

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

Condensed Statement of Financial Position as at 31 December 2018

	Note	Group As at		Company As at	
		31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Assets					
Cash and short-term funds	9	2,650,042	4,807,749	88,473	241,074
Deposits and placements with financial institutions	10	3,637,084	1,159,085	-	-
Financial assets held-for-trading	11	-	607,431	-	-
Financial assets at fair value through profit or loss (FVTPL)	12	1,402,603	-	6,623	-
Derivative financial assets	13	34,148	68,319	-	-
Financial assets available-for-sale	14	-	13,497,437	-	174,546
Financial assets at fair value through other comprehensive income (FVOCI)	15	15,687,117	-	-	-
Financial assets held-to-maturity	16	-	516,524	-	-
Financing, advances and others	17	45,680,680	42,113,420	-	-
Other financial assets at amortised cost	18	349,118	366,992	1,215	1,951
Takaful assets	19	676,232	677,713	-	-
Statutory deposits with Bank Negara Malaysia		1,602,284	1,407,284	-	-
Current tax assets		55,277	34,333	198	20
Deferred tax assets		94,115	72,023	10	10
Investments in subsidiaries		-	-	5,309,095	5,166,225
Property and equipment		415,775	397,624	382	484
Investment properties		10,698	10,868	-	-
Intangible assets		93,368	47,832	-	-
Total assets		72,388,541	65,784,634	5,405,996	5,584,310

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Condensed Statement of Financial Position as at 31 December 2018
(continued)

	Note	Group As at		Company As at	
		31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Liabilities and equity					
Deposits from customers	20	49,433,546	45,870,596	-	-
Investment accounts of customers	21	5,037,653	3,969,344	-	-
Derivative financial liabilities	13	19,520	74,668	-	-
Bills and acceptances payable		41,114	420,258	-	-
Recourse obligations on financing sold to Cagamas	22	1,501,187	-	-	-
Other liabilities	23	1,285,362	1,266,609	265,725	232,598
Takaful liabilities	24	7,438,855	6,962,313	-	-
Sukuk liabilities	25	2,102,672	2,235,862	844,159	1,279,512
Zakat and taxation		33,910	66,631	-	18
Total liabilities		66,893,819	60,866,281	1,109,884	1,512,128
Equity					
Share capital		4,082,939	3,875,270	4,082,939	3,875,270
Reserves		942,780	658,669	213,173	196,912
Equity attributable to owners of the Company		5,025,719	4,533,939	4,296,112	4,072,182
Non-controlling interests		469,003	384,414	-	-
Total equity		5,494,722	4,918,353	4,296,112	4,072,182
Total liabilities and equity		72,388,541	65,784,634	5,405,996	5,584,310
Restricted investment accounts managed by Bank Islam					
	21	78,717	124,384	-	-
Total Islamic banking assets		72,467,258	65,909,018	5,405,996	5,584,310
Commitments and contingencies	41	14,162,355	13,768,162	-	-
Net assets per share attributable to ordinary equity of the Company (RM)		2.97	2.77	2.54	2.49

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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the financial year ended 31 December 2018**

Group	Note	Quarter 3 months ended		Year-to-date 12 months ended	
		31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Income derived from investment of depositors' funds	27	685,306	574,639	2,601,825	2,324,187
Income derived from investment account funds	28	66,210	60,174	242,823	237,192
Income derived from investment of shareholders' funds	29	117,413	129,540	477,510	437,429
Net income from Takaful business	30	252,173	181,300	879,834	720,195
Net allowance for impairment on financing and advances, net of recoveries	31	(19,429)	5,418	(81,454)	15,613
Net allowance for impairment on other financial assets		(46)	-	43	(243)
Direct expenses		(4,538)	(4,188)	(17,870)	(18,421)
Total distributable income		<u>1,097,089</u>	<u>946,883</u>	<u>4,102,711</u>	<u>3,715,952</u>
Wakalah fees from restricted investment accounts		6	382	485	2,595
Income attributable to depositors	32	(352,847)	(273,921)	(1,279,638)	(1,094,433)
Income attributable to investment account holders	33	(21,586)	(22,429)	(79,467)	(95,447)
Total net income		<u>722,662</u>	<u>650,915</u>	<u>2,744,091</u>	<u>2,528,667</u>
Personnel expenses	34	(211,070)	(200,789)	(765,742)	(729,771)
Other overhead expenses	35	(208,141)	(203,374)	(769,386)	(735,171)
Finance cost		<u>303,451</u>	<u>246,752</u>	<u>1,208,963</u>	<u>1,063,725</u>
		(45,252)	(30,676)	(143,508)	(115,395)
Profit before zakat and tax		<u>258,199</u>	<u>216,076</u>	<u>1,065,455</u>	<u>948,330</u>
Zakat		(2,687)	(6,355)	(14,689)	(14,459)
Tax expense	B5	(57,441)	(36,360)	(249,345)	(230,241)
Profit for the period/year		<u>198,071</u>	<u>173,361</u>	<u>801,421</u>	<u>703,630</u>
Attributable to:					
Owners of the Company		161,385	149,635	682,055	619,838
Non-controlling interests		36,686	23,726	119,366	83,792
Profit for the period/year		<u>198,071</u>	<u>173,361</u>	<u>801,421</u>	<u>703,630</u>
Earnings per share (sen)	B11	9.53	9.14	40.36	37.94

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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the financial year ended 31 December 2018 (continued)**

Group	Quarter		Year-to-date	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period/year	198,071	173,361	801,421	703,630
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit liabilities	(153)	(237)	(302)	(315)
Movement in fair value reserve (equity instrument):				
Net change in fair value	(3,209)	-	(5,166)	-
Items that are or may be reclassified subsequently to profit or loss:				
Currency translation differences in respect of foreign operations	1,735	11,903	(11,112)	41,123
Movement in fair value reserve (debt securities):				
Net change in fair value	2,066	-	51,190	-
Net amount transferred to profit or loss	(6,275)	-	(27,725)	-
Movement in fair value reserve (available for sale):				
Net change in fair value	-	(6,759)	-	50,390
Net amount transferred to profit or loss	-	(300)	-	(7,148)
Income tax effect relating to components of other comprehensive income	1,853	2,275	(3,633)	(8,958)
Other comprehensive income for the period/year, net of tax	(3,983)	6,882	3,252	75,092
Total comprehensive income for the period/year	194,088	180,243	804,673	778,722
Total comprehensive income attributable to:				
Owners of the Company	156,816	157,861	685,952	693,718
Non-controlling interests	37,272	22,382	118,721	85,004
Total comprehensive income for the period/year	194,088	180,243	804,673	778,722

BIMB Holdings Berhad (423858-X)
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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the financial year ended 31 December 2018 (continued)**

Company	Note	Quarter 3 months ended		Year-to-date 12 months ended	
		31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Income derived from investment of shareholders' funds / Total distributable income / Total net income	29	4,402	3,722	385,521	338,843
Personnel expenses	34	(2,475)	(2,506)	(9,371)	(9,277)
Other overhead expenses	35	(1,276)	(1,697)	(4,687)	(5,320)
		651	(481)	371,463	324,246
Finance cost		(29,869)	(19,430)	(89,547)	(76,849)
Profit before zakat and tax		(29,218)	(19,911)	281,916	247,397
Tax expense	B5	(756)	(477)	(3,152)	(1,938)
Profit for the period/year		(29,974)	(20,388)	278,764	245,459
Attributable to:					
Owners of the Company		(29,974)	(20,388)	278,764	245,459
Profit for the period/year		(29,974)	(20,388)	278,764	245,459
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss:					
Movement in fair value reserve (available for sale):					
Net change in fair value		-	52	-	142
Net amount transferred to profit or loss		-	-	-	(45)
Other comprehensive income for the period/year, net of tax		-	52	-	97
Total comprehensive income for the period/year		(29,974)	(20,336)	278,764	245,556
Total comprehensive income attributable to:					
Owners of the Company		(29,974)	(20,336)	278,764	245,556
Total comprehensive income for the period/year		(29,974)	(20,336)	278,764	245,556

BIMB Holdings Berhad (423858-X)
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Condensed Statement of Changes in Equity for the financial year ended 31 December 2018

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

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BIMB Holdings Berhad (423858-X)
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Condensed Statement of Changes in Equity for the financial year ended 31 December 2018 (continued)

Group	Note	← Attributable to owners of the Company →					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018								
- as previously stated		3,875,270	-	(1,099,225)	1,757,894	4,533,939	384,414	4,918,353
- adjustment on adoption of MFRS 9 (net of tax)		-	-	8,412	(141,096)	(132,684)	(1,494)	(134,178)
- reclassification from retained earnings to non-controlling interest		-	-	-	(9,318)	(9,318)	9,318	-
At 1 January 2018, restated		3,875,270	-	(1,090,813)	1,607,480	4,391,937	392,238	4,784,175
Profit for the year		-	-	-	682,055	682,055	119,366	801,421
Other comprehensive income								
Remeasurement of defined benefit liabilities		-	-	-	(135)	(135)	(167)	(302)
Currency translation differences in respect of foreign operations		-	-	(9,358)	-	(9,358)	(1,754)	(11,112)
Fair value reserve:								
Net change in fair value		-	-	44,635	-	44,635	1,389	46,024
Net amount reclassified to profit or loss		-	-	(27,612)	-	(27,612)	(113)	(27,725)
Income tax effect relating to components of other comprehensive income		-	-	(3,633)	-	(3,633)	-	(3,633)
Total comprehensive income for the year		-	-	4,032	681,920	685,952	118,721	804,673
Transfer from regulatory reserve to retained earnings		-	-	(54,645)	54,645	-	-	-
Dividends payable to shareholders	B10	-	-	-	(262,503)	(262,503)	-	(262,503)
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		-	-	6,231	-	6,231	4,216	10,447
Long Term Incentive Plan exercised		-	-	(3,567)	-	(3,567)	3,567	-
At 31 December 2018		4,082,939	-	(1,138,762)	2,081,542	5,025,719	469,003	5,494,722

Note 26

BIMB Holdings Berhad (423858-X)
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Condensed Statement of Changes in Equity for the financial year ended 31 December 2018 (continued)

Company	Note	← Attributable to owners of the Company →					Total equity RM'000
		Share capital RM'000	Share premium RM'000	Warrant reserves RM'000	Fair value reserves RM'000	Retained earnings RM'000	
At 1 January 2017		1,588,680	2,102,611	129,300	81	51,259	3,871,931
Profit for the year		-	-	-	-	245,459	245,459
Other comprehensive income							
Fair value reserve:							
Net change in fair value		-	-	-	142	-	142
Net amount reclassified to profit or loss		-	-	-	(45)	-	(45)
Total comprehensive income for the year		-	-	-	97	245,459	245,556
Issue of shares pursuant to Dividend Reinvestment Plan		183,979	-	-	-	-	183,979
Transfer of share premium to share capital		2,102,611	(2,102,611)	-	-	-	-
Dividends paid to shareholders	B10	-	-	-	-	(229,284)	(229,284)
At 31 December 2017		3,875,270	-	129,300	178	67,434	4,072,182
=====							
At 1 January 2018							
- as previously stated		3,875,270	-	129,300	178	67,434	4,072,182
- adjustment on adoption of MFRS 9 (net of tax)		-	-	-	(178)	178	-
At 1 January 2018, restated		3,875,270	-	129,300	-	67,612	4,072,182
Profit for the year		-	-	-	-	278,764	278,764
Issue of shares pursuant to Dividend Reinvestment Plan		207,669	-	-	-	-	207,669
Dividends payable to shareholders	B10	-	-	-	-	(262,503)	(262,503)
At 31 December 2018		4,082,939	-	129,300	-	83,873	4,296,112
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BIMB Holdings Berhad (423858-X)
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**Condensed Statement of Cash Flows for the financial year ended 31
December 2018**

	Group		Company	
	12 months ended 31.12.2018	12 months ended 31.12.2017	12 months ended 31.12.2018	12 months ended 31.12.2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before zakat and tax	1,065,455	948,330	281,916	247,397
Adjustments for:				
Depreciation of property and equipment	61,560	66,895	166	296
Depreciation of investment property	113	119	-	-
(Gain)/Loss on disposal of property and equipment	(372)	71	-	-
Property and equipment written off	340	(18)	8	-
Collective assessment allowance	-	34,706	-	-
Individual assessment allowance	-	71,735	-	-
Net allowance for impairment on other financial assets	(43)	243	-	-
Net allowance for impairment on financing, advances and others	186,402	-	-	-
Net gain on sale of financial assets at FVTPL	(4,897)	-	-	-
Net loss on sale of financial assets held-for-trading	-	233	-	-
Net gain on sale of financial assets at FVOCI	(27,444)	-	-	-
Net gain on sale of financial assets available-for-sale	-	(6,157)	-	-
Net gain on sale of financial assets held-to-maturity	-	(31,551)	-	-
Fair value loss/(gain) on financial assets at FVTPL	80,805	-	(129)	-
Fair value loss on financial assets held-for-trading	-	3,560	-	-
Net derivative (gain)/loss	(52)	779	-	-
Dividends from securities	(7,249)	(7,727)	(5,151)	(5,080)
Dividends from subsidiaries	-	-	(366,783)	(325,463)
Change in actuarial reserves/ unearned contributions reserve	(5,576)	(10,500)	-	-
Equity settled share-based payment	10,447	7,327	-	-
Amortisation of intangible assets	22,464	13,115	-	-
Finance cost	143,508	115,395	89,547	76,849
Operating profit/(loss) before working capital changes	1,525,461	1,206,555	(426)	(6,001)

