

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 31 December 2020

	Note	Group As at		Company As at	
		31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<u>Assets held for sale</u>					
Cash and short-term funds	8	5,829,142	3,334,771	317,588	2,105
Deposits and placements with banks and other financial institutions	9	2,033,321	2,581,288	-	410,228
Financial assets at fair value through profit or loss (FVTPL)	10	1,993,825	1,494,495	7,555	7,117
Derivative financial assets	11	61,665	33,326	-	-
Financial assets at fair value through other comprehensive income (FVOCI)	12	18,395,952	16,946,884	-	-
Financing, advances and others	13	54,670,635	49,472,522	-	-
Other financial assets at amortised cost	14	686,461	581,203	60,369	103,468
Retakaful assets	15	978,202	755,796	-	-
Statutory deposits with Bank Negara Malaysia		192,425	1,170,136	-	-
Current tax assets		177,417	97,964	92	85
Deferred tax assets		32,981	69,728	10	10
Right-of-use assets	16	229,189	250,443	-	-
Investments in subsidiaries		-	-	5,571,524	5,304,273
Property and equipment		427,027	395,859	381	411
Investment properties		10,472	10,590	-	-
Intangible assets		191,187	68,488	-	-
Total assets held for sale		<u>85,909,901</u>	<u>77,263,493</u>	<u>5,957,519</u>	<u>5,827,697</u>

As disclosed in Note B6 to the financial statements, BIMB Holdings Berhad (“BHB” or “the Company”) had announced and proposed to undertake various proposals which entails the disposal of its equity interest in BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al Ijarah Sdn. Bhd. to Bank Islam Malaysia Berhad (“Bank Islam”), the distribution of its shareholdings in Bank Islam and Syarikat Takaful Malaysia Keluarga Berhad by way of distribution-in-specie to its shareholders, and subsequently the delisting of the Company and issuance of two (2) new BHB shares to Bank Islam such that the BHB will become a wholly-owned subsidiary of Bank Islam. BHB is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/ regulatory authorities.

Consequently, the results of the Group and the Company have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

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.

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 31 December 2020 (continued)

		Group As at		Company As at	
	Note	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<u>Liabilities associated with assets held for sale and equity</u>					
Deposits from customers	17	50,540,345	46,752,714	-	-
Investment accounts of customers	18	12,022,112	9,797,543	-	-
Derivative financial liabilities	11	105,872	36,746	-	-
Bills and acceptances payable		29,621	49,084	-	-
Recourse obligations on financing sold to Cagamas	19	1,501,187	1,501,187	-	-
Other liabilities	20	2,002,120	1,689,741	228,171	284,567
Lease liabilities	16	314,186	328,062	-	-
Takaful contract liabilities	21	9,156,608	8,197,156	-	-
Expense reserves	22	316,728	311,700	-	-
Sukuk liabilities	23	2,633,111	2,139,666	919,947	881,093
Deferred tax liabilities		74,445	-	-	-
Zakat and taxation		60,488	41,751	70	-
Total liabilities associated with assets held for sale		78,756,823	70,845,350	1,148,188	1,165,660
<u>Equity</u>					
Share capital		4,412,261	4,307,819	4,412,261	4,307,819
Reserves		2,092,075	1,586,613	397,070	354,218
Equity attributable to owners of the Company		6,504,336	5,894,432	4,809,331	4,662,037
Non-controlling interests		648,742	523,711	-	-
Total equity		7,153,078	6,418,143	4,809,331	4,662,037
Total liabilities associated with assets held for sale and equity		85,909,901	77,263,493	5,957,519	5,827,697
<u>Restricted investment accounts ("RA") managed by Bank Islam</u>					
	18	11,915	35,062	-	-
Total assets held for sale including RA		85,921,816	77,298,555	5,957,519	5,827,697
Commitments and contingencies	42	20,189,496	17,414,181	-	-
Net assets per share attributable to ordinary equity of the Company (RM)		3.63	3.34	2.68	2.64

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

Condensed Statement of Profit or Loss for the financial year ended 31 December 2020

Group	Note	3 months ended		12 months ended	
		31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<u>Discontinued operations</u>					
Income derived from investment of depositors' funds	25	548,742	668,694	2,504,013	2,757,704
Income derived from investment account funds	26	129,327	116,628	503,978	384,930
Income derived from investment of shareholders' funds	27	113,625	127,330	452,546	479,828
Loss on modification of financial assets		(38,608)	-	(136,380)	-
Net earned contributions	28	578,988	595,019	2,066,780	2,345,831
Other income from takaful business	29	134,294	111,429	482,699	460,447
Net benefits, claims and expense reserves	30	(207,128)	(266,745)	(894,103)	(1,047,540)
Net allowance for impairment on financing and advances, net of recoveries	31	3,535	3,187	(208,671)	(83,688)
Net allowance for impairment on debt instruments		(57)	172	(138)	37
Net allowance for impairment on other assets		-	1	2,895	(3,797)
Direct expenses		(3,308)	(4,359)	(13,660)	(16,444)
Total distributable income		1,259,410	1,351,356	4,759,959	5,277,308
Wakalah fees from restricted investment accounts		97	102	576	446
Income attributable to depositors	32	(199,924)	(330,093)	(986,213)	(1,360,491)
Income attributable to investment account holders	33	(43,036)	(51,569)	(212,070)	(164,887)
Income attributable to Takaful Operator/participants		(241,100)	(168,708)	(616,737)	(665,040)
Total net income		775,447	801,088	2,945,515	3,087,336
Personnel expenses	34	(179,894)	(218,527)	(785,395)	(811,657)
Other overhead expenses	35	(253,891)	(281,051)	(919,144)	(932,547)
		341,662	301,510	1,240,976	1,343,132
Finance cost	36	(38,878)	(34,903)	(143,691)	(138,118)
Profit before zakat and tax		302,784	266,607	1,097,285	1,205,014
Zakat		(898)	91	(13,055)	(12,260)
Tax expense	B5	(37,662)	(55,694)	(216,329)	(257,385)
Profit for the period/year		264,224	211,004	867,901	935,369
Attributable to:					
Owners of the Company		222,174	180,858	720,247	786,920
Non-controlling interests		42,050	30,146	147,654	148,449
Profit for the period/year		264,224	211,004	867,901	935,369
Earnings per share (sen)	B11	12.39	10.25	40.21	44.75

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

Condensed Statement of Other Comprehensive Income for the financial year ended 31 December 2020

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<u>Discontinued operations</u>				
Profit for the period/year	264,224	211,004	867,901	935,369
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	13,843	10,105	6,075	5,547
Movement in fair value reserve (debt instruments):				
Net change in fair value	(51,394)	(18,010)	258,410	346,055
Changes in expected credit losses	(57)	172	(138)	37
Net amount transferred to profit or loss	(6,509)	(17,647)	(273,845)	(97,972)
Income tax effect relating to components of other comprehensive income	12,880	7,683	5,492	(53,040)
	(31,237)	(17,697)	(4,006)	200,627
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit liabilities	(2)	8	(424)	(117)
Movement in fair value reserve (equity instruments):				
Net change in fair value	13,387	(2,187)	16,992	11,441
Other comprehensive income for the period/year, net of tax	(17,852)	(19,876)	12,562	211,951
Total comprehensive income for the period/year	246,372	191,128	880,463	1,147,320
Total comprehensive income attributable to:				
Owners of the Company	205,513	161,997	730,490	989,719
Non-controlling interests	40,859	29,131	149,973	157,601
Total comprehensive income for the period/year	246,372	191,128	880,463	1,147,320

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

Condensed Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2020

Company	Note	3 months ended		12 months ended	
		31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<u>Discontinued operations</u>					
Income derived from investment of shareholders' funds /	27	60,807	102,305	363,522	421,411
Net allowance for impairment on other assets		-	(4,822)	(26,499)	(4,822)
Total distributable income / Total net income		60,807	97,483	337,023	416,589
Personnel expenses	34	(1,380)	(1,522)	(5,596)	(7,420)
Other overhead expenses	35	(1,619)	(1,306)	(5,773)	(4,632)
		57,808	94,655	325,654	404,537
Finance cost	36	(13,865)	(13,352)	(54,735)	(52,685)
Profit before zakat and tax		43,943	81,303	270,919	351,852
Tax expense	B5	(410)	(908)	(2,191)	(2,255)
Profit for the period/year		43,533	80,395	268,728	349,597
Attributable to:					
Owners of the Company		43,533	80,395	268,728	349,597
Profit for the period/year / Total comprehensive income for the period/year attributable to owners of the Company		43,533	80,395	268,728	349,597

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

Condensed Statement of Changes in Equity for the financial year ended 31 December 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			
Discontinued operations						
At 1 January 2020	4,307,819	(917,021)	2,503,634	5,894,432	523,711	6,418,143
Profit for the year	-	-	720,247	720,247	147,654	867,901
Other comprehensive income						
Remeasurement of defined benefit liabilities	-	-	(188)	(188)	(236)	(424)
Currency translation differences in respect of foreign operations	-	6,710	-	6,710	(635)	6,075
Fair value reserve (debt instruments):						
Net change in fair value	-	254,186	-	254,186	4,224	258,410
Changes in expected credit losses	-	(138)	-	(138)	-	(138)
Net amount reclassified to profit or loss	-	(272,811)	-	(272,811)	(1,034)	(273,845)
Income tax effect relating to components of other comprehensive income	-	5,492	-	5,492	-	5,492
Fair value reserve (equity instruments):						
Net change in fair value	-	16,992	-	16,992	-	16,992
Total comprehensive income for the year	-	10,431	720,059	730,490	149,973	880,463
Transfer of regulatory reserve to retained earnings	-	(25,000)	25,000	-	-	-
Dividend paid to shareholders	-	-	(225,876)	(225,876)	-	(225,876)
Non-controlling share of dividend	-	-	-	-	(40,666)	(40,666)
Share-based payment transactions	-	9,809	-	9,809	6,763	16,572
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 31 December 2020	4,412,261	(930,742)	3,022,817	6,504,336	648,742	7,153,078

Note 24

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

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

Condensed Statement of Changes in Equity for the financial year ended 31 December 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 year	-	-	786,920	786,920	148,449	935,369
Other comprehensive income						
Remeasurement of defined benefit liabilities	-	-	(52)	(52)	(65)	(117)
Currency translation differences in respect of foreign operations	-	4,419	-	4,419	1,128	5,547
Fair value reserve (debt instruments):						
Net change in fair value	-	337,413	-	337,413	8,642	346,055
Changes in expected credit losses	-	37	-	37	-	37
Net amount reclassified to profit or loss	-	(97,419)	-	(97,419)	(553)	(97,972)
Income tax effect relating to components of other comprehensive income	-	(53,040)	-	(53,040)	-	(53,040)
Fair value reserve (equity instruments):						
Net change in fair value	-	11,441	-	11,441	-	11,441
Total comprehensive income for the year	-	202,851	786,868	989,719	157,601	1,147,320
Transfer from retained earnings to regulatory reserve	-	15,000	(15,000)	-	-	-
Dividend paid to shareholders	-	-	(282,285)	(282,285)	-	(282,285)
Non-controlling share of dividend	-	-	-	-	(116,948)	(116,948)
Share-based payment transactions	-	10,668	-	10,668	7,277	17,945
Long Term Incentive Plan exercised	-	(6,778)	-	(6,778)	6,778	-
Issue of shares pursuant to Dividend Reinvestment Plan	224,880	-	-	224,880	-	224,880
At 31 December 2019	4,307,819	(917,021)	2,503,634	5,894,432	523,711	6,418,143

Note 24

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(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

