

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

Condensed Statement of Financial Position as at 31 March 2019

	Note	Group As at		Company As at	
		31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000
Assets					
Cash and short-term funds	9	2,598,087	2,650,042	121,949	88,473
Deposits and placements with financial institutions	10	1,692,890	3,637,084	-	-
Financial assets at fair value through profit or loss (FVTPL)	11	2,034,651	1,402,603	6,757	6,623
Derivative financial assets	12	19,447	34,148	-	-
Financial assets at fair value through other comprehensive income (FVOCI)	13	16,171,868	15,687,117	-	-
Financing, advances and others	14	46,050,857	45,680,680	-	-
Other financial assets at amortised cost	15	369,040	349,118	1,415	1,215
Takaful assets	16	953,981	676,232	-	-
Statutory deposits with Bank Negara Malaysia		1,518,930	1,602,284	-	-
Current tax assets		81,457	55,277	198	198
Deferred tax assets		79,249	94,115	10	10
Right-of-use assets	17	229,549	-	-	-
Investments in subsidiaries		-	-	5,309,095	5,309,095
Property and equipment		416,267	415,775	364	382
Investment properties		10,625	10,698	-	-
Intangible assets		86,052	93,368	-	-
Total assets		72,312,950	72,388,541	5,439,788	5,405,996

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(continued)

	Note	Group As at		Company As at	
		31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000
Liabilities and equity					
Deposits from customers	18	46,991,372	49,433,546	-	-
Investment accounts of customers	19	6,188,751	5,037,653	-	-
Derivative financial liabilities	12	14,684	19,520	-	-
Bills and acceptances payable		59,157	41,114	-	-
Recourse obligations on financing sold to Cagamas	20	1,501,187	1,501,187	-	-
Other liabilities	21	1,122,834	1,285,362	3,372	265,725
Lease liabilities	17	320,208	-	-	-
Takaful liabilities	22	8,007,572	7,438,855	-	-
Sukuk liabilities	23	2,132,206	2,102,672	857,126	844,159
Zakat and taxation		58,047	33,910	240	-
Total liabilities		66,396,018	66,893,819	860,738	1,109,884
Equity					
Share capital		4,307,819	4,082,939	4,307,819	4,082,939
Reserves		1,146,547	942,780	271,231	213,173
Equity attributable to owners of the Company		5,454,366	5,025,719	4,579,050	4,296,112
Non-controlling interests		462,566	469,003	-	-
Total equity		5,916,932	5,494,722	4,579,050	4,296,112
Total liabilities and equity		72,312,950	72,388,541	5,439,788	5,405,996
Restricted investment accounts managed by Bank Islam					
	19	67,873	78,717	-	-
Total Islamic banking assets		72,380,823	72,467,258	5,439,788	5,405,996
Commitments and contingencies	39	14,773,334	14,162,355	-	-
Net assets per share attributable to ordinary equity of the Company (RM)					
		3.09	2.97	2.60	2.54

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2018.

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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2019**

Group	Note	Quarter 3 months ended		Year-to-date 3 months ended	
		31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Income derived from investment of depositors' funds	25	707,807	612,553	707,807	612,553
Income derived from investment account funds	26	74,834	58,708	74,834	58,708
Income derived from investment of shareholders' funds	27	111,629	110,020	111,629	110,020
Net income from Takaful business	28	288,716	218,081	288,716	218,081
Net allowance for impairment on financing and advances, net of recoveries	29	(23,199)	(21,163)	(23,199)	(21,163)
Reversal of impairment on other financial assets		833	98	833	98
Direct expenses		(3,904)	(4,466)	(3,904)	(4,466)
Total distributable income		1,156,716	973,831	1,156,716	973,831
Wakalah fees from restricted investment accounts		226	-	226	-
Income attributable to depositors	30	(349,784)	(294,919)	(349,784)	(294,919)
Income attributable to investment account holders	31	(28,437)	(19,758)	(28,437)	(19,758)
Total net income		778,721	659,154	778,721	659,154
Personnel expenses	32	(197,680)	(173,344)	(197,680)	(173,344)
Other overhead expenses	33	(227,399)	(179,545)	(227,399)	(179,545)
Finance cost		353,642	306,265	353,642	306,265
		(34,058)	(32,651)	(34,058)	(32,651)
Profit before zakat and tax		319,584	273,614	319,584	273,614
Zakat		(4,130)	(3,938)	(4,130)	(3,938)
Tax expense	B5	(73,865)	(69,098)	(73,865)	(69,098)
Profit for the period		241,589	200,578	241,589	200,578
Attributable to:					
Owners of the Company		202,516	172,135	202,516	172,135
Non-controlling interests		39,073	28,443	39,073	28,443
Profit for the period		241,589	200,578	241,589	200,578
Earnings per share (sen)	B11	11.63	10.26	11.63	10.26

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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2019 (continued)**

Group	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Profit for the period	241,589	200,578	241,589	200,578
Other comprehensive income, net of tax				
Items that will not be reclassified subsequently to profit or loss:				
Movement in fair value reserve (equity instrument):				
Net change in fair value	-	(2,817)	-	(2,817)
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences in respect of foreign operations	5,483	15,168	5,483	15,168
Movement in fair value reserve (debt securities):				
Net change in fair value	128,578	(9,103)	128,578	(9,103)
Net amount transferred to profit or loss	(16,928)	(1,593)	(16,928)	(1,593)
Income tax effect relating to components of other comprehensive income	(24,952)	3,180	(24,952)	3,180
Other comprehensive income for the period, net of tax	92,181	4,835	92,181	4,835
Total comprehensive income for the period	333,770	205,413	333,770	205,413
Total comprehensive income attributable to:				
Owners of the Company	291,199	178,753	291,199	178,753
Non-controlling interests	42,571	26,660	42,571	26,660
Total comprehensive income for the period	333,770	205,413	333,770	205,413

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2018.

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**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2019 (continued)**

Company	Note	Quarter 3 months ended		Year-to-date 3 months ended	
		31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Income derived from investment of shareholders' funds / Total distributable income / Total net income	27	75,080	77,700	75,080	77,700
Personnel expenses	32	(2,427)	(2,152)	(2,427)	(2,152)
Other overhead expenses	33	(908)	(1,205)	(908)	(1,205)
		71,745	74,343	71,745	74,343
Finance cost		(12,967)	(19,893)	(12,967)	(19,893)
Profit before zakat and tax		58,778	54,450	58,778	54,450
Tax expense	B5	(720)	(479)	(720)	(479)
Profit for the period		58,058	53,971	58,058	53,971
Attributable to:					
Owners of the Company		58,058	53,971	58,058	53,971
Profit for the period/Total comprehensive income for the period attributable to owners of the Company		58,058	53,971	58,058	53,971

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Condensed Statement of Changes in Equity for the three months ended 31 March 2019

Group	← Attributable to owners of the Company →					Total equity RM'000
	Share capital RM'000	Non-distributable Other reserves RM'000	Distributable Retained earnings RM'000	Total RM'000	Non-controlling interests 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)
At 1 January 2018, restated	3,875,270	(1,090,813)	1,616,798	4,401,255	382,920	4,784,175
Profit for the period	-	-	172,135	172,135	28,443	200,578
Other comprehensive income						
Currency translation differences in respect of foreign operations	-	16,845	-	16,845	(1,677)	15,168
Fair value reserve:						
Net change in fair value	-	(11,818)	-	(11,818)	(102)	(11,920)
Net amount reclassified to profit or loss	-	(1,589)	-	(1,589)	(4)	(1,593)
Income tax effect relating to components of other comprehensive income	-	3,180	-	3,180	-	3,180
Total comprehensive income for the period	-	6,618	172,135	178,753	26,660	205,413
Transfer from regulatory reserve to retained earnings	-	(64,645)	64,645	-	-	-
Dividends paid to non-controlling interest	-	-	-	-	(49,739)	(49,739)
Share-based payment transactions	-	1,161	-	1,161	783	1,944
Issue of shares pursuant to Dividend Reinvestment Plan	207,669	-	-	207,669	-	207,669
At 31 March 2018	4,082,939	(1,147,679)	1,853,578	4,788,838	360,624	5,149,462

Note 24

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2018.

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Condensed Statement of Changes in Equity for the three months ended 31 March 2019 (continued)

Group	← Attributable to owners of the Company →					Total equity RM'000
	Share capital RM'000	Non-distributable Other reserves RM'000	Distributable Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	
At 1 January 2019						
- as previously stated	4,082,939	(1,138,762)	2,081,542	5,025,719	469,003	5,494,722
- adjustment on adoption of MFRS 16	-	-	(88,749)	(88,749)	-	(88,749)
At 1 January 2019, restated	4,082,939	(1,138,762)	1,992,793	4,936,970	469,003	5,405,973
Profit for the period	-	-	202,516	202,516	39,073	241,589
Other comprehensive income						
Currency translation differences in respect of foreign operations	-	5,299	-	5,299	184	5,483
Fair value reserve:						
Net change in fair value	-	125,078	-	125,078	3,500	128,578
Net amount reclassified to profit or loss	-	(16,742)	-	(16,742)	(186)	(16,928)
Income tax effect relating to components of other comprehensive income	-	(24,952)	-	(24,952)	-	(24,952)
Total comprehensive income for the period	-	88,683	202,516	291,199	42,571	333,770
Dividends paid to non-controlling interest	-	-	-	-	(49,900)	(49,900)
Share-based payment transactions	-	1,317	-	1,317	892	2,209
Issue of shares pursuant to Dividend Reinvestment Plan	224,880	-	-	224,880	-	224,880
At 31 March 2019	4,307,819	(1,048,762)	2,195,309	5,454,366	462,566	5,916,932

Note 24

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Condensed Statement of Changes in Equity for the three months ended 31 March 2019 (continued)

Company	← Attributable to owners of the Company →				Total equity RM'000
	Share capital RM'000	Non-distributable Warrant reserves RM'000	Fair value reserves RM'000	Distributable Retained earnings RM'000	
At 1 January 2018					
- as previously stated	3,875,270	129,300	178	67,434	4,072,182
- adjustment on adoption of MFRS 9 (net of tax)	-	-	(178)	178	-
At 1 January 2018, restated	3,875,270	129,300	-	67,612	4,072,182
Profit for the period	-	-	-	53,971	53,971
Issue of shares pursuant to Dividend Reinvestment Plan	207,669	-	-	-	207,669
At 31 March 2018	4,082,939	129,300	-	121,583	4,333,822
At 1 January 2019	4,082,939	129,300	-	83,873	4,296,112
Profit for the period	-	-	-	58,058	58,058
Issue of shares pursuant to Dividend Reinvestment Plan	224,880	-	-	-	224,880
At 31 March 2019	4,307,819	129,300	-	141,931	4,579,050

