

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

Condensed Statement of Financial Position as at 31 December 2019

| | Note | Group As at | | | Company As at | |
|--|------|----------------------|----------------------|----------------------|----------------------------------|----------------------------------|
| | | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | Restated 31.12.2018 RM'000 | Restated 01.01.2018 RM'000 |
| Assets | | | | | | |
| Cash and short-term funds | 9 | 3,334,771 | 2,650,042 | 2,105 | 88,473 | 241,074 |
| Deposits and placements with banks and other financial institutions | 10 | 2,581,288 | 3,637,084 | 410,228 | - | - |
| Financial assets at fair value through profit or loss (FVTPL) | 11 | 1,494,495 | 1,402,603 | 7,117 | 6,623 | - |
| Derivative financial assets | 12 | 33,326 | 34,148 | - | - | - |
| Financial assets available- for-sale | | - | - | - | - | 174,546 |
| Financial assets at fair value through other comprehensive income (FVOCI) | 13 | 16,946,884 | 15,687,117 | - | - | - |
| Financing, advances and others | 14 | 49,472,522 | 45,680,680 | - | - | - |
| Other financial assets at amortised cost | 15 | 581,203 | 488,213 | 103,468 | 74,948 | 75,684 |
| Retakaful assets | 16 | 755,796 | 537,137 | - | - | - |
| Statutory deposits with Bank Negara Malaysia | | 1,170,136 | 1,602,284 | - | - | - |
| Current tax assets | | 97,964 | 55,277 | 85 | 198 | 20 |
| Deferred tax assets | | 69,728 | 94,115 | 10 | 10 | 10 |
| Right-of-use assets | 17 | 250,443 | - | - | - | - |
| Investments in subsidiaries | | - | - | 5,304,273 | 5,309,095 | 5,166,225 |
| Property and equipment | | 395,859 | 415,775 | 411 | 382 | 484 |
| Investment properties | | 10,590 | 10,698 | - | - | - |
| Intangible assets | | 68,488 | 93,368 | - | - | - |
| Total assets | | 77,263,493 | 72,388,541 | 5,827,697 | 5,479,729 | 5,658,043 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

Condensed Statement of Financial Position as at 31 December 2019 (continued)

| | Note | Group As at | | Company As at | | |
|---|------|----------------------|----------------------|----------------------|----------------------------------|----------------------------------|
| | | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | Restated 31.12.2018 RM'000 | Restated 01.01.2018 RM'000 |
| Liabilities and equity | | | | | | |
| Deposits from customers | 18 | 46,752,714 | 49,433,546 | - | - | - |
| Investment accounts of customers | 19 | 9,797,543 | 5,037,653 | - | - | - |
| Derivative financial liabilities | 12 | 36,746 | 19,520 | - | - | - |
| Bills and acceptances payable | | 49,084 | 41,114 | - | - | - |
| Recourse obligations on financing sold to Cagamas | 20 | 1,501,187 | 1,501,187 | - | - | - |
| Other liabilities | 21 | 1,689,741 | 1,399,629 | 284,567 | 265,725 | 232,598 |
| Lease liabilities | 17 | 328,062 | - | - | - | - |
| Takaful contract liabilities | 22 | 8,197,156 | 7,072,782 | - | - | - |
| Expense reserves | 23 | 311,700 | 251,806 | - | - | - |
| Sukuk liabilities | 24 | 2,139,666 | 2,102,672 | 881,093 | 844,159 | 1,279,512 |
| Zakat and taxation | | 41,751 | 33,910 | - | - | 18 |
| Total liabilities | | 70,845,350 | 66,893,819 | 1,165,660 | 1,109,884 | 1,512,128 |
| Equity | | | | | | |
| Share capital | | 4,307,819 | 4,082,939 | 4,307,819 | 4,082,939 | 3,875,270 |
| Reserves | | 1,586,613 | 942,780 | 354,218 | 286,906 | 270,645 |
| Equity attributable to owners of the Company | | 5,894,432 | 5,025,719 | 4,662,037 | 4,369,845 | 4,145,915 |
| Non-controlling interests | | 523,711 | 469,003 | - | - | - |
| Total equity | | 6,418,143 | 5,494,722 | 4,662,037 | 4,369,845 | 4,145,915 |
| Total liabilities and equity | | 77,263,493 | 72,388,541 | 5,827,697 | 5,479,729 | 5,658,043 |
| Restricted investment accounts ("RIA") managed by Bank Islam | | | | | | |
| | 19 | 35,062 | 78,717 | - | - | - |
| Total assets including RIA | | 77,298,555 | 72,467,258 | 5,827,697 | 5,479,729 | 5,658,043 |
| Commitments and contingencies | 43 | 17,414,181 | 14,162,355 | - | - | - |
| Net assets per share attributable to ordinary equity of the Company (RM) | | 3.34 | 2.97 | 2.64 | 2.58 | 2.53 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

**Condensed Statement of Profit or Loss for the financial year ended 31
December 2019**

| Group | Note | 3 months ended | | 12 months ended | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Income derived from investment of depositors' funds | 26 | 668,694 | 685,306 | 2,757,704 | 2,601,825 |
| Income derived from investment account funds | 27 | 116,628 | 66,210 | 384,930 | 242,823 |
| Income derived from investment of shareholders' funds | 28 | 127,330 | 117,413 | 479,828 | 477,510 |
| Net earned contributions | 29 | 595,019 | 557,872 | 2,345,831 | 1,934,213 |
| Other income from takaful business | 30 | 111,429 | 69,825 | 460,447 | 311,425 |
| Net benefits, claims and expense reserves | 31 | (266,745) | (260,636) | (1,047,540) | (1,051,508) |
| Net allowance for impairment on financing and advances, net of recoveries | 32 | 3,187 | (19,429) | (83,688) | (81,454) |
| Net allowance for impairment on debt instruments | | 172 | (46) | 37 | 43 |
| Net allowance for impairment on other assets | | 1 | - | (3,797) | - |
| Direct expenses | | (4,359) | (4,538) | (16,444) | (17,870) |
| Total distributable income | | 1,351,356 | 1,211,977 | 5,277,308 | 4,417,007 |
| Wakalah fees from restricted investment accounts | | 102 | 6 | 446 | 485 |
| Income attributable to depositors | 33 | (330,093) | (352,847) | (1,360,491) | (1,279,638) |
| Income attributable to investment account holders | 34 | (51,569) | (21,586) | (164,887) | (79,467) |
| Income attributable to Takaful Operator/participants | | (168,708) | (114,888) | (665,040) | (314,296) |
| Total net income | | 801,088 | 722,662 | 3,087,336 | 2,744,091 |
| Personnel expenses | 35 | (218,527) | (211,070) | (811,657) | (765,742) |
| Other overhead expenses | 36 | (281,051) | (208,141) | (932,547) | (769,386) |
| | | 301,510 | 303,451 | 1,343,132 | 1,208,963 |
| Finance cost | 37 | (34,903) | (45,252) | (138,118) | (143,508) |
| Profit before zakat and tax | | 266,607 | 258,199 | 1,205,014 | 1,065,455 |
| Zakat | | 91 | (2,687) | (12,260) | (14,689) |
| Tax expense | B5 | (55,694) | (57,441) | (257,385) | (249,345) |
| Profit for the period/year | | 211,004 | 198,071 | 935,369 | 801,421 |
| Attributable to: | | | | | |
| Owners of the Company | | 180,858 | 161,385 | 786,920 | 682,055 |
| Non-controlling interests | | 30,146 | 36,686 | 148,449 | 119,366 |
| Profit for the period/year | | 211,004 | 198,071 | 935,369 | 801,421 |
| Earnings per share (sen) | B11 | 10.25 | 9.53 | 44.75 | 40.36 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
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Condensed Statement of Other Comprehensive Income for the financial year ended 31 December 2019

| Group | 3 months ended | | 12 months ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Profit for the period/year | 211,004 | 198,071 | 935,369 | 801,421 |
| 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 | 10,105 | 1,735 | 5,547 | (11,112) |
| Movement in fair value reserve (debt instruments): | | | | |
| Net change in fair value | (18,010) | 2,112 | 346,055 | 51,147 |
| Changes in expected credit losses | 172 | (46) | 37 | 43 |
| Net amount transferred to profit or loss | (17,647) | (6,275) | (97,972) | (27,725) |
| Income tax effect relating to components of other comprehensive income | 7,683 | 2,323 | (53,040) | (3,633) |
| | (17,697) | (151) | 200,627 | 8,720 |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Remeasurement of defined benefit liabilities | 8 | (153) | (117) | (302) |
| Movement in fair value reserve (equity instruments): | | | | |
| Net change in fair value | (2,187) | (3,679) | 11,441 | (5,166) |
| Other comprehensive income for the period/year, net of tax | (19,876) | (3,983) | 211,951 | 3,252 |
| Total comprehensive income for the period/year | 191,128 | 194,088 | 1,147,320 | 804,673 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 161,997 | 156,816 | 989,719 | 685,952 |
| Non-controlling interests | 29,131 | 37,272 | 157,601 | 118,721 |
| Total comprehensive income for the period/year | 191,128 | 194,088 | 1,147,320 | 804,673 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

**Condensed Statement of Profit or Loss and Other Comprehensive Income for
the financial year ended 31 December 2019**

| Company | Note | 3 months ended | | 12 months ended | |
|--|-------------|-----------------------|-------------------|------------------------|-------------------|
| | | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derived from investment of shareholders' funds / | 28 | 28,572 | 4,402 | 421,411 | 385,521 |
| Net allowance for impairment on other assets | | (4,822) | - | (4,822) | - |
| Total distributable income / Total net income | | 23,750 | 4,402 | 416,589 | 385,521 |
| Personnel expenses | 35 | (1,522) | (2,475) | (7,420) | (9,371) |
| Other overhead expenses | 36 | (1,306) | (1,276) | (4,632) | (4,687) |
| | | 20,922 | 651 | 404,537 | 371,463 |
| Finance cost | 37 | (13,352) | (29,869) | (52,685) | (89,547) |
| Profit before zakat and tax | | 7,570 | (29,218) | 351,852 | 281,916 |
| Tax expense | B5 | (908) | (756) | (2,255) | (3,152) |
| Profit for the period/year | | 6,662 | (29,974) | 349,597 | 278,764 |
| Attributable to: | | | | | |
| Owners of the Company | | 6,662 | (29,974) | 349,597 | 278,764 |
| Profit for the period/year / Total comprehensive income for the period/year attributable to owners of the Company | | 6,662 | (29,974) | 349,597 | 278,764 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

Condensed Statement of Changes in Equity for the financial year ended 31 December 2019

| Group | ← Attributable to owners of the Company → | | | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|--|---|--|---|------------------|--|---------------------------|
| | Share capital RM'000 | Non- distributable Other reserves RM'000 | Distributable Retained earnings 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 |
| - effect upon adoption of MFRS 16 (net of tax) | - | - | (67,491) | (67,491) | - | (67,491) |
| At 1 January 2019, restated | 4,082,939 | (1,138,762) | 2,014,051 | 4,958,228 | 469,003 | 5,427,231 |
| Profit for the year | - | - | 786,920 | 786,920 | 148,449 | 935,369 |
| Other comprehensive income | | | | | | |
| Remeasurement of defined benefit liabilities | - | - | (52) | (52) | (65) | (117) |
| Currency translation differences in respect of foreign operations | - | 4,419 | - | 4,419 | 1,128 | 5,547 |
| Fair value reserve (debt instruments): | | | | | | |
| Net change in fair value | - | 337,413 | - | 337,413 | 8,642 | 346,055 |
| Changes in expected credit losses | - | 37 | - | 37 | - | 37 |
| Net amount reclassified to profit or loss | - | (97,419) | - | (97,419) | (553) | (97,972) |
| Income tax effect relating to components of other comprehensive income | - | (53,040) | - | (53,040) | - | (53,040) |
| Fair value reserve (equity instruments): | | | | | | |
| Net change in fair value | - | 11,441 | - | 11,441 | - | 11,441 |
| Total comprehensive income for the year | - | 202,851 | 786,868 | 989,719 | 157,601 | 1,147,320 |
| Transfer from retained earnings to regulatory reserve | - | 15,000 | (15,000) | - | - | - |
| Dividends paid to shareholders | - | - | (282,285) | (282,285) | - | (282,285) |
| Non-controlling share of dividend | - | - | - | - | (116,948) | (116,948) |
| Share-based payment transactions | - | 10,668 | - | 10,668 | 7,277 | 17,945 |
| 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 31 December 2019 | 4,307,819 | (917,021) | 2,503,634 | 5,894,432 | 523,711 | 6,418,143 |

Note 25

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

Condensed Statement of Changes in Equity for the financial year ended 31 December 2019 (continued)

| Group | ← Attributable to owners of the Company → | | | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|--|---|--|---|-----------------|--|---------------------------|
| | Share capital RM'000 | Non- distributable Other reserves RM'000 | Distributable Retained earnings RM'000 | | | |
| At 1 January 2018 | | | | | | |
| - as previously stated | 3,875,270 | (1,099,225) | 1,757,894 | 4,533,939 | 384,414 | 4,918,353 |
| - effect upon adoption of MFRS 9 (net of tax) | - | 8,412 | (141,096) | (132,684) | (1,494) | (134,178) |
| - reclassification from retained earnings to non-controlling interest | - | - | (9,318) | (9,318) | 9,318 | - |
| At 1 January 2018, restated | 3,875,270 | (1,090,813) | 1,607,480 | 4,391,937 | 392,238 | 4,784,175 |
| Profit for the year | - | - | 682,055 | 682,055 | 119,366 | 801,421 |
| Other comprehensive income | | | | | | |
| Remeasurement of defined benefit liabilities | - | - | (135) | (135) | (167) | (302) |
| Currency translation differences in respect of foreign operations | - | (9,358) | - | (9,358) | (1,754) | (11,112) |
| Fair value reserve (debt instruments): | | | | | | |
| Net change in fair value | - | 49,758 | - | 49,758 | 1,389 | 51,147 |
| Changes in expected credit losses | - | 43 | - | 43 | - | 43 |
| Net amount reclassified to profit or loss | - | (27,612) | - | (27,612) | (113) | (27,725) |
| Income tax effect relating to components of other comprehensive income | - | (3,633) | - | (3,633) | - | (3,633) |
| Fair value reserve (equity instruments): | | | | | | |
| Net change in fair value | - | (5,166) | - | (5,166) | - | (5,166) |
| Total comprehensive income for the year | - | 4,032 | 681,920 | 685,952 | 118,721 | 804,673 |
| Transfer from regulatory reserve to retained earnings | - | (54,645) | 54,645 | - | - | - |
| Dividends paid to shareholders | - | - | (262,503) | (262,503) | - | (262,503) |
| Non-controlling share of dividend | - | - | - | - | (49,739) | (49,739) |
| Share-based payment transactions | - | 6,231 | - | 6,231 | 4,216 | 10,447 |
| 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 31 December 2018 | 4,082,939 | (1,138,762) | 2,081,542 | 5,025,719 | 469,003 | 5,494,722 |