Condensed Statement of Changes in Equity for the financial year ended 31 December 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	
Discontinued operations				
At 1 January 2020	4,307,819	129,300	224,918	4,662,037
Profit for the year	-	-	268,728	268,728
Dividend paid to shareholders	-	-	(225,876)	(225,876)
Issue of shares pursuant to Dividend Reinvestment Plan	104,442	-	-	104,442
At 31 December 2020	4,412,261	129,300	267,770	4,809,331

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 year	-	-	349,597	349,597
Dividend paid to shareholders	-	-	(282,285)	(282,285)
Issue of shares pursuant to Dividend Reinvestment Plan	224,880	-	-	224,880
At 31 December 2019	4,307,819	129,300	224,918	4,662,037

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(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

Condensed Statement of Cash Flows for the financial year ended 31 December 2020

	Group		Company	
	12 months ended		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
<u>Discontinued operations</u>				
Cash flows from operating activities				
Profit before zakat and tax	1,097,285	1,205,014	270,919	351,852
Adjustments for:				
Depreciation of right-of-use assets	20,577	17,532	-	-
Depreciation of property and equipment	68,786	65,642	114	96
Depreciation of investment properties	114	114	-	-
Net gain on disposal of property and equipment	(3)	(422)	-	-
Property and equipment written off	925	91	-	9
Loss on modification of financial assets	136,380	-	-	-
Net allowance for impairment on financing, advances and others	288,187	190,829	-	-
Net allowance for impairment on debt instruments	138	(37)	-	-
Net allowance for impairment on other assets	(2,895)	3,797	26,499	4,822
Net gain on sale of financial assets at FVTPL	(500)	(26,178)	-	-
Net gain on sale of financial assets at FVOCI	(271,311)	(96,607)	-	-
Fair value (gain)/loss on financial assets at FVTPL	(11,187)	(43,272)	99	(234)
Unrealised foreign exchange loss	41,372	8,776	-	-
Net derivative (gain)/loss	(31)	36	-	-
Profit income from investments of securities	(487,062)	(558,116)	(9,347)	(9,658)
Dividends income from debt instruments at FVTPL (unit trust)	(14,740)	(9,546)	(537)	(260)
Dividends income from equity instruments at FVOCI	(503)	(545)	-	-
Sale of investment in unit trust	(28)	-	-	-
Rebate on investment in unit trust	(979)	-	-	-
Dividend from subsidiaries	-	-	(352,737)	(411,259)
Change in actuarial reserves/ unearned contributions reserve	(23,150)	(13,750)	-	-
Equity settled share-based payment	16,572	17,945	-	-
Amortisation of intangible assets	33,977	29,569	-	-
Profit expense on leases	17,971	18,243	-	-
Finance cost	125,720	119,875	54,735	52,685
Operating profit/(loss) before working capital changes	1,035,615	928,990	(10,255)	(11,947)

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(Incorporated in Malaysia)
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Unaudited Interim Financial Statements

Condensed Statement of Cash Flows for the financial year ended 31 December 2020
(continued)

	Group		Company	
	12 months ended		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
<u>Discontinued operations</u>				
Operating profit/(loss) before working capital changes	1,035,615	928,990	(10,255)	(11,947)
Changes in working capital:				
Financing of customers	(5,622,680)	(3,982,671)	-	-
Statutory deposits with Bank Negara Malaysia	977,711	432,148	-	-
Other assets	(329,345)	(301,826)	3,775	(3,942)
Deposits from customers	3,787,631	(2,680,832)	-	-
Investment accounts of customers	2,224,569	4,759,890	-	-
Other liabilities	1,403,766	1,410,807	13	(940)
Bills and acceptances payable	(19,463)	7,970	-	-
Cash generated from/(used in) operations	3,457,804	574,476	(6,467)	(16,829)
Zakat paid	(10,864)	(14,090)	-	-
Tax paid	(179,970)	(315,639)	(2,128)	(2,356)
Tax refund	-	2,883	-	213
Net generated from/(used in) operating activities	3,266,970	247,630	(8,595)	(18,972)
Cash flows from investing activities				
Net proceeds from purchase of securities	(1,663,239)	(925,744)	-	-
Purchase of property and equipment	(101,063)	(64,555)	(84)	(134)
Proceeds from disposal of property and equipment	145	427	-	-
Profit income from investments of securities	487,062	558,116	9,347	9,658
Dividends income from debt instruments at FVTPL (unit trust)	13,860	9,286	-	-
Dividends income from equity instruments at FVOCI	503	545	-	-
Sale of investment in unit trust	28	-	-	-
Rebate on investment in unit trust	979	-	-	-
Dividends from subsidiaries	-	-	392,061	386,682
Subscription of ordinary shares pursuant to Dividend Reinvestment Plan	-	-	(293,750)	-
Intangible assets	(156,676)	(4,689)	-	-
Net cash (used in)/generated from investing activities	(1,418,401)	(426,614)	107,574	396,206

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(Incorporated in Malaysia)
and its subsidiaries
Unaudited Interim Financial Statements

Condensed Statement of Cash Flows for the financial year ended 31 December 2020
(continued)

	Group		Company	
	12 months ended		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
<u>Discontinued operations</u>				
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	(31,204)	(26,564)	-	-
Payment of coupon on Sukuk	(82,275)	(82,881)	(15,881)	(15,751)
Subordinated Sukuk Murabahah	1,100,000	-	-	-
Redemption of Subordinated Sukuk Murabahah	(650,000)	-	-	-
Net cash generated from/(used in) financing activities	91,630	(196,968)	(193,724)	(53,374)
Net increase/(decrease) in cash and cash equivalents	1,940,199	(375,952)	(94,745)	323,860
Cash and cash equivalents at beginning of the year	5,916,059	6,287,126	412,333	88,473
Foreign exchange differences	6,205	4,885	-	-
Cash and cash equivalents at end of the year	7,862,463	5,916,059	317,588	412,333
Cash and cash equivalents comprise:				
Cash and short-term funds	5,829,142	3,334,771	317,588	2,105
Deposits and placements with banks and other financial institutions	2,033,321	2,581,288	-	410,228
	7,862,463	5,916,059	317,588	412,333
Less:				
Cash and short term funds and deposits and placements with banks and other financial institutions with original maturity more than three months	(2,033,321)	(1,923,235)	-	(410,228)
	5,829,142	3,992,824	317,588	2,105

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.

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

Condensed Statement of Cash Flows for the financial year ended 31 December 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 during the year RM'000	Redemption/ Reversal during the year RM'000	Changes from financing cash flows RM'000	Finance cost for the year RM'000	Foreign exchange difference RM'000	At 31.12.2020 RM'000
Group							
<u>Liabilities associated</u>							
<u>with assets</u>							
<u>held for sale</u>							
Sukuk liabilities	2,139,666	1,100,000	(650,000)	(82,275)	125,720	-	2,633,111
Lease liabilities	328,062	878	(1,510)	(31,204)	17,971	(11)	314,186
	2,467,728	1,100,878	(651,510)	(113,479)	143,691	(11)	2,947,297

Company							
<u>Liabilities associated</u>							
<u>with assets</u>							
<u>held for sale</u>							
Sukuk liabilities	881,093	-	-	(15,881)	54,735	-	919,947

	Effect on adoption of MFRS 16 RM'000	At 01.01.2019 RM'000	Addition during the year RM'000	Changes from financing cash flows RM'000	Finance cost for the year RM'000	At 31.12.2019 RM'000
Group						
Sukuk liabilities	-	2,102,672	-	(82,881)	119,875	2,139,666
Lease liabilities	326,196	326,196	10,187	(26,564)	18,243	328,062
	326,196	2,428,868	10,187	(109,445)	138,118	2,467,728
Company						
Sukuk liabilities		844,159	-	(15,751)	52,685	881,093

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.

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

Explanatory Notes to the Financial Statements for the financial year ended 31 December 2020

1. Basis of preparation

The condensed financial statements of the Group for the financial year ended 31 December 2020 comprise that of the Company and its subsidiaries (together referred to as the Group).

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.

As disclosed in Note B6 to the financial statements, BIMB Holdings Berhad ("BHB" or "the Company") had announced and proposed to undertake various proposals which entails the disposal of its equity interest in BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al Ijarah Sdn. Bhd. to Bank Islam Malaysia Berhad ("Bank Islam"), the distribution of its shareholdings in Bank Islam and Syarikat Takaful Malaysia Keluarga Berhad by way of distribution-in-specie to its shareholders, and subsequently the delisting of the Company and issuance of two (2) new BHB shares to Bank Islam such that the BHB will become a wholly-owned subsidiary of Bank Islam. BHB is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/ regulatory authorities.

Consequentially, the results of the Group and the Company have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

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.

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

In preparing the Group's and of the Company's financial statements, the impact of COVID-19 ("pandemic") was considered. The Government has introduced certain measures to assist customers experiencing temporary financial constraints due to the pandemic. The key measures affecting regulatory and accounting treatment and classifications are as follows:

(i) Moratorium repayment on financing

- Bank Islam has granted an automatic repayment moratorium on all individuals' and small-medium enterprises' ("SMEs") financing (except for credit card balances) for a period of six months from 1 April 2020. The automatic moratorium applied to financing not in arrears exceeding 90 days as at 1 April 2020 and denominated in Malaysian Ringgit. This measure is extended beyond 1 October 2020 to viable customers on a case-to-case basis.
- For credit card balances, Bank Islam offered the option to convert the balances to term financing.

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

1. Basis of preparation (continued)

(i) Moratorium repayment on financing (continued)

- For corporate customers, Bank Islam granted assistance through repayment moratorium or additional working capital or rescheduling and restructuring of existing facilities. This is to enable viable corporations in preserving jobs and resuming economic activities when conditions stabilise and improve.

(ii) Definition of defaulted exposures under the policy documents on Capital Adequacy Framework for Islamic Banks for which assistance is granted:

- The determination of "days past due" is based on the new repayment terms of rescheduled and restructured financing.
- Individuals or SMEs are not considered to be in default based on the "unlikeliness to repay" at the time of when the assistance was granted, except for when customers are subject to bankruptcy action.
- Corporates "unlikeliness to repay" are based on holistic assessment of all relevant factors and information, not on the act of accepting assistance from the Bank.

The regulatory capital treatment above shall apply to financing denominated in Malaysian Ringgit that meet the following criteria;

- The principal or profit or both, is not in arrears exceeding 90 days at the application date of assistance.
- The application is received on or before 30 June 2021.

(iii) Classification in the Central Credit Reference Information System ("CCRIS")

The following shall apply for rescheduled and restructured financing with arrears not exceeding 90 days at the application date of assistance received on or before 30 June 2021:

- The financing need not be reported as (R&R) in CCRIS; and
- The financing need not be reported as credit-impaired in CCRIS

However, financing with multiple R&R (more than one R&R are made from 1 April 2020 until 30 June 2021) is excluded from the above treatment as it is deemed as non-viable financing.

(iv) Bank Negara Malaysia ("BNM") allows financial institutions to drawdown certain prudential buffers as below:

- Drawdown the capital conservation buffer of 2.5%;
- Operate below the minimum Liquidity Coverage Ratio ("LCR") of 100%;
- Reduce the regulatory reserves held against expected credit losses to 0%; and
- Minimum Net Stable Funding Ratio ("NSFR") is lowered to 80% from 100% effective 1 July 2020.

BNM requires financial institutions to restore the minimum regulatory requirements by 30 September 2021.

Other than as described above, the adoption of other accounting standards, interpretations and amendments did not have any significant impact on the Group and the Company.

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

1. Basis of preparation (continued)

(v) Amendments to MFRS that were adopted by the Group and the Company

During the financial year, the Group and the Company adopted the following amendments to the standards which came into effect 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS7 – *Interest Rate Benchmark Reform*
- Amendments to MFRS 16, *COVID-19-Related Rent Concessions* (effective 1 June 2020)
- 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 these amendments to published standards did not have any impact on the financial results of the Group and the Company.

