

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

**Condensed Statement of Financial Position as at 30 June 2018**

	Note	Group As at		Company As at	
		30.06.2018 RM'000	31.12.2017 RM'000	30.06.2018 RM'000	31.12.2017 RM'000
<b>Assets</b>					
Cash and short-term funds	9	<b>2,772,514</b>	4,807,749	<b>439,586</b>	241,074
Deposits and placements with financial institutions	10	<b>904,117</b>	1,159,085	-	-
Financial assets held-for-trading	11	-	607,431	-	-
Financial assets at fair value through profit or loss (FVTPL)	12	<b>2,308,654</b>	-	<b>177,258</b>	-
Derivative financial assets	13	<b>52,590</b>	68,319	-	-
Financial assets available-for-sale	14	-	13,497,437	-	174,546
Financial assets at fair value through other comprehensive income (FVOCI)	15	<b>13,789,053</b>	-	-	-
Financial assets held-to-maturity	16	-	516,524	-	-
Financing, advances and others	17	<b>43,229,576</b>	42,113,420	-	-
Other financial assets at amortised cost	18	<b>343,829</b>	366,992	<b>2,506</b>	1,951
Takaful assets	19	<b>731,647</b>	677,713	-	-
Statutory deposits with Bank Negara Malaysia		<b>1,492,924</b>	1,407,284	-	-
Current tax assets		<b>34,770</b>	34,333	-	20
Deferred tax assets		<b>124,230</b>	72,023	<b>10</b>	10
Investments in subsidiaries		-	-	<b>5,166,225</b>	5,166,225
Property and equipment		<b>412,125</b>	397,624	<b>407</b>	484
Investment properties		<b>10,661</b>	10,868	-	-
Intangible assets		<b>40,000</b>	47,832	-	-
<b>Total assets</b>		<b>66,246,690</b>	65,784,634	<b>5,785,992</b>	5,584,310

**BIMB Holdings Berhad (423858-X)**  
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**Condensed Statement of Financial Position as at 30 June 2018 (continued)**

	Note	Group As at		Company As at	
		30.06.2018 RM'000	31.12.2017 RM'000	30.06.2018 RM'000	31.12.2017 RM'000
<b>Liabilities and equity</b>					
Deposits from customers	20	44,430,392	45,870,596	-	-
Investment accounts of customers	21	4,520,449	3,969,344	-	-
Derivative financial liabilities	13	31,331	74,668	-	-
Bills and acceptances payable		45,536	420,258	-	-
Recourse obligation on financing sold to Cagamas	22	1,501,187	-	-	-
Other liabilities	23	964,005	1,266,609	1,854	232,598
Takaful liabilities	24	7,117,140	6,962,313	-	-
Sukuk liabilities	25	2,275,244	2,235,862	1,319,298	1,279,512
Zakat and taxation		77,332	66,631	178	18
<b>Total liabilities</b>		<b>60,962,616</b>	<b>60,866,281</b>	<b>1,321,330</b>	<b>1,512,128</b>
<b>Equity</b>					
Share capital		4,082,939	3,875,270	4,082,939	3,875,270
Reserves		815,809	658,669	381,723	196,912
<b>Equity attributable to owners of the Company</b>					
		4,898,748	4,533,939	4,464,662	4,072,182
Non-controlling interests		385,326	384,414	-	-
<b>Total equity</b>		<b>5,284,074</b>	<b>4,918,353</b>	<b>4,464,662</b>	<b>4,072,182</b>
<b>Total liabilities and equity</b>		<b>66,246,690</b>	<b>65,784,634</b>	<b>5,785,992</b>	<b>5,584,310</b>
<b>Restricted investment accounts managed by Bank Islam</b>					
	21	101,039	124,384	-	-
<b>Total Islamic banking asset</b>		<b>66,347,729</b>	<b>65,909,018</b>	<b>5,785,992</b>	<b>5,584,310</b>
<b>Commitments and contingencies</b>	41	<b>15,505,485</b>	<b>13,768,162</b>	<b>-</b>	<b>-</b>
<b>Net assets per share attributable to ordinary equity of the Company (RM)</b>					
		<b>2.89</b>	<b>2.77</b>	<b>2.64</b>	<b>2.49</b>

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**BIMB Holdings Berhad (423858-X)**  
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**Condensed Statement of Profit or Loss and Other Comprehensive Income  
for the six months ended 30 June 2018**

Group	Note	Quarter		Year-to-date	
		3 months ended	3 months ended	6 months ended	6 months ended
		30.06.2018	30.06.2017	30.06.2018	30.06.2017
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	27	<b>623,740</b>	605,820	<b>1,236,293</b>	1,170,366
Income derived from investment account funds	28	<b>59,190</b>	63,175	<b>117,898</b>	115,594
Income derived from investment of shareholders' funds	29	<b>126,474</b>	103,105	<b>236,494</b>	207,924
Net income from Takaful business	30	<b>182,435</b>	169,802	<b>400,516</b>	366,942
Net allowance for impairment on financing and advances, net of recoveries	31	<b>(14,758)</b>	(24,813)	<b>(35,921)</b>	(33,596)
Net allowance/Reversal of impairment on other financial assets		<b>(12)</b>	(243)	<b>86</b>	(243)
Direct expenses		<b>(4,590)</b>	(4,612)	<b>(9,056)</b>	(9,854)
Total distributable income		<b>972,479</b>	912,234	<b>1,946,310</b>	1,817,133
Wakalah fees from restricted investment accounts		<b>333</b>	1,289	<b>333</b>	2,001
Income attributable to depositors	32	<b>(309,423)</b>	(276,334)	<b>(604,342)</b>	(547,713)
Income attributable to investment account holders	33	<b>(19,287)</b>	(26,836)	<b>(39,045)</b>	(47,718)
Total net income		<b>644,102</b>	610,353	<b>1,303,256</b>	1,223,703
Personnel expenses	34	<b>(186,100)</b>	(187,623)	<b>(359,444)</b>	(350,429)
Other overhead expenses	35	<b>(188,033)</b>	(179,275)	<b>(367,578)</b>	(355,467)
Finance cost		<b>269,969</b>	243,455	<b>576,234</b>	517,807
		<b>(32,672)</b>	(28,226)	<b>(65,323)</b>	(56,379)
<b>Profit before zakat and tax</b>		<b>237,297</b>	215,229	<b>510,911</b>	461,428
Zakat		<b>(3,981)</b>	(2,521)	<b>(7,919)</b>	(5,132)
Tax expense	B5	<b>(62,924)</b>	(59,182)	<b>(132,022)</b>	(128,873)
<b>Profit for the period</b>		<b>170,392</b>	153,526	<b>370,970</b>	327,423
<b>Attributable to:</b>					
Owners of the Company		<b>149,911</b>	135,667	<b>322,046</b>	286,769
Non-controlling interests		<b>20,481</b>	17,859	<b>48,924</b>	40,654
<b>Profit for the period</b>		<b>170,392</b>	153,526	<b>370,970</b>	327,423
Earnings per share (sen)	B11	<b>8.85</b>	8.28	<b>19.10</b>	17.60

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**Condensed Statement of Profit or Loss and Other Comprehensive Income  
for the six months ended 30 June 2018 (continued)**

Group	Quarter 3 months ended		Year-to-date 6 months ended	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
<b>Profit for the period</b>	<b>170,392</b>	153,526	<b>370,970</b>	327,423
<b>Other comprehensive income, net of tax Items that are or may be reclassified subsequently to profit or loss:</b>				
Currency translation differences in respect of foreign operations	(17,812)	13,861	(2,644)	22,006
Movement in fair value reserve (debt securities):				
Net change in fair value	(27,509)	-	(36,612)	-
Net amount transferred to profit or loss	(609)	-	(2,202)	-
Movement in fair value reserve (equity instrument):				
Net change in fair value	860	-	(1,957)	-
Net amount transferred to profit or loss	-	-	-	-
Movement in fair value reserve (available for sale):				
Net change in fair value	-	26,321	-	40,862
Net amount transferred to profit or loss	-	(2,165)	-	(3,856)
Income tax credit/expense relating to components of other comprehensive income	6,215	(5,558)	9,395	(8,051)
<b>Other comprehensive income for the period, net of tax</b>	<b>(38,855)</b>	32,459	<b>(34,020)</b>	50,961
<b>Total comprehensive income for the period</b>	<b>131,537</b>	185,985	<b>336,950</b>	378,384
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	111,645	167,276	290,398	334,900
Non-controlling interests	19,892	18,709	46,552	43,484
<b>Total comprehensive income for the period</b>	<b>131,537</b>	185,985	<b>336,950</b>	378,384

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**Condensed Statement of Profit or Loss and Other Comprehensive Income  
for the six months ended 30 June 2018 (continued)**

<b>Company</b>	<b>Note</b>	<b>Quarter</b>		<b>Year-to-date</b>	
		<b>3 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
		<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of shareholders' funds / Total distributable income / Total net income	29	<b>154,770</b>	137,534	<b>232,470</b>	199,476
Personnel expenses	34	<b>(2,380)</b>	(2,430)	<b>(4,532)</b>	(4,534)
Other overhead expenses	35	<b>(1,178)</b>	(1,344)	<b>(2,383)</b>	(2,527)
		<u><b>151,212</b></u>	<u>133,760</u>	<u><b>225,555</b></u>	<u>192,415</u>
Finance cost		<b>(19,893)</b>	(19,139)	<b>(39,786)</b>	(38,279)
<b>Profit before zakat and tax</b>		<u><b>131,319</b></u>	<u>114,621</u>	<u><b>185,769</b></u>	<u>154,136</u>
Tax expense	B5	<b>(479)</b>	(504)	<b>(958)</b>	(1,110)
<b>Profit for the period</b>		<u><b>130,840</b></u>	<u>114,117</u>	<u><b>184,811</b></u>	<u>153,026</u>
		=====	=====	=====	=====
<b>Attributable to:</b>					
Owners of the Company		<u><b>130,840</b></u>	<u>114,117</u>	<u><b>184,811</b></u>	<u>153,026</u>
<b>Profit for the period</b>		<u><b>130,840</b></u>	<u>114,117</u>	<u><b>184,811</b></u>	<u>153,026</u>
		=====	=====	=====	=====

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**Condensed Statement of Profit or Loss and Other Comprehensive Income  
for the six months ended 30 June 2018 (continued)**

Company	Note	Quarter		Year-to-date	
		3 months ended 30.06.2018	3 months ended 30.06.2017	6 months ended 30.06.2018	6 months ended 30.06.2017
		RM'000	RM'000	RM'000	RM'000
<b>Profit for the period</b>		<b>130,840</b>	114,117	<b>184,811</b>	153,026
<b>Other comprehensive income, net of tax</b>					
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Movement in fair value reserve (available for sale):					
Net change in fair value		-	(87)	-	31
Net amount transferred to profit or loss		-	-	-	(45)
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	(87)	<b>-</b>	(14)
<b>Total comprehensive income for the period</b>		<b>130,840</b>	114,030	<b>184,811</b>	153,012
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		<b>130,840</b>	114,030	<b>184,811</b>	153,012
<b>Total comprehensive income for the period</b>		<b>130,840</b>	114,030	<b>184,811</b>	153,012

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**BIMB Holdings Berhad (423858-X)**  
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**Condensed Statement of Changes in Equity for the six months ended 30 June 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			
<b>At 1 January 2017</b>	1,588,680	2,102,611	(115,791)	307,352	3,882,852	334,285	4,217,137
Profit for the period	-	-	-	286,769	286,769	40,654	327,423
Other comprehensive income							
Currency translation differences in respect of foreign operations	-	-	20,688	-	20,688	1,318	22,006
Fair value reserve:							
Net change in fair value	-	-	38,621	-	38,621	2,241	40,862
Net amount reclassified to profit or loss	-	-	(3,127)	-	(3,127)	(729)	(3,856)
Income tax credit relating to components of other comprehensive income	-	-	(8,051)	-	(8,051)	-	(8,051)
<b>Total comprehensive income for the period</b>	-	-	48,131	286,769	334,900	43,484	378,384
Transfer of reserve fund to retained earnings	-	-	(1,124,774)	1,124,774	-	-	-
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	-	-	1,537	-	1,537	1,036	2,573
Long Term Incentive Plan exercised	-	-	(1,702)	-	(1,702)	1,702	-
<b>At 30 June 2017</b>	<b>1,637,741</b>	<b>2,237,529</b>	<b>(1,192,599)</b>	<b>1,718,895</b>	<b>4,401,566</b>	<b>340,979</b>	<b>4,742,545</b>

Note 26

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**BIMB Holdings Berhad (423858-X)**  
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**Condensed Statement of Changes in Equity for the six months ended 30 June 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	Non-distributable Share premium RM'000	Other reserves RM'000	Distributable Retained earnings RM'000			
<b>At 1 January 2018</b>							
- 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)	-	-	8,412	(141,096)	(132,684)	(1,494)	(134,178)
<b>At 1 January 2018, restated</b>	<b>3,875,270</b>	<b>-</b>	<b>(1,090,813)</b>	<b>1,616,798</b>	<b>4,401,255</b>	<b>382,920</b>	<b>4,784,175</b>
Profit for the period	-	-	-	322,046	322,046	48,924	370,970
Other comprehensive income							
Currency translation differences in respect of foreign operations	-	-	(929)	-	(929)	(1,715)	(2,644)
Fair value reserve:							
Net change in fair value	-	-	(38,025)	-	(38,025)	(544)	(38,569)
Net amount reclassified to profit or loss	-	-	(2,089)	-	(2,089)	(113)	(2,202)
Income tax credit relating to components of other comprehensive income	-	-	9,395	-	9,395	-	9,395
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(31,648)</b>	<b>322,046</b>	<b>290,398</b>	<b>46,552</b>	<b>336,950</b>
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	-	-	2,993	-	2,993	2,026	5,019
Long Term Incentive Plan exercised	-	-	(3,567)	-	(3,567)	3,567	-
<b>At 30 June 2018</b>	<b>4,082,939</b>	<b>-</b>	<b>(1,187,680)</b>	<b>2,003,489</b>	<b>4,898,748</b>	<b>385,326</b>	<b>5,284,074</b>