Note 25

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
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**Condensed Statement of Changes in Equity for the financial year ended
31 December 2019 (continued)**

| Company | ← | Attributable to owners of the Company | | | → |
|--|----------------------------|---|---------------------------------|---|---------------------------|
| | Share capital RM'000 | Non-distributable Warrant reserve RM'000 | Fair value reserve RM'000 | Distributable Retained earnings RM'000 | Total Equity RM'000 |
| At 1 January 2019 | | | | | |
| - as previously stated | 4,082,939 | 129,300 | - | 83,873 | 4,296,112 |
| - prior year adjustments | - | - | - | 73,733 | 73,733 |
| At 1 January 2019, restated | 4,082,939 | 129,300 | - | 157,606 | 4,369,845 |
| Profit for the year | - | - | - | 349,597 | 349,597 |
| Dividends paid to shareholders | - | - | - | (282,285) | (282,285) |
| Issue of shares pursuant to Dividend Reinvestment Plan | 224,880 | - | - | - | 224,880 |
| At 31 December 2019 | 4,307,819 | 129,300 | - | 224,918 | 4,662,037 |

| Company | ← | Attributable to owners of the Company | | | → |
|--|----------------------------|---|---------------------------------|---|---------------------------|
| | Share capital RM'000 | Non-distributable Warrant reserve RM'000 | Fair value reserve RM'000 | Distributable Retained earnings RM'000 | Total Equity RM'000 |
| At 1 January 2018 | | | | | |
| - as previously stated | 3,875,270 | 129,300 | 178 | 67,434 | 4,072,182 |
| - effect upon adoption of MFRS 9 (net of tax) | - | - | (178) | 178 | - |
| - prior year adjustments | - | - | - | 73,733 | 73,733 |
| At 1 January 2018, restated | 3,875,270 | 129,300 | - | 141,345 | 4,145,915 |
| Profit for the year | - | - | - | 278,764 | 278,764 |
| Dividends paid to shareholders | - | - | - | (262,503) | (262,503) |
| Issue of shares pursuant to Dividend Reinvestment Plan | 207,669 | - | - | - | 207,669 |
| At 31 December 2018 | 4,082,939 | 129,300 | - | 157,606 | 4,369,845 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
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and its subsidiaries

Condensed Statement of Cash Flows for the financial year ended
31 December 2019

| | Group | | Company | |
|--|------------------------|-------------------|------------------------|-------------------|
| | 12 months ended | | 12 months ended | |
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from operating activities | | | | |
| Profit before zakat and tax | 1,205,014 | 1,065,455 | 351,852 | 281,916 |
| Adjustments for: | | | | |
| Depreciation of right-of-use assets | 17,532 | - | - | - |
| Depreciation of property and equipment | 65,642 | 61,560 | 96 | 166 |
| Depreciation of investment properties | 114 | 113 | - | - |
| Net gain on disposal of property and equipment | (422) | (372) | - | - |
| Property and equipment written off | 91 | 340 | 9 | 8 |
| Net allowance for impairment on financing, advances and others | 190,829 | 186,402 | - | - |
| Net allowance for impairment on debt instruments | (37) | (43) | - | - |
| Net allowance for impairment on other assets | 3,797 | - | 4,822 | - |
| Net gain on sale of financial assets at FVTPL | (26,178) | (4,897) | - | - |
| Net gain on sale of financial assets at FVOCI | (96,607) | (27,444) | - | - |
| Fair value (gain)/loss on financial assets at FVTPL | (43,272) | 80,805 | (234) | (129) |
| Net derivative loss/(gain) | 36 | (52) | - | - |
| Dividends income from debt instruments at FVTPL (unit trust) | (9,546) | (7,232) | (260) | (5,151) |
| Dividends income from equity instruments at FVOCI | (545) | (17) | - | - |
| Dividends from subsidiaries | - | - | (411,259) | (366,783) |
| Change in actuarial reserves/ unearned contributions reserve | (13,750) | (5,576) | - | - |
| Equity settled share-based payment | 17,945 | 10,447 | - | - |
| Amortisation of intangible assets | 29,569 | 22,464 | - | - |
| Profit expense on leases | 18,243 | - | - | - |
| Finance cost | 119,875 | 143,508 | 52,685 | 89,547 |
| Operating profit/(loss) before working capital changes | 1,478,330 | 1,525,461 | (2,289) | (426) |

BIMB Holdings Berhad
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(Incorporated in Malaysia)
and its subsidiaries

Condensed Statement of Cash Flows for the financial year ended
31 December 2019 (continued)

| | Group | | Company | |
|--|------------------------|-------------------|------------------------|-------------------|
| | 12 months ended | | 12 months ended | |
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Operating profit/(loss) before working capital changes | 1,478,330 | 1,525,461 | (2,289) | (426) |
| Changes in working capital: | | | | |
| Financing of customers | (3,982,671) | (3,942,761) | - | - |
| Statutory deposits with Bank | | | | |
| Negara Malaysia | 432,148 | (195,000) | - | - |
| Other assets | (301,826) | 59,084 | (3,942) | 736 |
| Deposits from customers | (2,680,832) | 3,562,950 | - | - |
| Investment accounts of customers | 4,759,890 | 1,068,309 | - | - |
| Recourse obligations on financing sold to Cagamas | - | 1,501,187 | - | - |
| Other liabilities | 1,419,583 | 387,225 | (940) | (92) |
| Bills and acceptances payable | 7,970 | (379,144) | - | - |
| Cash generated from/(used in) operations | 1,132,592 | 3,587,311 | (7,171) | 218 |
| Zakat paid | (14,090) | (13,178) | - | - |
| Tax paid | (315,639) | (290,969) | (2,356) | (3,368) |
| Tax refund | 2,883 | 113 | 213 | 20 |
| Net cash generated from/(used in) operating activities | 805,746 | 3,283,277 | (9,314) | (3,130) |
| Cash flows from investing activities | | | | |
| Net proceeds from (purchase)/disposal of securities | (925,744) | (2,458,409) | - | 173,203 |
| Purchase of property and equipment | (64,555) | (81,114) | (134) | (72) |
| Proceeds from disposal of property and equipment | 427 | 508 | - | - |
| Dividends income from debt instruments at FVTPL (unit trust) | 9,286 | 2,081 | - | - |
| Dividends income from equity instruments at FVOCI | 545 | 17 | - | - |
| Dividends from subsidiaries | - | - | 386,682 | 366,783 |
| Subscription of ordinary shares pursuant to Dividend Reinvestment Plan | - | - | - | (142,870) |
| Intangible assets | (4,689) | (68,000) | - | - |
| Net cash (used in)/generated from investing activities | (984,730) | (2,604,917) | 386,548 | 397,044 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

Condensed Statement of Cash Flows for the financial year ended
31 December 2019 (continued)

| | Group | | Company | |
|---|------------------|------------------|-----------------|------------------|
| | 12 months ended | | 12 months ended | |
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | 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 | (26,564) | - | - | - |
| Early partial redemption of Sukuk liabilities | - | (500,000) | - | (500,000) |
| Payment of coupon on Sukuk Subordinated Sukuk Murabahah | (82,881) | (76,698) | (15,751) | (24,900) |
| | - | 300,000 | - | - |
| Net cash used in financing activities | (196,968) | (348,052) | (53,374) | (546,515) |
| Net (decrease)/increase in cash and cash equivalents | (375,952) | 330,308 | 323,860 | (152,601) |
| Cash and cash equivalents at beginning of the year | 6,287,126 | 5,966,995 | 88,473 | 241,074 |
| Foreign exchange differences | 4,885 | (10,177) | - | - |
| Cash and cash equivalents at end of the year | 5,916,059 | 6,287,126 | 412,333 | 88,473 |
| Cash and cash equivalents comprise: | | | | |
| Cash and short-term funds | 3,334,771 | 2,650,042 | 2,105 | 88,473 |
| Deposits and placements with banks and other financial institutions | 2,581,288 | 3,637,084 | 410,228 | - |
| | 5,916,059 | 6,287,126 | 412,333 | 88,473 |
| Less: | | | | |
| Cash and short term funds and deposits and placements with banks and other financial institutions with original maturity more than three months | (1,923,235) | (1,205,084) | (410,228) | - |
| | 3,992,824 | 5,082,042 | 2,105 | 88,473 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

Condensed Statement of Cash Flows for the financial year ended
31 December 2019 (continued)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Company's statements of cash flows from financing activities.

| | Effect on adoption of MFRS 16 RM'000 | At 1.1.2019 RM'000 | Changes from financing cash flows RM'000 | Finance cost for the year RM'000 | At 31.12.2019 RM'000 |
|-------------------|---|-------------------------------|---|---|-------------------------------------|
| Group | | | | | |
| Sukuk liabilities | - | 2,102,672 | (82,881) | 119,875 | 2,139,666 |
| Lease liabilities | 326,196 | 326,196 | (16,377) | 18,243 | 328,062 |
| | <u>326,196</u> | <u>2,428,868</u> | <u>(99,258)</u> | <u>138,118</u> | <u>2,467,728</u> |
| Company | | | | | |
| Sukuk liabilities | | <u>844,159</u> | <u>(15,751)</u> | <u>52,685</u> | <u>881,093</u> |
| | | At 1.1.2018 RM'000 | Changes from financing cash flows RM'000 | Finance cost for the year RM'000 | At 31.12.2018 RM'000 |
| Group | | | | | |
| Sukuk liabilities | | <u>2,235,862</u> | <u>(276,698)</u> | <u>143,508</u> | <u>2,102,672</u> |
| Company | | | | | |
| Sukuk liabilities | | <u>1,279,512</u> | <u>(524,900)</u> | <u>89,547</u> | <u>844,159</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

**Explanatory Notes to the Financial Statements for the financial year ended
31 December 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 financial year ended 31 December 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.

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

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

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, 139 & 7 – *Interest Rate Benchmark Reform*

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

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning or after a date yet to be confirmed

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

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

1. Basis of preparation (continued)

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

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

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

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 financial year ended 31 December 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 financial year ended 31 December 2019.

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 financial year ended 31 December 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 ended 31 December 2019.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

6. Changes in accounting policies (continued)

MFRS 16, Leases

MFRS 16 supersedes MFRS 117 'Leases' and the related interpretations. The Group has adopted MFRS 16 under modified retrospective approach effective from 1 January 2019 upon its mandatory adoption date, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Prior to 1 January 2019, the Group classified leases of property 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 or either party has an economic incentives not to terminate the lease such that it would incur significant penalty, are recognised as Right-Of-Use ("ROU") assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

As a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Right-of-use asset for a non-cancellable property lease is measured on a retrospective basis as if the new rules had always been applied. All other ROU assets are measured at the amount of the lease liability on adoption, adjusted by for any prepaid or accrued lease payments. 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. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 for the Group was at 5.7% - 6.4%.

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.

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

| Group | As previously report RM'000 | Effect on adoption of MFRS 16 RM'000 | As restated RM'000 |
|------------------------|--|---|-------------------------------|
| Deferred tax assets | 94,115 | 21,258 | 115,373 |
| Right-of-use assets | - | 257,388 | 257,888 |
| Property and equipment | 415,775 | (19,941) | 395,834 |
| Lease liabilities | - | 326,196 | 326,196 |
| Retained earnings | 2,081,542 | (67,491) | 2,014,051 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

6. Changes in accounting policies (continued)

MFRS 16, Leases (continued)

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

| | Group RM'000 |
|--|-------------------------|
| Operating lease commitments disclosed at 31 December 2018 | 385,256 |
| Lease-type obligations (service agreements) | 142,152 |
| Discounted using the incremental borrowing rate | <u>(201,212)</u> |
| Total lease liabilities recognised under MFRS 16 at 1 January 2019 | <u>326,196</u> |

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

| | |
|------------|----------------|
| Properties | 255,813 |
| Equipment | <u>1,575</u> |
| | <u>257,388</u> |

7. Issuance or repayment of debt and equity securities

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

8. Significant events during the financial year ended 31 December 2019

Dividend received/receivable

On 11 January 2019, Syarikat Takaful Malaysia Keluarga Berhad (“Takaful Malaysia”) 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.

On 11 September 2019, Bank Islam paid an interim single tier dividend of 6.40 sen per ordinary share totaling RM160.639 million for the six months ended 30 June 2019.

On 3 December 2019, Takaful Malaysia declared an interim single tier dividend of 20.00 sen per ordinary share totalling RM98.310 million in respect of the financial year ended 31 December 2019 which was paid on 2 January 2020.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

9. Cash and short-term funds

| | Group | |
|--|-------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Cash and balances with banks and other financial institutions | 897,248 | 931,783 |
| Money at call and interbank placements with remaining maturity not exceeding one month | 2,437,523 | 1,718,259 |
| | <u>3,334,771</u> | <u>2,650,042</u> |
| | Company | |
| | Restated | Restated |
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Cash and balances with banks and other financial institutions | 2,105 | 88,473 |
| | <u>2,105</u> | <u>88,473</u> |
| | | <u>241,074</u> |
| | | <u>241,074</u> |

10. Deposits and placements with banks and other financial institutions

| | Group | |
|------------------------------|-------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Licensed banks | 1,888,196 | 1,174,855 |
| Bank Negara Malaysia | 658,053 | 2,432,000 |
| Other financial institutions | 35,039 | 30,229 |
| | <u>2,581,288</u> | <u>3,637,084</u> |
| | Company | |
| | Restated | Restated |
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Licensed Islamic bank | 410,228 | - |
| | <u>410,228</u> | <u>-</u> |
| | | <u>-</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

| | Group | |
|--|-------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| At fair value | | |
| Sukuk | 432,940 | 374,183 |
| Malaysian Government Investment Issues | 274,162 | 30,328 |
| Shares | 333,844 | 318,393 |
| Unit trusts | 303,789 | 320,305 |
| Bank Negara Monetary Notes | - | 114,823 |
| Malaysian Islamic Treasury Bills | 99,571 | - |
| Islamic commercial papers | 50,189 | - |
| Structured deposits | - | 244,571 |
| | <u>1,494,495</u> | <u>1,402,603</u> |
| | | |
| | Company | |
| | Restated | Restated |
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| | | 01.01.2018 |
| | | RM'000 |
| At fair value | | |
| Unit trusts | <u>7,117</u> | <u>6,623</u> |
| | | <u>-</u> |

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 | Fair value | |
|-------------------|------------------|-------------------|--------------------|
| | Amount | Assets | Liabilities |
| | RM'000 | RM'000 | RM'000 |
| 31.12.2019 | | | |
| Forward contracts | 6,255,520 | 31,626 | (35,927) |
| Profit rate swaps | 147,098 | 1,700 | (819) |
| | <u>6,402,618</u> | <u>33,326</u> | <u>(36,746)</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

12. Derivative financial assets/(liabilities) (continued)

| Group | Notional Amount RM'000 | Fair value | |
|-------------------|------------------------------|------------------|-----------------------|
| | | Assets RM'000 | Liabilities RM'000 |
| 31.12.2018 | | | |
| Forward contracts | 2,869,455 | 30,653 | (17,752) |
| Profit rate swaps | 578,379 | 3,495 | (1,768) |
| | <u>3,447,834</u> | <u>34,148</u> | <u>(19,520)</u> |

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

| | Group | |
|--|--------------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Financial assets at fair value through other comprehensive income: | | |
| a) Debt instruments | 16,899,925 | 15,651,599 |
| b) Equity instruments | 46,959 | 35,518 |
| | <u>16,946,884</u> | <u>15,687,117</u> |

a) Debt instruments at fair value through other comprehensive income

| | Group | |
|--|--------------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Sukuk | 13,385,180 | 12,123,714 |
| Malaysian Government Investment Issues | 2,253,390 | 2,129,754 |
| Institutional Trust Account | 530,852 | 318,625 |
| Malaysian Government Islamic Papers | 499,632 | 384,020 |
| Bank Negara Monetary Notes | - | 389,231 |
| Islamic Commercial Papers | 230,871 | 306,255 |
| | <u>16,899,925</u> | <u>15,651,599</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

a) Debt instruments at fair value through other comprehensive income (continued)