(vi) MFRSs and Amendments to MFRSs that have been issued but are not yet effective to the Group and the Company

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

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

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, *Interest Rate Benchmark Reform-Phase 2*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Annual Improvements to MFRS 9, *Fees in the 10% test for derecognition of financial liabilities*
- Amendments to MFRS 3, *Reference to Conceptual Framework*
- Amendments to MFRS 116, *Proceeds before intended use*
- Amendments to MFRS 137, *onerous contracts—cost of fulfilling a contract*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101, *Classification of liabilities as current or noncurrent*
- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contract*

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

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

Apart from MFRS 17 Insurance Contracts, the initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the Group and the Company.

The Group is in the process of assessing the financial impact from the application of MFRS 17 Insurance Contracts onto the Group's financial statements.

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

2. Auditors' report on preceeding 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 financial year ended 31 December 2020 other than as disclosed in Note 7(iii) to the interim financial statements.

4. Exceptional or unusual items

There were no items of an exceptional or unusual nature in the financial year ended 31 December 2020 other than as disclosed in Note 7(iii) 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 financial year ended 31 December 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.

Bank Islam issued a RM700,000,000 subordinated Sukuk Murabahah on 21 October 2020 at 3.60% per annum to replace its RM400,000,000 subordinated Sukuk Murabahah with first call date on 15 December 2020.

7. Significant events during the financial year ended 31 December 2020

i) Dividend received/receivable

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.

On 21 December 2020, Takaful Malaysia declared an interim single tier dividend of 12.00 sen per ordinary share for the financial year ended 31 December 2020. The dividend of RM58.986 was paid on 29 January 2021.

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

7. Significant events during the financial year ended 31 December 2020

ii) 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.

iii) Material profit or loss items

The Group has identified item which is material due to the significance of their nature and/ or their amount. This is listed separately here to provide a better understanding of the financial performance of the Group.

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Loss on modification of financial assets	<u>(136,380)</u>	<u>-</u>

During the financial period, Bank Islam granted an automatic moratorium on certain financing repayments (except for credit card balances), for 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 to assist customers experiencing temporary financial constraints due to the COVID-19 pandemic.

Following the end of the six-month blanket moratorium, the Bank continue to support financing customers that face difficulties in fulfilling their financial obligation, through the Targeted Repayment Assistance ("TRA") program.

As a result of the payment moratorium and TRA, the Group recognised a one-off loss of RM136,380,000 arising from the modification of the expected cash flows of the financing.

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

8. Cash and short-term funds

	Group		Company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	806,268	897,248	319	2,105
Money at call and interbank placements with remaining maturity not exceeding one month	5,022,874	2,437,523	317,269	-
	5,829,142	3,334,771	317,588	2,105

9. Deposits and placements with banks and other financial institutions

	Group		Company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Licensed banks	1,996,962	1,888,196	-	-
Licensed Islamic bank	361	-	-	410,228
Bank Negara Malaysia	-	658,053	-	-
Other financial institutions	35,998	35,039	-	-
	2,033,321	2,581,288	-	410,228

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

	Group		Company	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Islamic Treasury Bills	243,618	99,571	-	-
Corporate Sukuk	466,769	432,940	-	-
Unit trusts	306,908	303,789	7,555	7,117
Shares	343,554	333,844	-	-
Malaysian Government Investment Issues	602,925	274,162	-	-
Islamic Commercial Papers	30,051	50,189	-	-
	1,993,825	1,494,495	7,555	7,117

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

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	31.12.2020			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	8,518,422	59,494	(104,228)	6,255,520	31,626	(35,927)
Profit rate swaps	114,056	2,171	(1,644)	147,098	1,700	(819)
	8,632,478	61,665	(105,872)	6,402,618	33,326	(36,746)

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

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Financial assets at fair value through other comprehensive income:		
a) Debt instruments	18,332,001	16,899,925
b) Equity instruments	63,951	46,959
	18,395,952	16,946,884

a) Debt instruments at fair value through other comprehensive income

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Money market instruments		
Corporate Sukuk	13,966,226	13,385,180
Malaysian Government Investment Issues	3,453,928	2,753,022
Institutional Trust Account	652,486	530,852
Islamic Commercial Papers	259,361	230,871
	18,332,001	16,899,925

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

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	
	31.12.2020	31.12.2019
	RM'000	RM'000
Stage 1		
At 1 January 2020/2019	265	302
Allowance made/(reverse) during the year	138	(37)
At 31 December 2020/2019	<u>403</u>	<u>265</u>

b) Equity instruments at fair value through other comprehensive income

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Quoted shares		
- outside Malaysia	<u>13,755</u>	<u>8,978</u>
	<u>13,755</u>	<u>8,978</u>
Unquoted shares		
- in Malaysia	50,194	37,979
- outside Malaysia	2	2
	<u>50,196</u>	<u>37,981</u>
	<u>63,951</u>	<u>46,959</u>

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

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
31 December 2020									
At amortised cost									
Cash line	-	-	-	1,465	1,287,126	-	-	-	1,288,591
Term financing									
House financing	3,238,398	-	-	-	18,280,073	-	45,780	-	21,564,251
Syndicated financing	-	-	-	-	1,459,016	-	-	-	1,459,016
Leasing financing	-	-	-	-	-	114,300	-	-	114,300
Bridging financing	-	-	-	-	-	-	47,380	-	47,380
Personal financing	-	-	-	5,256	16,816,181	-	-	-	16,821,437
Other term financing	487,567	1,411,820	-	15	10,736,190	-	1,119	-	12,636,711
Staff financing	46,367	15,847	-	-	307,861	-	7,584	-	377,659
Credit cards	-	-	-	-	447,471	-	-	-	447,471
Trade bills discounted	-	631,567	31,221	3,034	164,888	-	-	-	830,710
Trust receipts	-	5,584	5	-	-	-	-	-	5,589
Pawn broking	-	-	-	-	-	-	-	5,481	5,481
	3,772,332	2,064,818	31,226	9,770	49,498,806	114,300	101,863	5,481	55,598,596
Allowance for impairment on financing, advances and others :-									
- Stage 1									(653,983)
- Stage 2									(151,446)
- Stage 3									(122,532)
Net financing, advances and others									54,670,635

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

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

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.

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

13. Financing, advances and others (continued)

(a) By type 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 ("URA") and financing sold to Cagamas with recourse to the Group. The details are as follows:

		Group	
	Note	31.12.2020	31.12.2019
		RM'000	RM'000
House financing			
Unrestricted Investment Accounts	18	8,567,694	6,504,728
Sold to Cagamas with recourse	19	1,501,187	1,501,187
		<u>10,068,881</u>	<u>8,005,915</u>
Personal financing			
Unrestricted Investment Accounts	18	3,454,418	3,292,815

(b) By type of customer

		Group	
		31.12.2020	31.12.2019
		RM'000	RM'000
Domestic non-bank financial institutions		1,473,316	1,595,043
Domestic business enterprise		9,859,263	8,384,026
Small & medium enterprises		1,799,003	2,017,946
Government and statutory bodies		743,051	729,905
Individuals		41,353,603	37,227,020
Other domestic entities		102,008	71,582
Foreign entities		268,352	198,447
		<u>55,598,596</u>	<u>50,223,969</u>

(c) By profit rate sensitivity

		Group	
		31.12.2020	31.12.2019
		RM'000	RM'000
Fixed rate			
House financing		732,437	985,880
Others		3,859,673	3,700,354
Floating rate			
House financing		21,485,764	19,299,203
Others		29,520,722	26,238,532
		<u>55,598,596</u>	<u>50,223,969</u>

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

13. Financing, advances and others (continued)

(d) By remaining contractual maturity

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Maturity within one year	3,660,883	4,615,374
More than one year to three years	1,516,856	1,265,070
More than three years to five years	3,272,167	3,230,831
More than five years	47,148,690	41,112,694
	<u>55,598,596</u>	<u>50,223,969</u>

(e) By geographical distribution

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Central Region	25,745,132	23,794,695
Eastern Region	8,757,468	7,861,683
Northern Region	7,431,066	6,673,024
Southern Region	9,416,361	8,278,422
East Malaysia Region	4,248,569	3,616,145
	<u>55,598,596</u>	<u>50,223,969</u>

(f) By sector

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Primary agriculture	1,044,451	1,266,687
Mining and quarrying	67,305	38,712
Manufacturing (including agro-based)	1,001,272	881,445
Electricity, gas and water	2,032,684	1,863,658
Wholesale & retail trade, and hotels & restaurants	951,149	927,772
Construction	2,736,468	2,238,954
Transport, storage and communications	681,659	918,959
Finance, insurance, real estate and business activities	4,557,954	3,731,211
Education, health and others	1,168,902	1,126,374
Household sectors	41,356,752	37,230,197
	<u>55,598,596</u>	<u>50,223,969</u>

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

13. Financing, advances and others (continued)

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

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
At 1 January 2020/2019	433,001	425,937
Classified as impaired during the year	311,012	701,221
Reclassified as not impaired during the year	(190,989)	(372,172)
Amount recovered	(67,114)	(97,001)
Amount written off	(112,676)	(224,984)
At 31 December 2020/2019	<u>373,234</u>	<u>433,001</u>
Gross impaired financing as a percentage of gross financing, advances and others	<u>0.67%</u>	<u>0.86%</u>

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

(h) Impaired financing by geographical distribution

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Central Region	174,617	181,730
Eastern Region	86,291	101,743
Northern Region	78,220	79,976
Southern Region	19,167	47,527
East Malaysia Region	14,939	22,025
	<u>373,234</u>	<u>433,001</u>

(i) Impaired financing by sector

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Manufacturing (including agro-based)	28,328	45,715
Wholesale & retail trade, and hotels & restaurants	89,812	97,043
Construction	36,220	29,361
Transport, storage and communications	17,801	10,217
Finance, insurance, real estate and business activities	6,141	8,125
Education, health and others	3,969	8,179
Household sectors	190,963	234,361
	<u>373,234</u>	<u>433,001</u>

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

13. Financing, advances and others (continued)

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	416,450	129,402	243,853	789,705
Transfer to Stage 1	1,931	(1,798)	(133)	-
Transfer to Stage 2	(6,868)	9,175	(2,307)	-
Transfer to Stage 3	(461)	(8,696)	9,157	-
Net allowance made during the year	(59,446)	45,272	149,340	135,166
New financial assets originated or purchased	127,923	2,567	2,411	132,901
Financial assets that have been derecognised	(44,291)	(27,807)	(5,140)	(77,238)
Write-offs	-	-	(224,984)	(224,984)
Exchange differences	(4,103)	-	-	(4,103)
At 31 December 2019/ 1 January 2020	431,135	148,115	172,197	751,447
Transfer to Stage 1	1,245	(1,179)	(66)	-
Transfer to Stage 2	(7,782)	10,508	(2,726)	-
Transfer to Stage 3	(264)	(7,659)	7,923	-
Net allowance made during the year	134,059	13,592	60,558	208,209
New financial assets originated or purchased	139,295	6,403	686	146,384
Financial assets that have been derecognised	(44,708)	(18,334)	(3,364)	(66,406)
Write-offs	-	-	(112,676)	(112,676)
Exchange differences	1,003	-	-	1,003
At 31 December 2020	653,983	151,446	122,532	927,961

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

14. Other financial assets at amortised cost

	Group		Company	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Takaful receivables	309,446	210,270	-	-
- <i>Due contributions</i>	260,500	162,632	-	-
- <i>Due from retakaful/co-takaful</i>	48,946	47,638	-	-
Clients' and dealers' debit balances	26,012	23,147	-	-
Deposits and prepayments	57,115	45,998	497	473
Other financing	16,112	80,925	-	-
Investment profit receivable	113,552	95,591	-	-
Sukuk	5,289	5,684	-	-
Dividend receivable	-	-	58,986	98,310
Amount due from subsidiaries	-	-	157	396
Other receivables	173,674	137,338	729	4,289
	701,200	598,953	60,369	103,468
Less: Accumulated impairment loss:				
Stage 3				
- Takaful receivables	(6,475)	(6,591)	-	-
- Sukuk	(5,289)	(5,684)	-	-
- Other receivables	(2,975)	(5,475)	-	-
	686,461	581,203	60,369	103,468