Note 26

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**Condensed Statement of Changes in Equity for the six months ended 30 June 2018 (continued)**

Company	← Attributable to owners of the Company →					
	Share capital RM'000	← Non-distributable →			Distributable	
		Share premium RM'000	Warrant reserves RM'000	Fair value reserves RM'000	Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2017</b>	1,588,680	2,102,611	129,300	81	51,259	3,871,931
Profit for the period	-	-	-	-	153,026	153,026
Other comprehensive income						
Fair value reserve:						
Net change in fair value	-	-	-	31	-	31
Net amount reclassified to profit or loss	-	-	-	(45)	-	(45)
<b>Total comprehensive income for the period</b>	-	-	-	(14)	153,026	153,012
Issue of shares pursuant to Dividend Reinvestment Plan	49,061	134,918	-	-	-	183,979
<b>At 30 June 2017</b>	1,637,741	2,237,529	129,300	67	204,285	4,208,922
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<b>At 1 January 2018</b>						
- 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	-
<b>At 1 January 2018, restated</b>	3,875,270	-	129,300	-	67,612	4,072,182
Profit for the period	-	-	-	-	184,811	184,811
Issue of shares pursuant to Dividend Reinvestment Plan	207,669	-	-	-	-	207,669
<b>At 30 June 2018</b>	4,082,939	-	129,300	-	252,423	4,464,662
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**BIMB Holdings Berhad (423858-X)**  
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**Condensed Statement of Cash Flows for the six months ended 30 June 2018**

	Group		Company	
	6 months ended 30.06.2018	6 months ended 30.06.2017	6 months ended 30.06.2018	6 months ended 30.06.2017
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Profit before zakat and tax	<b>510,911</b>	461,428	<b>185,769</b>	154,136
Adjustments for:				
Depreciation of property and equipment	<b>29,999</b>	35,704	<b>122</b>	158
Depreciation of investment property	<b>146</b>	148	-	-
(Gain)/Loss on disposal of property and equipment	<b>(270)</b>	3	-	-
Property and equipment written off	<b>100</b>	-	<b>8</b>	-
Collective assessment allowance	-	57,446	-	-
Individual assessment allowance	-	10,461	-	-
Allowance for impairment loss on other assets	-	243	-	-
Reversal of impairment loss on financial assets at FVOCI	<b>(86)</b>	-	-	-
Allowance for impairment loss on financing, advances and others	<b>89,092</b>	-	-	-
Net gain on sale of financial assets at FVTPL	<b>(1,207)</b>	-	-	-
Net loss on sale of financial assets held-for-trading	-	3,871	-	-
Net gain on sale of financial assets at FVOCI	<b>(1,921)</b>	-	-	-
Net gain on sale of financial assets available-for-sale	-	(2,281)	-	-
Net gain on sale of financial assets held-to-maturity	-	(31,551)	-	-
Fair value loss on financial assets at FVTPL	<b>61,729</b>	-	<b>87</b>	-
Fair value gain on financial assets held-for-trading	-	(3,353)	-	-
Net derivative (gain)/loss	<b>(77)</b>	858	-	-
Dividends from securities	<b>(3,808)</b>	(3,676)	<b>(2,799)</b>	(2,495)
Dividends from subsidiaries	-	-	<b>(223,913)</b>	(193,153)
Change in actuarial reserves/ unearned contributions reserve	<b>(3,679)</b>	2,281	-	-
Equity settled share-based payment	<b>5,019</b>	2,573	-	-
Amortisation of intangible assets	<b>7,832</b>	6,133	-	-
Finance cost	<b>65,323</b>	56,379	<b>39,786</b>	38,279
<b>Operating profit/(loss) before working capital changes</b>	<b>759,103</b>	596,667	<b>(940)</b>	(3,075)

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**Condensed Statement of Cash Flows for the six months ended 30 June 2018**  
**(continued)**

	<b>Group</b>		<b>Company</b>	
	<b>6 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating profit/(loss) before working capital changes	<b>759,103</b>	596,667	<b>(940)</b>	(3,075)
Changes in working capital:				
Deposits and placements of banks and other financial institutions	-	70,000	-	-
Financing of customers	<b>(1,394,347)</b>	(1,382,137)	-	-
Statutory deposits with Bank Negara Malaysia	<b>(85,640)</b>	194,632	-	-
Other assets	<b>(11,837)</b>	242,169	<b>(554)</b>	156
Deposits from customers	<b>(1,440,204)</b>	(3,173,946)	-	-
Investment accounts of customers	<b>551,105</b>	1,452,319	-	-
Recourse obligation on financing sold to Cagamas	<b>1,501,187</b>	-	-	-
Other liabilities	<b>22,323</b>	(9,997)	<b>(1,460)</b>	(1,927)
Bills and acceptances payable	<b>(374,722)</b>	49,472	-	-
Cash used in operations	<b>(473,032)</b>	(1,960,821)	<b>(2,954)</b>	(4,846)
Zakat paid	<b>(13,176)</b>	(13,443)	-	-
Tax paid	<b>(117,533)</b>	(108,406)	<b>(799)</b>	(1,010)
Tax refund	<b>113</b>	45	<b>20</b>	-
<b>Net cash used in operating activities</b>	<b>(603,628)</b>	(2,082,625)	<b>(3,733)</b>	(5,856)
<b>Cash flows from investing activities</b>				
Net proceeds from purchase of securities	<b>(1,543,334)</b>	(291,245)	-	(33,795)
Purchase of property and equipment	<b>(45,126)</b>	(21,485)	<b>(53)</b>	(34)
Proceeds from disposal of property and equipment	<b>364</b>	100	-	-
Dividends from subsidiaries	-	-	<b>223,913</b>	193,153
Dividends from securities	<b>1,009</b>	1,181	-	-
Subscription of ordinary shares pursuant to Dividend Reinvestment Plan	-	-	-	(134,167)
<b>Net cash (used in)/generated from investing activities</b>	<b>(1,587,087)</b>	(311,449)	<b>223,860</b>	25,157

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**Condensed Statement of Cash Flows for the six months ended 30 June 2018**  
**(continued)**

	<b>Group</b>		<b>Company</b>	
	<b>6 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>				
Dividends paid	<b>(21,615)</b>	(22,550)	<b>(21,615)</b>	(22,550)
Dividends paid to non-controlling interest	<b>(49,739)</b>	(39,528)	-	-
Payment of coupon on Sukuk	<b>(25,941)</b>	(18,198)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(97,295)</b>	(80,276)	<b>(21,615)</b>	(22,550)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,288,010)</b>	(2,474,350)	<b>198,512</b>	(3,249)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at beginning of the period</b>	<b>5,966,834</b>	5,655,408	<b>241,074</b>	205,318
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Foreign exchange differences</b>	<b>(2,193)</b>	22,314	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>3,676,631</b>	3,203,372	<b>439,586</b>	202,069
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:				
Cash and short-term funds	<b>2,772,514</b>	1,900,615	<b>439,586</b>	202,069
Deposits and placements with financial institutions	<b>904,117</b>	1,302,757	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>3,676,631</b>	3,203,372	<b>439,586</b>	202,069
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*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 six months ended 30 June 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 six months ended 30 June 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 31<sup>st</sup> 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*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2017 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 2014-2017 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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.

**Capital Adequacy Frameworks for Islamic Banks**

The Capital Adequacy Frameworks for Islamic Banks in relation to Basel II - Risk-Weighted Assets and Capital Components were updated and reissued by Bank Negara Malaysia ("BNM") on 2 February 2018 for application with effect from 1 January 2018.

The updates focused mainly on the following changes:

- i) Revised definition of General Provision and Specific Provision arising from the implementation of MFRS 9;
- ii) Definition of General Provision and its recognition in Tier II capital;
- iii) Alignment of terminologies used under MFRS 9 for the purpose of capital recognition and regulatory adjustments; and
- iv) Clarification on the capital treatment of bargain purchase gains and right-of-use assets.

The updates above mainly address clarification on capital recognition and regulatory adjustment requirements arising from the implementation of MFRS 9.

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**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 six months ended 30 June 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 six months ended 30 June 2018.

**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*.

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**6. Changes in accounting policies (continued)**

**(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 assets is managed and its contractual cash flow characteristics.

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
<b>Financial assets</b>					
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



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**6. Changes in accounting policies (continued)**

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

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
<b>Financial assets</b>					
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

- 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.

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**6. Changes in accounting policies (continued)**

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

- 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.
- 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.

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**6. Changes in accounting policies (continued)**

**(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. Financial 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 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a negative 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.

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**6. Changes in accounting policies (continued)**

**(ii) Impairment of financial assets (continued)**

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 uses 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 negative 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.

	<b>RM'000</b>
<b>Group</b>	
<b>Loss allowance at 31 December 2017 under MFRS 139</b>	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
<b>Loss allowance at 1 January 2018 under MFRS 9</b>	<u>777,181</u>
	=====

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**6. Changes in accounting policies (continued)**

**(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.

	<b>Impact of adopting MFRS 9 on opening balance RM'000</b>
<b><u>Fair value reserve</u></b>	
<b>Group</b>	
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	(2,612)
	<hr/>
Impact at 1 January 2018	8,412
	=====
<b>Company</b>	
Reclassification of fair value gain from financial assets designated at FVTPL under MFRS 9	(178)
	=====

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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)

	<b>Impact of adopting MFRS 9 on opening balance RM'000</b>
<b><u>Retained earnings</u></b>	
<b>Group</b>	
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	44,564
Impact at 1 January 2018	<u>(141,096)</u> =====
<b>Company</b>	
Reclassification of fair value gain from financial assets designated at FVTPL under MFRS 9	178
	=====
<b><u>Non-controlling interest</u></b>	
<b>Group</b>	
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 for a consideration of RM3.72 each arising from the Dividend Reinvestment Plan.

**8. Significant events during the six months ended 30 June 2018**

- **Dividend received**

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

On 4 June 2018, Bank Islam paid a final single tier dividend of 6.09 sen per ordinary share totaling RM150.180 million for the financial year ended 31 December 2017.

**9. Cash and short-term funds**

	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
Cash and balances with banks and other financial institutions	<b>1,021,833</b>	971,106
Money at call and interbank placements with remaining maturity not exceeding one month	<b>1,750,681</b>	3,836,643
	<u><b>2,772,514</b></u>	<u>4,807,749</u>
	=====	=====
<b>Company</b>		
Cash and balances with banks and other financial institutions	<b>439,586</b>	241,074
	<u><b>439,586</b></u>	<u>241,074</u>
	=====	=====

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**10. Deposits and placements with financial institutions**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>868,927</b>	1,124,343
Other financial institutions	<b>35,190</b>	34,742
	<u><b>904,117</b></u>	<u>1,159,085</u>
	=====	=====

**11. Financial assets held-for-trading**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
- 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)**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
- Sukuk	<b>774,351</b>	-
- Structured deposits	<b>349,495</b>	-
- Malaysian Government Investment Issues	<b>283,207</b>	-
- Shares	<b>393,746</b>	-
- Unit trusts	<b>347,287</b>	-
- Bank Negara Negotiable Notes	<b>160,188</b>	-
	<u><b>2,308,274</b></u>	<u>-</u>
	-----	-----
<b>At cost</b>		
- Unquoted shares in Malaysia	<b>380</b>	-
	<u><b>380</b></u>	<u>-</u>
	-----	-----
	<u><b>2,308,654</b></u>	<u>-</u>
	=====	=====



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

	<b>Company</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
- Unit trusts #	<b>177,258</b>	<b>-</b>
	=====	=====

# Included unit trusts managed by a subsidiary of the Group of RM170,817,764.

**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 held for hedging purposes. The principal or contractual amounts 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.

<b>Group</b>	<b>Notional</b>	<b>Fair value</b>	
	<b>Amount</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>30.06.2018</b>			
Forward contracts	<b>3,676,458</b>	<b>48,500</b>	<b>(29,601)</b>
Profit rate swaps	<b>593,388</b>	<b>4,090</b>	<b>(1,730)</b>
	<b>4,269,846</b>	<b>52,590</b>	<b>(31,331)</b>
	=====	=====	=====
<b>31.12.2017</b>			
Forward contracts	3,218,824	63,827	(72,767)
Profit rate swaps	607,992	4,492	(1,901)
	<b>3,826,816</b>	<b>68,319</b>	<b>(74,668)</b>
	=====	=====	=====



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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*

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Sukuk	10,821,512	-
Malaysian Government Investment Issues	2,364,299	-
Institutional Trust Account	306,558	-
Malaysian Government Islamic Papers	258,216	-
	<u>13,750,585</u>	<u>-</u>
Allowance for impairment losses		
- Collective assessment – 12 months expected credit losses (ECL)	(259)	-
	<u>13,750,326</u>	<u>-</u>
	<u>=====</u>	<u>=====</u>

Movements in allowances for impairment which reflect the ECL model on impairment are as follows:

	<b>Group</b>
	<b>30.06.2018</b>
	<b>RM'000</b>
<b>12 months ECL</b>	
At 1 January 2018	-
- Effects on adoption of MFRS 9	345
	<u>345</u>
At 1 January 2018, as restated	(86)
Reversal of impairment made during the period	(86)
	<u>259</u>
At 30 June 2018	<u>=====</u>

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

*b) Equity investments at fair value through other comprehensive income*

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Quoted shares		
- outside Malaysia	15,655	-
	<u>15,655</u>	<u>-</u>
	-----	-----
Unquoted shares		
- in Malaysia	23,056	-
- outside Malaysia	16	-
	<u>23,072</u>	<u>-</u>
	-----	-----
	<u>38,727</u>	<u>-</u>
	=====	=====

**16. Financial assets held-to-maturity**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
- Malaysian Government Islamic Papers	-	59,994
- Sukuk	-	463,417
Less: Accumulated impairment loss	-	(6,887)
	-	456,530
	<u>-</u>	<u>516,524</u>
	=====	=====

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**17. Financing, advances and others**

