which two-third is to be contributed by household spending and the other one-third by private investment activities.

The banking industry is expected to remain resilient amidst continued uncertainty in commodity prices, higher cost of living that weighs heavily on consumer sentiment and cautiously optimistic business sentiment. Financing growth for the banking sector is anticipated to be between 5% and 6% as banks continue to defend their asset quality. In addition, usage of technology will intensify in order to improve customer experience and operational efficiency.

The BNM Monetary Policy Committee (MPC) meeting on 25th January 2018 decided to raise the OPR by 25 basis points to 3.25%. Consequently, the Bank increased its Base Rate and Base Financing Rate by 25 basis points effective from February 2018, and increased its deposit rates.

Premised on the overarching themes of Value-based Intermediation ("VBI"), Bank Islam strives to deliver a sustainable performance with a strategic focus to support economic, social and environmental development.

The Bank will focus on optimising its risks and returns, optimising its resources 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 and minimise the financial impact arising from the implementation of Malaysian Financial Reporting Standards on Financial Instruments ("MFRS9") and the upcoming Net Stable Funding Ratio ("NSFR") requirements. With digital transformation being a new thrust to enriching our customer experience and services, Bank Islam has embarked on its fintech journey to collaborate with FinTech companies in enhancing its reach and spurring innovation.

The Bank will continue to invest in its people, to build a strong compliance and risk culture as well as enhance its capability and capacity as a key player in Islamic Finance.

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B3. Prospects for 2018 (continued)

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	3 months ended	3 months ended
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Current tax expense	70,638	65,605	70,638	65,605
Over provision in prior years	(216)	(34)	(216)	(34)
Deferred tax expense:				
Origination and reversal of temporary differences	199	4,120	199	4,120
Over provision in prior years	(1,523)	-	(1,523)	-
	69,098	69,691	69,098	69,691

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

Profit before tax	273,614	246,199	273,614	246,199
Income tax calculated using Malaysian tax rate of 24% (2017: 24%)	65,668	59,088	65,668	59,088
Non-deductible expenses	15,951	16,554	15,951	16,554
Non-deductible Sukuk's finance cost	4,774	4,594	4,774	4,594
Non-taxable income	(18,556)	(13,511)	(18,556)	(13,511)
	67,837	66,725	67,837	66,725
Derecognition of deferred tax assets	3,000	3,000	3,000	3,000
	70,837	69,725	70,837	69,725
Over provision in prior years	(216)	(34)	(216)	(34)
Over provision of deferred tax	(1,523)	-	(1,523)	-
Tax expense	69,098	69,691	69,098	69,691

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.

Takaful Malaysia has received the letter from the Special Commissioner of Income Tax and the case has fixed for mention on 16 May 2018.

Major components of tax expense

Company	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Current tax expense	479	606	479	606
	-----	-----	-----	-----
	479	606	479	606
	=====	=====	=====	=====
A reconciliation of effective tax expense for the Company is as follows:				
Profit before tax	54,450	39,515	54,450	39,515
	=====	=====	=====	=====
Income tax calculated using Malaysian tax rate of 24% (2017: 24%)	13,068	9,484	13,068	9,484
Non-deductible expenses	653	931	653	931
Non-deductible Sukuk's finance cost	4,774	4,594	4,774	4,594
Non-taxable income	(18,016)	(14,403)	(18,016)	(14,403)
	-----	-----	-----	-----
Tax expense	479	606	479	606
	=====	=====	=====	=====

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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.

On 20 March 2018, Takaful Malaysia submitted an application to the High Court of Malaya for the confirmation of the Scheme of Transfer.

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	
	31.03.2018	31.03.2017
	RM'000	RM'000
Deposits from customers		
Mudharabah and Tawarruq term deposits and Negotiable Islamic Debt Certificates		
- One year or less (short-term)	29,375,339	28,741,576
- More than one year (medium/long-term)	2,788,320	606,475
	32,163,659	29,348,051
Current accounts	9,926,897	9,401,954
Savings accounts	4,450,835	4,398,078
Others	95,692	104,793
	46,637,083	43,252,876
	46,637,083	43,252,876
Investment accounts of customers		
- One year or less (short-term)	4,533,512	3,689,582
	4,533,512	3,689,582
	4,533,512	3,689,582

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

RM'000	As at 1 st quarter ended 31.03.2018		
	Long term	Short term	Total borrowings
Secured	-	-	-
Unsecured	2,248,591	19,922	2,268,513
- Sukuk liabilities	1,299,405	-	1,299,405
- Subordinated Sukuk Murabahah	949,186	19,922	969,108
RM'000	As at 1 st quarter ended 31.03.2017		
	Long term	Short term	Total borrowings
Secured	-	-	-
Unsecured	1,896,837	14,071	1,910,908
- Sukuk liabilities	1,246,634	-	1,246,634
- Subordinated Sukuk Murabahah	650,203	14,071	664,274

The borrowings comprise the following:

- a) The 10-year Islamic securities of RM1.66 billion (2017: 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 (March 2017: 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 2017.

- (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 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 filed 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.

Since the Defendants have withdrawn their motion for leave to appeal on 8 February 2018, thus, this case will be considered as resolved.

- (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. Later, 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 23 April 2018 for case management.