15. Retakaful assets

	Note	Group	
		31.12.2020 RM'000	31.12.2019 RM'000
Retakaful assets:			
- Claims liabilities	21(i)	518,298	349,548
- Contribution liabilities	21(ii)	113,784	90,634
- Actuarial liabilities	21(iii)	346,120	315,614
		978,202	755,796

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

16. Right-of-use assets and lease liabilities

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

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Right-of-use assets		
Properties	228,424	249,484
Equipment	765	959
	<u>229,189</u>	<u>250,443</u>
Lease liabilities	<u>314,186</u>	<u>328,062</u>

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

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Depreciation charge on right-of-use assets:		
Properties	19,942	16,894
Equipment	635	638
	<u>20,577</u>	<u>17,532</u>
Finance cost	<u>17,971</u>	<u>18,243</u>

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

17. Deposits from customers

(a) By type of deposit

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Savings deposits		
<i>Qard</i>	6,051,242	4,681,710
Demand deposits		
<i>Qard</i>	11,705,512	10,932,557
Term Deposit	32,663,484	31,033,213
Special Investment Deposit		
<i>Mudharabah</i>	3,662	3,915
General Investment Deposit		
<i>Mudharabah</i>	176,359	209,693
Term Deposit-i		
<i>Tawarruq</i>	30,996,552	29,828,055
Negotiable Islamic Debt Certificates ("NIDC")	1,486,911	991,550
Others	120,107	105,234
Total Deposits	50,540,345	46,752,714

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

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Due within six months	18,012,901	12,084,789
More than six months to one year	9,616,026	7,183,724
More than one year to three years	2,261,549	9,056,935
More than three years to five years	2,773,008	2,707,765
	32,663,484	31,033,213

(c) By type of customer

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Domestic non-bank financial institutions	6,364,914	7,167,970
Business enterprises	20,921,604	19,656,635
Government and statutory bodies	13,033,032	11,479,529
Individuals	7,042,432	5,893,922
Domestic banking institutions	718,962	149,839
Others	2,459,401	2,404,819
	50,540,345	46,752,714

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

18. Investment accounts of customers

(a) By type and Shariah contract

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	5,113,275	3,211,343
- <i>Saving</i>	4,446,643	2,880,046
- <i>Demand</i>	666,632	331,297
With maturity		
<i>Wakalah</i>	6,908,837	6,586,200
	12,022,112	9,797,543
Investment portfolio:		
- <i>House financing</i>	8,567,694	6,504,728
- <i>Personal financing</i>	3,454,418	3,292,815
	12,022,112	9,797,543
Restricted investment accounts ("RA") managed by Bank Islam[^]		
With maturity		
<i>Wakalah</i>	11,915	35,062
Investment portfolio:		
- <i>Other term financing</i>	11,915	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 RA.

(b) By type of customers

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
Individuals	4,840,308	3,448,415
Government and statutory bodies	4,385,196	3,747,895
Business enterprises	1,130,539	769,038
Non-bank financial institutions	1,514,680	1,739,850
International Islamic Bank	-	10,001
Others	151,389	82,344
	12,022,112	9,797,543

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

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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Takaful payables	232,529	175,351	-	-
- <i>Due to retakaful companies</i>	197,729	141,931	-	-
- <i>Due to Intermediaries/Participants</i>	34,800	33,420	-	-
Accruals and other payables	1,518,339	1,209,069	2,295	2,271
Clients' and dealers' credit balances	25,376	23,036	-	-
Dividend payable	225,876	282,285	225,876	282,285
Amount due to subsidiaries	-	-	-	11
	<u>2,002,120</u>	<u>1,689,741</u>	<u>228,171</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	
		31.12.2020	31.12.2019
		RM'000	RM'000
Provision for outstanding claims	21(i)	919,091	703,598
Provision for unearned contributions	21(ii)	465,734	394,340
Participants' fund	21(iii)	7,771,783	7,099,218
		<u>9,156,608</u>	<u>8,197,156</u>

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

21. Takaful contract liabilities (continued)

(i) **Provision for outstanding claims**

The provision for outstanding claims is further analysed as follows:

Group	31.12.2020		
	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by participants	480,871	(323,150)	157,721
Provision for IBNR*	438,220	(195,148)	243,072
Provision for outstanding claims	919,091	(518,298)	400,793
		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 year	1,194,668	(335,530)	859,138
Adjustment to claims incurred in prior accident years	(11,733)	9,941	(1,792)
Claims paid during the year	(1,043,282)	201,100	(842,182)
Movement in IBNR	75,918	(44,299)	31,619
Effect of movement in exchange rates	(78)	38	(40)
At 31 December 2020	919,091	(518,298)	400,793

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

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
31.12.2020	<u>465,734</u>	<u>(113,784)</u> Note 15	<u>351,950</u>
31.12.2019	<u>394,340</u>	<u>(90,634)</u> Note 15	<u>303,706</u>

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	<u>(706,142)</u>	<u>276,615</u>	<u>(429,527)</u>
At 31 December 2019/ 1 January 2020	394,340	(90,634)	303,706
Contributions written during the year	827,892	(342,463)	485,429
Contributions earned during the year	<u>(756,498)</u>	<u>319,313</u>	<u>(437,185)</u>
At 31 December 2020	<u>465,734</u>	<u>(113,784)</u>	<u>351,950</u>

(iii) Participants' fund

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

	Gross RM'000	Group Retakaful RM'000	Net RM'000
31.12.2020			
Participants' account	4,090,835	-	4,090,835
Actuarial liabilities	1,880,726	(346,120)	1,534,606
Unallocated surplus/ accumulated surplus	1,241,851	-	1,241,851
Fair value reserve	346,328	-	346,328
Net assets value attributable to unitholders	<u>212,043</u>	<u>-</u>	<u>212,043</u>
	<u>7,771,783</u>	<u>(346,120)</u>	<u>7,425,663</u>
		Note 15	

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

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	
	31.12.2020 RM'000	31.12.2019 RM'000
At 1 January 2020/2019	311,700	251,806
Provision for the year, net	5,275	59,588
Effect of movement in exchange rates	(247)	306
At 31 December 2020/2019	<u>316,728</u>	<u>311,700</u>

23. Sukuk liabilities

		Group		Company	
	Note	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Sukuk liabilities	(a)	919,947	881,093	919,947	881,093
Subordinated					
Sukuk Murabahah	(b)	1,713,164	1,258,573	-	-
		<u>2,633,111</u>	<u>2,139,666</u>	<u>919,947</u>	<u>881,093</u>

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

23. Sukuk liabilities (continued)

The Sukuk liabilities comprise the following:

- a) The 10-year Islamic securities of RM1.05 billion (2019: RM1.05 billion) in nominal value issued by the Company on 12 December 2013. The effective rate of the Islamic securities is 6.25% p.a.

On 12 December 2018, the Company has made an early partial redemption of RM609,941,757 in nominal value of the Sukuk Murabahah at a cash consideration of RM500 million.

- 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
(vi)	700,000	21 October 2020	21 October 2025	21 October 2030	3.60

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

^ Included RM50 million subscription by Syarikat Takaful Malaysia Keluarga Berhad.

The Bank issued item (v) to replace item (i) with the first call date on 22 April 2020 and item (vi) to replace item (ii) with the first call date on 15 December 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	
	31.12.2020 RM'000	31.12.2019 RM'000
Capital reserve	6,863	6,863
Warrant reserve	129,300	129,300
FVOCI reserve	212,999	209,278
Translation reserve	(94,844)	(101,554)
Regulatory reserve	-	25,000
Long Term Incentive Plan (LTIP) reserve	14,687	13,839
	269,005	282,726
Acquisition reserve	(1,199,747)	(1,199,747)
	(930,742)	(917,021)

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

24. Other reserves (continued)

Group	Capital reserve RM'000	Warrant reserve RM'000	FVOCI reserve RM'000	Translation reserve RM'000	Regulatory reserve RM'000	LTIP reserve RM'000	Total RM'000
At 1 January 2020	6,863	129,300	209,278	(101,554)	25,000	13,839	282,726
Foreign exchange translation differences	-	-	-	6,710	-	-	6,710
Fair value reserve (debt instruments):							
Net change in fair value	-	-	254,186	-	-	-	254,186
Changes in expected credit losses	-	-	(138)	-	-	-	(138)
Net amount reclassified to profit or loss	-	-	(272,811)	-	-	-	(272,811)
Income tax effect relating to components of other comprehensive income	-	-	5,492	-	-	-	5,492
Fair value reserve (equity instruments):							
Net change in fair value	-	-	16,992	-	-	-	16,992
Transfer of regulatory reserve to retained earnings	-	-	-	-	(25,000)	-	(25,000)
Share-based payment transactions	-	-	-	-	-	9,809	9,809
LTIP exercised	-	-	-	-	-	(8,961)	(8,961)
At 31 December 2020	6,863	129,300	212,999	(94,844)	-	14,687	269,005

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

24. Other reserves (continued)

Group	Capital reserve RM'000	Warrant reserve RM'000	FVOCI reserve RM'000	Translation reserve RM'000	Regulatory reserve RM'000	LTIP reserve RM'000	Total RM'000
At 1 January 2019	6,863	129,300	10,846	(105,973)	10,000	9,949	60,985
Foreign exchange translation differences	-	-	-	4,419	-	-	4,419
Fair value reserve (debt instruments):							
Net change in fair value	-	-	337,413	-	-	-	337,413
Changes in expected credit losses	-	-	37	-	-	-	37
Net amount reclassified to profit or loss	-	-	(97,419)	-	-	-	(97,419)
Income tax effect relating to components of other comprehensive income	-	-	(53,040)	-	-	-	(53,040)
Fair value reserve (equity instruments):							
Net change in fair value	-	-	11,441	-	-	-	11,441
Transfer from retained earnings to regulatory reserve	-	-	-	-	15,000	-	15,000
Share-based payment transactions	-	-	-	-	-	10,668	10,668
LTIP exercised	-	-	-	-	-	(6,778)	(6,778)
At 31 December 2019	6,863	129,300	209,278	(101,554)	25,000	13,839	282,726

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

25. Income derived from investment of depositors' funds

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Income derived from investment of:				
(i) General investment deposits	2,536	3,605	12,404	16,378
(ii) Term deposit-i	337,572	451,303	1,564,207	1,838,249
(iii) Saving and demand deposits	195,689	199,863	869,663	818,128
(iv) Other deposits	12,945	13,923	57,739	84,949
	<u>548,742</u>	<u>668,694</u>	<u>2,504,013</u>	<u>2,757,704</u>

(i) Income derived from investment of general investment deposits

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Finance income and hibah				
Financing, advances and others	2,266	3,132	10,088	13,829
Financial assets:				
- At FVTPL	17	15	85	79
- At FVOCI	204	317	965	1,454
- Other financial assets at amortised cost	1	1	2	3
Money at call and deposit with financial institutions	27	53	141	362
	<u>2,515</u>	<u>3,518</u>	<u>11,281</u>	<u>15,727</u>
Other dealing income				
Net (loss)/gain from sale of financial assets at FVTPL	(1)	5	2	141
Net (loss)/gain on revaluation of financial assets at FVTPL	(2)	2	(10)	8
	<u>(3)</u>	<u>7</u>	<u>(8)</u>	<u>149</u>
Other operating income				
Net gain from sale of financial assets at FVOCI	24	80	1,131	502
	<u>24</u>	<u>80</u>	<u>1,131</u>	<u>502</u>
	<u>2,536</u>	<u>3,605</u>	<u>12,404</u>	<u>16,378</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	44	33	103	182
<i>Unwinding of modification loss</i>	76	-	97	-
	<u>76</u>	<u>-</u>	<u>97</u>	<u>-</u>