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Condensed Statement of Cash Flows for the three months ended 31 March 2019

	Group		Company	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before zakat and tax	319,584	273,614	58,778	54,450
Adjustments for:				
Depreciation of right-of-use assets	3,534	-	-	-
Depreciation of property and equipment	15,909	14,840	22	80
Depreciation of investment properties	73	73	-	-
Net gain on disposal of property and equipment	-	(41)	-	-
Property and equipment written off	45	29	-	8
Reversal of impairment on other financial assets	(833)	(98)	-	-
Allowance for impairment on financing, advances and others	47,307	47,785	-	-
Net gain on sale of financial assets at FVTPL	(5,871)	(1,150)	-	-
Net gain on sale of financial assets at FVOCI	(16,469)	(1,582)	-	-
Fair value (gain)/loss on financial assets at FVTPL	(27,789)	2,511	(134)	(458)
Net derivative loss/(gain)	71	(229)	-	-
Dividends from securities	(189)	(1,747)	-	(876)
Dividends from subsidiaries	-	-	(73,733)	(73,733)
Change in actuarial reserves/ unearned contributions reserve	(3,422)	(13,003)	-	-
Equity settled share-based payment	2,209	1,944	-	-
Amortisation of intangible assets	7,316	3,916	-	-
Profit expense on leases	4,524	-	-	-
Finance cost	29,534	32,651	12,967	19,893
Operating profit/(loss) before working capital changes	375,533	359,513	(2,100)	(636)

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Condensed Statement of Cash Flows for the three months ended 31 March 2019 (continued)

	Group		Company	
	3 months ended 31.03.2019	3 months ended 31.03.2018	3 months ended 31.03.2019	3 months ended 31.03.2018
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before working capital changes	375,533	359,513	(2,100)	(636)
Changes in working capital:				
Financing of customers	(417,484)	(504,854)	-	-
Statutory deposits with Bank Negara Malaysia	83,354	(62,951)	-	-
Other assets	(278,695)	(4,344)	(200)	(178)
Deposits from customers	(2,442,174)	766,487	-	-
Investment accounts of customers	1,151,098	564,168	-	-
Recourse obligations on financing sold to Cagamas		-	-	-
Other liabilities	661,059	72,307	150	(1,780)
Bills and acceptances payable	18,043	(362,259)	-	-
Cash (used in)/generated from operations	(849,266)	828,067	(2,150)	(2,594)
Zakat paid	(8,905)	(500)	-	-
Tax paid	(78,521)	(61,455)	(480)	(319)
Tax refund	28	113	-	20
Net cash (used in)/generated from operating activities	(936,664)	766,225	(2,630)	(2,893)
Cash flows from investing activities				
Net proceeds from purchase of securities	(955,040)	(235,641)	-	-
Purchase of property and equipment	(16,362)	(28,836)	(4)	(49)
Proceeds from disposal of property and equipment	2	56	-	-
Dividends from securities	189	871	-	-
Dividends from subsidiaries	-	-	73,733	73,733
Net cash (used in)/generated from investing activities	(971,211)	(263,550)	73,729	73,684

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Condensed Statement of Cash Flows for the three months ended 31 March 2019 (continued)

	Group		Company	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Dividends paid	(37,623)	(21,615)	(37,623)	(21,615)
Dividends paid to non-controlling interest	(49,900)	(49,739)	-	-
Payment of lease liabilities	(6,148)	-	-	-
	-----	-----	-----	-----
Net cash used in financing activities	(93,671)	(71,354)	(37,623)	(21,615)
	-----	-----	-----	-----
Net (decrease)/increase in cash and cash equivalents	(2,001,546)	431,321	33,476	49,176
Cash and cash equivalents at beginning of the year	6,287,126	5,966,834	88,473	241,074
Foreign exchange differences	5,397	15,623	-	-
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Cash and cash equivalents at end of the period	4,290,977	6,413,778	121,949	290,250
	=====	=====	=====	=====
Cash and cash equivalents comprise:				
Cash and short-term funds	2,598,087	5,478,836	121,949	290,250
Deposits and placements with financial institutions	1,692,890	934,942	-	-
	-----	-----	-----	-----
	4,290,977	6,413,778	121,949	290,250
	=====	=====	=====	=====

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2018.

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**Explanatory Notes to the Financial Statements for the three months ended
31 March 2019**

1. Basis of preparation

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

The condensed financial statements of the Group for the three months ended 31 March 2019 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 2018. 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 2018.

The audited financial statements of the Group for the financial year ended 31 December 2018, are available upon request from the Company's registered office at 31st Floor, Menara Bank Islam, No. 22 Jalan Perak, 50450 Kuala Lumpur.

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1. Basis of preparation (continued)

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the recent audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRS"), interpretation and amendments to MFRSs:

- 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 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- 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*

The adoption of the new standards, amendments to published standards and interpretation are not expected to have impact on the financial results of the Group, except for MFRS 16. The principal effects of the changes in accounting policies arising from adoption of MFRS 16 are disclosed in Note 6.

2. Audit report of preceding financial year ended 31 December 2018

The auditors' report on the audited financial statements for the financial year ended 31 December 2018 was not qualified.

3. Seasonality and cyclicity of operations

The operations of the Group were not materially affected by any seasonal or cyclical factors for the three months ended 31 March 2019.

4. Exceptional or unusual items

There were no items of an exceptional or unusual nature that may affect the assets, liabilities, equity, net income or cash flows of the Group for the three months ended 31 March 2019.

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5. Changes in estimates of amounts reported previously

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the three months ended 31 March 2019.

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 2018, except for the impact of adopting MFRS 16 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 2019.

MFRS 16, *Leases*

The Group has adopted MFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Prior to 1 January 2019, the Group classified leases of property and equipment as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

On adoption of MFRS 16, leases with non-cancellable agreements are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

Right-of-use assets are measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments using the incremental borrowing rate at the date of transition of 5.7 per cent (%). The right-of-use assets are depreciated over the lease term on a straight-line basis.

The associated lease liabilities are measured at the present value of the remaining lease payments, discounted using the same incremental borrowing rate as of 1 January 2019.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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6. Changes in accounting policies (continued)

MFRS 16, Leases (continued)

The following table summarises the effects of adoption of MFRS 16 as at 1 January 2019.

	Note	Group RM'000
Effect of adoption of MFRS 16		
Right-of-use assets	17	233,083
Lease liabilities	17	(321,832)
Retained earnings		<u>(88,749)</u>
		=====

7. Issuance or repayment of debt and equity securities

On 30 January 2019, the Company increased its issued and paid-up capital from 1,693,566,014 to 1,764,282,714 via the issuance of 70,716,700 new ordinary shares for a consideration of RM3.18 each arising from the Dividend Reinvestment Plan.

8. Significant events during the three months ended 31 March 2019

- **Dividend received**

On 11 January 2019, 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 2018.

9. Cash and short-term funds

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Cash and balances with banks and other financial institutions	752,370	931,783
Money at call and interbank placements with remaining maturity not exceeding one month	1,845,717	1,718,259
	<u>2,598,087</u>	<u>2,650,042</u>
	=====	=====

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9. Cash and short-term funds (continued)

	Company	
	31.03.2019	31.12.2018
	RM'000	RM'000
Cash and balances with banks and other financial institutions	121,949	88,473
	<u>121,949</u>	<u>88,473</u>
	=====	=====

10. Deposits and placements with financial institutions

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Bank Negara Malaysia	458,122	2,432,000
Licensed banks	1,199,234	1,174,855
Other financial institutions	35,534	30,229
	<u>1,692,890</u>	<u>3,637,084</u>
	=====	=====

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

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
At fair value		
- Sukuk	523,857	374,183
- Structured deposits	135,827	244,571
- Malaysian Government Investment Issues	491,551	30,328
- Shares	289,470	318,013
- Unit trusts	307,013	320,305
- Bank Negara Monetary Notes	286,933	114,823
	<u>2,034,651</u>	<u>1,402,223</u>
	-----	-----
At cost		
- Unquoted shares in Malaysia	-	380
	<u>-</u>	<u>380</u>
	-----	-----
	<u>2,034,651</u>	<u>1,402,603</u>
	=====	=====

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

	Company	
	31.03.2019	31.12.2018
	RM'000	RM'000
At fair value		
- Unit trusts	6,757	6,623
	=====	=====

12. Derivative financial assets/(liabilities)

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

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

Group	Notional Amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
31.03.2019			
Forward contracts	3,696,075	16,356	(12,959)
Profit rate swaps	570,718	3,091	(1,725)
	4,266,793	19,447	(14,684)
	=====	=====	=====
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)
	=====	=====	=====

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

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Financial assets at fair value through other comprehensive income:		
a) Debt investment securities	16,136,648	15,651,599
b) Equity investments	35,220	35,518
	16,171,868	15,687,117
	=====	=====

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

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Sukuk	12,612,170	12,123,714
Malaysian Government Investment Issues	2,587,003	2,129,754
Institutional Trust Account	392,663	318,625
Malaysian Government Islamic Papers	396,756	384,020
Bank Negara Monetary Notes	-	389,231
Islamic Commercial Papers	148,056	306,255
	16,136,648	15,651,599
	=====	=====

Movements of allowance for impairment on financial assets at fair value through other comprehensive income

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
12 months expected credit loss ("ECL")		
At 1 January 2019/2018	302	-
- Effects on adoption of MFRS 9	-	345
	302	345
At 1 January 2019/2018, as restated	302	345
Reversal of impairment during the period/year	21	(43)
	323	302
	=====	=====
At 31 March 2019/31 December 2018	323	302
	=====	=====

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

b) Equity investments at fair value through other comprehensive income

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Quoted shares		
- outside Malaysia	12,148	12,446
	<hr/> 12,148	<hr/> 12,446
	-----	-----
Unquoted shares		
- in Malaysia	23,056	23,056
- outside Malaysia	16	16
	<hr/> 23,072	<hr/> 23,072
	<hr/> 35,220	<hr/> 35,518
	=====	=====