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**Condensed Statement of Cash Flows for the financial year ended 31
December 2018 (continued)**

	Group		Company	
	12 months ended 31.12.2018	12 months ended 31.12.2017	12 months ended 31.12.2018	12 months ended 31.12.2017
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before working capital changes	1,525,461	1,206,555	(426)	(6,001)
Changes in working capital:				
Deposits and placements of banks and other financial institutions	-	(30,000)	-	-
Financing of customers	(3,942,761)	(3,030,587)	-	-
Statutory deposits with Bank Negara Malaysia	(195,000)	(32,408)	-	-
Other assets	59,084	104,720	736	214
Deposits from customers	3,562,950	378,843	-	-
Investment accounts of customers	1,068,309	395,473	-	-
Recourse obligations on financing sold to Cagamas	1,501,187	-	-	-
Other liabilities	387,386	442,060	(92)	(294)
Bills and acceptances payable	(379,144)	373,980	-	-
Cash generated from/(used in) operations	3,587,472	(191,364)	218	(6,081)
Zakat paid	(13,178)	(13,171)	-	-
Tax paid	(290,969)	(268,185)	(3,368)	(1,917)
Tax refund	113	45	20	-
Net cash generated from/(used in) operating activities	3,283,438	(472,675)	(3,130)	(7,998)
Cash flows from investing activities				
Net proceeds from (purchase)/disposal of securities	(2,458,409)	624,930	173,203	(33,795)
Purchase of property and equipment	(81,114)	(45,761)	(72)	(209)
Proceeds from disposal of property and equipment	508	498	-	-
Dividends from subsidiaries	-	-	366,783	325,463
Dividends from securities	2,098	2,647	-	-
Subscription of ordinary shares pursuant to Dividend Reinvestment Plan	-	-	(142,870)	(200,324)
Intangible assets	(68,000)	(17,000)	-	-
Net cash (used in)/generated from investing activities	(2,604,917)	565,314	397,044	91,135

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**Condensed Statement of Cash Flows for the financial year ended 31
December 2018 (continued)**

	Group		Company	
	12 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Dividends paid	(21,615)	(22,550)	(21,615)	(22,550)
Dividends paid to non-controlling interest	(49,739)	(39,528)	-	-
Early partial redemption of Sukuk liabilities	(500,000)	-	(500,000)	-
Payment of coupon on Sukuk	(76,698)	(61,284)	(24,900)	(24,831)
Subordinated Sukuk Murabahah	300,000	300,000	-	-
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Net cash (used in)/generated from financing activities	(348,052)	176,638	(546,515)	(47,381)
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Net increase/(decrease) in cash and cash equivalents	330,469	269,277	(152,601)	35,756
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Cash and cash equivalents at beginning of the year	5,966,834	5,655,408	241,074	205,318
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Foreign exchange differences	(10,177)	42,149	-	-
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Cash and cash equivalents at end of the year	6,287,126	5,966,834	88,473	241,074
	=====	=====	=====	=====
Cash and cash equivalents comprise:				
Cash and short-term funds	2,650,042	4,807,749	88,473	241,074
Deposits and placements with financial institutions	3,637,084	1,159,085	-	-
	-----	-----	-----	-----
	6,287,126	5,966,834	88,473	241,074
	=====	=====	=====	=====

BIMB Holdings Berhad (423858-X)
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**Explanatory Notes to the Financial Statements for the financial year ended
31 December 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 financial year ended 31 December 2018 comprise that of the Company and its subsidiaries (together referred to as the Group).

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

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

The condensed financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017. The explanatory notes attached to the condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

The audited financial statements of the Group for the financial year ended 31 December 2017, are available upon request from the Company's registered office at 31st Floor, Menara Bank Islam, No. 22 Jalan Perak, 50450 Kuala Lumpur.

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1. Basis of preparation (continued)

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

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

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- MFRS 17, *Insurance Contracts*

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

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

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1. Basis of preparation (continued)

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

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019.
- from the annual period beginning on 1 January 2020 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2020.
- from the annual period beginning on 1 January 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned in the subsequent paragraphs and in Note 6:

MFRS 16, *Leases*

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

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

The Group has assessed the estimated impact that initial application of MFRS 16 will have on its consolidated financial statements. The recognition of the 'right-of-use' asset and the lease liability will increase the Group's total assets by approximately 0.3% and total liabilities by approximately 0.5% as at 1 January 2019.

In terms of capital ratio, the Bank expects a marginal decrease of capital ratio by approximately 0.3% due to higher risk-weighted assets.

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1. Basis of preparation (continued)

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 financial year ended 31 December 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 financial year ended 31 December 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 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

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 ("F&R") 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.

Financial assets are measured at amortised cost if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and profit. Financial assets are measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual cash flows represent solely payments of principal and profit. Financial assets are measured at FVTPL if the assets are held for trading or financial assets that qualify for neither held at amortised cost nor at FVOCI. Equity instruments are normally measured at FVTPL. However, the Group has elected irrevocable option at inception to measure changes through FVOCI (without recycling profit or loss upon derecognition).

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

Group	Note	Measurement category		Carrying amount	
		Original classification under MFRS 139	New classification under MFRS 9	Original under MFRS 139	New under MFRS 9
				RM'000	RM'000
Financial assets					
Cash and short term funds		F&R	AC	4,807,749	4,807,749
Deposits and placements with banks and other financial institutions	(a)	F&R	FVTPL	360,000	351,322
Deposits and placements with banks and other financial institutions		F&R	AC	799,085	799,085

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6. Changes in accounting policies (continued)

(i) Classification of financial assets (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
Financial assets					
Financial assets HFT		FVTPL	FVTPL	607,431	607,431
Derivative financial assets		FVTPL	FVTPL	68,319	68,319
Financial assets AFS					
- Debt securities	(b)	AFS	FVOCI	12,454,199	12,453,854
- Debt securities	(c)	AFS	FVTPL	205,661	205,661
- Equity instruments	(d)	AFS	FVOCI	22,912	41,016
- Equity instruments	(e)	AFS	FVTPL	191,048	191,048
- Unit trusts	(f)	AFS	FVTPL	372,566	372,566
- Institutional Trust Account	(b)	AFS	FVOCI	251,051	250,238
Financial assets HTM	(g)	HTM	FVOCI	434,199	437,715
Financial assets HTM	(h)	HTM	FVTPL	82,325	86,379
Financing, advances and others	(i)	F&R	AC	42,113,420	41,924,321
Other financial assets	(i)	F&R	AC	366,992	366,400
Retakaful assets	(i)	F&R	AC	505,596	505,596
Takaful receivable	(i)	F&R	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) 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.

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6. Changes in accounting policies (continued)

(i) Classification of financial assets (continued)

- c) Islamic debt securities categorised as AFS under MFRS 139 that failed to meet the SPPI requirement under MFRS 9 are classified as FVTPL.
- d) 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 measurement exception.
- e) 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.
- f) 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.
- g) Investments in debt securities and Malaysian Government Islamic papers classified as held to maturity under MFRS 139 are classified as FVOCI under MFRS 9.
- h) Investment in debt securities classified as held to maturity under MFRS 139 are classified as FVTPL under MFRS 9.
- i) 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 financial institutions, financing, advances and others, other financial assets, retakaful assets, takaful receivable and statutory deposits with Bank Negara Malaysia.

At each reporting date, the Group first assess individually whether objective evidence of impairment exists for significant financial assets and collectively for financial assets that are not individually significant. If it is determined that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial assets measured at amortised cost and FVOCI, a lifetime ECL will be recognised for impairment loss which has been incurred.

Under collective assessment, 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.

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6. Changes in accounting policies (continued)

(ii) Impairment of financial assets (continued)

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 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.

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6. Changes in accounting policies (continued)

(ii) Impairment of financial assets (continued)

Impact of the new impairment model (continued)

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

(iii) Transition upon 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 financial impact, net of tax, of transition to MFRS 9 on the opening balance of reserves and retained earnings.

	Impact of adopting MFRS 9 on opening balance RM'000
<u>Fair value reserve</u>	
Group	
Remeasurement of equity investment at FVOCI	18,104
Recognition of fair value gain under MFRS 9 for Islamic debt securities at FVOCI	319
Reclassification of fair value gain from financial assets designated at FVTPL under MFRS 9	(7,399)
Related tax	(2,612)
	<hr/>
Impact at 1 January 2018	8,412
	<hr/> <hr/>

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6. Changes in accounting policies (continued)

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

	Impact of adopting MFRS 9 on opening balance RM'000
<u>Fair value reserve</u>	
Company	
Reclassification of fair value gain from financial assets designated at FVTPL under MFRS 9	(178)
	=====
<u>Retained earnings</u>	
Group	
Recognition of expected credit losses under MFRS 9	(189,835)
Adjustment of the deficits transferred from Takaful funds arising from the initial application of MFRS 9	(3,004)
Recognition of fair value loss from financial assets designated at FVTPL under MFRS 9	(220)
Reclassification of fair value gain from financial assets designated at FVTPL under MFRS 9	7,399
Related tax	44,564

Impact at 1 January 2018	(141,096)
	=====
Company	
Reclassification of fair value gain from financial assets designated at FVTPL under MFRS 9	178
	=====
<u>Non-controlling interest</u>	
Group	
Recognition of fair value gain from financial assets designated at FVTPL under MFRS 9	20
Recognition of fair value gain under MFRS 9 for Islamic debt securities at FVOCI	215
Recognition of expected credit losses under MFRS 9	(263)
Adjustment of the deficits transferred from Takaful funds arising from the initial application of MFRS 9	(2,026)
Related tax	560

Impact at 1 January 2018	(1,494)
	=====

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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 1,637,741,014 to 1,693,566,014 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 financial year ended 31 December 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.

On 20 September 2018, Bank Islam paid an interim single tier dividend of 5.79 sen per ordinary share totalling RM142.870 million for the six months ended 30 June 2018. The entire final dividend was reinvested for acquisition of 43,960,000 new ordinary shares of Bank Islam at a consideration of RM3.25 per share arising from the Dividend Reinvestment Plan.

9. Cash and short-term funds

	31.12.2018	31.12.2017
	RM'000	RM'000
Group		
Cash and balances with banks and other financial institutions	931,783	971,106
Money at call and interbank placements with remaining maturity not exceeding one month	1,718,259	3,836,643
	2,650,042	4,807,749
	=====	=====
Company		
Cash and balances with banks and other financial institutions	88,473	241,074
	88,473	241,074
	=====	=====

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10. Deposits and placements with financial institutions

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Bank Negara Malaysia	2,432,000	-
Licensed banks	1,174,855	1,124,343
Other financial institutions	30,229	34,742
	<u>3,637,084</u>	<u>1,159,085</u>
	=====	=====

11. Financial assets held-for-trading

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
At fair value		
- Malaysian Government Investment Issues	-	355,681
- Shares	-	134,220
- Sukuk	-	111,273
- Unit trusts	-	6,257
	<u>-</u>	<u>607,431</u>
	=====	=====

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

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
At fair value		
- Sukuk	374,183	-
- Structured deposits	244,571	-
- Malaysian Government Investment Issues	30,328	-
- Shares	318,013	-
- Unit trusts	320,305	-
- Bank Negara Monetary Notes	114,823	-
	<u>1,402,223</u>	<u>-</u>
	-----	-----
At cost		
- Unquoted shares in Malaysia	380	-
	<u>380</u>	<u>-</u>
	-----	-----
	<u>1,402,603</u>	<u>-</u>
	=====	=====

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

	Company	
	31.12.2018	31.12.2017
	RM'000	RM'000
At fair value		
- Unit trusts	6,623	-
	=====	=====

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.

Group	Notional Amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
31.12.2018			
Forward contracts	2,869,455	30,653	(17,752)
Profit rate swaps	578,379	3,495	(1,768)
	3,447,834	34,148	(19,520)
	=====	=====	=====
31.12.2017			
Forward contracts	3,218,824	63,827	(72,767)
Profit rate swaps	607,992	4,492	(1,901)
	3,826,816	68,319	(74,668)
	=====	=====	=====

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14. Financial assets available-for-sale

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
At fair value		
- Sukuk	-	10,915,814
- Malaysian Government Investment Issues	-	1,525,094
- Unit trusts	-	372,566
- Institutional Trust Account	-	251,051
- Malaysian Government Islamic Papers	-	218,952
- Shares	-	208,660
	<hr/>	<hr/>
	-	13,492,137
	-----	-----
At cost		
- Shares	-	23,849
Less: Accumulated impairment loss	-	(18,549)
	<hr/>	<hr/>
	-	5,300
	-----	-----
	-	13,497,437
	=====	=====
Company		
	31.12.2018	31.12.2017
	RM'000	RM'000
At fair value		
- Unit trusts [#]	-	174,546
	=====	=====

[#] Included unit trusts managed by a subsidiary of the Group of RM168,209,955 for 2017.