**(a) By type and Shariah contract**

<b>Group</b>	<b>Bai'</b>		<b>Bai</b>	<b>Bai</b>		<b>Ijarah</b>	<b>Ijarah</b>			<b>Total</b>
<b>30 June 2018</b>	<b>Bithaman</b>	<b>Murabahah</b>	<b>Al-Dayn</b>	<b>Al-Inah</b>	<b>At-Tawarruq</b>	<b>Muntahiah</b>	<b>Thumma</b>	<b>Istisna'</b>	<b>Ar-Rahnu</b>	<b>RM'000</b>
	<b>Ajil</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>Bit-Tamleek</b>	<b>Al-Bai</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>RM'000</b>					<b>RM'000</b>	<b>RM'000</b>			
<b>At amortised cost</b>										
Cash line	-	-	-	2,278	1,264,764	-	-	-	-	1,267,042
Term financing										
House financing	3,937,372	-	-	-	13,124,905	-	-	53,294	-	17,115,571
Syndicated financing	-	-	-	43,279	551,526	-	99,030	-	-	693,835
Leasing financing	-	-	-	-	-	85,642	154	-	-	85,796
Bridging financing	-	-	-	-	-	-	-	70,908	-	70,908
Personal financing	-	-	-	14,206	13,064,354	-	-	-	-	13,078,560
Other term financing	1,311,316	1,201,190	-	7,198	7,323,926	-	-	1,224	-	9,844,854
Staff financing	65,470	8,479	-	-	146,293	-	-	10,551	-	230,793
Credit cards	-	-	-	-	460,176	-	-	-	-	460,176
Trade bills discounted	-	881,217	170,823	-	-	-	-	-	-	1,052,040
Trust receipts	-	5,674	-	-	-	-	-	-	-	5,674
Pawn broking	-	-	-	-	-	-	-	-	74,402	74,402
Investment Account Platform *	-	-	-	-	10,008	-	-	-	-	10,008
	<u>5,314,158</u>	<u>2,096,560</u>	<u>170,823</u>	<u>66,961</u>	<u>35,945,952</u>	<u>85,642</u>	<u>99,184</u>	<u>135,977</u>	<u>74,402</u>	<u>43,989,659</u>
Allowance for impaired financing, advances and others										
- collective assessment – 12 months expected credit losses (ECL)										(385,305)
- collective assessment – Lifetime ECL										(237,123)
- individual assessment – Lifetime ECL										(137,655)
<b>Net financing, advances and others</b>										<u>43,229,576</u>

\* 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)**

<b>Group</b>	<b>Bai'</b>		<b>Bai</b>	<b>Bai</b>		<b>Ijarah</b>	<b>Ijarah</b>			<b>Total</b>
<b>31 December 2017</b>	<b>Bithaman</b>	<b>Murabahah</b>	<b>Al-Dayn</b>	<b>Al-Inah</b>	<b>At-Tawarruq</b>	<b>Muntahiah</b>	<b>Thumma</b>	<b>Istisna'</b>	<b>Ar-Rahnu</b>	<b>RM'000</b>
	<b>Ajil</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>Bit-Tamleek</b>	<b>Al-Bai</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>										
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)
<b>Net financing, advances and others</b>										<u>42,113,420</u>

\* 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 of and Shariah contract (continued)**

Included in financing, advances and others are house financing and personal financing that are used for the underlying assets of Unrestricted Investment Accounts ("UA") and financing sold to Cagamas with recourse to the Group. The details are as follows:

		<b>Group</b>	
	<b>Note</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
		<b>RM'000</b>	<b>RM'000</b>
House financing			
Unrestricted Investment Accounts	21	<b>3,438,784</b>	2,982,183
Sold to Cagamas with recourse	22	<b>1,501,187</b>	-
		<u><b>4,939,971</b></u>	<u>2,982,183</u>
		=====	=====
Personal financing			
Unrestricted Investment Accounts	21	<b>1,081,665</b>	987,161
		<u><b>1,081,665</b></u>	<u>987,161</u>
		=====	=====

**(b) By type of customer**

		<b>Group</b>	
		<b>30.06.2018</b>	<b>31.12.2017</b>
		<b>RM'000</b>	<b>RM'000</b>
Domestic non-bank financial institutions		<b>1,377,266</b>	1,354,806
Domestic business enterprise		<b>7,021,028</b>	7,015,168
Small medium industries		<b>874,772</b>	896,444
Government and statutory bodies		<b>584,833</b>	820,586
Individuals		<b>33,528,926</b>	31,986,842
Other domestic entities		<b>17,863</b>	8,195
Foreign entities		<b>584,971</b>	603,895
		<u><b>43,989,659</b></u>	<u>42,685,936</u>
		=====	=====

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**17. Financing, advances and others (continued)**

**(c) By profit rate sensitivity**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
House financing	<b>1,114,778</b>	1,168,200
Others	<b>3,319,335</b>	3,560,756
Floating rate		
House financing	<b>16,623,057</b>	15,625,095
Others	<b>22,932,489</b>	22,331,885
	<b>43,989,659</b>	42,685,936
	=====	=====

**(d) By remaining contractual maturity**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturity within one year	<b>4,452,768</b>	4,414,217
More than one year to three years	<b>1,516,254</b>	1,087,304
More than three years to five years	<b>3,149,034</b>	2,598,903
More than five years	<b>34,871,603</b>	34,585,512
	<b>43,989,659</b>	42,685,936
	=====	=====

**(e) By geographical distribution**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Central Region	<b>20,928,998</b>	20,673,380
Eastern Region	<b>7,199,445</b>	6,860,968
Northern Region	<b>6,309,341</b>	6,121,471
Southern Region	<b>6,304,177</b>	5,908,526
East Malaysia Region	<b>3,247,698</b>	3,121,591
	<b>43,989,659</b>	42,685,936
	=====	=====



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**17. Financing, advances and others (continued)**

**(f) By sector**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	<b>500,097</b>	486,679
Mining and quarrying	<b>10,194</b>	8,080
Manufacturing (including agro-based)	<b>809,346</b>	835,268
Electricity, gas and water	<b>357,218</b>	337,388
Wholesale & retail trade, and hotels & restaurants	<b>1,259,666</b>	1,228,681
Construction	<b>2,199,313</b>	2,176,453
Real estate	<b>1,483,018</b>	1,582,531
Transport, storage and communications	<b>770,835</b>	655,633
Finance, insurance and business activities	<b>2,061,973</b>	2,147,118
Education, health and others	<b>996,341</b>	1,210,056
Household sectors	<b>33,541,658</b>	32,018,049
	<b>43,989,659</b>	42,685,936
	=====	=====

**(g) Movement in impaired financing and advances ("impaired financing") are as follows:**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2018/2017	<b>398,277</b>	389,445
Classified as impaired during the period/year	<b>316,371</b>	648,281
Reclassified as not impaired during the period/year	<b>(150,762)</b>	(331,592)
Amount recovered	<b>(46,848)</b>	(92,432)
Amount written off	<b>(89,879)</b>	(209,231)
Exchange differences	<b>-</b>	(6,194)
	<b>427,159</b>	398,277
	=====	=====
Gross impaired financing as a percentage of gross financing, advances and others	<b>0.97%</b>	0.93%
	=====	=====

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**17. Financing, advances and others (continued)**

**(h) Impaired financing by geographical distribution**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Central Region	<b>263,290</b>	223,305
Eastern Region	<b>92,705</b>	107,422
Northern Region	<b>30,290</b>	28,710
Southern Region	<b>24,901</b>	22,915
East Malaysia Region	<b>15,973</b>	15,925
	<hr/> <b>427,159</b> <hr/>	<hr/> 398,277 <hr/>
	=====	=====

**(i) Impaired financing by sector**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Manufacturing (including agro-based)	<b>16,208</b>	35,448
Wholesale & retail trade, and hotels & restaurants	<b>39,767</b>	38,433
Construction	<b>115,692</b>	86,357
Transport, storage and communications	<b>14,068</b>	12,604
Finance, insurance and business activities	<b>3,157</b>	3,799
Education, health and others	<b>4,529</b>	5,106
Household sectors	<b>233,738</b>	216,530
	<hr/> <b>427,159</b> <hr/>	<hr/> 398,277 <hr/>
	=====	=====

**BIMB Holdings Berhad (423858-X)**  
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**17. Financing, advances and others (continued)**

**j) Movement of allowance for impaired financing**

Group	← Collective →			Impairment provision RM'000	Individual assessment allowance RM'000	Total assessment allowance RM'000
	12-month ECL RM'000	Lifetime ECL not credit-impaired RM'000	Lifetime ECL credit-impaired RM'000			
30.06.2018						
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	7,818	(7,665)	(153)	-	-	-
Transfer to Lifetime ECL not credit-impaired	(3,236)	7,951	(4,715)	-	-	-
Transfer to Lifetime ECL credit-impaired	(21)	(163)	184	-	-	-
Allowance made during the period	11,945	20,383	88,272	120,600	38,675	159,275
Financial assets that have been derecognised	(19,539)	(16,072)	(34,572)	(70,183)	-	(70,183)
Write-offs	(1,395)	(2,380)	(56,942)	(60,717)	(29,162)	(89,879)
Exchange differences	(745)	-	-	(745)	-	(745)
At 30 June 2018	385,305	141,555	95,568	622,428	137,655	760,083

**BIMB Holdings Berhad (423858-X)**  
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**17. Financing, advances and others (continued)**

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

	<b>Group</b>
	<b>31.12.2017</b>
	<b>RM'000</b>
<b><u>Collective assessment allowance</u></b>	
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
	=====
<b><u>Individual assessment allowance</u></b>	
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**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Clients' and dealers' debit balances	<b>73,916</b>	47,395
Deposits and prepayments	<b>50,461</b>	43,714
Other financing	<b>77,942</b>	78,620
Investment receivables	<b>95,020</b>	97,659
Other receivables	<b>46,965</b>	99,604
Sukuk ^	<b>6,887</b>	-
	<hr/>	<hr/>
	<b>351,191</b>	366,992
Less: Accumulated impairment loss: Individual assessment		
- Sukuk ^	<b>(6,887)</b>	-
- Other receivables	<b>(475)</b>	-
	<hr/>	<hr/>
	<b>343,829</b>	366,992
	=====	=====

^ Previously classified as financial assets held-to-maturity as disclosed in note 16. These assets are classified and measured at amortised cost under MFRS 9.

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**18. Other financial assets at amortised cost (continued)**

	<b>Company</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from subsidiaries	<b>219</b>	320
Deposits and prepayments	<b>391</b>	462
Other receivables	<b>1,896</b>	1,169
	<hr/>	<hr/>
	<b>2,506</b>	1,951
	<hr/>	<hr/>

**19. Takaful assets**

		<b>Group</b>	
	<b>Note</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
		<b>RM'000</b>	<b>RM'000</b>
Retakaful assets:			
- Claims liabilities	24(a)(i)	<b>296,701</b>	254,804
- Contribution liabilities	24(a)(ii)	<b>74,986</b>	71,308
- Actuarial liabilities	24(a)(iii)	<b>163,063</b>	179,484
		<hr/>	<hr/>
		<b>534,750</b>	505,596
		<hr/>	<hr/>
Takaful receivables			
- Due contributions		<b>163,903</b>	139,677
- Due from retakaful/co-takaful		<b>42,086</b>	39,728
		<hr/>	<hr/>
		<b>205,989</b>	179,405
Less: Allowance for impaired receivables		<b>(9,092)</b>	(7,288)
		<hr/>	<hr/>
		<b>196,897</b>	172,117
		<hr/>	<hr/>
		<b>731,647</b>	677,713
		<hr/>	<hr/>

**BIMB Holdings Berhad (423858-X)**  
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**20. Deposits from customers**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) By type of deposit</b>		
<b>Savings deposits</b>		
<i>Wadiah</i>	<b>4,407,228</b>	4,138,519
<b>Demand deposits</b>		
<i>Wadiah</i>	<b>10,254,072</b>	11,297,399
<b>Term Deposit</b>	<b>29,674,322</b>	30,331,784
Special Investment Deposit <i>Mudharabah</i>	<b>6,182</b>	6,182
General Investment Deposit <i>Mudharabah</i>	<b>306,369</b>	322,388
Term Deposit-i <i>Tawarruq</i>	<b>26,173,274</b>	26,442,155
Negotiable Islamic Debt Certificates ("NIDC")	<b>3,188,497</b>	3,561,059
<b>Others</b>	<b>94,770</b>	102,894
<b>Total Deposits</b>	<b>44,430,392</b>	45,870,596
<b>(b) Maturity structure of term deposits are as follows:</b>		
Due within six months	<b>15,477,969</b>	18,287,237
More than six months to one year	<b>8,078,484</b>	8,734,219
More than one year to three years	<b>4,147,460</b>	1,618,691
More than three years to five years	<b>1,970,409</b>	1,691,637
	<b>29,674,322</b>	30,331,784
<b>(c) By type of customer</b>		
Domestic non-bank financial institutions	<b>7,546,276</b>	13,741,161
Business enterprises	<b>16,857,661</b>	12,406,686
Government and statutory bodies	<b>10,291,157</b>	8,847,454
Individuals	<b>5,179,606</b>	4,810,541
Domestic banking institutions	<b>2,492,177</b>	3,395,740
Others	<b>2,063,515</b>	2,669,014
	<b>44,430,392</b>	45,870,596

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**21. Investment accounts of customers**

(a) **By type and Shariah contract**

		<b>Group</b>	
		<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Unrestricted investment accounts</b>			
Without maturity			
<i>Mudharabah</i>		<b>2,356,579</b>	1,994,491
With maturity			
<i>Wakalah</i>		<b>2,163,870</b>	1,974,853
		<u><b>4,520,449</b></u>	<u>3,969,344</u>
Investment portfolio:			
- <i>House financing</i>	17	<b>3,438,784</b>	2,982,183
- <i>Personal financing</i>	17	<b>1,081,665</b>	987,161
		<u><b>4,520,449</b></u>	<u>3,969,344</u>
<b>Restricted investment accounts ("RA") managed by Bank Islam<sup>^</sup></b>			
With maturity			
<i>Wakalah</i>		<b>101,039</b>	124,384
Investment portfolio:			
- <i>Other term financing</i>		<b>101,039</b>	124,384

<sup>^</sup> Restricted investment accounts ("RA") is an arrangement between Bank Islam ("the Bank") and the investment account holders ("IAH") where the Bank acts as the investment agent to manage and administer the RA and its underlying assets. RA is accounted for as off balance sheet as the Bank has no right and obligation in respect of the assets related to the RA or to the residual cash flows from those assets except for the Wakalah performance incentive fee income generated by the Bank for managing the RA.