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14. Financing, advances and others

(a) By type and Shariah contract

Group	Bai'		Bai	Bai		Ijarah	Ijarah			Total
31 March 2019	Bithaman	Murabahah	Al-Dayn	Al-Inah	At-Tawarruq	Muntahiah	Thumma	Istisna'	Ar-Rahnu	RM'000
	Ajil					Bit-Tamleek ^	Al-Bai ^			RM'000
	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	-	-	-	1,630	1,561,113	-	-	-	-	1,562,743
Term financing										
House financing	3,669,170	-	-	-	14,786,221	-	-	50,815	-	18,506,206
Syndicated financing	-	-	-	40,338	663,174	-	90,898	-	-	794,410
Leasing financing	-	-	-	-	-	111,849	-	-	-	111,849
Bridging financing	-	-	-	-	-	-	-	61,463	-	61,463
Personal financing	-	-	-	9,116	13,935,534	-	-	-	-	13,944,650
Other term financing	983,036	1,255,236	-	1,758	7,761,496	-	-	1,179	-	10,002,705
Staff financing	58,107	9,558	-	-	161,313	-	-	9,448	-	238,426
Credit cards	-	2,428	1,575	-	470,335	-	-	-	-	474,338
Trade bills discounted	-	888,087	130,785	4,288	-	-	-	-	-	1,023,160
Trust receipts	-	8,063	-	-	-	-	-	-	-	8,063
Pawn broking	-	-	-	-	-	-	-	-	70,323	70,323
Investment Account Platform *	-	-	-	-	9,070	-	-	-	-	9,070
	4,710,313	2,163,372	132,360	57,130	39,348,256	111,849	90,898	122,905	70,323	46,807,406
Allowance for impaired financing, advances and others										
- collective assessment – 12 months expected credit losses (ECL)										(417,470)
- collective assessment – Lifetime ECL										(251,455)
- individual assessment – Lifetime ECL										(87,624)
Net financing, advances and others										46,050,857

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

^ 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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14. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group	Bai'		Bai	Bai		Ijarah	Ijarah			Total
31 December 2018	Bithaman	Murabahah	Al-Dayn	Al-Inah	At-Tawarruq	Muntahiah	Thumma	Istisna'	Ar-Rahnu	RM'000
	Ajil	RM'000	RM'000	RM'000	RM'000	Bit-Tamleek ^	Al-Bai ^	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	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
	<u>4,924,148</u>	<u>2,080,256</u>	<u>144,827</u>	<u>60,030</u>	<u>38,864,121</u>	<u>106,520</u>	<u>89,575</u>	<u>127,798</u>	<u>73,110</u>	<u>46,470,385</u>
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										<u>45,680,680</u>

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

^ 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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14. 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	31.03.2019	31.12.2018
		RM'000	RM'000
House financing			
Unrestricted Investment Accounts	19	4,509,555	3,816,524
Sold to Cagamas with recourse	20	1,501,187	1,501,187
		<u>6,010,742</u>	<u>5,317,711</u>
		=====	=====
Personal financing			
Unrestricted Investment Accounts	19	1,679,196	1,221,129
		<u>1,679,196</u>	<u>1,221,129</u>
		=====	=====

(b) By type of customer

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Domestic non-bank financial institutions	1,584,105	1,637,318
Domestic business enterprise	6,911,563	6,924,836
Small & medium enterprises	2,034,794	2,092,024
Government and statutory bodies	585,140	601,285
Individuals	35,564,867	35,069,160
Other domestic entities	9,818	18,947
Foreign entities	117,119	126,815
	<u>46,807,406</u>	<u>46,470,385</u>
	=====	=====

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14. Financing, advances and others (continued)

(c) By profit rate sensitivity

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Fixed rate		
House financing	1,050,839	1,073,575
Others	3,067,594	3,102,294
Floating rate		
House financing	18,056,508	17,636,273
Others	24,632,465	24,658,243
	46,807,406	46,470,385
	=====	=====

(d) By remaining contractual maturity

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Maturity within one year	5,106,735	4,774,098
More than one year to three years	1,749,145	1,299,229
More than three years to five years	3,570,080	2,921,287
More than five years	36,381,446	37,475,771
	46,807,406	46,470,385
	=====	=====

(e) By geographical distribution

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Central Region	22,130,710	22,125,064
Eastern Region	7,759,775	7,646,307
Northern Region	6,683,915	6,640,816
Southern Region	6,849,420	6,723,490
East Malaysia Region	3,383,586	3,334,708
	46,807,406	46,470,385
	=====	=====

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14. Financing, advances and others (continued)

(f) By sector

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Primary agriculture	773,363	754,835
Mining and quarrying	7,123	9,060
Manufacturing (including agro-based)	892,382	909,850
Electricity, gas and water	368,053	371,479
Wholesale & retail trade, and hotels & restaurants	1,035,556	1,098,346
Construction	2,329,659	2,417,262
Real estate	1,644,973	1,712,250
Transport, storage and communications	865,556	824,949
Finance, insurance and business activities	2,319,437	2,299,319
Education, health and others	1,003,379	1,000,735
Household sectors	35,567,925	35,072,300
	<u>46,807,406</u>	<u>46,470,385</u>
	=====	=====

(g) Movement in impaired financing and advances ("impaired financing")

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
At 1 January 2019/2018	425,937	398,277
Classified as impaired during the period/year	186,577	621,974
Reclassified as not impaired during the period/year	(68,774)	(321,635)
Amount recovered	(19,952)	(117,477)
Amount written off	(80,357)	(155,202)
	<u>443,431</u>	<u>425,937</u>
	=====	=====
Gross impaired financing as a percentage of gross financing, advances and others	0.95%	0.92%
	=====	=====

The contractual amount outstanding on financing and advances that were written off during the period are still subject to enforcement activity.

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14. Financing, advances and others (continued)

(h) Impaired financing by geographical distribution

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Central Region	200,872	245,531
Eastern Region	105,628	101,868
Northern Region	79,563	25,349
Southern Region	32,064	31,320
East Malaysia Region	25,304	21,869
	<hr/>	<hr/>
	443,431	425,937
	<hr/> <hr/>	<hr/> <hr/>

(i) Impaired financing by sector

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Manufacturing (including agro-based)	21,241	21,426
Wholesale & retail trade, and hotels & restaurants	103,709	56,665
Construction	68,545	121,506
Real estate	1,508	1,501
Transport, storage and communications	10,702	10,936
Finance, insurance and business activities	2,089	3,066
Education, health and others	4,662	4,642
Household sectors	230,975	206,195
	<hr/>	<hr/>
	443,431	425,937
	<hr/> <hr/>	<hr/> <hr/>

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14. Financing, advances and others (continued)

j) Movement of allowance for impairment on financing, advances and others

Group	← Collective →			Total collective RM'000	Individual RM'000	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit- impaired RM'000	Lifetime ECL credit- impaired RM'000			
At 1 January 2019	416,450	129,402	87,162	633,014	156,691	789,705
Transfer to 12-month ECL	1,352	(1,242)	(110)	-	-	-
Transfer to Lifetime ECL not credit impaired	(3,483)	6,301	(2,818)	-	-	-
Transfer to Lifetime ECL credit impaired	(89)	(14,491)	14,580	-	-	-
Net allowance made during the period	(4,227)	27,656	21,469	44,898	1,875	46,773
New financial assets originated or purchased	17,381	577	466	18,424	-	18,424
Financial assets that have been derecognised	(9,807)	(7,381)	(702)	(17,890)	-	(17,890)
Write-offs	-	-	(9,414)	(9,414)	(70,942)	(80,356)
Exchange differences	(107)	-	-	(107)	-	(107)
At 31 March 2019	417,470	140,822	110,633	668,925	87,624	756,549

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14. Financing, advances and others (continued)

j) Movement of allowance for impairment on financing, advances and others (continued)

Group	← Collective →			Total collective RM'000	Individual RM'000	Total 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	(523)	(8,454)	8,977	-	-	-
Net allowance made during the year	(22,326)	1,175	101,690	80,539	58,801	139,340
New financial assets originated or purchased	88,675	7,437	5,090	101,202	-	101,202
Financial assets that have been derecognised	(39,166)	(12,371)	(2,603)	(54,140)	-	(54,140)
Write-offs	-	-	(124,950)	(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

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15. Other financial assets at amortised cost

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Clients' and dealers' debit balances	56,747	32,037
Deposits and prepayments	53,813	44,143
Other financing	80,909	80,073
Investment profit receivable	85,412	70,882
Other receivables	92,634	122,458
Sukuk	6,034	6,887
	375,549	356,480
Less: Accumulated impairment loss: Individual assessment		
- Sukuk	(6,034)	(6,887)
- Other receivables	(475)	(475)
	369,040	349,118
	=====	=====

	Company	
	31.03.2019	31.12.2018
	RM'000	RM'000
Amount due from subsidiaries	197	337
Deposits and prepayments	404	454
Other receivables	814	424
	1,415	1,215
	=====	=====

16. Takaful assets

		Group	
	Note	31.03.2019	31.12.2018
		RM'000	RM'000
Retakaful assets:			
- Claims liabilities	22(a)(i)	323,685	296,534
- Contribution liabilities	22(a)(ii)	80,306	76,884
- Actuarial liabilities	22(a)(iii)	272,063	163,719
		676,054	537,137
		-----	-----

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16. Takaful assets (continued)

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Takaful receivables		
- Due contributions	238,812	105,712
- Due from retakaful/co-takaful	48,050	39,490
	<hr/>	<hr/>
	286,862	145,202
Less: Allowance for impaired receivables	(8,935)	(6,107)
	<hr/>	<hr/>
	277,927	139,095
	<hr/>	<hr/>
	953,981	676,232
	<hr/> <hr/>	<hr/> <hr/>

17. Right-of-use assets and lease liabilities

The Group has adopted MFRS 16 Leases and applied this standard retrospectively during the financial period and the comparatives are not restated.

a) Right-of-use assets

31.03.2019	Group
	RM'000
Cost	
At 1 January 2019	-
Effects of adoption of MFRS 16	233,083
	<hr/>
At 31 March 2019	233,083
	<hr/>
Accumulated depreciation	
At 1 January 2019	-
Depreciation for the period	3,534
	<hr/>
At 31 March 2019	3,534
	<hr/>
	229,549
	<hr/> <hr/>

Included in the above is a non-cancellable operating lease agreement by Bank Islam for the use of office building. The lease is for a period of 25 years with no renewal or purchase option included in the agreements. Bank Islam shall not enter into any sub-letting agreement or arrangement with any person for the office space or any section of it without the express prior written approval of the lessor.

