

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 March 2021

	Note	Group As at		Company As at	
		31.03.2021 RM'000	31.12.2020 RM'000	31.03.2021 RM'000	31.12.2020 RM'000
<u>Assets held for sale</u>					
Cash and short-term funds	8	3,503,914	5,829,503	2,274	317,588
Deposits and placements with banks and other financial institutions	9	1,963,541	2,032,960	351,550	-
Financial assets at fair value through profit or loss (FVTPL)	10	2,322,536	1,993,825	7,357	7,555
Derivative financial assets	11	51,725	61,665	-	-
Financial assets at fair value through other comprehensive income (FVOCI)	12	17,593,593	18,395,952	-	-
Financing, advances and others	13	55,131,928	54,670,635	-	-
Other financial assets at amortised cost	14	698,021	686,461	2,002	60,369
Retakaful assets	15	1,014,732	978,202	-	-
Statutory deposits with Bank Negara Malaysia		249,758	192,425	-	-
Current tax assets		181,113	177,417	92	92
Deferred tax assets		79,274	32,981	10	10
Right-of-use assets	16	224,012	229,189	-	-
Investments in subsidiaries		-	-	5,571,524	5,571,524
Property and equipment		425,554	427,027	351	381
Investment properties		10,395	10,472	-	-
Intangible assets		182,142	191,187	-	-
Total assets held for sale		<u>83,632,238</u>	<u>85,909,901</u>	<u>5,935,160</u>	<u>5,957,519</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 31 December 2020 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 2020.

BIMB Holdings Berhad [Registration No. 199701008362 (423858-X)]
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Condensed Statement of Financial Position as at 31 March 2021 (continued)

	Note	Group As at		Company As at	
		31.03.2021 RM'000	31.12.2020 RM'000	31.03.2021 RM'000	31.12.2020 RM'000
<u>Liabilities associated with assets held for sale and equity</u>					
Deposits from customers	17	49,569,878	50,540,345	-	-
Investment accounts of customers	18	10,994,646	12,022,112	-	-
Derivative financial liabilities	11	39,248	105,872	-	-
Bills and acceptances payable		68,737	29,621	-	-
Recourse obligations on financing sold to Cagamas	19	1,501,187	1,501,187	-	-
Other liabilities	20	1,607,431	2,002,120	1,775	228,171
Lease liabilities	16	310,523	314,186	-	-
Takaful contract liabilities	21	9,125,088	9,156,608	-	-
Expense reserves	22	324,831	316,728	-	-
Sukuk liabilities	23	2,657,410	2,633,111	934,122	919,947
Deferred tax liabilities		-	74,445	-	-
Zakat and taxation		94,547	60,488	221	70
Total liabilities associated with assets held for sale		76,293,526	78,756,823	936,118	1,148,188
<u>Equity</u>					
Share capital		4,617,787	4,412,261	4,617,787	4,412,261
Reserves		2,041,383	2,092,075	381,255	397,070
Equity attributable to owners of the Company		6,659,170	6,504,336	4,999,042	4,809,331
Non-controlling interests		679,542	648,742	-	-
Total equity		7,338,712	7,153,078	4,999,042	4,809,331
Total liabilities associated with assets held for sale and equity		83,632,238	85,909,901	5,935,160	5,957,519
<u>Restricted investment accounts ("RA") managed by Bank Islam</u>					
	18	5,612	11,915	-	-
Total assets held for sale including RA		83,637,850	85,921,816	5,935,160	5,957,519
Commitments and contingencies	42	19,129,307	20,189,496	-	-
Net assets per share attributable to ordinary equity of the Company (RM)		3.59	3.63	2.70	2.68

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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 31 December 2020 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 2020.

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Condensed Statement of Profit or Loss for the three months ended 31 March 2021

	Note	Group 3 months ended		Company 3 months ended	
		31.03.2021 RM'000	31.03.2020 RM'000	31.03.2021 RM'000	31.03.2020 RM'000
<u>Discontinued operations</u>					
Income derived from investment of depositors' funds	25	552,756	691,027	-	-
Income derived from investment account funds	26	117,225	133,998	-	-
Income derived from investment of shareholders' funds	27	94,736	93,489	1,427	4,019
Net earned contributions	28	557,793	584,363	-	-
Other income from takaful business	29	117,797	28,716	-	-
Net benefits, claims and expense reserves	30	(243,466)	(287,639)	-	-
Net allowance for impairment on financing and advances, net of recoveries	31	(11,840)	(30,738)	-	-
Net allowance for impairment on debt instruments		41	15	-	-
Net allowance for impairment on other assets		184	395	-	-
Direct expenses		(3,601)	(3,578)	-	-
Total distributable income		1,181,625	1,210,048	1,427	4,019
Wakalah fees from restricted investment accounts		7	118	-	-
Income attributable to depositors	32	(197,502)	(302,298)	-	-
Income attributable to investment account holders	33	(36,491)	(65,815)	-	-
Income attributable to Takaful Operator/participants		(131,878)	(27,429)	-	-
Total net income		815,761	814,624	1,427	4,019
Personnel expenses	34	(211,156)	(206,382)	(1,613)	(1,852)
Other overhead expenses	35	(255,212)	(251,328)	(1,002)	(2,355)
		349,393	356,914	(1,188)	(188)
Finance cost	36	(36,040)	(35,081)	(14,175)	(13,574)
Profit before zakat and tax		313,353	321,833	(15,363)	(13,762)
Zakat		(4,050)	(3,963)	-	-
Tax expense	B5	(65,500)	(67,635)	(452)	(500)
Profit for the period		243,803	250,235	(15,815)	(14,262)
Attributable to:					
Owners of the Company		202,459	209,237	(15,815)	(14,262)
Non-controlling interests		41,344	40,998	-	-
Profit for the period		243,803	250,235	(15,815)	(14,262)
Earnings per share (sen)	B11	10.99	11.71		

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 2020.