Included in RA managed by the Bank is an arrangement between the Bank and its ultimate holding entity with underlying assets amounting to RM101,347,000 (2017: RM123,962,000).

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**21. Investment accounts of customers (continued)**

(b) By type of customers

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Individuals	<b>2,464,604</b>	2,212,239
Government and statutory bodies	<b>215,567</b>	400,709
Business enterprises	<b>483,495</b>	474,464
Non-bank financial institutions	<b>1,281,442</b>	786,457
Others	<b>75,341</b>	95,475
	<b>4,520,449</b>	3,969,344
	=====	=====

**22. Recourse obligation on financing sold to Cagamas**

Recourse obligation on financing sold to Cagamas represents those acquired from Bank Islam ("the Bank") and sold to Cagamas with recourse. Under the agreement, the Bank undertake to administer the financing on behalf of Cagamas and to buy back any financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. The financing are not de-recognised and are analysed in Note 17.

**23. Other liabilities**

	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>		
Accruals and other payables	<b>890,100</b>	990,277
Clients' and dealers' credit balances	<b>73,905</b>	47,048
Dividend payable	-	229,284
	<b>964,005</b>	1,266,609
	=====	=====
<b>Company</b>		
Accruals and other payables	<b>1,854</b>	3,244
Amount due to subsidiaries	-	70
Dividend payable	-	229,284
	<b>1,854</b>	232,598
	=====	=====

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



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**24. Takaful liabilities**

		<b>Group</b>	
	<b>Note</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
		<b>RM'000</b>	<b>RM'000</b>
Takaful contract liabilities	24(a)	<b>6,816,861</b>	6,658,675
Expense reserves	24(b)	<b>232,012</b>	196,655
Takaful payables	24(c)	<b>68,267</b>	106,983
		<hr/>	<hr/>
		<b>7,117,140</b>	6,962,313
		<hr/> <hr/>	<hr/> <hr/>

**(a) Takaful contract liabilities**

The takaful contract liabilities comprise the following:

		<b>Group</b>	
	<b>Note</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
		<b>RM'000</b>	<b>RM'000</b>
Provision for outstanding claims	24(a)(i)	<b>608,823</b>	545,134
Provision for unearned contributions	24(a)(ii)	<b>366,723</b>	341,975
Participants' fund	24(a)(iii)	<b>5,841,315</b>	5,771,566
		<hr/>	<hr/>
		<b>6,816,861</b>	6,658,675
		<hr/> <hr/>	<hr/> <hr/>

**(i) Provision for outstanding claims**

The provision for outstanding claims is further analysed as follows:

		<b>30.06.2018</b>	
	<b>Gross</b>	<b>Retakaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>			
Provision for claims reported by participants	<b>246,841</b>	<b>(138,114)</b>	<b>108,727</b>
Provision for IBNR*	<b>361,982</b>	<b>(158,587)</b>	<b>203,395</b>
	<hr/>	<hr/>	<hr/>
Provision for outstanding claims	<b>608,823</b>	<b>(296,701)</b>	<b>312,122</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		Note 19	

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**24. Takaful liabilities (continued)**

**(a) Takaful contract liabilities (continued)**

**(i) Provision for outstanding claims (continued)**

The provision for outstanding claims is further analysed as follows:  
(continued)

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

Note 19

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

Movement of provision for outstanding claims:

	<b>Gross RM'000</b>	<b>Group Retakaful RM'000</b>	<b>Net RM'000</b>
<b>At 1 January 2017</b>	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)
	-----	-----	-----
<b>At 31 December 2017/ 1 January 2018</b>	<b>545,134</b>	<b>(254,804)</b>	<b>290,330</b>
Claims incurred during the period	541,418	(77,041)	464,377
Claims paid during the period	(547,550)	82,764	(464,786)
Increase/(Decrease) in IBNR	70,055	(47,730)	22,325
Effect of movement in exchange rates	(234)	110	(124)
	-----	-----	-----
<b>At 30 June 2018</b>	<b>608,823</b>	<b>(296,701)</b>	<b>312,122</b>
	=====	=====	=====

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**24. Takaful liabilities (continued)**

**(a) Takaful contract liabilities (continued)**

**(ii) Provision for unearned contributions**

The provision for unearned contributions is further analysed as follows:

	<b>Gross RM'000</b>	<b>Group Retakaful RM'000</b>	<b>Net RM'000</b>
30.06.2018	<b>366,723</b> =====	<b>(74,986)</b> =====	<b>291,737</b> =====
		Note 19	
31.12.2017	341,975 =====	(71,308) =====	270,667 =====
		Note 19	

Movement of provision for unearned contributions:

	<b>Gross RM'000</b>	<b>Group Retakaful RM'000</b>	<b>Net RM'000</b>
<b>At 1 January 2017</b>	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)
	-----	-----	-----
<b>At 31 December 2017/ 1 January 2018</b>	<b>341,975</b>	<b>(71,308)</b>	<b>270,667</b>
Contributions written during the period	<b>367,333</b>	<b>(128,372)</b>	<b>238,961</b>
Contributions earned during the period	<b>(342,585)</b>	<b>124,694</b>	<b>(217,891)</b>
	-----	-----	-----
<b>At 30 June 2018</b>	<b>366,723</b> =====	<b>(74,986)</b> =====	<b>291,737</b> =====

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**24. Takaful liabilities (continued)**

**(a) Takaful contract liabilities (continued)**

**(iii) Participants' fund**

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

	<b>Gross</b>	<b>Group</b>	<b>Net</b>
	<b>RM'000</b>	<b>Retakaful</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>30.06.2018</b>			
Actuarial liabilities	4,808,627	(163,063)	4,645,564
Unallocated surplus/accumulated surplus	883,815	-	883,815
Fair value reserve	(33,808)	-	(33,808)
Translation reserve	-	-	-
Net assets value attributable to unitholders	182,681	-	182,681
	<u>5,841,315</u>	<u>(163,063)</u>	<u>5,678,252</u>
	=====	=====	=====
		Note 19	
<b>31.12.2017</b>			
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**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2018/2017	196,655	159,310
Provision for the period/year, net	35,675	37,897
Effect of movement in exchange rates	(318)	(552)
	<u>232,012</u>	<u>196,655</u>
At 30 June 2018/31 December 2017	=====	=====

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**24. Takaful liabilities (continued)**

(c) Takaful payables

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Due to retakaful companies	<b>45,971</b>	86,409
Due to Intermediaries/Participants	<b>22,296</b>	20,574
	<u><b>68,267</b></u>	<u>106,983</u>
	<u>=====</u>	<u>=====</u>

**25. Sukuk liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Sukuk liabilities	<b>1,319,298</b>	1,279,512	<b>1,319,298</b>	1,279,512
Subordinated Sukuk Murabahah	<b>955,946</b>	956,350	-	-
	<u><b>2,275,244</b></u>	<u>2,235,862</u>	<u><b>1,319,298</b></u>	<u>1,279,512</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

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 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 is 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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**25. 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 30.06.2018 RM'000
		Issuance	Finance cost payable	Total		
		RM'000	RM'000	RM'000		
<b>Group</b>						
Sukuk Liabilities	1,279,512	-	-	-	39,786	1,319,298
Sukuk Murabahah	956,350	-	(25,941)	(25,941)	25,537	955,946
	<b>2,235,862</b>	-	<b>(25,941)</b>	<b>(25,941)</b>	<b>65,323</b>	<b>2,275,244</b>

**26. Other reserves**

	Group	
	30.06.2018 RM'000	30.06.2017 RM'000
Capital reserve	6,863	6,863
Warrant reserve	129,300	129,300
Statutory reserve	-	-
Fair value reserve	(33,263)	(15,158)
Translation reserve	(97,544)	(118,303)
Regulatory reserve	-	-
Long Term Incentive Plan (LTIP) reserve	6,711	4,446
	<b>12,067</b>	<b>7,148</b>
Acquisition reserve	<b>(1,199,747)</b>	<b>(1,199,747)</b>
	<b>(1,187,680)</b>	<b>(1,192,599)</b>

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**26. Other reserves (continued)**

<b>Group</b>	<b>Capital reserve RM'000</b>	<b>Statutory reserve RM'000</b>	<b>Warrant reserve RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Translation reserve RM'000</b>	<b>Regulatory reserve RM'000</b>	<b>LTIP reserve RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2017</b>	6,863	1,124,774	129,300	(42,601)	(138,991)	-	4,611	1,083,956
Foreign exchange translation differences	-	-	-	-	20,688	-	-	20,688
Fair value reserve:								
Net change in fair value	-	-	-	38,621	-	-	-	38,621
Net amount reclassified to profit or loss	-	-	-	(3,127)	-	-	-	(3,127)
Income tax credit relating to components of other comprehensive income	-	-	-	(8,051)	-	-	-	(8,051)
Transfer of reserve fund to retained earnings	-	(1,124,774)	-	-	-	-	-	(1,124,774)
Share-based payment transactions	-	-	-	-	-	-	1,537	1,537
LTIP exercised	-	-	-	-	-	-	(1,702)	(1,702)
<b>At 30 June 2017</b>	<b>6,863</b>	<b>-</b>	<b>129,300</b>	<b>(15,158)</b>	<b>(118,303)</b>	<b>-</b>	<b>4,446</b>	<b>7,148</b>
<b>At 1 January 2018</b>	<b>6,863</b>	<b>-</b>	<b>129,300</b>	<b>(10,956)</b>	<b>(96,615)</b>	<b>64,645</b>	<b>7,285</b>	<b>100,522</b>
- Adjustment on adoption of MFRS 9	-	-	-	8,412	-	-	-	8,412
<b>At 1 January 2018, restated</b>	<b>6,863</b>	<b>-</b>	<b>129,300</b>	<b>(2,544)</b>	<b>(96,615)</b>	<b>64,645</b>	<b>7,285</b>	<b>108,934</b>
Foreign exchange translation differences	-	-	-	-	(929)	-	-	(929)
Fair value reserve:								
Net change in fair value	-	-	-	(38,025)	-	-	-	(38,025)
Net amount reclassified to profit or loss	-	-	-	(2,089)	-	-	-	(2,089)
Income tax credit relating to components of other comprehensive income	-	-	-	9,395	-	-	-	9,395
Transfer from regulatory reserve to retained earnings	-	-	-	-	-	(64,645)	-	(64,645)
Share-based payment transactions	-	-	-	-	-	-	2,993	2,993
LTIP exercised	-	-	-	-	-	-	(3,567)	(3,567)
<b>At 30 June 2018</b>	<b>6,863</b>	<b>-</b>	<b>129,300</b>	<b>(33,263)</b>	<b>(97,544)</b>	<b>-</b>	<b>6,711</b>	<b>12,067</b>

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**27. Income derived from investment of depositors' funds**

Group	Quarter		Year-to-date	
	3 months ended		6 months ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	<b>4,662</b>	2,560	<b>9,536</b>	11,355
(ii) Term deposit-i	<b>371,254</b>	367,465	<b>728,534</b>	686,891
(iii) Saving and demand deposits	<b>192,683</b>	187,568	<b>386,441</b>	369,899
(iv) Other deposits	<b>55,141</b>	48,227	<b>111,782</b>	102,221
	<b>623,740</b>	605,820	<b>1,236,293</b>	1,170,366
	=====	=====	=====	=====



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

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

<b>Group</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>				
Financing, advances and others	<b>4,183</b>	1,996	<b>8,478</b>	9,655
Financial assets:				
- At FVTPL	<b>27</b>	-	<b>56</b>	-
- At FVOCI	<b>343</b>	-	<b>729</b>	-
- Other financial assets at amortised cost	<b>2</b>	-	<b>2</b>	-
- Held-for-trading	-	17	-	81
- Available-for-sale	-	227	-	1,120
- Held-to-maturity	-	49	-	58
Money at call and deposit with financial institutions	<b>106</b>	(5)	<b>250</b>	156
	<b>4,661</b>	2,284	<b>9,515</b>	11,070
<b>Other dealing income</b>				
Net gain from sale of financial assets at FVTPL	-	-	<b>6</b>	-
Net (loss)/gain on revaluation of financial assets at FVTPL	<b>(1)</b>	-	<b>2</b>	-
Net gain/(loss) from sale of financial assets held-for-trading	-	51	-	(39)
Net (loss)/gain on revaluation of financial assets held-for-trading	-	(54)	-	36
	<b>(1)</b>	(3)	<b>8</b>	(3)
<b>Other operating income</b>				
Net gain from sale of financial assets at FVOCI	<b>2</b>	-	<b>13</b>	-
Net gain from sale of financial assets available-for-sale	-	9	-	18
Net gain from sale of financial assets held-to-maturity	-	270	-	270
	<b>2</b>	279	<b>13</b>	288
	<b>4,662</b>	2,560	<b>9,536</b>	11,355
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<b>55</b>	80	<b>129</b>	198

