

BIMB Holdings Berhad [Registration No. 199701008362 (423858-X)]
(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

Condensed Statement of Financial Position as at 30 September 2020

	Note	Group As at		Company As at	
		30.09.2020 RM'000	31.12.2019 RM'000	30.09.2020 RM'000	31.12.2019 RM'000
Assets					
Cash and short-term funds	8	1,687,203	3,334,771	1,638	2,105
Deposits and placements with banks and other financial institutions	9	2,134,041	2,581,288	331,348	410,228
Financial assets at fair value through profit or loss (FVTPL)	10	2,079,774	1,494,495	7,536	7,117
Derivative financial assets	11	24,629	33,326	-	-
Financial assets at fair value through other comprehensive income (FVOCI)	12	17,615,811	16,946,884	-	-
Financing, advances and others	13	53,838,749	49,472,522	-	-
Other financial assets at amortised cost	14	531,692	581,203	3,314	103,468
Retakaful assets	15	990,743	755,796	-	-
Statutory deposits with Bank Negara Malaysia		261,687	1,170,136	-	-
Current tax assets		107,073	97,964	85	85
Deferred tax assets		120,315	69,728	10	10
Right-of-use assets	16	233,837	250,443	-	-
Investments in subsidiaries		-	-	5,571,524	5,304,273
Property and equipment		415,895	395,859	325	411
Investment properties		10,362	10,590	-	-
Intangible assets		197,915	68,488	-	-
Total assets		80,249,726	77,263,493	5,915,780	5,827,697

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Condensed Statement of Financial Position as at 30 September 2020 (continued)

	Note	Group As at		Company As at	
		30.09.2020 RM'000	31.12.2019 RM'000	30.09.2020 RM'000	31.12.2019 RM'000
Liabilities and equity					
Deposits from customers	17	45,550,805	46,752,714	-	-
Investment accounts of customers	18	12,332,937	9,797,543	-	-
Derivative financial liabilities	11	51,847	36,746	-	-
Bills and acceptances payable		40,791	49,084	-	-
Recourse obligations on financing sold to Cagamas	19	1,501,187	1,501,187	-	-
Other liabilities	20	1,533,749	1,689,741	1,697	284,567
Lease liabilities	16	317,373	328,062	-	-
Takaful contract liabilities	21	8,996,167	8,197,156	-	-
Expense reserves	22	327,687	311,700	-	-
Sukuk liabilities	23	2,289,755	2,139,666	921,963	881,093
Zakat and taxation		138,060	41,751	446	-
Total liabilities		73,080,358	70,845,350	924,106	1,165,660
Equity					
Share capital		4,412,261	4,307,819	4,412,261	4,307,819
Reserves		2,110,141	1,586,613	579,413	354,218
Equity attributable to owners of the Company		6,522,402	5,894,432	4,991,674	4,662,037
Non-controlling interests		646,966	523,711	-	-
Total equity		7,169,368	6,418,143	4,991,674	4,662,037
Total liabilities and equity		80,249,726	77,263,493	5,915,780	5,827,697
Restricted investment accounts ("RIA") managed by Bank Islam					
	18	20,202	35,062	-	-
Total assets including RIA		80,269,928	77,298,555	5,915,780	5,827,697
Commitments and contingencies	42	18,042,174	17,414,181	-	-
Net assets per share attributable to ordinary equity of the Company (RM)		3.64	3.34	2.78	2.64

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2019.

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Condensed Statement of Profit or Loss for the nine months ended 30 September 2020

Group	Note	3 months ended		9 months ended	
		30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Income derived from investment of depositors' funds	25	635,865	694,404	1,955,271	2,089,010
Income derived from investment account funds	26	118,968	97,876	374,651	268,302
Income derived from investment of shareholders' funds	27	116,273	118,268	338,921	352,498
Loss on modification of financial assets	13(b)	-	-	(97,772)	-
Net earned contributions	28	569,581	617,899	1,487,792	1,750,812
Other income from takaful business	29	144,636	100,092	348,405	349,018
Net benefits, claims and expense reserves	30	(253,314)	(251,710)	(686,975)	(780,795)
Net allowance for impairment on financing and advances, net of recoveries	31	(155,527)	(34,057)	(212,206)	(86,875)
Net allowance for impairment on debt instruments		(54)	(156)	(81)	(135)
Net allowance for impairment on other assets		-	349	2,895	(3,798)
Direct expenses		(4,377)	(4,317)	(10,352)	(12,085)
Total distributable income		1,172,051	1,338,648	3,500,549	3,925,952
Wakalah fees from restricted investment accounts		-	111	479	344
Income attributable to depositors	32	(229,709)	(341,209)	(786,289)	(1,030,398)
Income attributable to investment account holders	33	(47,748)	(42,028)	(169,034)	(113,318)
Income attributable to Takaful Operator/participants		(199,273)	(183,188)	(375,637)	(496,332)
Total net income		695,321	772,334	2,170,068	2,286,248
Personnel expenses	34	(212,351)	(202,058)	(605,501)	(593,130)
Other overhead expenses	35	(227,988)	(217,681)	(665,253)	(651,496)
		254,982	352,595	899,314	1,041,622
Finance cost	36	(34,574)	(34,792)	(104,813)	(103,215)
Profit before zakat and tax		220,408	317,803	794,501	938,407
Zakat		(4,088)	(4,137)	(12,157)	(12,351)
Tax expense	B5	(46,810)	(59,119)	(178,667)	(201,691)
Profit for the period		169,510	254,547	603,677	724,365
Attributable to:					
Owners of the Company		135,810	208,384	498,073	606,062
Non-controlling interests		33,700	46,163	105,604	118,303
Profit for the period		169,510	254,547	603,677	724,365
Earnings per share (sen)	B11	7.58	11.81	27.82	34.50

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Condensed Statement of Other Comprehensive Income for the nine months ended 30 September 2020

Group	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Profit for the period	169,510	254,547	603,677	724,365
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	10,035	(5,137)	(7,768)	(4,558)
Movement in fair value reserve (debt instruments):				
Net change in fair value	122,250	117,350	309,804	364,065
Changes in expected credit losses	(54)	(156)	(81)	(135)
Net amount transferred to profit or loss	(104,325)	(35,983)	(267,336)	(80,325)
Income tax effect relating to components of other comprehensive income	(3,016)	(17,524)	(7,388)	(60,723)
	24,890	58,550	27,231	218,324
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit liabilities	(15)	(125)	(422)	(125)
Movement in fair value reserve (equity instruments):				
Net change in fair value	3,031	1,921	3,605	13,628
Other comprehensive income for the period, net of tax	27,906	60,346	30,414	231,827
Total comprehensive income for the period	197,416	314,893	634,091	956,192
Total comprehensive income attributable to:				
Owners of the Company	162,696	265,262	524,977	827,722
Non-controlling interests	34,720	49,631	109,114	128,470
Total comprehensive income for the period	197,416	314,893	634,091	956,192

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**Condensed Statement of Profit or Loss and Other Comprehensive Income for the
nine months ended 30 September 2020**

Company	Note	3 months ended		9 months ended	
		30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Income derived from investment of shareholders' funds /	27	144,111	163,605	302,715	319,106
Net allowance for impairment on other assets		(26,499)	-	(26,499)	-
Total distributable income / Total net income		117,612	163,605	276,216	319,106
Personnel expenses	34	(1,650)	(2,009)	(4,216)	(5,898)
Other overhead expenses	35	(1,180)	(1,038)	(4,154)	(3,326)
		114,782	160,558	267,846	309,882
Finance cost	36	(13,723)	(13,255)	(40,870)	(39,333)
Profit before zakat and tax		101,059	147,303	226,976	270,549
Tax expense	B5	(780)	93	(1,781)	(1,347)
Profit for the period		100,279	147,396	225,195	269,202
Attributable to:					
Owners of the Company		100,279	147,396	225,195	269,202
Profit for the period / Total comprehensive income for the period attributable to owners of the Company		100,279	147,396	225,195	269,202

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Condensed Statement of Changes in Equity for the nine months ended 30 September 2020

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 2020	4,307,819	(917,021)	2,503,634	5,894,432	523,711	6,418,143
Profit for the period	-	-	498,073	498,073	105,604	603,677
Other comprehensive income						
Remeasurement of defined benefit liabilities	-	-	(186)	(186)	(236)	(422)
Currency translation differences in respect of foreign operations	-	(7,046)	-	(7,046)	(722)	(7,768)
Fair value reserve (debt instruments):						
Net change in fair value	-	304,302	-	304,302	5,502	309,804
Changes in expected credit losses	-	(81)	-	(81)	-	(81)
Net amount reclassified to profit or loss	-	(266,302)	-	(266,302)	(1,034)	(267,336)
Income tax effect relating to components of other comprehensive income	-	(7,388)	-	(7,388)	-	(7,388)
Fair value reserve (equity instruments):						
Net change in fair value	-	3,605	-	3,605	-	3,605
Total comprehensive income for the period	-	27,090	497,887	524,977	109,114	634,091
Transfer of regulatory reserve to retained earnings	-	(25,000)	25,000	-	-	-
Share-based payment transactions	-	7,512	-	7,512	5,180	12,692
Long Term Incentive Plan exercised	-	(8,961)	-	(8,961)	8,961	-
Issue of shares pursuant to Dividend Reinvestment Plan	104,442	-	-	104,442	-	104,442
At 30 September 2020	4,412,261	(916,380)	3,026,521	6,522,402	646,966	7,169,368

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Condensed Statement of Changes in Equity for the nine months ended 30 September 2020 (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 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 period	-	-	606,062	606,062	118,303	724,365
Other comprehensive income						
Remeasurement of defined benefit liabilities	-	-	(55)	(55)	(70)	(125)
Currency translation differences in respect of foreign operations	-	(4,746)	-	(4,746)	188	(4,558)
Fair value reserve (debt instruments):						
Net change in fair value	-	353,511	-	353,511	10,554	364,065
Changes in expected credit losses	-	(135)	-	(135)	-	(135)
Net amount reclassified to profit or loss	-	(79,820)	-	(79,820)	(505)	(80,325)
Income tax effect relating to components of other comprehensive income	-	(60,723)	-	(60,723)	-	(60,723)
Fair value reserve (equity instruments):						
Net change in fair value	-	13,628	-	13,628	-	13,628
Total comprehensive income for the period	-	221,715	606,007	827,722	128,470	956,192
Non-controlling share of dividend	-	-	-	-	(49,900)	(49,900)
Share-based payment transactions	-	6,499	-	6,499	4,433	10,932
Long Term Incentive Plan exercised	-	(6,778)	-	(6,778)	6,778	-
Issue of shares pursuant to Dividend Reinvestment Plan	224,880	-	-	224,880	-	224,880
At 30 September 2019	4,307,819	(917,326)	2,620,058	6,010,551	558,784	6,569,335

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Condensed Statement of Changes in Equity for the nine months ended 30 September 2020 (continued)

Company	← Attributable to owners of the Company →			Total Equity RM'000
	Share capital RM'000	Non-distributable Warrant reserve RM'000	Distributable Retained earnings RM'000	
At 1 January 2020	4,307,819	129,300	224,918	4,662,037
Profit for the period	-	-	225,195	225,195
Issue of shares pursuant to Dividend Reinvestment Plan	104,442	-	-	104,442
At 30 September 2020	4,412,261	129,300	450,113	4,991,674