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17. Right-of-use assets and lease liabilities (continued)

b) Lease liabilities

31.03.2019	Group RM'000
Current	
Lease liabilities	6,227
Non-current	
Lease liabilities	313,981
	<u>320,208</u> =====

The movement of lease liabilities during the financial period is as follows:

	Group RM'000
At 1 January 2019	-
Effects of adoption of MFRS 16	321,832
Profit expense on leases	4,524
Lease payments	(6,148)
At 31 March 2019	<u>320,208</u> =====

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18. Deposits from customers

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
(a) By type of deposit		
Savings deposits		
<i>Qard</i>	4,677,327	4,410,537
Demand deposits		
<i>Qard</i>	10,039,659	10,644,574
Term Deposit	32,180,628	34,284,831
Special Investment Deposit <i>Mudharabah</i>	6,252	6,252
General Investment Deposit <i>Mudharabah</i>	261,942	287,013
Term Deposit-i <i>Tawarruq</i>	29,599,891	30,309,186
Negotiable Islamic Debt Certificates ("NIDC")	2,312,543	3,682,380
Others	93,758	93,604
Total Deposits	<u>46,991,372</u>	<u>49,433,546</u>
(b) Maturity structure of term deposits are as follows:		
Due within six months	13,638,711	15,986,833
More than six months to one year	9,306,485	9,685,300
More than one year to three years	7,078,957	6,484,593
More than three years to five years	2,156,475	2,128,105
	<u>32,180,628</u>	<u>34,284,831</u>
(c) By type of customer		
Domestic non-bank financial institutions	8,174,904	11,923,695
Business enterprises	17,828,278	16,725,704
Government and statutory bodies	11,275,897	12,049,184
Individuals	5,646,779	5,199,550
Domestic banking institutions	1,850,459	1,634,224
Others	2,215,055	1,901,189
	<u>46,991,372</u>	<u>49,433,546</u>

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19. Investment accounts of customers

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

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	2,829,804	2,594,846
With maturity		
<i>Wakalah</i>	3,358,947	2,442,807
	6,188,751	5,037,653
	=====	=====
Investment portfolio:		
- <i>House financing</i>	4,509,555	3,816,524
- <i>Personal financing</i>	1,679,196	1,221,129
	6,188,751	5,037,653
	=====	=====
Restricted investment accounts ("RIA") managed by Bank Islam[^]		
With maturity		
<i>Wakalah</i>	67,873	78,717
	=====	=====
Investment portfolio:		
- <i>Other term financing</i>	67,873	78,717
	=====	=====

[^] Restricted investment accounts ("RIA") 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 RIA and its underlying assets. RIA is accounted for as off balance sheet as the Bank has no right and obligation in respect of the assets related to the RIA or to the residual cash flows from those assets except for the Wakalah fee income generated by the Bank for managing the RIA.

Included in RIA managed by the Bank is an arrangement between the Bank and its ultimate holding entity with underlying assets amounting to RM67,550,000 (2018: RM78,285,000).

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19. Investment accounts of customers (continued)

(b) By type of customers

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Individuals	2,789,966	2,674,428
Government and statutory bodies	1,244,858	767,996
Business enterprises	841,364	507,160
Non-bank financial institutions	1,247,526	1,036,107
International Islamic Bank	5,702	2,400
Others	59,335	49,562
	6,188,751	5,037,653
	=====	=====

20. 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 14.

21. Other liabilities

	31.03.2019	31.12.2018
	RM'000	RM'000
Group		
Accruals and other payables	1,066,084	990,770
Clients' and dealers' credit balances	56,750	32,089
Dividend payable	-	262,503
	1,122,834	1,285,362
	=====	=====
Company		
Accruals and other payables	3,369	3,200
Amount due to subsidiaries	3	22
Dividend payable	-	262,503
	3,372	265,725
	=====	=====

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

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22. Takaful liabilities

		Group	
	Note	31.03.2019	31.12.2018
		RM'000	RM'000
Takaful contract liabilities	22(a)	7,574,840	7,072,782
Expense reserves	22(b)	292,375	251,806
Takaful payables	22(c)	140,357	114,267
		<hr/>	<hr/>
		8,007,572	7,438,855
		=====	=====

(a) Takaful contract liabilities

The takaful contract liabilities comprise the following:

		Group	
	Note	31.03.2019	31.12.2018
		RM'000	RM'000
Provision for outstanding claims	22(a)(i)	675,959	633,725
Provision for unearned contributions	22(a)(ii)	392,809	376,971
Participants' fund	22(a)(iii)	6,506,072	6,062,086
		<hr/>	<hr/>
		7,574,840	7,072,782
		=====	=====

(i) Provision for outstanding claims

The provision for outstanding claims is further analysed as follows:

	Gross	31.03.2019	Net
	RM'000	Retakaful	RM'000
		RM'000	RM'000
Group			
Provision for claims reported by participants	313,391	(185,293)	128,098
Provision for IBNR*	362,568	(138,392)	224,176
	<hr/>	<hr/>	<hr/>
Provision for outstanding claims	675,959	(323,685)	352,274
	=====	=====	=====
		Note 16	

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22. 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	31.12.2018 Retakaful RM'000	Net RM'000
Group			
Provision for claims reported by participants	294,655	(169,865)	124,790
Provision for IBNR*	339,070	(126,669)	212,401
	<hr/>	<hr/>	<hr/>
Provision for outstanding claims	633,725	(296,534)	337,191
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note 16

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

Movement of provision for outstanding claims:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 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/ 1 January 2019	633,725	(296,534)	337,191
Claims incurred during the period	288,360	(63,259)	225,101
Claims paid during the period	(288,308)	47,832	(240,476)
Increase/(Decrease) in IBNR	42,172	(11,722)	30,450
Effect of movement in exchange rates	10	(2)	8
	<hr/>	<hr/>	<hr/>
At 31 March 2019	675,959	(323,685)	352,274
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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22. Takaful liabilities (continued)

(a) Takaful contract liabilities (continued)

(ii) Provision for unearned contributions

The provision for unearned contributions is further analysed as follows:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
31.03.2019	392,809 =====	(80,306) =====	312,503 =====
		Note 16	
31.12.2018	376,971 =====	(76,884) =====	300,087 =====
		Note 16	

Movement of provision for unearned contributions:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 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/ 1 January 2019	376,971	(76,884)	300,087
Contributions written during the period	220,003	(78,858)	141,145
Contributions earned during the period	(204,165)	75,436	(128,729)
	-----	-----	-----
At 31 March 2019	392,809 =====	(80,306) =====	312,503 =====

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22. Takaful liabilities (continued)

(a) Takaful contract liabilities (continued)

(iii) Participants' fund

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

	Gross	Group	Net
	RM'000	Retakaful	RM'000
		RM'000	RM'000
31.03.2019			
Actuarial liabilities	5,243,979	(272,063)	4,971,916
Unallocated surplus/accumulated surplus	950,125	-	950,125
Fair value reserve	120,370	-	120,370
Net assets value attributable to unitholders	191,598	-	191,598
	<u>6,506,072</u>	<u>(272,063)</u>	<u>6,234,009</u>
	=====	=====	=====
		Note 16	
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 16	

(b) Expense reserves

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
At 1 January 2019/2018	251,806	196,655
Provision for the period/year, net	40,543	52,260
Acquisition of general takaful business	-	3,077
Effect of movement in exchange rates	26	(186)
	<u>292,375</u>	<u>251,806</u>
	=====	=====
At 31 March 2019/31 December 2018	292,375	251,806

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22. Takaful liabilities (continued)

(c) Takaful payables

	Group	
	31.03.2019	31.12.2018
	RM'000	RM'000
Due to retakaful companies	107,021	91,806
Due to Intermediaries/Participants	33,336	22,461
	<u>140,357</u>	<u>114,267</u>
	=====	=====

23. Sukuk liabilities

		Group		Company	
	Note	31.03.2019	31.12.2018	31.03.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
Sukuk liabilities	(a)	857,126	844,159	857,126	844,159
Subordinated Sukuk Murabahah	(b)	1,275,080	1,258,513	-	-
		<u>2,132,206</u>	<u>2,102,672</u>	<u>857,126</u>	<u>844,159</u>
		=====	=====	=====	=====

The Sukuk liabilities comprise the following:

- a) A 10-year Islamic securities of RM1.66 billion in nominal value was 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 million.

The current nominal value of the Sukuk Murabahah is RM1.05 billion (2018: RM1.05 billion).