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

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

<b>Group</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>				
Financing, advances and others	<b>330,308</b>	298,801	<b>641,657</b>	574,776
Financial assets:				
- At FVTPL	<b>2,411</b>	-	<b>4,738</b>	-
- At FVOCI	<b>30,097</b>	-	<b>61,350</b>	-
- Other financial assets at amortised cost	<b>164</b>	-	<b>164</b>	-
- Held-for-trading	-	2,871	-	5,393
- Available-for-sale	-	38,771	-	75,081
- Held-to-maturity	-	3,573	-	3,924
Money at call and deposit with financial institutions	<b>8,085</b>	3,774	<b>18,837</b>	7,891
	<b>371,065</b>	347,790	<b>726,746</b>	667,065
<b>Other dealing income</b>				
Net gain from sale of financial assets at FVTPL	<b>24</b>	-	<b>488</b>	-
Net (loss)/gain on revaluation of financial assets at FVTPL	<b>(35)</b>	-	<b>180</b>	-
Net gain/(loss) from sale of financial assets held-for-trading	-	404	-	(2,587)
Net (loss)/gain on revaluation of financial assets held-for-trading	-	(196)	-	2,395
	<b>(11)</b>	208	<b>668</b>	(192)
<b>Other operating income</b>				
Net gain from sale of financial assets at FVOCI	<b>200</b>	-	<b>1,120</b>	-
Net gain from sale of financial assets available-for-sale	-	623	-	1,174
Net gain from sale of financial assets held-to-maturity	-	18,844	-	18,844
	<b>200</b>	19,467	<b>1,120</b>	20,018
	<b>371,254</b>	367,465	<b>728,534</b>	686,891
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<b>4,795</b>	5,306	<b>10,761</b>	9,923

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

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

<b>Group</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>				
Financing, advances and others	<b>171,425</b>	151,683	<b>340,278</b>	308,619
Financial assets:				
- At FVTPL	<b>1,251</b>	-	<b>2,514</b>	-
- At FVOCI	<b>15,633</b>	-	<b>32,581</b>	-
- Other financial assets at amortised cost	<b>87</b>	-	<b>87</b>	-
- Held-for-trading	-	1,457	-	2,891
- Available-for-sale	-	19,681	-	40,329
- Held-to-maturity	-	1,913	-	2,112
Money at call and deposit with financial institutions	<b>4,181</b>	2,557	<b>10,012</b>	5,586
	<b>192,577</b>	177,291	<b>385,472</b>	359,537
<b>Other dealing income</b>				
Net gain from sale of financial assets at FVTPL	<b>8</b>	-	<b>260</b>	-
Net (loss)/gain on revaluation of financial assets at FVTPL	<b>(5)</b>	-	<b>107</b>	-
Net gain/(loss) from sale of financial assets held-for-trading	-	310	-	(1,391)
Net (loss)/gain on revaluation of financial assets held-for-trading	-	(201)	-	1,272
	<b>3</b>	109	<b>367</b>	(119)
<b>Other operating income</b>				
Net gain from sale of financial assets at FVOCI	<b>103</b>	-	<b>602</b>	-
Net gain from sale of financial assets available-for-sale	-	321	-	634
Net gain from sale of financial assets held-to-maturity	-	9,847	-	9,847
	<b>103</b>	10,168	<b>602</b>	10,481
	<b>192,683</b>	187,568	<b>386,441</b>	369,899
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<b>2,488</b>	2,907	<b>5,727</b>	5,533

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

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

<b>Group</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>				
Financing, advances and others	<b>49,057</b>	38,991	<b>98,411</b>	85,464
Financial assets:				
- At FVTPL	<b>358</b>	-	<b>725</b>	-
- At FVOCI	<b>4,453</b>	-	<b>9,403</b>	-
- Other financial assets at amortised cost	<b>22</b>	-	<b>22</b>	-
- Held-for-trading	-	373	-	798
- Available-for-sale	-	5,067	-	11,182
- Held-to-maturity	-	496	-	555
Money at call and deposit with financial institutions	<b>1,235</b>	603	<b>2,959</b>	1,500
	<b>55,125</b>	45,530	<b>111,520</b>	99,499
<b>Other dealing income</b>				
Net gain from sale of financial assets at FVTPL	<b>11</b>	-	<b>91</b>	-
Net (loss)/gain on revaluation of financial assets at FVTPL	<b>(29)</b>	-	<b>(15)</b>	-
Net gain/(loss) from sale of financial assets held-for-trading	-	122	-	(382)
Net (loss)/gain on revaluation of financial assets held-for-trading	-	(105)	-	331
	<b>(18)</b>	17	<b>76</b>	(51)
<b>Other operating income</b>				
Net gain from sale of financial assets at FVOCI	<b>34</b>	-	<b>186</b>	-
Net gain from sale of financial assets available-for-sale	-	90	-	183
Net gain from sale of financial assets held-to-maturity	-	2,590	-	2,590
	<b>34</b>	2,680	<b>186</b>	2,773
	<b>55,141</b>	48,227	<b>111,782</b>	102,221
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<b>724</b>	768	<b>1,674</b>	1,545

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**28. Income derived from investment account funds**

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	6 months ended	6 months ended
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
<b>Finance income</b>				
Unrestricted investment accounts				
- <i>Mudharabah</i>	30,222	23,107	59,921	45,007
- <i>Wakalah</i>	28,968	40,068	57,977	70,587
	<u>59,190</u>	<u>63,175</u>	<u>117,898</u>	<u>115,594</u>
	=====	=====	=====	=====

**29. Income derived from investment of shareholders' funds**

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	6 months ended	6 months ended
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing, advances and others	1,820	1,678	3,604	3,305
Financial assets at FVOCI	48,960	-	87,104	-
Financial assets available-for-sale	-	38,123	-	74,251
Money at call and deposits with financial institutions	4,019	2,693	7,447	5,365
	<u>54,799</u>	<u>42,494</u>	<u>98,155</u>	<u>82,921</u>
	-----	-----	-----	-----
<b>Other dealing income</b>				
Net gain from foreign exchange transactions	12,033	15,978	26,793	34,565
Net gain from sale of financial assets at FVTPL	14	-	362	-
Net loss on revaluation of financial assets at FVTPL	(557)	-	(426)	-
Net (loss)/gain from sale of financial assets held-for-trading	-	(30)	-	528
Net gain/(loss) on revaluation of financial assets held-for-trading	-	115	-	(298)
Net derivatives (loss)/gain	(152)	(911)	77	(858)
	<u>11,338</u>	<u>15,152</u>	<u>26,806</u>	<u>33,937</u>
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**29. Income derived from investment of shareholders' funds (continued)**

<b>Group</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Other operating income</b>				
Net gain from sale of financial assets available-for-sale	-	272	-	272
Gross dividend income from securities:				
- Quoted in Malaysia	1	11	17	41
- Unit trust in Malaysia	2,060	2,193	3,791	3,635
Fees and commission	57,779	42,563	106,800	86,222
Net gain/(loss) on disposal of property and equipment	229	-	270	(3)
Rental income	241	359	602	725
Others	27	61	53	174
	<u>60,337</u>	<u>45,459</u>	<u>111,533</u>	<u>91,066</u>
	<u>126,474</u>	<u>103,105</u>	<u>236,494</u>	<u>207,924</u>

<b>Company</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>				
Money at call and deposits with financial institutions	3,211	1,896	5,842	3,823
	<u>3,211</u>	<u>1,896</u>	<u>5,842</u>	<u>3,823</u>
<b>Other dealing income</b>				
Net loss on revaluation of financial assets at FVTPL	(545)	-	(87)	-
	<u>(545)</u>	<u>-</u>	<u>(87)</u>	<u>-</u>
<b>Other operating income</b>				
Gross dividend income from securities:				
- Unit trust in Malaysia	1,923	1,470	2,799	2,495
Gross dividend income from subsidiary companies	150,180	134,167	223,913	193,153
Others	1	1	3	5
	<u>152,104</u>	<u>135,638</u>	<u>226,715</u>	<u>195,653</u>
	<u>154,770</u>	<u>137,534</u>	<u>232,470</u>	<u>199,476</u>

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**30. Net income from Takaful business**

Group	Quarter		Year-to-date	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
<b>Net earned contributions</b>				
Gross earned contributions	<b>508,343</b>	444,370	<b>1,013,120</b>	916,015
Contribution ceded to retakaful	<b>(72,575)</b>	(69,419)	<b>(155,238)</b>	(142,401)
	<b>435,768</b>	374,951	<b>857,882</b>	773,614
<b>Other income</b>				
Administration income	<b>14,140</b>	11,665	<b>33,295</b>	28,090
Investment income	<b>74,866</b>	74,570	<b>147,049</b>	142,941
Realised gains and losses	<b>361</b>	9,803	<b>2,292</b>	18,399
Fair value gains and losses	<b>(58,579)</b>	(2,750)	<b>(61,577)</b>	(383)
Other operating income	<b>146</b>	716	<b>2,207</b>	2,491
	<b>30,934</b>	94,004	<b>123,266</b>	191,538
<b>Net benefits and claims</b>				
Gross benefits and claims paid	<b>(248,141)</b>	(233,827)	<b>(547,497)</b>	(506,622)
Claims ceded to retakaful	<b>39,079</b>	25,505	<b>82,764</b>	59,519
Gross change to contract liabilities	<b>(75,748)</b>	(18,132)	<b>(63,923)</b>	(20,418)
Change to contract liabilities ceded to takaful	<b>57,314</b>	14,927	<b>42,007</b>	22,774
	<b>(227,496)</b>	(211,527)	<b>(486,649)</b>	(444,747)
Expense reserves	<b>(4,480)</b>	(2,058)	<b>(35,675)</b>	(25,687)
<b>Income from takaful business</b>	<b>234,726</b>	255,370	<b>458,824</b>	494,718
Profits attributable to participants/ takaful operator	<b>(52,291)</b>	(85,568)	<b>(58,308)</b>	(127,776)
<b>Net income from takaful business</b>	<b>182,435</b>	169,802	<b>400,516</b>	366,942

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**31. Net allowance for impairment on financing and advances**

<b>Group</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Allowance for impaired financing, advances and others				
- collective assessment – 12 months expected credit losses (ECL)	<b>(6,989)</b>	-	<b>(3,033)</b>	-
- collective assessment – lifetime ECL	<b>46,583</b>	-	<b>53,450</b>	-
- individual assessment – lifetime ECL	<b>1,713</b>	-	<b>38,675</b>	-
- collective assessment allowance	-	27,500	-	57,446
- individual assessment allowance	-	13,916	-	10,461
Bad debts and financing recovered	<b>(26,549)</b>	(16,603)	<b>(53,171)</b>	(34,311)
	<b>14,758</b>	24,813	<b>35,921</b>	33,596
	=====	=====	=====	=====

**32. Income attributable to depositors**

<b>Group</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers				
- Mudharabah Fund	<b>2,463</b>	2,871	<b>4,962</b>	5,886
- Non-Mudharabah Fund	<b>299,714</b>	272,198	<b>591,803</b>	540,250
Deposits and placements of banks and other financial institutions				
- Mudharabah Fund	<b>43</b>	-	<b>43</b>	-
- Non-Mudharabah Fund	<b>78</b>	1,265	<b>409</b>	1,577
Recourse obligation on financing sold to Cagamas	<b>7,125</b>	-	<b>7,125</b>	-
	<b>309,423</b>	276,334	<b>604,342</b>	547,713
	=====	=====	=====	=====



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**33. Income attributable to investment account holders**

<b>Group</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unrestricted investment accounts				
- <i>Mudharabah</i>	<b>1,184</b>	457	<b>2,895</b>	895
- <i>Wakalah</i>	<b>18,103</b>	26,379	<b>36,150</b>	46,823
	<b>19,287</b>	26,836	<b>39,045</b>	47,718
	=====	=====	=====	=====

**34. Personnel expenses**

<b>Group</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Salaries and wages	<b>152,140</b>	150,957	<b>288,555</b>	276,503
Employees' Provident Fund	<b>18,628</b>	18,067	<b>37,972</b>	36,349
Directors remuneration	<b>2,063</b>	2,015	<b>5,521</b>	5,485
Others	<b>13,269</b>	16,584	<b>27,396</b>	32,092
	<b>186,100</b>	187,623	<b>359,444</b>	350,429
	=====	=====	=====	=====
<b>Company</b>				
Salaries and wages	<b>1,688</b>	1,649	<b>2,784</b>	2,694
Employees' Provident Fund	<b>157</b>	155	<b>318</b>	323
Directors remuneration	<b>412</b>	467	<b>1,128</b>	1,175
Others	<b>123</b>	159	<b>302</b>	342
	<b>2,380</b>	2,430	<b>4,532</b>	4,534
	=====	=====	=====	=====

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**35. Other overhead expenses**

<b>Group</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Promotion</b>				
Advertisement and publicity	<b>27,260</b>	24,928	<b>55,247</b>	50,230
Credit and debit card expenses	<b>6,631</b>	6,720	<b>15,778</b>	14,612
Commission	<b>40,002</b>	29,784	<b>87,057</b>	67,276
	<b>73,893</b>	61,432	<b>158,082</b>	132,118
<b>Establishment</b>				
Depreciation of property and equipment	<b>15,159</b>	17,611	<b>29,999</b>	35,704
Depreciation of investment property	<b>73</b>	74	<b>146</b>	148
Information technology expenses	<b>15,172</b>	16,596	<b>22,344</b>	24,057
Office rental	<b>14,492</b>	14,739	<b>28,341</b>	28,737
Office maintenance	<b>8,026</b>	5,751	<b>13,473</b>	10,873
Utilities	<b>4,892</b>	5,186	<b>9,649</b>	10,232
Security services	<b>3,310</b>	5,357	<b>6,116</b>	9,254
Rental equipment	<b>1,386</b>	1,407	<b>3,197</b>	2,686
Takaful and insurance	<b>(29)</b>	1,280	<b>829</b>	2,273
Others	<b>442</b>	190	<b>690</b>	669
	<b>62,923</b>	68,191	<b>114,784</b>	124,633
<b>General expenses</b>				
Professional fees	<b>13,166</b>	10,657	<b>24,587</b>	20,335
Outsourcing fees	<b>4,394</b>	4,357	<b>7,476</b>	9,691
Travelling & transport	<b>2,554</b>	3,631	<b>4,712</b>	6,431
Office supplies	<b>2,867</b>	2,861	<b>4,771</b>	5,227
Subscription fees	<b>1,010</b>	1,015	<b>1,836</b>	2,164
Auditors' remuneration	<b>516</b>	702	<b>1,040</b>	1,279
Processing charges	<b>140</b>	124	<b>302</b>	222
Others	<b>26,570</b>	26,305	<b>49,988</b>	53,367
	<b>51,217</b>	49,652	<b>94,712</b>	98,716
	<b>188,033</b>	179,275	<b>367,578</b>	355,467