Company	← Attributable to owners of the Company →			Total Equity RM'000
	Share capital RM'000	Non-distributable Warrant reserve RM'000	Distributable Retained earnings 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 period	-	-	269,202	269,202
Issue of shares pursuant to Dividend Reinvestment Plan	224,880	-	-	224,880
At 30 September 2019	4,307,819	129,300	426,808	4,863,927

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Condensed Statement of Cash Flows for the nine months ended 30 September 2020

	Group		Company	
	9 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before zakat and tax	794,501	938,407	226,976	270,549
Adjustments for:				
Depreciation of right-of-use assets	15,402	12,645	-	-
Depreciation of property and equipment	50,816	48,464	86	68
Depreciation of investment properties	218	218	-	-
Net gain on disposal of property and equipment	(3)	(422)	-	-
Property and equipment written off	704	91	-	9
Loss on modification of financial assets	97,772	-	-	-
Net allowance for impairment on financing, advances and others	269,631	162,150	-	-
Net allowance for impairment on debt instruments	81	135	-	-
Net allowance for impairment on other assets	(2,895)	3,798	26,499	-
Net gain on sale of financial assets at FVTPL	(925)	(25,233)	-	-
Net gain on sale of financial assets at FVOCI	(264,802)	(79,079)	-	-
Fair value loss/(gain) on financial assets at FVTPL	5,040	(40,898)	42	(192)
Unrealised foreign exchange loss/(gain)	26,489	(5,103)	-	-
Net derivative (gain)/loss	(28)	43	-	-
Profit income from investments of securities	(371,979)	(423,085)	(7,545)	(5,705)
Dividends income from debt instruments at FVTPL (unit trust)	(8,138)	(5,287)	(461)	(260)
Dividends income from equity instruments at FVOCI	-	(259)	-	-
Income from rebate on investment in unit trust	(480)	-	-	-
Dividend from subsidiaries	-	-	(293,751)	(312,949)
Change in actuarial reserves/ unearned contributions reserve	4,244	14,655	-	-
Equity settled share-based payment	12,692	10,932	-	-
Amortisation of intangible assets	24,098	22,090	-	-
Profit expense on leases	13,488	13,628	-	-
Finance cost	91,325	89,587	40,870	39,333
Operating profit/(loss) before working capital changes	757,251	737,477	(7,284)	(9,147)

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(continued)

	Group		Company	
	9 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before working capital changes	757,251	737,477	(7,284)	(9,147)
Changes in working capital:				
Financing of customers	(4,733,630)	(2,689,684)	-	-
Statutory deposits with Bank Negara Malaysia	908,449	(69,575)	-	-
Other assets	(200,619)	(295,668)	1,844	(740)
Deposits from customers	(1,201,909)	(1,891,018)	-	-
Investment accounts of customers	2,535,394	2,472,191	-	-
Other liabilities	1,028,145	1,102,152	(585)	(984)
Bills and acceptances payable	(8,293)	(13,646)	-	-
Cash used in operations	(915,212)	(647,771)	(6,025)	(10,871)
Zakat paid	(10,862)	(13,654)	-	-
Tax paid	(159,789)	(236,253)	(1,335)	(1,920)
Tax refund	-	2,285	-	-
Net used in operating activities	(1,085,863)	(895,393)	(7,360)	(12,791)
Cash flows from investing activities				
Net proceeds from purchase of securities	(946,867)	(1,382,429)	-	-
Purchase of property and equipment	(71,670)	(43,914)	-	(113)
Purchase of investment properties	-	(54)	-	-
Proceeds from disposal of property and equipment	17	424	-	-
Profit income from investments of securities	371,979	423,085	7,545	5,705
Dividends income from debt instruments at FVTPL (unit trust)	7,397	5,027	-	-
Dividends income from equity instruments at FVOCI	-	259	-	-
Income from rebate on investment in unit trust	480	-	-	-
Dividends from subsidiaries	-	-	392,061	386,682
Subscription of ordinary shares pursuant to Dividend Reinvestment Plan	-	-	(293,750)	-
Intangible assets	(153,525)	(3,112)	-	-
Net cash (used in)/generated from investing activities	(792,189)	(1,000,714)	105,856	392,274

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	Group		Company	
	9 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Dividends paid	(177,843)	(37,623)	(177,843)	(37,623)
Dividends paid to non-controlling interest	(67,048)	(49,900)	-	-
Payment of lease liabilities	(23,182)	(19,882)	-	-
Payment of coupon on Sukuk	(41,236)	(33,411)	-	-
Subordinated Sukuk Murabahah	400,000	-	-	-
Redemption of Subordinated Sukuk Murabahah	(300,000)	-	-	-
Net cash used in financing activities	(209,309)	(140,816)	(177,843)	(37,623)
Net (decrease)/increase in cash and cash equivalents	(2,087,361)	(2,036,923)	(79,347)	341,860
Cash and cash equivalents at beginning of the year	5,916,059	6,287,126	412,333	88,473
Foreign exchange differences	(7,454)	(4,834)	-	-
Cash and cash equivalents at end of the period	3,821,244	4,245,369	332,986	430,333
Cash and cash equivalents comprise:				
Cash and short-term funds	1,687,203	966,772	1,638	430,333
Deposits and placements with banks and other financial institutions	2,134,041	3,278,597	331,348	-
	3,821,244	4,245,369	332,986	430,333
Less:				
Cash and short term funds and deposits and placements with banks and other financial institutions with original maturity more than three months	(2,134,041)	(2,073,491)	(331,348)	-
	1,687,203	2,171,878	1,638	430,333

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Condensed Statement of Cash Flows for the nine months ended 30 September 2020
(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.

	At 01.01.2020 RM'000	Addition/ (Reversal) during the period RM'000	Redemption during the period RM'000	Changes from financing cash flows RM'000	Finance cost for the period RM'000	At 30.09.2020 RM'000	
Group							
Sukuk liabilities	2,139,666	400,000	(300,000)	(41,236)	91,325	2,289,755	
Lease liabilities	328,062	(995)	-	(23,182)	13,488	317,373	
	2,467,728	399,005	(300,000)	(64,418)	104,813	2,607,128	
Company							
Sukuk liabilities	881,093	-	-	-	40,870	921,963	
	Effect on adoption of MFRS 16 RM'000	At 01.01.2019 RM'000	Addition during the period RM'000	Redemption during the period RM'000	Changes from financing cash flows RM'000	Finance cost for the period RM'000	At 30.09.2019 RM'000
Group							
Sukuk liabilities		2,102,672	-	-	(33,411)	89,587	2,158,848
Lease liabilities	326,196	326,196	-	-	(19,882)	13,628	319,942
	326,196	2,428,868	-	-	(53,293)	103,215	2,478,790
Company							
Sukuk liabilities		844,159	-	-	-	39,333	883,492

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Explanatory Notes to the Financial Statements for the nine months ended 30 September 2020

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 nine months ended 30 September 2020 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 2019. 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 2019.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the recent audited financial statements for the financial year ended 31 December 2019, except for the adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRS"):

- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 7 & 9 – *Interest Rate Benchmark Reform*
- Amendments to MFRS 16 – *Leases*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The adoption of the amendments to published standards are not expected to have impact on the financial results of the Group and the Company.

2. Auditors' report on preceding financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2019 was not qualified.

3. Seasonal or cyclical factors

The operations of the Group were not materially affected by any seasonal or cyclical factors in the nine months ended 30 September 2020 other than as disclosed in Note 13(b) to the interim financial statements.

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4. Exceptional or unusual items

There were no items of an exceptional or unusual nature in the nine months ended 30 September 2020 other than as disclosed in Note 13(b) to the interim financial statements.

5. Changes in accounting estimates

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the nine months ended 30 September 2020.

6. Issuance or repayment of debt and equity securities

On 22 January 2020, the Company increased its issued and paid-up capital from 1,764,282,714 to 1,792,663,814 via the issuance of 28,381,100 new ordinary shares for a consideration of RM3.68 each arising from the Dividend Reinvestment Plan.

Bank Islam issued a RM400,000,000 subordinated Sukuk Murabahah on 26 March 2020 at 3.75% per annum to replace its RM300,000,000 subordinated Sukuk Murabahah with first call date on 22 April 2020. There was no share buy-back during the nine months ended 30 September 2020.

7. Significant events during the nine months ended 30 September 2020

Dividend received

On 29 June 2020, Bank Islam paid a final single tier dividend of 6.05 sen per ordinary share amounting RM151.854 million for the financial year ended 31 December 2019. 100% of the final dividend was reinvested through the issuance of 46,724,000 new ordinary shares at RM3.25 each via the Dividend Reinvestment Plan.

On 18 September 2020, Bank Islam paid an interim single tier dividend of 5.55 sen per ordinary share amounting RM141.897 million for the six months ended 30 June 2020. 100% of the interim dividend was reinvested through the issuance of 43,660,667 new ordinary shares at RM3.25 each via the Dividend Reinvestment Plan.

Bancatakaful Service Agreement

Syarikat Takaful Malaysia Keluarga Berhad ("STMKB") and Syarikat Takaful Malaysia Am Berhad ("STMAB") entered into the following agreements:

- a) Family bancatakaful service agreement ("Family Bancatakaful Agreement") between STMKB and RHB Islamic ("Family Bancatakaful Arrangement") with facilitation fee of RM145 million.
- b) General bancatakaful service agreement ("General Bancatakaful Agreement") between STMAB and RHB Islamic ("General Bancatakaful Arrangement") with facilitation fee of RM6 million.

The tenure of Family Bancatakaful Agreement and General Bancatakaful Agreement shall be for a period of 5 years commencing on 1 August 2020.

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8. Cash and short-term funds

	Group		Company	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	705,171	897,248	1,138	2,105
Money at call and interbank placements with remaining maturity not exceeding one month	982,032	2,437,523	500	-
	1,687,203	3,334,771	1,638	2,105

9. Deposits and placements with banks and other financial institutions

	Group		Company	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Licensed banks	2,097,869	1,888,196	-	-
Licensed Islamic bank	361	-	331,348	410,228
Bank Negara Malaysia	-	658,053	-	-
Other financial institutions	35,811	35,039	-	-
	2,134,041	2,581,288	331,348	410,228

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

	Group		Company	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Islamic Treasury Bills	601,765	99,571	-	-
Sukuk	438,692	432,940	-	-
Unit trusts	299,565	303,789	7,536	7,117
Shares	259,112	333,844	-	-
Malaysian Government Investment Issues	379,209	274,162	-	-
Islamic Commercial Papers	101,431	50,189	-	-
	2,079,774	1,494,495	7,536	7,117

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11. 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	30.09.2020			31.12.2019		
	Notional	Fair value		Notional	Fair value	
	Amount	Assets	Liabilities	Amount	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Forward contracts	6,191,367	22,135	(49,963)	6,255,520	31,626	(35,927)
Profit rate swaps	122,487	2,494	(1,884)	147,098	1,700	(819)
	6,313,854	24,629	(51,847)	6,402,618	33,326	(36,746)

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

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
Financial assets at fair value through other comprehensive income:		
a) Debt instruments	17,565,247	16,899,925
b) Equity instruments	50,564	46,959
	17,615,811	16,946,884

a) Debt instruments at fair value through other comprehensive income

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
Sukuk	13,179,571	13,385,180
Malaysian Government Investment Issues	3,434,680	2,753,022
Institutional Trust Account	645,362	530,852
Islamic Commercial Papers	305,634	230,871
	17,565,247	16,899,925