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

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Financial assets at fair value through other comprehensive income:		
a) Debt investment securities	15,651,599	-
b) Equity investments	35,518	-
	<hr/>	<hr/>
	15,687,117	-
	=====	=====

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

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

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Sukuk	12,124,016	-
Malaysian Government Investment Issues	2,129,754	-
Institutional Trust Account	318,625	-
Malaysian Government Islamic Papers	384,020	-
Bank Negara Monetary Notes	389,231	-
Islamic Commercial Papers	306,255	-
	15,651,901	-
Allowance for impairment:		
- Collective assessment – 12 months expected credit losses (ECL)	(302)	-
	15,651,599	-
	=====	=====

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

	Group
	31.12.2018
	RM'000
12 months ECL	
At 1 January 2018	-
- Effects on adoption of MFRS 9	345
	345
At 1 January 2018, as restated	(43)
Reversal of impairment during the period	(43)
	302
At 31 December 2018	302
	=====

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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

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Quoted shares		
- outside Malaysia	12,446	-
	12,446	-
	12,446	-
Unquoted shares		
- in Malaysia	23,056	-
- outside Malaysia	16	-
	23,072	-
	23,072	-
	35,518	-
	35,518	-

16. Financial assets held-to-maturity

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
At amortised cost		
- Malaysian Government Islamic Papers	-	59,994
- Sukuk	-	463,417
Less: Accumulated impairment loss	-	(6,887)
	-	456,530
	-	516,524
	-	516,524

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17. Financing, advances and others

(a) By type and Shariah contract

Group	Bai' Bithaman Ajil	Murabahah	Bai Al-Dayn	Bai Al-Inah	At-Tawarruq	Ijarah Muntahiah Bit-Tamleek ^	Ijarah Thumma Al-Bai ^	Istisna'	Ar-Rahnu	Total
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost										
Cash line	-	-	-	1,875	1,521,991	-	-	-	-	1,523,866
Term financing										
House financing	3,764,219	-	-	-	14,285,203	-	-	51,490	-	18,100,912
Syndicated financing	-	-	-	41,327	665,745	-	89,540	-	-	796,612
Leasing financing	-	-	-	-	-	106,520	35	-	-	106,555
Bridging financing	-	-	-	-	-	-	-	65,268	-	65,268
Personal financing	-	-	-	10,178	13,755,492	-	-	-	-	13,765,670
Other term financing	1,099,152	1,239,988	-	6,650	7,992,899	-	-	1,194	-	10,339,883
Staff financing	60,777	9,322	-	-	155,590	-	-	9,846	-	235,535
Credit cards	-	-	-	-	477,602	-	-	-	-	477,602
Trade bills discounted	-	820,833	144,827	-	-	-	-	-	-	965,660
Trust receipts	-	10,113	-	-	-	-	-	-	-	10,113
Pawn broking	-	-	-	-	-	-	-	-	73,110	73,110
Investment Account Platform *	-	-	-	-	9,599	-	-	-	-	9,599
	4,924,148	2,080,256	144,827	60,030	38,864,121	106,520	89,575	127,798	73,110	46,470,385
Allowance for impaired financing, advances and others										
- collective assessment – 12 months expected credit losses (ECL)										(416,450)
- collective assessment – Lifetime ECL										(216,564)
- individual assessment – Lifetime ECL										(156,691)
Net financing, advances and others										45,680,680

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

^ Assets funded under *Ijarah* financing are owned by Bank Islam throughout the tenure of the *Ijarah* financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the *Ijarah* financing contract.

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17. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

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

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

^ Assets funded under *Ijarah* financing are owned by Bank Islam throughout the tenure of the *Ijarah* financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the *Ijarah* financing contract.

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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:

		Group	
	Note	31.12.2018	31.12.2017
		RM'000	RM'000
House financing			
Unrestricted Investment Accounts	21	3,816,524	2,982,183
Sold to Cagamas with recourse	22	1,501,187	-
		<hr/>	<hr/>
		5,317,711	2,982,183
		<hr/>	<hr/>
Personal financing			
Unrestricted Investment Accounts	21	1,221,129	987,161
		<hr/>	<hr/>

(b) By type of customer

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Domestic non-bank financial institutions	1,637,318	1,353,524
Domestic business enterprise	6,924,836	6,426,088
Small & medium enterprises	2,092,024	1,869,781
Government and statutory bodies	601,285	827,671
Individuals	35,069,160	32,014,038
Other domestic entities	18,947	7,642
Foreign entities	126,815	187,192
	<hr/>	<hr/>
	46,470,385	42,685,936
	<hr/>	<hr/>

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17. Financing, advances and others (continued)

(c) By profit rate sensitivity

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Fixed rate		
House financing	1,073,575	1,168,200
Others	3,102,294	3,560,756
Floating rate		
House financing	17,636,273	15,625,095
Others	24,658,243	22,331,885
	46,470,385	42,685,936
	=====	=====

(d) By remaining contractual maturity

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Maturity within one year	4,774,098	4,414,217
More than one year to three years	1,299,229	1,087,304
More than three years to five years	2,921,287	2,598,903
More than five years	37,475,771	34,585,512
	46,470,385	42,685,936
	=====	=====

(e) By geographical distribution

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Central Region	22,125,064	20,673,380
Eastern Region	7,646,307	6,860,968
Northern Region	6,640,816	6,121,471
Southern Region	6,723,490	5,908,526
East Malaysia Region	3,334,708	3,121,591
	46,470,385	42,685,936
	=====	=====

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

(f) By sector

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Primary agriculture	754,835	486,679
Mining and quarrying	9,060	8,080
Manufacturing (including agro-based)	909,850	835,268
Electricity, gas and water	371,479	337,388
Wholesale & retail trade, and hotels & restaurants	1,098,346	1,228,681
Construction	2,417,262	2,176,453
Real estate	1,712,250	1,582,531
Transport, storage and communications	824,949	655,633
Finance, insurance and business activities	2,299,319	2,147,118
Education, health and others	1,000,735	1,210,056
Household sectors	35,072,300	32,018,049
	46,470,385	42,685,936
	=====	=====

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

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
At 1 January 2018/2017	398,277	389,445
Classified as impaired during the year	621,974	648,281
Reclassified as not impaired during the year	(321,635)	(331,592)
Amount recovered	(117,477)	(92,432)
Amount written off	(155,202)	(209,231)
Exchange differences	-	(6,194)
	425,937	398,277
	=====	=====
Gross impaired financing as a percentage of gross financing, advances and others	0.92%	0.93%
	=====	=====

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

(h) Impaired financing by geographical distribution

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Central Region	245,531	223,305
Eastern Region	101,868	107,422
Northern Region	25,349	28,710
Southern Region	31,320	22,915
East Malaysia Region	21,869	15,925
	<hr/>	<hr/>
	425,937	398,277
	<hr/>	<hr/>

(i) Impaired financing by sector

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Manufacturing (including agro-based)	21,426	35,448
Wholesale & retail trade, and hotels & restaurants	56,665	38,433
Construction	123,007	86,357
Transport, storage and communications	10,936	12,604
Finance, insurance and business activities	3,066	3,799
Education, health and others	4,642	5,106
Household sectors	206,195	216,530
	<hr/>	<hr/>
	425,937	398,277
	<hr/>	<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			
At 1 January 2018				446,069	126,447	572,516
Effect of adoption of MFRS 9				187,404	1,695	189,099
Restated at 1 January 2018	390,478	139,501	103,494	633,473	128,142	761,615
Transfer to 12-month ECL	6,841	(6,525)	(316)	-	-	-
Transfer to Lifetime ECL not credit impaired	(4,419)	8,639	(4,220)	-	-	-
Transfer to Lifetime ECL credit impaired	(9)	(87)	96	-	-	-
Net allowance made during the year	5,333	28,385	94,307	128,025	58,801	186,826
New financial assets originated or purchased	88,675	7,437	5,090	101,202	-	101,202
Financial assets that have been derecognised	(39,412)	(22,045)	(40,169)	(101,626)	-	(101,626)
Write-offs	(27,927)	(25,903)	(71,120)	(124,950)	(30,252)	(155,202)
Exchange differences	(3,110)	-	-	(3,110)	-	(3,110)
At 31 December 2018	416,450	129,402	87,162	633,014	156,691	789,705

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

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

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

18. Other financial assets at amortised cost

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Clients' and dealers' debit balances	32,037	47,395
Deposits and prepayments	44,143	43,714
Other financing	80,073	78,620
Investment profit receivables	70,882	97,659
Other receivables	122,458	99,604
Sukuk ^	6,887	-
	<hr/>	<hr/>
	356,480	366,992
Less: Accumulated impairment loss: Individual assessment		
- Sukuk ^	(6,887)	-
- Other receivables	(475)	-
	<hr/>	<hr/>
	349,118	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.

BIMB Holdings Berhad (423858-X)
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18. Other financial assets at amortised cost (continued)

	Company	
	31.12.2018	31.12.2017
	RM'000	RM'000
Amount due from subsidiaries	337	320
Deposits and prepayments	454	462
Other receivables	424	1,169
	<u>1,215</u>	<u>1,951</u>
	<u>=====</u>	<u>=====</u>

19. Takaful assets

	Note	Group	
		31.12.2018	31.12.2017
		RM'000	RM'000
Retakaful assets:			
- Claims liabilities	24(a)(i)	296,534	254,804
- Contribution liabilities	24(a)(ii)	76,884	71,308
- Actuarial liabilities	24(a)(iii)	163,719	179,484
		<u>537,137</u>	<u>505,596</u>
		<u>-----</u>	<u>-----</u>
Takaful receivables			
- Due contributions		105,712	139,677
- Due from retakaful/co-takaful		39,490	39,728
		<u>145,202</u>	<u>179,405</u>
Less: Allowance for impaired receivables		(6,107)	(7,288)
		<u>139,095</u>	<u>172,117</u>
		<u>-----</u>	<u>-----</u>
		<u>676,232</u>	<u>677,713</u>
		<u>=====</u>	<u>=====</u>

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

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
(a) By type of deposit		
Savings deposits		
<i>Wadiah</i>	4,410,537	4,138,519
Demand deposits		
<i>Wadiah</i>	10,644,574	11,297,399
Term Deposit	34,284,831	30,331,784
Special Investment Deposit <i>Mudharabah</i>	6,252	6,182
General Investment Deposit <i>Mudharabah</i>	287,013	322,388
Term Deposit-i <i>Tawarruq</i>	30,309,186	26,442,155
Negotiable Islamic Debt Certificates ("NIDC")	3,682,380	3,561,059
Others	93,604	102,894
Total Deposits	49,433,546	45,870,596
(b) Maturity structure of term deposits are as follows:		
Due within six months	15,986,833	18,287,237
More than six months to one year	9,685,300	8,734,219
More than one year to three years	6,484,593	1,618,691
More than three years to five years	2,128,105	1,691,637
	34,284,831	30,331,784
(c) By type of customer		
Domestic non-bank financial institutions	11,923,695	13,741,161
Business enterprises	16,725,704	12,406,686
Government and statutory bodies	12,049,184	8,847,454
Individuals	5,199,550	4,810,541
Domestic banking institutions	1,634,224	3,395,740
Others	1,901,189	2,669,014
	49,433,546	45,870,596

BIMB Holdings Berhad (423858-X)
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21. Investment accounts of customers

(a) By type and Shariah contract

	Group	
	31.12.2018	31.12.2017
Note	RM'000	RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	2,594,846	1,994,491
With maturity		
<i>Wakalah</i>	2,442,807	1,974,853
	5,037,653	3,969,344
Restricted investment accounts ("RA") managed by Bank Islam[^]		
With maturity		
<i>Wakalah</i>	78,717	124,384

[^] 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 RM78,285,000 (2017: RM123,962,000).