BIMB Holdings Berhad [Registration No. 199701008362 (423858-X)]
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Condensed Statement of Other Comprehensive Income for the three months ended 31 March 2021

	Group 3 months ended		Company 3 months ended	
	31.03.2021 RM'000	31.03.2020 RM'000	31.03.2021 RM'000	31.03.2020 RM'000
<u>Discontinued operations</u>				
Profit for the period	243,803	250,235	(15,815)	(14,262)
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	(12,804)	(23,948)	-	-
Movement in fair value reserve (debt instruments):				
Net change in fair value	(296,195)	(18,196)	-	-
Changes in expected credit losses	41	15	-	-
Net amount transferred to profit or loss	(28,662)	(96,536)	-	-
Income tax effect relating to components of other comprehensive income	70,358	25,732	-	-
	(267,262)	(112,933)	-	-
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit liabilities	118	-	-	-
Movement in fair value reserve (equity instruments):				
Net change in fair value	(880)	(1,156)	-	-
Other comprehensive income for the period, net of tax	(268,024)	(114,089)	-	-
Total comprehensive income for the period	(24,221)	136,146	(15,815)	(14,262)
Total comprehensive income attributable to:				
Owners of the Company	(52,388)	100,041	(15,815)	(14,262)
Non-controlling interests	28,167	36,105	-	-
Total comprehensive income for the period	(24,221)	136,146	(15,815)	(14,262)

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BIMB Holdings Berhad [Registration No. 199701008362 (423858-X)]
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Condensed Statement of Changes in Equity for the three months ended 31 March 2021

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 2021	4,412,261	(930,742)	3,022,817	6,504,336	648,742	7,153,078
Profit for the period	-	-	202,459	202,459	41,344	243,803
Other comprehensive income						
Remeasurement of defined benefit liabilities	-	-	52	52	66	118
Currency translation differences in respect of foreign operations	-	(12,487)	-	(12,487)	(317)	(12,804)
Fair value reserve (debt instruments):						
Net change in fair value	-	(283,269)	-	(283,269)	(12,926)	(296,195)
Changes in expected credit losses	-	41	-	41	-	41
Net amount reclassified to profit or loss	-	(28,662)	-	(28,662)	-	(28,662)
Income tax effect relating to components of other comprehensive income	-	70,358	-	70,358	-	70,358
Fair value reserve (equity instruments):						
Net change in fair value	-	(880)	-	(880)	-	(880)
Total comprehensive income for the period	-	(254,899)	202,511	(52,388)	28,167	(24,221)
Share-based payment transactions	-	2,561	-	2,561	1,768	4,329
Long Term Incentive Plan exercised	-	(865)	-	(865)	865	-
Issue of shares pursuant to Dividend Reinvestment Plan	205,526	-	-	205,526	-	205,526
At 31 March 2021	4,617,787	(1,183,945)	3,225,328	6,659,170	679,542	7,338,712

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 2020.

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Condensed Statement of Changes in Equity for the three months ended 31 March 2021 (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 2020	4,307,819	(917,021)	2,503,634	5,894,432	523,711	6,418,143
Profit for the period	-	-	209,237	209,237	40,998	250,235
Other comprehensive income						
Currency translation differences in respect of foreign operations	-	(22,585)	-	(22,585)	(1,363)	(23,948)
Fair value reserve (debt instruments):						
Net change in fair value	-	(14,666)	-	(14,666)	(3,530)	(18,196)
Changes in expected credit losses	-	15	-	15	-	15
Net amount reclassified to profit or loss	-	(96,536)	-	(96,536)	-	(96,536)
Income tax effect relating to components of other comprehensive income	-	25,732	-	25,732	-	25,732
Fair value reserve (equity instruments):						
Net change in fair value	-	(1,156)	-	(1,156)	-	(1,156)
Total comprehensive income for the period	-	(109,196)	209,237	100,041	36,105	136,146
Share-based payment transactions	-	1,377	-	1,377	939	2,316
Issue of shares pursuant to Dividend Reinvestment Plan	104,442	-	-	104,442	-	104,442
At 31 March 2020	4,412,261	(1,024,840)	2,712,871	6,100,292	560,755	6,661,047

Note 24

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Condensed Statement of Changes in Equity for the three months ended 31 March 2021 (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	
<u>Discontinued operations</u>				
At 1 January 2021	4,412,261	129,300	267,770	4,809,331
Profit for the period	-	-	(15,815)	(15,815)
Issue of shares pursuant to Dividend Reinvestment Plan	205,526	-	-	205,526
At 31 March 2021	4,617,787	129,300	251,955	4,999,042

Company	← Attributable to owners of the Company →			Total Equity RM'000
	Share capital RM'000	Non-distributable Warrant reserve RM'000	Distributable Retained earnings RM'000	
At 1 January 2020	4,307,819	129,300	224,918	4,662,037
Profit for the period	-	-	(14,262)	(14,262)
Issue of shares pursuant to Dividend Reinvestment Plan	104,442	-	-	104,442
At 31 March 2020	4,412,261	129,300	210,656	4,752,217

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Condensed Statement of Cash Flows for the three months ended 31 March 2021

	Group		Company	
	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
<u>Discontinued operations</u>				
Cash flows from operating activities				
Profit before zakat and tax	313,353	321,833	(15,363)	(13,762)
Adjustments for:				
Depreciation of right-of-use assets	5,142	5,147	-	-
Depreciation of property and equipment	17,982	16,921	30	28
Depreciation of investment properties	73	73	-	-
Net gain on disposal of property and equipment	(575)	-	-	-
Property and equipment written off	9	6	-	-
Net allowance for impairment on financing, advances and others	32,589	58,171	-	-
Net allowance for impairment on debt instruments	(41)	(15)	-	-
Net allowance for impairment on other assets	(184)	(395)	-	-
Net loss on sale of financial assets at FVTPL	6,985	4,288	-	-
Net gain on sale of financial assets at FVOCI	(28,662)	(96,536)	-	-
Fair value loss on financial assets at FVTPL	8,625	109,629	251	29
Unrealised foreign exchange gain	(56,106)	(58,113)	-	-
Net derivative gain	(1)	(15)	-	-
Profit income from investments of securities	(114,845)	(129,620)	(1,625)	(3,048)
Dividends income from debt instruments at FVTPL (unit trust)	(132)	(173)	(53)	-
Rebate on investment in unit trust	(494)	-	-	-
Change in actuarial reserves/ unearned contributions reserve	(15,448)	(8,537)	-	-
Equity settled share-based payment	4,329	2,316	-	-
Amortisation of intangible assets	9,934	7,506	-	-
Profit expense on leases	4,385	4,508	-	-
Finance cost	31,655	30,573	14,175	13,574
Operating profit/(loss) before working capital changes	218,573	267,567	(2,585)	(3,179)

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Condensed Statement of Cash Flows for the three months ended 31 March 2021
(continued)