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12. 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	
	30.09.2020	31.12.2019
	RM'000	RM'000
Stage 1		
At 1 January 2020/2019	265	302
Addition/(Reversal) of impairment during the period/year	81	(37)
At 30 September 2020/31 December 2019	346	265

b) Equity instruments at fair value through other comprehensive income

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
Quoted shares		
- outside Malaysia	12,583	8,978
	12,583	8,978
Unquoted shares		
- in Malaysia	37,979	37,979
- outside Malaysia	2	2
	37,981	37,981
	50,564	46,959

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13. Financing, advances and others

(a) By type and Shariah contract

Group	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At-Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek^ RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
30 September 2020									
At amortised cost									
Cash line	-	-	-	1,484	1,188,478	-	-	-	1,189,962
Term financing									
House financing	3,306,417	-	-	-	17,613,987	-	46,345	-	20,966,749
Syndicated financing	-	-	-	-	1,398,339	-	-	-	1,398,339
Leasing financing	-	-	-	-	-	116,256	-	-	116,256
Bridging financing	-	-	-	-	-	-	49,167	-	49,167
Personal financing	-	-	-	5,913	16,501,361	-	-	-	16,507,274
Other term financing	541,733	1,391,622	-	28	10,930,693	-	1,134	-	12,865,210
Staff financing	48,644	13,826	-	-	270,313	-	7,934	-	340,717
Credit cards	-	-	-	-	446,987	-	-	-	446,987
Trade bills discounted	-	520,485	46,918	3,034	268,997	-	-	-	839,434
Trust receipts	-	3,534	6	-	-	-	-	-	3,540
Pawn broking	-	-	-	-	-	-	-	33,082	33,082
Amortised cost after modification	3,896,794	1,929,467	46,924	10,459	48,619,155	116,256	104,580	33,082	54,756,717
Allowance for impairment on financing, advances and others :-									
- Stage 1									(684,910)
- Stage 2									(134,413)
- Stage 3									(98,645)
Net financing, advances and others									53,838,749

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

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13. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group	Bai' Bithaman	Murabahah	Bai' Al-Dayn	Bai' Al-Inah	At-Tawarruq	Ijarah Muntahiah Bit-Tamleek^	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
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.

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13. 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 ("URIA") and financing sold to Cagamas with recourse to the Group. The details are as follows:

		Group	
	Note	30.09.2020	31.12.2019
		RM'000	RM'000
House financing			
Unrestricted Investment Accounts	18	8,500,939	6,504,728
Sold to Cagamas with recourse	19	1,501,187	1,501,187
		<u>10,002,126</u>	<u>8,005,915</u>
Personal financing			
Unrestricted Investment Accounts	18	3,831,998	3,292,815

(b) Modified financing, advances and others

		Group	
		30.09.2020	31.12.2019
		RM'000	RM'000
Amortised cost before modification		54,848,380	50,223,969
- Loss on modification of financial assets		(97,772)	-
- Unwinding of modification loss		6,109	-
Amortised cost after modification		<u>54,756,717</u>	<u>50,223,969</u>

During the financial period, Bank Islam granted an automatic moratorium on certain financing repayments (except for credit card balances), by individuals and small and medium enterprises ("SMEs") for a period of six months from 1 April 2020. The automatic moratorium was applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was taken as a form of assistance to customers experiencing temporary financial difficulties resulting from COVID-19 pandemic. As a result of the payment moratorium, Bank Islam recognised a loss of RM97,772,000 arising from the modification of the expected cash flows of the financing under moratorium.

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13. Financing, advances and others (continued)

(c) **By type of customer**

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
At amortised cost before modification		
Domestic non-bank financial institutions	1,315,115	1,595,043
Domestic business enterprise	9,708,467	8,384,026
Small & medium enterprises	1,791,739	2,017,946
Government and statutory bodies	1,205,282	729,905
Individuals	40,519,555	37,227,020
Other domestic entities	105,337	71,582
Foreign entities	202,885	198,447
	54,848,380	50,223,969

(d) **By profit rate sensitivity**

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
At amortised cost before modification		
Fixed rate		
House financing	776,417	985,880
Others	3,902,671	3,700,354
Floating rate		
House financing	20,868,467	19,299,203
Others	29,300,825	26,238,532
	54,848,380	50,223,969

(e) **By remaining contractual maturity**

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
At amortised cost before modification		
Maturity within one year	4,247,297	4,615,374
More than one year to three years	1,570,711	1,265,070
More than three years to five years	3,048,417	3,230,831
More than five years	45,981,955	41,112,694
	54,848,380	50,223,969

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13. Financing, advances and others (continued)

(f) By geographical distribution

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
At amortised cost before modification		
Central Region	25,516,654	23,794,695
Eastern Region	8,561,686	7,861,683
Northern Region	7,281,255	6,673,024
Southern Region	9,367,061	8,278,422
East Malaysia Region	4,121,724	3,616,145
	<u>54,848,380</u>	<u>50,223,969</u>

(g) By sector

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
At amortised cost before modification		
Primary agriculture	1,093,832	1,266,687
Mining and quarrying	47,638	38,712
Manufacturing (including agro-based)	950,448	881,445
Electricity, gas and water	1,988,156	1,863,658
Wholesale & retail trade, and hotels & restaurants	819,788	927,772
Construction	2,848,637	2,238,954
Transport, storage and communications	580,124	918,959
Finance, insurance, real estate and business activities	4,356,678	3,731,211
Education, health and others	1,632,245	1,126,374
Household sectors	40,530,834	37,230,197
	<u>54,848,380</u>	<u>50,223,969</u>

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13. Financing, advances and others (continued)

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

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
At 1 January 2020/2019	433,001	425,937
Classified as impaired during the period/year	188,064	701,221
Reclassified as not impaired during the period/year	(145,054)	(372,172)
Amount recovered	(45,151)	(97,001)
Amount written off	(101,973)	(224,984)
At 30 September 2020/31 December 2019	328,887	433,001
Gross impaired financing as a percentage of gross financing, advances and others	0.60%	0.86%

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

(i) Impaired financing by geographical distribution

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
Central Region	141,363	181,730
Eastern Region	83,910	101,743
Northern Region	70,700	79,976
Southern Region	19,690	47,527
East Malaysia Region	13,224	22,025
	328,887	433,001

(j) Impaired financing by sector

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
Manufacturing (including agro-based)	31,042	45,715
Wholesale & retail trade, and hotels & restaurants	93,429	97,043
Construction	32,098	29,361
Transport, storage and communications	17,731	10,217
Finance, insurance, real estate and business activities	7,807	8,125
Education, health and others	5,682	8,179
Household sectors	141,098	234,361
	328,887	433,001

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13. Financing, advances and others (continued)

(k) 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/ 1 January 2020	431,135	148,115	172,197	751,447
Transfer to Stage 1	1,732	(1,667)	(65)	-
Transfer to Stage 2	(4,608)	8,322	(3,714)	-
Transfer to Stage 3	(162)	(3,289)	3,451	-
Net allowance made during the period	179,784	(9,085)	30,856	201,555
New financial assets originated or purchased	110,856	4,269	276	115,401
Financial assets that have been derecognised	(32,690)	(12,252)	(2,383)	(47,325)
Write-offs	-	-	(101,973)	(101,973)
Exchange differences	(1,137)	-	-	(1,137)
At 30 September 2020	684,910	134,413	98,645	917,968

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14. Other financial assets at amortised cost

	Group		Company	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Takaful receivables	266,033	210,270	-	-
- <i>Due contributions</i>	260,111	162,632	-	-
- <i>Due from retakaful/co-takaful</i>	5,922	47,638	-	-
Clients' and dealers' debit balances	11,312	23,147	-	-
Deposits and prepayments	62,744	45,998	538	473
Other financing	7,243	80,925	-	-
Investment profit receivable	107,065	95,591	-	-
Sukuk	5,289	5,684	-	-
Dividend receivable	-	-	-	98,310
Amount due from subsidiaries	-	-	210	396
Other receivables	89,189	137,338	2,566	4,289
	548,875	598,953	3,314	103,468
Less: Accumulated impairment loss:				
Stage 3				
- Takaful receivables	(8,919)	(6,591)	-	-
- Sukuk	(5,289)	(5,684)	-	-
- Other receivables	(2,975)	(5,475)	-	-
	531,692	581,203	3,314	103,468

15. Retakaful assets

	Note	Group	
		30.09.2020	31.12.2019
		RM'000	RM'000
Retakaful assets:			
- Claims liabilities	21(i)	539,378	349,548
- Contribution liabilities	21(ii)	86,390	90,634
- Actuarial liabilities	21(iii)	364,975	315,614
		990,743	755,796

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16. Right-of-use assets and lease liabilities

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

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
Right-of-use assets		
Properties	232,914	249,484
Equipment	923	959
	<u>233,837</u>	<u>250,443</u>
Lease liabilities	<u>317,373</u>	<u>328,062</u>

The statements of profit or loss shows the following amount relating to leases:

	Group	
	30.09.2020	30.09.2019
	RM'000	RM'000
Depreciation charge on right-of-use assets:		
Properties	14,925	12,166
Equipment	477	479
	<u>15,402</u>	<u>12,645</u>
Finance cost	<u>13,488</u>	<u>13,628</u>

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17. Deposits from customers

(a) By type of deposit

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
Savings deposits		
<i>Qard</i>	6,086,085	4,681,710
Demand deposits		
<i>Qard</i>	11,143,222	10,932,557
Term Deposit	28,214,053	31,033,213
Special Investment Deposit		
<i>Mudharabah</i>	3,662	3,915
General Investment Deposit		
<i>Mudharabah</i>	176,022	209,693
Term Deposit-i		
<i>Tawarruq</i>	27,347,226	29,828,055
Negotiable Islamic Debt Certificates ("NIDC")	687,143	991,550
Others	107,445	105,234
Total Deposits	45,550,805	46,752,714

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

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
Due within six months	14,034,292	12,084,789
More than six months to one year	7,562,077	7,183,724
More than one year to three years	3,851,087	9,056,935
More than three years to five years	2,766,597	2,707,765
	28,214,053	31,033,213

(c) By type of customer

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
Domestic non-bank financial institutions	5,443,477	7,167,970
Business enterprises	19,259,844	19,656,635
Government and statutory bodies	11,145,117	11,479,529
Individuals	7,154,596	5,893,922
Domestic banking institutions	16,238	149,839
Others	2,531,533	2,404,819
	45,550,805	46,752,714

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18. Investment accounts of customers

(a) By type and Shariah contract

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	4,668,941	3,211,343
- <i>Saving</i>	4,195,130	2,880,046
- <i>Demand</i>	473,811	331,297
With maturity		
<i>Wakalah</i>	7,663,996	6,586,200
	12,332,937	9,797,543
Investment portfolio:		
- <i>House financing</i>	8,500,939	6,504,728
- <i>Personal financing</i>	3,831,998	3,292,815
	12,332,937	9,797,543
Restricted investment accounts ("RIA") managed by Bank Islam[^]		
With maturity		
<i>Wakalah</i>	20,202	35,062
Investment portfolio:		
- <i>Other term financing</i>	20,202	35,062

[^] Bank Islam has an arrangement with its ultimate holding entity where Bank Islam acts as an investment agent to manage and administer the RIA.

(b) By type of customers

	Group	
	30.09.2020	31.12.2019
	RM'000	RM'000
Individuals	4,640,991	3,448,415
Government and statutory bodies	4,550,598	3,747,895
Business enterprises	1,118,689	769,038
Non-bank financial institutions	1,861,928	1,739,850
International Islamic Bank	-	10,001
Others	160,731	82,344
	12,332,937	9,797,543

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19. 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 13(a).

