

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

Condensed Statement of Financial Position as at 30 June 2019

	Note	Group As at		Company As at	
		30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000
Assets					
Cash and short-term funds	9	1,834,585	2,650,042	270,750	88,473
Deposits and placements with financial institutions	10	2,374,324	3,637,084	-	-
Financial assets at fair value through profit or loss (FVTPL)	11	2,026,089	1,402,603	6,909	6,623
Derivative financial assets	12	24,346	34,148	-	-
Financial assets at fair value through other comprehensive income (FVOCI)	13	17,135,930	15,687,117	-	-
Financing, advances and others	14	46,395,469	45,680,680	-	-
Other financial assets at amortised cost	15	442,803	349,118	1,477	1,215
Takaful assets	16	938,302	676,232	-	-
Statutory deposits with Bank Negara Malaysia		1,523,932	1,602,284	-	-
Current tax assets		84,106	55,277	198	198
Deferred tax assets		65,037	94,115	10	10
Right-of-use assets	17	225,977	-	-	-
Investments in subsidiaries		-	-	5,309,095	5,309,095
Property and equipment		412,452	415,775	350	382
Investment properties		10,558	10,698	-	-
Intangible assets		78,736	93,368	-	-
Total assets		73,572,646	72,388,541	5,588,789	5,405,996

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

Condensed Statement of Financial Position as at 30 June 2019 (continued)

	Note	Group As at		Company As at	
		30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000
Liabilities and equity					
Deposits from customers	18	46,681,842	49,433,546	-	-
Investment accounts of customers	19	7,251,515	5,037,653	-	-
Derivative financial liabilities	12	6,763	19,520	-	-
Bills and acceptances payable		26,876	41,114	-	-
Recourse obligations on financing sold to Cagamas	20	1,501,187	1,501,187	-	-
Other liabilities	21	1,105,752	1,285,362	1,781	265,725
Lease liabilities	17	318,522	-	-	-
Takaful liabilities	22	8,247,110	7,438,855	-	-
Sukuk liabilities	23	2,128,658	2,102,672	870,237	844,159
Zakat and taxation		74,281	33,910	240	-
Total liabilities		67,342,506	66,893,819	872,258	1,109,884
Equity					
Share capital		4,307,819	4,082,939	4,307,819	4,082,939
Reserves		1,414,402	942,780	408,712	213,173
Equity attributable to owners of the Company		5,722,221	5,025,719	4,716,531	4,296,112
Non-controlling interests		507,919	469,003	-	-
Total equity		6,230,140	5,494,722	4,716,531	4,296,112
Total liabilities and equity		73,572,646	72,388,541	5,588,789	5,405,996
Restricted investment accounts managed by Bank Islam					
	19	56,318	78,717	-	-
Total Islamic banking assets		73,628,964	72,467,258	5,588,789	5,405,996
Commitments and contingencies	40	16,351,097	14,162,355	-	-
Net assets per share attributable to ordinary equity of the Company (RM)					
		3.24	2.97	2.67	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.

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

**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2019**

Group	Note	3 months ended		6 months ended	
		30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Income derived from investment of depositors' funds	25	686,799	623,740	1,394,606	1,236,293
Income derived from investment account funds	26	95,592	59,190	170,426	117,898
Income derived from investment of shareholders' funds	27	122,601	126,474	234,230	236,494
Net income from Takaful business	28	250,894	182,435	539,610	400,516
Net allowance for impairment on financing and advances, net of recoveries	29	(29,619)	(14,758)	(52,818)	(35,921)
Net allowance for impairment on debt securities		42	(12)	21	86
Net allowance for impairment on other financial assets		(5,000)	-	(4,147)	-
Direct expenses		(3,865)	(4,590)	(7,768)	(9,056)
Total distributable income		1,117,444	972,479	2,274,160	1,946,310
Wakalah fees from restricted investment accounts		7	333	233	333
Income attributable to depositors	30	(339,405)	(309,423)	(689,189)	(604,342)
Income attributable to investment account holders	31	(42,853)	(19,287)	(71,290)	(39,045)
Total net income		735,193	644,102	1,513,914	1,303,256
Personnel expenses	32	(193,392)	(186,100)	(391,072)	(359,444)
Other overhead expenses	33	(206,416)	(188,033)	(433,815)	(367,578)
Finance cost	34	(34,365)	(32,672)	(68,423)	(65,323)
Profit before zakat and tax		301,020	237,297	620,604	510,911
Zakat		(4,084)	(3,981)	(8,214)	(7,919)
Tax expense	B5	(68,707)	(62,924)	(142,572)	(132,022)
Profit for the period		228,229	170,392	469,818	370,970
Attributable to:					
Owners of the Company		195,162	149,911	397,678	322,046
Non-controlling interests		33,067	20,481	72,140	48,924
Profit for the period		228,229	170,392	469,818	370,970
Earnings per share (sen)	B11	11.06	8.85	22.69	19.10

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

**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2019 (continued)**

Group	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Profit for the period	228,229	170,392	469,818	370,970
Other comprehensive income/(expense), net of tax:				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation differences in respect of foreign operations	(4,904)	(17,812)	579	(2,644)
Movement in fair value reserve (debt securities):				
Net change in fair value	117,818	(27,497)	246,715	(36,698)
Net allowance for impairment on debt securities	42	(12)	21	86
Net amount transferred to profit or loss	(27,414)	(609)	(44,342)	(2,202)
Income tax effect relating to components of other comprehensive income	(18,247)	6,421	(43,199)	8,925
	67,295	(39,509)	159,774	(32,533)
Items that will not be reclassified subsequently to profit or loss				
Movement in fair value reserve (equity investments):				
Net change in fair value	12,005	654	11,707	(1,487)
Other comprehensive income for the period, net of tax	79,300	(38,855)	171,481	(34,020)
Total comprehensive income for the period	307,529	131,537	641,299	336,950
Total comprehensive income attributable to:				
Owners of the Company	271,261	111,645	562,460	290,398
Non-controlling interests	36,268	19,892	78,839	46,552
Total comprehensive income for the period	307,529	131,537	641,299	336,950

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.

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

**Condensed Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2019 (continued)**

Company	Note	3 months ended		6 months ended	
		30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Income derived from investment of shareholders' funds / Total distributable income / Total net income	27	154,154	154,770	229,234	232,470
Personnel expenses	32	(1,462)	(2,380)	(3,889)	(4,532)
Other overhead expenses	33	(1,380)	(1,178)	(2,288)	(2,383)
		<u>151,312</u>	<u>151,212</u>	<u>223,057</u>	<u>225,555</u>
Finance cost	34	(13,111)	(19,893)	(26,078)	(39,786)
Profit before zakat and tax		<u>138,201</u>	<u>131,319</u>	<u>196,979</u>	<u>185,769</u>
Tax expense	B5	(720)	(479)	(1,440)	(958)
Profit for the period		<u>137,481</u>	<u>130,840</u>	<u>195,539</u>	<u>184,811</u>
Attributable to:					
Owners of the Company		<u>137,481</u>	<u>130,840</u>	<u>195,539</u>	<u>184,811</u>
Profit for the period/Total comprehensive income for the period attributable to owners of the Company		<u>137,481</u>	<u>130,840</u>	<u>195,539</u>	<u>184,811</u>

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

Condensed Statement of Changes in Equity for the six months ended 30 June 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	-	-	322,046	322,046	48,924	370,970
Other comprehensive income						
Currency translation differences in respect of foreign operations	-	(929)	-	(929)	(1,715)	(2,644)
Fair value reserve - Net change in fair value	-	(37,641)	-	(37,641)	(544)	(38,185)
- Net allowance for impairment on debt securities	-	86	-	86	-	86
- Net amount reclassified to profit or loss	-	(2,089)	-	(2,089)	(113)	(2,202)
Income tax effect relating to components of other comprehensive income	-	8,925	-	8,925	-	8,925
Total comprehensive income for the period	-	(31,648)	322,046	290,398	46,552	336,950
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	-	2,993	-	2,993	2,026	5,019
Long Term Incentive Plan exercised	-	(3,567)	-	(3,567)	3,567	-
Issue of shares pursuant to Dividend Reinvestment Plan	207,669	-	-	207,669	-	207,669
At 30 June 2018	4,082,939	(1,187,680)	2,003,489	4,898,748	385,326	5,284,074

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.

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

Condensed Statement of Changes in Equity for the six months ended 30 June 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	-	-	397,678	397,678	72,140	469,818
Other comprehensive income						
Currency translation differences in respect of foreign operations	-	325	-	325	254	579
Fair value reserve - Net change in fair value	-	251,591	-	251,591	6,831	258,422
- Net allowance for impairment on debt securities	-	21	-	21	-	21
- Net amount reclassified to profit or loss	-	(43,956)	-	(43,956)	(386)	(44,342)
Income tax effect relating to components of other comprehensive income	-	(43,199)	-	(43,199)	-	(43,199)
Total comprehensive income for the period	-	164,782	397,678	562,460	78,839	641,299
Dividends paid to non-controlling interest	-	-	-	-	(49,900)	(49,900)
Share-based payment transactions	-	4,689	-	4,689	3,199	7,888
Long Term Incentive Plan exercised	-	(6,778)	-	(6,778)	6,778	-
Issue of shares pursuant to Dividend Reinvestment Plan	224,880	-	-	224,880	-	224,880
At 30 June 2019	4,307,819	(976,069)	2,390,471	5,722,221	507,919	6,230,140

Note 24

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

Condensed Statement of Changes in Equity for the six months ended 30 June 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	-	-	-	184,811	184,811
Issue of shares pursuant to Dividend Reinvestment Plan	207,669	-	-	-	207,669
At 30 June 2018	4,082,939	129,300	-	252,423	4,464,662
At 1 January 2019	4,082,939	129,300	-	83,873	4,296,112
Profit for the period	-	-	-	195,539	195,539
Issue of shares pursuant to Dividend Reinvestment Plan	224,880	-	-	-	224,880
At 30 June 2019	4,307,819	129,300	-	279,412	4,716,531