	Group		Company	
	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
<u>Discontinued operations</u>				
Operating profit/(loss) before working capital changes	218,573	267,567	(2,585)	(3,179)
Changes in working capital:				
Financing of customers	(493,882)	(995,952)	-	-
Statutory deposits with Bank Negara Malaysia	(57,333)	945,980	-	-
Other assets	33,589	(35,039)	(619)	522
Deposits from customers	(970,467)	(2,863,332)	-	-
Investment accounts of customers	(1,027,466)	745,014	-	-
Other liabilities	(232,802)	(75,643)	(519)	50
Bills and acceptances payable	39,116	(26,765)	-	-
Cash generated from/(used in) operations	(2,490,672)	(2,038,170)	(3,723)	(2,607)
Zakat paid	(11,815)	(5,665)	-	-
Tax paid	(63,020)	(71,979)	(302)	(334)
Net used in operating activities	(2,565,507)	(2,115,814)	(4,025)	(2,941)
Cash flows from investing activities				
Net proceeds from purchase of securities	161,151	(296,537)	-	-
Purchase of property and equipment	(16,548)	(21,052)	-	-
Proceeds from disposal of property and equipment	576	12	-	-
Profit income from investments of securities	114,845	129,620	1,625	3,048
Dividends income from debt instruments at FVTPL (unit trust)	26	173	-	-
Rebate on investment in unit trust	494	-	-	-
Dividends from subsidiaries	-	-	58,986	98,310
Intangible assets	(889)	(2,234)	-	-
Net cash generated from/(used in) investing activities	259,655	(190,018)	60,611	101,358

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(continued)

	Group		Company	
	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
<u>Discontinued operations</u>				
Cash flows from financing activities				
Dividends paid	(20,350)	(177,843)	(20,350)	(177,843)
Dividends paid to non-controlling interest	(40,666)	(67,048)	-	-
Payment of lease liabilities	(8,058)	(6,712)	-	-
Payment of coupon on Sukuk	(7,356)	-	-	-
Subordinated Sukuk Murabahah	-	400,000	-	-
Net cash (used in)/generated from financing activities	(76,430)	148,397	(20,350)	(177,843)
Net (decrease)/increase in cash and cash equivalents	(2,382,282)	(2,157,435)	36,236	(79,426)
Cash and cash equivalents at beginning of the year	7,862,463	5,916,059	317,588	412,333
Foreign exchange differences	(12,726)	(23,299)	-	-
Cash and cash equivalents at end of the period	5,467,455	3,735,325	353,824	332,907
Cash and cash equivalents comprise:				
Cash and short-term funds	3,503,914	1,247,807	2,274	62,775
Deposits and placements with banks and other financial institutions	1,963,541	2,487,518	351,550	270,132
	5,467,455	3,735,325	353,824	332,907
Less:				
Cash and short term funds and deposits and placements with banks and other financial institutions with original maturity more than three months	(1,963,541)	(2,060,489)	(351,550)	(270,132)
	3,503,914	1,674,836	2,274	62,775

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Condensed Statement of Cash Flows for the three months ended 31 March 2021
(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 01.01.2021 RM'000	Addition during the period RM'000	Changes from financing cash flows RM'000	Finance cost for the period RM'000	Foreign exchange difference RM'000	At 31.03.2021 RM'000
Group						
<u>Liabilities associated</u>						
<u>with assets</u>						
<u>held for sale</u>						
Sukuk						
liabilities	2,633,111	-	(7,356)	31,655	-	2,657,410
Lease						
liabilities	314,186	-	(8,058)	4,385	10	310,523
	<u>2,947,297</u>	<u>-</u>	<u>(15,414)</u>	<u>36,040</u>	<u>10</u>	<u>2,967,933</u>

Company
Liabilities associated
with assets
held for sale

Sukuk						
liabilities	919,947	-	-	14,175	-	934,122

	At 01.01.2020 RM'000	Addition during the period RM'000	Changes from financing cash flows RM'000	Finance cost for the period RM'000	Foreign exchange difference RM'000	At 31.03.2020 RM'000
Group						
Sukuk						
liabilities	2,139,666	400,000	-	30,573	-	2,570,239
Lease						
liabilities	328,062	36	(6,712)	4,508	-	325,894
	<u>2,467,728</u>	<u>400,036</u>	<u>(6,712)</u>	<u>35,081</u>	<u>-</u>	<u>2,896,133</u>

Company

Sukuk						
liabilities	881,093	-	-	13,574	-	894,667

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Explanatory Notes to the Financial Statements for the three months ended 31 March 2021

1. Basis of preparation

The condensed financial statements of the Group for the three months ended 31 March 2021 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 31 December 2020 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 2020. The explanatory notes attached to the condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2020.

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

The significant accounting policies and methods of computation applied in the condensed financial statements are consistent with those adopted in the recent audited financial statements for the financial year ended 31 December 2020, except for the adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRS"):

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

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

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2. Auditors' report on preceeding financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2020 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 three months ended 31 March 2021.

4. Exceptional or unusual items

There were no items of an exceptional or unusual nature in the three months ended 31 March 2021.

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 three months ended 31 March 2021.

6. Issuance or repayment of debt and equity securities

On 19 January 2021, the Company increased its issued and paid-up capital from 1,792,663,814 to 1,853,650,514 via the issuance of 60,986,700 new ordinary shares for a consideration of RM3.37 each arising from the Dividend Reinvestment Plan.

7. Significant events during the three months ended 31 March 2021

There was no significant events during the three months ended 31 March 2021 other than as disclosed in Note B6 to the interim financial statements.