20. Other liabilities

	Group		Company	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Takaful payables	178,597	175,352	-	-
- <i>Due to retakaful companies</i>	149,245	141,931	-	-
- <i>Due to Intermediaries/Participants</i>	29,352	33,421	-	-
Accruals and other payables	1,344,085	1,209,069	1,697	2,271
Clients' and dealers' credit balances	11,067	23,035	-	-
Dividend payable	-	282,285	-	282,285
Amount due to subsidiaries	-	-	-	11
	<u>1,533,749</u>	<u>1,689,741</u>	<u>1,697</u>	<u>284,567</u>

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

21. Takaful contract liabilities

The takaful contract liabilities comprise the following:

	Note	Group	
		30.09.2020	31.12.2019
		RM'000	RM'000
Provision for outstanding claims	21(i)	923,203	703,598
Provision for unearned contributions	21(ii)	430,820	394,340
Participants' fund	21(iii)	7,642,144	7,099,218
		<u>8,996,167</u>	<u>8,197,156</u>

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21. Takaful contract liabilities (continued)

(i) **Provision for outstanding claims**

The provision for outstanding claims is further analysed as follows:

Group	30.09.2020		
	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by participants	474,119	(328,345)	145,774
Provision for IBNR*	449,084	(211,033)	238,051
Provision for outstanding claims	923,203	(539,378)	383,825
		Note 15	
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	703,598	(349,548)	354,050
		Note 15	

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

Movement of provision for outstanding claims:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 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/ 1 January 2020	703,598	(349,548)	354,050
Claims incurred during the period	914,024	(270,243)	643,781
Claims paid during the period	(781,056)	140,526	(640,530)
Movement in IBNR	86,882	(60,231)	26,651
Effect of movement in exchange rates	(245)	118	(127)
At 30 September 2020	923,203	(539,378)	383,825

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21. 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
30.09.2020	430,820	(86,390)	344,430
		Note 15	
31.12.2019	394,340	(90,634)	303,706
		Note 15	

Movement of provision for unearned contributions:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 1 January 2019	376,971	(76,884)	300,087
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/ 1 January 2020	394,340	(90,634)	303,706
Contributions written during the period	593,078	(229,515)	363,563
Contributions earned during the period	(556,598)	233,759	(322,839)
At 30 September 2020	430,820	(86,390)	344,430

(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
30.09.2020			
Actuarial liabilities	5,879,284	(364,975)	5,514,309
Unallocated surplus/ accumulated surplus	1,175,012	-	1,175,012
Fair value reserve	385,105	-	385,105
Net assets value attributable to unitholders	202,743	-	202,743
	7,642,144	(364,975)	7,277,169
		Note 15	

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21. 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
31.12.2019			
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 15	

22. Expense reserve

	Group	
	30.09.2020 RM'000	31.12.2019 RM'000
At 1 January 2020/2019	311,700	251,806
Provision for the period/year, net	16,668	59,588
Effect of movement in exchange rates	(681)	306
At 30 September 2020/31 December 2019	<u>327,687</u>	<u>311,700</u>

23. Sukuk liabilities

		Group		Company	
	Note	30.09.2020 RM'000	31.12.2019 RM'000	30.09.2020 RM'000	31.12.2019 RM'000
Sukuk liabilities	(a)	921,963	881,093	921,963	881,093
Subordinated					
Sukuk Murabahah	(b)	1,367,792	1,258,573	-	-
		<u>2,289,755</u>	<u>2,139,666</u>	<u>921,963</u>	<u>881,093</u>

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23. 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 (2019: 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
(v)	400,000	26 March 2020	26 March 2025	26 March 2030	3.75

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

The Bank issued item (v) on 26 March 2020 at 3.75% per annum to replace item (i) with the first call date on 22 April 2020.

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.

24. Other reserves

	Group	
	30.09.2020 RM'000	30.09.2019 RM'000
Capital reserve	6,863	6,863
Warrant reserve	129,300	129,300
FVOCI reserve	243,414	237,307
Translation reserve	(108,600)	(110,719)
Regulatory reserve	-	10,000
Long Term Incentive Plan (LTIP) reserve	12,390	9,670
	283,367	282,421
Acquisition reserve	(1,199,747)	(1,199,747)
	(916,380)	(917,326)

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24. Other reserves (continued)

Group	Capital reserve RM'000	Warrant reserve RM'000	FVOCI reserve RM'000	Translation reserve RM'000	Regulatory reserve RM'000	LTIP reserve RM'000	Total RM'000
At 1 January 2020	6,863	129,300	209,278	(101,554)	25,000	13,839	282,726
Foreign exchange translation differences	-	-	-	(7,046)	-	-	(7,046)
Fair value reserve (debt instruments):							
Net change in fair value	-	-	304,302	-	-	-	304,302
Changes in expected credit losses	-	-	(81)	-	-	-	(81)
Net amount reclassified to profit or loss	-	-	(266,302)	-	-	-	(266,302)
Income tax effect relating to components of other comprehensive income	-	-	(7,388)	-	-	-	(7,388)
Fair value reserve (equity instruments):							
Net change in fair value	-	-	3,605	-	-	-	3,605
Transfer of regulatory reserve to retained earnings	-	-	-	-	(25,000)	-	(25,000)
Share-based payment transactions	-	-	-	-	-	7,512	7,512
LTIP exercised	-	-	-	-	-	(8,961)	(8,961)
At 30 September 2020	6,863	129,300	243,414	(108,600)	-	12,390	283,367

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24. Other reserves (continued)

Group	Capital reserve RM'000	Warrant reserve RM'000	FVOCI reserve RM'000	Translation reserve RM'000	Regulatory reserve RM'000	LTIP reserve RM'000	Total RM'000
At 1 January 2019	6,863	129,300	10,846	(105,973)	10,000	9,949	60,985
Foreign exchange translation differences	-	-	-	(4,746)	-	-	(4,746)
Fair value reserve (debt instruments):							
Net change in fair value	-	-	353,511	-	-	-	353,511
Changes in expected credit losses	-	-	(135)	-	-	-	(135)
Net amount reclassified to profit or loss	-	-	(79,820)	-	-	-	(79,820)
Income tax effect relating to components of other comprehensive income	-	-	(60,723)	-	-	-	(60,723)
Fair value reserve (equity instruments):							
Net change in fair value	-	-	13,628	-	-	-	13,628
Share-based payment transactions	-	-	-	-	-	6,499	6,499
LTIP exercised	-	-	-	-	-	(6,778)	(6,778)
At 30 September 2019	6,863	129,300	237,307	(110,719)	10,000	9,670	282,421

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25. Income derived from investment of depositors' funds

Group	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Income derived from investment of:				
(i) General investment deposits	2,989	4,336	9,868	12,773
(ii) Term deposit-i	398,316	469,416	1,226,635	1,386,946
(iii) Saving and demand deposits	222,603	204,744	673,974	618,265
(iv) Other deposits	11,957	15,908	44,794	71,026
	<u>635,865</u>	<u>694,404</u>	<u>1,955,271</u>	<u>2,089,010</u>

(i) Income derived from investment of general investment deposits

Group	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Finance income and hibah				
Financing, advances and others	2,307	3,622	7,822	10,697
Financial assets:				
- At FVTPL	18	20	68	64
- At FVOCI	219	392	761	1,137
- Other financial assets at amortised cost	-	-	1	2
Money at call and deposit with financial institutions	21	64	114	309
	<u>2,565</u>	<u>4,098</u>	<u>8,766</u>	<u>12,209</u>
Other dealing income				
Net gain from sale of financial assets at FVTPL	23	63	3	136
Net (loss)/gain on revaluation of financial assets at FVTPL	(9)	(19)	(8)	6
	<u>14</u>	<u>44</u>	<u>(5)</u>	<u>142</u>
Other operating income				
Net gain from sale of financial assets at FVOCI	410	194	1,107	422
	<u>410</u>	<u>194</u>	<u>1,107</u>	<u>422</u>
	<u>2,989</u>	<u>4,336</u>	<u>9,868</u>	<u>12,773</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	7	54	59	149
<i>Unwinding of modification loss</i>	12	-	21	-
	<u>19</u>	<u>54</u>	<u>80</u>	<u>149</u>

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

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

Group	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Finance income and hibah				
Financing, advances and others	290,807	382,170	923,606	1,135,069
Financial assets:				
- At FVTPL	2,730	2,387	10,012	7,839
- At FVOCI	34,693	48,847	113,143	139,997
- Other financial assets at amortised cost	-	-	147	181
Money at call and deposit with financial institutions	2,753	6,249	13,972	33,454
	<u>330,983</u>	<u>439,653</u>	<u>1,060,880</u>	<u>1,316,540</u>
Other dealing income				
Net gain from sale of financial assets at FVTPL	3,569	7,812	648	16,852
Net (loss)/gain on revaluation of financial assets at FVTPL	(1,636)	(2,295)	(1,613)	614
	<u>1,933</u>	<u>5,517</u>	<u>(965)</u>	<u>17,466</u>
Other operating income				
Net gain from sale of financial assets at FVOCI	65,400	24,246	166,720	52,940
	<u>65,400</u>	<u>24,246</u>	<u>166,720</u>	<u>52,940</u>
	<u>398,316</u>	<u>469,416</u>	<u>1,226,635</u>	<u>1,386,946</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	1,009	6,728	8,630	18,288
<i>Unwinding of modification loss</i>	1,900	-	3,230	-

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

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

Group	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Finance income and hibah				
Financing, advances and others	162,562	166,819	507,886	506,280
Financial assets:				
- At FVTPL	1,525	1,042	5,508	3,504
- At FVOCI	19,398	21,320	62,273	62,448
- Other financial assets at amortised cost	-	-	85	84
Money at call and deposit with financial institutions	1,542	2,723	7,605	14,866
	185,027	191,904	583,357	587,182
Other dealing income				
Net gain from sale of financial assets at FVTPL	1,980	3,384	334	7,458
Net (loss)/gain on revaluation of financial assets at FVTPL	(924)	(998)	(929)	337
	1,056	2,386	(595)	7,795
Other operating income				
Net gain from sale of financial assets at FVOCI	36,520	10,454	91,212	23,288
	36,520	10,454	91,212	23,288
	222,603	204,744	673,974	618,265
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	559	2,937	4,604	8,154
<i>Unwinding of modification loss</i>	1,058	-	1,825	-

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

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

Group	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	8,675	12,970	34,077	58,309
Financial assets:				
- At FVTPL	82	81	375	403
- At FVOCI	1,019	1,658	4,176	7,163
- Other financial assets at amortised cost	-	-	7	10
Money at call and deposit with financial institutions	78	212	524	1,825
	9,854	14,921	39,159	67,710
Other dealing income				
Net gain/(loss) from sale of financial assets at FVTPL	134	270	(60)	787
Net (loss)/gain on revaluation of financial assets at FVTPL	(26)	(79)	(68)	100
	108	191	(128)	887
Other operating income				
Net gain from sale of financial assets at FVOCI	1,995	796	5,763	2,429
	1,995	796	5,763	2,429
	11,957	15,908	44,794	71,026
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	40	224	332	942
<i>Unwinding of modification loss</i>	69	-	130	-

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26. Income derived from investment account funds