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

Condensed Statement of Cash Flows for the six months ended 30 June 2019

	Group		Company	
	6 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before zakat and tax	620,604	510,911	196,979	185,769
Adjustments for:				
Depreciation of right-of-use assets	7,145	-	-	-
Depreciation of property and equipment	31,769	29,999	45	122
Depreciation of investment properties	145	146	-	-
Net loss/(gain) on disposal of property and equipment	1	(270)	-	-
Property and equipment written off	45	100	-	8
Net allowance for impairment on financing, advances and others	98,510	89,092	-	-
Net allowance for impairment on debt securities	(21)	(86)	-	-
Net allowance for impairment on other financial assets	4,147	-	-	-
Net gain on sale of financial assets at FVTPL	(13,704)	(1,207)	-	-
Net gain on sale of financial assets at FVOCI	(43,389)	(1,921)	-	-
Fair value (gain)/loss on financial assets at FVTPL	(50,819)	61,729	(286)	87
Net derivative loss/(gain)	55	(77)	-	-
Dividends from securities	(5,140)	(3,808)	-	(2,799)
Dividends from subsidiaries	-	-	(226,043)	(223,913)
Change in actuarial reserves/ unearned contributions reserve	9,924	(3,679)	-	-
Equity settled share-based payment	7,888	5,019	-	-
Amortisation of intangible assets	14,632	7,832	-	-
Profit expense on leases	9,026	-	-	-
Finance cost	59,397	65,323	26,078	39,786
Operating profit/(loss) before working capital changes	750,215	759,103	(3,227)	(940)

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

Condensed Statement of Cash Flows for the six months ended 30 June 2019
(continued)

	Group		Company	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before working capital changes	750,215	759,103	(3,227)	(940)
Changes in working capital:				
Financing of customers	(813,299)	(1,394,347)	-	-
Statutory deposits with Bank Negara Malaysia	78,352	(85,640)	-	-
Other assets	(360,024)	(11,837)	(262)	(554)
Deposits from customers	(2,751,704)	(1,440,204)	-	-
Investment accounts of customers	2,213,862	551,105	-	-
Recourse obligations on financing sold to Cagamas	-	1,501,187	-	-
Other liabilities	887,193	22,323	(1,441)	(1,460)
Bills and acceptances payable	(14,238)	(374,722)	-	-
Cash used in operations	(9,643)	(473,032)	(4,930)	(2,954)
Zakat paid	(12,794)	(13,176)	-	-
Tax paid	(149,456)	(117,533)	(1,200)	(799)
Tax refund	28	113	-	20
Net cash used in operating activities	(171,865)	(603,628)	(6,130)	(3,733)
Cash flows from investing activities				
Net proceeds from purchase of securities	(1,750,265)	(1,543,334)	-	-
Purchase of property and equipment	(28,267)	(45,126)	(13)	(53)
Proceeds from disposal of property and equipment	1	364	-	-
Dividends from securities	5,140	1,009	-	-
Dividends from subsidiaries	-	-	226,043	223,913
Net cash (used in)/generated from investing activities	(1,773,391)	(1,587,087)	226,030	223,860

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

Condensed Statement of Cash Flows for the six months ended 30 June 2019
(continued)

	Group		Company	
	6 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	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	(12,375)	-	-	-
Payment of coupon on Sukuk	(33,411)	(25,941)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash used in financing activities	(133,309)	(97,295)	(37,623)	(21,615)
	<hr/>	<hr/>	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(2,078,565)	(2,288,010)	182,277	198,512
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Cash and cash equivalents at beginning of the year	6,287,126	5,966,834	88,473	241,074
	<hr/>	<hr/>	<hr/>	<hr/>
Foreign exchange differences	348	(2,193)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of the period	4,208,909	3,676,631	270,750	439,586
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:				
Cash and short-term funds	1,834,585	2,772,514	270,750	439,586
Deposits and placements with financial institutions	2,374,324	904,117	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4,208,909	3,676,631	270,750	439,586
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Explanatory Notes to the Financial Statements for the six months ended 30 June 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 six months ended 30 June 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 MFRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements, 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 Unaudited Interim 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.

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

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. Auditors' report on 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. Seasonal or cyclical factors

The operations of the Group were not materially affected by any seasonal or cyclical factors for the six months ended 30 June 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 six months ended 30 June 2019.

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

5. Changes in accounting estimates

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the six months ended 30 June 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*

MFRS 16 supersedes MFRS 117 'Leases' and the related interpretations. The Group has adopted MFRS 16 retrospectively from 1 January 2019 upon its mandatory adoption date, but have 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.

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

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	233,122
Lease liabilities	17	(321,871)
		<hr/>
Retained earnings		(88,749)
		<hr/> <hr/>

The reconciliation on operating lease commitments under MFRS 117 to MFRS 16 are as follows:

	Group RM'000
Operating lease commitments as at 31 December 2018:	
- Lease	385,256
- Service charges	137,580
	<hr/>
	522,836
Discounted using the incremental borrowing rate	(200,965)
	<hr/>
Lease liabilities recognised as at 1 January 2019	321,871
	<hr/> <hr/>

The recognised right-of-use assets relate to the following type of assets:

Property	232,116
Computer equipment and software	1,006
	<hr/>
	233,122
	<hr/> <hr/>

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

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 six months ended 30 June 2019

- **Dividend received**

On 11 January 2019, Syarikat Takaful Malaysia Keluarga 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.

On 27 May 2019, Bank Islam paid a final single tier dividend of 6.07 sen per ordinary share totaling RM152.310 million for the financial year ended 31 December 2018.

9. Cash and short-term funds

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Cash and balances with banks and other financial institutions	898,343	931,783
Money at call and interbank placements with remaining maturity not exceeding one month	936,242	1,718,259
	<u>1,834,585</u>	<u>2,650,042</u>
	=====	=====
	Company	
	30.06.2019	31.12.2018
	RM'000	RM'000
Cash and balances with banks and other financial institutions	270,750	88,473
	<u>270,750</u>	<u>88,473</u>
	=====	=====

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

10. Deposits and placements with financial institutions

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Bank Negara Malaysia	616,147	2,432,000
Licensed banks	1,722,333	1,174,855
Other financial institutions	35,844	30,229
	2,374,324	3,637,084
	=====	=====

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

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
At fair value		
- Sukuk	604,690	374,183
- Structured deposits	100,184	244,571
- Malaysian Government Investment Issues	431,732	30,328
- Shares	329,101	318,013
- Unit trusts	310,215	320,305
- Bank Negara Monetary Notes	94,924	114,823
- Islamic Commercial Papers	105,412	-
- Malaysian Islamic Treasury Bills	49,831	-
	2,026,089	1,402,223
	-----	-----
At cost		
- Unquoted shares in Malaysia	-	380
	-	380
	2,026,089	1,402,603
	=====	=====

	Company	
	30.06.2019	31.12.2018
	RM'000	RM'000
At fair value		
- Unit trusts	6,909	6,623
	=====	=====

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

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
30.06.2019			
Forward contracts	5,014,504	22,573	(6,079)
Profit rate swaps	162,952	1,773	(684)
	5,177,456	24,346	(6,763)
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)

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

	Group	
	30.06.2019 RM'000	31.12.2018 RM'000
Financial assets at fair value through other comprehensive income:		
a) Debt investment securities	17,088,705	15,651,599
b) Equity investments	47,225	35,518
	17,135,930	15,687,117

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

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

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

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Sukuk	13,557,601	12,123,714
Malaysian Government Investment Issues	2,432,089	2,129,754
Institutional Trust Account	449,507	318,625
Malaysian Government Islamic Papers	500,027	384,020
Bank Negara Monetary Notes	-	389,231
Islamic Commercial Papers	149,481	306,255
	17,088,705	15,651,599
	=====	=====

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

	Group	
	30.06.2019	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)
	281	302
At 30 June 2019/31 December 2018	281	302
	=====	=====

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

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

b) Equity investments at fair value through other comprehensive income

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Quoted shares		
- outside Malaysia	9,295	12,446
	<hr/> 9,295	<hr/> 12,446
	-----	-----
Unquoted shares		
- in Malaysia	37,928	23,056
- outside Malaysia	2	16
	<hr/> 37,930	<hr/> 23,072
	<hr/> 47,225	<hr/> 35,518
	=====	=====

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

14. Financing, advances and others

(a) By type and Shariah contract

Group	Bai'		Bai	Bai		Ijarah	Ijarah			Total
30 June 2019	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	-	-	-	1,532	1,363,098	-	-	-	-	1,364,630
Term financing										
House financing	3,573,231	-	-	-	15,239,539	-	-	49,782	-	18,862,552
Syndicated financing	-	-	-	39,355	753,434	-	79,103	-	-	871,892
Leasing financing	-	-	-	-	-	118,656	-	-	-	118,656
Bridging financing	-	-	-	-	-	-	-	58,339	-	58,339
Personal financing	-	-	-	8,134	14,028,792	-	-	-	-	14,036,926
Other term financing	892,395	1,266,529	-	1,311	7,896,717	-	-	1,161	-	10,058,113
Staff financing	56,032	9,734	-	-	165,575	-	-	9,033	-	240,374
Credit cards	-	-	-	-	476,395	-	-	-	-	476,395
Trade bills discounted	-	839,734	138,062	4,288	-	-	-	-	-	982,084
Trust receipts	-	4,716	-	-	-	-	-	-	-	4,716
Pawn broking	-	-	-	-	-	-	-	-	65,035	65,035
Investment Account Platform *	-	-	-	-	8,535	-	-	-	-	8,535
	<u>4,521,658</u>	<u>2,120,713</u>	<u>138,062</u>	<u>54,620</u>	<u>39,932,085</u>	<u>118,656</u>	<u>79,103</u>	<u>118,315</u>	<u>65,035</u>	<u>47,148,247</u>
Allowance for impaired financing, advances and others										
- collective assessment – 12 months expected credit losses (ECL)										(410,065)
- collective assessment – Lifetime ECL										(239,465)
- individual assessment – Lifetime ECL										(103,248)
Net financing, advances and others										<u>46,395,469</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.