8. Cash and short-term funds

	Group		Company	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	732,085	806,629	1,448	319
Money at call and interbank placements with remaining maturity not exceeding one month	2,771,829	5,022,874	826	317,269
	<u>3,503,914</u>	<u>5,829,503</u>	<u>2,274</u>	<u>317,588</u>

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9. Deposits and placements with banks and other financial institutions

	Group		Company	
	31.03.2021 RM'000	31.12.2020 RM'000	31.03.2021 RM'000	31.12.2020 RM'000
Licensed banks	1,938,934	1,996,962	-	-
Licensed Islamic bank	-	-	351,550	-
Other financial institutions	24,607	35,998	-	-
	<u>1,963,541</u>	<u>2,032,960</u>	<u>351,550</u>	<u>-</u>

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

	Group		Company	
	31.03.2021 RM'000	31.12.2020 RM'000	31.03.2021 RM'000	31.12.2020 RM'000
Money market instruments				
Malaysian Islamic Treasury Bills	901,486	243,618	-	-
Corporate Sukuk	469,656	466,769	-	-
Unit trusts	318,739	306,908	7,357	7,555
Shares	308,834	343,554	-	-
Malaysian Government Investment Issues	293,623	602,925	-	-
Islamic Commercial Papers	30,198	30,051	-	-
	<u>2,322,536</u>	<u>1,993,825</u>	<u>7,357</u>	<u>7,555</u>

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	31.03.2021			31.12.2020		
	Notional Amount RM'000	Fair value		Notional Amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Forward contracts	7,664,584	50,077	(38,047)	8,518,422	59,494	(104,228)
Profit rate swaps	105,509	1,648	(1,201)	114,056	2,171	(1,644)
	<u>7,770,093</u>	<u>51,725</u>	<u>(39,248)</u>	<u>8,632,478</u>	<u>61,665</u>	<u>(105,872)</u>

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

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Financial assets at fair value through other comprehensive income:		
a) Debt instruments	17,530,522	18,332,001
b) Equity instruments	63,071	63,951
	<u>17,593,593</u>	<u>18,395,952</u>

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

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Money market instruments		
Corporate Sukuk	13,640,338	13,966,226
Malaysian Government Investment Issues	3,181,482	3,453,928
Institutional Trust Account	659,495	652,486
Islamic Commercial Papers	49,207	259,361
	<u>17,530,522</u>	<u>18,332,001</u>

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

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Stage 1		
At 1 January 2021/2020	403	265
(Reversal)/Addition of impairment during the period/year	(41)	138
At 31 March 2021/31 December 2020	<u>362</u>	<u>403</u>

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

(b) Equity instruments at fair value through other comprehensive income

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Quoted shares		
- outside Malaysia	12,875	13,755
	12,875	13,755
Unquoted shares		
- in Malaysia	50,194	50,194
- outside Malaysia	2	2
	50,196	50,196
	63,071	63,951

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13. Financing, advances and others

(a) By type and Shariah contract

Group	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At-Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek^ RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
31 March 2021									
At amortised cost									
Cash line	-	-	-	1,261	1,311,010	-	-	-	1,312,271
Term financing									
House financing	3,159,089	-	-	-	18,753,608	-	45,175	-	21,957,872
Syndicated financing	-	-	-	-	1,457,122	-	-	-	1,457,122
Leasing financing	-	-	-	-	-	105,772	-	-	105,772
Bridging financing	-	-	-	-	-	-	45,637	-	45,637
Personal financing	-	-	-	4,736	16,914,544	-	-	-	16,919,280
Other term financing	427,471	1,410,588	-	-	10,781,464	-	1,102	-	12,620,625
Staff financing	44,716	16,490	-	-	340,226	-	7,251	-	408,683
Credit cards	-	-	-	-	437,225	-	-	-	437,225
Trade bills discounted	-	579,266	63,554	3,034	153,688	-	-	-	799,542
Trust receipts	-	3,663	2	-	-	-	-	-	3,665
Pawn broking	-	-	-	-	-	-	-	124	124
	3,631,276	2,010,007	63,556	9,031	50,148,887	105,772	99,165	124	56,067,818
Allowance for impairment on financing, advances and others :-									
- Stage 1									(648,106)
- Stage 2									(155,787)
- Stage 3									(131,997)
Net financing, advances and others									55,131,928

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

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13. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group	Bai' Bithaman 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.

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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	31.03.2021	31.12.2020
		RM'000	RM'000
House financing			
Unrestricted Investment Accounts	18	8,147,023	8,567,694
Sold to Cagamas with recourse	19	1,501,187	1,501,187
		<u>9,648,210</u>	<u>10,068,881</u>
Personal financing			
Unrestricted Investment Accounts	18	2,847,623	3,454,418

(b) By type of customer

		Group	
		31.03.2021	31.12.2020
		RM'000	RM'000
Domestic non-bank financial institutions		1,417,133	1,473,316
Domestic business enterprise		9,894,062	9,859,263
Small & medium enterprises		1,840,341	1,799,003
Government and statutory bodies		735,962	743,051
Individuals		41,805,831	41,353,603
Other domestic entities		100,797	102,008
Foreign entities		273,692	268,352
		<u>56,067,818</u>	<u>55,598,596</u>

(c) By profit rate sensitivity

		Group	
		31.03.2021	31.12.2020
		RM'000	RM'000
Fixed rate			
House financing		713,235	732,437
Others		3,772,701	3,859,673
Floating rate			
House financing		21,909,034	21,485,764
Others		29,672,848	29,520,722
		<u>56,067,818</u>	<u>55,598,596</u>

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13. Financing, advances and others (continued)

(d) **By remaining contractual maturity**

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Maturity within one year	3,726,325	3,660,883
More than one year to three years	1,461,119	1,516,856
More than three years to five years	3,382,298	3,272,167
More than five years	47,498,076	47,148,690
	<u>56,067,818</u>	<u>55,598,596</u>

(e) **By geographical distribution**

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Central Region	25,883,832	25,745,132
Eastern Region	8,807,518	8,757,468
Northern Region	7,493,885	7,431,066
Southern Region	9,556,138	9,416,361
East Malaysia Region	4,326,445	4,248,569
	<u>56,067,818</u>	<u>55,598,596</u>

(f) **By sector**

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Primary agriculture	1,030,390	1,044,451
Mining and quarrying	73,173	67,305
Manufacturing (including agro-based)	968,860	1,001,272
Electricity, gas and water	2,003,992	2,032,684
Wholesale & retail trade, and hotels & restaurants	919,819	951,149
Construction	2,825,434	2,736,468
Transport, storage and communications	661,106	681,659
Finance, insurance, real estate and business activities	4,611,779	4,557,954
Education, health and others	1,163,498	1,168,902
Household sectors	41,809,767	41,356,752
	<u>56,067,818</u>	<u>55,598,596</u>

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13. Financing, advances and others (continued)

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

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
At 1 January 2021/2020	373,234	433,001
Classified as impaired during the period/year	120,565	311,012
Reclassified as not impaired during the period/year	(46,431)	(190,989)
Amount recovered	(24,944)	(67,114)
Amount written off	(23,289)	(112,676)
At 31 March 2021/31 December 2020	399,135	373,234
Gross impaired financing as a percentage of gross financing, advances and others	0.71%	0.67%