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

| | Group | |
|--|-------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Stage 1 | | |
| At 1 January 2019/2018 | 302 | 345 |
| Reversal of impairment during the year | (37) | (43) |
| At 31 December 2019/2018 | 265 | 302 |

b) Equity instruments at fair value through other comprehensive income

| | Group | |
|--------------------|-------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Quoted shares | | |
| - outside Malaysia | 8,978 | 12,446 |
| | 8,978 | 12,446 |
| Unquoted shares | | |
| - in Malaysia | 37,979 | 23,056 |
| - outside Malaysia | 2 | 16 |
| | 37,981 | 23,072 |
| | 46,959 | 35,518 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

14. Financing, advances and others

(a) By type and Shariah contract

| Group | Bai' Bithaman Ajil | Murabahah | Bai' Al-Dayn | Bai' Al-Inah | At-Tawarruq | Ijarah Muntahiah Bit-Tamleek^ | Ijarah Thumma Al-Bai^ | Istisna' | Ar-Rahnu | Total |
|--------------------------|--------------------------|------------------|-----------------|-----------------|-------------------|-------------------------------------|-----------------------------|----------------|---------------|-------------------|
| 31 December 2019 | 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 | - | - | - | 1,497 | 1,429,391 | - | - | - | - | 1,430,888 |
| Term financing | | | | | | | | | | |
| House financing | 3,422,625 | - | - | - | 16,194,868 | - | - | 47,072 | - | 19,664,565 |
| Syndicated financing | - | - | - | - | 1,032,250 | - | - | - | - | 1,032,250 |
| Leasing financing | - | - | - | - | - | 111,653 | - | - | - | 111,653 |
| Bridging financing | - | - | - | - | - | - | - | 52,122 | - | 52,122 |
| Personal financing | - | - | - | 6,680 | 14,614,052 | - | - | - | - | 14,620,732 |
| Other term financing | 721,670 | 1,290,035 | - | 24 | 9,591,672 | - | - | 1,130 | - | 11,604,531 |
| Staff financing | 52,414 | 10,872 | - | - | 179,838 | - | - | 8,372 | - | 251,496 |
| Credit cards | - | - | - | - | 492,829 | - | - | - | - | 492,829 |
| Trade bills discounted | - | 772,494 | 113,840 | - | - | - | - | - | - | 886,334 |
| Trust receipts | - | 5,269 | - | 193 | - | - | - | - | - | 5,462 |
| Pawn broking | - | - | - | - | - | - | - | - | 71,107 | 71,107 |
| | 4,196,709 | 2,078,670 | 113,840 | 8,394 | 43,534,900 | 111,653 | - | 108,696 | 71,107 | 50,223,969 |

Allowance for impairment on financing, advances and others :-

| | |
|---|-------------------|
| - Stage 1 | (431,135) |
| - Stage 2 | (148,115) |
| - Stage 3 | (172,197) |
| Net financing, advances and others | 49,472,522 |

^ 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
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

14. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

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

Allowance for impairment on financing, advances and others :-

| | |
|-----------|-----------|
| - Stage 1 | (416,450) |
| - Stage 2 | (129,402) |
| - Stage 3 | (243,853) |

Net financing, advances and others

45,680,680

* 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
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

14. Financing, advances and others (continued)

(a) By type of and Shariah contract (continued)

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

| | | Group | |
|----------------------------------|-------------|-------------------------|-------------------|
| | Note | 31.12.2019 | 31.12.2018 |
| | | RM'000 | RM'000 |
| House financing | | | |
| Unrestricted Investment Accounts | 19 | 6,504,728 | 3,816,524 |
| Sold to Cagamas with recourse | 20 | 1,501,187 | 1,501,187 |
| | | <u>8,005,915</u> | <u>5,317,711</u> |
| Personal financing | | | |
| Unrestricted Investment Accounts | 19 | 3,292,815 | 1,221,129 |

(b) By type of customer

| | Group | |
|--|--------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Domestic non-bank financial institutions | 1,595,043 | 1,637,318 |
| Domestic business enterprise | 8,384,026 | 6,924,836 |
| Small & medium enterprises | 2,017,946 | 2,092,024 |
| Government and statutory bodies | 729,905 | 601,285 |
| Individuals | 37,227,020 | 35,069,160 |
| Other domestic entities | 71,582 | 18,947 |
| Foreign entities | 198,447 | 126,815 |
| | <u>50,223,969</u> | <u>46,470,385</u> |

(c) By profit rate sensitivity

| | Group | |
|-----------------|--------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Fixed rate | | |
| House financing | 985,880 | 1,073,575 |
| Others | 3,700,354 | 3,102,294 |
| Floating rate | | |
| House financing | 19,299,203 | 17,636,273 |
| Others | 26,238,532 | 24,658,243 |
| | <u>50,223,969</u> | <u>46,470,385</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

14. Financing, advances and others (continued)

(d) By remaining contractual maturity

| | Group | |
|-------------------------------------|-------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Maturity within one year | 4,615,374 | 4,774,098 |
| More than one year to three years | 1,265,070 | 1,299,229 |
| More than three years to five years | 3,230,831 | 2,921,287 |
| More than five years | 41,112,694 | 37,475,771 |
| | <u>50,223,969</u> | <u>46,470,385</u> |

(e) By geographical distribution

| | Group | |
|----------------------|-------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Central Region | 23,794,695 | 22,125,064 |
| Eastern Region | 7,861,683 | 7,646,307 |
| Northern Region | 6,673,024 | 6,640,816 |
| Southern Region | 8,278,422 | 6,723,490 |
| East Malaysia Region | 3,616,145 | 3,334,708 |
| | <u>50,223,969</u> | <u>46,470,385</u> |

(f) By sector

| | Group | |
|---|-------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Primary agriculture | 1,266,687 | 754,835 |
| Mining and quarrying | 38,712 | 9,060 |
| Manufacturing (including agro-based) | 881,445 | 909,850 |
| Electricity, gas and water | 1,863,658 | 371,479 |
| Wholesale & retail trade, and hotels & restaurants | 927,772 | 1,098,346 |
| Construction | 2,238,954 | 2,417,262 |
| Transport, storage and communications | 918,959 | 824,949 |
| Finance, insurance, real estate and business activities | 3,731,211 | 4,011,569 |
| Education, health and others | 1,126,374 | 1,000,735 |
| Household sectors | 37,230,197 | 35,072,300 |
| | <u>50,223,969</u> | <u>46,470,385</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

14. Financing, advances and others (continued)

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

| | Group | |
|---|----------------|----------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| At 1 January 2019/2018 | 425,937 | 398,277 |
| Classified as impaired during the period/year | 701,221 | 621,974 |
| Reclassified as not impaired during the period/year | (372,172) | (321,635) |
| Amount recovered | (97,001) | (117,477) |
| Amount written off | (224,984) | (155,202) |
| At 31 December 2019/2018 | <u>433,001</u> | <u>425,937</u> |
| Gross impaired financing as a percentage of gross financing, advances and others | <u>0.86%</u> | <u>0.92%</u> |

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

(h) Impaired financing by geographical distribution

| | Group | |
|----------------------|----------------|----------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Central Region | 181,730 | 245,531 |
| Eastern Region | 101,743 | 101,868 |
| Northern Region | 79,976 | 25,349 |
| Southern Region | 47,527 | 31,320 |
| East Malaysia Region | 22,025 | 21,869 |
| | <u>433,001</u> | <u>425,937</u> |

(i) Impaired financing by sector

| | Group | |
|---|----------------|----------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Manufacturing (including agro-based) | 45,715 | 21,426 |
| Wholesale & retail trade, and hotels & restaurants | 97,043 | 56,665 |
| Construction | 29,361 | 123,007 |
| Transport, storage and communications | 10,217 | 10,936 |
| Finance, insurance, real estate and business activities | 8,125 | 3,066 |
| Education, health and others | 8,179 | 4,642 |
| Household sectors | 234,361 | 206,195 |
| | <u>433,001</u> | <u>425,937</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

14. Financing, advances and others (continued)

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

| Group | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| At 1 January 2019 | 416,450 | 129,402 | 243,853 | 789,705 |
| Transfer to Stage 1 | 1,931 | (1,798) | (133) | - |
| Transfer to Stage 2 | (6,868) | 9,175 | (2,307) | - |
| Transfer to Stage 3 | (461) | (8,696) | 9,157 | - |
| Net allowance made during the year | (59,446) | 45,272 | 149,340 | 135,166 |
| New financial assets originated or purchased | 127,923 | 2,567 | 2,411 | 132,901 |
| Financial assets that have been derecognised | (44,291) | (27,807) | (5,140) | (77,238) |
| Write-offs | - | - | (224,984) | (224,984) |
| Exchange differences | (4,103) | - | - | (4,103) |
| At 31 December 2019 | <u>431,135</u> | <u>148,115</u> | <u>172,197</u> | <u>751,447</u> |

| Group | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| At 1 January 2018 | 390,478 | 139,501 | 231,636 | 761,615 |
| Transfer to Stage 1 | 6,841 | (6,525) | (316) | - |
| Transfer to Stage 2 | (4,419) | 8,639 | (4,220) | - |
| Transfer to Stage 3 | (523) | (8,454) | 8,977 | - |
| Net allowance made during the year | (22,326) | 1,175 | 160,491 | 139,340 |
| New financial assets originated or purchased | 88,675 | 7,437 | 5,090 | 101,202 |
| Financial assets that have been derecognised | (39,166) | (12,371) | (2,603) | (54,140) |
| Write-offs | - | - | (155,202) | (155,202) |
| Exchange differences | (3,110) | - | - | (3,110) |
| At 31 December 2018 | <u>416,450</u> | <u>129,402</u> | <u>243,853</u> | <u>789,705</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

15. Other financial assets at amortised cost

| | Group | |
|--|-------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Takaful receivables | 210,270 | 145,202 |
| - <i>Due contributions</i> | 162,632 | 105,712 |
| - <i>Due from retakaful/co-takaful</i> | 47,638 | 39,490 |
| Clients' and dealers' debit balances | 23,147 | 32,037 |
| Deposits and prepayments | 45,998 | 44,143 |
| Other financing | 80,925 | 80,073 |
| Investment profit receivable | 95,591 | 70,882 |
| Sukuk | 5,684 | 6,887 |
| Other receivables | 137,338 | 122,458 |
| | 598,953 | 501,682 |
| Less: Accumulated impairment loss: | | |
| Stage 3 | | |
| - Takaful receivables | (6,591) | (6,107) |
| - Sukuk | (5,684) | (6,887) |
| - Other receivables | (5,475) | (475) |
| | 581,203 | 488,213 |
| | Company | Restated |
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Dividend receivable | 98,310 | 73,733 |
| Amount due from subsidiaries | 396 | 337 |
| Deposits and prepayments | 473 | 462 |
| Other receivables | 4,289 | 1,169 |
| | 103,468 | 75,684 |

16. Retakaful assets

| | Note | Group | |
|----------------------------|-------------|-------------------|-------------------|
| | | 31.12.2019 | 31.12.2018 |
| | | RM'000 | RM'000 |
| Retakaful assets: | | | |
| - Claims liabilities | 22(i) | 349,548 | 296,534 |
| - Contribution liabilities | 22(ii) | 90,634 | 76,884 |
| - Actuarial liabilities | 22(iii) | 315,614 | 163,719 |
| | | 755,796 | 537,137 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

17. Right-of-use assets and lease liabilities

The statements of financial position shows the following amount relating to leases:

| | Group 31.12.2019 RM'000 |
|----------------------------|--|
| Right-of-use assets | |
| Properties | 249,484 |
| Equipment | 959 |
| | <u>250,443</u> |
| Lease liabilities | <u>328,062</u> |

Additions to the right-of-use assets during the 2019 financial year were RM10,207,000.

Included in property and equipment, there is RM22,662,000 of right-of-use assets in relation to leasehold land and building.

The statements of profit or loss as at 31 December 2019 shows the following amount relating to leases:

| | Group 31.12.2019 RM'000 |
|--|--|
| Depreciation charge on right-of-use assets: | |
| Properties | 16,894 |
| Equipment | 638 |
| | <u>17,532</u> |
| Finance cost | <u>18,243</u> |
| Expenses relating to short-term leases | <u>34,739</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

18. Deposits from customers

(a) By type of deposit

| | Group | |
|---|-------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Savings deposits | | |
| <i>Qard</i> | 4,681,710 | 4,410,537 |
| Demand deposits | | |
| <i>Qard</i> | 10,932,557 | 10,644,574 |
| Term Deposit | 31,033,213 | 34,284,831 |
| Special Investment Deposit | | |
| <i>Mudharabah</i> | 3,915 | 6,252 |
| General Investment Deposit | | |
| <i>Mudharabah</i> | 209,693 | 287,013 |
| Term Deposit-i | | |
| <i>Tawarruq</i> | 29,828,055 | 30,309,186 |
| Negotiable Islamic Debt Certificates ("NIDC") | 991,550 | 3,682,380 |
| Others | 105,234 | 93,604 |
| Total Deposits | 46,752,714 | 49,433,546 |

(b) Maturity structure of term deposits are as follows:

| | Group | |
|-------------------------------------|-------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Due within six months | 12,084,789 | 15,986,833 |
| More than six months to one year | 7,183,724 | 9,685,300 |
| More than one year to three years | 9,056,935 | 6,484,593 |
| More than three years to five years | 2,707,765 | 2,128,105 |
| | 31,033,213 | 34,284,831 |

(c) By type of customer

| | Group | |
|--|-------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Domestic non-bank financial institutions | 7,167,970 | 11,923,695 |
| Business enterprises | 19,656,635 | 16,725,704 |
| Government and statutory bodies | 11,479,529 | 12,049,184 |
| Individuals | 5,893,922 | 5,199,550 |
| Domestic banking institutions | 149,839 | 1,634,224 |
| Others | 2,404,819 | 1,901,189 |
| | 46,752,714 | 49,433,546 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

19. Investment accounts of customers

(a) By type and Shariah contract

| | Group | |
|---|------------------|------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Unrestricted investment accounts | | |
| Without maturity | | |
| <i>Mudharabah</i> | 3,211,343 | 2,594,846 |
| With maturity | | |
| <i>Wakalah</i> | 6,586,200 | 2,442,807 |
| | <u>9,797,543</u> | <u>5,037,653</u> |
| Investment portfolio: | | |
| - <i>House financing</i> | 6,504,728 | 3,816,524 |
| - <i>Personal financing</i> | 3,292,815 | 1,221,129 |
| | <u>9,797,543</u> | <u>5,037,653</u> |
| Restricted investment accounts ("RIA") managed by Bank Islam[^] | | |
| With maturity | | |
| <i>Wakalah</i> | 35,062 | 78,717 |
| Investment portfolio: | | |
| - <i>Other term financing</i> | 35,062 | 78,717 |

[^] Included in RIA managed by Bank Islam is an arrangement between Bank Islam and its ultimate holding entity where Bank Islam acts as the investment agent to manage and administer the RIA with underlying assets amounting to RM35,062,000 (2018: RM78,285,000).