BIMB Holdings Berhad (423858-X)

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Interim Financial Statements

14. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai Al-Dayn RM'000	Bai Al-Inah RM'000	At-Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek ^ RM'000	Ijarah Thumma Al-Bai ^ RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
31 December 2018										
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.

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

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	30.06.2019	31.12.2018
		RM'000	RM'000
House financing			
Unrestricted Investment Accounts	19	5,143,081	3,816,524
Sold to Cagamas with recourse	20	1,501,187	1,501,187
		6,644,268	5,317,711
		=====	=====
Personal financing			
Unrestricted Investment Accounts	19	2,108,434	1,221,129
		=====	=====

(b) By type of customer

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Domestic non-bank financial institutions	1,367,609	1,637,318
Domestic business enterprise	6,899,760	6,924,836
Small & medium enterprises	2,081,152	2,092,024
Government and statutory bodies	591,832	601,285
Individuals	35,947,384	35,069,160
Other domestic entities	59,124	18,947
Foreign entities	201,386	126,815
	47,148,247	46,470,385
	=====	=====

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

14. Financing, advances and others (continued)

(c) By profit rate sensitivity

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Fixed rate		
House financing	1,025,098	1,073,575
Others	3,006,853	3,102,294
Floating rate		
House financing	18,458,265	17,636,273
Others	24,658,031	24,658,243
	47,148,247	46,470,385
	=====	=====

(d) By remaining contractual maturity

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Maturity within one year	4,624,252	4,774,098
More than one year to three years	1,344,202	1,299,229
More than three years to five years	2,899,938	2,921,287
More than five years	38,279,855	37,475,771
	47,148,247	46,470,385
	=====	=====

(e) By geographical distribution

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Central Region	21,959,653	22,125,064
Eastern Region	7,855,104	7,646,307
Northern Region	6,682,354	6,640,816
Southern Region	7,148,635	6,723,490
East Malaysia Region	3,502,501	3,334,708
	47,148,247	46,470,385
	=====	=====

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

14. Financing, advances and others (continued)

(f) By sector

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Primary agriculture	868,559	754,835
Mining and quarrying	8,037	9,060
Manufacturing (including agro-based)	794,380	909,850
Electricity, gas and water	537,727	371,479
Wholesale & retail trade, and hotels & restaurants	1,077,001	1,098,346
Construction	2,348,097	2,417,262
Real estate	1,540,209	1,712,250
Transport, storage and communications	870,981	824,949
Finance, insurance and business activities	2,139,164	2,299,319
Education, health and others	1,012,540	1,000,735
Household sectors	35,951,552	35,072,300
	47,148,247	46,470,385
	=====	=====

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

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
At 1 January 2019/2018	425,937	398,277
Classified as impaired during the period/year	443,821	621,974
Reclassified as not impaired during the period/year	(132,376)	(321,635)
Amount recovered	(44,110)	(117,477)
Amount written off	(133,871)	(155,202)
	559,401	425,937
	=====	=====
Gross impaired financing as a percentage of gross financing, advances and others	1.19%	0.92%
	=====	=====

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

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

14. Financing, advances and others (continued)

(h) Impaired financing by geographical distribution

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Central Region	257,783	245,531
Eastern Region	104,933	101,868
Northern Region	123,388	25,349
Southern Region	47,848	31,320
East Malaysia Region	25,449	21,869
	<hr/>	<hr/>
	559,401	425,937
	<hr/> <hr/>	<hr/> <hr/>

(i) Impaired financing by sector

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Manufacturing (including agro-based)	37,396	21,426
Wholesale & retail trade, and hotels & restaurants	110,925	56,665
Construction	57,181	121,506
Real estate	24,278	1,501
Transport, storage and communications	10,272	10,936
Finance, insurance and business activities	73,884	3,066
Education, health and others	4,449	4,642
Household sectors	241,016	206,195
	<hr/>	<hr/>
	559,401	425,937
	<hr/> <hr/>	<hr/> <hr/>

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

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	1,613	(1,478)	(135)	-	-	-
Transfer to Lifetime ECL not credit impaired	(5,932)	9,548	(3,616)	-	-	-
Transfer to Lifetime ECL credit impaired	(383)	(12,946)	13,329	-	-	-
Net allowance made during the period	(22,000)	36,413	91,966	106,379	22,834	129,213
New financial assets originated or purchased	41,340	3,239	1,172	45,751	-	45,751
Financial assets that have been derecognised	(19,347)	(17,881)	(39,226)	(76,454)	-	(76,454)
Write-offs	-	-	(57,484)	(57,484)	(76,277)	(133,761)
Exchange differences	(1,676)	-	-	(1,676)	-	(1,676)
At 30 June 2019	410,065	146,297	93,168	649,530	103,248	752,778

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

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

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

15. Other financial assets at amortised cost

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Clients' and dealers' debit balances	32,902	32,037
Deposits and prepayments	54,605	44,143
Other financing	84,061	80,073
Investment profit receivable	80,116	70,882
Other receivables	196,594	122,458
Sukuk	6,034	6,887
	454,312	356,480
Less: Accumulated impairment loss: Individual assessment		
- Sukuk	(6,034)	(6,887)
- Other receivables	(5,475)	(475)
	442,803	349,118
	=====	=====

	Company	
	30.06.2019	31.12.2018
	RM'000	RM'000
Amount due from subsidiaries	96	337
Deposits and prepayments	418	454
Other receivables	963	424
	1,477	1,215
	=====	=====

16. Takaful assets

		Group	
	Note	30.06.2019	31.12.2018
		RM'000	RM'000
Retakaful assets:			
- Claims liabilities	22(a)(i)	325,502	296,534
- Contribution liabilities	22(a)(ii)	66,960	76,884
- Actuarial liabilities	22(a)(iii)	291,695	163,719
		684,157	537,137
		-----	-----

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

16. Takaful assets (continued)

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Takaful receivables		
- Due contributions	218,236	105,712
- Due from retakaful/co-takaful	45,763	39,490
	<hr/>	<hr/>
	263,999	145,202
Less: Allowance for impaired receivables	(9,854)	(6,107)
	<hr/>	<hr/>
	254,145	139,095
	<hr/>	<hr/>
	938,302	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

30.06.2019	Group
	RM'000
Cost	
At 1 January 2019	-
Effects of adoption of MFRS 16	233,122
	<hr/>
At 30 June 2019	233,122
	<hr/>
Accumulated depreciation	
At 1 January 2019	-
Depreciation for the period	7,145
	<hr/>
At 30 June 2019	7,145
	<hr/>
	225,977
	<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.

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

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

b) Lease liabilities

30.06.2019	Group RM'000
Current	
Lease liabilities	7,092
Non-current	
Lease liabilities	311,430
	<u>318,522</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	321,871
Profit expense on leases	9,026
Lease payments	(12,375)
	<u>318,522</u>
At 30 June 2019	=====

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

18. Deposits from customers

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
(a) By type of deposit		
Savings deposits		
<i>Qard</i>	4,633,804	4,410,537
Demand deposits		
<i>Qard</i>	9,514,969	10,644,574
Term Deposit	32,434,657	34,284,831
Special Investment Deposit <i>Mudharabah</i>	6,252	6,252
General Investment Deposit <i>Mudharabah</i>	263,660	287,013
Term Deposit-i <i>Tawarruq</i>	30,787,364	30,309,186
Negotiable Islamic Debt Certificates ("NIDC")	1,377,381	3,682,380
Others	98,412	93,604
Total Deposits	46,681,842	49,433,546
(b) Maturity structure of term deposits are as follows:		
Due within six months	12,877,060	15,986,833
More than six months to one year	9,788,933	9,685,300
More than one year to three years	7,394,998	6,484,593
More than three years to five years	2,373,666	2,128,105
	32,434,657	34,284,831
(c) By type of customer		
Domestic non-bank financial institutions	8,411,416	11,923,695
Business enterprises	18,229,753	16,725,704
Government and statutory bodies	9,934,566	12,049,184
Individuals	6,845,345	5,199,550
Domestic banking institutions	1,026,904	1,634,224
Others	2,233,858	1,901,189
	46,681,842	49,433,546

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

19. Investment accounts of customers

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

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	3,034,087	2,594,846
With maturity		
<i>Wakalah</i>	4,217,428	2,442,807
	<u>7,251,515</u>	<u>5,037,653</u>
Investment portfolio:		
- <i>House financing</i>	5,143,081	3,816,524
- <i>Personal financing</i>	2,108,434	1,221,129
	<u>7,251,515</u>	<u>5,037,653</u>
Restricted investment accounts ("RIA") managed by Bank Islam[^]		
With maturity		
<i>Wakalah</i>	56,318	78,717
	<u>56,318</u>	<u>78,717</u>
Investment portfolio:		
- <i>Other term financing</i>	56,318	78,717
	<u>56,318</u>	<u>78,717</u>

[^] 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 RM56,318,000 (2018: RM78,717,000).