(b) By type of customers

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Individuals	2,674,428	2,212,239
Government and statutory bodies	767,996	400,709
Business enterprises	507,160	474,464
Non-bank financial institutions	1,036,107	786,457
International Islamic Bank	2,400	-
Others	49,562	95,475
	5,037,653	3,969,344

BIMB Holdings Berhad (423858-X)
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21. Investment accounts of customers (continued)

(c) Movement of investment accounts of customers

Group	Unrestricted investment accounts			Restricted investment
	Mudharabah RM'000	Wakalah RM'000	Total RM'000	Wakalah RM'000
As at 1 January 2017	1,516,844	2,057,027	3,573,871	141,343
<i>Funding inflows/outflows:</i>				
Net movement	475,709	-	475,709	-
New placement	-	3,550,293	3,550,293	19,939
Redemption/Principal repayment	-	(3,727,155)	(3,727,155)	(46,150)
Income from investment	94,386	139,112	233,498	11,847
<i>Bank Islam's share of profit:</i>				
Profit distributed to Mudharib	(92,448)	-	(92,448)	-
Wakalah performance incentive fee	-	(44,424)	(44,424)	(2,595)
As at 31 December 2017/ 1 January 2018	1,994,491	1,974,853	3,969,344	124,384
<i>Funding inflows/outflows:</i>				
Net movement	594,825	-	594,825	-
New placement	-	1,089,909	1,089,909	6,000
Redemption/Principal repayment	-	(696,338)	(696,338)	(60,080)
Income from investment	122,521	112,315	234,836	8,898
<i>Bank Islam's share of profit:</i>				
Profit distributed to Mudharib	(116,991)	-	(116,991)	-
Wakalah performance incentive fee	-	(37,932)	(37,932)	(485)
As at 31 December 2018	2,594,846	2,442,807	5,037,653	78,717
<i>Investment portfolio:</i>				
2017				
House financing	1,994,491	987,692	2,982,183	-
Personal financing	-	987,161	987,161	-
Other term financing	-	-	-	124,384
	1,994,491	1,974,853	3,969,344	124,384
2018				
House financing	2,594,846	1,221,678	3,816,524	-
Personal financing	-	1,221,129	1,221,129	-
Other term financing	-	-	-	78,717
	2,594,846	2,442,807	5,037,653	78,717

BIMB Holdings Berhad (423858-X)
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21. Investment accounts of customers (continued)

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

	Investment account holders			Bank Islam's wakalah performance incentive fee (%)
	Total Amount RM'000	Average profit sharing ratio (%)	Average rate of return (%)	
2018				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
- <i>Mudharabah</i>	2,594,846	2	0.24	-
- <i>Wakalah</i>	973,533	-	3.81	1.45
	<u>3,568,379</u>			
<i>Between 3 to 12 months</i>				
- <i>Wakalah</i>	1,469,274	-	3.72	1.72
	<u>5,037,653</u>			
	=====			
Restricted investment accounts:				
<i>Less than 2 years</i>	87	-	6.30	0.30
<i>Between 2 to 5 years</i>	78,630	-	1.85	0.46
	<u>78,717</u>			
	=====			
2017				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
- <i>Mudharabah</i>	1,994,491	2	0.11	-
- <i>Wakalah</i>	938,830	-	3.69	1.45
	<u>2,933,321</u>			
<i>Between 3 to 12 months</i>				
- <i>Wakalah</i>	1,036,023	-	3.72	1.42
	<u>3,969,344</u>			
	=====			
Restricted investment accounts:				
<i>Less than 2 years</i>	10,000	-	6.30	0.30
<i>Between 2 to 5 years</i>	114,384	-	3.52	1.88
	<u>124,384</u>			
	=====			

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22. Recourse obligations on financing sold to Cagamas

Recourse obligations on financing sold to Cagamas represents house financing accounts that were sold to Cagamas with recourse. Under the agreement, Bank Islam ("the Bank") undertakes 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 Note 17.

23. Other liabilities

	31.12.2018	31.12.2017
	RM'000	RM'000
Group		
Accruals and other payables	990,770	990,277
Clients' and dealers' credit balances	32,089	47,048
Dividend payable	262,503	229,284
	1,285,362	1,266,609
	=====	=====
Company		
Accruals and other payables	3,200	3,244
Amount due to subsidiaries	22	70
Dividend payable	262,503	229,284
	265,725	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

	Note	Group	
		31.12.2018 RM'000	31.12.2017 RM'000
Takaful contract liabilities	24(a)	7,072,782	6,658,675
Expense reserves	24(b)	251,806	196,655
Takaful payables	24(c)	114,267	106,983
		7,438,855	6,962,313
		=====	=====

(a) Takaful contract liabilities

The takaful contract liabilities comprise the following:

	Note	Group	
		31.12.2018 RM'000	31.12.2017 RM'000
Provision for outstanding claims	24(a)(i)	633,725	545,134
Provision for unearned contributions	24(a)(ii)	376,971	341,975
Participants' fund	24(a)(iii)	6,062,086	5,771,566
		7,072,782	6,658,675
		=====	=====

(i) Provision for outstanding claims

The provision for outstanding claims is further analysed as follows:

Group	31.12.2018		
	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by participants	294,655	(169,865)	124,790
Provision for IBNR*	339,070	(126,669)	212,401
Provision for outstanding claims	633,725	(296,534)	337,191
	=====	=====	=====
		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)

	Gross RM'000	31.12.2017 Retakaful RM'000	Net RM'000
Group			
Provision for claims reported by participants	253,121	(143,907)	109,214
Provision for IBNR*	292,013	(110,897)	181,116
	<hr/>	<hr/>	<hr/>
Provision for outstanding claims	545,134	(254,804)	290,330
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		Note 19	

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

Movement of provision for outstanding claims:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 1 January 2017	582,184	(261,426)	320,758
Claims incurred during the year	1,011,841	(160,964)	850,877
Adjustment to claims incurred in prior accident years	(10,176)	2,108	(8,068)
Claims paid during the year	(1,005,307)	163,996	(841,311)
(Decrease)/Increase in IBNR	(30,969)	323	(30,646)
Disposal of subsidiary	(1,729)	861	(868)
Effect of movement in exchange rates	(710)	298	(412)
	<hr/>	<hr/>	<hr/>
At 31 December 2017/ 1 January 2018	545,134	(254,804)	290,330
Claims incurred during the year	1,149,261	(182,935)	966,326
Adjustment to claims incurred in prior accident years	4,953	(3,287)	1,666
Claims paid during the year	(1,112,580)	160,215	(952,365)
Increase/(Decrease) in IBNR	47,085	(15,806)	31,279
Acquisition of general takaful business	39	-	39
Effect of movement in exchange rates	(167)	83	(84)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	633,725	(296,534)	337,191
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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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:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
31.12.2018	376,971 =====	(76,884) =====	300,087 =====
		Note 19	
31.12.2017	341,975 =====	(71,308) =====	270,667 =====
		Note 19	

Movement of provision for unearned contributions:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 1 January 2017	316,569	(62,969)	253,600
Contributions written during the year	587,344	(250,490)	336,854
Contributions earned during the year	(554,244)	241,398	(312,846)
Disposal of subsidiary	(6,886)	603	(6,283)
Effect of movement in exchange rates	(808)	150	(658)
	-----	-----	-----
At 31 December 2017/ 1 January 2018	341,975	(71,308)	270,667
Contributions written during the year	709,334	(267,964)	441,370
Contributions earned during the year	(685,807)	262,388	(423,419)
Acquisition of general takaful business	11,469	-	11,469
	-----	-----	-----
At 31 December 2018	376,971 =====	(76,884) =====	300,087 =====

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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:

	Gross	Group	Net
	RM'000	Retakaful	RM'000
31.12.2018			
Actuarial liabilities	5,020,886	(163,719)	4,857,167
Unallocated surplus/accumulated surplus	822,801	-	822,801
Fair value reserve	29,778	-	29,778
Net assets value attributable to unitholders	188,621	-	188,621
	<u>6,062,086</u>	<u>(163,719)</u>	<u>5,898,367</u>
	=====	=====	=====
		Note 19	
31.12.2017			
Actuarial liabilities	4,755,894	(179,484)	4,576,410
Unallocated surplus/accumulated surplus	962,329	-	962,329
AFS reserve	(27,468)	-	(27,468)
Translation reserve	(1,565)	-	(1,565)
Net assets value attributable to unitholders	82,376	-	82,376
	<u>5,771,566</u>	<u>(179,484)</u>	<u>5,592,082</u>
	=====	=====	=====
		Note 19	

(b) Expense reserves

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
At 1 January 2018/2017	196,655	159,310
Provision for the year, net	52,260	37,897
Acquisition of general takaful business	3,077	-
Effect of movement in exchange rates	(186)	(552)
	<u>251,806</u>	<u>196,655</u>
	=====	=====

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24. Takaful liabilities (continued)

(c) Takaful payables

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Due to retakaful companies	91,806	86,409
Due to Intermediaries/Participants	22,461	20,574
	<u>114,267</u>	<u>106,983</u>
	=====	=====

25. Sukuk liabilities

		Group		Company	
	Note	31.12.2018	31.12.2017	31.12.2018	31.12.2017
		RM'000	RM'000	RM'000	RM'000
Sukuk liabilities	(a)	844,159	1,279,512	844,159	1,279,512
Subordinated Sukuk Murabahah	(b)	1,258,513	956,350	-	-
		<u>2,102,672</u>	<u>2,235,862</u>	<u>844,159</u>	<u>1,279,512</u>
		=====	=====	=====	=====

The Sukuk liabilities comprise the following:

- a) The 10-year Islamic securities of RM1.050 billion (2017: RM1.66 billion) in nominal value issued by the Company on 12 December 2013.

On 12 December 2018, the Company has made an early partial redemption of RM609,941,757.88 in nominal value of the Sukuk Murabahah, which is equivalent to a redemption at book value of RM500.0 million.

- b) Subordinated Sukuk Murabahah:

	Nominal value		First call	Maturity	Profit rate
	RM'000	Issue date	date*	date	(% p.a.)#
(i)	300,000	22 April 2015	22 April 2020	22 April 2025	5.75
(ii)	400,000	15 December 2015	15 December 2020	15 December 2025	5.50
(iii)	300,000	13 November 2017	12 December 2022	12 November 2027	5.08
(iv)	300,000	7 November 2018	7 December 2023	7 November 2028	5.15

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

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25. Sukuk liabilities (continued)

The Sukuk liabilities comprise the following: (continued)

b) Subordinated Sukuk Murabahah: (continued)

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

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

	At 1.1.2018 RM'000	Net changes from financing cash flows			Finance cost for the year RM'000	At 31.12.2018 RM'000
		(Redemption)/ Issuance	Finance cost paid	Total		
		RM'000	RM'000	RM'000		
Group Sukuk Liabilities	1,279,512	(500,000)	(24,900)	(524,900)	89,547	844,159
Sukuk Murabahah	956,350	300,000	(51,798)	248,202	53,961	1,258,513
	2,235,862	(200,000)	(76,698)	(276,698)	143,508	2,102,672

26. Other reserves

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Capital reserve	6,863	6,863
Warrant reserve	129,300	129,300
Statutory reserve	-	-
FVOCI/Fair value reserve	10,846	(10,956)
Translation reserve	(105,973)	(96,615)
Regulatory reserve	10,000	64,645
Long Term Incentive Plan (LTIP) reserve	9,949	7,285
	60,985	100,522
Acquisition reserve	(1,199,747)	(1,199,747)
	(1,138,762)	(1,099,225)

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26. Other reserves (continued)

Group	Capital reserve RM'000	Statutory reserve RM'000	Warrant reserve RM'000	FVOCI/ Fair value reserve RM'000	Translation reserve RM'000	Regulatory reserve RM'000	LTIP reserve RM'000	Total RM'000
At 1 January 2017	6,863	1,124,774	129,300	(42,601)	(138,991)	-	4,611	1,083,956
Foreign exchange translation differences	-	-	-	-	42,376	-	-	42,376
Fair value reserve:								
Net change in fair value	-	-	-	47,298	-	-	-	47,298
Net amount reclassified to profit or loss	-	-	-	(6,695)	-	-	-	(6,695)
Income tax effect relating to components of other comprehensive income	-	-	-	(8,958)	-	-	-	(8,958)
Transfer of reserve fund to retained earnings	-	(1,124,774)	-	-	-	-	-	(1,124,774)
Transfer of retained earnings to regulatory reserve	-	-	-	-	-	64,645	-	64,645
Share-based payment transactions	-	-	-	-	-	-	4,376	4,376
LTIP exercised	-	-	-	-	-	-	(1,702)	(1,702)
At 31 December 2017	6,863	-	129,300	(10,956)	(96,615)	64,645	7,285	100,522
At 1 January 2018	6,863	-	129,300	(10,956)	(96,615)	64,645	7,285	100,522
- Adjustment on adoption of MFRS 9	-	-	-	8,412	-	-	-	8,412
At 1 January 2018, restated	6,863	-	129,300	(2,544)	(96,615)	64,645	7,285	108,934
Foreign exchange translation differences	-	-	-	-	(9,358)	-	-	(9,358)
Fair value reserve:								
Net change in fair value	-	-	-	44,635	-	-	-	44,635
Net amount reclassified to profit or loss	-	-	-	(27,612)	-	-	-	(27,612)
Income tax effect relating to components of other comprehensive income	-	-	-	(3,633)	-	-	-	(3,633)
Transfer from regulatory reserve to retained earnings	-	-	-	-	-	(54,645)	-	(54,645)
Share-based payment transactions	-	-	-	-	-	-	6,231	6,231
LTIP exercised	-	-	-	-	-	-	(3,567)	(3,567)
At 31 December 2018	6,863	-	129,300	10,846	(105,973)	10,000	9,949	60,985

BIMB Holdings Berhad (423858-X)
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27. Income derived from investment of depositors' funds

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	4,596	5,111	19,074	22,296
(ii) Term deposit-i	444,350	342,832	1,596,723	1,370,064
(iii) Saving and demand deposits	195,758	186,307	790,472	739,255
(iv) Other deposits	40,602	40,389	195,556	192,572
	685,306	574,639	2,601,825	2,324,187
	=====	=====	=====	=====

BIMB Holdings Berhad (423858-X)
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27. Income derived from investment of depositors' funds (continued)