- 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

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23. Sukuk liabilities (continued)

The Sukuk liabilities comprise the following: (continued)

b) Subordinated Sukuk Murabahah: (continued)

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

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:

	Net changes from financing cash flows					
	At 1.1.2019 RM'000	(Redemption)/ Issuance RM'000	Finance cost paid RM'000	Total RM'000	Finance cost for the period RM'000	At 31.03.2019 RM'000
Group						
Sukuk						
Liabilities	844,159	-	-	-	12,967	857,126
Subordinated						
Sukuk						
Murabahah	1,258,513	-	-	-	16,567	1,275,080
	<u>2,102,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,534</u>	<u>2,132,206</u>

24. Other reserves

	Group	
	31.03.2019 RM'000	31.03.2018 RM'000
Capital reserve	6,863	6,863
Warrant reserve	129,300	129,300
FVOCI reserve	94,230	(12,771)
Translation reserve	(100,674)	(79,770)
Regulatory reserve	10,000	-
Long Term Incentive Plan (LTIP) reserve	11,266	8,446
	<u>150,985</u>	<u>52,068</u>
Acquisition reserve	(1,199,747)	(1,199,747)
	<u>(1,048,762)</u>	<u>(1,147,679)</u>

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24. Other reserves (continued)

Group	Capital reserve RM'000	Warrant reserve RM'000	FVOCI reserve RM'000	Translation reserve RM'000	Regulatory reserve RM'000	LTIP reserve RM'000	Total RM'000
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	-	-	-	16,845	-	-	16,845
Fair value reserve:							
Net change in fair value	-	-	(11,818)	-	-	-	(11,818)
Net amount reclassified to profit or loss	-	-	(1,589)	-	-	-	(1,589)
Income tax effect relating to components of other comprehensive income	-	-	3,180	-	-	-	3,180
Transfer from regulatory reserve to retained earnings	-	-	-	-	(64,645)	-	(64,645)
Share-based payment transactions	-	-	-	-	-	1,161	1,161
At 31 March 2018	6,863	129,300	(12,771)	(79,770)	-	8,446	52,068
At 1 January 2019	6,863	129,300	10,846	(105,973)	10,000	9,949	60,985
Foreign exchange translation differences	-	-	-	5,299	-	-	5,299
Fair value reserve:							
Net change in fair value	-	-	125,078	-	-	-	125,078
Net amount reclassified to profit or loss	-	-	(16,742)	-	-	-	(16,742)
Income tax effect relating to components of other comprehensive income	-	-	(24,952)	-	-	-	(24,952)
Share-based payment transactions	-	-	-	-	-	1,317	1,317
At 31 March 2019	6,863	129,300	94,230	(100,674)	10,000	11,266	150,985

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25. Income derived from investment of depositors' funds

Group	Quarter		Year-to-date	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	4,276	4,874	4,276	4,874
(ii) Term deposit-i	461,779	357,280	461,779	357,280
(iii) Saving and demand deposits	209,177	193,758	209,177	193,758
(iv) Other deposits	32,575	56,641	32,575	56,641
	707,807	612,553	707,807	612,553
	=====	=====	=====	=====

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

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

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	3,594	4,295	3,594	4,295
Financial assets:				
- At FVTPL	22	29	22	29
- At FVOCI	392	386	392	386
Money at call and deposit with financial institutions	115	144	115	144
	4,123	4,854	4,123	4,854
Other dealing income				
Net gain from sale of financial assets at FVTPL	31	6	31	6
Net gain on revaluation of financial assets at FVTPL	33	3	33	3
	64	9	64	9
Other operating income				
Net gain from sale of financial assets at FVOCI	89	11	89	11
	89	11	89	11
	4,276	4,874	4,276	4,874
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	47	74	47	74

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

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

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	380,989	311,349	380,989	311,349
Financial assets:				
- At FVTPL	2,624	2,327	2,624	2,327
- At FVOCI	46,865	31,253	46,865	31,253
Money at call and deposit with financial institutions	12,359	10,752	12,359	10,752
	442,837	355,681	442,837	355,681
Other dealing income				
Net gain from sale of financial assets at FVTPL	3,846	464	3,846	464
Net gain on revaluation of financial assets at FVTPL	4,323	215	4,323	215
	8,169	679	8,169	679
Other operating income				
Net gain from sale of financial assets at FVOCI	10,773	920	10,773	920
	10,773	920	10,773	920
	461,779	357,280	461,779	357,280
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	5,597	5,966	5,597	5,966

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

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

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	172,665	168,853	172,665	168,853
Financial assets:				
- At FVTPL	1,188	1,263	1,188	1,263
- At FVOCI	21,258	16,948	21,258	16,948
Money at call and deposit with financial institutions	5,565	5,831	5,565	5,831
	200,676	192,895	200,676	192,895
Other dealing income				
Net gain from sale of financial assets at FVTPL	1,734	252	1,734	252
Net gain on revaluation of financial assets at FVTPL	1,897	112	1,897	112
	3,631	364	3,631	364
Other operating income				
Net gain from sale of financial assets at FVOCI	4,870	499	4,870	499
	4,870	499	4,870	499
	209,177	193,758	209,177	193,758
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	2,528	3,239	2,528	3,239

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25. 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	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	26,923	49,354	26,923	49,354
Financial assets:				
- At FVTPL	182	367	182	367
- At FVOCI	3,312	4,950	3,312	4,950
Money at call and deposit with financial institutions	879	1,724	879	1,724
	31,296	56,395	31,296	56,395
Other dealing income				
Net gain from sale of financial assets at FVTPL	260	80	260	80
Net gain on revaluation of financial assets at FVTPL	282	14	282	14
	542	94	542	94
Other operating income				
Net gain from sale of financial assets at FVOCI	737	152	737	152
	737	152	737	152
	32,575	56,641	32,575	56,641
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	406	950	406	950

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26. Income derived from investment account funds

Group	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	34,089	29,699	34,089	29,699
- <i>Wakalah</i>	40,745	29,009	40,745	29,009
	74,834	58,708	74,834	58,708

27. Income derived from investment of shareholders' funds

Group	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Finance income and hibah				
Financing, advances and others	1,858	1,784	1,858	1,784
Financial assets at FVOCI	43,140	38,144	43,140	38,144
Money at call and deposits with financial institutions	2,015	3,428	2,015	3,428
	47,013	43,356	47,013	43,356
Other dealing income				
Net gain from foreign exchange transactions	16,636	14,760	16,636	14,760
Net gain from sale of financial assets at FVTPL	-	348	-	348
Net gain on revaluation of financial assets at FVTPL	132	131	132	131
Net derivatives (loss)/gain	(71)	229	(71)	229
	16,697	15,468	16,697	15,468

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

Group	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Other operating income				
Gross dividend income:				
- Quoted in Malaysia	-	16	-	16
- Unit trust in Malaysia	189	1,731	189	1,731
Fees and commission	47,254	49,021	47,254	49,021
Net gain on disposal of property and equipment				
	-	41	-	41
Rental income	444	361	444	361
Others	32	26	32	26
	<u>47,919</u>	<u>51,196</u>	<u>47,919</u>	<u>51,196</u>
	<u>111,629</u>	<u>110,020</u>	<u>111,629</u>	<u>110,020</u>
	=====	=====	=====	=====

Company	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Finance income and hibah				
Money at call and deposits with financial institutions				
	1,210	2,631	1,210	2,631
	<u>1,210</u>	<u>2,631</u>	<u>1,210</u>	<u>2,631</u>
	-----	-----	-----	-----
Other dealing income				
Net gain on revaluation of financial assets at FVTPL				
	134	458	134	458
	<u>134</u>	<u>458</u>	<u>134</u>	<u>458</u>
	-----	-----	-----	-----
Other operating income				
Gross dividend income:				
- Unit trust in Malaysia	-	876	-	876
Gross dividend income from subsidiary companies				
	73,733	73,733	73,733	73,733
Others	3	2	3	2
	<u>73,736</u>	<u>74,611</u>	<u>73,736</u>	<u>74,611</u>
	<u>75,080</u>	<u>77,700</u>	<u>75,080</u>	<u>77,700</u>
	=====	=====	=====	=====

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28. Net income from Takaful business

Group	Quarter		Year-to-date	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Net earned contributions				
Gross earned contributions	705,650	504,777	705,650	504,777
Contribution ceded to retakaful	(105,976)	(82,663)	(105,976)	(82,663)
	599,674	422,114	599,674	422,114
Other income				
Administration income	20,034	19,155	20,034	19,155
Investment income	80,812	72,183	80,812	72,183
Realised gains and losses	2,890	1,931	2,890	1,931
Fair value gains and losses	21,122	(2,998)	21,122	(2,998)
Other operating income	501	2,061	501	2,061
	125,359	92,332	125,359	92,332
Net benefits and claims				
Gross benefits and claims paid	(288,237)	(299,356)	(288,237)	(299,356)
Claims ceded to retakaful	47,832	43,685	47,832	43,685
Gross change to contract liabilities	(42,224)	11,825	(42,224)	11,825
Change to contract liabilities ceded to takaful	27,149	(15,307)	27,149	(15,307)
	(255,480)	(259,153)	(255,480)	(259,153)
Expense reserves	(40,543)	(31,195)	(40,543)	(31,195)
Income from takaful business	429,010	224,098	429,010	224,098
Profits attributable to participants/ takaful operator	(140,294)	(6,017)	(140,294)	(6,017)
Net income from takaful business	288,716	218,081	288,716	218,081

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29. Net allowance for impairment on financing and advances

Group	Quarter		Year-to-date	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Net allowance for impaired financing, advances and others				
- collective assessment allowance, net	45,432	10,823	45,432	10,823
- individual assessment allowance	1,875	36,962	1,875	36,962
Bad debts and financing recovered	(24,108)	(26,622)	(24,108)	(26,622)
	23,199	21,163	23,199	21,163
	=====	=====	=====	=====

30. Income attributable to depositors

Group	Quarter		Year-to-date	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah Fund	2,034	2,499	2,034	2,499
- Non-Mudharabah Fund	329,938	292,089	329,938	292,089
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah Fund	-	331	-	331
Recourse obligations on financing sold to Cagamas	17,812	-	17,812	-
	349,784	294,919	349,784	294,919
	=====	=====	=====	=====

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31. Income attributable to investment account holders

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts				
- <i>Mudharabah</i>	1,917	1,711	1,917	1,711
- <i>Wakalah</i>	26,520	18,047	26,520	18,047
	28,437	19,758	28,437	19,758
	=====	=====	=====	=====

32. Personnel expenses

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	158,114	136,415	158,114	136,415
Employees' Provident Fund	20,416	19,344	20,416	19,344
Directors remuneration	2,967	3,458	2,967	3,458
Others	16,183	14,127	16,183	14,127
	197,680	173,344	197,680	173,344
	=====	=====	=====	=====
Company				
Salaries and wages	1,572	1,096	1,572	1,096
Employees' Provident Fund	144	161	144	161
Directors remuneration	525	716	525	716
Others	186	179	186	179
	2,427	2,152	2,427	2,152
	=====	=====	=====	=====