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

19. Investment accounts of customers (continued)

(b) By type of customers

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Individuals	2,858,136	2,674,428
Government and statutory bodies	2,348,273	767,996
Business enterprises	708,953	507,160
Non-bank financial institutions	1,249,778	1,036,107
International Islamic Bank	2,600	2,400
Others	83,775	49,562
	7,251,515	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

	30.06.2019	31.12.2018
	RM'000	RM'000
Group		
Accruals and other payables	1,072,700	990,770
Clients' and dealers' credit balances	33,052	32,089
Dividend payable	-	262,503
	1,105,752	1,285,362
	=====	=====
Company		
Accruals and other payables	1,781	3,200
Amount due to subsidiaries	-	22
Dividend payable	-	262,503
	1,781	265,725
	=====	=====

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

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

22. Takaful liabilities

		Group	
	Note	30.06.2019	31.12.2018
		RM'000	RM'000
Takaful contract liabilities	22(a)	7,810,317	7,072,782
Expense reserves	22(b)	304,808	251,806
Takaful payables	22(c)	131,985	114,267
		<hr/>	<hr/>
		8,247,110	7,438,855
		<hr/>	<hr/>

(a) Takaful contract liabilities

The takaful contract liabilities comprise the following:

		Group	
	Note	30.06.2019	31.12.2018
		RM'000	RM'000
Provision for outstanding claims	22(a)(i)	676,204	633,725
Provision for unearned contributions	22(a)(ii)	374,418	376,971
Participants' fund	22(a)(iii)	6,759,695	6,062,086
		<hr/>	<hr/>
		7,810,317	7,072,782
		<hr/>	<hr/>

(i) Provision for outstanding claims

The provision for outstanding claims is further analysed as follows:

	Gross	30.06.2019	Net
	RM'000	Retakaful	RM'000
		RM'000	RM'000
Group			
Provision for claims reported by participants	318,128	(184,004)	134,124
Provision for IBNR*	358,076	(141,498)	216,578
	<hr/>	<hr/>	<hr/>
Provision for outstanding claims	676,204	(325,502)	350,702
	<hr/>	<hr/>	<hr/>
		Note 16	

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

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	588,556	(116,689)	471,867
Claims paid during the period	(565,514)	102,574	(462,940)
Increase/(Decrease) in IBNR	19,335	(14,803)	4,532
Effect of movement in exchange rates	102	(50)	52
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2019	676,204	(325,502)	350,702
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

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
30.06.2019	374,418	(66,960)	307,458
	=====	=====	=====
		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	367,717	(128,463)	239,254
Contributions earned during the period	(370,270)	138,387	(231,883)
	-----	-----	-----
At 30 June 2019	374,418	(66,960)	307,458
	=====	=====	=====

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

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
30.06.2019			
Actuarial liabilities	5,397,549	(291,695)	5,105,854
Unallocated surplus/accumulated surplus	946,335	-	946,335
Fair value reserve	214,161	-	214,161
Net assets value attributable to unitholders	201,650	-	201,650
	<u>6,759,695</u>	<u>(291,695)</u>	<u>6,468,000</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	
	30.06.2019	31.12.2018
	RM'000	RM'000
At 1 January 2019/2018	251,806	196,655
Provision for the period/year, net	52,761	52,260
Acquisition of general takaful business	-	3,077
Effect of movement in exchange rates	241	(186)
	<u>304,808</u>	<u>251,806</u>
	=====	=====
At 30 June 2019/31 December 2018		

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

22. Takaful liabilities (continued)

(c) Takaful payables

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Due to retakaful companies	102,036	91,806
Due to Intermediaries/Participants	29,949	22,461
	<u>131,985</u>	<u>114,267</u>
	=====	=====

23. Sukuk liabilities

		Group		Company	
	Note	30.06.2019	31.12.2018	30.06.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
Sukuk liabilities	(a)	870,237	844,159	870,237	844,159
Subordinated Sukuk Murabahah	(b)	1,258,421	1,258,513	-	-
		<u>2,128,658</u>	<u>2,102,672</u>	<u>870,237</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

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

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 30.06.2019 RM'000
Group						
Sukuk						
Liabilities	844,159	-	-	-	26,078	870,237
Subordinated						
Sukuk						
Murabahah	1,258,513	-	(33,411)	(33,411)	33,319	1,258,421
	<u>2,102,672</u>	<u>-</u>	<u>(33,411)</u>	<u>(33,411)</u>	<u>59,397</u>	<u>2,128,658</u>

24. Other reserves

	Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Capital reserve	6,863	6,863
Warrant reserve	129,300	129,300
FVOCI reserve	175,303	(33,263)
Translation reserve	(105,648)	(97,544)
Regulatory reserve	10,000	-
Long Term Incentive Plan (LTIP) reserve	7,860	6,711
	<u>223,678</u>	<u>12,067</u>
Acquisition reserve	(1,199,747)	(1,199,747)
	<u>(976,069)</u>	<u>(1,187,680)</u>

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

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	-	-	-	(929)	-	-	(929)
Fair value reserve:							
Net change in fair value	-	-	(37,641)	-	-	-	(37,641)
Net allowance for impairment on debt securities	-	-	86	-	-	-	86
Net amount reclassified to profit or loss	-	-	(2,089)	-	-	-	(2,089)
Income tax effect relating to components of other comprehensive income	-	-	8,925	-	-	-	8,925
Transfer from regulatory reserve to retained earnings	-	-	-	-	(64,645)	-	(64,645)
Share-based payment transactions	-	-	-	-	-	2,993	2,993
LTIP exercised	-	-	-	-	-	(3,567)	(3,567)
At 30 June 2018	6,863	129,300	(33,263)	(97,544)	-	6,711	12,067
At 1 January 2019	6,863	129,300	10,846	(105,973)	10,000	9,949	60,985
Foreign exchange translation differences	-	-	-	325	-	-	325
Fair value reserve:							
Net change in fair value	-	-	251,591	-	-	-	251,591
Net allowance for impairment on debt securities	-	-	21	-	-	-	21
Net amount reclassified to profit or loss	-	-	(43,956)	-	-	-	(43,956)
Income tax effect relating to components of other comprehensive income	-	-	(43,199)	-	-	-	(43,199)
Share-based payment transactions	-	-	-	-	-	4,689	4,689
LTIP exercised	-	-	-	-	-	(6,778)	(6,778)
At 30 June 2019	6,863	129,300	175,303	(105,648)	10,000	7,860	223,678

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

25. Income derived from investment of depositors' funds

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	4,161	4,662	8,437	9,536
(ii) Term deposit-i	455,751	371,254	917,530	728,534
(iii) Saving and demand deposits	204,344	192,683	413,521	386,441
(iv) Other deposits	22,543	55,141	55,118	111,782
	686,799	623,740	1,394,606	1,236,293
	=====	=====	=====	=====

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

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

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

Group	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Finance income and hibah				
Financing, advances and others	3,481	4,183	7,075	8,478
Financial assets:				
- At FVTPL	22	27	44	56
- At FVOCI	353	343	745	729
- Other financial assets at amortised cost	2	2	2	2
Money at call and deposit with financial institutions	130	106	245	250
	<u>3,988</u>	<u>4,661</u>	<u>8,111</u>	<u>9,515</u>
	-----	-----	-----	-----
Other dealing income				
Net gain from sale of financial assets at FVTPL	42	-	73	6
Net (loss)/gain on revaluation of financial assets at FVTPL	(8)	(1)	25	2
	<u>34</u>	<u>(1)</u>	<u>98</u>	<u>8</u>
	-----	-----	-----	-----
Other operating income				
Net gain from sale of financial assets at FVOCI	139	2	228	13
	<u>139</u>	<u>2</u>	<u>228</u>	<u>13</u>
	-----	-----	-----	-----
	<u>4,161</u>	<u>4,662</u>	<u>8,437</u>	<u>9,536</u>
	=====	=====	=====	=====
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	48	55	95	129
	=====	=====	=====	=====

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

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

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

Group	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Finance income and hibah				
Financing, advances and others	371,910	330,308	752,899	641,657
Financial assets:				
- At FVTPL	2,828	2,411	5,452	4,738
- At FVOCI	44,285	30,097	91,150	61,350
- Other financial assets at amortised cost	181	164	181	164
Money at call and deposit with financial institutions	14,846	8,085	27,205	18,837
	434,050	371,065	876,887	726,746
Other dealing income				
Net gain from sale of financial assets at FVTPL	5,194	24	9,040	488
Net (loss)/gain on revaluation of financial assets at FVTPL	(1,414)	(35)	2,909	180
	3,780	(11)	11,949	668
Other operating income				
Net gain from sale of financial assets at FVOCI	17,921	200	28,694	1,120
	17,921	200	28,694	1,120
	455,751	371,254	917,530	728,534
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	5,963	4,795	11,560	10,761

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

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

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

Group	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Finance income and hibah				
Financing, advances and others	166,796	171,425	339,461	340,278
Financial assets:				
- At FVTPL	1,274	1,251	2,462	2,514
- At FVOCI	19,870	15,633	41,128	32,581
- Other financial assets at amortised cost	84	87	84	87
Money at call and deposit with financial institutions	6,578	4,181	12,143	10,012
	194,602	192,577	395,278	385,472
	-----	-----	-----	-----
Other dealing income				
Net gain from sale of financial assets at FVTPL	2,340	8	4,074	260
Net (loss)/gain on revaluation of financial assets at FVTPL	(562)	(5)	1,335	107
	1,778	3	5,409	367
	-----	-----	-----	-----
Other operating income				
Net gain from sale of financial assets at FVOCI	7,964	103	12,834	602
	7,964	103	12,834	602
	-----	-----	-----	-----
	204,344	192,683	413,521	386,441
	=====	=====	=====	=====
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	2,689	2,488	5,217	5,727
	=====	=====	=====	=====

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

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

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

Group	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Finance income and hibah				
Financing, advances and others	18,416	49,057	45,339	98,411
Financial assets:				
- At FVTPL	140	358	322	725
- At FVOCI	2,193	4,453	5,505	9,403
- Other financial assets at amortised cost	10	22	10	22
Money at call and deposit with financial institutions	734	1,235	1,613	2,959
	<u>21,493</u>	<u>55,125</u>	<u>52,789</u>	<u>111,520</u>
	-----	-----	-----	-----
Other dealing income				
Net gain from sale of financial assets at FVTPL	257	11	517	91
Net (loss)/gain on revaluation of financial assets at FVTPL	(103)	(29)	179	(15)
	<u>154</u>	<u>(18)</u>	<u>696</u>	<u>76</u>
	-----	-----	-----	-----
Other operating income				
Net gain from sale of financial assets at FVOCI	896	34	1,633	186
	<u>896</u>	<u>34</u>	<u>1,633</u>	<u>186</u>
	-----	-----	-----	-----
	<u>22,543</u>	<u>55,141</u>	<u>55,118</u>	<u>111,782</u>
	=====	=====	=====	=====
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	312	724	718	1,674
	=====	=====	=====	=====