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

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

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

Group	3 months ended		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	292,785	382,628	1,216,391	1,517,697
Financial assets:				
- At FVTPL	2,813	2,325	12,825	10,164
- At FVOCI	33,778	47,062	146,921	187,059
- Other financial assets at amortised cost	150	171	297	352
Money at call and deposit with financial institutions	4,206	6,239	18,178	39,693
	333,732	438,425	1,394,612	1,754,965
Other dealing income				
Net (loss)/gain from sale of financial assets at FVTPL	(293)	652	355	17,504
Net gain/(loss) on revaluation of financial assets at FVTPL	81	257	(1,532)	871
	(212)	909	(1,177)	18,375
Other operating income				
Net gain from sale of financial assets at FVOCI	4,052	11,969	170,772	64,909
	4,052	11,969	170,772	64,909
	337,572	451,303	1,564,207	1,838,249
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	7,344	4,916	15,974	23,204
<i>Unwinding of modification loss</i>	12,463	-	15,693	-

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

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

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

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Finance income and hibah				
Financing, advances and others	169,998	169,581	677,884	675,861
Financial assets:				
- At FVTPL	1,626	1,027	7,134	4,531
- At FVOCI	19,607	20,838	81,880	83,286
- Other financial assets at amortised cost	82	81	167	165
Money at call and deposit with financial institutions	2,424	2,752	10,029	17,618
	193,737	194,279	777,094	781,461
Other dealing income				
Net (loss)/gain from sale of financial assets at FVTPL	(118)	268	216	7,726
Net (loss)/gain on revaluation of financial assets at FVTPL	(197)	200	(1,126)	537
	(315)	468	(910)	8,263
Other operating income				
Net gain from sale of financial assets at FVOCI	2,267	5,116	93,479	28,404
	2,267	5,116	93,479	28,404
	195,689	199,863	869,663	818,128
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	4,198	2,193	8,802	10,347
<i>Unwinding of modification loss</i>	7,241	-	9,066	-

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

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

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

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Finance income and hibah				
Financing, advances and others	11,197	11,809	45,274	70,118
Financial assets:				
- At FVTPL	112	72	487	475
- At FVOCI	1,308	1,452	5,484	8,615
- Other financial assets at amortised cost	5	5	12	15
Money at call and deposit with financial institutions	165	192	689	2,017
	<u>12,787</u>	<u>13,530</u>	<u>51,946</u>	<u>81,240</u>
Other dealing income				
Net (loss)/gain from sale of financial assets at FVTPL	(13)	20	(73)	807
Net gain/(loss) on revaluation of financial assets at FVTPL	5	10	(63)	110
	<u>(8)</u>	<u>30</u>	<u>(136)</u>	<u>917</u>
Other operating income				
Net gain from sale of financial assets at FVOCI	166	363	5,929	2,792
	<u>166</u>	<u>363</u>	<u>5,929</u>	<u>2,792</u>
	<u>12,945</u>	<u>13,923</u>	<u>57,739</u>	<u>84,949</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	271	152	603	1,094
<i>Unwinding of modification loss</i>	320	-	450	-

26. Income derived from investment account funds

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	44,983	39,325	167,693	148,478
- <i>Wakalah</i>	78,206	77,303	329,244	236,452
Unwinding of modification loss	6,138	-	7,041	-
	<u>129,327</u>	<u>116,628</u>	<u>503,978</u>	<u>384,930</u>

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

27. Income derived from investment of shareholders' funds

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Finance income and hibah				
Financing, advances and others	1,975	1,617	6,607	6,622
Financial assets at FVOCI	46,342	47,773	190,253	189,567
Money at call and deposit with financial institutions	2,216	4,656	11,513	12,661
	<u>50,533</u>	<u>54,046</u>	<u>208,373</u>	<u>208,850</u>
Other dealing income				
Net gain from foreign exchange transactions	9,134	15,495	43,478	55,710
Net (loss)/gain on revaluation of financial assets at FVTPL	(1,674)	821	(4,096)	9,874
Net derivatives gain/(loss)	3	7	31	(36)
	<u>7,463</u>	<u>16,323</u>	<u>39,413</u>	<u>65,548</u>
Other operating income				
Impairment for doubtful debts	(3)	-	(3)	(1)
Dividend income from debt instruments at FVTPL (unit trust)	6,602	4,259	14,740	9,546
Dividend income from equity instruments at FVOCI	503	286	503	545
Sale of investment in unit trust	28	-	28	-
Rebate on investment in unit trust	499	-	979	-
Fees and commission	47,460	51,949	185,750	193,020
Net gain on disposal of property and equipment	-	-	3	422
Rental income	442	354	1,534	1,414
Others	98	113	1,226	484
	<u>55,629</u>	<u>56,961</u>	<u>204,760</u>	<u>205,430</u>
	<u>113,625</u>	<u>127,330</u>	<u>452,546</u>	<u>479,828</u>

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

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

Company	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Finance income and hibah				
Money at call and deposit with financial institutions	<u>1,802</u>	<u>3,952</u>	<u>9,340</u>	<u>9,654</u>
	1,802	3,952	9,340	9,654
Other dealing income				
Net (loss)/gain on revaluation of financial assets at FVTPL	<u>(57)</u>	<u>42</u>	<u>(99)</u>	<u>234</u>
	(57)	42	(99)	234
Other operating income				
Dividend income from debt instruments at FVTPL (unit trust)	<u>76</u>	<u>-</u>	<u>537</u>	<u>260</u>
Dividend income from subsidiary companies	<u>58,986</u>	<u>98,310</u>	<u>352,737</u>	<u>411,259</u>
Others	<u>-</u>	<u>1</u>	<u>1,007</u>	<u>4</u>
	<u>59,062</u>	<u>98,311</u>	<u>354,281</u>	<u>411,523</u>
	<u>60,807</u>	<u>102,305</u>	<u>363,522</u>	<u>421,411</u>

28. Net earned contributions

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Net earned contributions				
Gross earned contributions	<u>700,921</u>	<u>693,242</u>	<u>2,507,891</u>	<u>2,740,035</u>
Contribution ceded to retakaful	<u>(121,933)</u>	<u>(98,223)</u>	<u>(441,111)</u>	<u>(394,204)</u>
	<u>578,988</u>	<u>595,019</u>	<u>2,066,780</u>	<u>2,345,831</u>

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

29. Other income from takaful business

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Other income				
Administration income	20,062	17,568	81,633	65,927
Investment income	86,829	89,227	349,829	342,968
Realised gains and losses	2,500	1,414	33,678	15,173
Fair value gains and losses	25,952	1,084	15,528	31,872
Other operating income	(1,049)	2,136	2,031	4,507
	<u>134,294</u>	<u>111,429</u>	<u>482,699</u>	<u>460,447</u>

30. Net benefits, claims and expense reserves

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Net benefits and claims				
Gross benefits and claims paid	(262,213)	(316,287)	(1,043,145)	(1,198,032)
Claims ceded to retakaful	60,574	69,595	201,100	226,870
Gross change to contract liabilities	4,278	20,814	(215,571)	(69,754)
Change to contract liabilities ceded to takaful	(21,160)	(34,410)	168,788	52,964
	<u>(218,521)</u>	<u>(260,288)</u>	<u>(888,828)</u>	<u>(987,952)</u>
Expense reserves	<u>11,393</u>	<u>(6,457)</u>	<u>(5,275)</u>	<u>(59,588)</u>
Net benefits, claims and expense reserves	<u>(207,128)</u>	<u>(266,745)</u>	<u>(894,103)</u>	<u>(1,047,540)</u>

31. Net allowance for impairment on financing and advances

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Net allowance for impairment on financing, advances and others				
- Stage 1	(29,304)	8,432	228,646	24,186
- Stage 2	18,729	(90,901)	1,661	20,032
- Stage 3	29,131	111,148	57,880	146,611
Bad debts and financing recovered	(22,091)	(31,866)	(79,516)	(107,141)
	<u>(3,535)</u>	<u>(3,187)</u>	<u>208,671</u>	<u>83,688</u>

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

32. Income attributable to depositors

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Deposits from customers				
- Mudharabah Fund	1,075	2,181	4,758	8,371
- Non-Mudharabah Fund	180,992	310,123	909,921	1,280,517
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah Fund	81	-	421	402
Recourse obligations on financing sold to Cagamas	17,776	17,789	71,113	71,201
	<u>199,924</u>	<u>330,093</u>	<u>986,213</u>	<u>1,360,491</u>

33. Income attributable to investment account holders

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Unrestricted investment accounts				
- <i>Mudharabah</i>	2,670	2,338	10,609	9,987
- <i>Wakalah</i>	40,366	49,231	201,461	154,900
	<u>43,036</u>	<u>51,569</u>	<u>212,070</u>	<u>164,887</u>

34. Personnel expenses

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Salaries and wages	112,666	166,686	591,144	636,941
Employees' Provident Fund	19,746	15,492	88,268	78,521
Chief Executive Officer, Directors and Shariah Supervisory Council Members' remuneration	14,552	17,793	20,774	24,735
Others	32,930	18,556	85,209	71,460
	<u>179,894</u>	<u>218,527</u>	<u>785,395</u>	<u>811,657</u>

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

34. Personnel expenses (continued)

Company	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Salaries and wages	378	497	2,907	4,310
Employees' Provident Fund	64	61	429	493
Chief Executive Officer, Directors and Shariah Supervisory Council Members' remuneration	847	824	1,854	1,972
Others	91	140	406	645
	1,380	1,522	5,596	7,420

35. Other overhead expenses

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Promotion				
Advertisement and publicity	34,918	62,398	154,893	181,164
Credit and debit card expenses	9,724	7,995	37,730	30,998
Commission	45,250	46,890	181,768	206,056
	89,892	117,283	374,391	418,218
Establishment				
Depreciation of right-of-use assets	5,175	4,887	20,577	17,532
Depreciation of property and equipment	17,970	17,178	68,786	65,642
Depreciation of investment property	(104)	(104)	114	114
Amortisation of intangible assets	9,879	7,479	33,977	29,569
Information technology expenses	13,756	12,550	56,222	47,908
Office rental	5,501	3,612	29,468	27,766
Office maintenance	3,881	6,484	25,599	23,897
Utilities	3,102	4,036	16,737	19,293
Security services	2,240	2,081	9,442	9,147
Rental equipment	1,738	5,248	6,500	9,550
Takaful and insurance	1,223	1,101	2,652	4,739
Others	336	216	1,297	1,188
	64,697	64,768	271,371	256,345

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

35. Other overhead expenses (continued)

Group	3 months ended		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
<i>General expenses</i>				
Professional fees	3,783	8,251	30,889	34,302
Indirect tax expenses	-	2	-	2
Outsourcing fees				
- Management of self-service terminal	2,812	2,598	13,716	12,129
- Credit recovery	1,909	-	2,345	277
- Others	1,121	1,957	1,960	4,760
Travelling & transportation	494	3,300	1,718	10,386
Office supplies	1,811	978	9,999	8,794
Agency related expenses	15,482	21,436	57,568	60,210
General expenses	2,540	4,557	22,547	23,947
Licenses	3,995	3,466	10,240	10,650
Bank and service charges	7,962	4,588	21,692	14,844
Security services for cash in transit	1,628	1,941	5,735	7,294
Postage and delivery charges	1,561	1,192	9,829	5,884
Subscription fees	603	932	5,632	4,343
Auditors' remuneration				
- Statutory audit fees	332	340	2,178	2,174
- Others	1,831	592	1,839	592
Mobile banking expenses	598	491	2,011	1,979
Processing charges	331	454	1,201	1,362
Property and equipment written off	221	9	925	91
Others	50,288	41,916	71,358	53,964
	99,302	99,000	273,382	257,984
	253,891	281,051	919,144	932,547
Company	3 months ended		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Advertisement and publicity	556	71	1,646	378
	556	71	1,646	378