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	
	31.03.2021	31.12.2020
	RM'000	RM'000
Central Region	185,059	174,617
Eastern Region	92,552	86,291
Northern Region	78,837	78,220
Southern Region	27,469	19,167
East Malaysia Region	15,218	14,939
	399,135	373,234

(i) Impaired financing by sector

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Manufacturing (including agro-based)	27,729	28,328
Wholesale & retail trade, and hotels & restaurants	88,884	89,812
Construction	39,208	36,220
Transport, storage and communications	17,305	17,801
Finance, insurance, real estate and business activities	6,834	6,141
Education, health and others	3,993	3,969
Household sectors	215,182	190,963
	399,135	373,234

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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 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/ 1 January 2021	653,983	151,446	122,532	927,961
Transfer to Stage 1	2,060	(2,043)	(17)	-
Transfer to Stage 2	(4,190)	6,293	(2,103)	-
Transfer to Stage 3	(55)	(12,922)	12,977	-
Net allowance made during the period	(7,093)	18,176	23,021	34,104
New financial assets originated or purchased	13,362	2,617	-	15,979
Financial assets that have been derecognised	(8,589)	(7,780)	(1,125)	(17,494)
Write-offs	-	-	(23,288)	(23,288)
Exchange differences	(1,372)	-	-	(1,372)
At 31 March 2021	648,106	155,787	131,997	935,890

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14. Other financial assets at amortised cost

	Group		Company	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Takaful receivables	327,945	309,446	-	-
- <i>Due contributions</i>	281,339	260,500	-	-
- <i>Due from retakaful/co-takaful</i>	46,606	48,946	-	-
Clients' and dealers' debit balances	29,372	26,012	-	-
Deposits and prepayments	61,614	57,115	478	497
Other financing	13,147	16,112	-	-
Investment profit receivable	120,053	113,552	-	-
Sukuk	5,289	5,289	-	-
Dividend receivable	-	-	-	58,986
Amount due from subsidiaries	-	-	106	157
Other receivables	158,144	173,674	1,418	729
	715,564	701,200	2,002	60,369
Less: Accumulated impairment loss:				
Stage 3				
- Takaful receivables	(9,279)	(6,475)	-	-
- Sukuk	(5,289)	(5,289)	-	-
- Other receivables	(2,975)	(2,975)	-	-
	698,021	686,461	2,002	60,369

15. Retakaful assets

	Note	Group	
		31.03.2021	31.12.2020
		RM'000	RM'000
Retakaful assets:			
- Claims liabilities	21(i)	540,568	518,298
- Contribution liabilities	21(ii)	129,231	113,784
- Actuarial liabilities	21(iii)	344,933	346,120
		1,014,732	978,202

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16. Right-of-use assets and lease liabilities

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

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Right-of-use assets		
Properties	223,403	228,424
Equipment	<u>609</u>	<u>765</u>
	<u>224,012</u>	<u>229,189</u>
 Lease liabilities	 <u>310,523</u>	 <u>314,186</u>

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

	Group	
	31.03.2021	31.03.2020
	RM'000	RM'000
Depreciation charge on right-of-use assets:		
Properties	4,986	4,987
Equipment	<u>156</u>	<u>160</u>
	<u>5,142</u>	<u>5,147</u>
 Finance cost	 <u>4,385</u>	 <u>4,508</u>

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17. Deposits from customers

(a) By type of deposit

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Savings deposits		
<i>Qard</i>	6,766,866	6,051,242
Demand deposits		
<i>Qard</i>	11,494,336	11,705,512
Term Deposit	31,203,030	32,663,484
Special Investment Deposit		
<i>Mudharabah</i>	3,663	3,662
General Investment Deposit		
<i>Mudharabah</i>	170,511	176,359
Term Deposit-i		
<i>Tawarruq</i>	29,644,718	30,996,552
Negotiable Islamic Debt Certificates ("NIDC")	1,384,138	1,486,911
Others	105,646	120,107
Total Deposits	<u>49,569,878</u>	<u>50,540,345</u>

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

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Due within six months	16,709,969	18,012,901
More than six months to one year	10,204,379	9,616,026
More than one year to three years	1,642,560	2,261,549
More than three years to five years	2,646,122	2,773,008
	<u>31,203,030</u>	<u>32,663,484</u>

(c) By type of customer

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Domestic non-bank financial institutions	6,533,297	6,364,914
Business enterprises	18,715,704	20,921,604
Government and statutory bodies	12,908,943	13,033,032
Individuals	7,650,979	7,042,432
Domestic banking institutions	870,324	718,962
Others	2,890,631	2,459,401
	<u>49,569,878</u>	<u>50,540,345</u>

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18. Investment accounts of customers

(a) By type and Shariah contract

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	5,299,399	5,113,275
- <i>Saving</i>	4,689,171	4,446,643
- <i>Demand</i>	610,228	666,632
With maturity		
<i>Wakalah</i>	5,695,247	6,908,837
	10,994,646	12,022,112
Investment portfolio:		
- <i>House financing</i>	8,147,023	8,567,694
- <i>Personal financing</i>	2,847,623	3,454,418
	10,994,646	12,022,112
Restricted investment accounts ("RA") managed by Bank Islam[^]		
With maturity		
<i>Wakalah</i>	5,612	11,915
Investment portfolio:		
- <i>Other term financing</i>	5,612	11,915

[^] 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	
	31.03.2021	31.12.2020
	RM'000	RM'000
Individuals	5,112,147	4,840,308
Government and statutory bodies	4,000,942	4,385,196
Business enterprises	968,269	1,130,539
Non-bank financial institutions	784,134	1,514,680
Others	129,154	151,389
	10,994,646	12,022,112

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19. Recourse obligations on financing sold to Cagamas

Recourse obligations on financing sold to Cagamas represents house financing accounts that were sold to Cagamas with recourse. Under the agreement, Bank Islam ("the Bank") undertakes to administer the financing on behalf of Cagamas and to buy back any financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. The financing are not de-recognised and are analysed Note 13(a).