(b) By type of customers

| | Group | |
|---------------------------------|------------------|------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Individuals | 3,448,415 | 2,674,428 |
| Government and statutory bodies | 3,747,895 | 767,996 |
| Business enterprises | 769,038 | 507,160 |
| Non-bank financial institutions | 1,739,850 | 1,036,107 |
| International Islamic Bank | 10,001 | 2,400 |
| Others | 82,344 | 49,562 |
| | <u>9,797,543</u> | <u>5,037,653</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

| | Group | |
|---|-------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Takaful payables | 175,352 | 114,267 |
| - <i>Due to retakaful companies</i> | 141,931 | 91,806 |
| - <i>Due to Intermediaries/Participants</i> | 33,421 | 22,461 |
| Accruals and other payables | 1,209,069 | 990,770 |
| Clients' and dealers' credit balances | 23,035 | 32,089 |
| Dividend payable | 282,285 | 262,503 |
| | 1,689,741 | 1,399,629 |

| | Company | | |
|-----------------------------|-------------------|--------------------------------|--------------------------------|
| | 31.12.2019 | Restated 31.12.2018 | Restated 01.01.2018 |
| | RM'000 | RM'000 | RM'000 |
| Accruals and other payables | 2,271 | 3,200 | 3,244 |
| Amount due to subsidiaries | 11 | 22 | 70 |
| Dividend payable | 282,285 | 262,503 | 229,284 |
| | 284,567 | 265,725 | 232,598 |

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

22. Takaful contract liabilities

The takaful contract liabilities comprise the following:

| | Note | Group | |
|--------------------------------------|-------------|-------------------|-------------------|
| | | 31.12.2019 | 31.12.2018 |
| | | RM'000 | RM'000 |
| Provision for outstanding claims | 22(i) | 703,598 | 633,725 |
| Provision for unearned contributions | 22(ii) | 394,340 | 376,971 |
| Participants' fund | 22(iii) | 7,099,218 | 6,062,086 |
| | | 8,197,156 | 7,072,782 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

22. Takaful contract liabilities (continued)

(i) **Provision for outstanding claims**

The provision for outstanding claims is further analysed as follows:

| Group | 31.12.2019 | | |
|---|-------------------------|-----------------------------|-----------------------|
| | Gross RM'000 | Retakaful RM'000 | Net RM'000 |
| Provision for claims reported by participants | 341,249 | (198,675) | 142,574 |
| Provision for IBNR* | 362,349 | (150,873) | 211,476 |
| Provision for outstanding claims | <u>703,598</u> | <u>(349,548)</u> | <u>354,050</u> |
| | | Note 16 | |
| Group | 31.12.2018 | | |
| | Gross RM'000 | Retakaful RM'000 | Net RM'000 |
| Provision for claims reported by participants | 294,655 | (169,865) | 124,790 |
| Provision for IBNR* | 339,070 | (126,669) | 212,401 |
| Provision for outstanding claims | <u>633,725</u> | <u>(296,534)</u> | <u>337,191</u> |
| | | 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) |
| Movement in IBNR | 47,085 | (15,806) | 31,279 |
| Acquisition of general takaful business | 39 | - | 39 |
| Effect of movement in exchange rates | (167) | 83 | (84) |
| At 31 December 2018/ 1 January 2019 | 633,725 | (296,534) | 337,191 |
| Claims incurred during the year | 1,270,364 | (282,781) | 987,583 |
| Adjustment to claims incurred in prior accident years | (25,540) | 27,126 | 1,586 |
| Claims paid during the year | (1,198,289) | 226,870 | (971,419) |
| Movement in IBNR | 23,219 | (24,179) | (960) |
| Effect of movement in exchange rates | 119 | (50) | 69 |
| At 31 December 2019 | 703,598 | (349,548) | 354,050 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

22. Takaful contract liabilities (liabilities)

(ii) Provision for unearned contributions

The provision for unearned contributions is further analysed as follows:

| | Gross RM'000 | Group Retakaful RM'000 | Net RM'000 |
|------------|-------------------------|---------------------------------------|-----------------------|
| 31.12.2019 | <u>394,340</u> | <u>(90,634)</u> Note 16 | <u>303,706</u> |
| 31.12.2018 | <u>376,971</u> | <u>(76,884)</u> Note 16 | <u>300,087</u> |

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 | <u>376,971</u> | <u>(76,884)</u> | <u>300,087</u> |
| Contributions written during the year | 723,511 | (290,365) | 433,146 |
| Contributions earned during the year | (706,142) | 276,615 | (429,527) |
| At 31 December 2019 | <u>394,340</u> | <u>(90,634)</u> | <u>303,706</u> |

(iii) Participants' fund

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

| | Gross RM'000 | Group Retakaful RM'000 | Net RM'000 |
|---|-------------------------|---------------------------------------|-----------------------|
| 31.12.2019 | | | |
| Participants' account | 3,663,688 | - | 3,663,688 |
| Actuarial liabilities | 1,929,616 | (315,614) | 1,614,002 |
| Unallocated surplus/ accumulated surplus | 1,029,093 | - | 1,029,093 |
| Fair value reserve | 273,331 | - | 273,331 |
| Net assets value attributable to unitholders | <u>203,490</u> | <u>-</u> | <u>203,490</u> |
| | <u>7,099,218</u> | <u>(315,614)</u> | <u>6,783,604</u> |
| | | Note 16 | |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

22. Takaful contract liabilities (continued)

(iii) Participants' fund (continued)

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

| | Gross RM'000 | Group Retakaful RM'000 | Net RM'000 |
|---|-------------------------|---------------------------------------|-----------------------|
| 31.12.2018 | | | |
| Participants' account | 2,895,271 | - | 2,895,271 |
| Actuarial liabilities | 2,125,615 | (163,719) | 1,961,896 |
| Unallocated surplus/ accumulated surplus | 822,801 | - | 822,801 |
| Fair value reserve | 29,778 | - | 29,778 |
| Net assets value attributable to unitholders | <u>188,621</u> | <u>-</u> | <u>188,621</u> |
| | <u>6,062,086</u> | <u>(163,719)</u> | <u>5,898,367</u> |
| | | Note 16 | |

23. Expense reserve

| | Group | |
|---|------------------------------|------------------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| At 1 January 2019/2018 | 251,806 | 196,655 |
| Provision for the year, net | 59,588 | 52,260 |
| Acquisition of general takaful business | - | 3,077 |
| Effect of movement in exchange rates | 306 | (186) |
| At 31 December 2019/2018 | <u>311,700</u> | <u>251,806</u> |

24. Sukuk liabilities

| | Group | | | Company | |
|-------------------|-------------------|-------------------------|-------------------|--------------------------------|--------------------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | Restated 31.12.2018 | Restated 01.01.2018 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Sukuk liabilities | (a) | 881,093 | 844,159 | 881,093 | 844,159 |
| Subordinated | | | | | |
| Sukuk Murabahah | (b) | 1,258,573 | 1,258,513 | - | - |
| | | <u>2,139,666</u> | <u>2,102,672</u> | <u>881,093</u> | <u>844,159</u> |
| | | | | <u>844,159</u> | <u>1,279,512</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

24. Sukuk liabilities (continued)

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 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.

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.

25. Other reserves

| | Group | |
|---|--------------------|-------------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Capital reserve | 6,863 | 6,863 |
| Warrant reserve | 129,300 | 129,300 |
| FVOCI reserve | 209,278 | 10,846 |
| Translation reserve | (101,554) | (105,973) |
| Regulatory reserve | 25,000 | 10,000 |
| Long Term Incentive Plan (LTIP) reserve | 13,839 | 9,949 |
| | 282,726 | 60,985 |
| Acquisition reserve | (1,199,747) | (1,199,747) |
| | (917,021) | (1,138,762) |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

25. 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 2019 | 6,863 | 129,300 | 10,846 | (105,973) | 10,000 | 9,949 | 60,985 |
| Foreign exchange translation differences | - | - | - | 4,419 | - | - | 4,419 |
| Fair value reserve (debt instruments): | | | | | | | |
| Net change in fair value | - | - | 337,413 | - | - | - | 337,413 |
| Changes in expected credit losses | - | - | 37 | - | - | - | 37 |
| Net amount reclassified to profit or loss | - | - | (97,419) | - | - | - | (97,419) |
| Income tax effect relating to components of other comprehensive income | - | - | (53,040) | - | - | - | (53,040) |
| Fair value reserve (equity instruments): | | | | | | | |
| Net change in fair value | - | - | 11,441 | - | - | - | 11,441 |
| Transfer from retained earnings to regulatory reserve | - | - | - | - | 15,000 | - | 15,000 |
| Share-based payment transactions | - | - | - | - | - | 10,668 | 10,668 |
| LTIP exercised | - | - | - | - | - | (6,778) | (6,778) |
| At 31 December 2019 | 6,863 | 129,300 | 209,278 | (101,554) | 25,000 | 13,839 | 282,726 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

25. 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 | - | - | - | (9,358) | - | - | (9,358) |
| Fair value reserve (debt instruments): | | | | | | | |
| Net change in fair value | - | - | 49,758 | - | - | - | 49,758 |
| Changes in expected credit losses | - | - | 43 | - | - | - | 43 |
| Net amount reclassified to profit or loss | - | - | (27,612) | - | - | - | (27,612) |
| Income tax effect relating to components of other comprehensive income | - | - | (3,633) | - | - | - | (3,633) |
| Fair value reserve (equity instruments): | | | | | | | |
| Net change in fair value | - | - | (5,166) | - | - | - | (5,166) |
| Transfer from regulatory reserve to retained earnings | - | - | - | - | (54,645) | - | (54,645) |
| Share-based payment transactions | - | - | - | - | - | 6,231 | 6,231 |
| LTIP exercised | - | - | - | - | - | (3,567) | (3,567) |
| At 31 December 2018 | 6,863 | 129,300 | 10,846 | (105,973) | 10,000 | 9,949 | 60,985 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

26. Income derived from investment of depositors' funds

| Group | 3 months ended | | 12 months ended | |
|------------------------------------|-----------------------|-------------------|------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derived from investment of: | | | | |
| (i) General investment deposits | 3,605 | 4,596 | 16,378 | 19,074 |
| (ii) Term deposit-i | 451,303 | 444,350 | 1,838,249 | 1,596,723 |
| (iii) Saving and demand deposits | 199,863 | 195,758 | 818,128 | 790,472 |
| (iv) Other deposits | 13,923 | 40,602 | 84,949 | 195,556 |
| | 668,694 | 685,306 | 2,757,704 | 2,601,825 |

(i) Income derived from investment of general investment deposits

| Group | 3 months ended | | 12 months ended | |
|--|-----------------------|-------------------|------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance income and hibah | | | | |
| Financing, advances and others | 3,132 | 4,020 | 13,829 | 16,802 |
| Financial assets: | | | | |
| - At FVTPL | 15 | 21 | 79 | 110 |
| - At FVOCI | 317 | 382 | 1,454 | 1,473 |
| - Other financial assets at amortised cost | 1 | 2 | 3 | 4 |
| Money at call and deposit with financial institutions | 53 | 139 | 362 | 473 |
| | 3,518 | 4,564 | 15,727 | 18,862 |
| Other dealing income | | | | |
| Net gain/(loss) from sale of financial assets at FVTPL | 5 | (2) | 141 | 30 |
| Net gain/(loss) on revaluation of financial assets at FVTPL | 2 | (5) | 8 | 3 |
| | 7 | (7) | 149 | 33 |
| Other operating income | | | | |
| Net gain from sale of financial assets at FVOCI | 80 | 39 | 502 | 179 |
| | 80 | 39 | 502 | 179 |
| | 3,605 | 4,596 | 16,378 | 19,074 |
| <i>of which</i> | | | | |
| <i>Financing income earned on impaired financing</i> | 33 | 49 | 182 | 240 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

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

| Group | 3 months ended | | 12 months ended | |
|--|-----------------------|-------------------|------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance income and hibah | | | | |
| Financing, advances and others | 382,628 | 384,051 | 1,517,697 | 1,390,942 |
| Financial assets: | | | | |
| - At FVTPL | 2,325 | 2,161 | 10,164 | 9,977 |
| - At FVOCI | 47,062 | 41,023 | 187,059 | 136,410 |
| - Other financial assets at amortised cost | 171 | 204 | 352 | 368 |
| Money at call and deposit with financial institutions | 6,239 | 13,543 | 39,693 | 38,924 |
| | 438,425 | 440,982 | 1,754,965 | 1,576,621 |
| Other dealing income | | | | |
| Net gain/(loss) from sale of financial assets at FVTPL | 652 | (144) | 17,504 | 2,799 |
| Net gain/(loss) on revaluation of financial assets at FVTPL | 257 | (536) | 871 | 94 |
| | 909 | (680) | 18,375 | 2,893 |
| Other operating income | | | | |
| Net gain from sale of financial assets at FVOCI | 11,969 | 4,048 | 64,909 | 17,209 |
| | 11,969 | 4,048 | 64,909 | 17,209 |
| | 451,303 | 444,350 | 1,838,249 | 1,596,723 |
| <i>of which</i> | | | | |
| <i>Financing income earned on impaired financing</i> | 4,916 | 5,316 | 23,204 | 21,904 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

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

| Group | 3 months ended | | 12 months ended | |
|--|-----------------------|-------------------|------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Finance income and hibah | | | | |
| Financing, advances and others | 169,581 | 169,233 | 675,861 | 688,992 |
| Financial assets: | | | | |
| - At FVTPL | 1,027 | 963 | 4,531 | 4,984 |
| - At FVOCI | 20,838 | 18,062 | 83,286 | 67,395 |
| - Other financial assets at amortised cost | 81 | 88 | 165 | 175 |
| Money at call and deposit with financial institutions | 2,752 | 5,925 | 17,618 | 19,142 |
| | 194,279 | 194,271 | 781,461 | 780,688 |
| Other dealing income | | | | |
| Net gain/(loss) from sale of financial assets at FVTPL | 268 | (75) | 7,726 | 1,394 |
| Net gain/(loss) on revaluation of financial assets at FVTPL | 200 | (237) | 537 | 114 |
| | 468 | (312) | 8,263 | 1,508 |
| Other operating income | | | | |
| Net gain from sale of financial assets at FVOCI | 5,116 | 1,799 | 28,404 | 8,276 |
| | 5,116 | 1,799 | 28,404 | 8,276 |
| | 199,863 | 195,758 | 818,128 | 790,472 |
| <i>of which</i> | | | | |
| <i>Financing income earned on impaired financing</i> | 2,193 | 2,344 | 10,347 | 10,924 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

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

| Group | 3 months ended | | 12 months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Finance income and hibah | | | | |
| Financing, advances and others | 11,809 | 35,136 | 70,118 | 170,760 |
| Financial assets: | | | | |
| - At FVTPL | 72 | 210 | 475 | 1,247 |
| - At FVOCI | 1,452 | 3,740 | 8,615 | 16,620 |
| - Other financial assets at amortised cost | 5 | 16 | 15 | 38 |
| Money at call and deposit with financial institutions | 192 | 1,186 | 2,017 | 4,806 |
| | <u>13,530</u> | <u>40,288</u> | <u>81,240</u> | <u>193,471</u> |
| Other dealing income | | | | |
| Net gain/(loss) from sale of financial assets at FVTPL | 20 | (27) | 807 | 312 |
| Net gain/(loss) on revaluation of financial assets at FVTPL | 10 | (48) | 110 | (7) |
| | <u>30</u> | <u>(75)</u> | <u>917</u> | <u>305</u> |
| Other operating income | | | | |
| Net gain from sale of financial assets at FVOCI | 363 | 389 | 2,792 | 1,780 |
| | <u>363</u> | <u>389</u> | <u>2,792</u> | <u>1,780</u> |
| | <u>13,923</u> | <u>40,602</u> | <u>84,949</u> | <u>195,556</u> |
| <i>of which</i> | | | | |
| <i>Financing income earned on impaired financing</i> | <u>152</u> | <u>471</u> | <u>1,094</u> | <u>2,736</u> |

27. Income derived from investment account funds

| Group | 3 months ended | | 12 months ended | |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Finance income | | | | |
| Unrestricted investment accounts | | | | |
| - <i>Mudharabah</i> | 39,325 | 32,696 | 148,478 | 122,522 |
| - <i>Wakalah</i> | 77,303 | 33,514 | 236,452 | 120,301 |
| | <u>116,628</u> | <u>66,210</u> | <u>384,930</u> | <u>242,823</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