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

35. Other overhead expenses (continued)

Company	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<i>Establishment</i>				
Depreciation of property and equipment	28	28	114	96
Information technology expenses	59	89	139	137
Office rental	253	267	1,044	1,064
Office maintenance	11	5	22	19
Utilities	4	5	19	25
Rental equipment	20	24	86	95
Takaful and insurance	29	28	114	113
	<u>404</u>	<u>446</u>	<u>1,538</u>	<u>1,549</u>
<i>General expenses</i>				
Professional fees	60	269	1,061	608
Travelling & transportation	2	46	7	65
Office supplies	6	14	23	52
Subscription fees	1	-	4	3
Auditors' remuneration	242	91	374	274
Property and equipment written off	-	9	-	9
Others	348	360	1,120	1,694
	<u>659</u>	<u>789</u>	<u>2,589</u>	<u>2,705</u>
	<u>1,619</u>	<u>1,306</u>	<u>5,773</u>	<u>4,632</u>

36. Finance cost

Group	Note	3 months ended		12 months ended	
		31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Finance cost:					
- Sukuk liabilities		34,395	30,288	125,720	119,875
- Profit expense on leases	16	4,483	4,615	17,971	18,243
		<u>38,878</u>	<u>34,903</u>	<u>143,691</u>	<u>138,118</u>
Company	3 months ended		12 months ended		
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	
Finance cost:					
- Sukuk liabilities	13,865	13,352	54,735	52,685	
	<u>13,865</u>	<u>13,352</u>	<u>54,735</u>	<u>52,685</u>	

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

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.

	Banking	Takaful	Others	Eliminated	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 31 December 2020					
<i>Business segments</i>					
Segment result					
Revenue from external customers	750,754	506,154	2,429	-	1,259,337
Inter-segment revenue	8,060	5,733	60,948	(74,741)	-
Total revenue	758,814	511,887	63,377	(74,741)	1,259,337
Net income from operations (before allowance for impairment on financing and other assets)	510,241	270,787	63,377	(69,128)	775,277
Operating overheads	(286,280)	(154,309)	(6,073)	9,569	(437,093)
Operating results	223,961	116,478	57,304	(59,559)	338,184
Allowance for impairment	3,478	-	-	-	3,478
Finance cost	(25,506)	(30)	(13,915)	573	(38,878)
Profit before zakat and taxation	201,933	116,448	43,389	(58,986)	302,784

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

37. Operating segment information (continued)

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

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

37. Operating segment information (continued)

12 months ended 31 December 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	3,314,020	1,655,375	10,714	-	4,980,109
Inter-segment revenue	28,182	31,857	362,912	(422,951)	-
Total revenue	3,342,202	1,687,232	373,626	(422,951)	4,980,109
Net income from operations (before allowance for impairment on financing and other assets)	2,113,697	1,070,495	373,626	(392,729)	3,165,089
Operating overheads	(1,088,112)	(643,999)	(23,443)	37,355	(1,718,199)
Operating results	1,025,585	426,496	350,183	(355,374)	1,446,890
Allowance for impairment	(205,914)	-	(41,165)	41,165	(205,914)
Finance cost	(91,458)	(92)	(54,778)	2,637	(143,691)
Profit before zakat and taxation	728,213	426,404	254,240	(311,572)	1,097,285
Segment assets	74,637,022	11,690,340	6,133,023	(6,550,484)	85,909,901
Segment liabilities	68,351,323	10,172,584	1,175,542	(942,626)	78,756,823

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

37. Operating segment information (continued)

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

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

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.

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

40. Fair value of financial instruments (continued)

Fair value information

31.12.2020 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	550,457	1,442,988	380	1,993,825	-	-	-	-	1,993,825	1,993,825
Derivative financial assets	-	61,665	-	61,665	-	-	-	-	61,665	61,665
Financial assets at FVOCI	13,755	17,679,515	702,682	18,395,952	-	-	-	-	18,395,952	18,395,952
Financing, advances and others	-	-	-	-	-	-	58,065,344	58,065,344	58,065,344	54,670,635
Total assets	564,212	19,184,168	703,062	20,451,442	-	-	58,065,344	58,065,344	78,516,786	75,122,077
Financial liabilities										
Derivative financial liabilities	-	105,872	-	105,872	-	-	-	-	105,872	105,872
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	1,577,805	1,577,805	1,577,805	1,501,187
Sukuk liabilities	-	-	-	-	-	-	2,724,169	2,724,169	2,724,169	2,633,111
Total liabilities	-	105,872	-	105,872	-	-	4,301,974	4,301,974	4,407,846	4,240,170
31.12.2020 Company										
Financial assets										
Financial assets at FVTPL	7,555	-	-	7,555	-	-	-	-	7,555	7,555
Total assets	7,555	-	-	7,555	-	-	-	-	7,555	7,555
Financial liabilities										
Sukuk liabilities	-	-	-	-	-	-	993,933	993,933	993,933	919,947
Total liabilities	-	-	-	-	-	-	993,933	993,933	993,933	919,947

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

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

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

40. Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2020 for the Group:

	Group	
	31.12.2020	31.12.2019
	RM'000	RM'000
<i>Financial assets at FVOCI</i>		
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	28,309	20,020
Gains recognised in other comprehensive income		
- Net change in fair value (unrealised)	9,651	17,114
At 31 December 2020/2019	702,682	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.

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

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	31.12.2020				
	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	2,826,283	378,349	1,253,285	1,113,754	80,895
- swaps	4,970,297	3,036,052	1,465,737	346,828	121,680
- spot	721,842	721,842	-	-	-
Total	8,518,422	4,136,243	2,719,022	1,460,582	202,575

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk transactions may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2020, the amount of contracts which were not hedged and, hence, exposed to market risk was RM638.93 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 31 December 2020, the credit risk measured in terms of the cost to replace the profitable contracts, was RM148.63 million (31 December 2019: RM79.77 million).

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

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 Company announced that it proposed to undertake various proposal as disclosed in Note B6. The assets and liabilities, including the commitments and contingencies below are classified as held for sale because they are held for distribution to owners of the Group.

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 31.12.2020				
<i>Credit-related Exposures</i>				
Direct credit substitutes	449,506		449,506	442,426
Transaction related contingent items	899,541		449,770	436,481
Short term self-liquidating trade related contingencies	592,744		118,549	117,165
Other commitments, such as formal standby facilities and credit lines with an original maturity of exceeding one year	938,247		469,124	362,317
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	8,676,980		-	-
	11,557,018		1,486,949	1,358,389
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- Less than one year	8,518,422	59,494	143,217	60,587
Profit rate related contracts				
- One year to less than five years	114,056	2,171	5,414	4,045
	8,632,478	61,665	148,631	64,632
	20,189,496	61,665	1,635,580	1,423,021

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

42. Commitments and contingencies (continued)

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

As at 31.12.2019	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
<i>Credit-related Exposures</i>				
Direct credit substitutes	416,059		416,059	413,653
Transaction related contingent items	930,689		465,344	442,978
Short term self-liquidating trade related contingencies	603,739		120,748	120,588
Other commitments, such as formal standby facilities and credit lines with original maturity of exceeding one year	1,168,133		584,067	433,070
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,892,943		-	-
	<u>11,011,563</u>		<u>1,586,218</u>	<u>1,410,289</u>
<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
	<u>6,402,618</u>	<u>33,326</u>	<u>79,772</u>	<u>42,897</u>
	<u>17,414,181</u>	<u>33,326</u>	<u>1,665,990</u>	<u>1,453,186</u>

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) issued on 9 December 2020 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 3 May 2019. The Group is required to meet minimum Common Equity Tier I ("CET I"), Tier I and Total Capital adequacy ratios of 4.5%, 6.0% and 8.0% respectively in 2020. To ensure that banks build up adequate capital buffer outside period of stress, a Capital Conservation Buffer ("CCB") of 2.5% above the minimum capital adequacy was introduced by BNM. The CCB is maintained in the form of CET I capital at 2.5% starting 1 January 2019 onwards.

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

43. Capital adequacy (continued)

Therefore, the minimum regulatory capital adequacy ratios requirement for CET I capital ratio, Tier I capital ratio and Total Capital ratio are 7.0%, 8.5% and 10.5% respectively starting year 2019 onwards. The Group has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

BNM has issued a memo on "Additional Measures to Assists Customers Affected by COVID-19 Outbreak" which specifies (amongst others):

- i. Drawdown of CCB of 2.5%; and
- ii. Reduction in regulatory reserves held against expected losses to 0%.

As a result, the minimum CET I capital ratio, Tier I capital ratio and Total Capital Ratio for the year ended 2020 are revised to 4.5%, 6.0% and 8.0% respectively (i.e. without CCB). However BNM requires financial institutions to restore the minimum regulatory requirements by 30 September 2021.

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

Group	31.12.2020	31.12.2019
	%	%
Common Equity Tier I ("CET I") Capital Ratio	12.963	12.656
Total Tier I Capital Ratio	12.963	12.656
Total Capital Ratio	18.071	17.052

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

Group	31.12.2020	31.12.2019
	RM'000	RM'000
Paid-up share capital	4,412,261	4,307,819
Retained earnings	2,287,326	1,924,475
Other reserves	(965,212)	(946,505)
<u>Less:</u>		
Investment in subsidiary	(99,053)	(99,053)
Deferred tax assets	(1,531)	(34,431)
Gain on financial instruments classified as fair value through other comprehensive income	(107,045)	(107,543)
Regulatory reserve	-	(25,000)
Total CET I and Tier I Capital	5,526,746	5,019,762
Sukuk Murabahah	1,700,000	1,300,000
Collective assessment allowance and regulatory reserve ^	477,886	443,476
Total Tier II Capital	2,177,886	1,743,476
Total Capital	7,704,632	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.

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

43. Capital adequacy (continued)

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

Group	31.12.2020 RM'000	31.12.2019 RM'000
Credit risk	47,030,111	42,746,503
Less: Credit risk absorbed by unrestricted investment accounts	(8,799,247)	(7,268,408)
	38,230,864	35,478,095
Market risk	638,925	580,444
Operational risk	3,766,197	3,603,044
	42,635,986	39,661,583

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

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

B1. Performance review for the financial year ended 31 December 2020

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

	Cumulative Period		Variance	
	Current Year To-date	Preceding Year Corresponding Period		
	31.12.2020	31.12.2019	Amount	%
RM'000				
Revenue	4,980,109	5,381,646	(401,537)	-7.46
Operating Profit	1,446,890	1,430,580	16,310	1.14
Profit Before Zakat and Taxation	1,097,285	1,205,014	(107,729)	-8.94
Profit After Zakat and Taxation	867,901	935,369	(67,468)	-7.21
Profit Attributable to Equity Holders of the Parent	720,247	786,920	(66,673)	-8.47

Table 1: Financial review for financial year to date

BIMB Holdings Berhad ("BHB") Group reported Profit Before Zakat and Taxation ("PBZT") for the financial year ended 31 December 2020 of RM1,097.3 million, representing a decrease of 8.9% or RM107.7 million as compared to the corresponding period in 2019 of RM1,205.0 million.

At the operating profit level, the Group's operating profit of RM1,446.9 million was higher by RM16.3 million or 1.1% compared to the corresponding period in 2019 of RM1,430.6 million.

The net profit attributable to shareholders decreased by 8.5% or RM66.7 million to RM720.2 million as compared to the corresponding period in 2019 of RM786.9 million.