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**35. Other overhead expenses (continued)**

Company	Quarter		Year-to-date	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
<b>Promotion</b>				
Advertisement and publicity	71	111	73	113
	<u>71</u>	<u>111</u>	<u>73</u>	<u>113</u>
<b>Establishment</b>				
Office rental	276	256	556	511
Depreciation of property and equipment	42	78	122	158
Information technology expenses	45	44	51	48
Rental equipment	23	24	47	49
Office maintenance	2	10	5	13
Utilities	6	5	13	14
Takaful and insurance	29	28	56	56
	<u>423</u>	<u>445</u>	<u>850</u>	<u>849</u>
<b>General expenses</b>				
Auditors' remuneration	51	43	102	85
Professional fees	34	226	109	307
Office supplies	8	30	21	38
Travelling & transport	7	2	9	3
Subscription fees	-	2	4	2
Others	584	485	1,215	1,130
	<u>684</u>	<u>788</u>	<u>1,460</u>	<u>1,565</u>
	<u>1,178</u>	<u>1,344</u>	<u>2,383</u>	<u>2,527</u>

**36. 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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**36. Operating segment information (continued)**

Quarter ended 30 June 2018	Banking RM'000	Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<i>Business segments</i>					
<b>Segment result</b>					
Revenue from external customers	805,084	182,435	4,653	-	992,172
Inter-segment revenue	7,096	5,527	153,871	(166,494)	-
<b>Total revenue</b>	<b>812,180</b>	<b>187,962</b>	<b>158,524</b>	<b>(166,494)</b>	<b>992,172</b>
=====					
Net income from operations (before allowance for impairment on financing and other assets)	477,801	187,962	158,524	(160,825)	663,462
Operating overheads	(256,060)	(125,736)	(6,886)	9,959	(378,723)
Operating results	221,741	62,226	151,638	(150,866)	284,739
Allowance for impairment	(14,770)	-	-	-	(14,770)
Finance cost	(13,465)	-	(19,893)	686	(32,672)
<b>Profit before zakat and taxation</b>	<b>193,506</b>	<b>62,226</b>	<b>131,745</b>	<b>(150,180)</b>	<b>237,297</b>
=====					

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**36. Operating segment information (continued)**

<b>Quarter ended 30 June 2017</b>	<b>Banking</b>	<b>Takaful</b>	<b>Others</b>	<b>Elimination</b>	<b>Consolidated</b>
<i>Business segments</i>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Segment result</b>					
Revenue from external customers	768,997	169,802	4,392	-	943,191
Inter-segment revenue	9,083	5,033	136,619	(150,735)	-
<b>Total revenue</b>	<b>778,080</b>	<b>174,835</b>	<b>141,011</b>	<b>(150,735)</b>	<b>943,191</b>
Net income from operations (before allowance for impairment on financing and other assets)	470,183	174,835	141,011	(146,008)	640,021
Operating overheads	(259,635)	(115,800)	(7,217)	11,142	(371,510)
Operating results	210,548	59,035	133,794	(134,866)	268,511
Allowance for impairment	(25,056)	-	-	-	(25,056)
Finance cost	(9,786)	-	(19,139)	699	(28,226)
<b>Profit before zakat and taxation</b>	<b>175,706</b>	<b>59,035</b>	<b>114,655</b>	<b>(134,167)</b>	<b>215,229</b>

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**36. Operating segment information (continued)**

Year-to-date 6 months ended 30 June 2018	Banking RM'000	Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<i>Business segments</i>					
<b>Segment result</b>					
Revenue from external customers	1,581,544	400,516	9,474	-	1,991,534
Inter-segment revenue	15,032	10,247	230,778	(256,057)	-
<b>Total revenue</b>	<b>1,596,576</b>	<b>410,763</b>	<b>240,252</b>	<b>(256,057)</b>	<b>1,991,534</b>
Net income from operations (before allowance for impairment on financing and other assets)	942,518	410,763	240,252	(245,386)	1,348,147
Operating overheads	(479,095)	(262,741)	(14,351)	20,109	(736,078)
Operating results	463,423	148,022	225,901	(225,277)	612,069
Allowance for impairment	(35,835)	-	-	-	(35,835)
Finance cost	(26,901)	-	(39,786)	1,364	(65,323)
<b>Profit before zakat and taxation</b>	<b>400,687</b>	<b>148,022</b>	<b>186,115</b>	<b>(223,913)</b>	<b>510,911</b>
Segment assets	58,033,215	8,272,445	6,030,049	(6,089,019)	66,246,690
Segment liabilities	53,094,397	7,342,897	1,397,116	(871,794)	60,962,616

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**36. Operating segment information (continued)**

Year-to-date 6 months ended 30 June 2017	<b>Banking</b>	<b>Takaful</b>	<b>Others</b>	<b>Elimination</b>	<b>Consolidated</b>
<i>Business segments</i>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Segment result</b>					
Revenue from external customers	1,487,072	366,942	8,813	-	1,862,827
Inter-segment revenue	14,472	6,749	198,047	(219,268)	-
<b>Total revenue</b>	<b>1,501,544</b>	<b>373,691</b>	<b>206,860</b>	<b>(219,268)</b>	<b>1,862,827</b>
Net income from operations (before allowance for impairment on financing and other assets)	897,443	373,691	206,860	(210,598)	1,267,396
Operating overheads	(476,381)	(242,101)	(13,349)	16,081	(715,750)
Operating results	421,062	131,590	193,511	(194,517)	551,646
Allowance for impairment	(33,839)	-	-	-	(33,839)
Finance cost	(19,464)	-	(38,279)	1,364	(56,379)
<b>Profit before zakat and taxation</b>	<b>367,759</b>	<b>131,590</b>	<b>155,232</b>	<b>(193,153)</b>	<b>461,428</b>
Segment assets	54,246,687	7,905,819	5,678,399	(5,939,542)	61,891,363
Segment liabilities	49,549,700	7,077,542	1,303,114	(781,538)	57,148,818

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**37. Valuation of property and equipment**

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

**38. 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 period under review.

**39. 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 six months ended 30 June 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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**39. Fair value of financial instruments (continued)**

**Fair value information**

30.06.2018 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		
<b>Financial assets</b>										
Financial assets at FVTPL	1,159,922	1,148,732	-	2,308,654	-	-	-	-	2,308,654	2,308,654
Derivative financial assets	-	52,590	-	52,590	-	-	-	-	52,590	52,590
Financial assets at FVOCI	112,048	13,347,375	329,630	13,789,053	-	-	-	-	13,789,053	13,789,053
Financing, advances and others	-	-	-	-	-	-	43,371,613	43,371,613	43,371,613	43,229,576
<b>Total assets</b>	<b>1,271,970</b>	<b>14,548,697</b>	<b>329,630</b>	<b>16,150,297</b>	<b>-</b>	<b>-</b>	<b>43,371,613</b>	<b>43,371,613</b>	<b>59,521,910</b>	<b>59,379,873</b>
<b>Financial liabilities</b>										
Derivative financial liabilities	-	31,331	-	31,331	-	-	-	-	31,331	31,331
Sukuk liabilities	-	-	-	-	-	-	2,314,553	2,314,553	2,314,553	2,275,244
<b>Total liabilities</b>	<b>-</b>	<b>31,331</b>	<b>-</b>	<b>31,331</b>	<b>-</b>	<b>-</b>	<b>2,314,553</b>	<b>2,314,553</b>	<b>2,345,884</b>	<b>2,306,575</b>
<b>30.06.2018 Company</b>										
<b>Financial assets</b>										
Financial assets at FVTPL	177,258	-	-	177,258	-	-	-	-	177,258	177,258
<b>Total assets</b>	<b>177,258</b>	<b>-</b>	<b>-</b>	<b>177,258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>177,258</b>	<b>177,258</b>
<b>Financial liabilities</b>										
Sukuk liabilities	-	-	-	-	-	-	1,319,298	1,319,298	1,319,298	1,319,298
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,319,298</b>	<b>1,319,298</b>	<b>1,319,298</b>	<b>1,319,298</b>

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**39. 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		
<b>Financial assets</b>										
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
<b>Total assets</b>	<b>725,848</b>	<b>13,190,608</b>	<b>251,051</b>	<b>14,167,507</b>	<b>86,379</b>	<b>437,715</b>	<b>42,305,096</b>	<b>42,829,190</b>	<b>56,996,697</b>	<b>56,803,131</b>
<b>Financial liabilities</b>										
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
<b>Total liabilities</b>	<b>-</b>	<b>74,668</b>	<b>-</b>	<b>74,668</b>	<b>-</b>	<b>-</b>	<b>2,280,126</b>	<b>2,280,126</b>	<b>2,354,794</b>	<b>2,310,530</b>
<b>31.12.2017 Company</b>										
<b>Financial assets</b>										
Financial assets available-for-sale	174,546	-	-	174,546	-	-	-	-	174,546	174,546
<b>Total assets</b>	<b>174,546</b>	<b>-</b>	<b>-</b>	<b>174,546</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>174,546</b>	<b>174,546</b>
<b>Financial liabilities</b>										
Sukuk liabilities	-	-	-	-	-	-	1,279,512	1,279,512	1,279,512	1,279,512
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,279,512</b>	<b>1,279,512</b>	<b>1,279,512</b>	<b>1,279,512</b>

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**39. Fair value of financial instruments (continued)**

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2018 for the Group:

	<b>Group RM'000</b>
At 1 January 2017	160,112
Purchases	101,539
Maturities	(21,539)
Gains	10,939
	<hr/>
At 31 December 2017, as previously stated	<b>251,051</b>
Adjustment on adoption of MFRS 9 (net of tax)	<b>22,259</b>
	<hr/>
Adjusted balances at 1 January 2018	<b>273,310</b>
Purchases	<b>48,000</b>
Gains recognised in profit or loss	
- Investment income - realised	<b>8,495</b>
- Credit impairment losses	<b>(175)</b>
	<hr/>
At 30 June 2018	<b>329,630</b>
	<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**

<b>Type</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
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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**39. 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 are 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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**40. Off balance sheet financial instruments by value of contracts classified by remaining period to maturity/net re-pricing date (whichever earlier)**

Group Items	30.06.2018					
	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	>1-5 years RM'000
<b>Foreign exchange related contracts</b>						
- forwards	1,256,383	246,003	229,762	286,031	494,587	-
- swaps	2,120,433	1,573,967	82,861	224,515	198,565	40,525
- spot	299,642	299,642	-	-	-	-
<b>Total</b>	<b>3,676,458</b>	<b>2,119,612</b>	<b>312,623</b>	<b>510,546</b>	<b>693,152</b>	<b>40,525</b>

**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 30 June 2018, the amount of contracts which were not hedged and, hence, exposed to market risk was RM650.24 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 30 June 2018, the credit risk measured in terms of the cost to replace the profitable contracts was RM100.95 million (31 December 2017: RM132.15 million).

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**41. 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:**

<b>As at 30.06.2018</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Asset RM'000</b>
<b>Credit-related Exposures</b>				
Direct credit substitutes	483,624		483,624	483,342
Transaction related contingent items	1,067,070		533,535	498,646
Short term self-liquidating trade related contingencies	283,780		56,756	55,666
Other commitments, such as formal standby facilities and credit lines with original maturity of:				
- not exceeding one year	-		-	-
- exceeding one year	1,563,291		781,646	586,693
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	7,837,874		-	-
	<b>11,235,639</b>		<b>1,855,561</b>	<b>1,624,347</b>
<b>Derivative Financial Instruments</b>				
Foreign exchange related contracts				
- Less than one year	3,635,933	48,500	85,877	55,574
- One year to less than five years	40,525	-	2,026	405
Profit rate related contracts				
- Less than one year	400,000	2,060	1,801	360
- One year to less than five years	-	-	-	-
- Five years and above	193,388	2,030	11,246	6,889
	<b>4,269,846</b>	<b>52,590</b>	<b>100,950</b>	<b>63,228</b>
	<b>15,505,485</b>	<b>52,590</b>	<b>1,956,511</b>	<b>1,687,575</b>

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**41. Commitments and contingencies (continued)**

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

<b>As at 31.12.2017</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Asset RM'000</b>
<b>Credit-related Exposures</b>				
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>
<b>Derivative Financial Instruments</b>				
Foreign exchange related contracts				
- Less than one year	3,218,824	63,827	112,875	41,796
- One year to less than five years	-	-	-	-
Profit rate related contracts				
- Less than one year	-	-	-	-
- One year to less than five years	400,000	2,132	4,921	984
- Five years and above	207,992	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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**42. 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) and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 2 February 2018. 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:

	<b>30.06.2018</b>	<b>31.12.2017</b>
	%	%
Common Equity Tier I ("CET I") Capital Ratio	<b>13.083</b>	12.729
Total Tier I Capital Ratio	<b>13.083</b>	12.729
Total Capital Ratio	<b>16.898</b>	16.435

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

	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Paid-up share capital	<b>2,869,498</b>	2,869,498
Retained earnings	<b>2,209,887</b>	2,150,402
Other reserves	<b>(140,567)</b>	(124,841)
Less: Deferred tax assets	<b>(84,968)</b>	(37,288)
<b>Total CET I and Tier I Capital</b>	<b>4,853,850</b>	4,857,771
Sukuk Murabahah	<b>1,000,000</b>	1,000,000
Collective assessment allowance ^	<b>414,968</b>	414,193
<b>Total Tier II Capital</b>	<b>1,414,968</b>	1,414,193
<b>Total Capital</b>	<b>6,268,818</b>	6,271,964
	=====	=====



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**42. 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:

	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>36,684,620</b>	37,442,256
Less: Credit risk absorbed by unrestricted investment accounts	<b>(3,487,142)</b>	(3,034,004)
	<b>33,197,478</b>	34,408,252
Market risk	<b>650,235</b>	602,089
Operational risk	<b>3,251,341</b>	3,152,951
	<b>37,099,054</b>	38,163,292
	=====	=====

**43. Credit Transactions and Exposures with Connected Parties**

	<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	<b>2,347,560</b>	1,228,469
% of outstanding credit exposures to connected parties as a proportion of total credit exposures	<b>5.34%</b>	2.88%
% of outstanding credit exposures to connected parties which is non-performing or in default	<b>0.001%</b>	0.001%

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

**B1. Performance review for the six months ended 30 June 2018**

	Individual Period		Variance		Cumulative Period		Variance	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To-date	Preceding Year Corresponding Period		
	30.06.2018	30.06.2017	Amount	%	30.06.2018	30.06.2017	Amount	%
<b>RM'000</b>								
Revenue	<b>992,172</b>	943,191	48,981	5.19	<b>1,991,534</b>	1,862,827	128,707	6.91
Operating Profit	<b>284,739</b>	268,511	16,228	6.04	<b>612,069</b>	551,646	60,423	10.95
Profit Before Zakat and Taxation	<b>237,297</b>	215,229	22,068	10.25	<b>510,911</b>	461,428	49,483	10.72
Profit After Zakat and Taxation	<b>170,392</b>	153,526	16,866	10.99	<b>370,970</b>	327,423	43,547	13.30
Profit Attributable to Equity Holders of the Parent	<b>149,911</b>	135,667	14,244	10.50	<b>322,046</b>	286,769	35,277	12.30

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

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**B1. Performance review for the six months ended 30 June 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 six months ended 30 June 2018 of RM510.9 million, representing an increase of 10.7% or RM49.5 million as compared to the corresponding period in 2017 of RM461.4 million.