20. Other liabilities

	Group		Company	
	31.03.2021	31.12.2020	31.03.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Takaful payables	238,685	232,529	-	-
- <i>Due to retakaful companies</i>	201,315	197,729	-	-
- <i>Due to Intermediaries/Participants</i>	37,370	34,800	-	-
Accruals and other payables	1,339,624	1,518,339	1,758	2,295
Clients' and dealers' credit balances	29,122	25,376	-	-
Dividend payable	-	225,876	-	225,876
Amount due to subsidiaries	-	-	17	-
	1,607,431	2,002,120	1,775	228,171

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	
		31.03.2021	31.12.2020
		RM'000	RM'000
Provision for outstanding claims	21(i)	938,072	919,091
Provision for unearned contributions	21(ii)	504,318	465,734
Participants' fund	21(iii)	7,682,698	7,771,783
		9,125,088	9,156,608

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21. Takaful contract liabilities (continued)

(i) **Provision for outstanding claims**

The provision for outstanding claims is further analysed as follows:

Group	31.03.2021		
	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by participants	481,859	(328,347)	153,512
Provision for IBNR*	456,213	(212,221)	243,992
Provision for outstanding claims	938,072	(540,568)	397,504
		Note 15	
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	

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

Movement of provision for outstanding claims:

	Group		
	Gross RM'000	Retakaful RM'000	Net RM'000
At 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/ 1 January 2021	919,091	(518,298)	400,793
Claims incurred during the period	308,616	(74,365)	234,251
Claims paid during the period	(307,599)	69,156	(238,443)
Movement in IBNR	18,050	(17,101)	949
Effect of movement in exchange rates	(86)	40	(46)
At 31 March 2021	938,072	(540,568)	397,504

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21. Takaful contract liabilities (liabilities)

(ii) Provision for unearned contributions

The provision for unearned contributions is further analysed as follows:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
31.03.2021	504,318	(129,231)	375,087
		Note 15	
31.12.2020	465,734	(113,784)	351,950
		Note 15	

Movement of provision for unearned contributions:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 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	(756,498)	319,313	(437,185)
At 31 December 2020/ 1 January 2021	465,734	(113,784)	351,950
Contributions written during the period	256,710	(120,718)	135,992
Contributions earned during the period	(218,126)	105,271	(112,855)
At 31 March 2021	504,318	(129,231)	375,087

(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
31.03.2021			
Actuarial liabilities	6,115,977	(344,933)	5,771,044
Unallocated surplus/ accumulated surplus	1,305,617	-	1,305,617
Fair value reserve	51,825	-	51,825
Net assets value attributable to unitholders	209,279	-	209,279
	7,682,698	(344,933)	7,337,765
		Note 15	

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21. Takaful contract liabilities (continued)

(iii) Participants' fund (continued)

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

	Gross RM'000	Group Retakaful RM'000	Net RM'000
31.12.2020			
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	

22. Expense reserve

	Group	
	31.03.2021 RM'000	31.12.2020 RM'000
At 1 January 2021/2020	316,728	311,700
Provision for the period/year, net	8,273	5,275
Effect of movement in exchange rates	(170)	(247)
At 31 March 2021/31 December 2020	<u>324,831</u>	<u>316,728</u>

23. Sukuk liabilities

		Group		Company	
	Note	31.03.2021 RM'000	31.12.2020 RM'000	31.03.2021 RM'000	31.12.2020 RM'000
Sukuk liabilities	(a)	934,122	919,947	934,122	919,947
Subordinated					
Sukuk Murabahah	(b)	1,723,288	1,713,164	-	-
		<u>2,657,410</u>	<u>2,633,111</u>	<u>934,122</u>	<u>919,947</u>

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23. Sukuk liabilities (continued)

The Sukuk liabilities comprise the following:

- a) The 10-year Islamic securities of RM1.05 billion (2020: 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	13 November 2017	12 December 2022	12 November 2027	5.08
(ii)	300,000	7 November 2018	7 December 2023	7 November 2028	5.15
(iii)	400,000	26 March 2020	26 March 2025	26 March 2030	3.75
(iv)	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.

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	
	31.03.2021	31.03.2020
	RM'000	RM'000
Capital reserve	6,863	6,863
Warrant reserve	129,300	129,300
FVOCI reserve	(29,413)	122,667
Translation reserve	(107,331)	(124,139)
Regulatory reserve	-	25,000
Long Term Incentive Plan (LTIP) reserve	16,383	15,216
	15,802	174,907
Acquisition reserve	(1,199,747)	(1,199,747)
	(1,183,945)	(1,024,840)

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24. Other reserves (continued)

Group	Capital reserve RM'000	Warrant reserve RM'000	FVOCI reserve RM'000	Translation reserve RM'000	Regulatory reserve RM'000	LTIP reserve RM'000	Total RM'000
At 1 January 2021	6,863	129,300	212,999	(94,844)	-	14,687	269,005
Foreign exchange translation differences	-	-	-	(12,487)	-	-	(12,487)
Fair value reserve (debt instruments):							
Net change in fair value	-	-	(283,269)	-	-	-	(283,269)
Changes in expected credit losses	-	-	41	-	-	-	41
Net amount reclassified to profit or loss	-	-	(28,662)	-	-	-	(28,662)
Income tax effect relating to components of other comprehensive income	-	-	70,358	-	-	-	70,358
Fair value reserve (equity instruments):							
Net change in fair value	-	-	(880)	-	-	-	(880)
Transfer of regulatory reserve to retained earnings	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	-	2,561	2,561
LTIP exercised	-	-	-	-	-	(865)	(865)
At 31 March 2021	6,863	129,300	(29,413)	(107,331)	-	16,383	15,802

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24. Other reserves (continued)

Group	Capital reserve RM'000	Warrant reserve RM'000	FVOCI reserve RM'000	Translation reserve RM'000	Regulatory reserve RM'000	LTIP reserve RM'000	Total RM'000
At 1 January 2020	6,863	129,300	209,278	(101,554)	25,000	13,839	282,726
Foreign exchange translation differences	-	-	-	(22,585)	-	-	(22,585)
Fair value reserve (debt instruments):							
Net change in fair value	-	-	(14,666)	-	-	-	(14,666)
Changes in expected credit losses	-	-	15	-	-	-	15
Net amount reclassified to profit or loss	-	-	(96,536)	-	-	-	(96,536)
Income tax effect relating to components of other comprehensive income	-	-	25,732	-	-	-	25,732
Fair value reserve (equity instruments):							
Net change in fair value	-	-	(1,156)	-	-	-	(1,156)
Share-based payment transactions	-	-	-	-	-	1,377	1,377
At 31 March 2020	6,863	129,300	122,667	(124,139)	25,000	15,216	174,907

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25. Income derived from investment of depositors' funds

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	2,363	3,621
(ii) Term deposit-i	337,508	444,118
(iii) Saving and demand deposits	197,771	228,136
(iv) Other deposits	15,114	15,152
	552,756	691,027