Group	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	42,291	37,709	122,710	109,153
- <i>Wakalah</i>	76,316	60,167	251,038	159,149
Unwinding of modification loss	361	-	903	-
	<u>118,968</u>	<u>97,876</u>	<u>374,651</u>	<u>268,302</u>

27. Income derived from investment of shareholders' funds

Group	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Finance income and hibah				
Financing, advances and others	1,904	1,586	4,632	5,005
Financial assets at FVOCI	47,714	49,224	143,911	141,794
Money at call and deposit with financial institutions	2,508	3,527	9,297	8,005
	<u>52,126</u>	<u>54,337</u>	<u>157,840</u>	<u>154,804</u>
Other dealing income				
Net gain from foreign exchange transactions	8,771	11,213	34,344	40,215
Net gain/(loss) on revaluation of financial assets at FVTPL	6,680	3,329	(2,422)	9,053
Net derivatives gain/(loss)	3	12	28	(43)
	<u>15,454</u>	<u>14,554</u>	<u>31,950</u>	<u>49,225</u>
Other operating income				
Impairment for doubtful debts	(1)	-	-	(1)
Dividend income from debt instruments at FVTPL (unit trust)	198	406	8,138	5,287
Dividend income from equity instruments at FVOCI	-	-	-	259
Income from rebate on investment in unit trust	480	-	480	-
Fees and commission	47,554	48,113	138,290	141,071
Net gain on disposal of property and equipment	1	423	3	422
Rental income	420	353	1,092	1,060
Others	41	82	1,128	371
	<u>48,693</u>	<u>49,377</u>	<u>149,131</u>	<u>148,469</u>
	<u>116,273</u>	<u>118,268</u>	<u>338,921</u>	<u>352,498</u>

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

Company	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Finance income and hibah				
Money at call and deposit with financial institutions	<u>2,039</u>	<u>2,800</u>	<u>7,538</u>	<u>5,702</u>
	2,039	2,800	7,538	5,702
Other dealing income				
Net gain/(loss) on revaluation of financial assets at FVTPL	<u>79</u>	<u>(94)</u>	<u>(42)</u>	<u>192</u>
	79	(94)	(42)	192
Other operating income				
Dividend income from debt instruments at FVTPL (unit trust)	<u>95</u>	<u>260</u>	<u>461</u>	<u>260</u>
Dividend income from subsidiary companies	<u>141,897</u>	<u>160,639</u>	<u>293,751</u>	<u>312,949</u>
Others	<u>1</u>	<u>-</u>	<u>1,007</u>	<u>3</u>
	141,993	160,899	295,219	313,212
	144,111	163,605	302,715	319,106

28. Net earned contributions

Group	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Net earned contributions				
Gross earned contributions	<u>673,868</u>	<u>713,254</u>	<u>1,806,970</u>	<u>2,046,793</u>
Contribution ceded to retakaful	<u>(104,287)</u>	<u>(95,355)</u>	<u>(319,178)</u>	<u>(295,981)</u>
	569,581	617,899	1,487,792	1,750,812

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29. Other income from takaful business

Group	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Other income				
Administration income	21,007	15,021	61,571	48,359
Investment income	87,036	86,177	263,000	253,741
Realised gains and losses	10,444	7,255	31,178	13,759
Fair value gains and losses	24,812	(9,859)	(10,424)	30,788
Other operating income	1,337	1,498	3,080	2,371
	<u>144,636</u>	<u>100,092</u>	<u>348,405</u>	<u>349,018</u>

30. Net benefits, claims and expense reserves

Group	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Net benefits and claims				
Gross benefits and claims paid	(286,473)	(316,305)	(780,932)	(881,745)
Claims ceded to retakaful	55,814	54,701	140,526	157,275
Gross change to contract liabilities	(134,056)	(48,191)	(219,849)	(90,568)
Change to contract liabilities ceded to takaful	116,747	58,455	189,948	87,374
	<u>(247,968)</u>	<u>(251,340)</u>	<u>(670,307)</u>	<u>(727,664)</u>
Expense reserves	<u>(5,346)</u>	<u>(370)</u>	<u>(16,668)</u>	<u>(53,131)</u>
Net benefits, claims and expense reserves	<u>(253,314)</u>	<u>(251,710)</u>	<u>(686,975)</u>	<u>(780,795)</u>

31. Net allowance for impairment on financing and advances

Group	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Net allowance for impairment on financing, advances and others				
- Stage 1	198,909	15,761	257,950	15,754
- Stage 2	(21,198)	2,998	(17,068)	24,769
- Stage 3	(4,231)	44,881	28,749	121,627
Bad debts and financing recovered	(17,953)	(29,583)	(57,425)	(75,275)
	<u>155,527</u>	<u>34,057</u>	<u>212,206</u>	<u>86,875</u>

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32. Income attributable to depositors

Group	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah Fund	1,018	2,080	3,683	6,190
- Non-Mudharabah Fund	210,915	321,250	728,929	970,394
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah Fund	-	81	340	402
Recourse obligations on financing sold to Cagamas	17,776	17,798	53,337	53,412
	<u>229,709</u>	<u>341,209</u>	<u>786,289</u>	<u>1,030,398</u>

33. Income attributable to investment account holders

Group	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts				
- <i>Mudharabah</i>	2,474	2,350	7,939	7,649
- <i>Wakalah</i>	45,274	39,678	161,095	105,669
	<u>47,748</u>	<u>42,028</u>	<u>169,034</u>	<u>113,318</u>

34. Personnel expenses

Group	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	167,814	159,925	478,478	470,255
Employees' Provident Fund	24,020	21,959	68,522	63,029
Directors remuneration	1,792	1,759	6,222	6,942
Others	18,725	18,415	52,279	52,904
	<u>212,351</u>	<u>202,058</u>	<u>605,501</u>	<u>593,130</u>

Company	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	1,163	1,451	2,529	3,813
Employees' Provident Fund	123	128	365	432
Directors remuneration	243	260	1,007	1,148
Others	121	170	315	505
	<u>1,650</u>	<u>2,009</u>	<u>4,216</u>	<u>5,898</u>

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35. Other overhead expenses

Group	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
<i>Promotion</i>				
Advertisement and publicity	41,508	34,841	119,975	118,766
Credit and debit card expenses	10,572	8,888	28,006	23,003
Commission	48,458	49,338	136,518	159,166
	<u>100,538</u>	<u>93,067</u>	<u>284,499</u>	<u>300,935</u>
<i>Establishment</i>				
Depreciation of right-of-use assets	5,114	5,500	15,402	12,645
Depreciation of property and equipment	17,145	16,695	50,816	48,464
Depreciation of investment property	73	73	218	218
Amortisation of intangible assets	9,087	7,458	24,098	22,090
Information technology expenses	14,225	13,106	42,466	35,358
Office rental	8,781	6,921	23,967	24,154
Office maintenance	7,785	7,333	21,718	17,413
Utilities	4,994	5,386	13,635	15,257
Security services	2,443	2,387	7,202	7,066
Rental equipment	1,757	1,539	4,762	4,302
Takaful and insurance	578	1,384	1,429	3,638
Others	248	234	961	972
	<u>72,230</u>	<u>68,016</u>	<u>206,674</u>	<u>191,577</u>
<i>General expenses</i>				
Professional fees	7,853	7,694	27,106	26,051
Outsourcing fees	4,311	3,793	12,179	12,611
Travelling & transport	165	2,696	1,224	7,086
Office supplies	3,108	2,609	8,188	7,816
Subscription fees	1,629	815	5,029	3,411
Auditors' remuneration	629	679	1,854	1,834
Processing charges	388	372	870	908
Others	37,137	37,940	117,630	99,267
	<u>55,220</u>	<u>56,598</u>	<u>174,080</u>	<u>158,984</u>
	<u>227,988</u>	<u>217,681</u>	<u>665,253</u>	<u>651,496</u>

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35. Other overhead expenses (continued)

Company	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
<i>Promotion</i>				
Advertisement and publicity	21	143	1,090	307
	<u>21</u>	<u>143</u>	<u>1,090</u>	<u>307</u>
<i>Establishment</i>				
Depreciation of property and equipment	29	23	86	68
Information technology expenses	49	15	80	48
Office rental	262	265	791	797
Office maintenance	5	7	11	14
Utilities	6	6	15	20
Rental equipment	19	23	66	71
Takaful and insurance	29	29	85	85
	<u>399</u>	<u>368</u>	<u>1,134</u>	<u>1,103</u>
<i>General expenses</i>				
Professional fees	485	77	1,001	339
Travelling & transportation	1	9	5	19
Office supplies	6	19	17	38
Subscription fees	2	-	3	3
Auditors' remuneration	44	61	132	183
Others	222	361	772	1,334
	<u>760</u>	<u>527</u>	<u>1,930</u>	<u>1,916</u>
	<u>1,180</u>	<u>1,038</u>	<u>4,154</u>	<u>3,326</u>

36. Finance cost

Group	Note	3 months ended		9 months ended	
		30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Finance cost:					
- Sukuk liabilities		30,091	30,190	91,325	89,587
- Profit expense on leases	16	4,483	4,602	13,488	13,628
		<u>34,574</u>	<u>34,792</u>	<u>104,813</u>	<u>103,215</u>

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36. Finance cost (continued)

Company	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Finance cost:				
- Sukuk liabilities	<u>13,723</u>	<u>13,255</u>	<u>40,870</u>	<u>39,333</u>
	13,723	13,255	40,870	39,333

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37. 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.

3 months ended 30 September 2020	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	868,460	460,902	2,647	-	1,332,009
Inter-segment revenue	7,633	8,057	144,115	(159,805)	-
Total revenue	876,093	468,959	146,762	(159,805)	1,332,009
Net income from operations (before allowance for impairment on financing and other assets)	591,375	269,686	146,762	(152,544)	855,279
Operating overheads	(276,975)	(171,825)	(5,870)	9,954	(444,716)
Operating results	314,400	97,861	140,892	(142,590)	410,563
Allowance for impairment	(155,581)	-	(41,165)	41,165	(155,581)
Finance cost	(21,502)	(27)	(13,738)	693	(34,574)
Profit before zakat and taxation	137,317	97,834	85,989	(100,732)	220,408

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37. Operating segment information (continued)

3 months ended 30 September 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	908,200	466,280	2,460	-	1,376,940
Inter-segment revenue	7,789	7,879	237,415	(253,083)	-
Total revenue	915,989	474,159	239,875	(253,083)	1,376,940
Net income from operations (before allowance for impairment on financing and other assets)	525,337	290,971	166,142	(171,935)	810,515
Operating overheads	(260,478)	(168,014)	(6,167)	10,603	(424,056)
Operating results	264,859	122,957	159,975	(161,332)	386,459
Allowance for impairment	(33,864)	-	-	-	(33,864)
Finance cost	(22,204)	-	(13,281)	693	(34,792)
Profit before zakat and taxation	208,791	122,957	146,694	(160,639)	317,803

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37. Operating segment information (continued)

9 months ended 30 September 2020	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	2,563,266	1,149,221	8,285	-	3,720,772
Inter-segment revenue	20,122	26,124	301,964	(348,210)	-
Total revenue	2,583,388	1,175,345	310,249	(348,210)	3,720,772
Net income from operations (before allowance for impairment on financing and other assets)	1,603,456	799,708	310,249	(323,601)	2,389,812
Operating overheads	(801,832)	(489,690)	(17,370)	27,786	(1,281,106)
Operating results	801,624	310,018	292,879	(295,815)	1,108,706
Allowance for impairment	(209,392)	-	(41,165)	41,165	(209,392)
Finance cost	(65,952)	(62)	(40,863)	2,064	(104,813)
Profit before zakat and taxation	526,280	309,956	210,851	(252,586)	794,501
Segment assets	69,542,925	11,340,285	6,077,537	(6,711,021)	80,249,726
Segment liabilities	63,419,732	9,826,649	937,140	(1,103,163)	73,080,358

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37. Operating segment information (continued)

9 months ended 30 September 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	2,702,640	1,319,034	7,515	-	4,029,189
Inter-segment revenue	22,815	21,366	393,421	(437,602)	-
Total revenue	2,725,455	1,340,400	400,936	(437,602)	4,029,189
Net income from operations (before allowance for impairment on financing and other assets)	1,564,114	844,068	400,936	(419,977)	2,389,141
Operating overheads	(761,259)	(508,336)	(18,354)	31,238	(1,256,711)
Operating results	802,855	335,732	382,582	(388,739)	1,132,430
Allowance for impairment	(90,808)	-	-	-	(90,808)
Finance cost	(65,855)	-	(39,417)	2,057	(103,215)
Profit before zakat and taxation	646,192	335,732	343,165	(386,682)	938,407
Segment assets	65,527,635	10,173,562	5,927,607	(6,363,032)	75,265,772
Segment liabilities	59,946,195	8,855,641	897,538	(1,002,937)	68,696,437

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38. Valuation of property and equipment

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

39. Changes in composition of the Group

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

40. Fair value of financial instruments

Fair value hierarchy

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

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes profit rates swap and structured debt. The sources of input parameters include Bank Negara Malaysia ("BNM") indicative yields.
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The table does not include those short-term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values.