At the operating profit level, the Group's operating profit of RM612.1 million was higher by RM60.5 million or 11.0% compared to the corresponding period in 2017 of RM551.6 million.

The net profit attributable to shareholders increased by 12.3% or RM35.3 million to RM322.0 million as compared to the corresponding period in 2017.

BHB registered a Return on Equity ("ROE") of 19.5% (based on PBZT). Consequently, net assets per share has also improved to RM2.89 as at 30 June 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 Keluarga Berhad Group ("Takaful Malaysia").

**Bank Islam Malaysia Berhad**

For the six months ended 30 June 2018, Bank Islam achieved PBZT of RM400.7 million, an increase of RM32.9 million or 9.0% over the PBZT of the corresponding period last year of RM367.8 million. The increase in PBZT was mainly due to higher total income.

The Bank's total income for the six months ended 30 June 2018 was higher by RM95.0 million compared to the corresponding period last year, mainly due to higher fund based income of RM113.6 million, which was mainly attributed to increase in Base Rate and Base Financing Rate by 25 bps effective February 2018, in response to the 25 bps increase in Overnight Policy Rate on 25 January 2018. It is also attributed to the year-on-year growth in net financing assets of RM2.7 billion or 6.7% to reach RM43.2 billion as at end June 2018 from RM40.5 billion as at end June 2017. The increase in fund based income was partly offset with lower non-fund based income by RM18.6 for the six months ended 30 June 2018 compared to the corresponding period last year.

The increase in total income was partly offset with higher income attributable to depositors and investment account holders ("IATD") by RM50.0 million in line with the increase in deposit rates in response to the increase in OPR and higher average volume of deposits and investment accounts.

Total overheads were higher by RM2.7 million or 0.6% over the corresponding period last year mainly due to higher staff costs.

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**B1. Performance review for the six months ended 30 June 2018 (continued)**

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

**Bank Islam Malaysia Berhad (continued)**

Meanwhile, the increase in finance cost by RM7.4 million or 38.2% over the corresponding period last year was mainly due to increase in Subordinated Sukuk Murabahah following the issuance of the third tranche of RM300 million on 13 November 2017.

For the six months ended 30 June 2018, the Bank recorded net allowance charged for impairment on financing and advances of RM35.9 million compared to RM33.6 million in the corresponding period last year.

The Bank's total assets stood at RM58.0 billion as at 30 June 2018, a year-on-year increase by RM3.8 billion from RM54.2 billion reported as at 30 June 2017 which was mainly contributed by increase in net financing and cash & short term funds by RM2.7 billion and RM0.8 billion respectively.

As at end of June 2018, customer deposits and investment accounts stood at RM49.8 billion with a year-on-year increase by RM1.7 billion or 3.5%. Current and saving accounts ("CASA") reported a year-on-year increase by RM1.1 billion or 8.5% to reach RM14.7 billion as at 30 June 2018. The CASA ratio as at end June 2018 was at 32.8% compared to 31.6% as at end June 2017.

Total gross impaired financing as at 30 June 2018 was RM427.2 million compared to RM420.7 million as at 30 June 2017.

**Syarikat Takaful Malaysia Keluarga Berhad**

For the six months period, Takaful Malaysia recorded PBZT of RM146.4 million, representing an increase of 11.2% as compared to RM131.6 million in the same period last year. The improvement in profit was mainly attributable to higher net Wakalah fee income arising from business growth in the Family and General Takaful business, partially offset by fair value losses.

Takaful Malaysia recorded operating revenue of RM1,288.6 million for the six months ended 30 June 2018, an increase of 12.5% or RM143.4 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 RM674.2 million for the six months ended 30 June 2018, an increase of 4.5% as compared to RM645.0 million in the corresponding period last year. The increase is mainly attributable to higher sales from Family Takaful mortgage related products.

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**B1. Performance review for the six months ended 30 June 2018 (continued)**

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

**Syarikat Takaful Malaysia Keluarga Berhad (continued)**

The net benefits and claims for Family Takaful business increased by 2.6% to RM380.4 million in the six months ended 30 June 2018 from RM370.7 million in the same period of the preceding year. This was mainly due to higher surrender and medical claims.

Investment income for the Family Takaful business increased by 1.9% to RM121.4 million as compared to RM119.1 million in the corresponding period last year, mainly due to higher profit from Islamic debts securities.

The fair value losses of RM53.2 million for the six months ended 30 June 2018 was higher by RM51.6 million, mainly impacted by equity market performance.

General Takaful business generated gross earned contributions of RM342.7 million for the six months ended 30 June 2018, an increase of 25.6% as compared to RM272.8 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 39.7% to RM110.5 million in the six months ended 30 June 2018 from RM79.1 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 six months ended 30 June 2018 was RM13.7 million, a decrease of 8.7%, as compared to the investment income in the same period of the preceding year of RM15.0 million, mainly due to lower profit from Islamic debts securities.

**Current Quarter vs. Previous Year Corresponding Quarter**

For the second quarter ended 30 June 2018 (Q2 2018), the Group registered PBZT of RM237.3 million, an improvement of 10.3% or RM22.1 million as compared to the previous year corresponding quarter of RM215.2 million (Q2 2017).

At the operating profit level, the Group's operating profit for the Q2 2018 of RM284.7 million was higher by RM16.2 million or 6.0% compared to the Q2 2017 of RM268.5 million.

Net profit attributable to shareholders grew by 10.5% or RM14.2 million over the same period to RM149.9 million.

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**B1. Performance review for the six months ended 30 June 2018 (continued)**

**Current Quarter vs. Previous Year Corresponding Quarter (continued)**

**Bank Islam Malaysia Berhad**

For the second quarter ended 30 June 2018 (Q2 2018), Bank Islam achieved PBZT of RM193.5 million, an increase of RM17.8 million or 10.1% compared to the corresponding quarter last year (Q2 2017) of RM175.7 million. The increase in PBZT was mainly due to higher total income.

The Bank's total income for Q2 2018 was higher by RM34.1 million compared to Q2 2017, mainly due to higher fund based income of RM58.9 million, which was mainly attributed to increase in Base Rate and Base Financing Rate by 25 bps effective February 2018, in response to the 25 bps increase in Overnight Policy Rate on 25 January 2018. It is also attributed to the year-on-year growth in net financing assets of RM2.7 billion or 6.7% to reach RM43.2 billion as at end June 2018 from RM40.5 billion as at end June 2017. The increase in fund based income was partly offset with lower non-fund based income by RM24.8 for Q2 2018 compared to Q2 2017.

The increase in total income was partly offset with higher IATD by RM26.5 million in line with the increase in deposit rates in response to the increase in OPR and higher average volume of deposits and investment accounts.

Total overheads were lower by RM3.6 million or 1.4% compared to Q2 2017 mainly due to lower establishment expenses.

Meanwhile, the increase in finance cost by RM3.7 million or 37.6% compared to Q2 2017 was mainly due to increase in Subordinated Sukuk Murabahah following the issuance of the third tranche of RM300 million on 13 November 2017.

For Q2 2018, the Bank recorded net allowance charged for impairment on financing and advances of RM14.8 million compared to RM24.8 million in Q2 2017. The decrease in net allowance charged was mainly contributed by the higher bad debts recovered by RM9.9 million.

**Syarikat Takaful Malaysia Keluarga Berhad**

For the second quarter ended 30 June 2018 (Q2 2018), Takaful Malaysia recorded PBZT of RM61.4 million, an increase of 3.9% as compared to RM59.1 million in the same period last year (Q2 2017). The increase in profit was mainly attributable to increase in net wakalah fee income.

For Q2 2018 under review, Takaful Malaysia generated Operating Revenue of RM542.4 million as compared to RM485.3 million in Q2 2017. The increase was mainly attributable to higher sales generated by Family and General Takaful business, partially offset by fair value losses.

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**B1. Performance review for the six months ended 30 June 2018 (continued)**

**Current Quarter vs. Previous Year Corresponding Quarter (continued)**

**Syarikat Takaful Malaysia Keluarga Berhad (continued)**

For Q2 2018 under review, Family Takaful business recorded gross earned contributions of RM350.2 million as compared to RM317.9 million in Q2 2017. The increase is mainly attributable to higher sales from Family Takaful mortgage related products.

Family Takaful business recorded net benefits and claims of RM169.8 million, a decrease of 5.4% as compared to RM179.5 million in Q2 2017. The decrease was mainly due to lower surrender and medical claims.

Investment income for the Family Takaful business for Q2 2018 of RM61.7 million was almost at par as compared to RM62.3 million in Q2 2017.

The fair value losses of RM50.8 million for Q2 2018 under review was higher by RM48.2 million, mainly impacted by equity market performance.

For Q2 2018 under review, General Takaful business generated gross earned contributions of RM160.3 million, an increase of 23.9% as compared to RM129.4 million in Q2 2017. The growth was mainly from fire and motor classes.

General Takaful business recorded net benefits and claims of RM59.5 million for Q2 2018 under review, an increase of 69.0% as compared to Q2 2017. The increase was mainly due to increase in claims relating to fire and motor classes.

Investment income for the General Takaful business was RM6.8 million as compared to RM7.5 million in Q2 2017, mainly due to lower profit from Islamic debts securities.

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

RM'000	Current Quarter	Immediate Preceding Quarter	Variance	
	30.06.2018	31.03.2018	Amount	%
Revenue	<b>992,172</b>	999,362	(7,190)	-0.72
Operating Profit	<b>284,739</b>	327,330	(42,591)	-13.01
Profit Before Zakat and Taxation	<b>237,297</b>	273,614	(36,317)	-13.27
Profit After Zakat and Taxation	<b>170,392</b>	200,578	(30,186)	-15.05
Profit Attributable to Equity Holders of the Parent	<b>149,911</b>	172,135	(22,224)	-12.91

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

For the second quarter ended 30 June 2018 (Q2 2018), the BHB Group reported PBZT of RM237.3 million against a PBZT of RM273.6 million achieved for the immediate preceding quarter ended 31 March 2018 (Q1 2018), a decrease of RM36.3 million or 13.3%.

At the operating profit level, the Group's operating profit for Q2 2018 of RM284.7 million was lower by RM42.6 million or 13.0% compared to Q1 2018 of RM327.3 million.

**Bank Islam Malaysia Berhad**

For the Q2 2018, the Bank achieved a PBZT of RM193.5 million, a decrease of RM13.7 million or 6.6% over the PBZT of the immediate preceding quarter (Q1 2018) of RM207.2 million.

The decrease in PBZT was mainly due to higher overheads and IATD by RM33.0 million and RM14.7 million respectively compared to Q1 2018. The increase in overheads and IATD was partly offset with the increase in total income and lower net allowance charged for impairment on financing and advances by RM27.8 million and RM6.4 million respectively.

Higher overheads by RM33.0 million compared to Q1 2018 was mainly due to higher staff costs, establishment expenses and admin & general expenses by RM14.0 million, RM10.8 million and RM6.1 million respectively.



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

**Bank Islam Malaysia Berhad (continued)**

The increase in IATD and total income by RM14.7 million and RM27.8 million respectively was mainly contributed by the increase in deposit and financing rates in response to the 25 bps increase in Overnight Policy Rate on 25 January 2018. Higher IATD and total income for Q2 2018 was also contributed to the higher average volume of deposits & investment accounts and higher net financing assets respectively compared to Q1 2018.

Meanwhile, the Bank recorded net allowance charged for impairment on financing and advances of RM14.8 million for Q2 2018 compared to RM21.2 million in Q1 2018 which was lower by RM6.4 million. The decrease in net allowance charged for impairment on financing and advances was mainly contributed by lower net individual assessment allowance charged by RM35.2 million which was partly offset with higher net collective assessment allowance charged by RM28.8 million.

**Syarikat Takaful Malaysia Keluarga Berhad**

For Q2 2018, Takaful Malaysia registered PBZT of RM61.4 million, lower by 27.7% as compared to Q1 2018 of RM84.9 million. The decrease in profit was mainly attributable to lower net wakalah fee income.

For Q2 2018, Takaful Malaysia generated Operating Revenue of RM542.4 million as compared to RM746.2 million in the Q1 2018. The decrease is mainly attributable to lower sales generated from Family Takaful and General Takaful business.

Family Takaful business recorded gross earned contributions of RM350.2 million, an increase of 8.1%, as compared to RM324.0 million for Q1 2018. The increase was mainly attributable to higher sales from credit-related products.