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

26. Income derived from investment account funds

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	37,355	30,222	71,444	59,921
- <i>Wakalah</i>	58,237	28,968	98,982	57,977
	<u>95,592</u>	<u>59,190</u>	<u>170,426</u>	<u>117,898</u>
	=====	=====	=====	=====

27. Income derived from investment of shareholders' funds

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	1,561	1,820	3,419	3,604
Financial assets at FVOCI	49,430	48,960	92,570	87,104
Money at call and deposits with financial institutions	2,463	4,019	4,478	7,447
	<u>53,454</u>	<u>54,799</u>	<u>100,467</u>	<u>98,155</u>
	-----	-----	-----	-----
Other dealing income				
Net gain from foreign exchange transactions	12,366	12,033	29,002	26,793
Net gain from sale of financial assets at FVTPL	-	14	-	362
Net gain/(loss) on revaluation of financial assets at FVTPL	5,592	(557)	5,724	(426)
Net derivatives gain/(loss)	16	(152)	(55)	77
	<u>17,974</u>	<u>11,338</u>	<u>34,671</u>	<u>26,806</u>
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BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Other operating income				
Impairment for doubtful debts	(1)	-	(1)	-
Gross dividend income:				
- Quoted in Malaysia	-	1	-	17
- Quoted outside Malaysia	259	-	259	-
- Unit trust in Malaysia	4,692	2,060	4,881	3,791
Fees and commission	45,704	57,779	92,958	106,800
Net (loss)/gain on disposal of property and equipment	(1)	229	(1)	270
Rental income	263	241	707	602
Others	257	27	289	53
	<u>51,173</u>	<u>60,337</u>	<u>99,092</u>	<u>111,533</u>
	-----	-----	-----	-----
	<u>122,601</u>	<u>126,474</u>	<u>234,230</u>	<u>236,494</u>
	=====	=====	=====	=====

Company	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Money at call and deposits with financial institutions	1,692	3,211	2,902	5,842
	<u>1,692</u>	<u>3,211</u>	<u>2,902</u>	<u>5,842</u>
	-----	-----	-----	-----
Other dealing income				
Net gain/(loss) on revaluation of financial assets at FVTPL	152	(545)	286	(87)
	<u>152</u>	<u>(545)</u>	<u>286</u>	<u>(87)</u>
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BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

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

Company	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Other operating income				
Gross dividend income:				
- Unit trust in Malaysia	-	1,923	-	2,799
Gross dividend income from subsidiary companies	152,310	150,180	226,043	223,913
Others	-	1	3	3
	<u>152,310</u>	<u>152,104</u>	<u>226,046</u>	<u>226,715</u>
	-----	-----	-----	-----
	154,154	154,770	229,234	232,470
	=====	=====	=====	=====

28. Net income from Takaful business

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Net earned contributions				
Gross earned contributions	627,889	508,343	1,333,539	1,013,120
Contribution ceded to retakaful	(94,650)	(72,575)	(200,626)	(155,238)
	<u>533,239</u>	<u>435,768</u>	<u>1,132,913</u>	<u>857,882</u>
	-----	-----	-----	-----
Other income				
Administration income	13,304	14,140	33,338	33,295
Investment income	86,752	74,866	167,564	147,049
Realised gains and losses	3,614	361	6,504	2,292
Fair value gains and losses	19,525	(58,579)	40,647	(61,577)
Other operating income	372	146	873	2,207
	<u>123,567</u>	<u>30,934</u>	<u>248,926</u>	<u>123,266</u>
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BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

28. Net income from Takaful business (continued)

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Net benefits and claims				
Gross benefits and claims paid	(277,203)	(248,141)	(565,440)	(547,497)
Claims receded to retakaful	54,742	39,079	102,574	82,764
Gross change to contract liabilities	(153)	(75,748)	(42,377)	(63,923)
Change to contract liabilities ceded to takaful	1,770	57,314	28,919	42,007
	(220,844)	(227,496)	(476,324)	(486,649)
Expense reserves	(12,218)	(4,480)	(52,761)	(35,675)
Income from takaful business	423,744	234,726	852,754	458,824
Profits attributable to participants/ takaful operator	(172,850)	(52,291)	(313,144)	(58,308)
Net income from takaful business	250,894	182,435	539,610	400,516

29. Net allowance for impairment on financing and advances

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Net allowance for impaired financing, advances and others				
- Collective assessment allowance – 12 months ECL	(3,354)	(11,550)	(7)	(7,594)
- Collective assessment allowance – Lifetime ECL	33,598	51,144	75,683	58,011
- Individual assessment allowance	20,959	1,713	22,834	38,675
	51,203	41,307	98,510	89,092
Bad debts and financing recovered	(21,584)	(26,549)	(45,692)	(53,171)
	29,619	14,758	52,818	35,921

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

30. Income attributable to depositors

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah Fund	2,076	2,463	4,110	4,962
- Non-Mudharabah Fund	319,206	299,714	649,144	591,803
Deposits and placements of banks and other financial institutions				
- Mudharabah Fund	-	43	-	43
- Non-Mudharabah Fund	321	78	321	409
Recourse obligations on financing sold to Cagamas	17,802	7,125	35,614	7,125
	339,405	309,423	689,189	604,342
	=====	=====	=====	=====

31. Income attributable to investment account holders

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts				
- <i>Mudharabah</i>	3,382	1,184	5,299	2,895
- <i>Wakalah</i>	39,471	18,103	65,991	36,150
	42,853	19,287	71,290	39,045
	=====	=====	=====	=====

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

32. Personnel expenses

	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Group				
Salaries and wages	152,216	152,140	310,330	288,555
Employees' Provident Fund	20,654	18,628	41,070	37,972
Directors remuneration	2,216	2,063	5,183	5,521
Others	18,306	13,269	34,489	27,396
	193,392	186,100	391,072	359,444
	=====	=====	=====	=====
Company				
Salaries and wages	790	1,688	2,362	2,784
Employees' Provident Fund	160	157	304	318
Directors remuneration	363	412	888	1,128
Others	149	123	335	302
	1,462	2,380	3,889	4,532
	=====	=====	=====	=====

33. Other overhead expenses

	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Group				
Promotion				
Advertisement and publicity	38,741	27,260	83,925	55,247
Credit and debit card expenses	8,541	6,631	15,898	15,778
Commission	50,189	40,002	109,828	87,057
	97,471	73,893	209,651	158,082
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BIMB Holdings Berhad (423858-X)
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

33. Other overhead expenses (continued)

Group	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
<i>Establishment</i>				
Depreciation of property and equipment	15,860	15,159	31,769	29,999
Depreciation of investment property	72	73	145	146
Depreciation of right-of-use assets	3,611	-	7,145	-
Information technology expenses	10,136	15,172	22,252	22,344
Office rental	8,492	14,492	17,233	28,341
Office maintenance	5,165	8,026	10,080	13,473
Utilities	5,408	4,892	9,871	9,649
Security services	2,413	3,310	4,679	6,116
Rental equipment	535	1,386	2,763	3,197
Takaful and insurance	(325)	(29)	471	829
Others	216	442	738	690
	<u>51,583</u>	<u>62,923</u>	<u>107,146</u>	<u>114,784</u>
<i>General expenses</i>				
Professional fees	15,559	13,166	32,989	24,587
Outsourcing fees	4,024	4,394	8,818	7,476
Travelling & transport	2,350	2,554	4,390	4,712
Office supplies	2,724	2,867	5,207	4,771
Subscription fees	1,379	1,010	2,596	1,836
Auditors' remuneration	627	516	1,155	1,040
Processing charges	215	140	536	302
Others	30,484	26,570	61,327	49,988
	<u>57,362</u>	<u>51,217</u>	<u>117,018</u>	<u>94,712</u>
	<u>206,416</u>	<u>188,033</u>	<u>433,815</u>	<u>367,578</u>

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

33. Other overhead expenses (continued)

Company	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
<i>Promotion</i>				
Advertisement and publicity	165	71	164	73
	<u>165</u>	<u>71</u>	<u>164</u>	<u>73</u>
	-----	-----	-----	-----
<i>Establishment</i>				
Office rental	266	276	532	556
Depreciation of property and equipment	23	42	45	122
Information technology expenses	25	45	33	51
Rental equipment	23	23	48	47
Office maintenance	5	2	7	5
Utilities	7	6	14	13
Takaful and insurance	28	29	56	56
	<u>377</u>	<u>423</u>	<u>735</u>	<u>850</u>
	-----	-----	-----	-----
<i>General expenses</i>				
Auditors' remuneration	61	51	122	102
Professional fees	227	34	262	109
Office supplies	9	8	19	21
Travelling & transport	7	7	10	9
Subscription fees	2	-	3	4
Others	532	584	973	1,215
	<u>838</u>	<u>684</u>	<u>1,389</u>	<u>1,460</u>
	-----	-----	-----	-----
	<u>1,380</u>	<u>1,178</u>	<u>2,288</u>	<u>2,383</u>
	=====	=====	=====	=====

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

34. Finance cost

Group	Note	3 months ended		6 months ended	
		30.06.2019	30.06.2018	30.06.2019	30.06.2018
		RM'000	RM'000	RM'000	RM'000
Finance cost:					
- Sukuk liabilities		29,863	32,672	59,397	65,323
- Profit expense on leases	17	4,502	-	9,026	-
		34,365	32,672	68,423	65,323
		=====	=====	=====	=====

Company	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Finance cost:				
- Sukuk liabilities	13,111	19,893	26,078	39,786
	13,111	19,893	26,078	39,786
	=====	=====	=====	=====

35. Operating segment information

The Group comprises of the following main business segments:

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

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

35. Operating segment information (continued)

3 months ended 30 June 2019	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	902,469	250,894	2,530	-	1,155,893
Inter-segment revenue	7,009	7,543	154,357	(168,909)	-
Total revenue	909,478	258,437	156,887	(168,909)	1,155,893
Net income from operations (before allowance for impairment on financing and other assets)	521,827	258,437	156,887	(163,516)	773,635
Operating overheads	(247,825)	(160,146)	(6,222)	10,520	(403,673)
Operating results	274,002	98,291	150,665	(152,996)	369,962
Allowance for impairment	(34,577)	-	-	-	(34,577)
Finance cost	(21,912)	-	(13,139)	686	(34,365)
Profit before zakat and taxation	217,513	98,291	137,526	(152,310)	301,020

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

35. Operating segment information (continued)

3 months ended 30 June 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	805,084	182,435	4,653	-	992,172
Inter-segment revenue	7,096	5,527	153,871	(166,494)	-
Total revenue	812,180	187,962	158,524	(166,494)	992,172
Net income from operations (before allowance for impairment on financing and other assets)	477,801	187,962	158,524	(160,825)	663,462
Operating overheads	(256,060)	(125,736)	(6,886)	9,959	(378,723)
Operating results	221,741	62,226	151,638	(150,866)	284,739
Allowance for impairment	(14,770)	-	-	-	(14,770)
Finance cost	(13,465)	-	(19,893)	686	(32,672)
Profit before zakat and taxation	193,506	62,226	131,745	(150,180)	237,297

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

35. Operating segment information (continued)

6 months ended 30 June 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	1,794,440	539,610	5,055	-	2,339,105
Inter-segment revenue	15,026	13,487	229,739	(258,252)	-
Total revenue	1,809,466	553,097	234,794	(258,252)	2,339,105
=====					
Net income from operations (before allowance for impairment on financing and other assets)	1,038,777	553,097	234,794	(248,042)	1,578,626
Operating overheads	(500,781)	(340,322)	(12,187)	20,635	(832,655)
Operating results	537,996	212,775	222,607	(227,407)	745,971
Allowance for impairment	(56,944)	-	-	-	(56,944)
Finance cost	(43,651)	-	(26,136)	1,364	(68,423)
Profit before zakat and taxation	437,401	212,775	196,471	(226,043)	620,604
=====					
Segment assets	64,243,581	9,753,841	5,790,887	(6,215,663)	73,572,646
=====					
Segment liabilities	58,729,720	8,560,768	907,586	(855,568)	67,342,506
=====					

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

35. Operating segment information (continued)

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

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

36. Valuation of property and equipment

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

37. Changes in composition of the Group

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

38. Fair value of financial instruments

Fair value hierarchy

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

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

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

38. Fair value of financial instruments (continued)

Fair value information

30.06.2019 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	623,857	1,402,232	-	2,026,089	-	-	-	-	2,026,089	2,026,089
Derivative financial assets	-	24,346	-	24,346	-	-	-	-	24,346	24,346
Financial assets at FVOCI	9,295	16,639,198	487,437	17,135,930	-	-	-	-	17,135,930	17,135,930
Financing, advances and others	-	-	-	-	-	-	49,943,790	49,943,790	49,943,790	46,395,469
Total assets	633,152	18,065,776	487,437	19,186,365	-	-	49,943,790	49,943,790	69,130,155	65,581,834
Financial liabilities										
Derivative financial liabilities	-	6,763	-	6,763	-	-	-	-	6,763	6,763
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	1,542,540	1,542,540	1,542,540	1,501,187
Sukuk liabilities	-	-	-	-	-	-	2,151,785	2,151,785	2,151,785	2,128,658
Total liabilities	-	6,763	-	6,763	-	-	3,694,325	3,694,325	3,701,088	3,636,608
30.06.2019 Company										
Financial assets										
Financial assets at FVTPL	6,909	-	-	6,909	-	-	-	-	6,909	6,909
Total assets	6,909	-	-	6,909	-	-	-	-	6,909	6,909
Financial liabilities										
Sukuk liabilities	-	-	-	-	-	-	870,237	870,237	870,237	870,237
Total liabilities	-	-	-	-	-	-	870,237	870,237	870,237	870,237

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

38. 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

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

38. Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 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
	<hr/>
Adjusted balances at 1 January 2018	273,311
Purchases	50,000
Gains recognised in profit or loss	
- Investment income - realised	14,032
Gains recognised in other comprehensive income	
- Net change in fair value (unrealised)	4,354
	<hr/>
At 31 December 2018/1 January 2019	341,697
Purchases	135,844
Disposal	(15,842)
Gains recognised in profit or loss	
- Investment income - realised	8,158
Gains recognised in other comprehensive income	
- Net change in fair value (unrealised)	17,580
	<hr/>
At 30 June 2019	487,437
	<hr/> <hr/>

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

(a) Financial instruments carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity investments	Adjusted net asset method	Assets and liabilities of the investee company	Changes on the assets and liabilities would reflect the fair value measurement
Institutional trust account	Discounted cash flows using market profit rate for a similar instrument at the measurement date	4.58% (2018: 4.58%)	The estimated fair value would increase (decrease) if the discount rate were (lower) higher.

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

38. Fair value of financial instruments (continued)

(b) Financial instruments not carried at fair value

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

(i) Other financial assets at amortised cost

The fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities that 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.

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

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

Group Items	30.06.2019				
	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	2,007,561	135,102	733,278	1,062,869	76,312
- swaps	1,914,034	977,962	488,232	417,722	30,118
- spot	1,092,909	1,092,909	-	-	-
Total	5,014,504	2,205,973	1,221,510	1,480,591	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 30 June 2019, the amount of contracts which were not hedged and, hence, exposed to market risk was RM747.17 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 30 June 2019, the credit risk measured in terms of the cost to replace the profitable contracts, was RM82.45 million (31 December 2018: RM76.91 million).

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

40. Commitments and contingencies

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

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

As at 30.06.2019	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	373,399		373,399	372,792
Transaction related contingent items	945,445		472,722	452,410
Short term self-liquidating trade related contingencies	780,192		156,039	155,506
Other commitments, such as formal standby facilities and credit lines with original maturity of:				
- exceeding one year	1,496,888		748,444	545,665
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	7,577,717		-	-
	11,173,641		1,750,604	1,526,373
Derivative Financial Instruments				
Foreign exchange related contracts				
- Less than one year	5,014,504	22,573	74,520	47,972
Profit rate related contracts				
- Less than one year	-	-	-	-
- One year to less than five years	162,952	1,773	7,928	5,321
	5,177,456	24,346	82,448	53,293
	16,351,097	24,346	1,833,052	1,579,666

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

40. 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>

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

41. 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:

	30.06.2019	31.12.2018
	%	%
Common Equity Tier I ("CET I") Capital Ratio	11.620	10.943
Total Tier I Capital Ratio	11.620	10.943
Total Capital Ratio	16.060	15.369

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

	30.06.2019	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	(996,526)	(1,152,207)
<u>Less:</u>		
Investment in subsidiary	(99,053)	(99,053)
Deferred tax assets	(28,866)	(52,054)
Gain on financial instruments classified as fair value through other comprehensive income	(90,578)	(4,928)
Regulatory reserve	(10,000)	(10,000)
Total CET I and Tier I Capital	4,542,437	4,313,087
Sukuk Murabahah	1,300,000	1,300,000
Collective assessment allowance ^	435,503	444,561
Total Tier II Capital	1,735,503	1,744,561
Total Capital	6,277,940	6,057,648
	=====	=====

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

41. Capital adequacy (continued)

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

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

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

	30.06.2019	31.12.2018
	RM'000	RM'000
Credit risk	40,067,078	39,060,017
Less: Credit risk absorbed by unrestricted investment accounts	(5,226,856)	(3,495,144)
	34,840,222	35,564,873
Market risk	747,171	422,763
Operational risk	3,503,349	3,425,864
	39,090,742	39,413,500
	=====	=====

42. Credit Transactions and Exposures with Connected Parties

	Group	
	30.06.2019	31.12.2018
	RM'000	RM'000
Outstanding credit exposures with connected parties	1,500,100	1,538,799
% of outstanding credit exposures to connected parties as a proportion of total credit exposures	3.18%	3.31%
% of outstanding credit exposures with connected parties which is non-performing or in default	0.0002%	0.0008%

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

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

B1. Performance review for the six months ended 30 June 2019

	Individual Period		Variance		Cumulative Period		Variance	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To-date	Preceding Year Corresponding Period		
	30.06.2019	30.06.2018	Amount	%	30.06.2019	30.06.2018	Amount	%
RM'000								
Revenue	1,155,893	992,172	163,721	16.50	2,339,105	1,991,534	347,571	17.45
Operating Profit	369,962	284,739	85,223	29.93	745,971	612,069	133,902	21.88
Profit Before Zakat and Taxation	301,020	237,297	63,723	26.85	620,604	510,911	109,693	21.47
Profit After Zakat and Taxation	228,229	170,392	57,837	33.94	469,818	370,970	98,848	26.65
Profit Attributable to Equity Holders of the Parent	195,162	149,911	45,251	30.19	397,678	322,046	75,632	23.48

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

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

B1. Performance review for the six months ended 30 June 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 six months ended 30 June 2019 of RM620.6 million, representing an increase of 21.5% or RM109.7 million as compared to the corresponding period in 2018 of RM510.9 million.

At the operating profit level, the Group's operating profit of RM746.0 million was higher by RM133.9 million or 21.9% compared to the corresponding period in 2018 of RM612.1 million.

The net profit attributable to shareholders increased by 23.5% or RM75.6 million to RM397.7 million as compared to the corresponding period in 2018 of RM322.1 million.

BHB registered an annualised Return on Equity ("ROE") of 15.9% (after tax and zakat). Consequently, net assets per share has also improved to RM3.24 as at 30 June 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 six months ended 30 June 2019, Bank Islam achieved a PBZT of RM437.4 million, an increase of RM36.7 million or 9.2% over the PBZT of the corresponding period of RM400.7 million. The increase in PBZT was mainly due to higher total income.

The Bank recorded higher fund based income of RM154.5 million, which was attributed to the year-on-year growth in net financing assets of RM3.2 billion or 7.3% to reach RM46.4 billion as at end of June 2019.