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B10. Dividend

On 25 January 2018, the Company had paid a dividend of 14.00 sen per ordinary share totalling RM229.3 million in respect of the financial year ended 31 December 2017. From the total dividend amount, 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 arising from the Dividend Reinvestment Plan.

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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the period under review attributable to equity holders of the parent	172,135	151,102	172,135	151,102
Number of ordinary shares	1,693,566	1,637,741	1,693,566	1,637,741
Number of average ordinary shares	1,678,059	1,621,387	1,678,059	1,621,387
Earnings per share (sen)	10.26	9.32	10.26	9.32

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 March 2018.

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B12. Economic profit statement

Group	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Net Operating profit after zakat & tax (NOPAT)				
Profit before zakat and taxation (PBZT)	273,614	246,199	273,614	246,199
Zakat & Taxation	(73,036)	(72,302)	(73,036)	(72,302)
NOPAT	200,578	173,897	200,578	173,897
Economic charge computation				
Average invested capital (excludes the debit balance of the acquisition reserve arising from the acquisition of shares from non-controlling interests)	6,233,655	5,586,112	6,233,655	5,586,112
Weighted Average Cost of Capital (WACC) (%)	7.26	6.18	7.26	6.18
Economic charge	111,591	85,123	111,591	85,123
Economic profit	88,987	88,774	88,987	88,774

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	
	31.03.2018 RM'000	31.12.2017 RM'000
USD	316,582	(230,227)
EURO	(106,043)	(107,198)
Australian Dollar	(222,973)	(26,658)
Others	17,992	20,487

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	
	31.03.2018 RM'000	31.12.2017 RM'000	31.03.2018 RM'000	31.12.2017 RM'000	31.03.2018 RM'000	31.12.2017 RM'000
Non-related parties	158,578	77,307	97,659	92,266	256,237	169,572
Related parties	436	134	2,180	2,410	2,616	2,545
	159,014	77,441	99,839	94,676	258,853	172,117

- b) The age analysis of takaful receivables as at the end of the reporting period based on days past-due was as follows:

<u>Days past due</u>	Family Takaful		General Takaful		Group	
	31.03.2018 RM'000	31.12.2017 RM'000	31.03.2018 RM'000	31.12.2017 RM'000	31.03.2018 RM'000	31.12.2017 RM'000
Current (not past due)	153,541	72,439	92,978	91,392	246,519	163,831
1-30 days	1,222	1,521	926	1,687	2,148	3,208
31-60 days	297	165	328	544	625	709
61-90 days	53	81	603	492	656	573
91-180 days	2,355	2,845	1,325	2,850	3,680	5,695
> 180 days	1,546	1,835	3,679	3,554	5,225	5,389
	159,014	78,886	99,839	100,519	258,853	179,405

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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	
	31.03.2018 RM'000	31.12.2017 RM'000	31.03.2018 RM'000	31.12.2017 RM'000	31.03.2018 RM'000	31.12.2017 RM'000
Bank Islam Malaysia Berhad	310	135	1,281	825	1,591	960

During the period, with the implementation of the MFRS 9, Takaful Malaysia has elected to measure the impairment losses for takaful receivables at an amount equal to lifetime ECL. The ECL were calculated based on actual credit loss experience over the past five years. Takaful Malaysia considers the model and some of the assumptions used in calculating these ECL as key sources of estimation uncertainty. Takaful Malaysia performed the calculation of ECL rates separately for Family Takaful's customers and General Takaful's customers. Exposure within each group were segmented based on common credit risk characteristics such as type of products and payment frequency.

In the previous year, under MFRS 139, 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.

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B14. Takaful receivables (continued)

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.

B15. Material impairment of assets

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	As at 31 March 2018				As at 31 December 2017			
	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
Financial assets at FVOCI - debt securities	9,302,373	(247)	9,302,126	9,302,126	-	-	-	-
Financing, advances and others	43,137,702	(756,312)	42,381,390	42,533,908	42,685,936	(572,516)	42,113,420	42,299,796

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B15. Material impairment of assets (continued)

During the current reporting period, the Group adopt the MFRS 9 as issued by the IASB in July 2014, which resulted in changes in accounting policies for impairment of financial assets.

MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Under MFRS 9, the Group applies a three-stage approach to measuring ECL on financial assets measured at amortised cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

- i) Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon recognition, the portion of lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.
- ii) Stage 2: Lifetime ECL - not credit impaired
For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.
- iii) Stage 2: Stage 3: Lifetime ECL - credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and profit is calculated by applying the effective profit rate to the amortised cost (net of provision) rather than the gross carrying amount.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly when it is more than 30 days past due. The Group also use its internal credit risk grading system and external risk rating to assess deterioration in credit quality of a financial asset.

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B16. Derivatives

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

As at 31 March 2018

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	3,790,357	(16,880)
Profit rate related contracts		
- Less than one year	-	-
- One year to 3 years	400,000	1,617
- More than 3 years	200,740	1,148
	4,391,097	(14,115)

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 year-to-date 31.03.2018 RM'000
<i>Derivative Financial Instruments</i>	
Gain/(loss) arising from fair value changes from derivatives assets and liabilities	129

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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
April 26, 2018