For Q2 2018, Family Takaful business recorded net benefits and claims of RM169.8 million, decreased by 19.4% as compared to Q1 2018. The decrease was mainly due to lower surrender and medical claims.

Investment income for the Family Takaful business of RM61.7 million, increased by 3.4% as compared to RM59.7 million in the Q1 2018. The increase was mainly attributable to higher profit from Islamic debts securities.

For Q2 2018, General Takaful business generated gross earned contributions of RM160.3 million, a decrease of 12.1%, as compared to RM182.4 million in the Q1 2018. The decrease was mainly attributable to fire and commercial classes.

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

**Syarikat Takaful Malaysia Keluarga Berhad (continued)**

For Q2 2018, General Takaful business recorded net benefits and claims of RM59.5 million, an increase of 16.4% as compared to Q1 2018. The increase was mainly due to increase in claims relating to fire and motor classes.

Investment income for the General Takaful business of RM6.8 million for Q2 2018 was at par with the investment income in the Q1 2018.

**B3. Prospects for 2018**

**Bank Islam Malaysia Berhad**

Post 14th General Election, the concern among investment communities revolve around the 10 election promises, which among others are the removal of the Goods and Services Tax (GST), reintroduction of targeted fuel subsidy, the abolishment of tolled roads and addressing 1MDB's debt problems. While Moody's Investor Service has maintained its rating on Government of Malaysia at A3 with stable outlook, however, policy uncertainty appears to be a concern especially in the context of the GST removal and the reintroduction of fuel subsidies, which are deemed to be credit negative. Foreign funds have been net sellers in both bonds and equities markets – which saw net outflows totalling RM12.9 billion and RM5.6 billion respectively in the month of May 2018.

As widely reported, the Government spending is expected to be cautious given that the current administration aspiration to reduce the national debt. This would have implication especially to public investment as the Government has already scrapped some mega projects and reduced the scale of some others in a bid to reduce government expenditure. All in all, the economy may grow at a much slower rate of 5.1% in 2018 compared to the initial projection of 5.5%. Private consumption, which accounted for more than half of Malaysian economy, will be the primary engine for growth in 2018 due to the expected improvement in sentiments among the consumers amidst a lower inflation rate.

The banking industry is expected to remain resilient amidst continued uncertainty in commodity prices, high cost of living 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.

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

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**B3. Prospects for 2018 (continued)**

**Bank Islam Malaysia Berhad (continued)**

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 customer experience and services, Bank Islam has embarked on its digital 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.

**Syarikat Takaful Malaysia Keluarga 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**

<b>Group</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>	<b>6 months ended</b>
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current tax expense	<b>62,275</b>	59,157	<b>132,913</b>	124,762
Over provision in prior years	<b>1</b>	-	<b>(215)</b>	(34)
Deferred tax expense:				
Origination and reversal of temporary differences	<b>647</b>	25	<b>846</b>	4,145
Over provision in prior years	<b>1</b>	-	<b>(1,522)</b>	-
	<b>62,924</b>	59,182	<b>132,022</b>	128,873

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

Profit before tax	<b>237,297</b>	215,229	<b>510,911</b>	461,428
Income tax calculated using Malaysian tax rate of 24% (2017: 24%)	<b>56,951</b>	51,654	<b>122,619</b>	110,742
Non-deductible expenses	<b>19,815</b>	17,220	<b>35,766</b>	33,774
Non-deductible Sukuk's finance cost	<b>4,775</b>	4,593	<b>9,549</b>	9,187
Non-taxable income	<b>(19,999)</b>	(12,837)	<b>(38,555)</b>	(26,348)
	<b>61,542</b>	60,630	<b>129,379</b>	127,355
Derecognition of deferred tax assets	<b>1,380</b>	(1,448)	<b>4,380</b>	1,552
	<b>62,922</b>	59,182	<b>133,759</b>	128,907
Over provision in prior years	<b>1</b>	-	<b>(215)</b>	(34)
Over provision of deferred tax	<b>1</b>	-	<b>(1,522)</b>	-
Tax expense	<b>62,924</b>	59,182	<b>132,022</b>	128,873

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 against certain matters raised by IRB and have treated the related tax payment of RM16,741,000 as tax recoverable.

The case has fixed for hearing on 1st and 2nd September 2018.

**Major components of tax expense**

Company	Quarter 3 months ended		Year-to-date 6 months ended	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Current tax expense	<b>479</b>	504	<b>958</b>	1,110
	-----	-----	-----	-----
	<b>479</b>	504	<b>958</b>	1,110
	=====	=====	=====	=====

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

Profit before tax	<b>131,319</b>	114,621	<b>185,769</b>	154,136
	=====	=====	=====	=====
Income tax calculated using Malaysian tax rate of 24% (2017: 24%)	<b>31,517</b>	27,509	<b>44,585</b>	36,993
Non-deductible expenses	<b>561</b>	955	<b>1,214</b>	1,886
Non-deductible Sukuk's finance cost	<b>4,775</b>	4,593	<b>9,549</b>	9,187
Non-taxable income	<b>(36,374)</b>	(32,553)	<b>(54,390)</b>	(46,956)
	-----	-----	-----	-----
Tax expense	<b>479</b>	504	<b>958</b>	1,110
	=====	=====	=====	=====

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**B6. Status of 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.

Subsequently, Takaful Malaysia had on the following dates announced to Bursa Securities with regards to the Proposed Reorganisation:

- On 12 September 2017, Takaful Malaysia had 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 had entered into a business transfer agreement with STMAB in relation to the transfer of STMAB's general takaful business as a going concern to STMAB to be undertaken by way of a scheme of transfer ("Scheme of Transfer") for the Proposed Reorganisation.
- On 20 March 2018, Takaful Malaysia had submitted an application to the High Court of Malaya for the confirmation of the Scheme of Transfer.
- On 26 April 2018, Takaful Malaysia had received the sealed Court Order which was granted by the High Court of Malaya on 16 April 2018, confirming the Scheme of Transfer which shall take effect on 1 June 2018.
- On 1 June 2018, Takaful Malaysia had been notified by BNM via its letter dated 28 May 2018 that BNM has completed its review for the operational readiness of Takaful Malaysia and STMAB, and has no objection for Takaful Malaysia and STMAB to commence its family takaful business and general takaful business with effect from 1 June 2018. In addition, BNM via the same letter has also advised Takaful Malaysia that the licensed certificates for the family takaful and general takaful businesses respectively will be delivered by BNM in due course. Pursuant to the Court Order granted by the High Court of Malaya on 16 April 2018, the Scheme of Transfer and vesting of the general takaful business in STMAB takes effect on 1 June 2018.
- On 1 June 2018, Takaful Malaysia changed its name to Syarikat Takaful Malaysia Keluarga Berhad ("STMKB").

Therefore, the Proposed Reorganisation is deemed completed on 1 June 2018.

Subsequently, BNM vide letter dated 3 July 2018 issued the licensed certificates dated 29 June 2018 for the family takaful and general takaful businesses of STMKB and STMAB respectively, effective 1 June 2018.

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

**B7. Status of utilisation of proceeds raised from corporate proposals**

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

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

	<b>Group</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Deposits from customers</b>		
Mudharabah and Tawarruq term deposits and Negotiable Islamic Debt Certificates		
- One year or less (short-term)	<b>25,874,993</b>	27,865,272
- More than one year (medium/long-term)	<b>3,799,329</b>	849,785
	<b>29,674,322</b>	28,715,057
Current accounts	<b>10,254,072</b>	9,156,297
Savings accounts	<b>4,407,228</b>	4,346,502
Others	<b>94,770</b>	99,951
<b>Total deposits</b>	<b>44,430,392</b>	42,317,807
<b>Investment accounts of customers</b>		
- One year or less (short-term)	<b>4,520,449</b>	5,026,190
	<b>4,520,449</b>	5,026,190
<b>Deposits and placements of banks and other financial institutions</b>		
- One year or less (short-term)		100,000
		100,000

RM'000	As at 2 <sup>nd</sup> quarter ended 30.06.2018		
	Long term	Short term	Total borrowings
<b>Secured</b>	<b>1,500,000</b>	<b>1,187</b>	<b>1,501,187</b>
- Recourse obligation on financing sold to Cagamas	<b>1,500,000</b>	<b>1,187</b>	<b>1,501,187</b>
<b>Unsecured</b>	<b>2,255,586</b>	<b>19,658</b>	<b>2,275,244</b>
- Sukuk liabilities	<b>1,305,586</b>	<b>13,712</b>	<b>1,319,298</b>
- Subordinated Sukuk Murabahah	<b>950,000</b>	<b>5,946</b>	<b>955,946</b>

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

RM'000	As at 2 <sup>nd</sup> quarter ended 30.06.2017		
	Long term	Short term	Total borrowings
<b>Secured</b>	-	-	-
- Recourse obligation on financing sold to Cagamas	-	-	-
<b>Unsecured</b>	1,902,130	17,802	1,919,932
- Sukuk liabilities	1,252,130	13,644	1,265,774
- Subordinated Sukuk Murabahah	650,000	4,158	654,158

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 (June 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 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 is 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.
- c) On 25 May 2018, the Bank has entered into recourse obligations on financing sold to Cagamas amounting to RM1.5 billion. Under the agreement, the Bank undertakes to administer the identified house financing on behalf of Cagamas and to buy back any house financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. The financing sold with recourse to the Bank are not de-recognised until recourse period has expired and the risks and rewards of the financing have been fully transferred.



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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) 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 24 July 2018 for hearing.

**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.

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**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.

<b>Group</b>	<b>Quarter</b>		<b>Year-to-date</b>	
	<b>3 months ended</b>		<b>6 months ended</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit for the period under review attributable to equity holders of the parent	<b>149,911</b>	135,667	<b>322,046</b>	286,769
Number of ordinary shares	<b>1,693,566</b>	1,637,741	<b>1,693,566</b>	1,637,741
Number of average ordinary shares	<b>1,693,566</b>	1,637,741	<b>1,685,855</b>	1,629,609
Earnings per share (sen)	<b>8.85</b>	8.28	<b>19.10</b>	17.60
	=====	=====	=====	=====

**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 30 June 2018.

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**B12. Economic profit statement**

Group	Quarter		Year-to-date	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
<b>Net Operating profit after zakat &amp; tax (NOPAT)</b>				
Profit before zakat and taxation (PBZT)	237,297	215,229	510,911	461,428
Zakat & Taxation	(66,905)	(61,703)	(139,941)	(134,005)
<b>NOPAT</b>	<b>170,392</b>	153,526	<b>370,970</b>	327,423
<b>Economic charge computation</b>				
Average invested capital (excludes the debit balance of the acquisition reserve arising from the acquisition of shares from non-controlling interests)	6,416,515	5,848,816	6,300,961	5,679,588
Weighted Average Cost of Capital (WACC) (%)	7.64	6.41	7.64	6.41
<b>Economic charge</b>	<b>122,220</b>	93,470	<b>238,718</b>	180,535
<b>Economic profit</b>	<b>48,172</b>	60,056	<b>132,252</b>	146,888

**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	
	30.06.2018	31.12.2017
	RM'000	RM'000
USD	(66,776)	(230,227)
EURO	(107,181)	(107,198)
Australian Dollar	(230,989)	(26,658)
Others	19,834	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.

	<b>Family Takaful</b>		<b>General Takaful</b>		<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Non-related parties	<b>158,840</b>	77,307	<b>50,356</b>	92,266	<b>209,196</b>	169,572
Related parties	<b>174</b>	134	<b>360</b>	2,410	<b>534</b>	2,545
	<b>159,014</b>	77,441	<b>50,716</b>	94,676	<b>209,730</b>	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>	<b>Family Takaful</b>		<b>General Takaful</b>		<b>Group</b>	
	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current (not past due)	<b>155,023</b>	72,439	<b>43,107</b>	91,392	<b>198,130</b>	163,831
1-30 days	<b>1</b>	1,521	<b>169</b>	1,687	<b>170</b>	3,208
31-60 days	<b>51</b>	165	<b>587</b>	544	<b>638</b>	709
61-90 days	<b>366</b>	81	<b>175</b>	492	<b>541</b>	573
91-180 days	<b>1,489</b>	2,845	<b>1,554</b>	2,850	<b>3,043</b>	5,695
> 180 days	<b>2,084</b>	1,835	<b>5,124</b>	3,554	<b>7,208</b>	5,389
	<b>159,014</b>	78,886	<b>50,716</b>	100,519	<b>209,730</b>	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 for the purpose of takaful coverage and 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	
	30.06.2018 RM'000	31.12.2017 RM'000	30.06.2018 RM'000	31.12.2017 RM'000	30.06.2018 RM'000	31.12.2017 RM'000
Bank Islam Malaysia Berhad	<b>396</b>	135	<b>238</b>	825	<b>634</b>	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 imposed 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 30 June 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	10,138,151	(259)	10,137,892	10,137,892	-	-	-	-
Financing, advances and others	43,989,659	(760,083)	43,229,576	43,371,613	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 adopted MFRS 9 as issued by 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. Financial 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 negative 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 30 June 2018**

<b>Type of derivatives</b>	<b>Contract/notional Value as at the date Of the statement of Financial position RM'000</b>	<b>Fair value as at the date of statement of financial position RM'000</b>
<i>Derivative Financial Instruments</i>		
Foreign exchange related contracts		
- Less than one year	3,635,933	19,203
- One year to 3 years	40,525	(304)
Profit rate related contracts		
- Less than one year	400,000	791
- One year to 3 years	-	-
- More than 3 years	193,388	1,569
	<b>4,269,846</b>	<b>21,259</b>

**As at 31 December 2017**

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



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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**

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

<b>Type of derivatives</b>	<b>Current quarter 30.06.2018 RM'000</b>	<b>Current year-to-date 30.06.2018 RM'000</b>
<i>Derivative Financial Instruments</i>		
Gain/(loss) arising from fair value changes from derivatives assets and liabilities	<b>(449)</b>	<b>(320)</b>

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  
July 30, 2018