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

Group	Quarter 3 months ended		Year-to-date 12 months ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Finance income and hibah				
Financing, advances and others	4,020	4,593	16,802	19,305
Financial assets:				
- At FVTPL	21	-	110	-
- At FVOCI	382	-	1,473	-
- Other financial assets at amortised cost	2	-	4	-
- Held-for-trading	-	25	-	142
- Available-for-sale	-	387	-	2,136
- Held-to-maturity	-	2	-	60
Money at call and deposit with financial institutions	139	84	473	296
	<u>4,564</u>	<u>5,091</u>	<u>18,862</u>	<u>21,939</u>
Other dealing income				
Net (loss)/gain from sale of financial assets at FVTPL	(2)	-	30	-
Net (loss)/gain on revaluation of financial assets at FVTPL	(5)	-	3	-
Net loss from sale of financial assets held-for-trading	-	(3)	-	(10)
Net gain on revaluation of financial assets held-for-trading	-	11	-	46
	<u>(7)</u>	<u>8</u>	<u>33</u>	<u>36</u>
Other operating income				
Net gain from sale of financial assets at FVOCI	39	-	179	-
Net gain from sale of financial assets available-for-sale	-	12	-	51
Net gain from sale of financial assets held-to-maturity	-	-	-	270
	<u>39</u>	<u>12</u>	<u>179</u>	<u>321</u>
	<u>4,596</u>	<u>5,111</u>	<u>19,074</u>	<u>22,296</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	49	57	240	322

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

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

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	12 months ended	12 months ended
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	384,051	305,069	1,390,942	1,170,411
Financial assets:				
- At FVTPL	2,161	-	9,977	-
- At FVOCI	41,023	-	136,410	-
- Other financial assets at amortised cost	204	-	368	-
- Held-for-trading	-	1,939	-	9,643
- Available-for-sale	-	28,901	-	144,803
- Held-to-maturity	-	161	-	4,085
Money at call and deposit with financial institutions	13,543	5,461	38,924	16,156
	440,982	341,531	1,576,621	1,345,098
Other dealing income				
Net (loss)/gain from sale of financial assets at FVTPL	(144)	-	2,799	-
Net (loss)/gain on revaluation of financial assets at FVTPL	(536)	-	94	-
Net loss from sale of financial assets held-for-trading	-	(283)	-	(442)
Net gain on revaluation of financial assets held-for-trading	-	730	-	3,084
	(680)	447	2,893	2,642
Other operating income				
Net gain from sale of financial assets at FVOCI	4,048	-	17,209	-
Net gain from sale of financial assets available-for-sale	-	854	-	3,480
Net gain from sale of financial assets held-to-maturity	-	-	-	18,844
	4,048	854	17,209	22,324
	444,350	342,832	1,596,723	1,370,064
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	5,316	4,233	21,904	18,818

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

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

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	12 months ended	12 months ended
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	169,233	165,778	688,992	630,634
Financial assets:				
- At FVTPL	963	-	4,984	-
- At FVOCI	18,062	-	67,395	-
- Other financial assets at amortised cost	88	-	175	-
- Held-for-trading	-	1,054	-	5,192
- Available-for-sale	-	15,701	-	78,063
- Held-to-maturity	-	90	-	2,202
Money at call and deposit with financial institutions	5,925	2,972	19,142	10,077
	<u>194,271</u>	<u>185,595</u>	<u>780,688</u>	<u>726,168</u>
	-----	-----	-----	-----
Other dealing income				
Net (loss)/gain from sale of financial assets at FVTPL	(75)	-	1,394	-
Net (loss)/gain on revaluation of financial assets at FVTPL	(237)	-	114	-
Net loss from sale of financial assets held-for-trading	-	(156)	-	(275)
Net gain on revaluation of financial assets held-for-trading	-	412	-	1,649
	<u>(312)</u>	<u>256</u>	<u>1,508</u>	<u>1,374</u>
	-----	-----	-----	-----
Other operating income				
Net gain from sale of financial assets at FVOCI	1,799	-	8,276	-
Net gain from sale of financial assets available-for-sale	-	456	-	1,866
Net gain from sale of financial assets held-to-maturity	-	-	-	9,847
	<u>1,799</u>	<u>456</u>	<u>8,276</u>	<u>11,713</u>
	-----	-----	-----	-----
	<u>195,758</u>	<u>186,307</u>	<u>790,472</u>	<u>739,255</u>
	=====	=====	=====	=====
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	2,344	2,300	10,924	10,288
	=====	=====	=====	=====

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

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

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	12 months ended	12 months ended
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	35,136	35,911	170,760	164,014
Financial assets:				
- At FVTPL	210	-	1,247	-
- At FVOCI	3,740	-	16,620	-
- Other financial assets at amortised cost	16	-	38	-
- Held-for-trading	-	233	-	1,371
- Available-for-sale	-	3,390	-	20,574
- Held-to-maturity	-	23	-	578
Money at call and deposit with financial institutions	1,186	656	4,806	2,560
	40,288	40,213	193,471	189,097
Other dealing income				
Net (loss)/gain from sale of financial assets at FVTPL	(27)	-	312	-
Net loss on revaluation of financial assets at FVTPL	(48)	-	(7)	-
Net loss from sale of financial assets held-for-trading	-	(35)	-	(38)
Net gain on revaluation of financial assets held-for-trading	-	123	-	435
	(75)	88	305	397
Other operating income				
Net gain from sale of financial assets at FVOCI	389	-	1,780	-
Net gain from sale of financial assets available-for-sale	-	88	-	488
Net gain from sale of financial assets held-to-maturity	-	-	-	2,590
	389	88	1,780	3,078
	40,602	40,389	195,556	192,572
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	471	495	2,736	2,738

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28. Income derived from investment account funds

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	32,696	25,517	122,522	94,386
- <i>Wakalah</i>	33,514	34,657	120,301	142,806
	<u>66,210</u>	<u>60,174</u>	<u>242,823</u>	<u>237,192</u>
	=====	=====	=====	=====

29. Income derived from investment of shareholders' funds

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	1,882	1,898	7,345	6,951
Financial assets at FVOCI	50,724	-	184,280	-
Financial assets available-for-sale	-	44,297	-	147,372
Money at call and deposits with financial institutions	4,115	3,258	16,737	11,391
	<u>56,721</u>	<u>49,453</u>	<u>208,362</u>	<u>165,714</u>
	-----	-----	-----	-----
Other dealing income				
Net gain from foreign exchange transactions	9,225	16,986	54,716	66,396
Net gain from sale of financial assets at FVTPL	-	-	362	-
Net gain/(loss) on revaluation of financial assets at FVTPL	104	-	(207)	-
Net (loss)/gain from sale of financial assets held-for-trading	-	(7)	-	532
Net gain/(loss) on revaluation of financial assets held-for-trading	-	116	-	(66)
Net derivatives gain/(loss)	4	342	52	(779)
	<u>9,333</u>	<u>17,437</u>	<u>54,923</u>	<u>66,083</u>
	-----	-----	-----	-----

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29. Income derived from investment of shareholders' funds (continued)

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Other operating income				
Net gain from sale of financial assets available-for-sale	-	-	-	272
Gross dividend income:				
- Quoted in Malaysia	-	4	17	47
- Unit trust in Malaysia	1,966	2,096	7,232	7,680
Fees and commission	48,958	60,012	205,097	195,857
Net (loss)/gain on disposal of property and equipment	(2)	(3)	372	(71)
Rental income	338	377	1,302	1,445
Others	99	164	205	402
	<u>51,359</u>	<u>62,650</u>	<u>214,225</u>	<u>205,632</u>
	-----	-----	-----	-----
	<u>117,413</u>	<u>129,540</u>	<u>477,510</u>	<u>437,429</u>
	=====	=====	=====	=====

Company	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Money at call and deposits with financial institutions	3,296	2,488	13,447	8,294
	<u>3,296</u>	<u>2,488</u>	<u>13,447</u>	<u>8,294</u>
	-----	-----	-----	-----
Other dealing income				
Net gain on revaluation of financial assets at FVTPL	101	-	129	-
	<u>101</u>	<u>-</u>	<u>129</u>	<u>-</u>
	-----	-----	-----	-----
Other operating income				
Gross dividend income:				
- Unit trust in Malaysia	998	1,234	5,151	5,080
Gross dividend income from subsidiary companies	-	-	366,783	325,463
Others	7	-	11	6
	<u>1,005</u>	<u>1,234</u>	<u>371,945</u>	<u>330,549</u>
	-----	-----	-----	-----
	<u>4,402</u>	<u>3,722</u>	<u>385,521</u>	<u>338,843</u>
	=====	=====	=====	=====

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30. Net income from Takaful business

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Net earned contributions				
Gross earned contributions	661,865	457,104	2,287,009	1,814,765
Contribution ceded to retakaful	(103,993)	(85,884)	(352,796)	(297,576)
	557,872	371,220	1,934,213	1,517,189
Other income				
Administration income	14,487	24,638	74,942	80,865
Investment income	80,004	76,401	306,429	291,746
Realised gains and losses	77	(1,831)	2,369	23,135
Fair value gains and losses	(31,446)	7,314	(80,802)	(8,708)
Other operating income	6,703	(739)	8,487	4,047
	69,825	105,783	311,425	391,085
Net benefits and claims				
Gross benefits and claims paid	(293,623)	(263,763)	(1,112,557)	(1,003,654)
Claims ceded to retakaful	39,357	74,071	160,215	163,996
Gross change to contract liabilities	6,292	47,333	(88,719)	34,611
Change to contract liabilities ceded to takaful	(13,070)	(31,833)	41,813	(5,463)
	(261,044)	(174,192)	(999,248)	(810,510)
Expense reserves	408	(6,339)	(52,260)	(37,897)
Income from takaful business	367,061	296,472	1,194,130	1,059,867
Profits attributable to participants/ takaful operator	(114,888)	(115,172)	(314,296)	(339,672)
Net income from takaful business	252,173	181,300	879,834	720,195

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31. Net allowance for impairment on financing and advances

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Net allowance for impaired financing, advances and others				
- collective assessment allowance, net	42,981	(29,295)	127,601	34,706
- individual assessment allowance	982	54,713	58,801	71,735
Bad debts and financing recovered	(24,534)	(30,836)	(104,948)	(122,054)
	19,429	(5,418)	81,454	(15,613)
	=====	=====	=====	=====

32. Income attributable to depositors

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah Fund	2,374	2,660	9,730	11,445
- Non-Mudharabah Fund	332,661	270,239	1,226,749	1,079,642
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah Fund	-	1,022	409	3,346
Recourse obligations on financing sold to Cagamas	17,812	-	42,750	-
	352,847	273,921	1,279,638	1,094,433
	=====	=====	=====	=====

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33. Income attributable to investment account holders

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts				
- <i>Mudharabah</i>	1,367	563	5,530	1,938
- <i>Wakalah</i>	20,219	21,866	73,937	93,509
	21,586	22,429	79,467	95,447
	=====	=====	=====	=====

34. Personnel expenses

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	159,410	140,488	606,157	561,442
Employees' Provident Fund	18,606	17,461	76,120	72,096
Chief Executive Officer, Directors and Shariah Supervisory Council Members' remuneration	16,033	18,472	23,507	25,556
Others	17,021	24,368	59,958	70,677
	211,070	200,789	765,742	729,771
	=====	=====	=====	=====
Company				
Salaries and wages	1,242	1,362	5,755	5,706
Employees' Provident Fund	142	169	612	653
Chief Executive Officer, Directors and Shariah Supervisory Council Members' remuneration	884	829	2,327	2,299
Others	207	146	677	619
	2,475	2,506	9,371	9,277
	=====	=====	=====	=====

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35. Other overhead expenses

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	12 months ended	12 months ended
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Advertisement and publicity	33,246	15,422	125,311	85,825
Credit and debit card expenses	7,269	9,246	30,802	31,114
Commission	47,027	34,641	186,624	135,477
	87,542	59,309	342,737	252,416
<i>Establishment</i>				
Depreciation of property and equipment	16,101	14,989	61,560	66,895
Depreciation of investment property	(106)	(103)	113	119
Information technology expenses	16,419	17,700	50,915	59,614
Office rental	12,614	14,154	55,832	58,157
Office maintenance	10,061	8,154	30,119	24,121
Utilities	6,223	5,318	21,395	20,435
Security services	2,354	4,136	10,082	16,395
Rental equipment	3,588	2,096	8,397	6,092
Takaful and insurance	400	2,338	1,324	5,808
Others	215	216	1,146	1,121
	67,869	68,998	240,883	258,757

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35. Other overhead expenses (continued)

Group	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
<i>General expenses</i>				
Professional fees	16,796	15,530	52,262	44,588
Indirect tax expenses	400	6,448	11,848	23,318
Outsourcing fees				
- Management of self-service terminal	4,295	4,008	12,608	12,128
- Credit recovery	533	762	1,991	2,516
- Others	649	(508)	3,100	4,169
Travelling & transport	2,629	4,075	9,847	12,705
Office supplies	3,026	3,131	10,212	11,371
Agency related expenses	6,106	4,201	13,642	10,754
Licenses	2,958	4,014	8,246	9,500
Bank and service charges	1,610	2,720	6,984	7,615
Security services for cash in transit	1,850	1,888	6,523	6,419
Postage and delivery charges	1,908	986	6,418	4,979
Subscription fees	886	1,082	3,990	4,210
Auditors' remuneration				
- Statutory audit fees	503	(8)	2,047	1,781
- Others	1,581	647	1,582	1,051
Mobile banking expenses	242	659	1,602	1,359
Processing charges	511	289	980	655
Property and equipment written off	59	11	332	56
Others	6,188	25,132	31,552	64,824
	52,730	75,067	185,766	223,998
	208,141	203,374	769,386	735,171

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35. Other overhead expenses (continued)