BHB Group registered a Return on Equity ("ROE") of 12.8% (after tax and zakat). Net assets per share has improved to RM3.63 as at 31 December 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").

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

B1. Performance review for the financial year ended 31 December 2020 (continued)

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

Bank Islam Malaysia Berhad

For the financial ended 31 December 2020, Bank Islam reported a PBZT of RM728.2 million, a decrease of RM115.3 million or 13.7% as compared to the corresponding period last year of RM843.5 million. 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 non-fund based income increased by RM113.4 million for the financial year ended 2020 compared to the year ended 2019, which was mainly due to higher investment income.

The higher overheads by RM14.3 million was mainly due to higher staff costs and general expenses by RM1.0 million and RM13.3 million respectively.

The Bank recorded net allowance charged for impairment on financing and advances of RM208.7 million for the financial year ended 2020 compared to RM83.7 million in the year ended 2019, higher by RM125.0 million. The increase in net allowance charged was mainly attributed to higher net allowance charged for impairment on financing by RM97.4 million and lower bad debts recovered by RM27.6 million.

The Bank's total assets stood at RM74.6 billion as at 31 December 2020, a year-on-year increase by RM7.0 billion from RM67.6 billion reported as at 31 December 2019 which was mainly contributed by the increase in net financing by RM5.2 billion and increase of cash and short-term funds by RM 2.4 billion. The overall increase however was partly offset with lower statutory deposits with Bank Negara Malaysia of RM0.9 billion.

As at end of December 2020, customer deposits and investment accounts stood at RM63.4 billion with a year-on-year increase by RM5.8 billion or 10.1%. Total current and saving accounts and transactional investment accounts ("CASATIA") composition is at healthy level of 36.1% of total customer deposits and investment accounts.

Total gross impaired financing as at 31 December 2020 was RM373.2 million compared to RM433.0 million as at 31 December 2019.

Syarikat Takaful Malaysia Keluarga Berhad

For the financial year ended 31 December 2020, Takaful Malaysia recorded PBZT of RM426.8 million, higher as compared to RM417.7 million in the same period last year. The higher in profit was mainly attributable to savings from management expenses and release of expense reserve.

Takaful Malaysia recorded operating revenue of RM2,957.2 million for the financial year ended 31 December 2020, lower as compared to of RM3,124.6 million as compared to the same period last year. The decrease was mainly attributable to lower sales generated from Family Takaful business.

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

B1. Performance review for the financial year ended 31 December 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 RM1,756.9 million for the financial year ended 31 December 2020, lower as compared to RM2,042.3 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 COVID-19 pandemic.

The net benefits and claims from Family Takaful business decreased by 6.2% to RM751.9 million for the financial year ended 31 December 2020 from RM801.6 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 2.9% to RM286.0 million as compared to RM277.9 million in the same period of the preceding year, mainly due to higher profit income from fixed income investment.

For the financial year ended 31 December 2020, Family Takaful recorded fair value gains of RM17.2 million, decreased by RM13.1 million as compared to fair value gains of RM30.3 million in the same period of the preceding year. The decrease was mainly due to equity market performance.

General Takaful business generated gross earned contributions of RM756.5 million for the financial year ended 31 December 2020, higher by 7.1% as compared to RM706.2 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 24.2% to RM153.2 million for the financial year ended 31 December 2020 from RM202.2 million in the same period of the preceding year, mainly due to lower claims relating to motor class.

The investment income for the financial year ended 31 December 2020 was RM30.7 million, at par as compared to the same period of the preceding year of RM31.2 million.

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

B1. Performance review for the financial year ended 31 December 2020 (continued)

Current Quarter vs. Previous Year Corresponding Quarter

	Individual Period		Variance	
	Current Year Quarter	Preceding Year Corresponding Quarter		
	RM'000	31.12.2020	31.12.2019	Amount
Revenue	1,259,337	1,352,457	(93,120)	-6.89
Operating Profit	338,184	298,150	40,034	13.43
Profit Before Zakat and Taxation	302,784	266,607	36,177	13.57
Profit After Zakat and Taxation	264,224	211,004	53,220	25.22
Profit Attributable to Equity Holders of the Parent	222,174	180,858	41,316	22.84

Table 2: Financial review for current quarter

For the fourth quarter ended 31 December 2020 ("Q4 2020"), the Group registered PBZT of RM302.8 million, an increase of 13.6% or RM36.2 million as compared to the previous year corresponding quarter ("Q4 2019") of RM266.6 million.

Net profit attributable to shareholders also increased by 22.8% or RM41.3 million over the same period to RM222.2 million.

Bank Islam Malaysia Berhad

For Q4 2020, Bank Islam achieved PBZT of RM201.9 million, an increase of RM4.6 million or 2.3% over the PBZT in Q4 2020 of RM197.3 million. The increase in PBZT was mainly due to decrease in total overheads despite the decrease in total net income.

Gross fund based income decreased by RM106.9 million or 16.5% due to multiple reduction of OPR during the year, although there is a growth of a 10.9% Y-o-Y increase in gross financing, whilst IATD lower by 36.3% compared to Q4 2019. Furthermore, there are recognition losses on modification of financial assets of RM 38.6 million.

The non-fund based income also decreased by RM12.9 million for Q4 2020 compared to Q4 2019, which was mainly due to lower investment income.

Total overheads were lower by RM26.3 million or 8.4% over the corresponding quarter last year mainly due to lower staff cost.

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

B1. Performance review for the financial year ended 31 December 2020 (continued)

Current Quarter vs. Previous Year Corresponding Quarter (continued)

Syarikat Takaful Malaysia Keluarga Berhad

For Q4 2020, Takaful Malaysia recorded PBZT of RM117.2 million, increase by 36.9% as compared to RM85.6 million in Q4 2019. The increase in profit was mainly attributable to savings from management expenses and release of expense reserve.

For Q4 2020 under review, Takaful Malaysia generated Operating Revenue of RM774.9 million, lower as compared to RM779.9 million in Q4 2019, mainly attributable to lower investment income.

For Q4 2020 under review, Family Takaful business recorded gross earned contributions of RM501.0 million as compared to RM531.2 million in Q4 2019. The decrease is mainly attributable to lower sales from credit-related products as the business activities have been impacted by the COVID-19 pandemic.

Family Takaful business recorded net benefits and claims of RM200.9 million, a decrease of 4.5% as compared to Q4 2019. The decrease was mainly due to lower medical claims.

For Q4 2020 under review, General Takaful business generated gross earned contributions of RM200.2 million, increased by 22.2% as compared to RM163.8 million in Q4 2019. The increase was mainly attributable to motor class.

General Takaful business recorded net benefits and claims of RM20.9 million for Q4 2020, lower by 62.0% as compared to Q4 2019. The decrease was mainly due to lower claims relating to motor class.

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

	Current Quarter	Immediate Preceding Quarter	Variance	
	31.12.2020	30.09.2020	Amount	%
RM'000				
Revenue	1,259,337	1,332,009	(72,672)	-5.46
Operating Profit	338,184	410,563	(72,379)	-17.63
Profit Before Zakat and Taxation	302,784	220,408	82,376	37.37
Profit After Zakat and Taxation	264,224	169,510	94,714	55.88
Profit Attributable to Equity Holders of the Parent	222,174	135,810	86,364	63.59

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

For the fourth quarter ended 31 December 2020 ("Q4 2020"), the BHB Group reported PBZT of RM302.8 million against a PBZT of RM220.4 million achieved in the immediate preceding quarter ended 30 September 2020 ("Q3 2020"), an increase of RM82.4 million or 37.4%.

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

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

At the operating profit level, the Group's operating profit for Q4 2020 of RM338.2 million was lower by RM72.4 million or 17.6% as compared to Q3 2020 of RM410.6 million.

Bank Islam Malaysia Berhad

For Q4 2020, the Bank achieved PBZT of RM201.9 million, an increase of RM64.6 million or 47.1% over the PBZT in Q3 2020 of RM137.3 million. The increase in PBZT was mainly due to lower net allowance for impairment on financing and advances of RM159.1 million offset by the decrease in total income of RM117.4 million.

Syarikat Takaful Malaysia Keluarga Berhad.

For Q4 2020, Takaful Malaysia registered PBZT of RM117.2 million, higher by 19.8% as compared to Q3 2020 of RM97.8 million. The increase was mainly attributable to savings from management expenses and release of expense reserve.

For Q4 2020, Takaful Malaysia generated Operating Revenue of RM774.9 million, higher by 2.8% as compared to RM753.5 million in Q3 2020. The increase was mainly attributable to higher sales generated from General Takaful business.

Family Takaful business recorded gross earned contributions of RM501.0 million, increased by 3.6% as compared to RM483.7 million in Q3 2020. The increase was mainly attributable to higher sales from credit-related product.

For Q4 2020, Family Takaful business recorded net benefits and claims of RM200.9 million, at par as compared to the immediate preceding quarter of RM200.9 million.

For Q4 2020, General Takaful business generated gross earned contributions of RM200.2 million, higher as compared to RM191.6 million in Q3 2020. The increase was mainly contributed from fire and motor classes.

For Q4 2020, General Takaful business recorded net benefits and claims of RM20.9 million, decreased by 59.7% as compared to RM51.8 million in Q3 2020. The decrease was mainly due to lower claims relating to motor class.

B3. Prospects for 2021

Bank Islam Malaysia Berhad

COVID-19 is once again taking its toll on economic activities as the third wave prompts new restrictions, but the vaccine news is a game-changer for the outlook over the next two years. BNM opines that the Gross Domestic Product ("GDP") will rebound amidst a low unemployment rate but with an improved Consumer Price Index ("CPI"). Such a positive outlook for 2021 will be backed by a favourable global growth projection and a revival in domestic economic activities. In turn, this will bode well for financial market performance.

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

B3. Prospects for 2021 (continued)

Bank Islam Malaysia Berhad (continued)

The pandemic should be seen as a window of opportunity to grow sustainably. In this trying time, our initiatives further reflect our commitment towards financial inclusivity, which ensures development for all, as we seek to support economic recovery and safeguard the rakyat's livelihood. Therefore, as part of its business plan for 2021, the Bank is embarking on a 5-year roadmap to deliver the promise of technology, redefine growth and work in new ways to address the unprecedented challenges. By 2025, the Bank aspires to be a champion in offering Shariah environmental, social and governance ("Shariah-ESG") total financial solution with leadership in digital banking and social finance. The plan mobilises six strategic objectives premised on the Bank's role as Value-Based Intermediary ("VBI"), namely Sustainable Prosperity, Value-based Culture, Community Empowerment, Customer Centricity, Real Economy and Digitalisation. The objectives will be supported by key initiatives, directly focused efforts towards the end goal in 2025 such as to expand portfolio relating to real economy & green economy; implement integrated wealth management business model; accelerate digitalisation; promote social finance, and enforce cost management initiatives.

Against a strong backdrop of credit metrics with the recent reaffirmation of AA3/Stable/P1 by RAM Ratings, BHB is proceeding with its proposed group restructuring exercise that will unlock significant value for shareholders, as well as transferring its listing status to its subsidiary, Bank Islam. The exercise will see the Bank becoming the only full-fledged Islamic financial institution listed in Malaysia, having greater access to tap the capital markets for an exciting future expansion.

Syarikat Takaful Malaysia Keluarga Berhad

For our takaful business, Takaful Malaysia has been taking necessary and thoughtful steps to strengthen its business resilience and adjust its operating models in managing the business in a very different market and dynamic operating landscape. Takaful Malaysia remains vigilant and cautious in managing operating costs, business growth, and portfolio risk.

As a pioneer and early adopter of online distribution and new digital technologies supporting our distribution channels, we can reduce some sales and operational challenges faced during the COVID-19 pandemic period. Our digital and technological capabilities have enabled us to maintain uninterrupted business services to all our sales intermediaries, bank partners, and customers. Notably, we have a wide range of online takaful products that customers can easily access our affordable online takaful solutions at their fingertips, especially during the COVID-19 outbreak. We have increased our social media presence to cross-sell our online products, especially targeting the customers who may not have access to intermediaries for face-to-face selling.