28. Income derived from investment of shareholders' funds

| Group | 3 months ended | | 12 months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Finance income and hibah | | | | |
| Financing, advances and others | 1,617 | 1,882 | 6,622 | 7,345 |
| Financial assets at FVOCI | 47,773 | 50,724 | 189,567 | 184,280 |
| Money at call and deposit with financial institutions | 4,656 | 4,115 | 12,661 | 16,737 |
| | <u>54,046</u> | <u>56,721</u> | <u>208,850</u> | <u>208,362</u> |
| Other dealing income | | | | |
| Net gain from foreign exchange transactions | 15,495 | 9,225 | 55,710 | 54,716 |
| Net gain from sale of financial assets at FVTPL | - | - | - | 362 |
| Net gain/(loss) on revaluation of financial assets at FVTPL | 821 | 104 | 9,874 | (207) |
| Net derivatives gain/(loss) | 7 | 4 | (36) | 52 |
| | <u>16,323</u> | <u>9,333</u> | <u>65,548</u> | <u>54,923</u> |
| Other operating income | | | | |
| Impairment of doubtful debts | - | - | (1) | - |
| Dividend income from debt instruments at FVTPL (unit trust) | 4,259 | 1,966 | 9,546 | 7,232 |
| Dividend income from equity instruments at FVOCI | 286 | - | 545 | 17 |
| Fees and commission | 51,949 | 48,958 | 193,020 | 205,097 |
| Net (loss)/gain on disposal of property and equipment | - | (2) | 422 | 372 |
| Rental income | 354 | 338 | 1,414 | 1,302 |
| Others | 113 | 99 | 484 | 205 |
| | <u>56,961</u> | <u>51,359</u> | <u>205,430</u> | <u>214,225</u> |
| | <u>127,330</u> | <u>117,413</u> | <u>479,828</u> | <u>477,510</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

| Company | 3 months ended | | 12 months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Finance income and hibah | | | | |
| Money at call and deposit with financial institutions | <u>3,952</u> | <u>3,296</u> | <u>9,654</u> | <u>13,447</u> |
| | 3,952 | 3,296 | 9,654 | 13,447 |
| Other dealing income | | | | |
| Net gain on revaluation of financial assets at FVTPL | <u>42</u> | <u>101</u> | <u>234</u> | <u>129</u> |
| | 42 | 101 | 234 | 129 |
| Other operating income | | | | |
| Dividend income from debt instruments at FVTPL (unit trust) | - | 998 | 260 | 5,151 |
| Dividend income from subsidiary companies | <u>24,577</u> | <u>-</u> | <u>411,259</u> | <u>366,783</u> |
| Others | <u>1</u> | <u>7</u> | <u>4</u> | <u>11</u> |
| | 24,578 | 1,005 | 411,523 | 371,945 |
| | 28,572 | 4,402 | 421,411 | 385,521 |

29. Net earned contributions

| Group | 3 months ended | | 12 months ended | |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Net earned contributions | | | | |
| Gross earned contributions | <u>693,242</u> | <u>661,865</u> | <u>2,740,035</u> | <u>2,287,009</u> |
| Contribution ceded to retakaful | <u>(98,223)</u> | <u>(103,993)</u> | <u>(394,204)</u> | <u>(352,796)</u> |
| | 595,019 | 557,872 | 2,345,831 | 1,934,213 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

30. Other income from takaful business

| Group | 3 months ended | | 12 months ended | |
|-----------------------------|----------------|---------------|-----------------|----------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other income | | | | |
| Administration income | 17,568 | 14,487 | 65,927 | 74,942 |
| Investment income | 89,227 | 80,004 | 342,968 | 306,429 |
| Realised gains and losses | 1,414 | 77 | 15,173 | 2,369 |
| Fair value gains and losses | 1,084 | (31,446) | 31,872 | (80,802) |
| Other operating income | 2,136 | 6,703 | 4,507 | 8,487 |
| | <u>111,429</u> | <u>69,825</u> | <u>460,447</u> | <u>311,425</u> |

31. Net benefits, claims and expense reserves

| Group | 3 months ended | | 12 months ended | |
|--|------------------|------------------|--------------------|--------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net benefits and claims | | | | |
| Gross benefits and claims paid | (316,287) | (293,623) | (1,198,032) | (1,112,557) |
| Claims ceded to retakaful | 69,595 | 39,357 | 226,870 | 160,215 |
| Gross change to contract liabilities | 20,814 | 6,292 | (69,754) | (88,719) |
| Change to contract liabilities ceded to takaful | <u>(34,410)</u> | <u>(13,070)</u> | <u>52,964</u> | <u>41,813</u> |
| | (260,288) | (261,044) | (987,952) | (999,248) |
| Expense reserves | <u>(6,457)</u> | <u>408</u> | <u>(59,588)</u> | <u>(52,260)</u> |
| Net benefits, claims and expense reserves | <u>(266,745)</u> | <u>(260,636)</u> | <u>(1,047,540)</u> | <u>(1,051,508)</u> |

32. Net allowance for impairment on financing and advances

| Group | 3 months ended | | 12 months ended | |
|---|-----------------|-----------------|------------------|------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net allowance for impairment on financing, advances and others | | | | |
| - Stage 1 | 8,432 | 16,708 | 24,186 | 27,183 |
| - Stage 2 | (90,901) | (77,904) | 20,032 | (3,759) |
| - Stage 3 | 111,148 | 105,159 | 146,611 | 162,978 |
| Bad debts and financing recovered | <u>(31,866)</u> | <u>(24,534)</u> | <u>(107,141)</u> | <u>(104,948)</u> |
| | <u>(3,187)</u> | <u>19,429</u> | <u>83,688</u> | <u>81,454</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

33. Income attributable to depositors

| Group | 3 months ended | | 12 months ended | |
|--|----------------|----------------|------------------|------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits from customers | | | | |
| - Mudharabah Fund | 2,181 | 2,374 | 8,371 | 9,730 |
| - Non-Mudharabah Fund | 310,123 | 332,661 | 1,280,517 | 1,226,749 |
| Deposits and placements of banks and other financial institutions | | | | |
| - Non-Mudharabah Fund | - | - | 402 | 409 |
| Recourse obligations on financing sold to Cagamas | 17,789 | 17,812 | 71,201 | 42,750 |
| | <u>330,093</u> | <u>352,847</u> | <u>1,360,491</u> | <u>1,279,638</u> |

34. Income attributable to investment account holders

| Group | 3 months ended | | 12 months ended | |
|----------------------------------|----------------|---------------|-----------------|---------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Unrestricted investment accounts | | | | |
| - <i>Mudharabah</i> | 2,338 | 1,367 | 9,987 | 5,530 |
| - <i>Wakalah</i> | 49,231 | 20,219 | 154,900 | 73,937 |
| | <u>51,569</u> | <u>21,586</u> | <u>164,887</u> | <u>79,467</u> |

35. Personnel expenses

| Group | 3 months ended | | 12 months ended | |
|--|----------------|----------------|-----------------|----------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Salaries and wages | 166,686 | 159,410 | 636,941 | 606,157 |
| Employees' Provident Fund | 15,492 | 18,606 | 78,521 | 76,120 |
| Chief Executive Officer, Directors and Shariah Supervisory Council Members' remuneration | 17,805 | 16,033 | 24,747 | 23,507 |
| Others | 18,544 | 17,021 | 71,448 | 59,958 |
| | <u>218,527</u> | <u>211,070</u> | <u>811,657</u> | <u>765,742</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

35. Personnel expenses (continued)

| Company | 3 months ended | | 12 months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Salaries and wages | 497 | 1,242 | 4,310 | 5,755 |
| Employees' Provident Fund | 61 | 142 | 493 | 612 |
| Chief Executive Officer, Directors and Shariah Supervisory Council Members' remuneration | 836 | 884 | 1,984 | 2,327 |
| Others | 128 | 207 | 633 | 677 |
| | <u>1,522</u> | <u>2,475</u> | <u>7,420</u> | <u>9,371</u> |

36. Other overhead expenses

| Group | 3 months ended | | 12 months ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| <i>Promotion</i> | | | | |
| Advertisement and publicity | 62,398 | 33,246 | 181,164 | 125,311 |
| Credit and debit card expenses | 8,778 | 7,269 | 34,631 | 30,802 |
| Commission | 46,890 | 47,027 | 206,056 | 186,624 |
| | <u>118,066</u> | <u>87,542</u> | <u>421,851</u> | <u>342,737</u> |
| <i>Establishment</i> | | | | |
| Depreciation of right-of-use assets | 4,887 | - | 17,532 | - |
| Depreciation of property and equipment | 17,178 | 16,101 | 65,642 | 61,560 |
| Depreciation of investment property | (104) | (106) | 114 | 113 |
| Amortisation of intangible assets | 7,479 | 7,316 | 29,569 | 22,464 |
| Information technology expenses | 12,550 | 16,419 | 47,908 | 50,915 |
| Office rental | 3,612 | 12,614 | 27,766 | 55,832 |
| Office maintenance | 6,484 | 10,061 | 23,897 | 30,119 |
| Utilities | 4,036 | 6,223 | 19,293 | 21,395 |
| Security services | 2,081 | 2,354 | 9,147 | 10,082 |
| Rental equipment | 5,248 | 3,588 | 9,550 | 8,397 |
| Takaful and insurance | 318 | 400 | 1,106 | 1,324 |
| Others | 216 | 215 | 1,188 | 1,146 |
| | <u>63,985</u> | <u>75,185</u> | <u>252,712</u> | <u>263,347</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

36. Other overhead expenses (continued)

| Group | 3 months ended | | 12 months ended | |
|---------------------------------------|-----------------------|-------------------|------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <i>General expenses</i> | | | | |
| Professional fees | 8,251 | 9,480 | 34,302 | 29,798 |
| Indirect tax expenses | 2 | 400 | 2 | 11,848 |
| Outsourcing fees | | | | |
| - Management of self-service terminal | 2,598 | 4,295 | 12,129 | 12,608 |
| - Credit recovery | - | 959 | 277 | 2,417 |
| - Others | 1,957 | 223 | 4,760 | 2,674 |
| Travelling & transportation | 3,300 | 2,629 | 10,386 | 9,847 |
| Office supplies | 978 | 3,026 | 8,794 | 10,212 |
| Agency related expenses | 21,436 | 6,106 | 60,210 | 13,642 |
| General expenses | 4,557 | 5,635 | 23,947 | 19,208 |
| Licenses | 3,466 | 2,958 | 10,650 | 8,246 |
| Bank and service charges | 4,588 | 1,610 | 14,844 | 6,984 |
| Security services for cash in transit | 1,941 | 1,850 | 7,294 | 6,523 |
| Postage and delivery charges | 1,192 | 1,908 | 5,884 | 6,418 |
| Subscription fees | 932 | 886 | 4,343 | 3,990 |
| Auditors' remuneration | | | | |
| - Statutory audit fees | 340 | 503 | 2,174 | 2,047 |
| - Others | 592 | 1,581 | 592 | 1,582 |
| Mobile banking expenses | 491 | 242 | 1,979 | 1,602 |
| Processing charges | 454 | 511 | 1,362 | 980 |
| Property and equipment written off | - | 59 | 82 | 332 |
| Others | 41,925 | 553 | 53,973 | 12,344 |
| | 99,000 | 45,414 | 257,984 | 163,302 |
| | 281,051 | 208,141 | 932,547 | 769,386 |
| <i>Promotion</i> | | | | |
| Advertisement and publicity | 71 | 270 | 378 | 457 |
| | 71 | 270 | 378 | 457 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

36. Other overhead expenses (continued)

| Company | 3 months ended | | 12 months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| <i>Establishment</i> | | | | |
| Depreciation of property and equipment | 28 | 22 | 96 | 166 |
| Information technology expenses | 89 | 38 | 137 | 140 |
| Office rental | 267 | 265 | 1,064 | 1,087 |
| Office maintenance | 5 | 16 | 19 | 24 |
| Utilities | 5 | 9 | 25 | 28 |
| Rental equipment | 24 | 23 | 95 | 91 |
| Takaful and insurance | 28 | 37 | 113 | 112 |
| | <u>446</u> | <u>410</u> | <u>1,549</u> | <u>1,648</u> |
| <i>General expenses</i> | | | | |
| Professional fees | 340 | 190 | 679 | 334 |
| Travelling & transportation | 46 | 10 | 65 | 51 |
| Office supplies | 14 | 13 | 52 | 51 |
| Subscription fees | - | 1 | 3 | 8 |
| Auditors' remuneration | 20 | 51 | 203 | 177 |
| Others | 369 | 331 | 1,703 | 1,961 |
| | <u>789</u> | <u>596</u> | <u>2,705</u> | <u>2,582</u> |
| | <u>1,306</u> | <u>1,276</u> | <u>4,632</u> | <u>4,687</u> |

37. Finance cost

| Group | Note | 3 months ended | | 12 months ended | |
|----------------------------|------|----------------------|----------------------|----------------------|----------------------|
| | | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Finance cost: | | | | | |
| - Sukuk liabilities | | 30,288 | 45,252 | 119,875 | 143,508 |
| - Profit expense on leases | 17 | 4,615 | - | 18,243 | - |
| | | <u>34,903</u> | <u>45,252</u> | <u>138,118</u> | <u>143,508</u> |

| Company | 3 months ended | | 12 months ended | |
|---------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Finance cost: | | | | |
| - Sukuk liabilities | 13,352 | 29,869 | 52,685 | 89,547 |
| | <u>13,352</u> | <u>29,869</u> | <u>52,685</u> | <u>89,547</u> |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

38. 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. |

| | Banking | Takaful | Others | Eliminated | Consolidated |
|---|----------------|----------------|---------------|-------------------|---------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 3 months ended 31 December 2019 | | | | | |
| <i>Business segments</i> | | | | | |
| Segment result | | | | | |
| Revenue from external customers | 910,544 | 439,704 | 2,209 | - | 1,352,457 |
| Inter-segment revenue | 8,697 | 8,320 | 28,792 | (45,809) | - |
| Total revenue | 919,241 | 448,024 | 31,001 | (45,809) | 1,352,457 |
| Net income from operations (before allowance for impairment on financing and other assets) | 528,637 | 279,316 | 31,001 | (36,867) | 802,087 |
| Operating overheads | (312,584) | (196,954) | (5,996) | 11,597 | (503,937) |
| Operating results | 216,053 | 82,362 | 25,005 | (25,270) | 298,150 |
| Allowance for impairment | 3,360 | - | (4,822) | 4,822 | 3,360 |
| Finance cost | (22,125) | (103) | (13,368) | 693 | (34,903) |
| Profit before zakat and taxation | 197,288 | 82,259 | 6,815 | (19,755) | 266,607 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

38. Operating segment information (continued)

| 3 months ended 31 December 2018 | Banking RM'000 | Takaful RM'000 | Others RM'000 | Eliminated RM'000 | Consolidated RM'000 |
|---|---------------------------|---------------------------|--------------------------|------------------------------|--------------------------------|
| <i>Business segments</i> | | | | | |
| Segment result | | | | | |
| Revenue from external customers | 865,446 | 367,061 | 3,489 | - | 1,235,996 |
| Inter-segment revenue | 8,228 | 6,353 | 3,782 | (18,363) | - |
| Total revenue | 873,674 | 373,414 | 7,271 | (18,363) | 1,235,996 |
| Net income from operations (before allowance for impairment on financing and other assets) | 492,376 | 258,526 | 7,271 | (11,498) | 746,675 |
| Operating overheads | (272,284) | (154,919) | (7,351) | 10,805 | (423,749) |
| Operating results | 220,092 | 103,607 | (80) | (693) | 322,926 |
| Allowance for impairment | (19,475) | - | - | - | (19,475) |
| Finance cost | (16,076) | - | (29,869) | 693 | (45,252) |
| Profit before zakat and taxation | 184,541 | 103,607 | (29,949) | - | 258,199 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