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33. Other overhead expenses

Group	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Promotion				
Advertisement and publicity	45,184	27,987	45,184	27,987
Credit and debit card expenses	7,357	9,147	7,357	9,147
Commission	59,639	47,055	59,639	47,055
	112,180	84,189	112,180	84,189
Establishment				
Depreciation of property and equipment	15,909	14,840	15,909	14,840
Depreciation of investment property	73	73	73	73
Depreciation of right-of-use assets	3,534	-	3,534	-
Information technology expenses	12,116	7,172	12,116	7,172
Office rental	8,741	13,849	8,741	13,849
Office maintenance	4,915	5,447	4,915	5,447
Utilities	4,463	4,757	4,463	4,757
Security services	2,266	2,806	2,266	2,806
Rental equipment	2,228	1,811	2,228	1,811
Takaful and insurance	796	858	796	858
Others	522	248	522	248
	55,563	51,861	55,563	51,861
General expenses				
Professional fees	17,430	11,421	17,430	11,421
Outsourcing fees	4,794	3,082	4,794	3,082
Travelling & transport	2,040	2,158	2,040	2,158
Office supplies	2,483	1,904	2,483	1,904
Subscription fees	1,217	826	1,217	826
Auditors' remuneration	528	524	528	524
Processing charges	321	162	321	162
Others	30,843	23,418	30,843	23,418
	59,656	43,495	59,656	43,495
	227,399	179,545	227,399	179,545

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33. Other overhead expenses (continued)

Company	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
<i>Promotion</i>				
Advertisement and publicity	(1)	2	(1)	2
	<u>(1)</u>	<u>2</u>	<u>(1)</u>	<u>2</u>
	-----	-----	-----	-----
<i>Establishment</i>				
Office rental	266	280	266	280
Depreciation of property and equipment	22	80	22	80
Information technology expenses	8	6	8	6
Rental equipment	25	24	25	24
Office maintenance	2	3	2	3
Utilities	7	7	7	7
Takaful and insurance	28	27	28	27
	<u>358</u>	<u>427</u>	<u>358</u>	<u>427</u>
	-----	-----	-----	-----
<i>General expenses</i>				
Auditors' remuneration	61	51	61	51
Professional fees	35	75	35	75
Office supplies	10	13	10	13
Travelling & transport	3	2	3	2
Subscription fees	1	4	1	4
Others	441	631	441	631
	<u>551</u>	<u>776</u>	<u>551</u>	<u>776</u>
	-----	-----	-----	-----
	<u>908</u>	<u>1,205</u>	<u>908</u>	<u>1,205</u>
	=====	=====	=====	=====

34. 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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34. Operating segment information (continued)

Quarter ended 31 March 2019	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	891,971	288,716	2,525	-	1,183,212
Inter-segment revenue	8,017	5,944	75,382	(89,343)	-
Total revenue	899,988	294,660	77,907	(89,343)	1,183,212
=====					
Net income from operations (before allowance for impairment on financing and other assets)	516,950	294,660	77,907	(84,526)	804,991
Operating overheads	(252,957)	(180,176)	(5,965)	10,115	(428,983)
Operating results	263,993	114,484	71,942	(74,411)	376,008
Allowance for impairment	(22,366)	-	-	-	(22,366)
Finance cost	(21,739)	-	(12,997)	678	(34,058)
Profit before zakat and taxation	219,888	114,484	58,945	(73,733)	319,584
=====					

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34. Operating segment information (continued)

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

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34. Operating segment information (continued)

Year-to-date 3 months ended 31 March 2019	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	891,971	288,716	2,525	-	1,183,212
Inter-segment revenue	8,017	5,944	75,382	(89,343)	-
Total revenue	899,988	294,660	77,907	(89,343)	1,183,212
Net income from operations (before allowance for impairment on financing and other assets)	516,950	294,660	77,907	(84,526)	804,991
Operating overheads	(252,957)	(180,176)	(5,965)	10,115	(428,983)
Operating results	263,993	114,484	71,942	(74,411)	376,008
Allowance for impairment	(22,366)	-	-	-	(22,366)
Finance cost	(21,739)	-	(12,997)	678	(34,058)
Profit before zakat and taxation	219,888	114,484	58,945	(73,733)	319,584
Segment assets	63,325,226	9,377,189	5,666,824	(6,056,289)	72,312,950
Segment liabilities	57,892,993	8,279,009	920,210	(696,194)	66,396,018

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34. Operating segment information (continued)

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

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35. Valuation of property and equipment

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

36. Changes in composition of the Group

There is no change in the composition of the Group for the current financial period under review.

37. 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.
- 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 values and carrying amounts shown in the statement of financial position. The table does not include those short-term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values.

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37. Fair value of financial instruments (continued)

Fair value information

31.03.2019 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	600,939	1,433,712	-	2,034,651	-	-	-	-	2,034,651	2,034,651
Derivative financial assets	-	19,447	-	19,447	-	-	-	-	19,447	19,447
Financial assets at FVOCI	12,148	15,743,985	415,735	16,171,868	-	-	-	-	16,171,868	16,171,868
Financing, advances and others	-	-	-	-	-	-	46,170,228	46,170,228	46,170,228	46,050,857
Total assets	613,087	17,197,144	415,735	18,225,966	-	-	46,170,228	46,170,228	64,396,194	64,276,823
Financial liabilities										
Derivative financial liabilities	-	14,684	-	14,684	-	-	-	-	14,684	14,684
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	1,526,865	1,526,865	1,526,865	1,501,187
Sukuk liabilities	-	-	-	-	-	-	2,132,633	2,132,633	2,132,633	2,132,206
Total liabilities	-	14,684	-	14,684	-	-	3,659,498	3,659,498	3,674,182	3,648,077
31.03.2019 Company										
Financial assets										
Financial assets at FVTPL	6,757	-	-	6,757	-	-	-	-	6,757	6,757
Total assets	6,757	-	-	6,757	-	-	-	-	6,757	6,757
Financial liabilities										
Sukuk liabilities	-	-	-	-	-	-	857,126	857,126	857,126	857,126
Total liabilities	-	-	-	-	-	-	857,126	857,126	857,126	857,126

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37. Fair value of financial instruments (continued)

Fair value information (continued)

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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37. Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the three months ended 31 March 2019 for the Group:

<i>Financial assets at FVOCI</i>	Group RM'000
At 31 December 2017, as previously stated	251,051
Adjustment on adoption of MFRS 9 (net of tax)	22,260
Adjusted balances at 1 January 2018	<u>273,311</u>
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
At 31 December 2018/1 January 2019	<u>341,697</u>
Purchases	85,844
Disposal	(15,842)
Gains recognised in profit or loss	
- Investment income - realised	3,730
Gains recognised in other comprehensive income	
- Net change in fair value (unrealised)	306
At 31 March 2019	<u><u>415,735</u></u>

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	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% (2018: 4.58%)	The estimated fair value would increase (decrease) if the discount rate were (lower) higher.

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

Group Items	31.03.2019				
	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	1,687,925	241,262	542,858	827,493	76,312
- swaps	1,528,705	1,142,918	228,160	127,509	30,118
- spot	479,445	479,445	-	-	-
Total	3,696,075	1,863,625	771,018	955,002	106,430

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 transactions may be reduced through offsetting on and off-balance sheet positions. As at 31 March 2019, the amount of contracts which were not hedged and, hence, exposed to market risk was RM731.59 million (31 December 2018: RM422.76 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. This amount will increase or decrease over the life of the contracts, maturity dates and rates or prices. As at 31 March 2019, the credit risk measured in terms of the cost to replace the profitable contracts, was RM58.52 million (31 December 2018: RM76.91 million).

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39. Commitments and contingencies

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

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

As at 31.03.2019	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	516,975		516,975	516,584
Transaction related contingent items	989,714		494,857	460,434
Short term self-liquidating trade related contingencies	707,683		141,536	137,655
Other commitments, such as formal standby facilities and credit lines with original maturity of:				
- exceeding one year	1,592,491		796,246	572,828
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	6,699,678		-	-
	10,506,541		1,949,614	1,687,501
Derivative Financial Instruments				
Foreign exchange related contracts				
- Less than one year	3,696,075	16,356	49,869	36,968
Profit rate related contracts				
- Less than one year	400,000	1,424	575	115
- One year to less than five years	170,718	1,667	8,072	5,341
	4,266,793	19,447	58,516	42,424
	14,773,334	19,447	2,008,130	1,729,925

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39. Commitments and contingencies (continued)

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

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:				
- 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		-	-
	<u>10,714,521</u>		<u>1,858,790</u>	<u>1,633,930</u>
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
- Five years and above	178,379	1,787	10,264	6,419
	<u>3,447,834</u>	<u>34,148</u>	<u>76,913</u>	<u>57,076</u>
	<u>14,162,355</u>	<u>34,148</u>	<u>1,935,703</u>	<u>1,691,006</u>

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40. Capital adequacy

Total capital and capital adequacy ratios of the Group have been computed based on Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 2 February 2018. The Group is required to meet minimum Common Equity Tier I ("CET I"), Tier I and Total Capital adequacy ratios of 7.0%, 8.5% and 10.5% respectively for year 2019. The Group 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 Group are set out below:

	31.03.2019	31.12.2018
	%	%
Common Equity Tier I ("CET I") Capital Ratio	11.426	10.943
Total Tier I Capital Ratio	11.426	10.943
Total Capital Ratio	15.840	15.369

The components of CET I, Tier I and Tier II capital of the Group:

	31.03.2019	31.12.2018
	RM'000	RM'000
Paid-up share capital	4,307,819	4,082,939
Retained earnings	1,459,641	1,548,390
Other reserves	(1,068,165)	(1,152,207)
<u>Less:</u>		
Investment in subsidiary	(99,053)	(99,053)
Deferred tax assets	(37,558)	(52,054)
Gain on financial instruments classified as fair value through other comprehensive income	(48,386)	(4,928)
Regulatory reserve	(10,000)	(10,000)
Total CET I and Tier I Capital	4,504,298	4,313,087

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40. Capital adequacy (continued)

The components of CET I, Tier I and Tier II capital of the Group: (continued)

	31.03.2019	31.12.2018
	RM'000	RM'000
Sukuk Murabahah	1,300,000	1,300,000
Collective assessment allowance ^	440,228	444,561
	<hr/>	<hr/>
Total Tier II Capital	1,740,228	1,744,561
	<hr/>	<hr/>
Total Capital	6,244,526	6,057,648
	<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:

	31.03.2019	31.12.2018
	RM'000	RM'000
Credit risk	39,616,482	39,060,017
Less: Credit risk absorbed by unrestricted investment accounts	(4,398,214)	(3,495,144)
	<hr/>	<hr/>
	35,218,268	35,564,873
Market risk	731,590	422,763
Operational risk	3,471,602	3,425,864
	<hr/>	<hr/>
	39,421,460	39,413,500
	<hr/> <hr/>	<hr/> <hr/>

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

B1. Performance review for the three months ended 31 March 2019

	Individual Period		Variance		Cumulative Period		Variance	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To-date	Preceding Year Corresponding Period		
	31.03.2019	31.03.2018	Amount	%	31.03.2019	31.03.2018	Amount	%
RM'000								
Revenue	1,183,212	999,362	183,850	18.40	1,183,212	999,362	183,850	18.40
Operating Profit	376,008	327,330	48,678	14.87	376,008	327,330	48,678	14.87
Profit Before Zakat and Taxation	319,584	273,614	45,970	16.80	319,584	273,614	45,970	16.80
Profit After Zakat and Taxation	241,589	200,578	41,011	20.45	241,589	200,578	41,011	20.45
Profit Attributable to Equity Holders of the Parent	202,516	172,135	30,381	17.65	202,516	172,135	30,381	17.65

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

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B1. Performance review for the three months ended 31 March 2019
(continued)

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

BIMB Holdings Berhad ("BHB") Group reported Profit Before Zakat and Taxation ("PBZT") for the three months ended 31 March 2019 of RM319.6 million, representing an increase of 16.8% or RM46.0 million as compared to the corresponding period in 2018 of RM273.6 million.