In sustaining its market-leading position and support business growth and customer-centricity, Takaful Malaysia 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.

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

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		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
Malaysia				
Current year	(109,254)	43,957	132,409	282,401
(Over)/Under provision in prior years	(29,149)	689	(30,361)	(5,966)
Overseas				
Over provision in prior years	-	(5,088)	-	(5,088)
Deferred tax expense:				
Origination and reversal of temporary differences	173,957	15,997	111,521	(14,113)
Under provision in prior years	2,108	139	2,760	151
	37,662	55,694	216,329	257,385

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

Group	3 months ended		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax	302,784	266,607	1,097,285	1,205,014
Income tax calculated using				
Malaysian tax rate of 24%	72,668	63,985	263,348	289,203
Non-deductible expenses	22,916	31,713	81,454	94,869
Non-deductible Sukuk's finance cost	3,327	3,204	13,136	12,644
Non-taxable income	(31,655)	(40,635)	(111,455)	(130,115)
Effect of tax rates in foreign jurisdictions	38	2	38	2
Zakat	(2,591)	(3,403)	(2,591)	(3,403)
	64,703	54,866	243,930	263,200
(Over)/Under provision in prior years	(29,149)	689	(30,361)	(5,966)
Under provision of deferred tax	2,108	139	2,760	151
Tax expense	37,662	55,694	216,329	257,385

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

B5. Tax expense (continued)

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

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

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

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

Major components of tax expense

Company	3 months ended		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense	417	924	2,198	2,271
Over provision in prior years	(7)	(16)	(7)	(16)
	<u>410</u>	<u>908</u>	<u>2,191</u>	<u>2,255</u>

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

Company	3 months ended		12 months ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax	<u>43,943</u>	<u>81,303</u>	<u>270,919</u>	<u>351,852</u>
Income tax calculated using				
Malaysian tax rate of 24%	10,547	19,512	65,021	84,444
Non-deductible expenses	935	1,813	9,044	4,004
Non-deductible Sukuk's finance cost	3,327	3,204	13,136	12,644
Non-taxable income	<u>(14,392)</u>	<u>(23,605)</u>	<u>(85,003)</u>	<u>(98,821)</u>
	417	924	2,198	2,271
Over provision in prior years	(7)	(16)	(7)	(16)
Tax expense	<u>410</u>	<u>908</u>	<u>2,191</u>	<u>2,255</u>

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

B6. Corporate proposals

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

(i) Proposed placement

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

(ii) Proposed scheme of arrangement

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

(iii) Proposed Internal Reorganisation

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

(iv) Proposed distribution and capital repayment

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

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

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

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

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

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 Bank will emerge as the first pure-play full-fledged Islamic financial institution to be listed in the region and enhance its corporate stature. The listing will allow Bank Islam to better position itself in the Islamic finance and Islamic capital market and capitalise on the growth of both markets in its efforts to expand its customer base.

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.

BHB has on 10 December 2020 announced that it has received the approval from the Minister of Finance (on the recommendation of BNM), and BNM in relation to the Proposals.

The Proposals are now subject to the approvals and/or consent being obtained from 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.

B7. Status of utilisation of proceeds raised from corporate proposals

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

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

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

	Group	
	31.12.2020 RM'000	31.12.2019 RM'000
Deposits from customers		
Mudharabah and Tawarruq term deposits and Negotiable Islamic Debt Certificates		
- One year or less (short-term)	30,892,927	28,874,080
- More than one year (medium/long-term)	1,770,557	2,159,133
	32,663,484	31,033,213
Current accounts	11,705,512	10,932,557
Savings accounts	6,051,242	4,681,710
Others	120,107	105,234
Total deposits	50,540,345	46,752,714
Investment accounts of customers		
- One year or less (short-term)	11,993,553	9,797,543
- More than one year (medium/long-term)	28,559	-
	12,022,112	9,797,543

RM'000	As at 31.12.2020		
	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	2,619,127	13,984	2,633,111
- Sukuk liabilities	919,127	820	919,947
- Subordinated Sukuk Murabahah	1,700,000	13,164	1,713,164

RM'000	As at 31.12.2019		
	Long term	Short term	Total borrowings
Secured	1,500,000	1,187	1,501,187
- Recourse obligations on financing sold to Cagamas	1,500,000	1,187	1,501,187
Unsecured	2,130,273	9,393	2,139,666
- Sukuk liabilities	880,273	820	881,093
- Subordinated Sukuk Murabahah	1,250,000	8,573	1,258,573

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

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

The borrowings comprise the following:

- a) On 25 May 2018, the Bank has entered into recourse obligations on financing sold to Cagamas amounting to RM1.5 billion. Under the agreement, the Bank undertakes to administer the identified house financing on behalf of Cagamas and to buy back any house financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. The financing sold with recourse to the Bank are not de-recognised until recourse period has expired and the risks and rewards of the financing have been fully transferred.
- b) The 10-year Islamic securities of RM1.05 billion (2019: RM1.05 billion) in nominal value issued by the Company on 12 December 2013. The effective rate of the Islamic securities is 6.25% p.a.

On 12 December 2018, the Company has made an early partial redemption of RM609,941,757 in nominal value of the Sukuk Murabahah at a cash consideration of RM500 million.

- c) Subordinated Sukuk Murabahah:

	Nominal value RM'000	Issue date	First call date*	Maturity date	Profit rate (% p.a.)#
(i)	300,000	22 April 2015	22 April 2020	22 April 2025	5.75
(ii)	400,000^	15 December 2015	15 December 2020	15 December 2025	5.50
(iii)	300,000	13 November 2017	12 December 2022	12 November 2027	5.08
(iv)	300,000	7 November 2018	7 December 2023	7 November 2028	5.15
(v)	400,000	26 March 2020	26 March 2025	26 March 2030	3.75
(vi)	700,000	21 October 2020	21 October 2025	21 October 2030	3.60

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

^ Included RM50 million subscription by Syarikat Takaful Malaysia Keluarga Berhad.

The Bank issued item (v) to replace item (i) with the first call date on 22 April 2020 and item (vi) to replace item (ii) with the first call date on 15 December 2020.

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

B9. Material litigation

- (a) On 16 April 2019, 5 Star Room Hotel Sdn Bhd ("Plaintiff") filed a civil suit against Bank Islam and claimed damages for a breach of promise to grant a financing facility to Pan Asian Resorts Sdn Bhd (Plaintiff's parent company). The Plaintiff claimed for an amount of RM400,000,000.00.

Bank Islam had filed the Defence on 21 May 2019.

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 ("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 Application FS.

The HC had fixed 13 July 2020 for decision on the PO 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 15 December 2020, the COA had fixed for case management on 22 February 2021 for Plaintiff/Appellant to update the Court on the status of the Written Grounds of Judgment from Alor Setar, High Court.

On 22 February 2021, the COA had fixed the next case management date on 14 April 2021 pending Written Grounds of Judgment from Alor Setar, High Court. The hearing date will only be fixed once the Written Grounds of Judgment is ready from Alor Setar, High Court.

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

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 Application").

The High Court had fixed 1 July 2020 for decision on O.14, O.18 and the Application.

The Court had allowed Bank Islam's application on O.14, O.18 and the Defendants' application to transfer this case to Alor Setar High Court was dismissed.

The Court also ordered the Defendants to pay costs of RM8,000.00 to Bank Islam.

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 ("COA") 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 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.

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

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) On 30 November 2020, the Board of Directors of BIMB Holdings Berhad ("BHB") had declared an interim dividend of 12.60 sen per ordinary share in BHB for the financial year ended 31 December 2020 and paid on 18 January 2021.

From the total dividend amount declared of RM225.9 million, approximately 9% or RM20.4 million was distributed as cash dividend whilst the remaining 91% amounting to RM205.5 million was reinvested to subscribe for 60,986,700 new ordinary shares at RM3.37 each via the Dividend Reinvestment Plan.

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 : 18 January 2021.

v) Entitlement to dividend was determined on the basis of the record of shareholders as at book closing date on 22 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		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Net profit for the period under review attributable to equity holders of the parent	222,174	180,858	720,247	786,920
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	1,791,036	1,758,664
Earnings per share (sen)	12.39	10.25	40.21	44.75

Diluted earnings per share

There is no dilution due to the Company's warrants, as the warrants are currently out-of-money in view that the exercise price for each warrant is higher than the closing market price of the Company's shares as at 31 December 2020.

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

B12. Economic profit statement

Group	3 months ended		12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Net operating profit after zakat & tax (NOPAT)				
Profit before zakat and taxation (PBZT)	302,784	266,607	1,097,285	1,205,014
Zakat & Taxation	(38,560)	(55,603)	(229,384)	(269,645)
NOPAT	264,224	211,004	867,901	935,369
Economic charge computation	8,360,971	7,693,486	7,985,359	7,156,180
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) (%)	11.15	7.35	11.15	7.35
Economic charge	234,336	142,530	890,367	525,979
Economic profit/(loss)	29,888	68,474	(22,466)	409,390

B13. Foreign exchange exposure/hedging policy

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

RM equivalent	As at	
	31.12.2020 RM'000	31.12.2019 RM'000
USD	165,180	(255,546)
EURO	(101,164)	(98,909)
Others	21,747	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").

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

B14. Takaful receivables

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

	Family Takaful		General Takaful		Group	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Non-related parties	177,643	89,682	125,323	113,651	302,966	203,333
Related parties	5	280	-	66	5	346
	177,648	89,962	125,323	113,717	302,971	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:

<u>Days past due</u>	Family Takaful		General Takaful		Group	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Current (not past due)	173,476	84,800	126,125	114,150	299,601	198,950
1-30 days	335	921	188	151	523	1,072
31-60 days	74	1,095	126	192	200	1,287
61-90 days	198	90	155	190	353	280
91-180 days	5,409	132	86	527	5,495	659
> 180 days	2,306	6,766	968	1,256	3,274	8,022
	181,798	93,804	127,648	116,466	309,446	210,270

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

B14. Takaful receivables (continued)

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

	Family Takaful		General Takaful		Group	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Bank Islam Malaysia Berhad	5	3	-	5	5	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 31 December 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	55,598,596	(927,961)	54,670,635	58,065,344	50,223,969	(751,447)	49,472,522	52,407,186

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

B15. Material impairment of assets (continued)

At each reporting date, the Group first assesses individually whether there is a significant increase in credit risk or objective evidence of impairment exists for significant financial assets and collectively for financial assets that are not individually significant. If it is determined that there is significant increase in credit risk or 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.

The Group has considered the impact of the pandemic and has taken into account the economic and financial measures announced by the Government in estimating the ECL on the financial assets.

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.

The Group considers the economic and financial measures announced by the Government, i.e. automatic moratorium as well as rescheduling and restructuring for eligible customers are granted as part of an unprecedented government effort to support the economy amid the pandemic, rather than in response to the financial circumstances of individual customers. Judgement is exercised in determining the significant increase in credit risk for customers receiving relief assistance and do not automatically result in a stage transfer.

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

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

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

B15. Material impairment of assets (continued)

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

B16. Derivatives

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

As at 31 December 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	8,518,422	(44,734)
Profit rate related contracts		
- More than 3 years	114,056	527
	8,632,478	(44,207)

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)

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

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

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

Type of derivatives	3 months ended 31.12.2020 RM'000	12 months ended 31.12.2020 RM'000
<i>Derivative Financial Instruments</i>		
Gain arising from fair value changes from derivatives assets and liabilities	3	31

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

By order of the Board

MARIA MAT SAID (LS 0009400)
Company Secretary
January 29, 2021