38. Operating segment information (continued)

| 12 months ended 31 December 2019 | Banking RM'000 | Takaful RM'000 | Others RM'000 | Eliminated RM'000 | Consolidated RM'000 |
|---|---------------------------|---------------------------|--------------------------|------------------------------|--------------------------------|
| <i>Business segments</i> | | | | | |
| Segment result | | | | | |
| Revenue from external customers | 3,613,184 | 1,758,738 | 9,724 | - | 5,381,646 |
| Inter-segment revenue | 31,512 | 29,686 | 422,213 | (483,411) | - |
| Total revenue | 3,644,696 | 1,788,424 | 431,937 | (483,411) | 5,381,646 |
| Net income from operations (before allowance for impairment on financing and other assets) | 2,092,751 | 1,123,384 | 431,937 | (456,844) | 3,191,228 |
| Operating overheads | (1,073,843) | (705,290) | (24,350) | 42,835 | (1,760,648) |
| Operating results | 1,018,908 | 418,094 | 407,587 | (414,009) | 1,430,580 |
| Allowance for impairment | (87,448) | - | (4,822) | 4,822 | (87,448) |
| Finance cost | (87,980) | (103) | (52,785) | 2,750 | (138,118) |
| Profit before zakat and taxation | 843,480 | 417,991 | 349,980 | (406,437) | 1,205,014 |
| Segment assets | 67,593,802 | 10,254,080 | 6,018,581 | (6,602,970) | 77,263,493 |
| Segment liabilities | 61,879,349 | 9,022,673 | 1,191,025 | (1,247,697) | 70,845,350 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

38. Operating segment information (continued)

| 12 months ended 31 December 2018 | Banking RM'000 | Takaful RM'000 | Others RM'000 | Eliminated RM'000 | Consolidated RM'000 |
|---|---------------------------|---------------------------|--------------------------|------------------------------|--------------------------------|
| <i>Business segments</i> | | | | | |
| Segment result | | | | | |
| Revenue from external customers | 3,305,111 | 1,194,130 | 17,532 | - | 4,516,773 |
| Inter-segment revenue | 31,391 | 22,447 | 382,181 | (436,019) | - |
| Total revenue | 3,336,502 | 1,216,577 | 399,713 | (436,019) | 4,516,773 |
| Net income from operations (before allowance for impairment on financing and other assets) | 1,952,668 | 902,281 | 399,713 | (411,290) | 2,843,372 |
| Operating overheads | (1,004,288) | (561,997) | (28,470) | 41,757 | (1,552,998) |
| Operating results | 948,380 | 340,284 | 371,243 | (369,533) | 1,290,374 |
| Allowance for impairment | (81,411) | - | - | - | (81,411) |
| Finance cost | (56,711) | - | (89,547) | 2,750 | (143,508) |
| Profit before zakat and taxation | 810,258 | 340,284 | 281,696 | (366,783) | 1,065,455 |
| Segment assets | 63,938,733 | 8,855,642 | 5,607,601 | (6,013,435) | 72,388,541 |
| Segment liabilities | 58,662,326 | 7,864,622 | 1,143,844 | (776,973) | 66,893,819 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

39. Valuation of property and equipment

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

40. Changes in composition of the Group

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

41. 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
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

41. Fair value of financial instruments (continued)

Fair value information

31.12.2019
Group
RM'000

| | 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 | 540,943 | 953,172 | 380 | 1,494,495 | - | - | - | - | 1,494,495 | 1,494,495 |
| Derivative financial assets | - | 33,326 | - | 33,326 | - | - | - | - | 33,326 | 33,326 |
| Financial assets at FVOCI | 8,978 | 16,369,073 | 568,833 | 16,946,884 | - | - | - | - | 16,946,884 | 16,946,884 |
| Financing, advances and others | - | - | - | - | - | - | 52,407,186 | 52,407,186 | 52,407,186 | 49,472,522 |
| Total assets | 549,921 | 17,355,571 | 569,213 | 18,474,705 | - | - | 52,407,186 | 52,407,186 | 70,881,891 | 67,947,227 |
| Financial liabilities | | | | | | | | | | |
| Derivative financial liabilities | - | 36,746 | - | 36,746 | - | - | - | - | 36,746 | 36,746 |
| Recourse obligations on financing sold to Cagamas | - | - | - | - | - | - | 1,553,085 | 1,553,085 | 1,553,085 | 1,501,187 |
| Sukuk liabilities | - | - | - | - | - | - | 2,217,066 | 2,217,066 | 2,217,066 | 2,139,666 |
| Total liabilities | - | 36,746 | - | 36,746 | - | - | 3,770,151 | 3,770,151 | 3,806,897 | 3,677,599 |
| 31.12.2019 Company | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Financial assets at FVTPL | 7,117 | - | - | 7,117 | - | - | - | - | 7,117 | 7,117 |
| Total assets | 7,117 | - | - | 7,117 | - | - | - | - | 7,117 | 7,117 |
| Financial liabilities | | | | | | | | | | |
| Sukuk liabilities | - | - | - | - | - | - | 932,998 | 932,998 | 932,998 | 881,093 |
| Total liabilities | - | - | - | - | - | - | 932,998 | 932,998 | 932,998 | 881,093 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

41. Fair value of financial instruments (continued)

Fair value information (continued)

| 31.12.2018 Group RM'000 | 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 | - | - | - | - | - | - | 2,189,767 | 2,189,767 | 2,189,767 | 2,102,672 |
| Total liabilities | - | 19,520 | - | 19,520 | - | - | 3,707,002 | 3,707,002 | 3,726,522 | 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 | - | - | - | - | - | - | 878,353 | 878,353 | 878,353 | 844,159 |
| Total liabilities | - | - | - | - | - | - | 878,353 | 878,353 | 878,353 | 844,159 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

41. Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2019 for the Group:

| | Group RM'000 |
|--|-------------------------|
| <i>Financial assets at FVOCI</i> | |
| 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 | 205,844 |
| Disposal | (15,842) |
| Gains recognised in profit or loss | |
| - Investment income - realised | 20,020 |
| Gains recognised in other comprehensive income | |
| - Net change in fair value (unrealised) | 17,114 |
| | <hr/> |
| At 31 December 2019 | 568,833 |

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

Financial assets measured at FVOCI

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|-----------------------------|---|--|--|
| Unquoted shares | Net tangible assets | Net tangible assets | Higher net tangible assets results in higher fair value |
| 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
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

41. 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
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

| Group Items | 31.12.2019 | | | | |
|---|-------------------------------|----------------------------|--------------------------|--------------------------|---------------------------|
| | 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 | 2,120,192 | 405,070 | 821,825 | 884,957 | 8,340 |
| - swaps | 3,743,299 | 3,242,347 | 429,403 | 71,549 | - |
| - spot | 392,029 | 392,029 | - | - | - |
| Total | 6,255,520 | 4,039,446 | 1,251,228 | 956,506 | 8,340 |

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk transactions may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2019, the amount of contracts which were not hedged and, hence, exposed to market risk was RM580.44 million (31 December 2018: RM422.76 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. This amount will increase or decrease over the life of the contracts, maturity dates and rates or prices. As at 31 December 2019, the credit risk measured in terms of the cost to replace the profitable contracts, was RM79.77 million (31 December 2018: RM76.91 million).

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

43. Commitments and contingencies

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

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

| As at 31.12.2019 | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk Weighted Asset RM'000 |
|--|--|---|--|---|
| <i>Credit-related Exposures</i> | | | | |
| Direct credit substitutes | 416,059 | | 416,059 | 413,653 |
| Transaction related contingent items | 930,689 | | 465,344 | 442,978 |
| Short term self-liquidating trade related contingencies | 603,739 | | 120,748 | 120,588 |
| Other commitments, such as formal standby facilities and credit lines with original maturity of exceeding one year | 1,168,133 | | 584,067 | 433,070 |
| 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 | 7,892,943 | | - | - |
| | 11,011,563 | | 1,586,218 | 1,410,289 |
| <i>Derivative Financial Instruments</i> | | | | |
| Foreign exchange related contracts | | | | |
| - Less than one year | 6,255,520 | 31,626 | 72,532 | 38,011 |
| Profit rate related contracts | | | | |
| - One year to less than five years | 147,098 | 1,700 | 7,240 | 4,886 |
| | 6,402,618 | 33,326 | 79,772 | 42,897 |
| | 17,414,181 | 33,326 | 1,665,990 | 1,453,186 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

43. Commitments and contingencies (continued)

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

| | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk Weighted Asset RM'000 |
|--|-------------------------------|--|--|-------------------------------------|
| As at 31.12.2018 | | | | |
| <i>Credit-related Exposures</i> | | | | |
| 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> |
| <i>Derivative Financial Instruments</i> | | | | |
| 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> |

44. 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.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

44. Capital adequacy (continued)

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

| | 31.12.2019 | 31.12.2018 |
|--|-------------------|-------------------|
| | % | % |
| Common Equity Tier I ("CET I") Capital Ratio | 12.656 | 11.109 |
| Total Tier I Capital Ratio | 12.656 | 11.109 |
| Total Capital Ratio | 17.052 | 15.530 |

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

| | 31.12.2019 | 31.12.2018 |
|--|-------------------|-------------------|
| | RM'000 | RM'000 |
| Paid-up share capital | 4,307,819 | 4,082,939 |
| Retained earnings | 1,924,475 | 1,622,123 |
| Other reserves | (946,505) | (1,152,207) |
| <u>Less:</u> | | |
| Investment in subsidiary | (99,053) | (99,053) |
| Deferred tax assets | (34,431) | (52,054) |
| Gain on financial instruments classified as fair value through other comprehensive income | (107,543) | (4,928) |
| Regulatory reserve | (25,000) | (10,000) |
| Total CET I and Tier I Capital | 5,019,762 | 4,386,820 |
| Sukuk Murabahah | 1,300,000 | 1,300,000 |
| Collective assessment allowance and regulatory reserve [^] | 443,476 | 445,483 |
| Total Tier II Capital | 1,743,476 | 1,745,483 |
| Total Capital | 6,763,238 | 6,132,303 |

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

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

| | 31.12.2019 | 31.12.2018 |
|---|--------------------|-------------------|
| | RM'000 | RM'000 |
| Credit risk | 42,746,503 | 39,133,750 |
| Less: Credit risk absorbed by unrestricted investment accounts | (7,268,408) | (3,495,144) |
| | 35,478,095 | 35,638,606 |
| Market risk | 580,444 | 422,763 |
| Operational risk | 3,603,044 | 3,425,864 |
| | 39,661,583 | 39,487,233 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

45. Prior year adjustments

The prior year adjustments are to restate the comparatives for the understatement of dividend income from prior periods as a result of incorrect timing of dividend income recognition.

The effects of the restatement of the financial statements are summarized below:

Company

| 1 January 2018 | <u>As previously reported</u> | <u>Adjustment</u> | <u>Restated</u> |
|--|--------------------------------------|--------------------------|------------------------|
| | RM'000 | RM'000 | RM'000 |
| Other financial assets at amortised cost | 1,951 | 73,733 | 75,684 |
| Retained Earnings | 67,612 | 73,733 | 141,345 |
| | | | |
| 31 December 2018 | <u>As previously reported</u> | <u>Adjustment</u> | <u>Restated</u> |
| | RM'000 | RM'000 | RM'000 |
| Other financial assets at amortised cost | 1,215 | 73,733 | 74,948 |
| Retained Earnings | 83,873 | 73,733 | 157,606 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

B1. Performance review for the financial year ended 31 December 2019

| RM'000 | Individual Period | | Variance | | Cumulative Period | | Variance | |
|---|----------------------|--------------------------------------|----------|-------|----------------------|-------------------------------------|----------|-------|
| | Current Year Quarter | Preceding Year Corresponding Quarter | | | Current Year To-date | Preceding Year Corresponding Period | | |
| | 31.12.2019 | 31.12.2018 | Amount | % | 31.12.2019 | 31.12.2018 | Amount | % |
| Revenue | 1,352,457 | 1,235,996 | 116,461 | 9.42 | 5,381,646 | 4,516,773 | 864,873 | 19.15 |
| Operating Profit | 298,150 | 322,926 | (24,776) | -7.67 | 1,430,580 | 1,290,374 | 140,206 | 10.87 |
| Profit Before Zakat and Taxation | 266,607 | 258,199 | 8,408 | 3.26 | 1,205,014 | 1,065,455 | 139,559 | 13.10 |
| Profit After Zakat and Taxation | 211,004 | 198,071 | 12,933 | 6.53 | 935,369 | 801,421 | 133,948 | 16.71 |
| Profit Attributable to Equity Holders of the Parent | 180,858 | 161,385 | 19,473 | 12.07 | 786,920 | 682,055 | 104,865 | 15.37 |

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

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B1. Performance review for the financial year ended 31 December 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 financial year ended 31 December 2019 of RM1,205.0 million, representing an increase of 13.1% or RM139.5 million as compared to the corresponding period in 2018 of RM1,065.5 million.

At the operating profit level, the Group's operating profit of RM1,430.6 million was higher by RM140.2 million or 10.9% compared to the corresponding period in 2018 of RM1,290.4 million.

The net profit attributable to shareholders increased by 15.4% or RM104.8 million to RM786.9 million as compared to the corresponding period in 2018 of RM682.1 million.

BHB Group registered a Return on Equity ("ROE") of 15.7% (after tax and zakat). Consequently, net assets per share has also improved to RM3.34 as at 31 December 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 financial year ended 31 December 2019, Bank Islam achieved a PBZT of RM843.5 million, an increase of RM33.2 million or 4.1% over the PBZT of the corresponding period of RM810.3 million. The increase in PBZT was mainly due to higher total income.

Gross fund based income increased by RM205.9 million or 6.8% on the back of 8.3% and 9.3% y-o-y increase in net financing and investment in financial instruments respectively. Non-fund based was higher by RM102.3 million, contributed largely from a gain on sale and revaluation of financial assets at FVOCI and FVTPL.

Total overheads increased by RM69.6 million or 6.9% over the corresponding period driven by higher personnel costs. This has marginally push cost-to-income ("CIR") ratio to 52.9% from 52.2% a year ago.

Meanwhile, the increase in finance cost by RM31.3 million or 55.1% over the corresponding period was due to the new issuance of Subordinated Sukuk Murabahah amounted to RM300.0 million on 7 November 2018 and recognition of profit expense on the lease liability arising from adoption of MFRS 16 during the year.

Net allowances for financing and other financial assets was at RM87.4 million, 7.4% higher than the previous corresponding period, primarily due to higher allowances for impairment on financing as a result of unfavourable macro-economic forecast.

The Bank's total assets stood at RM67.6 billion as at 31 December 2019, a year-on-year increase by RM3.7 billion from RM63.9 billion reported as at 31 December 2018 which was mainly contributed by the increase in net financing by RM3.8 billion.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B1. Performance review for the financial year ended 31 December 2019
(continued)

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

Bank Islam Malaysia Berhad (continued)

As at end of December 2019, customer deposits and investment accounts stood at RM57.6 billion with year-on-year increase by RM2.6 billion or 4.7%. Total current and saving accounts and transactional investment accounts ("CASATIA") composition is at healthy level of 32.7% of total customer deposits and investment accounts.

Total gross impaired financing as at 31 December 2019 was RM433.0 million compared to RM425.9 million as at 31 December 2018.

Syarikat Takaful Malaysia Keluarga Berhad

For the financial year ended 31 December 2019, Takaful Malaysia recorded PBZT of RM417.7 million, increased by 23.9% as compared to RM337.0 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 and higher net investment income.