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40. Fair value of financial instruments (continued)

Fair value information

30.09.2020 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	533,015	1,546,759	-	2,079,774	-	-	-	-	2,079,774	2,079,774
Derivative financial assets	-	24,629	-	24,629	-	-	-	-	24,629	24,629
Financial assets at FVOCI	12,583	16,919,885	683,343	17,615,811	-	-	-	-	17,615,811	17,615,811
Financing, advances and others	-	-	-	-	-	-	56,992,190	56,992,190	56,992,190	53,838,749
Total assets	545,598	18,491,273	683,343	19,720,214	-	-	56,992,190	56,992,190	76,712,404	73,558,963
Financial liabilities										
Derivative financial liabilities	-	51,847	-	51,847	-	-	-	-	51,847	51,847
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	1,582,560	1,582,560	1,582,560	1,501,187
Sukuk liabilities	-	-	-	-	-	-	2,371,453	2,371,453	2,371,453	2,289,755
Total liabilities	-	51,847	-	51,847	-	-	3,954,013	3,954,013	4,005,860	3,842,789
30.09.2020 Company										
Financial assets										
Financial assets at FVTPL	7,536	-	-	7,536	-	-	-	-	7,536	7,536
Total assets	7,536	-	-	7,536	-	-	-	-	7,536	7,536
Financial liabilities										
Sukuk liabilities	-	-	-	-	-	-	984,755	984,755	984,755	921,963
Total liabilities	-	-	-	-	-	-	984,755	984,755	984,755	921,963

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40. Fair value of financial instruments (continued)

Fair value information (continued)

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

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40. Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the nine months ended 30 September 2020 for the Group:

<i>Financial assets at FVOCI</i>	Group	
	RM'000 30.09.2020	RM'000 31.12.2019
At 1 January 2020/2019	568,833	341,697
Purchases	100,000	205,844
Disposal	(4,111)	(15,842)
Gains recognised in profit or loss		
- Investment income - realised	20,775	20,020
Gains recognised in other comprehensive income		
- Net change in fair value (unrealised)	(2,154)	17,114
At 30 September 2020/31 December 2019	683,343	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% (2019: 4.58%)	The estimated fair value would increase (decrease) if the discount rate were (lower) higher.

(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.

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40. Fair value of financial instruments (continued)

(b) Financial instruments not carried at fair value (continued)

(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.

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

Group	30.09.2020				
	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
Items					
Foreign exchange related contracts					
- forwards	2,595,624	299,279	733,295	1,428,067	134,983
- swaps	3,097,972	2,332,133	-	650,883	114,956
- spot	497,771	497,771	-	-	-
Total	6,191,367	3,129,183	733,295	2,078,950	249,939

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk transactions may be reduced through offsetting on and off-balance sheet positions. As at 30 September 2020, the amount of contracts which were not hedged and, hence, exposed to market risk was RM655.27 million (31 December 2019: RM580.44 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. This amount will increase or decrease over the life of the contracts, maturity dates and rates or prices. As at 30 September 2020, the credit risk measured in terms of the cost to replace the profitable contracts, was RM92.77 million (31 December 2019: RM79.77 million).

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42. 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:

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
As at 30.09.2020				
<i>Credit-related Exposures</i>				
Direct credit substitutes	378,784		378,784	374,266
Transaction related contingent items	871,494		435,747	422,311
Short term self-liquidating trade related contingencies	701,740		140,348	138,858
Other commitments, such as formal standby facilities and credit lines with an original maturity of exceeding one year	1,054,297		527,149	412,934
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	8,722,005		-	-
	11,728,320		1,482,028	1,348,369
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- Less than one year	6,191,367	22,135	86,780	48,777
Profit rate related contracts				
- One year to less than five years	122,487	2,494	5,986	4,516
	6,313,854	24,629	92,766	53,293
	18,042,174	24,629	1,574,794	1,401,662

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42. 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 31.12.2019				
<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

43. 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 Risk-Weighted Assets). The Group has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

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43. Capital adequacy (continued)

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

Group	30.09.2020	31.12.2019
	%	%
Common Equity Tier I ("CET I") Capital Ratio	13.017	12.656
Total Tier I Capital Ratio	13.017	12.656
Total Capital Ratio	17.534	17.052

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

Group	30.09.2020	31.12.2019
	RM'000	RM'000
Paid-up share capital	4,412,261	4,307,819
Retained earnings	2,206,321	1,924,475
Other reserves	(950,506)	(946,505)
<u>Less:</u>		
Investment in subsidiary	(99,053)	(99,053)
Deferred tax assets	(88,770)	(34,431)
Gain on financial instruments classified as fair value through other comprehensive income	(122,393)	(107,543)
Regulatory reserve	-	(25,000)
Total CET I and Tier I Capital	5,357,860	5,019,762
Sukuk Murabahah	1,400,000	1,300,000
Collective assessment allowance and regulatory reserve [^]	459,433	443,476
Total Tier II Capital	1,859,433	1,743,476
Total Capital	7,217,293	6,763,238

[^] 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:

Group	30.09.2020	31.12.2019
	RM'000	RM'000
Credit risk	45,838,547	42,746,503
Less: Credit risk absorbed by unrestricted investment accounts	(9,083,940)	(7,268,408)
	36,754,607	35,478,095
Market risk	655,270	580,444
Operational risk	3,751,527	3,603,044
	41,161,404	39,661,583

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

B1. Performance review for the nine months ended 30 September 2020

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

	Cumulative Period		Variance	
	Current Year To-date	Preceding Year Corresponding Period		
	RM'000	30.09.2020	30.09.2019	
Revenue	3,720,772	4,029,189	(308,417)	-7.65
Operating Profit	1,108,706	1,132,430	(23,724)	-2.09
Profit Before Zakat and Taxation	794,501	938,407	(143,906)	-15.34
Profit After Zakat and Taxation	603,677	724,365	(120,688)	-16.66
Profit Attributable to Equity Holders of the Parent	498,073	606,062	(107,989)	-17.82

Table 1: Financial review for financial year to date

BIMB Holdings Berhad ("BHB") Group reported Profit Before Zakat and Taxation ("PBZT") for the nine months ended 30 September 2020 of RM794.5 million, representing a decrease of 15.3% or RM143.9 million as compared to the corresponding period in 2019 of RM938.4 million.

At the operating profit level, the Group's operating profit of RM1,108.7 million was lower by RM23.7 million or 2.1% compared to the corresponding period in 2019 of RM1,132.4 million.

The net profit attributable to shareholders decreased by 17.8% or RM108.0 million to RM498.1 million as compared to the corresponding period in 2019 of RM606.1 million.

BHB Group registered a Return on Equity ("ROE") of 11.7% (after tax and zakat). Net assets per share has improved to RM3.64 as at 30 September 2020 compared to RM3.34 as at 31 December 2019.

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").

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B1. Performance review for the nine months ended 30 September 2020 (continued)

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

Bank Islam Malaysia Berhad

For the nine months ended 30 September 2020, Bank Islam reported a PBZT of RM526.3 million or a decrease of 18.6% for the nine months ended 30 September 2020 compared to the previous corresponding period. The decrease was mainly due to lower financing income arising from multiple Overnight Profit Rate ("OPR") reductions and recognition of modification loss due to payment moratorium.

The Group has also maintained its prudence stand with regards to the market outlook. A pre-emptive impairment provision in the form of management overlay has been made during the quarter in consideration of the challenging economic environment.

The non-fund based income increased by RM137.6 million for the nine months ended 2020 compared to nine months ended 2019, which was mainly due to higher investment income.

The higher overheads by RM40.6 million was mainly due to higher staff costs and general expenses by RM25.2 million and RM17.1 million respectively.

The Bank recorded net allowance charged for impairment on financing and advances of RM212.2 million for nine months ended 2020 compared to RM86.9 million in the nine months ended 2019, higher by RM125.3 million. The increase in net allowance charged was mainly attributed to higher net allowance charged for impairment on financing by RM107.4 million.

The Bank's total assets stood at RM69.5 billion as at 30 September 2020, a year-on-year increase by RM4.0 billion from RM65.5 billion reported as at 30 September 2019 which was mainly contributed by the increase in net financing by RM5.6 billion. The overall increase however was partly offset with lower statutory deposits with Bank Negara Malaysia of RM1.4 billion.

As at end of September 2020, customer deposits and investment accounts stood at RM58.9 billion with a year-on-year increase by RM2.9 billion or 5.2%. Total current and saving accounts and transactional investment accounts ("CASATIA") composition is at healthy level of 37.3% of total customer deposits and investment accounts.

Total gross impaired financing as at 30 September 2020 was RM328.9 million compared to RM541.4 million as at 30 September 2019.

Syarikat Takaful Malaysia Keluarga Berhad

For the nine months ended 30 September 2020, Takaful Malaysia recorded PBZT of RM309.6 million, lower as compared to RM332.2 million in the same period last year. The decrease in profit was mainly attributable to lower net Wakalah fee income, which is in line with the lower productions from Family Takaful products.

Takaful Malaysia recorded operating revenue of RM2,182.2 million for the financial period ended 30 September 2020, lower as compared to of RM2,344.7 million as compared to the same period last year. The decrease was mainly attributable to lower sales generated from Family Takaful business.

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B1. Performance review for the nine months ended 30 September 2020 (continued)

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

Syarikat Takaful Malaysia Keluarga Berhad (continued)

Family Takaful business generated gross earned contributions of RM1,255.8 million for the nine months ended 30 September 2020, lower as compared to RM1,511.1 million in the corresponding period last year. This was due to lower sales from credit-related products and group medical products as the business activities have been impacted by the Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") over the period of 84 days arising from the COVID-19 pandemic.

The net benefits and claims for Family Takaful business decreased by 6.8% to RM551.0 million for the nine months ended 30 September 2020 from RM591.4 million in the same period of the preceding year. The decrease was mainly attributable to lower medical claims.