The non-fund based income also increased as compared to the corresponding period, which was mainly from higher investment income from sale and revaluation of financial assets.

Total overheads were higher by RM21.7 million or 4.5% over the corresponding period mainly due to higher staff costs driven by annual salary increment, salary adjustment and provision for union staff.

Meanwhile, the increase in finance cost by RM16.8 million or 62.3% over the corresponding period was mainly due to new issuance of Subordinated Sukuk Murabahah amounted to RM300 million on 7 November 2018.

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

B1. Performance review for the six months ended 30 June 2019 (continued)

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

Bank Islam Malaysia Berhad (continued)

For the six months ended 30 June 2019, the Bank reported net allowance charged for impairment on financing and advances of RM52.8 million compared to RM35.9 million in the corresponding period last year. The increase in net allowance charged was mainly contributed by lower bad debts recovered by RM7.5 million and higher net allowance charged for impairment on financing amounting to RM9.4 million.

The Bank's total assets stood at RM64.2 billion as at 30 June 2019, a year-on-year increase by RM6.2 billion from RM58.0 billion reported as at 30 June 2018 which was mainly contributed by the increase in net financing by RM3.2 billion, investment in securities by RM2.6 billion and recognition of right-of-use assets by RM223.2 million.

As at end of June 2019, customer deposits and investment accounts stood at RM54.7 billion with year-on-year increase by RM5.0 billion or 10.0%. Total current and saving accounts and transactional investment accounts ("CASATIA") composition was at a healthy level of 30.1% of total customer deposits and investment accounts.

Total gross impaired financing as at 30 June 2019 was RM559.4 million compared to RM427.2 million as at 30 June 2018.

Syarikat Takaful Malaysia Keluarga Berhad

For the six months ended 30 June 2019, Takaful Malaysia recorded PBZT of RM210.4 million, increased by 43.7% as compared to RM146.4 million in the same period last year. The improvement in profit was mainly attributable to higher net Wakalah fee income arising from business growth in the Family Takaful.

Takaful Malaysia recorded operating revenue of RM1,591.1 million for the financial period ended 30 June 2019, an increase of 23.5% or RM302.5 million as compared to the same period last year. The increase was mainly attributable to higher sales generated by Family Takaful business.

Family Takaful business generated gross earned contributions of RM967.5 million for the six months ended 30 June 2019, increased by 43.5%, as compared to RM674.2 million in the corresponding period last year. The increase is mainly attributable to higher sales from credit-related products.

The net benefits and claims for Family Takaful business increased by 1.1% to RM384.6 million in the six months ended 30 June 2019 from RM380.4 million in the same period of the preceding year. This was mainly due to higher surrender claims.

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

B1. Performance review for the six months ended 30 June 2019 (continued)

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

Syarikat Takaful Malaysia Keluarga Berhad (continued)

Investment income for the Family Takaful business increased by 12.6% to RM136.7 million as compared to RM121.4 million in the corresponding period last year, mainly due to higher profit from Islamic debt securities.

For the six months ended 30 June 2019, Family Takaful recorded fair value gains of RM35.9 million, increased by RM89.0 million as compared to the same period last year. The higher gain were mainly due to improvement in equity market performance.

General Takaful business generated gross earned contributions of RM370.4 million for the six months ended 30 June 2019, increased by 8.1% as compared to RM342.7 million in the corresponding period last year. The growth was mainly from fire class.

The net benefits and claims for General Takaful business decreased by 11.0% to RM98.3 million in the six months ended 30 June 2019 from RM110.5 million in the same period of the preceding year, mainly due to decrease in claims relating to fire class.

The investment income for the six months ended 30 June 2019 was RM15.7 million, increased by 14.6%, as compared to the investment income in the same period of the preceding year of RM13.7 million, mainly to higher profit from Islamic debts securities.

Current Quarter vs. Previous Year Corresponding Quarter

For the second quarter ended 30 June 2019 (Q2 2019), the Group registered PBZT of RM301.0 million, an improvement of 26.9% or RM63.7 million as compared to the previous year corresponding quarter (Q2 2018) of RM237.3 million.

At the operating profit level, the Group's operating profit for the Q2 2019 of RM370.0 million was higher by RM85.2 million or 29.9% compared to the Q2 2018 of RM284.7 million.

Net profit attributable to shareholders grew by 30.2% or RM45.3 million over the same period to RM195.2 million.

Bank Islam Malaysia Berhad

For the second quarter ended 30 June 2019 (Q2 2019), Bank Islam achieved PBZT of RM217.5 million, an increase of RM24.0 million or 12.4% over the PBZT of the corresponding quarter of RM193.5 million. The increase in PBZT was mainly due to higher total income.

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

B1. Performance review for the six months ended 30 June 2019 (continued)

Current Quarter vs. Previous Year Corresponding Quarter (continued)

Bank Islam Malaysia Berhad (continued)

The Bank recorded higher fund based income which was attributed to higher average net financing and advances in Q2 2019 against Q2 2018.

Non-fund based income also recorded an increase in investment income due to favourable result from sale and revaluation of financial assets.

Total overheads were lower by RM8.2 million or 3.2% due to reduction in office rental expenses. The Bank adopted MFRS 16 effective 1st January 2019 which allows capitalization of leased building into the Balance Sheet.

Meanwhile, the increase in finance cost by RM8.4 million or 62.7% was mainly due to new issuance of Subordinated Sukuk Murabahah amounted to RM300 million on 7 November 2018.

The Bank reported higher net allowance for impairment on financing and advances mainly due to a spike in individual assessment. This is consistent with higher gross impaired ratio of 1.19% against 0.97% recorded in Q2 2018. Similar pattern was recorded for impairment on other financial assets where the Bank has provide RM5.0 million on certain receivables due to uncertainty of the recoverable amount.

Syarikat Takaful Malaysia Keluarga Berhad

For the second quarter ended 30 June 2019 (Q2 2019), Takaful Malaysia recorded PBZT of RM97.1 million, an increase of 58.1% as compared to RM61.4 million in the same period last year (Q2 2018). The increase in profit was mainly attributable to increase in net wakalah fee income.

For Q2 2019 under review, Takaful Malaysia generated Operating Revenue of RM672.9 million as compared to RM542.4 million in Q2 2018. The increase was mainly attributable to higher sales generated by Family Takaful business.

For Q2 2019 under review, Family Takaful business recorded gross earned contributions of RM464.6 million as compared to RM350.2 million in Q2 2018. The increase was mainly attributable to higher sales from credit-related products.

Family Takaful business recorded net benefits and claims of RM179.4 million, an increase of 5.9% as compared to Q2 2018. The increase was mainly due to higher surrender and death claims.

Investment income for the Family Takaful business for Q2 2019 of RM70.5 million is higher as compared to RM61.7 million in Q2 2018, mainly due to higher profit from Islamic debt securities.

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

B1. Performance review for the six months ended 30 June 2019 (continued)

Current Quarter vs. Previous Year Corresponding Quarter (continued)

Syarikat Takaful Malaysia Keluarga Berhad (continued)

For Q2 2019 under review, Family Takaful recorded fair value gains of RM15.4 million, an increase of RM66.3 million as compared to Q2 2018. The higher gains were mainly due to the equity market performance.

For Q2 2019 under review, General Takaful business generated gross earned contributions of RM166.2 million, an increase of 3.7%, as compared to RM160.3 million in Q2 2018. The growth was mainly from fire and motor classes.

General Takaful business recorded net benefits and claims of RM45.0 million for Q2 2019 under review, a decrease of 24.4% as compared to Q2 2018. The decrease was mainly due to decrease in claims relating to fire and motor classes.

Investment income for the General Takaful business of RM7.9 million was higher as compared to RM6.9 million in Q2 2018, mainly due to higher profit from Islamic debts securities.

For Q2 2019 under review, General Takaful recorded fair value gains of RM0.3 million, increased by RM2.8 million as compared to Q2 2018. The higher gains were mainly due to the equity market performance.

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

	Current Quarter	Immediate Preceding Quarter	Variance	
	30.06.2019	31.03.2019	Amount	%
RM'000				
Revenue	1,155,893	1,183,212	(27,319)	-2.31
Operating Profit	369,962	376,009	(6,047)	-1.61
Profit Before Zakat and Taxation	301,020	319,584	(18,564)	-5.81
Profit After Zakat and Taxation	228,229	241,589	(13,360)	-5.53
Profit Attributable to Equity Holders of the Parent	195,162	202,516	(7,354)	-3.63

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

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

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

For the second quarter ended 30 June 2019 (Q2 2019), the BHB Group reported PBZT of RM301.0 million against a PBZT of RM319.6 million achieved for the immediate preceding quarter ended 31 March 2019 (Q1 2019), a decrease of RM18.6 million or 5.8%.

At the operating profit level, the Group's operating profit for Q2 2019 of RM370.0 million was lower by RM6.0 million or 1.6% compared to Q1 2019 of RM376.0 million.

Bank Islam Malaysia Berhad

For the Q2 2019, the Bank achieved a PBZT of RM217.5 million, a decrease of RM2.4 million or 1.1% over the PBZT of the immediate preceding quarter (Q1 2019) of RM219.9 million. The decrease in PBZT was mainly due higher net allowances for impairment on financing and allowances and other financial assets of RM6.4 million and RM5.8 million respectively. It was partly setoff against an increase in total income of RM9.4 million and a decrease in total overhead of RM5.1 million respectively.

The higher net allowances for impairment on financing and advances of RM6.4 million was mainly attributed to lower bad debts recovered by RM2.5 million and higher net allowances charged by RM3.9 million.

Moreover, the Bank has provided an impairment amounting to RM5.0 million on other financial assets due to uncertainty of the recoverable amount.

The lower overheads by RM5.1 million was mainly due to lower staff costs and establishment expenses by RM3.2 million and RM3.9 million respectively.

Syarikat Takaful Malaysia Keluarga Berhad

For Q2 2019, Takaful Malaysia registered PBZT of RM97.1 million, lower by 14.3% as compared to Q1 2019 of RM113.3 million. The decrease in profit was mainly attributable to lower net wakalah fee income.