At the operating profit level, the Group's operating profit of RM376.0 million was higher by RM48.7 million or 14.9% compared to the corresponding period in 2018 of RM327.3 million.

The net profit attributable to shareholders increased by 17.7% or RM30.4 million to RM202.5 million as compared to the corresponding period in 2018 of RM172.1 million.

BHB registered an annualised Return on Equity ("ROE") of 16.1% (after tax and zakat). Consequently, net assets per share has also improved to RM3.09 as at 31 March 2019 compared to RM2.97 as at 31 December 2018.

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 three months ended 31 March 2019, Bank Islam achieved a PBZT RM219.9 million, an increase of RM12.7 million or 6.1% over the PBZT of the corresponding period last year of RM207.2 million. The increase in PBZT was mainly due to higher total net income.

Gross fund based income increased by RM88.8 million or 12.5% on the back of a 8.5% year-on-year ("Y-o-Y") increase in gross financing, whilst income attributable to depositors and investment account holders ("IATD") rose 19.8% compared to the corresponding period last year due to higher average volume of deposits and investment accounts, coupled with higher Bank's cost of fund in relation to complying with Bank Negara Malaysia's Basel III liquidity requirement specifically on the lengthening of the deposit maturity profile.

The non-fund based income also increased by RM26.7 million for the three months period compared to the corresponding period last year, which was mainly due to higher investment income.

Total overheads were higher by RM29.9 million or 13.4% over the corresponding period last year mainly due to higher staff costs driven by annual salary increment.

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B1. Performance review for the three months ended 31 March 2019
(continued)

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

Bank Islam Malaysia Berhad (continued)

Meanwhile, the increase in finance cost by RM8.3 million or 61.8% over the corresponding period last year was mainly due to the new issuance of Subordinated Sukuk Murabahah amounted to RM300 million on 7 November 2018 as well as the profit expense on leases of RM4.5 million.

For the three months ended 31 March 2019, the Bank recorded net allowance charged for impairment on financing and advances of RM23.2 million compared to RM21.2 million in the corresponding period last year. The increase in net allowance charged was mainly contributed by lower bad debts recovered by RM2.5 million.

The Bank's total assets stood at RM63.3 billion as at 31 March 2019, a year-on-year increase by RM4.6 billion from RM58.7 billion reported as at 31 March 2018 which was mainly contributed by the increase in net financing by RM3.7 billion and investment in securities by RM2.9 billion. The overall increase however was partly offset with lower cash and short term funds of RM2.7 billion.

As at end of March 2019, customer deposits and investment accounts stood at RM53.8 billion with a year-on-year increase by RM2.1 billion or 4.0%. Total current and saving accounts and transactional investment accounts ("CASATIA") composition is at a healthy level of 32.7% of total customer deposits and investment accounts.

Total gross impaired financing as at 31 March 2019 was RM443.4 million compared to RM429.1 million as at 31 March 2018.

Syarikat Takaful Malaysia Keluarga Berhad

For the three months ended 31 March 2019, Takaful Malaysia recorded PBZT of RM113.3 million, an increase by 33.5% as compared to RM84.9 million in the corresponding period last year. The improvement in profit was mainly attributable to higher net Wakalah fee income arising from business growth in the Family Takaful.

Takaful Malaysia recorded operating revenue of RM918.2 million for the three months ended 31 March 2019, an increase of 23.1% or RM172.0 million as compared to the same period last year. The increase was mainly attributable to higher sales generated by Family Takaful business.

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B1. Performance review for the financial year ended 31 March 2019
(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 RM502.9 million for the three months ended 31 March 2019, an increase by 55.2%, as compared to RM324.0 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 decreased by 5.1% to RM199.9 million for the three months ended 31 March 2019 from RM210.6 million in the same period last year. This was mainly due lower medical claims.

Investment income for the Family Takaful business increased by 10.9% to RM66.2 million as compared to RM59.7 million in the corresponding period last year, mainly due to higher profit from Islamic debt securities.

For the three months ended 31 March 2019, Family Takaful recorded fair value gains of RM20.5 million, an increase by RM22.8 million as compared to the same period last year. The higher gain were mainly due to improvement in equity.

General Takaful business generated gross earned contributions of RM204.2 million for the three months ended 31 March 2019, an increase by 12.0% as compared to RM182.4 million in the corresponding period last year. The growth was mainly from fire class.

The net benefits and claims for General Takaful business increased by 4.3% to RM53.3 million for the three months ended 31 March 2019 from RM 51.1 million in the same period of the preceding year, mainly due to increase in claims relating to motor class.

The investment income for the first quarter ended 31 March 2019 was RM7.8 million, an increase by 14.7%, as compared to the investment income in the same period of the preceding year of RM6.8 million, mainly to higher profit from Islamic debts securities.

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B2. Comparison with the preceding quarter's results for the three months performance (First Quarter 2019 vs. Fourth Quarter 2018)

RM'000	Current Quarter	Immediate Preceding Quarter	Variance	
	31.03.2019	31.12.2018	Amount	%
Revenue	1,183,212	1,121,108	62,104	5.54
Operating Profit	376,008	322,926	53,082	16.44
Profit Before Zakat and Taxation	319,584	258,199	61,385	23.77
Profit After Zakat and Taxation	241,589	198,071	43,518	21.97
Profit Attributable to Equity Holders of the Parent	202,516	161,385	41,131	25.49

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

For the first quarter ended 31 March 2019 (Q1 2019), the BHB Group reported PBZT of RM319.6 million against a PBZT of RM258.2 million achieved for the immediate preceding quarter ended 31 December 2018 (Q4 2018), an increase of RM61.4 million or 23.8%.

At the operating profit level, the Group's operating profit for Q1 2019 of RM376.0 million was higher by RM53.1 million or 16.4% compared to Q4 2018 of RM322.9 million.

Bank Islam Malaysia Berhad

For the Q1 2019, the Bank achieved a PBZT of RM219.9 million, an increase of RM35.3 million or 19.1% over the PBZT of the immediate preceding quarter (Q4 2018) of RM184.6 million. The increase in PBZT was mainly due to higher non-fund based income.

The non-fund based income increased by RM28.6 million for the Q1 2019 compared to Q4 2018, which was mainly due to higher investment income.

The lower overheads by RM19.3 million was mainly due to lower staff costs and establishment expenses by RM13.1 million and RM7.8 million respectively.

Meanwhile, the increase in finance cost by RM5.7 million or 35.2% over Q4 2018 was mainly due to a new issuance of Subordinated Sukuk Murabahah amounted to RM300 million on 7 November 2018 as well as the profit expense on leases of RM4.5 million.

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B2. Comparison with the preceding quarter's results for the three months performance (First Quarter 2019 vs. Fourth Quarter 2018) (continued)

Bank Islam Malaysia Berhad (continued)

The Bank recorded net allowance charged for impairment on financing and advances of RM23.2 million for Q1 2019 compared to RM19.4 million in the Q4 2018, higher by RM3.8 million. The increase in net allowance charged was mainly attributed to higher net allowance charged for impairment on financing by RM3.3 million and lower bad debts recovered by RM0.5 million.

Syarikat Takaful Malaysia Keluarga Berhad

For Q1 2019, Takaful Malaysia registered PBZT of RM113.3 million, higher by 10.2% as compared to Q4 2018 of RM102.8 million. The increase in profit was mainly attributable to higher net wakalah fee income.

For Q1 2019, Takaful Malaysia generated Operating Revenue of RM918.2 million as compared to RM707.1 million in Q4 2018. The increase is mainly attributable to higher sales generated from Family and General Takaful business.

Family Takaful business recorded gross earned contributions of RM502.9 million, an increase of 1.1% as compared to RM497.6 million in Q4 2018. The increase was mainly attributable to higher sales from credit-related products.

For Q1 2019, Family Takaful business recorded net benefits and claims of RM199.9 million, a decrease of 8.3% as compared to Q4 2018. The decrease was mainly due to lower medical claims.

Family Takaful business recorded investment income of RM66.2 million, an increase of 2.3% as compared to RM64.7 million in Q4 2018. The increase was mainly attributable to higher profit from Islamic debts securities.

For Q1 2019, General Takaful business generated gross earned contributions of RM204.2 million, an increase of 23.0%, as compared to RM166.0 million in Q4 2018. The increase was mainly from motor and commercial classes.

For Q1 2018, General Takaful business recorded net benefits and claims of RM53.3 million, an increase of 17.7% as compared to Q4 2018. The increase was mainly due to higher claims relating to fire, motor and commercial classes.

General Takaful business recorded investment income of RM7.8 million for Q1 2019, an increase of 2.6%, as compared to RM7.6 million in the immediate preceding quarter, mainly attributable to higher profit from Islamic debts securities.

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B3. Prospects for 2019

Bank Islam Malaysia Berhad

In its annual report released on 27 March 2019, BNM has projected the Malaysia's GDP growth to range from 4.3% to 4.8% in 2019 (4.7% in 2018). Growth is expected to be primarily driven by resilient private sector spending, recovery in commodity sectors and continued demand from major trade partners. Household spending is projected to grow by 6.6% for 2019, which is lower than the trend level at 7.0%.