Investment income for the Family Takaful business increased by 4.2% to RM216.0 million as compared to RM207.2 million in the same period of the preceding year, mainly due to higher profit from fixed income investment.

For the nine months ended 30 September 2020, Family Takaful recorded fair value losses of RM10.1 million, decreased by RM36.6 million as compared to fair value gains of RM26.5 million in the same period of the preceding year. The fair value losses were mainly due to equity market performance.

General Takaful business generated gross earned contributions of RM556.4 million for the nine months ended 30 September 2020, higher by 2.6% as compared to RM542.4 million in the corresponding period last year. The growth was mainly attributable to motor class.

The net benefits and claims for General Takaful business decreased by 10.2% to RM132.2 million for the nine months ended 30 September 2020 from RM147.3 million in the same period of the preceding year, mainly due to lower claims relating to motor class.

The investment income for the nine months ended 30 September 2020 was RM23.3 million, at par as compared to the same period of the preceding year of RM23.5 million.

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B1. Performance review for the nine months ended 30 September 2020 (continued)

Current Quarter vs. Previous Year Corresponding Quarter

	Individual Period		Variance	
	Current Year Quarter	Preceding Year Corresponding Quarter		
	RM'000	30.09.2020	30.09.2019	Amount
Revenue	1,332,009	1,376,940	(44,931)	-3.26
Operating Profit	410,563	386,459	24,104	6.24
Profit Before Zakat and Taxation	220,408	317,803	(97,395)	-30.65
Profit After Zakat and Taxation	169,510	254,547	(85,037)	-33.41
Profit Attributable to Equity Holders of the Parent	135,810	208,384	(72,574)	-34.83

Table 2: Financial review for current quarter

For the third quarter ended 30 September 2020 ("Q3 2020"), the Group registered PBZT of RM220.4 million, a decrease of 30.7% or RM97.4 million as compared to the previous year corresponding quarter ("Q3 2019") of RM317.8 million.

Net profit attributable to shareholders also decreased by 34.8% or RM72.6 million over the same period to RM135.8 million.

Bank Islam Malaysia Berhad

For Q3 2020, Bank Islam reported PBZT of RM137.3 million, a decrease of RM71.5 million or 34.2% over the PBZT in Q3 2019 of RM208.8 million. The decrease in PBZT was mainly due to higher net allowance for impairment on financing and advances.

Gross fund based income decreased by RM103.1 million or -12.8% due to multiple reduction of OPR during the year, although there is a growth of a 12.0% Y-o-Y increase in gross financing, whilst IATD lower by 32.1% compared to Q3 2019. The non-fund based income increased by RM63.2 million for the Q3 2020 compared to Q3 2019, which was mainly due to higher investment income.

For Q3 2020, the Bank recorded net allowance charged for impairment on financing and advances of RM155.5 million compared to RM34.1 million in Q3 2019. The increase in net allowance charged was mainly contributed by higher impairment of on financing, advances and others by RM109.8 million.

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B1. Performance review for the nine months ended 30 September 2020 (continued)

Current Quarter vs. Previous Year Corresponding Quarter (continued)

Syarikat Takaful Malaysia Keluarga Berhad

For Q3 2020, Takaful Malaysia recorded PBZT of RM97.8 million, lower as compared to RM121.8 million in Q3 2019. The decrease in profit was mainly attributable to lower net Wakalah fee income, which is in line with the lower productions from Family Takaful products.

For Q3 2020 under review, Takaful Malaysia generated Operating Revenue of RM753.5 million at par as compared to Q3 2019.

For Q3 2020 under review, Family Takaful business recorded gross earned contributions of RM483.7 million as compared to RM543.7 million in Q3 2019. The decrease is mainly attributable to lower sales from credit-related products as the business has been impacted by the COVID-19 pandemic.

Family Takaful business recorded net benefits and claims of RM200.9 million, a decrease of 2.9% as compared to Q3 2019. The decrease was mainly due to lower medical claims.

For Q3 2020 under review, General Takaful business generated gross earned contributions of RM191.6 million, increased by 11.5% as compared to RM171.9 million in Q3 2019. The increase was mainly attributable to motor class.

General Takaful business recorded net benefits and claims of RM51.8 million for Q3 2020, higher as compared to Q3 2019. The increase was mainly due to higher claims relating to motor class.

B2. Comparison with the preceding quarter's results for the three months performance (Third Quarter 2020 vs. Second Quarter 2020)

	Current Quarter	Immediate Preceding Quarter	Variance	
	30.09.2020	30.06.2020	Amount	%
RM'000				
Revenue	1,332,009	1,144,691	187,318	16.36
Operating Profit	410,563	310,901	99,662	32.06
Profit Before Zakat and Taxation	220,408	252,260	(31,852)	-12.63
Profit After Zakat and Taxation	169,510	183,932	(14,422)	-7.84
Profit Attributable to Equity Holders of the Parent	135,810	153,026	(17,216)	-11.25

Table 3: Financial review for current quarter compared with immediate preceding quarter

For the third quarter ended 30 September 2020 ("Q3 2020"), the BHB Group reported PBZT of RM220.4 million against a PBZT of RM252.3 million achieved in the immediate preceding quarter ended 30 June 2020 ("Q2 2020"), a decrease of RM31.9 million or 12.6%.

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B2. Comparison with the preceding quarter's results for the three months performance (Third Quarter 2020 vs. Second Quarter 2020) (continued)

At the operating profit level, the Group's operating profit for Q3 2020 of RM410.6 million was higher by RM99.7 million or 32.1% as compared to Q2 2020 of RM310.9 million.

Bank Islam Malaysia Berhad

For Q3 2020, the Bank registered PBZT of RM137.3 million, a decrease of RM30.1 million or 18.0% over the PBZT in Q2 2020 of RM167.4 million. The decrease in PBZT was mainly due to higher net allowance for impairment on financing and advances of RM129.6 million and further increase in total overheads of RM 24.4 million.

Syarikat Takaful Malaysia Keluarga Berhad.

For Q3 2020, Takaful Malaysia registered PBZT of RM97.8 million, as par as compared to Q2 2020 of RM97.6 million.

For Q3 2020, Takaful Malaysia generated Operating Revenue of RM753.5 million, higher by 46.1% as compared to RM515.7 million in Q2 2020. The increase is mainly attributable to higher sales generated from Family Takaful and General Takaful business as the business has been fully resumed subsequent to the CMCO period.

Family Takaful business recorded gross earned contributions of RM483.7 million, increased by 75.4% as compared to RM275.8 million in Q2 2020. The increase was mainly attributable to higher sales from credit-related product.

For Q3 2020, Family Takaful business recorded net benefits and claims of RM200.9 million, increase as compared to Q2 2020 of RM135.5 million. The increase was mainly due to higher death, surrender and medical claims.

For Q3 2020, General Takaful business generated gross earned contributions of RM191.6 million, higher as compared to RM162.8 million in Q2 2020. The increase was mainly contributed from fire, motor and commercial classes.

For Q3 2020, General Takaful business recorded net benefits and claims of RM51.8 million, higher as compared to RM22.8 million in Q2 2020. The increase was mainly due to higher claims relating to motor class.

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B3. Prospects for 2020

Bank Islam Malaysia Berhad

Against the backdrop of a pandemic, Malaysia's GDP has contracted by 17.1% in 2Q2020. Nevertheless, the Department of Statistics Malaysia ("DOSM") believe the Malaysia's 3Q2020 economic activity outcome is expected to improve, given the government's various stimulus packages, stronger Leading Index and decreasing Unemployment Rate at 4.7% in July (June: 4.9%) which suggest an economic recovery in the near term. This is seconded by the IMF, World Bank and BNM's 2021 GDP projection which reside within the range of 5.5% to 8.0%. In its recent rating action, the S&P Global Ratings affirmed Malaysia's long and short term foreign currency sovereign credit ratings at "A-/A-2" on the back of stable economic growth.

Despite the OPR maintaining at 1.75% in September, the Malaysian banks across the board such as Bank Islam, Hong Leong Bank and RHB Bank do not foresee any future OPR cut for 2020. Research house CGS-CIMB mentioned that for every 25bp OPR cut, it would trim banks' 2021 forecast net profit by 0.2%. Banking Industry's financing growth has softened at 4.4% y-o-y in Aug'20 (Jul'20: 4.5% y-o-y), mainly from the non-household financing segment of 3.7% y-o-y in Aug'20 (Jul'20: 4.7% y-o-y). Though the gross impaired financing ("GIF") continued to improve at 1.40% in Aug'20 (Jul'20: 1.43%), we should be cautious of suppressed impacts of the extension of loan moratorium and targeted assistance.

At this juncture, Bank Islam has been persevering in producing sustainable financial results that are within the industry's average, cognisant of and leveraging on low interest rate environment. The Bank has also maintained its prudence stand with regards to the market outlook. A pre-emptive impairment provision in the form of management overlay has been made during the quarter in consideration of the challenging economic environment. The Bank has not only been continuing its support in empowering the people of the Bank by allowing flexible working arrangements and holding town halls, but also not forgetting the communities, the Bank has been proactively engaging with customers on deferment of moratorium repayment, progressively implementing iTEKAD microfinancing programme, and increasing collaborations with social organisations via AMAL initiatives. In paving the way for preservation and creation of wealth, the world's first Shariah Sustainability Robo Intelligence Investing app called the "BEST Invest" has been launched by BIMB Investment Berhad, the Bank's subsidiary. With a minimum initial investment of RM10, the app aims to maximise returns and manage investment risks over time. Embracing digitalisation amidst the pandemic crisis which urges cashless payments and deliveries, the Bank leverages on Mobile GO Banking app to enhance customer experience. Acknowledging the uncertain path lying ahead and the need to be agile, Bank Islam aims to carry on with its strategic direction whilst emphasising on its support of real economy, maintaining sustained business growth, giving continuous support to the underprivileged communities and the community as a whole, protecting consumers' financial viability whilst leveraging on digitalisation to enable the process. Despite the hurdles, the Bank continues its 2020 initiatives towards preserving sustainability for the business and all stakeholders.

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B3. Prospects for 2020 (continued)

Syarikat Takaful Malaysia Keluarga Berhad

The COVID-19 pandemic and associated economic impact are posing some challenges and many uncertainties to the Malaysian economy and insurance and takaful industry. The Group is adjusting for a very different market and operating landscape as concerns on job security remain heightened and consumers will be more cautious on their spending. It is expected that economic activities will take some time to recover. Amid the uncertainties in current economic environment to support business expansion, the Group remains vigilant and cautious in managing business growth and risk profile of our portfolio.

As a pioneer and early adopter of online distribution and new digital technologies in supporting our distribution channels, we are able to eliminate some sales and operational challenges faced during the COVID-19 pandemic period. Particularly, we have a wide range of online takaful products that customers can easily access our affordable online insurance solutions at their fingertips especially during the COVID-19 outbreak. We have increased our presence in the social media to cross sell our online products especially targeting the customers who may not have access to intermediaries for face to face selling.

To sustain its market leading position and to support business growth and customer centricity, the Group will continue with its innovative strategies via the implementation of its digital strategy, online solutions and digital ecosystem, expansion of its distribution capabilities, strategic partnerships with leading Islamic banks and brand awareness initiatives.