For Q2 2019, Takaful Malaysia generated Operating Revenue of RM673.0 million as compared to RM918.2 million in Q1 2019. The decrease was mainly attributable to lower sales generated from Family and General Takaful business.

Family Takaful business recorded gross earned contributions of RM464.6 million, decreased by 7.6%, as compared to RM502.9 million in Q1 2019. The decrease was mainly attributable to lower sales from employee benefits products.

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

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

Syarikat Takaful Malaysia Keluarga Berhad (continued)

For Q2 2019, Family Takaful business recorded net benefits and claims of RM179.4 million, a decrease of 10.3% as compared to Q1 2019. The decrease was mainly due to lower death and medical claims.

Family Takaful business recorded investment income of RM70.5 million, an increase of 6.5% as compared to RM66.2 million in Q1 2019. The increase was mainly attributable to higher profit from Islamic debts securities.

For Q2 2019, General Takaful business generated gross earned contributions of RM166.2 million, a decrease of 18.6%, as compared to RM204.2 million in Q1 2019. The decrease was mainly from fire and motor classes.

For Q2 2019, General Takaful business recorded net benefits and claims of RM45.0 million, a decrease of 15.6% as compared to Q1 2019. The decrease was mainly due to lower claims relating to motor.

General Takaful business recorded investment income of RM7.9 million for Q2 2019 which was at par with the investment income in Q1 2019.

B3. Prospects for 2019

Bank Islam Malaysia Berhad

In BNM's quarterly report released on 16th May 2019, overall Gross Domestic Product ("GDP") growth was moderate at 4.5% (4Q 2018: 4.7%). The economic growth is expected to continuously moderate for the year with the central bank's GDP projection at the range of 4.3% to 4.8%. There are downside risks to growth from heightened uncertainties in the global and domestic environment, trade tensions and extended weakness in commodity-related sectors.

In 1H2019, there was a net outflow of RM2.2 billion mainly on the account of Treasury Bills, Private Debt Securities and Government Investment Issues. BNM has been actively intervening the foreign exchange markets in order to stabilise the Malaysian Ringgit. However, outflows of funds have been quite persistent. Consequently, BNM international reserve assets fell from USD109.4 billion in May 2018 to USD102.6 billion in May 2019.

On 7 May 2019, the Monetary Policy Committee ("MPC") reduced the Overnight Policy Rate ("OPR") by 25 basis points to 3.00%. Therefore, we can expect banking system Net Income Margin ("NIM") to continue to be compressed with lower benchmark profit rate.

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

B3. Prospects for 2019

Bank Islam Malaysia Berhad (continued)

While the OPR could stay low, deposit rates would rise due to competition in the banking industries. The lack of liquidity is not too alarming at the current juncture as current account in the balance of payment remains in surplus while industry financing-to-deposit ratio is well below 100%. Nevertheless, we expect competition for deposits to persist as banks brace for upcoming implementation of net stable funding ratio ("NSFR") requirement.

The banking sector is expected to brace for a challenging second half of 2019 against the backdrop of decrease in financing growth and thinning margins. Financing growth for the banking sector in Malaysia is expected to decrease to about 5% in 2019 (2018: +5.6%), as GDP growth moderates. We expect consumer and business financing growth tapering down in 2019 due to slowdown in exports.

The Bank believes that it is able to maintain a stable outlook on profitability, albeit challenging economic environment. That said, overall profitability indicators are likely to remain intact, as the Bank continues expanding its financing assets while taking certain measures in cost management. Despite a small percentage of gross income contributed by non-fund based income, the pursuit for digitalisation is hoped to provide a boost in the longer term.

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.

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

B5. Tax expense

Major components of tax expense

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Current tax expense	75,018	62,275	161,299	132,913
Under/(Over) provision in prior years	-	1	9	(215)
Deferred tax expense:				
Origination and reversal of temporary differences	(6,311)	647	(18,748)	846
Under/(Over) provision in prior years	-	1	12	(1,522)
	68,707	62,924	142,572	132,022
	=====	=====	=====	=====

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

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	301,020	237,297	620,604	510,911
	=====	=====	=====	=====
Income tax calculated using Malaysian tax rate of 24%	72,245	56,951	148,945	122,619
Non-deductible expenses	17,844	19,815	42,546	35,766
Non-deductible Sukuk's finance cost	3,147	4,775	6,259	9,549
Non-taxable income	(24,529)	(19,999)	(55,199)	(38,555)
	68,707	61,542	142,551	129,379
Derecognition of deferred tax assets	-	1,380	-	4,380
	68,707	62,922	142,551	133,759
Under/(Over) provision in prior years	-	1	9	(215)
Under/(Over) provision of deferred tax	-	1	12	(1,522)
	68,707	62,924	142,572	132,022
	=====	=====	=====	=====

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

B5. Tax expense (continued)

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.

Major components of tax expense

Company	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Current tax expense	720	479	1,440	958
	-----	-----	-----	-----
	720	479	1,440	958
	=====	=====	=====	=====

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

Profit before tax	138,201	131,319	196,979	185,769
	=====	=====	=====	=====
Income tax calculated using Malaysian tax rate of 24%	33,168	31,517	47,275	44,585
Non-deductible expenses	996	561	2,225	1,214
Non-deductible Sukuk's finance cost	3,147	4,775	6,259	9,549
Non-taxable income	(36,591)	(36,374)	(54,319)	(54,390)
	-----	-----	-----	-----
Tax expense	720	479	1,440	958
	=====	=====	=====	=====

B6. Status of corporate proposals

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

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

B7. Status of utilisation of proceeds raised from corporate proposals

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

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

	Group	
	30.06.2019	30.06.2018
	RM'000	RM'000
Deposits from customers		
Mudharabah and Tawarruq term deposits and Negotiable Islamic Debt Certificates		
- One year or less (short-term)	28,621,416	25,874,993
- More than one year (medium/long-term)	3,813,241	3,799,329
	32,434,657	29,674,322
Current accounts	9,514,969	10,254,072
Savings accounts	4,633,804	4,407,228
Others	98,412	94,770
Total deposits	46,681,842	44,430,392
Investment accounts of customers		
- One year or less (short-term)	7,251,515	4,520,449
	7,251,515	4,520,449

RM'000	As at 2 nd quarter ended 30.06.2019		
	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	2,111,606	17,052	2,128,658
- Sukuk liabilities	861,606	8,631	870,237
- Subordinated Sukuk Murabahah	1,250,000	8,421	1,258,421

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

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

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

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).

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

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

The borrowings comprise the following: (continued)

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.

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).

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

B9. Material litigation (continued)

- (a) 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 fixed the appeal for hearing on 11 November 2019.

- (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 Bank Islam'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 the appeal 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.

Bank Islam has filed the Defence on 21 May 2019.

On 4 June 2019, the Plaintiff has filed the application to amend Writ of Summons and Statement of Claim ("the Application") (Encl. 6).

On 7 August 2019, the High Court has directed parties to file respective submissions in regards to Encl. 6 by 28 August 2019.

Hearing of Encl. 6 is fixed on 12 September 2019.

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.

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

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	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Net profit for the period under review attributable to equity holders of the parent	195,162	149,911	397,678	322,046
Number of ordinary shares	1,764,283	1,693,566	1,764,283	1,693,566
Number of average ordinary shares	1,764,283	1,693,566	1,752,953	1,685,855
Earnings per share (sen)	11.06	8.85	22.69	19.10

Diluted earnings per share

There is no dilution due to the Company's warrants, as the warrants are currently out-of-money in view that the exercise price for each warrant is higher than the closing market price of the Company's shares as at 30 June 2019.

B12. Economic profit statement

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Net operating profit after zakat & tax (NOPAT)				
Profit before zakat and taxation (PBZT)	301,020	237,297	620,604	510,911
Zakat & Taxation	(72,791)	(66,905)	(150,786)	(139,941)
NOPAT	228,229	170,392	469,818	370,970
Economic charge computation				
Average invested capital (excludes the debit balance of the acquisition reserve arising from the acquisition of shares from non-controlling interests)	7,273,283	6,416,515	7,062,178	6,300,961
Weighted Average Cost of Capital (WACC) (%)	7.46	7.64	7.46	7.64
Economic charge	135,275	122,220	261,254	238,718
Economic profit	92,954	48,172	208,564	132,252

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

B13. Foreign exchange exposure/hedging policy

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

RM equivalent	As at	
	30.06.2019	31.12.2018
	RM'000	RM'000
USD	(279,912)	(266,498)
EURO	(98,240)	(104,262)
Others	24,466	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").

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

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	
	30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000
Non-related parties	199,939	75,850	51,765	60,375	251,704	136,225
Related parties	280	366	2,161	2,504	2,441	2,870
	200,219	76,216	53,926	62,879	254,145	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	
	30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000
Current (not past due)	199,459	74,055	52,577	62,645	252,036	136,700
1-30 days	3	218	385	621	388	839
31-60 days	21	234	228	774	249	1,008
61-90 days	148	1,007	246	286	394	1,293
91-180 days	1,556	79	2,664	74	4,220	153
> 180 days	3,049	3,236	3,663	1,973	6,712	5,209
	204,236	78,829	59,763	66,373	263,999	145,202

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

B14. Takaful receivables (continued)

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

	Family Takaful		General Takaful		Group	
	30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000
Bank Islam Malaysia Berhad	280	171	2,161	2,469	2,441	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 30 June 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	47,148,247	(752,778)	46,395,469	49,943,790	46,470,385	(789,705)	45,680,680	46,594,025

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

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 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.

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

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 30 June 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	5,014,504	16,494
Profit rate related contracts		
- More than 3 years	162,952	1,089
	5,177,456	17,583

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

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

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	3 months ended 30.06.2019 RM'000	6 months ended 30.06.2019 RM'000
<i>Derivative Financial Instruments</i> Gain/(Loss) arising from fair value changes from derivatives assets and liabilities	16	(55)

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

By order of the Board

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