Company	Quarter		Year-to-date	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Advertisement and publicity	270	283	457	646
	270	283	457	646
<i>Establishment</i>				
Office rental	265	265	1,087	1,031
Depreciation of property and equipment	22	58	166	296
Information technology expenses	38	77	140	144
Rental equipment	23	22	91	97
Office maintenance	16	2	24	25
Utilities	9	8	28	28
Takaful and insurance	37	29	112	113
	410	461	1,648	1,734
<i>General expenses</i>				
Auditors' remuneration	51	64	177	191
Professional fees	190	590	334	1,012
Office supplies	13	20	51	78
Travelling & transport	10	14	51	38
Subscription fees	1	3	8	5
Others	331	262	1,961	1,616
	596	953	2,582	2,940
	1,276	1,697	4,687	5,320

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 31 December 2018	Banking	Takaful	Others	Elimination	Consolidated
<i>Business segments</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Segment result					
Revenue from external customers	865,446	252,173	3,489	-	1,121,108
Inter-segment revenue	8,228	6,353	3,782	(18,363)	-
Total revenue	873,674	258,526	7,271	(18,363)	1,121,108
Net income from operations (before allowance for impairment on financing and other assets)	492,376	258,526	7,271	(11,498)	746,675
Operating overheads	(272,284)	(154,919)	(7,351)	10,805	(423,749)
Operating results	220,092	103,607	(80)	(693)	322,926
Allowance for impairment	(19,475)	-	-	-	(19,475)
Finance cost	(16,076)	-	(29,869)	693	(45,252)
Profit before zakat and taxation	184,541	103,607	(29,949)	-	258,199

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36. Operating segment information (continued)

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

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36. Operating segment information (continued)

Year-to-date 12 months ended 31 December 2018	Banking RM'000	Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
<i>Business segments</i>					
Segment result					
Revenue from external customers	3,305,111	879,834	17,532	-	4,202,477
Inter-segment revenue	31,391	22,447	382,181	(436,019)	-
Total revenue	3,336,502	902,281	399,713	(436,019)	4,202,477
Net income from operations (before allowance for impairment on financing and other assets)	1,952,668	902,281	399,713	(411,290)	2,843,372
Operating overheads	(1,004,288)	(561,997)	(28,470)	41,757	(1,552,998)
Operating results	948,380	340,284	371,243	(369,533)	1,290,374
Allowance for impairment	(81,411)	-	-	-	(81,411)
Finance cost	(56,711)	-	(89,547)	2,750	(143,508)
Profit before zakat and taxation	810,258	340,284	281,696	(366,783)	1,065,455
Segment assets	63,938,733	8,855,642	5,607,601	(6,013,435)	72,388,541
Segment liabilities	58,662,326	7,864,622	1,143,844	(776,973)	66,893,819

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36. Operating segment information (continued)

Year-to-date 12 months ended 31 December 2017	Banking	Takaful	Others	Elimination	Consolidated
<i>Business segments</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Segment result					
Revenue from external customers	2,982,331	720,195	19,072	-	3,721,598
Inter-segment revenue	25,850	16,136	335,921	(377,907)	-
Total revenue	3,008,181	736,331	354,993	(377,907)	3,721,598
Net income from operations (before allowance for impairment on financing and other assets)	1,799,844	736,331	354,993	(359,450)	2,531,718
Operating overheads	(1,006,865)	(479,950)	(27,785)	31,237	(1,483,363)
Operating results	792,979	256,381	327,208	(328,213)	1,048,355
Allowance for impairment	15,370	-	-	-	15,370
Finance cost	(41,296)	-	(76,849)	2,750	(115,395)
Profit before zakat and taxation	767,053	256,381	250,359	(325,463)	948,330
Segment assets	57,742,914	8,122,540	5,802,249	(5,883,069)	65,784,634
Segment liabilities	52,783,210	7,310,309	1,562,078	(789,316)	60,866,281

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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 financial year ended 31 December 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

31.12.2018 RM'000 Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying Amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Financial assets										
Financial assets at FVTPL	514,360	887,863	380	1,402,603	-	-	-	-	1,402,603	1,402,603
Derivative financial assets	-	34,148	-	34,148	-	-	-	-	34,148	34,148
Financial assets at FVOCI	12,446	15,332,974	341,697	15,687,117	-	-	-	-	15,687,117	15,687,117
Financing, advances and others	-	-	-	-	-	-	46,594,025	46,594,025	46,594,025	45,680,680
Total assets	526,806	16,254,985	342,077	17,123,868	-	-	46,594,025	46,594,025	63,717,893	62,804,548
Financial liabilities										
Derivative financial liabilities	-	19,520	-	19,520	-	-	-	-	19,520	19,520
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	1,517,235	1,517,235	1,517,235	1,501,187
Sukuk liabilities	-	-	-	-	-	-	2,155,573	2,155,573	2,155,573	2,102,672
Total liabilities	-	19,520	-	19,520	-	-	3,672,808	3,672,808	3,692,328	3,623,379
31.12.2018 Company										
Financial assets										
Financial assets at FVTPL	6,623	-	-	6,623	-	-	-	-	6,623	6,623
Total assets	6,623	-	-	6,623	-	-	-	-	6,623	6,623
Financial liabilities										
Sukuk liabilities	-	-	-	-	-	-	844,159	844,159	844,159	844,159
Total liabilities	-	-	-	-	-	-	844,159	844,159	844,159	844,159

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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		
Financial assets										
Financial assets held-for-trading	194,644	412,787	-	607,431	-	-	-	-	607,431	607,431
Derivative financial assets	-	68,319	-	68,319	-	-	-	-	68,319	68,319
Financial assets available-for-sale	531,204	12,709,502	251,051	13,491,757	-	-	5,300	5,300	13,497,057	13,497,437
Financial assets held-to-maturity	-	-	-	-	86,379	437,715	-	524,094	524,094	516,524
Financing, advances and others	-	-	-	-	-	-	42,299,796	42,299,796	42,299,796	42,113,420
Total assets	725,848	13,190,608	251,051	14,167,507	86,379	437,715	42,305,096	42,829,190	56,996,697	56,803,131
Financial liabilities										
Derivative financial liabilities	-	74,668	-	74,668	-	-	-	-	74,668	74,668
Sukuk liabilities	-	-	-	-	-	-	2,280,126	2,280,126	2,280,126	2,235,862
Total liabilities	-	74,668	-	74,668	-	-	2,280,126	2,280,126	2,354,794	2,310,530
31.12.2017 Company										
Financial assets										
Financial assets available-for-sale	174,546	-	-	174,546	-	-	-	-	174,546	174,546
Total assets	174,546	-	-	174,546	-	-	-	-	174,546	174,546
Financial liabilities										
Sukuk liabilities	-	-	-	-	-	-	1,279,512	1,279,512	1,279,512	1,279,512
Total liabilities	-	-	-	-	-	-	1,279,512	1,279,512	1,279,512	1,279,512

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39. Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2018 for the Group:

	Group RM'000
<i>Financial assets at FVOCI/available-for-sale</i>	
At 1 January 2017	160,112
Purchases	101,539
Maturities	(21,539)
Gains	10,939
	<hr/>
At 31 December 2017, as previously stated	251,051
Adjustment on adoption of MFRS 9 (net of tax)	22,260
	<hr/>
Adjusted balances at 1 January 2018	273,311
Purchases	50,000
Gains recognised in profit or loss	
- Investment income - realised	14,032
Gains recognised in other comprehensive income	
- Net change in fair value (unrealised)	4,354
	<hr/>
At 31 December 2018	341,697
	<hr/> <hr/>

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

(a) Financial instruments carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at FVOCI/available-for-sale	Valued at cost less impairment	Not applicable	Not applicable
Institutional trust account	Discounted cash flows using market profit rate for a similar instrument at the measurement date	4.58% (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 and Recourse obligations on financing sold to Cagamas

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	31.12.2018				
	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
Foreign exchange related contracts					
- forwards	1,371,471	130,193	624,715	616,563	-
- swaps	1,310,025	445,443	312,213	450,921	101,448
- spot	187,959	187,959	-	-	-
Total	2,869,455	763,595	936,928	1,067,484	101,448

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2018, the amount of contracts which were not hedged and, hence, exposed to market risk was RM425.81 million (31 December 2017: RM602.09 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. This amount will increase or decrease over the life of the contracts, maturity dates and rates or prices. As at 31 December 2018, the credit risk measured in terms of the cost to replace the profitable contracts was RM76.91 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:

As at 31.12.2018	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Credit-related Exposures				
Direct credit substitutes	487,980		487,980	488,189
Transaction related contingent items	1,015,198		507,599	471,867
Short term self-liquidating trade related contingencies	247,008		49,402	43,608
Other commitments, such as formal standby facilities and credit lines with original maturity of:				
- not exceeding one year	-		-	-
- exceeding one year	1,627,618		813,809	630,266
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	7,336,717		-	-
	10,714,521		1,858,790	1,633,930
Derivative Financial Instruments				
Foreign exchange related contracts				
- Less than one year	2,869,455	30,653	65,839	50,495
Profit rate related contracts				
- Less than one year	400,000	1,708	810	162
- One year to less than five years	-	-	-	-
- Five years and above	178,379	1,787	10,264	6,419
	3,447,834	34,148	76,913	57,076
	14,162,355	34,148	1,935,703	1,691,006

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41. Commitments and contingencies (continued)

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

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

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42. Capital adequacy

Total capital and capital adequacy ratios of Bank Islam ("the Bank") have been computed based on Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 2 February 2018 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 2 March 2017. The Bank is required to meet minimum Common Equity Tier I ("CET I"), Tier I and Total Capital adequacy ratios of 4.5%, 6.0% and 8.0% respectively in 2018. To ensure that banks build up adequate capital buffer outside period of stress, a Capital Conservation Buffer ("CCB") of 2.5% above the minimum capital adequacy was introduced by BNM. The CCB is maintained in the form of CET I capital at 1.875% on 1 January 2018 and increases by 0.625% to reach 2.5% on 1 January 2019.

As a result, the minimum regulatory capital adequacy ratios requirement for CET I capital ratio, Tier I capital ratio and Total Capital ratio are 6.375%, 7.875% and 9.875% respectively for year 2018 (2017: 5.750%, 7.250% and 9.250%). The Bank has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

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

	31.12.2018	31.12.2017
	%	%
Common Equity Tier I ("CET I") Capital Ratio	13.317	12.729
Total Tier I Capital Ratio	13.317	12.729
Total Capital Ratio	17.767	16.435

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

	31.12.2018	31.12.2017
	RM'000	RM'000
Paid-up share capital	3,012,368	2,869,498
Retained earnings	2,362,476	2,150,402
Other reserves	(98,437)	(60,196)
<u>Less:</u>		
Deferred tax assets	(51,385)	(37,288)
Gain on financial instruments classified as fair value through other comprehensive income	(1,446)	-
Regulatory reserve	(10,000)	(64,645)
Total CET I and Tier I Capital	5,213,576	4,857,771

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42. Capital adequacy (continued)

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

	31.12.2018	31.12.2017
	RM'000	RM'000
Sukuk Murabahah	1,300,000	1,000,000
Collective assessment allowance ^	441,938	414,193
	<hr/>	<hr/>
Total Tier II Capital	1,741,938	1,414,193
	<hr/>	<hr/>
Total Capital	6,955,514	6,271,964
	<hr/> <hr/>	<hr/> <hr/>

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

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

	31.12.2018	31.12.2017
	RM'000	RM'000
Credit risk	38,963,775	37,442,256
Less: Credit risk absorbed by unrestricted investment accounts	(3,608,741)	(3,034,004)
	<hr/>	<hr/>
Market risk	422,763	602,089
Operational risk	3,370,712	3,152,951
	<hr/>	<hr/>
	39,148,509	38,163,292
	<hr/> <hr/>	<hr/> <hr/>

BIMB Holdings Berhad (423858-X)
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Explanatory notes pursuant to Appendix 9B of the listing requirements of Bursa Malaysia Securities Berhad

B1. Performance review for the financial year ended 31 December 2018

	Individual Period		Variance		Cumulative Period		Variance	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To-date	Preceding Year Corresponding Period		
	31.12.2018	31.12.2017	Amount	%	31.12.2018	31.12.2017	Amount	%
RM'000								
Revenue	1,121,108	946,035	175,073	18.51	4,202,477	3,721,598	480,879	12.92
Operating Profit	322,926	241,334	81,592	33.81	1,290,374	1,048,355	242,019	23.09
Profit Before Zakat and Taxation	258,199	216,076	42,123	19.49	1,065,455	948,330	117,125	12.35
Profit After Zakat and Taxation	198,071	173,361	24,710	14.25	801,421	703,630	97,791	13.90
Profit Attributable to Equity Holders of the Parent	161,385	149,635	11,750	7.85	682,055	619,838	62,217	10.04

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

BIMB Holdings Berhad (423858-X)
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B1. Performance review for the financial year ended 31 December 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 financial year ended 31 December 2018 of RM1,065.5 million, representing an increase of 12.4% or RM117.1 million as compared to the corresponding period in 2017 of RM948.3 million.

At the operating profit level, the Group's operating profit of RM1,290.4 million was higher by RM242.0 million or 23.1% compared to the corresponding period in 2017 of RM1,048.4 million.

The net profit attributable to shareholders increased by 10.0% or RM62.2 million to RM682.1 million as compared to the corresponding period in 2017 of RM619.8 million.