B4. Variance from profit forecast and profit guarantee

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

B5. Tax expense

Major components of tax expense

Group	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
Malaysia				
Current year	97,734	77,145	241,663	238,444
Over provision in prior years	(1,205)	(6,664)	(1,212)	(6,655)
Deferred tax expense:				
Origination and reversal of temporary differences	(49,719)	(11,362)	(62,436)	(30,110)
Under provision in prior years	-	-	652	12
	<u>46,810</u>	<u>59,119</u>	<u>178,667</u>	<u>201,691</u>

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B5. Tax expense (continued)

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

Group	3 months ended		9 months ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Profit before tax	220,408	317,803	794,501	938,407
Income tax calculated using				
Malaysian tax rate of 24%	52,898	76,273	190,680	225,218
Non-deductible expenses	18,798	20,610	58,538	63,156
Non-deductible Sukuk's finance cost	3,294	3,181	9,809	9,440
Non-taxable income	(26,975)	(34,281)	(79,800)	(89,480)
	48,015	65,783	179,227	208,334
Over provision in prior years	(1,205)	(6,664)	(1,212)	(6,655)
Under provision of deferred tax	-	-	652	12
Tax expense	46,810	59,119	178,667	201,691

The Inland Revenue Board ("IRB") had, on 8 September 2017, issued to Takaful Malaysia notices of additional assessment (i.e. Form JA) for the years of assessment ("YA") 2012, 2013, and 2014. The additional tax payable by Takaful Malaysia under the above-mentioned notices is RM12,561,630.50. As a result of the above, IRB had also treated the tax returns made by Takaful Malaysia for the above years of assessment as incorrect, and imposed a penalty of RM6,200,802.97 to Takaful Malaysia.

Takaful Malaysia has paid the additional tax on 4 October 2017 and submitted an appeal (Form Q) to Special Commissioner of Income Tax against the notice of assessment on 5 October 2017.

Takaful Malaysia is of the view that there are strong justifications for its appeal against certain matters raised by IRB and have treated the related tax payment of RM16,741,000 as tax recoverable.

The case has fixed for hearing on 1st and 2nd September 2021.

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B5. Tax expense (continued)

Major components of tax expense

Company	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense	<u>780</u>	<u>(93)</u>	<u>1,781</u>	<u>1,347</u>
	<u>780</u>	<u>(93)</u>	<u>1,781</u>	<u>1,347</u>

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

Company	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax	<u>101,059</u>	<u>147,303</u>	<u>226,976</u>	<u>270,549</u>
Income tax calculated using				
Malaysian tax rate of 24%	24,254	35,353	54,474	64,932
Non-deductible expenses	7,339	(34)	8,109	2,191
Non-deductible Sukuk's finance cost	3,294	3,181	9,809	9,440
Non-taxable income	<u>(34,107)</u>	<u>(38,593)</u>	<u>(70,611)</u>	<u>(75,216)</u>
Tax expense	<u>780</u>	<u>(93)</u>	<u>1,781</u>	<u>1,347</u>

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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.

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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.

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

	Group	
	30.09.2020	30.09.2019
	RM'000	RM'000
Deposits from customers		
Mudharabah and Tawarruq term deposits and Negotiable Islamic Debt Certificates		
- One year or less (short-term)	26,240,933	30,294,795
- More than one year (medium/long-term)	1,973,120	2,802,155
	28,214,053	33,096,950
Current accounts	11,143,222	9,588,540
Savings accounts	6,086,085	4,751,889
Others	107,445	105,149
Total deposits	45,550,805	47,542,528
Investment accounts of customers		
- One year or less (short-term)	12,332,937	7,509,844
	12,332,937	7,509,844

RM'000	As at 30.09.2020		
	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	1,909,319	380,436	2,289,755
- Sukuk liabilities	909,319	12,644	921,963
- Subordinated Sukuk Murabahah	1,000,000	367,792	1,367,792

RM'000	As at 30.09.2019		
	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	2,120,891	37,957	2,158,848
- Sukuk liabilities	870,891	12,601	883,492
- Subordinated Sukuk Murabahah	1,250,000	25,356	1,275,356

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

The borrowings comprise the following:

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

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

The current nominal value of the Sukuk Murabahah is RM1.05 billion (2019: 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
(v)	400,000	26 March 2020	26 March 2025	26 March 2030	3.75

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

The Bank issued item (v) on 26 March 2020 at 3.75% per annum to replace item (i) with the first call date on 22 April 2020.

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B9. Material litigation

- (a) 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 had filed the application to amend Writ of Summons and Statement of Claim ("the Application").

On 7 August 2019, the High Court ("HC") had 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 had filed an application for striking out Order 18 ("O.18").

On 6 July 2020, the HC had fixed the hearing for Bank Islam's preliminary objection ("Bank Islam's PO") against the Plaintiff's Further Affidavit in Reply due to the said affidavit was filed beyond 14 days and in contrary with service of affidavit (Order 32 ("O.32")) and O.18.

On 13 July 2020, the HC had allowed O.18 with cost of RM7,500.00 and Bank Islam's PO was dismissed.

On 29 July 2020, the Plaintiff had filed an appeal to the Court of Appeal ("COA") against the HC's decision.

On 27 October 2020, the COA had fixed for case management on 15 December 2020 for Plaintiff/Appellant to update the Court on the status of grounds of judgement from Alor Setar, High Court.

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B9. Material litigation (continued)

- (b) 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 had filed an application for summary judgment (Order 14 ("O.14")). On 18 November 2019, Bank Islam had filed an application for striking out against the Defendants' Counter Claim (Order 18 ("O.18")).

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

On 1 July 2020, the HC had allowed Bank Islam's application on O.14, O.18 and the Defendants' Application was dismissed.

Hence, the Summary Judgment was recorded against the Defendants and the Defendants' Counter Claim was struck out.

On 9 July 2020, the Defendants had filed an appeal to Court of Appeal against the HC's decision.

On 19 August 2020, the Defendants had filed the application for stay of execution against the HC's decision.

On 1 October 2020, the HC had allowed the application with costs to be borne by Defendants.

On 27 October 2020, the Court of Appeal ("COA") had fixed for hearing (on the appeal) on 7 July 2021 and instructed the parties to file common bundle, written submissions and bundle of authorities by 16 June 2021.

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B10. Dividend

- (a) On 21 January 2020, the Company had paid a dividend of 16.00 sen per ordinary share totalling RM282.3 million in respect of the financial year ended 31 December 2019. From the total dividend amount, approximately 63% or RM177.84 million was distributed as cash dividend whilst the remaining 37% 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.
- (b) i) An interim single tier dividend of 12.60 sen per ordinary share amounting to RM225,959,816 based on the outstanding issued share capital as at 30 September 2020, has been declared by the directors. The entire interim dividend is applicable for the Dividend Reinvestment Plan ("DRP"). In the event that new BIMB Holdings Berhad ("BHB") shares are allotted by the book closing date arising from the full exercise of the outstanding warrants, the proposed interim dividend will translate into dividend of 10.18 sen per ordinary share.
- ii) Amount per share : Single tier dividend of 12.60 sen.
- iii) Previous corresponding period: Single tier dividend of 16.00 sen.
- iv) Payment date : Tentatively end January 2021, subject to approval by relevant authorities.
- v) Entitlement to dividend will be determined on the basis of the record of shareholders as at book closing date, before or on 31 December 2020.

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		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Net profit for the period under review attributable to equity holders of the parent	135,810	208,384	498,073	606,062
Number of ordinary shares	1,792,664	1,764,283	1,792,664	1,764,283
Number of average ordinary shares	1,792,664	1,764,283	1,790,489	1,756,771
Earnings per share (sen)	7.58	11.81	27.82	34.50

Diluted earnings per share

There is no dilution due to the Company's warrants, as the warrants are currently out-of-money in view that the exercise price for each warrant is higher than the closing market price of the Company's shares as at 30 September 2020.

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B12. Economic profit statement

Group	3 months ended		9 months ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Net operating profit after zakat & tax (NOPAT)				
Profit before zakat and taxation (PBZT)	220,408	317,803	794,501	938,407
Zakat & Taxation	(50,898)	(63,256)	(190,824)	(214,042)
NOPAT	169,510	254,547	603,677	724,365
Economic charge computation	8,266,874	7,599,485	7,993,503	7,231,776
Average invested capital (excludes the debit balance of the acquisition reserve arising from the acquisition of shares from non-controlling interests)				
Weighted Average Cost of Capital (WACC) (%)	7.86	7.45	7.86	7.45
Economic charge	163,332	142,704	470,359	402,968
Economic profit	6,178	111,843	133,318	321,397

B13. Foreign exchange exposure/hedging policy

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

RM equivalent	As at	
	30.09.2020	31.12.2019
	RM'000	RM'000
USD	(205,135)	(255,546)
EURO	(107,013)	(98,909)
Others	16,617	19,839

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

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B14. Takaful receivables

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

	Family Takaful		General Takaful		Group	
	30.09.2020 RM'000	31.12.2019 RM'000	30.09.2020 RM'000	31.12.2019 RM'000	30.09.2020 RM'000	31.12.2019 RM'000
Non-related parties	192,770	89,682	64,246	113,651	257,016	203,333
Related parties	98	280	-	66	98	346
	192,868	89,962	64,246	113,717	257,114	203,679

- b) The age analysis of takaful receivables as at the end of the reporting period based on days past-due was as follows:

	Family Takaful		General Takaful		Group	
	30.09.2020 RM'000	31.12.2019 RM'000	30.09.2020 RM'000	31.12.2019 RM'000	30.09.2020 RM'000	31.12.2019 RM'000
<u>Days past due</u>						
Current (not past due)	170,619	84,800	64,441	114,150	235,060	198,950
1-30 days	670	921	331	151	1,001	1,072
31-60 days	1,000	1,095	137	192	1,137	1,287
61-90 days	53	90	235	190	288	280
91-180 days	23,124	132	1,346	527	24,470	659
> 180 days	2,801	6,766	1,276	1,256	4,077	8,022
	198,267	93,804	67,766	116,466	266,033	210,270

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B14. Takaful receivables (continued)

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

	Family Takaful		General Takaful		Group	
	30.09.2020 RM'000	31.12.2019 RM'000	30.09.2020 RM'000	31.12.2019 RM'000	30.09.2020 RM'000	31.12.2019 RM'000
Bank Islam Malaysia Berhad	98	3	-	5	98	8

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

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

B15. Material impairment of assets

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

Group	As at 30 September 2020				As at 31 December 2019			
	Carrying value before impairment	Impairment losses	Carrying value after impairment	Market value	Carrying value before impairment	Impairment losses	Carrying value after impairment	Market value
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financing, advances and others	54,848,380	(1,009,631)	53,838,749	56,992,190	50,223,969	(751,447)	49,472,522	52,407,186

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B15. Material impairment of assets (continued)

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

Under collective assessment, the Group applies a three-stage approach to measuring ECL on financial assets measured at amortised cost and FVOCI. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

- i) **Stage 1: 12-months ECL**
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon recognition, the portion of lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.
- ii) **Stage 2: Lifetime ECL - not credit impaired**
For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.
- iii) **Stage 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.

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B16. Derivatives

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

As at 30 September 2020

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	6,191,367	(27,828)
Profit rate related contracts		
- More than 3 years	122,487	610
	6,313,854	(27,218)

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)

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

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

Type of derivatives	3 months ended 30.09.2020 RM'000	9 months ended 30.09.2020 RM'000
<i>Derivative Financial Instruments</i>		
Loss arising from fair value changes from derivatives assets and liabilities	(89)	(265)

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
October 28, 2020