Takaful Malaysia recorded operating revenue of RM3,124.6 million for the financial year ended 31 December 2019, an increase of 18.4% or RM485.5 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 RM2,042.3 million for the financial year ended 31 December 2019, increased by 27.0%, as compared to RM1,608.5 million in the corresponding period last year. The increase was mainly attributable to higher sales from credit-related products.

The net benefits and claims for Family Takaful business decreased by less than 1.0% to RM801.6 million for the financial year ended 31 December 2019 from RM803.1 million in the same period of the preceding year. This was mainly due to lower medical claims.

Investment income for Family Takaful business increased by 10.5% to RM277.9 million as compared to RM251.5 million in the corresponding period last year, mainly due to higher profit from Islamic debt instruments.

For the financial year ended 31 December 2019, Family Takaful recorded fair value gains of RM30.3 million, increased by RM101.3 million as compared to the same period last year. The higher gains were mainly due to improvement in equity market performance.

General Takaful business generated gross earned contributions of RM706.2 million for the financial year ended 31 December 2019, increased by 3.0% as compared to RM685.8 million in the corresponding period last year. The growth was mainly from fire and commercial classes.

The net benefits and claims for General Takaful business decreased by 1.2% to RM202.2 million for the financial year ended 31 December 2019 from RM204.7 million in the same period of the preceding year, mainly due to decrease in claims relating to fire and motor classes.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B1. Performance review for the financial year ended 31 December 2019
(continued)

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

Syarikat Takaful Malaysia Keluarga Berhad (continued)

The investment income generated from General Takaful business for the financial year ended 31 December 2019 was RM31.2 million, increased by 8.7%, as compared to the investment income in the same period of the preceding year of RM28.7 million, mainly due to higher profit from Islamic debts instruments.

Current Quarter vs. Previous Year Corresponding Quarter

For the fourth quarter ended 31 December 2019 ("Q4 2019"), the Group registered PBZT of RM266.6 million, an improvement of 3.3% or RM8.4 million as compared to the previous year corresponding quarter ("Q4 2018") of RM258.2 million.

At the operating profit level, the Group's operating profit for the Q4 2019 of RM298.1 million was lower by RM24.8 million or 7.7% compared to the Q3 2018 of RM322.9 million.

Net profit attributable to shareholders grew by 12.1% or RM19.5 million over the same period to RM180.9 million.

Bank Islam Malaysia Berhad

For the fourth quarter ended 31 December 2019 ("Q4 2019"), Bank Islam achieved PBZT of RM197.2 million, an increase of RM12.7 million or 6.9% over the PBZT of the corresponding quarter of RM184.5 million. The increase in PBZT was mainly due to lower net allowance for impairment on financing and advances, net of recoveries by RM22.6 million.

Gross fund based income increased by RM17.1 million or 2.1% on the back of 8.3% and 9.3% y-o-y increase in net financing and investment in financial instruments respectively. Non-fund based was higher by RM28.5 million which was mainly attributed by investment income, due to gain on sale of financial assets at FVOCI, financial assets at FVTPL and revaluation of financial assets at FVOCI and FVTPL.

Total overheads were higher by RM40.3 million or 14.8% mainly due to the increase in personnel expenses and advertisement & publicity by RM34.7 million and RM6.1 million respectively.

The finance cost was higher by RM6.0 million or 37.6% arising from the adoption of MFRS 16 Lease which the Bank has to recognise profit expense on the lease liability. The Bank recorded lower net allowance for impairment on financing and advances which mainly due to a dropped in collective assessment.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B1. Performance review for the financial year ended 31 December 2019
(continued)

Current Quarter vs. Previous Year Corresponding Quarter (continued)

Syarikat Takaful Malaysia Keluarga Berhad

For the fourth quarter ended 31 December 2019 ("Q4 2019"), Takaful Malaysia recorded PBZT RM85.6 million, decreased by 16.7% as compared to RM102.8 million in the same period last year ("Q4 2018"). The decrease was mainly attributable to higher sales-related expenses which in line with the growth of sales.

For Q4 2019 under review, Takaful Malaysia generated Operating Revenue of RM779.9 million as compared to RM701.5 million in Q4 2018. The increase was mainly attributable to higher sales generated by Family Takaful business.

For Q4 2019 under review, Family Takaful business recorded gross earned contributions of RM531.2 million as compared to RM497.6 million in Q4 2018. The increase was mainly attributable to higher sales from credit-related products.

Family Takaful business recorded net benefits and claims of RM210.3 million, a decrease of 3.5% as compared to Q4 2018. The decrease was mainly due to lower maturity claims.

Investment income for Family Takaful business for Q4 2019 of RM70.8 million was higher as compared to RM64.7 million in Q4 2018, mainly due to higher profit from Islamic debt instruments.

For Q4 2019 under review, Family Takaful recorded fair value gains of RM3.8 million, increased by RM32.5 million as compared to Q4 2018. The higher gains were mainly due to the improvement in equity market performance.

For Q4 2019 under review, General Takaful business generated gross earned contributions of RM163.8 million, decreased by 1.3%, as compared to RM166.0 million in Q4 2018, mainly attributable to motor and marine classes.

General Takaful business recorded net benefits and claims of RM55.0 million for Q4 2019 under review, increase by 21.4% as compared to RM45.3 million in Q4 2018, mainly attributable to fire class.

Investment income for the General Takaful business of RM7.7 million is at par as compared to RM7.6 million in Q4 2018.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

| RM'000 | Current Quarter | Immediate Preceding Quarter | Variance | |
|---|------------------|-----------------------------|----------|--------|
| | 31.12.2019 | 30.09.2019 | Amount | % |
| Revenue | 1,352,457 | 1,376,940 | (24,483) | -1.78 |
| Operating Profit | 298,150 | 386,459 | (88,309) | -22.85 |
| Profit Before Zakat and Taxation | 266,607 | 317,803 | (51,196) | -16.11 |
| Profit After Zakat and Taxation | 211,004 | 254,547 | (43,543) | -17.11 |
| Profit Attributable to Equity Holders of the Parent | 180,858 | 208,384 | (27,526) | -13.21 |

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

For the fourth quarter ended 31 December 2019 ("Q4 2019"), the BHB Group reported PBZT of RM266.6 million against a PBZT of RM317.8 million achieved for the immediate preceding quarter ended 30 September 2019 ("Q3 2019"), a decrease of RM51.2 million or 16.1%.

At the operating profit level, the Group's operating profit for Q4 2019 of RM298.2 million was lower by RM88.3 million or 22.9% as compared to Q3 2019 of RM386.5 million.

Bank Islam Malaysia Berhad

For Q4 2019, the Bank achieved a PBZT of RM197.3 million, a decrease of RM11.5 million or 5.5% over the PBZT for Q3 2019 of RM208.8 million. The decrease in PBZT was mainly due to higher total overhead of RM52.1 million. It was further set off against an increase in total income of RM 3.2 million.

The lower net allowance for impairment on financing and advances of RM37.2 million was due to the lower amount of collective allowance.

The higher overheads by RM52.1 million was mainly due to higher personnel expenses and general expenses by RM47.8 million and RM3.0 million respectively.

Syarikat Takaful Malaysia Keluarga Berhad

For Q4 2019, Takaful Malaysia registered PBZT of RM85.6 million, lower by 29.7% as compared to Q3 2019 of RM121.8 million. The decrease in profit was mainly attributable to sales-related expenses which in line with the growth of sales.

For Q4 2019, Takaful Malaysia generated Operating Revenue of RM779.9 million as compared to RM753.5 million in Q3 2019. The increase is mainly attributable to higher sales generated from General Takaful business.

Family Takaful business recorded gross earned contributions of RM531.2 million, decreased by 2.3%, as compared to RM543.7 million in Q3 2019. The decrease was mainly attributable to lower sales from employee benefits products and Indonesia's operations, partially offset by higher sales from credit-related products.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

Syarikat Takaful Malaysia Keluarga Berhad (continued)

For Q4 2019, Family Takaful business recorded net benefits and claims of RM210.3 million, increased by 1.7% as compared to Q3 2019. The increase was mainly due to higher death and surrender claims.

Family Takaful business recorded investment income of RM70.8 million, at par as compared to RM70.4 million in Q3 2019.

For Q4 2019, General Takaful business generated gross earned contributions of RM163.8 million, decreased by 4.7%, as compared to RM171.9 million in Q3 2019. The decrease was mainly from motor class.

For Q4 2019, General Takaful business recorded net benefits and claims of RM55.0 million, an increase of 12.2% as compared to Q3 2019. The increase was mainly due to higher claims relating to fire class.

General Takaful business recorded investment income of RM7.7 million for Q4 2019, at par as compared to the investment income in Q3 2019.

B3. Prospects for 2020

Bank Islam Malaysia Berhad

The Malaysian banking sector is expected to be preserved but risks remain. With weaker global growth prospects and volatile capital outflows it could weigh on earnings and investment decision. Financing growth is expected to grow slightly by 4.0% in 2020 from 3.9% in 2019. The slight expansionary budget for 2020 is expected to lend support to private consumption with Household and non-household financing growth to likely to remain soft.

Following the announcement by Bank Negara Malaysia, the final framework is expected to be issued by the first half of 2020. The proposed licensing framework will foresee a transformation in the current banking business models driven by continued technological innovation in financial services, evolving customer preferences and developments in open banking. The squeeze on bank's profitability is more likely to be apparent across non-capital intensive business lines such as payment, settlement services and retail banking where more agile new entrants are able to exploit frontier technologies for competitive advantage and superior cost efficiency.

Despite the challenging outlook on banking industry, total assets in the Islamic banking industries have been growing at rapid pace of 12% per annum. Such growth trajectory has continued to surpass the industry's growth of 6.7%. Similarly, Islamic banking financing assets have recorded Compounded Annual Growth Rate ("CAGR") of 14.1% in the past 10 years. Such performance has exceeded the total financing growth of 7.1% for the whole of banking system. The Islamic banking sector in Malaysia now aims to go beyond quantitative growth to explore potential qualitative progress, evidenced by the launch of the Value-Based Intermediation ("VBI") in 2017, an initiative through which Islamic banking institutions transform their business activities to enable delivery of sustainable and positive impact on the community, economy and the environment.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B3. Prospects for 2020 (continued)

Bank Islam Malaysia Berhad (continued)

In this regard, the Bank's strategic plan for the next three years is to deliver sustainable performance with a strategic focus to support economy, community and environment. The Bank's corporate direction is premised on VBI, at the heart of our business model. With Shariah Principles/ Halal and Trustworthy being our key distinctive features, the Bank continues its journey adopting VBI principles such as Triple Bottom Line ("TBL") considerations which consist of people, planet and prosperity. The Bank also committed to promote digital culture among our employees for the expected changes brought about by digitalisation. Digitalisation allows the Bank to fully embrace the concept of financial inclusion, hence inclusive growth, being one of our main focus. It enables the Bank to introduce new, innovative products and deliver digital services that serve the needs of the largely untapped (and expanding) underserved market segment. By going digital, the Bank can truly serve everyone at any time and any place.

Syarikat Takaful Malaysia Keluarga Berhad

Despite business sentiments remaining cautious in 2020, the Takaful industry is expected to outperform the conventional insurers in view of the strong demand for Takaful products. Takaful Malaysia is poised to further expand its market share in 2020. 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. Particularly, the company will further strengthen its distribution capabilities for general takaful business in view of greater potential to enlarge the takaful market share in the general insurance and takaful sector. 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
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B5. Tax expense

Major components of tax expense

| Group | 3 months ended | | 12 months ended | |
|---|-----------------------|-------------------|------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax expense: | | | | |
| Malaysia | | | | |
| Current year | 43,957 | 89,303 | 282,401 | 293,594 |
| Under/(Over) provision in prior years | 689 | (6,790) | (5,966) | (14,626) |
| Overseas | | | | |
| Over provision in prior years | (5,088) | - | (5,088) | - |
| Deferred tax expense: | | | | |
| Origination and reversal of temporary differences | 15,997 | (26,790) | (14,113) | (29,819) |
| Under provision in prior years | 139 | 1,718 | 151 | 196 |
| | 55,694 | 57,441 | 257,385 | 249,345 |

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

| Group | 3 months ended | | 12 months ended | |
|--|-----------------------|-------------------|------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before tax | 266,607 | 258,199 | 1,205,014 | 1,065,455 |
| Income tax calculated using | | | | |
| Malaysian tax rate of 24% | 63,985 | 61,968 | 289,203 | 255,709 |
| Non-deductible expenses | 31,713 | 20,347 | 94,869 | 71,703 |
| Non-deductible Sukuk's finance cost | 3,204 | 7,168 | 12,644 | 21,491 |
| Zakat | (3,403) | - | (3,403) | - |
| Effect of tax rates in foreign jurisdictions | 2 | (1,209) | 2 | (1,209) |
| Non-taxable income | (40,635) | (34,046) | (130,115) | (94,234) |
| Derecognition of deferred tax assets | - | 8,285 | - | 10,315 |
| | 54,866 | 62,513 | 263,200 | 263,775 |
| Under/(Over) provision in prior years | 689 | (6,790) | (5,966) | (14,626) |
| Under provision of deferred tax | 139 | 1,718 | 151 | 196 |
| Tax expense | 55,694 | 57,441 | 257,385 | 249,345 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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 | | 12 months ended | |
|-------------------------------|-----------------------|-------------------|------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax expense | 924 | 756 | 2,271 | 3,158 |
| Over provision in prior years | (16) | - | (16) | (6) |
| | 908 | 756 | 2,255 | 3,152 |

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

| Company | 3 months ended | | 12 months ended | |
|-------------------------------------|-----------------------|-------------------|------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before tax | 7,570 | (29,218) | 351,852 | 281,916 |
| Income tax calculated using | | | | |
| Malaysian tax rate of 24% | 1,816 | (7,012) | 84,444 | 67,660 |
| Non-deductible expenses | 1,813 | 864 | 4,004 | 3,302 |
| Non-deductible Sukuk's finance cost | 3,204 | 7,168 | 12,644 | 21,491 |
| Non-taxable income | (5,909) | (264) | (98,821) | (89,295) |
| | 924 | 756 | 2,271 | 3,158 |
| Over provision in prior years | (16) | - | (16) | (6) |
| Tax expense | 908 | 756 | 2,255 | 3,152 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B6. Corporate proposals

BIMB Holdings Berhad ("BHB") has on 11 December 2019 announced that it proposes to undertake the following proposals:

(i) Proposed placement

Proposed placement of new ordinary shares in BHB to raise gross proceeds of up to RM800 million. The proceeds together with internal cash will be used to fully settle BHB's outstanding sukuk.

(ii) Proposed scheme of arrangement

Proposed payment to the warrant holder of the outstanding warrants 2013/2023 of BHB by way of a scheme of arrangement under section 366 of the Companies Act 2016 ("the Act"). The total warrants consideration to be paid by BHB will be funded using internally generated funds of BHB.

(iii) Proposed Internal Reorganisation

BHB proposes to undertake the proposed internal reorganisation which will entail the disposal by BHB of its entire shareholdings in the identified subsidiaries namely BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al Ijarah Sdn. Bhd. to its wholly owned subsidiary, Bank Islam Malaysia Berhad ("Bank Islam" or "the Bank") to be fully settled in cash. The consideration for these disposals will be based on the latest audited net asset value of these subsidiaries at the time of the signing of the share sale agreement with the Bank and will be funded using internally generated funds of the Bank.

(iv) Proposed distribution and capital repayment

Proposed distribution of the entire shareholdings of BHB in the Bank and Syarikat Takaful Malaysia Keluarga Berhad ("STMKB") by way of distribution-in-specie via a reduction and repayment of the entire share capital of BHB in accordance with Section 115 and Section 116 of the Act as well as using the retained earnings of BHB.