BHB registered a Return on Equity ("ROE") of 15.4% (after tax and zakat). Consequently, net assets per share has also improved to RM2.97 as at 31 December 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 financial year ended 31 December 2018, Bank Islam achieved a PBZT of RM810.3 million, an increase of RM43.2 million or 5.6% over the PBZT of the previous financial year of RM767.1 million. The increase in PBZT was mainly due to higher total income.

The Bank's total income for the financial year ended 31 December 2018 was higher by RM328.3 million compared to the previous financial year, mainly due to higher fund based income of RM335.5 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 was also attributed to the year-on-year growth in net financing assets of RM3.6 billion or 8.5% to reach RM45.7 billion as at end December 2018 from RM42.1 billion as at end December 2017. The increase in total income was partly offset with lower non-fund based income by RM7.2 million for the financial year ended 31 December 2018 compared to the previous financial year.

The increase in total income was also partly offset with higher income attributable to depositors and investment account holders ("IATD") by RM175.5 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.

BIMB Holdings Berhad (423858-X)
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B1. Performance review for the financial year ended 31 December 2018
(continued)

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

Bank Islam Malaysia Berhad (continued)

Total overheads were lower by RM2.6 million or 0.3% over the previous financial year mainly due to lower establishment expenses.

Meanwhile, the increase in finance cost by RM15.4 million or 37.3% over the previous financial year was mainly due to two new issuance of Subordinated Sukuk Murabahah amounted to RM300 million each on 13 November 2017 and 7 November 2018 respectively.

For the financial year ended 31 December 2018, the Bank recorded net allowance charged for impairment on financing and advances of RM81.5 million compared to RM15.6 million recovered in the previous financial year. The increase in net allowance charged was mainly contributed by higher net allowance charged for impairment on financing of RM80.0 million and lower bad debts recovered by RM17.1 million.

The Bank's total assets stood at RM63.9 billion as at 31 December 2018, a year-on-year increase by RM6.2 billion or 10.7% from RM57.7 billion reported as at 31 December 2017 which was mainly contributed by the increase in net financing and investment in securities by RM3.6 billion and RM2.1 billion respectively.

As at end of December 2018, customer deposits and investment accounts stood at RM55.1 billion with a year-on-year increase by RM4.6 billion or 9.2%.

Total gross impaired financing as at 31 December 2018 was RM425.9 million compared to RM398.3 million as at 31 December 2017.

Syarikat Takaful Malaysia Keluarga Berhad

For the financial year ended 31 December 2018, Takaful Malaysia recorded PBZT of RM337.0 million, increased by 32.9% as compared to RM253.7 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 RM2,639.1 million for the financial year ended 31 December 2018, an increase of 23.4% or RM499.9 million as compared to the same period last year. The increase was mainly attributable to higher sales generated by both Family Takaful and General Takaful business.

BIMB Holdings Berhad (423858-X)
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B1. Performance review for the financial year ended 31 December 2018
(continued)

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

Syarikat Takaful Malaysia Keluarga Berhad (continued)

Family Takaful business generated gross earned contributions of RM1,608.5 million for the 12 months period ended 31 December 2018, increased by 27.2%, as compared to RM1,264.5 million in the corresponding period last year. The increase is mainly attributable to higher sales from credit-related products.

The net benefits and claims for Family Takaful business increased by 19.4% to RM803.1 million in the 12 months period ended 31 December 2018 from RM672.5 million in the same period of the preceding year. This was mainly due to higher medical and death claims.

Investment income for the Family Takaful business increased by 3.9% to RM251.5 million as compared to RM242.0 million in the corresponding period last year, mainly due to higher profit from Islamic debts securities, partially offset by lower dividend income.

For the 12 months period ended 31 December 2018, Family Takaful recorded fair value losses of RM71.0 million, increased by RM68.7 million as compared to the same period last year. The higher losses were mainly due to the equity market performance.

General Takaful business generated gross earned contributions of RM685.8 million for the 12 months period ended 31 December 2018, increased by 23.7% as compared to RM554.2 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 40.2% to RM204.7 million in the 12 months period ended 31 December 2018 from RM146.0 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 12 months period ended 31 December 2018 was RM28.7 million, decreased by 2.0%, as compared to the investment income in the same period of the preceding year of RM29.3 million, mainly due to lower rental and dividend income.

For the 12 months period ended 31 December 2018, General Takaful recorded fair value losses of RM2.8 million, increased by RM3.5 million as compared to the same period last year. The higher losses were mainly due to the equity market performance.

BIMB Holdings Berhad (423858-X)
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B1. Performance review for the financial year ended 31 December 2018
(continued)

Current Quarter vs. Previous Year Corresponding Quarter

For the fourth quarter ended 31 December 2018 (Q4 2018), the Group registered PBZT of RM258.2 million, an improvement of 19.5% or RM42.1 million as compared to the previous year corresponding quarter of RM216.1 million (Q4 2017).

At the operating profit level, the Group's operating profit for the Q4 2018 of RM322.9 million was higher by RM81.6 million or 33.8% compared to the Q4 2017 of RM241.3 million.

Net profit attributable to shareholders grew by 7.9% or RM11.8 million over the same period to RM161.4 million.

Bank Islam Malaysia Berhad

For the fourth quarter ended 31 December 2018 (Q4 2018), Bank Islam achieved PBZT of RM184.5 million, an increase of RM8.7 million or 5.0% compared to the corresponding quarter last year (Q4 2017) of RM175.8 million. The increase in PBZT was mainly due to higher total income.

The Bank's total income for the Q4 2018 was higher by RM108.1 million compared to corresponding quarter last year, mainly due to higher fund based income of RM121.0 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 was also attributed to the year-on-year growth in net financing assets of RM3.6 billion or 8.5% to reach RM45.7 billion as at end December 2018 from RM42.1 billion as at end December 2017. The increase in total income was partly offset with lower non-fund based income by RM12.9 million for the Q4 2018 compared to the corresponding quarter last year.

The increase in total income was partly offset with higher IATD by RM79.6 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 RM9.3 million or 3.3% over the corresponding quarter last year mainly due to lower administration and general expenses.

Meanwhile, the increase in finance cost by RM4.1 million or 34.7% over the corresponding quarter last year was mainly due to two new issuance of Subordinated Sukuk Murabahah amounted to RM300 million each on 13 November 2017 and 7 November 2018 respectively.

BIMB Holdings Berhad (423858-X)
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B1. Performance review for the financial year ended 31 December 2018
(continued)

Current Quarter vs. Previous Year Corresponding Quarter (continued)

Bank Islam Malaysia Berhad (continued)

For Q4 2018, the Bank recorded net allowance charged for impairment on financing and advances of RM19.4 million compared to RM5.4 million recovered in the corresponding quarter last year. The increase in net allowance charged was mainly contributed by higher net allowance charged for impairment on financing amounted to RM18.5 million and lower bad debts recovered by RM6.3 million.

Syarikat Takaful Malaysia Keluarga Berhad

For the fourth quarter ended 31 December 2018 (Q4 2018), Takaful Malaysia recorded PBZT of RM102.8 million, increased by 83.6% as compared to RM56.0 million in the same period last year (Q4 2017). The increase in profit was mainly attributable to increase in net wakalah fee income.

For Q4 2018 under review, Takaful Malaysia generated Operating Revenue of RM701.5 million as compared to RM517.7 million in Q4 2017. The increase was mainly attributable to higher sales generated by Family and General Takaful business.

For Q4 2018 under review, Family Takaful business recorded gross earned contributions of RM497.6 million as compared to RM316.5 million in Q4 2017. The increase is mainly attributable to higher sales from credit-related products.

Family Takaful business recorded net benefits and claims of RM218.0 million, an increase of 42.5% as compared to Q4 2017. The increase was mainly due to higher death and maturity claims.

For Q4 2018 under review, Family Takaful business recorded investment income of RM64.7 million, as compared to RM63.3 million in Q4 2017, mainly due to higher profit from Islamic debts securities, partially offset by lower dividend income.

Family Takaful recorded fair value loss of RM28.7 million, increased by RM43.2 million as compared to fair value gain of RM14.5 million in Q4 2017. The higher losses were mainly due to the equity market performance.

For Q4 2018 under review, General Takaful business generated gross earned contributions of RM166.0 million, increased by 17.6%, as compared to RM141.1 million in Q4 2017. The growth was mainly from fire and motor classes.

General Takaful business recorded net benefits and claims of RM45.3 million for Q4 2018 under review, an increase of 101.3% as compared to Q4 2017. The increase was mainly due to increase in claims relating to fire and motor classes.

BIMB Holdings Berhad (423858-X)
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B1. Performance review for the financial year ended 31 December 2018
(continued)

Current Quarter vs. Previous Year Corresponding Quarter (continued)

Syarikat Takaful Malaysia Keluarga Berhad (continued)

Investment income for the General Takaful business was RM7.6 million, as compared to RM7.3 million in Q4 2017, mainly attributable to higher profit from Islamic debts securities.

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

	Current Quarter	Immediate Preceding Quarter	Variance	
	31.12.2018	30.09.2018	Amount	%
RM'000				
Revenue	1,121,108	1,089,835	31,273	2.87
Operating Profit	322,926	355,379	(32,453)	-9.13
Profit Before Zakat and Taxation	258,199	296,345	(38,146)	-12.87
Profit After Zakat and Taxation	198,071	232,380	(34,309)	-14.76
Profit Attributable to Equity Holders of the Parent	161,385	198,624	(37,239)	-18.75

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

For the fourth quarter ended 31 December 2018 (Q4 2018), the BHB Group reported PBZT of RM258.2 million against a PBZT of RM296.3 million achieved for the immediate preceding quarter ended 30 September 2018 (Q3 2018), a decrease of RM38.1 million or 12.9%.

At the operating profit level, the Group's operating profit for Q4 2018 of RM322.9 million was lower by RM32.5 million or 9.1% compared to Q3 2018 of RM355.4 million.

Bank Islam Malaysia Berhad

For the Q4 2018, the Bank achieved a PBZT of RM184.5 million, a decrease of RM40.5 million or 18.0% over the PBZT of the immediate preceding quarter (Q3 2018) of RM225.0 million. The decrease in PBZT was mainly due to higher IATD and overhead expenses.

BIMB Holdings Berhad (423858-X)
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B2. Comparison with the preceding quarter's results for the three months performance (Fourth Quarter 2018 vs. Third Quarter 2018) (continued)

Bank Islam Malaysia Berhad (continued)

The Bank's total IATD by for the Q4 was higher by RM32.8 million compared to Q3 2018, mainly due to higher average liabilities rate and higher volume of deposits and investments accounts.

The Bank's total income for the Q4 was higher by RM7.4 million compared to Q3 2018, mainly due to higher fund based income of RM34.6 million which partly offset with lower non-fund based income of RM27.2 million.

Total overheads was higher by RM19.4 million compared to immediate preceding due to higher personnel expenses by RM17.3 million.

Meanwhile, the Bank recorded net allowance charged for impairment on financing and advances of RM19.4 million for Q4 2018 compared to RM26.1 million in the immediate preceding quarter, lower by RM6.7 million. The decrease in net allowance charged was mainly contributed by lower net allowance charged for impairment on financing of RM9.4 million and lower bad debts recovered by RM2.7 million.

Syarikat Takaful Malaysia Keluarga Berhad

For Q4 2018, Takaful Malaysia registered PBZT of RM102.8 million, higher by 17.1% as compared to Q3 2018 of RM87.8 million. The increase in profit was mainly attributable to lower net wakalah fee income.

For Q4 2018, Takaful Malaysia generated Operating Revenue of RM701.5 million as compared to RM649.0 million in Q3 2018. The increase is mainly attributable to higher sales generated from Family Takaful business.

Family Takaful business recorded gross earned contributions of RM497.6 million, an increase of 13.9% as compared to RM436.7 million in Q3 2018. The increase was mainly attributable to higher sales from credit-related products.

For Q4 2018, Family Takaful business recorded net benefits and claims of RM218.0 million, an increase of 6.5% as compared to Q3 2018. The increase was mainly due to higher maturity claims.

Family Takaful business recorded investment income of RM64.7 million, a decrease of 1.1% as compared to RM65.4 million in Q3 2018. The decrease was mainly attributable to lower dividend income.

For Q4 2018, General Takaful business generated gross earned contributions of RM166.0 million, a decrease of 6.3%, as compared to RM177.1 million in Q3 2018. The decrease was mainly from motor class.

BIMB Holdings Berhad (423858-X)
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B2. Comparison with the preceding quarter's results for the three months performance (Fourth Quarter 2018 vs. Third Quarter 2018) (continued)

Syarikat Takaful Malaysia Keluarga Berhad (continued)

For Q4 2018, General Takaful business recorded net benefits and claims of RM45.3 million, a decrease of 7.2% as compared to Q3 2018. The decrease was mainly due to lower claims relating to motor and commercial classes.

General Takaful business recorded investment income of RM7.6 million for Q4 2018, an increase of 4.1%, as compared to RM7.3 million in the immediate preceding quarter, mainly attributable to higher profit from Islamic debts securities.