The banking sector is expected to remain resilient with strong buffers to weather any unfavourable macro-economic and financial condition. Financing growth is expected to be between 7% and 8% to finance the needs of household and business. Household is expected to have stable income and steady unemployment rate prospect while businesses are likely to remain cautious in spending due to challenging conditions for oil and gas, property and construction sectors. As for financial technology, one of the key trend we foresee is the greater adoption of e-payment that contribute to moderate use in cash.

The BNM Monetary Policy Committee ("MPC") meeting on 5 March 2019 decided to hold the OPR at 3.25%. However, given that inflation rate is projected to be lower at 0.7% to 1.7% (1.0% in 2018) and continued challenging external sector for 2019, there could be downward pressure on OPR. Therefore, the banking system Net Income Margin ("NIM") is expected to be further compressed with lower benchmark profit rate.

Moving forward, 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 the principles of Value-based Intermediation ("VBI"), driving the business model. With Shariah Principles/ Halal and Trustworthy being the key distinctive features, the Bank sets forth six strategic pillars which include Sustainable Prosperity, Values-Based Culture, Community Empowerment, Customer Centricity, Real Economy and Digitalisation to carry out its new Vision and Mission and tagline.

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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, the company 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, the company 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.

B5. Tax expense

Major components of tax expense

Group	Quarter		Year-to-date	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Current tax expense	86,281	70,638	86,281	70,638
Under/(Over) provision in prior years	9	(216)	9	(216)
Deferred tax expense:				
Origination and reversal of temporary differences	(12,437)	199	(12,437)	199
Under/(Over) provision in prior years	12	(1,523)	12	(1,523)
	73,865	69,098	73,865	69,098
	=====	=====	=====	=====

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B5. Tax expense (continued)

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

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	319,584	273,614	319,584	273,614
	=====	=====	=====	=====
Income tax calculated using				
Malaysian tax rate of 24%	76,700	65,668	76,700	65,668
Non-deductible expenses	24,702	15,951	24,702	15,951
Non-deductible Sukuk's finance cost	3,112	4,774	3,112	4,774
Non-taxable income	(30,670)	(18,556)	(30,670)	(18,556)
	73,844	67,837	73,844	67,837
Derecognition of deferred tax assets	-	3,000	-	3,000
	73,844	70,837	73,844	70,837
Under/(Over) provision in prior years	9	(216)	9	(216)
Under/(Over) provision of deferred tax	12	(1,523)	12	(1,523)
	73,865	69,098	73,865	69,098
	=====	=====	=====	=====

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.

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.

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B5. Tax expense (continued)

Major components of tax expense

Company	Quarter 3 months ended		Year-to-date 3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Current tax expense	720	479	720	479
	-----	-----	-----	-----
	720	479	720	479
	=====	=====	=====	=====

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

Profit before tax	58,778	54,450	58,778	54,450
	=====	=====	=====	=====
Income tax calculated using Malaysian tax rate of 24%	14,107	13,068	14,107	13,068
Non-deductible expenses	1,229	653	1,229	653
Non-deductible Sukuk's finance cost	3,112	4,774	3,112	4,774
Non-taxable income	(17,728)	(18,016)	(17,728)	(18,016)
	-----	-----	-----	-----
Tax expense	720	479	720	479
	=====	=====	=====	=====

B6. Status of corporate proposals

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

B7. Status of utilisation of proceeds raised from corporate proposals

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

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

	Group	
	31.03.2019	31.03.2018
	RM'000	RM'000
Deposits from customers		
Mudharabah and Tawarruq term deposits and Negotiable Islamic Debt Certificates		
- One year or less (short-term)	27,420,544	29,375,339
- More than one year (medium/long-term)	4,760,084	2,788,320
	32,180,628	32,163,659
Current accounts	10,039,659	9,926,897
Savings accounts	4,677,327	4,450,835
Others	93,758	95,692
Total deposits	46,991,372	46,637,083
Investment accounts of customers		
- One year or less (short-term)	6,188,751	4,533,512
	6,188,751	4,533,512

RM'000	As at 1 st quarter ended 31.03.2019		
	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	2,102,422	29,784	2,132,206
- Sukuk liabilities	852,422	4,704	857,126
- Subordinated Sukuk Murabahah	1,250,000	25,080	1,275,080

RM'000	As at 1 st quarter ended 31.03.2018		
	Long term	Short term	Total borrowings
Secured	-	-	-
- Recourse obligations on financing sold to Cagamas	-	-	-
Unsecured	2,241,901	26,612	2,268,513
- Sukuk liabilities	1,291,901	7,504	1,299,405
- Subordinated Sukuk Murabahah	950,000	19,108	969,108

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

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) A 10-year Islamic securities of RM1.66 billion in nominal value was 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 million.

The current nominal value of the Sukuk Murabahah is RM1.05 billion (2018: RM1.05 billion).

- 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 2018.

- (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 for case management on 30 October 2019 and for hearing on 11 November 2019.

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B9. Material litigation (continued)

- (b) Bank Islam filed a civil suit against TN Synergy Sdn Bhd ("Customer") and the guarantors, namely Raja Nor Rafidah Binti Raja Abdul Hamid, Yong Suraya Binti Othman, Selyster John Bin Embu and Mohd Tahir Bin Saad@Ismail (collectively be referred to as "the Defendants") claiming for an amount of RM28,861,836.06 being the outstanding financing facilities granted by Bank Islam to the Customer whose accounts had been defaulted. On 26 November 2018 the High Court allowed the Bank's application to record a summary judgment against the Defendants. On 21 December 2018 the Defendants filed appeal to the Court of Appeal ("COA"). The Court of Appeal fixed for hearing on 2 October 2019.
- (c) On 16 April 2019, 5 Star Room Hotel Sdn Bhd (Plaintiff) filed a civil suit against Bank Islam and claiming damages for breach of promise to grant financing facility to Pan Asian Resorts Sdn Bhd (Plaintiff's parent company). The Plaintiff claims for an amount of RM400,000,000.00.

The High Court fixed for case management on 21 May 2019 for Bank Islam to file defence.

B10. Dividend

On 29 January 2019, the Company had paid a dividend of 15.50 sen per ordinary share totalling RM262.5 million in respect of the financial year ended 31 December 2018. From the total dividend amount, 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 a consideration of RM3.18 each arising from the Dividend Reinvestment Plan.

B11. Earnings per share

Basic earnings per share

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

Group	Quarter		Year-to-date	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Net profit for the period under review attributable to equity holders of the parent	202,516	172,135	202,516	172,135
Number of ordinary shares	1,764,283	1,693,566	1,764,283	1,693,566
Number of average ordinary shares	1,741,496	1,678,059	1,741,496	1,678,059
Earnings per share (sen)	11.63	10.26	11.63	10.26

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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 March 2019.

B12. Economic profit statement

Group	Quarter		Year-to-date	
	3 months ended	3 months ended	3 months ended	3 months ended
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Net Operating profit after zakat & tax (NOPAT)				
Profit before zakat and taxation (PBZT)	319,584	273,614	319,584	273,614
Zakat & Taxation	(77,995)	(73,036)	(77,995)	(73,036)
NOPAT	241,589	200,578	241,589	200,578
Economic charge computation				
Average invested capital (excludes the debit balance of the acquisition reserve arising from the acquisition of shares from non-controlling interests)	6,905,574	6,233,655	6,905,574	6,233,655
Weighted Average Cost of Capital (WACC) (%)	7.68	7.26	7.68	7.26
Economic charge	130,771	111,591	130,771	111,591
Economic profit	110,818	88,987	110,818	88,987

B13. Foreign exchange exposure/hedging policy

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

RM equivalent	As at	
	31.03.2019	31.12.2018
	RM'000	RM'000
USD	(223,436)	(266,498)
EURO	(98,654)	(104,262)
Others	16,406	16,324

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. The recoverability of takaful receivables which exceeds the average credit term is high especially after Letter of Demand is imposed on the debtors.

	Family Takaful		General Takaful		Group	
	31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000
Non-related parties	190,886	75,850	83,020	60,375	273,906	136,225
Related parties	306	366	3,715	2,504	4,021	2,870
	191,192	76,216	86,735	62,879	277,927	139,095

- 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	
	31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000
Current (not past due)	189,960	74,055	85,182	62,645	275,142	136,700
1-30 days	12	218	665	621	677	839
31-60 days	512	234	507	774	1,019	1,008
61-90 days	62	1,007	1,225	286	1,287	1,293
91-180 days	1,283	79	2,059	74	3,342	153
> 180 days	3,538	3,236	1,857	1,973	5,395	5,209
	195,367	78,829	91,495	66,373	286,862	145,202

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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	
	31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000
Bank Islam Malaysia Berhad	306	171	3,715	2,469	4,021	2,640

The Group has elected to measure the impairment losses for takaful receivables at an amount equal to lifetime ECL. The Group use an allowance matrix to measure ECLs of takaful receivables. Loss rates are calculated using a "roll rate" method based on the probability of receivable. The loss rates are based on actual credit loss experience over the past three years.

The impairment losses recognised in profit or loss is not significant to the Group.

B15. Material impairment of assets

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

Group	As at 31 March 2019				As at 31 December 2018			
	Carrying value before impairment	Impairment losses	Carrying value after impairment	Market value	Carrying value before impairment	Impairment losses	Carrying value after impairment	Market value
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financing, advances and others	46,807,406	(756,549)	46,050,857	46,170,228	46,470,385	(789,705)	45,680,680	46,594,025

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B15. Material impairment of assets (continued)

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.

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

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

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B15. Material impairment of assets (continued)

The Group assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

B16. Derivatives

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

As at 31 March 2019

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	3,696,075	3,397
Profit rate related contracts		
- Less than one year	400,000	167
- More than 3 years	170,718	1,199
	4,266,793	4,763

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
- More than 3 years	178,379	1,338
	3,447,834	14,628

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

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

Type of derivatives	Current quarter 31.03.2019 RM'000	Current year-to-date 31.03.2019 RM'000
<i>Derivative Financial Instruments</i>		
Loss arising from fair value changes from derivatives assets and liabilities	(358)	(358)

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

By order of the Board

MARIA MAT SAID (LS 0009400)
Company Secretary
April 30, 2019