Prior to the proposed distribution and capital repayment, BHB will undergo a capital reduction and the Bank will undertake a share consolidation. This is to match BHB's outstanding shares so that the distribution of the Bank shares will be on a one-for-one basis.

Upon completion of the proposed distribution and capital repayment, BHB's shareholders will hold direct equity interest in the Bank and STMKB shares in proportion to their shareholding in BHB and BHB will cease to be a shareholder of the Bank and STMKB. The shareholders through their direct exposure in Bank Islam and STMKB can manage their investment exposure or rebalance their portfolios in banking and takaful industries according to their own investment objectives.

Concurrently with the completion of the proposed distribution and capital repayment, BHB will issue two (2) new BHB shares to the Bank such that BHB will become a wholly-owned subsidiary of Bank Islam.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B6. Corporate proposals (continued)

(v) Proposed transfer of listing

After the completion of the proposed distribution and capital repayment, the Bank will assume the listing status of BHB. Accordingly, BHB proposed that the Bank be admitted to the official list of Bursa Securities in place of BHB, with the listing and quotation of the entire consolidated the Bank shares on the main market of Bursa Securities.

The proposed placement, proposed SOA, proposed internal reorganisation, proposed distribution and capital repayment and proposed transfer of listing are not conditional upon each other, save for the following:

- (i) The proposed distribution and capital repayment is conditional upon the proposed internal reorganisation and proposed transfer of listing; and
- (ii) The proposed transfer of listing is conditional upon the proposed internal reorganisation and proposed distribution and capital repayment.

The Proposals are subject to the approvals and/or consent being obtained from Bank Negara Malaysia ("BNM"), Ministry of Finance ("MoF") (via BNM), Securities Commission Malaysia ("SC"), Bursa Malaysia Securities Berhad ("Bursa Securities"), shareholders of BHB at an extraordinary general meeting to be convened, shareholder of the Bank, warrant holders at the court-convened meeting, sanction of the High Court of Malaya, the creditors and/or financiers of the BHB Group, the Bank and Identified Subsidiaries, if required and any other relevant regulatory authorities and/or parties, if required.

BHB had on 13 December 2019 submitted an application to BNM to seek the approval of BNM and/or its recommendations to MoF for approval for the Proposals.

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.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

| | Group | |
|---|-------------------|------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| Deposits from customers | | |
| Mudharabah and Tawarruq term deposits and Negotiable Islamic Debt Certificates | | |
| - One year or less (short-term) | 28,874,080 | 28,669,300 |
| - More than one year (medium/long-term) | 2,159,133 | 5,615,531 |
| | 31,033,213 | 34,284,831 |
| Current accounts | 10,932,557 | 10,644,574 |
| Savings accounts | 4,681,710 | 4,410,537 |
| Others | 105,234 | 93,604 |
| Total deposits | 46,752,714 | 49,433,546 |
| Investment accounts of customers | | |
| - One year or less (short-term) | 9,797,543 | 5,037,653 |
| | 9,797,543 | 5,037,653 |

| RM'000 | As at 31.12.2019 | | |
|--|------------------|--------------|------------------|
| | 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 | 2,130,273 | 9,393 | 2,139,666 |
| - Sukuk liabilities | 880,273 | 820 | 881,093 |
| - Subordinated Sukuk Murabahah | 1,250,000 | 8,573 | 1,258,573 |

| RM'000 | As at 31.12.2018 | | |
|--|------------------|------------|------------------|
| | Long term | Short term | Total borrowings |
| Secured | 1,500,000 | 1,187 | 1,501,187 |
| - Recourse obligations on financing sold to Cagamas | 1,500,000 | 1,187 | 1,501,187 |
| Unsecured | 2,093,339 | 9,333 | 2,102,672 |
| - Sukuk liabilities | 843,339 | 820 | 844,159 |
| - Subordinated Sukuk Murabahah | 1,250,000 | 8,513 | 1,258,513 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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

The borrowings comprise the following:

- a) On 25 May 2018, the Bank has entered into recourse obligations on financing sold to Cagamas amounting to RM1.5 billion. Under the agreement, the Bank undertakes to administer the identified house financing on behalf of Cagamas and to buy back any house financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. The financing sold with recourse to the Bank are not de-recognised until recourse period has expired and the risks and rewards of the financing have been fully transferred.
- b) A 10-year Islamic securities of RM1.66 billion in nominal value was issued by the Company on 12 December 2013.

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

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

- c) Subordinated Sukuk Murabahah:

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

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B9. Material litigation

Save as disclosed below, there were no changes in material litigation, including the status of pending material litigations since the last annual balance sheet date of 31 December 2018.

- (a) In 2007, Alam Maritim Resources Sdn Bhd ("Issuer") vide its Information Memorandum dated 25 June 2007 undertook a fund raising exercise via the issuance of Islamic Securities of up to RM600 million comprising Sukuk Ijarah MTN of RM500 million and Murabahah Commercial Papers / Murabahah Medium Term Notes of RM100 million. Later, the Issuer appointed Trustees Malaysia Berhad ("Defendant") as the Trustee. Pursuant to a Trust Deed dated 18 June 2007 ("Trust Deed"), the Defendant is entrusted to hold the benefit of the Sukuk Ijarah MTN Facility and all amounts received for each Sukukholder based on the terms and conditions of the Trust Deed.

Bank Islam subscribed RM20 million of the Sukuk Ijarah MTN. The said Sukuk Ijarah MTN matured and was due for payment on 6 July 2017 ("Maturity Date"). However, the Defendant failed to pay the Sukuk Ijarah MTN upon Maturity Date.

Pursuant to the above, Bank Islam filed a civil suit against the Defendant on 4 December 2017 claiming for the proportionate amount of RM16,870,000.00 (from the total available amount in the collection account).

On 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.

On 11 November 2019, the Court of Appeal has allowed the appeal.

Based on the solicitor's advice and Legal Department's assessment, Bank Islam decided not to file a further appeal at the Court of Appeal. This case is considered resolved.

- (b) 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..

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

On 7 August 2019, the High Court ("HC") has directed parties to file respective submissions in regards to the Application by 28 August 2019.

On 1 October 2019, the HC allowed the Application with no order as to cost.

On 20 December 2019, Bank Islam has filed an application for striking out (O.18).

The High Court has fixed 19 March 2020 for hearing on O.18.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B9. Material litigation (continued)

- (c) On 20 August 2019, Bank Islam filed a civil suit against 5 Star Room Hotel Sdn Bhd ("Customer") and the guarantors, namely Tang Wooi Chon, Chunsi Kudkumkong, Tang Woan Rou and Tang Woanren (collectively be referred to as "the Defendants") claiming for an amount of RM120,738,812,69 being the outstanding financing facilities granted by Bank Islam to the Customer whose accounts had been defaulted.

On 8 November 2019, Bank Islam has filed an application for summary judgment (O.14). On 18 November 2019, Bank Islam has filed an application for striking out against the Defendants' Counter Claim (O.18).

On 4 December 2019, the Defendants have filed an application to transfer and consolidate the Kuala Lumpur case with the Alor Setar case ("the Application").

The High Court has fixed 16 January 2020 for hearing on O.14 and O.18 and the Application.

The hearing on O.14, O.18 and the Application has been postponed to 24 February 2020.

- (d) In 2016, Bank Islam has granted the financing facilities to PFC Engineering Sdn Bhd ("Customer"). The Customer's financing account was defaulted and Bank Islam has filed a civil suit against the Customer.

In addition to the suit against the Customer, Bank Islam has also filed a civil suit against the guarantors, namely Dato' Abu Talib bin Mohamed, Azman bin Mohd and Muammar Gadaffi bin Abu Talib (collectively be referred to as "the Defendants") claiming for an amount of RM129,945,764.12 being the outstanding financing amount by the Customer whose accounts had been defaulted.

On 27 February 2018, Judgment in Default ("JID") was recorded against the Defendants.

On 5 October 2018, the Defendants filed an application to set aside the JID.

On 11 December 2018, the Senior Assistant Registrar ("SAR") had dismissed the Defendants' application to set aside the JID with costs of RM1,000.00.

On 17 December 2018, the Defendants filed an appeal against the decision of the SAR.

On 26 March 2019, the Court dismissed the Defendants appeal.

On 13 November 2018 the Defendants filed an application to stay the JID but the SAR dismissed the Defendants' stay application with costs of RM1,000.00.

Bank Islam has obtained the following Prohibitory Order ("PO"):

- PO against First Defendant's property in Dungun. The PO would be valid until 26 October 2019. The first auction was held on 16 May 2019 but the auction was unsuccessful due to no bidder. The second auction was held on 12 September 2019 but the auction was unsuccessful due to no bidder. The extension for the validity of the PO has been obtained and is valid until 27 April 2020. The third auction is fixed on 18 March 2020.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B9. Material litigation (continued)

(d) Bank Islam has obtained the following Prohibitory Order ("PO"): (continued)

- PO against Second Defendant's property in Kemaman. The PO would be valid until 18 November 2019. The Second Defendant was adjudged bankrupt on 19 August 2019. On 17 October 2019, Bank Islam has filed notice of discontinuance of the PO proceeding.
- PO against First and Third Defendants' property in Petaling Jaya. The PO was valid until 27 November 2019. On 15 June 2019, the Court has allowed Alliance Bank (Malaysia) Berhad, the Chargee of the property, to be the intervener in relation to this PO proceeding. On 17 June 2019, the Court has allowed an order for sale on the property. The Defendants filed an appeal to Judge in Chambers against the decision of Registrar in allowing order for sale. On 26 August 2019, the Court dismissed the Defendants' appeal with costs of RM5,000.00. The extension for the validity of the PO has been obtained and is valid until 27 May 2020.

On 31 October 2019, the Court allowed Bank Islam's application to fix the first auction against the property. The first auction was fixed on 4 December 2019.

On 10 November 2019, the Defendants filed an appeal against the decision dated 31 October 2019. On 16 December 2019, the Defendants withdrawn its appeal.

The first auction was held on 4 December 2019 but the auction was unsuccessful due to no bidder.

The hearing date for the application for second auction was fixed on 5 March 2020.

- (e) On 24 October 2019, Bank Islam filed a civil suit against Prolink Marketing Sdn Bhd ("Customer") and the guarantors, namely Puvendran A/L Chandran and Kuganeswaran A/L Chandran (collectively be referred to as "the Defendants") claiming for an amount of RM20,164,128.31 being the outstanding financing facilities granted by Bank Islam to the Customer whose accounts had been defaulted.

On 18 December 2019, Bank Islam has filed an application for summary judgment (O.14).

The High Court has fixed 5 March 2020 for hearing on O.14.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B10. Dividend

(a) 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.

(b) i) On 29 November 2019, the Board of Directors of BIMB Holdings Berhad ("BHB") had declared an interim dividend of 16.00 sen per ordinary share in BHB for the financial year ended 31 December 2019 and paid on 21 January 2020.

From the total dividend amount declared of RM282.3 million, approximately 62.89% or RM177.84 million was distributed as cash dividend whilst the remaining 37.11% amounting to RM104.44 million was reinvested to subscribe for 28,381,100 new ordinary shares at RM3.68 each via the Dividend Reinvestment Plan.

ii) Amount per share : Single tier dividend of 16.00 sen.

iii) Previous corresponding period: Single tier dividend of 15.50 sen.

iv) Payment date : 21 January 2020

v) Entitlement to dividend was determined on the basis of the record of shareholders as at book closing date on 24 December 2019.

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 | | 12 months ended | |
|---|------------------|------------|------------------|------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit for the period under review attributable to equity holders of the parent | 180,858 | 161,385 | 786,920 | 682,055 |
| 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 | 1,758,664 | 1,689,742 |
| Earnings per share (sen) | 10.25 | 9.53 | 44.75 | 40.36 |

Diluted earnings per share

There is no dilution due to the Company's warrants, as the warrants are currently out-of-money in view that the exercise price for each warrant is higher than the closing market price of the Company's shares as at 31 December 2019.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B12. Economic profit statement

| Group | 3 months ended | | 12 months ended | |
|--|----------------|----------------|-----------------|----------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net operating profit after zakat & tax (NOPAT) | | | | |
| Profit before zakat and taxation (PBZT) | 266,607 | 258,199 | 1,205,014 | 1,065,455 |
| Zakat & Taxation | (55,603) | (60,128) | (269,645) | (264,034) |
| NOPAT | 211,004 | 198,071 | 935,369 | 801,421 |
| Economic charge computation | | | | |
| Average invested capital (excludes the debit balance of the acquisition reserve arising from the acquisition of shares from non-controlling interests) | 7,693,486 | 6,701,985 | 7,156,180 | 6,381,335 |
| Weighted Average Cost of Capital (WACC) (%) | 7.35 | 7.97 | 7.35 | 7.97 |
| Economic charge | 142,530 | 134,635 | 525,979 | 508,592 |
| Economic profit | 68,474 | 63,436 | 409,390 | 292,829 |

B13. Foreign exchange exposure/hedging policy

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

| RM equivalent | As at | |
|---------------|------------|------------|
| | 31.12.2019 | 31.12.2018 |
| | RM'000 | RM'000 |
| USD | (255,546) | (266,498) |
| EURO | (98,909) | (104,262) |
| Others | 19,839 | 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
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B14. Takaful receivables

- a) The average credit terms of takaful receivables granted to related parties and non-related parties are 6 months from the contractual due date. The recoverability of takaful receivables which exceeds the average credit term is high especially after Letter of Demand is imposed on the debtors.

| | Family Takaful | | General Takaful | | Group | |
|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Non-related parties | 89,682 | 75,850 | 113,651 | 60,375 | 203,333 | 136,225 |
| Related parties | 280 | 366 | 66 | 2,504 | 346 | 2,870 |
| | 89,962 | 76,216 | 113,717 | 62,879 | 203,679 | 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:

| <u>Days past due</u> | Family Takaful | | General Takaful | | Group | |
|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Current (not past due) | 84,800 | 74,055 | 114,150 | 62,645 | 198,950 | 136,700 |
| 1-30 days | 921 | 218 | 151 | 621 | 1,072 | 839 |
| 31-60 days | 1,095 | 234 | 192 | 774 | 1,287 | 1,008 |
| 61-90 days | 90 | 1,007 | 190 | 286 | 280 | 1,293 |
| 91-180 days | 132 | 79 | 527 | 74 | 659 | 153 |
| > 180 days | 6,766 | 3,236 | 1,256 | 1,973 | 8,022 | 5,209 |
| | 93,804 | 78,829 | 116,466 | 66,373 | 210,270 | 145,202 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B14. Takaful receivables (continued)

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

| | Family Takaful | | General Takaful | | Group | |
|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Bank Islam Malaysia Berhad | 3 | 171 | 5 | 2,469 | 8 | 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:

| | As at 31 December 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 |
| Group | | | | | | | | |
| Financing, advances and others | 50,223,969 | (751,447) | 49,472,522 | 52,407,186 | 46,470,385 | (789,705) | 45,680,680 | 46,594,025 |

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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.

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.

BIMB Holdings Berhad
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

B16. Derivatives

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

As at 31 December 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 | 6,255,520 | (4,301) |
| Profit rate related contracts | | |
| - More than 3 years | 147,098 | 881 |
| | 6,402,618 | (3,420) |

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
Company No. 199701008362 (423858-X)
(Incorporated in Malaysia)
and its subsidiaries

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 31.12.2019 RM'000 | 12 months ended 31.12.2019 RM'000 |
|--|---|--|
| <i>Derivative Financial Instruments</i> | | |
| Loss arising from fair value changes from derivatives assets and liabilities | (103) | (812) |

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

By order of the Board

MARIA MAT SAID (LS 0009400)
Company Secretary
January 31, 2020