(i) Income derived from investment of general investment deposits

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Finance income and hibah		
Financing, advances and others	2,050	2,871
Financial assets:		
- At FVTPL	17	27
- At FVOCI	183	271
Money at call and deposit with financial institutions	42	55
	2,292	3,224
Other dealing income		
Net loss from sale of financial assets at FVTPL	(24)	(18)
Net loss on revaluation of financial assets at FVTPL	(7)	(7)
	(31)	(25)
Other operating income		
Net gain from sale of financial assets at FVOCI	102	422
	102	422
	2,363	3,621
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	33	39
<i>Unwinding of modification loss</i>	2	-

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

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

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Finance income and hibah		
Financing, advances and others	283,598	334,787
Financial assets:		
- At FVTPL	2,989	3,986
- At FVOCI	31,736	39,936
Money at call and deposit with financial institutions	6,929	6,792
	<u>325,252</u>	<u>385,501</u>
Other dealing income		
Net loss from sale of financial assets at FVTPL	(4,236)	(2,616)
Net loss on revaluation of financial assets at FVTPL	(1,141)	(925)
	<u>(5,377)</u>	<u>(3,541)</u>
Other operating income		
Net gain from sale of financial assets at FVOCI	17,633	62,158
	<u>17,633</u>	<u>62,158</u>
	<u>337,508</u>	<u>444,118</u>
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	5,768	5,774
<i>Unwinding of modification loss</i>	374	-
	<u>5,768</u>	<u>-</u>

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

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Finance income and hibah		
Financing, advances and others	166,465	172,123
Financial assets:		
- At FVTPL	1,752	2,065
- At FVOCI	18,589	20,508
Money at call and deposit with financial institutions	4,051	3,490
	<u>190,857</u>	<u>198,186</u>
Other dealing income		
Net loss from sale of financial assets at FVTPL	(2,539)	(1,474)
Net loss on revaluation of financial assets at FVTPL	(679)	(555)
	<u>(3,218)</u>	<u>(2,029)</u>

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

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

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Other operating income		
Net gain from sale of financial assets at FVOCI	<u>10,132</u>	<u>31,979</u>
	<u>10,132</u>	<u>31,979</u>
	<u>197,771</u>	<u>228,136</u>
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	<u>3,340</u>	<u>2,967</u>
<i>Unwinding of modification loss</i>	<u>227</u>	<u>-</u>

(iv) Income derived from investment of other deposits

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Finance income and hibah		
Financing, advances and others	12,702	11,678
Financial assets:		
- At FVTPL	135	141
- At FVOCI	1,423	1,383
Money at call and deposit with financial institutions	<u>309</u>	<u>241</u>
	<u>14,569</u>	<u>13,443</u>
Other dealing income		
Net loss from sale of financial assets at FVTPL	(186)	(180)
Net loss on revaluation of financial assets at FVTPL	<u>(64)</u>	<u>(88)</u>
	<u>(250)</u>	<u>(268)</u>
Other operating income		
Net gain from sale of financial assets at FVOCI	<u>795</u>	<u>1,977</u>
	<u>795</u>	<u>1,977</u>
	<u>15,114</u>	<u>15,152</u>
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	<u>254</u>	<u>197</u>
<i>Unwinding of modification loss</i>	<u>13</u>	<u>-</u>

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26. Income derived from investment account funds

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Finance income		
Unrestricted investment accounts		
- <i>Mudharabah</i>	48,299	39,060
- <i>Wakalah</i>	67,803	94,938
Unwinding of modification loss	1,123	-
	117,225	133,998

27. Income derived from investment of shareholders' funds

	Group		Company	
	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing, advances and others	2,175	1,481	-	-
Financial assets at FVOCI	44,713	47,020	-	-
Money at call and deposit with financial institutions	1,977	3,705	1,624	3,042
	48,865	52,206	1,624	3,042
Other dealing income				
Net gain from foreign exchange transactions	10,958	15,751	-	-
Net loss on revaluation of financial assets at FVTPL	(7,588)	(25,365)	(251)	(29)
Net derivatives gain	1	15	-	-
	3,371	(9,599)	(251)	(29)
Other operating income				
Impairment for doubtful debts	2	-	-	-
Dividend income from debt instruments at FVTPL (unit trust)	132	173	53	-
Rebate on investment in unit trust	494	-	-	-
Fees and commission	40,762	49,228	-	-
Net gain on disposal of property and equipment	575	-	-	-
Rental income	450	426	-	-
Others	85	1,055	1	1,006
	42,500	50,882	54	1,006
	94,736	93,489	1,427	4,019

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28. Net earned contributions

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Net earned contributions		
Gross earned contributions	697,897	697,007
Contribution ceded to retakaful	(140,104)	(112,644)
	<u>557,793</u>	<u>584,363</u>

29. Other income from takaful business

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Other income		
Administration income	25,989	22,801
Investment income	86,808	87,851
Realised gains and losses	30	-
Fair value gains and losses	854	(82,689)
Other operating income	4,116	753
	<u>117,797</u>	<u>28,716</u>

30. Net benefits, claims and expense reserves

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Net benefits and claims		
Gross benefits and claims paid	(307,593)	(301,641)
Claims ceded to retakaful	69,156	49,154
Gross change to contract liabilities	(19,066)	(71,540)
Change to contract liabilities ceded to takaful	22,310	57,243
	<u>(235,193)</u>	<u>(266,784)</u>
Expense reserves	(8,273)	(20,855)
Net benefits, claims and expense reserves	<u>(243,466)</u>	<u>(287,639)</u>

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31. Net allowance for impairment on financing and advances

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Net allowance for impairment on financing, advances and others		
- Stage 1	(2,320)	475
- Stage 2	13,013	37,686
- Stage 3	21,896	20,010
Bad debts and financing recovered	(20,749)	(27,433)
	<u>11,840</u>	<u>30,738</u>

32. Income attributable to depositors

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Deposits from customers		
- Mudharabah Fund	792	1,613
- Non-Mudharabah Fund	178,966	282,901
Deposits and placements of banks and other financial institutions		
- Non-Mudharabah Fund	10	-
Recourse obligations on financing sold to Cagamas	17,734	17,784
	<u>197,502</u>	<u>302,298</u>

33. Income attributable to investment account holders

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Unrestricted investment accounts		
- <i>Mudharabah</i>	3,139	2,671
- <i>Wakalah</i>	33,352	63,144
	<u>36,491</u>	<u>65,815</u>