B3. Prospects for 2019

Bank Islam Malaysia Berhad

The Malaysian banking sector is expected to remain stable in 2019, coupled with ongoing challenges such as moderating loan growth and margins. Industry loan growth is expected to moderate to 5.1% in 2019 from 6.2% in 2018. Despite the challenging outlook on banking industry, Islamic finance continued to contribute major growth in banking industry. In the past 10 years, Islamic banking asset has been growing at a rate of 14.5% Compounded Annual Growth Rate ("CAGR"), surpassing conventional lending growth of 5.6%. The market share has also risen from 15.9% in 2007 to 26.8% in 2018. Islamic banking industry is expected to have 40% market share in total banking assets by 2020. This is partially due to the introduction of Value Based Intermediation ("VBI") by BNM to steer financial players towards sustainable impact on the economy, community and environment.

In addition, supportive measures adopted by the Malaysian government through the recent Budget 2019 announcement are put in place to ensure growth of Islamic economy. These include, the continued prioritisation on Islamic banking, enlargement on halal productivity industry, increasing Shariah-compliant Small Medium Enterprise ("SME") Financing Scheme and digital initiatives.

In this regards, the Bank's strategic plan for the next three years is to deliver sustainable performance with a strategic focus to support economy, community and environment. The Bank's corporate direction is premised on VBI, at the heart of the Bank's business model. With Shariah Principles/ Halal and Trustworthy being the key distinctive features, the Bank continues its journey adopting VBI principles such as Triple Bottom Line ("TBL") considerations, of community, environment and prosperity.

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B3. Prospects for 2019 (continued)

Syarikat Takaful Malaysia Keluarga Berhad

Despite business sentiments remaining cautious in 2019, the Takaful industry is expected to outperform the conventional insurers in view of the strong demand in the Takaful products. Takaful Malaysia is poised to further expand its market share in 2019. To sustain its market leading position, Takaful Malaysia will continue with its innovative strategies via the implementation of its digital strategy, introduction of online solutions, expansion of its distribution capabilities, strategic partnerships with leading Islamic banks and Brand awareness initiatives. To support business growth and customer centricity, Takaful Malaysia will continue its digital strategy to build the full digital ecosystem and to expand the business focus beyond credit-related business to reach out to the wide retail customer base of major partner banks.

It is the commitment of Takaful Malaysia to continue responding to the needs of customers with reliable and better protection solutions and services that they deserve to firmly establish the company as the preferred choice for insurance.

B4. Variance from profit forecast and profit guarantee

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

BIMB Holdings Berhad (423858-X)
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B5. Tax expense

Major components of tax expense

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	12 months ended	12 months ended
	31.012.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Current tax expense	89,303	60,641	293,594	247,629
(Over)/Under provision in prior years	(6,790)	1,413	(14,626)	(5,310)
Deferred tax expense:				
Origination and reversal of temporary differences	(26,790)	(18,866)	(29,819)	(5,250)
Under/(Over) provision in prior years	1,718	(6,828)	196	(6,828)
	-----	-----	-----	-----
	57,441	36,360	249,345	230,241
	=====	=====	=====	=====

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

Profit before tax	258,199	216,076	1,065,455	948,330
	=====	=====	=====	=====
Income tax calculated using Malaysian tax rate of 24% (2017: 24%)	61,968	51,858	255,709	227,599
Non-deductible expenses	20,347	11,362	71,703	65,114
Non-deductible Sukuk's finance cost	7,168	4,663	21,491	18,444
Effect of tax rates in foreign jurisdictions	(1,209)	-	(1,209)	-
Non-taxable income	(34,046)	(33,556)	(94,234)	(80,778)
	-----	-----	-----	-----
	54,228	34,327	253,460	230,379
Derecognition of deferred tax assets	8,285	7,448	10,315	12,000
	-----	-----	-----	-----
	62,513	41,775	263,775	242,379
(Over)/Under provision in prior years	(6,790)	1,413	(14,626)	(5,310)
Under/(Over) provision of deferred tax	1,718	(6,828)	196	(6,828)
	-----	-----	-----	-----
Tax expense	57,441	36,360	249,345	230,241
	=====	=====	=====	=====

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 2021.

Major components of tax expense

Company	Quarter		Year-to-date	
	3 months ended 31.12.2018	3 months ended 31.12.2017	12 months ended 31.12.2018	12 months ended 31.12.2017
	RM'000	RM'000	RM'000	RM'000
Current tax expense	756	474	3,158	1,935
Under/(Over) provision in prior years	-	3	(6)	3
	-----	-----	-----	-----
	756	477	3,152	1,938
	=====	=====	=====	=====

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

Profit before tax	(29,218)	(19,911)	281,916	247,397
	=====	=====	=====	=====
Income tax calculated using Malaysian tax rate of 24% (2017: 24%)	(7,012)	(4,779)	67,660	59,375
Non-deductible expenses	864	886	3,302	3,446
Non-deductible Sukuk's finance cost	7,168	4,663	21,491	18,444
Non-taxable income	(264)	(296)	(89,295)	(79,330)
	-----	-----	-----	-----
	756	474	3,158	1,935
Under/(Over) provision in prior years	-	3	(6)	3
	-----	-----	-----	-----
Tax expense	756	477	3,152	1,938
	=====	=====	=====	=====

B6. Status of corporate proposals

There has been no new corporate proposal since the date of the last quarterly report.

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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.

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

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Deposits from customers		
Mudharabah and Tawarruq term deposits and Negotiable Islamic Debt Certificates		
- One year or less (short-term)	28,669,300	28,617,107
- More than one year (medium/long-term)	5,615,531	1,714,677
	34,284,831	30,331,784
Current accounts	10,644,574	11,297,399
Savings accounts	4,410,537	4,138,519
Others	93,604	102,894
Total deposits	49,433,546	45,870,596
Investment accounts of customers		
- One year or less (short-term)	5,037,653	3,969,344
	5,037,653	3,969,344

RM'000	As at 4 th quarter ended 31.12.2018		
	Long term	Short term	Total borrowings
Secured	1,500,000	1,187	1,501,187
- Recourse obligations on financing sold to Cagamas	1,500,000	1,187	1,501,187
Unsecured	2,093,253	9,419	2,102,672
- Sukuk liabilities	843,253	906	844,159
- Subordinated Sukuk Murabahah	1,250,000	8,513	1,258,513

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

RM'000	As at 4 th quarter ended 31.12.2017		
	Long term	Short term	Total borrowings
Secured	-	-	-
- Recourse obligations on financing sold to Cagamas	-	-	-
Unsecured	2,228,148	7,714	2,235,862
- Sukuk liabilities	1,278,148	1,364	1,279,512
- Subordinated Sukuk Murabahah	950,000	6,350	956,350

The borrowings comprise the following:

- a) 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.
- b) The 10-year Islamic securities of RM1.050 billion (2017: RM1.66 billion) in nominal value issued by the Company on 12 December 2013.

On 12 December 2018, the Company has made an early partial redemption of RM609,941,757.88 in nominal value of the Sukuk Murabahah, which is equivalent to a redemption at book value of RM500.0 million.

- c) Subordinated Sukuk Murabahah:

	Nominal value RM'000	Issue date	First call date*	Maturity date	Profit rate (% p.a.)#
(i)	300,000	22 April 2015	22 April 2020	22 April 2025	5.75
(ii)	400,000	15 December 2015	15 December 2020	15 December 2025	5.50
(iii)	300,000	13 November 2017	12 December 2022	12 November 2027	5.08
(iv)	300,000	7 November 2018	7 December 2023	7 November 2028	5.15

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

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B9. Material litigation

Save as disclosed below, there were no changes in material litigation, including the status of pending material litigations since the last annual balance sheet date of 31 December 2017.

- (a) 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). On 8 January 2018, the Defendant has made an application to include Malayan Banking Berhad ("Second Defendant"), Syarikat Takaful Malaysia Berhad ("Third Defendant"), Amanahraya Trustees Berhad ("Forth Defendant"), Amanahraya Berhad ("Fifth Defendant") and CIMB Group Nominees (Tempatan) Sdn Bhd ("Sixth Defendant") as co-defendants.

On 30 August 2018, the High Court ("HC") has decided in favour of Bank Islam. On 3, 5 and 6 September 2018, the Second, Third, Fifth and Sixth Defendants filed an appeal against the HC's decision. Subsequently, on 7 September 2018, the Second, Third and Fifth Defendants had filed an application for stay of execution.

On 9 November 2018, the HC has granted the stay of execution to the Second, Third and Fifth Defendants.

The Court of Appeal has fixed 4 January 2019 for case management.

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B10. Dividend

(a) 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.

(b) i) On 28 November 2018, the Board of Directors of BIMB Holdings Berhad (“BHB”) had declared an interim dividend of 15.50 sen per ordinary share in BHB for the financial year ended 31 December 2018 and paid on 29 January 2019.

From the total dividend amount declared of RM262.5 million, approximately 14.05% or RM37.6 million was distributed as cash dividend whilst the remaining 85.95% amounting to RM224.9 million was reinvested to subscribe for 70,716,700 new ordinary shares at RM3.18 each via the Dividend Reinvestment Plan.

ii) Amount per share : Single tier dividend of 15.50 sen.

iii) Previous corresponding period : Single tier dividend of 14.00 sen.

iv) Payment date : 29 January 2019.

v) Entitlement to dividend was determined on the basis of the record of shareholders as at book closing date on 31 December 2018.

B11. Earnings per share

Basic earnings per share

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

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	12 months ended	12 months ended
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the period under review attributable to equity holders of the parent	161,385	149,635	682,055	619,838
Number of ordinary shares	1,693,566	1,637,741	1,693,566	1,637,741
Number of average ordinary shares	1,693,566	1,637,741	1,689,742	1,633,709
Earnings per share (sen)	9.53	9.14	40.36	37.94
	=====	=====	=====	=====

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B11. Earnings per share (continued)

Diluted earnings per share

There is no dilution due to the Company's warrants, as the warrants are currently out-of-money in view that the exercise price for each warrant is higher than the closing market price of the Company's shares as at 31 December 2018.

B12. Economic profit statement

Group	Quarter		Year-to-date	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Net Operating profit after zakat & tax (NOPAT)				
Profit before zakat and taxation (PBZT)	258,199	216,076	1,065,455	948,330
Zakat & Taxation	(60,128)	(42,715)	(264,034)	(244,700)
NOPAT	198,071	173,361	801,421	703,630
Economic charge computation				
Average invested capital (excludes the debit balance of the acquisition reserve arising from the acquisition of shares from non-controlling interests)	6,726,935	6,141,133	6,406,285	5,767,492
Weighted Average Cost of Capital (WACC) (%)	7.97	5.93	7.97	5.93
Economic charge	135,136	91,791	510,581	342,012
Economic profit	62,935	81,570	290,840	361,618

B13. Foreign exchange exposure/hedging policy

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

RM equivalent	As at	
	31.12.2018	31.12.2017
	RM'000	RM'000
USD	(266,498)	(230,227)
EURO	(104,262)	(107,198)
Others	16,324	(6,171)

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

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B14. Takaful receivables

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

	Family Takaful		General Takaful		Group	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Non-related parties	75,850	77,307	60,375	92,266	136,225	169,572
Related parties	366	134	2,504	2,410	2,870	2,545
	76,216	77,441	62,879	94,676	139,095	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:

Days past due	Family Takaful		General Takaful		Group	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Current (not past due)	74,055	72,439	62,645	91,392	136,700	163,831
1-30 days	218	1,521	621	1,687	839	3,208
31-60 days	234	165	774	544	1,008	709
61-90 days	1,007	81	286	492	1,293	573
91-180 days	79	2,845	74	2,850	153	5,695
> 180 days	3,236	1,835	1,973	3,554	5,209	5,389
	78,829	78,886	66,373	100,519	145,202	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	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Bank Islam Malaysia Berhad	171	135	2,469	825	2,640	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 31 December 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	11,319,083	(302)	11,318,781	11,318,781	-	-	-	-
Financing, advances and others	46,470,385	(789,705)	45,680,680	46,594,025	42,685,936	(572,516)	42,113,420	42,299,796

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B15. Material impairment of assets (continued)

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, takaful receivable and statutory deposits with Bank Negara Malaysia.

At each reporting date, the Group first assess individually whether objective evidence of impairment exists for significant financial assets and collectively for financial assets that are not individually significant. If it is determined that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial assets measured at amortised cost and FVOCI, a lifetime ECL will be recognised for impairment loss which has been incurred.

Under collective assessment, 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.

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B15. Material impairment of assets (continued)

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.

B16. Derivatives

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

As at 31 December 2018

Type of derivatives	Contract/notional Value as at the date Of the statement of Financial position RM'000	Fair value as at the date of statement of financial position RM'000
<i>Derivative Financial Instruments</i>		
Foreign exchange related contracts		
- Less than one year	2,869,455	12,901
Profit rate related contracts		
- Less than one year	400,000	389
- One year to 3 years	-	-
- More than 3 years	178,379	1,338
	3,447,834	14,628

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B16. Derivatives (continued)

As at 31 December 2017

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

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

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

Type of derivatives	Current quarter 31.12.2018 RM'000	Current year-to-date 31.12.2018 RM'000
<i>Derivative Financial Instruments</i>		
Gain/(loss) arising from fair value changes from derivatives assets and liabilities	(298)	(955)

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

By order of the Board

MARIA MAT SAID (LS 0009400)
Company Secretary
January 31, 2019