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34. Personnel expenses

	Group		Company	
	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	165,653	158,158	1,016	1,148
Employees' Provident Fund	24,712	22,450	96	119
Directors remuneration	2,698	2,618	417	480
Others	18,093	23,156	84	105
	211,156	206,382	1,613	1,852

35. Other overhead expenses

	Group		Company	
	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Advertisement and publicity	4,295	5,009	(11)	1,024
Credit and debit card expenses	10,651	9,482	-	-
Commission	54,570	58,406	-	-
	69,516	72,897	(11)	1,024
<i>Establishment</i>				
Depreciation of right-of-use assets	5,142	5,147	-	-
Depreciation of property and equipment	17,982	16,921	30	28
Depreciation of investment property	73	73	-	-
Amortisation of intangible assets	9,934	7,506	-	-
Information technology expenses	18,653	16,558	23	7
Office rental	7,209	8,761	258	265
Office maintenance	6,643	7,617	2	3
Utilities	3,847	4,361	6	6
Security services	2,329	2,877	-	-
Rental equipment	1,395	1,693	20	23
Takaful and insurance	108	44	31	28
Others	527	495	-	-
	73,842	72,053	370	360

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35. Other overhead expenses (continued)

	Group		Company	
	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
<i>General expenses</i>				
Professional fees	8,554	9,306	298	396
Outsourcing fees	5,472	3,912	-	-
Office supplies	2,424	2,870	12	7
Subscription fees	3,298	1,844	1	1
Auditors' remuneration	714	538	49	44
Others	91,392	87,908	283	523
	111,854	106,378	643	971
	255,212	251,328	1,002	2,355

36. Finance cost

	Note	Group		Company	
		3 months ended		3 months ended	
		31.03.2021	31.03.2020	31.03.2021	31.03.2020
		RM'000	RM'000	RM'000	RM'000
Finance cost:					
- Sukuk liabilities		31,655	30,573	14,175	13,574
- Profit expense on leases	16	4,385	4,508	-	-
		36,040	35,081	14,175	13,574

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37. Operating segment information

The Group comprises of the following main business segments:

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

3 months ended 31 March 2021	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	762,460	432,123	2,265	-	1,196,848
Inter-segment revenue	8,462	4,445	1,792	(14,699)	-
Total revenue	770,922	436,568	4,057	(14,699)	1,196,848
Net income from operations (before allowance for impairment on financing and other assets)	532,478	304,690	4,057	(10,248)	830,977
Operating overheads	(284,548)	(190,078)	(5,591)	10,248	(469,969)
Operating results	247,930	114,612	(1,534)	-	361,008
Allowance for impairment	(11,615)	-	-	-	(11,615)
Finance cost	(21,840)	(14)	(14,186)	-	(36,040)
Profit before zakat and taxation	214,475	114,598	(15,720)	-	313,353
Segment assets	72,364,759	11,599,875	6,113,866	(6,446,262)	83,632,238
Segment liabilities	66,156,235	10,008,647	967,048	(838,404)	76,293,526

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37. Operating segment information (continued)

3 months ended 31 March 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	915,351	325,439	3,282	-	1,244,072
Inter-segment revenue	8,219	8,515	3,303	(20,037)	-
Total revenue	923,570	333,954	6,585	(20,037)	1,244,072
Net income from operations (before allowance for impairment on financing and other assets)	546,364	306,525	6,585	(10,944)	848,530
Operating overheads	(272,273)	(192,126)	(7,148)	10,259	(461,288)
Operating results	274,091	114,399	(563)	(685)	387,242
Allowance for impairment	(30,328)	-	-	-	(30,328)
Finance cost	(22,213)	(17)	(13,536)	685	(35,081)
Profit before zakat and taxation	221,550	114,382	(14,099)	-	321,833
Segment assets	65,530,698	10,441,354	5,846,787	(6,452,618)	75,366,221
Segment liabilities	59,755,104	9,117,385	930,030	(1,097,345)	68,705,174

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38. Valuation of property and equipment

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

39. Changes in composition of the Group

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

40. Fair value of financial instruments

Fair value hierarchy

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

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

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

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40. Fair value of financial instruments (continued)

Fair value information

31.03.2021 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	528,047	1,794,109	380	2,322,536	-	-	-	-	2,322,536	2,322,536
Derivative financial assets	-	51,725	-	51,725	-	-	-	-	51,725	51,725
Financial assets at FVOCI	12,875	16,871,027	709,691	17,593,593	-	-	-	-	17,593,593	17,593,593
Financing, advances and others	-	-	-	-	-	-	58,447,665	58,447,665	58,447,665	55,131,928
Total assets	540,922	18,716,861	710,071	19,967,854	-	-	58,447,665	58,447,665	78,415,519	75,099,782
Financial liabilities										
Derivative financial liabilities	-	39,248	-	39,248	-	-	-	-	39,248	39,248
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	-	1,559,100	1,559,100	1,559,100	1,501,187
Sukuk liabilities	-	-	-	-	-	-	2,709,151	2,709,151	2,709,151	2,657,410
Total liabilities	-	39,248	-	39,248	-	-	4,268,251	4,268,251	4,307,499	4,197,845
31.03.2021 Company										
Financial assets										
Financial assets at FVTPL	7,357	-	-	7,357	-	-	-	-	7,357	7,357
Total assets	7,357	-	-	7,357	-	-	-	-	7,357	7,357
Financial liabilities										
Sukuk liabilities	-	-	-	-	-	-	988,793	988,793	988,793	934,122
Total liabilities	-	-	-	-	-	-	988,793	988,793	988,793	934,122

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40. Fair value of financial instruments (continued)

Fair value information (continued)

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

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40. Fair value of financial instruments (continued)

The following table presents the changes in Level 3 instruments for the three months ended 31 March 2021 for the Group:

	Group	
	31.03.2021	31.12.2020
	RM'000	RM'000
<i>Financial assets at FVOCI</i>		
At 1 January 2021/2020	702,682	568,833
Purchases	-	100,000
Disposal	-	(4,111)
Gains recognised in profit or loss		
- Investment income - realised	7,447	28,309
Gains recognised in other comprehensive income		
- Net change in fair value (unrealised)	(438)	9,651
	709,691	702,682
At 31 March 2021/31 December 2020	709,691	702,682

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% (2020: 4.58%)	The estimated fair value would increase (decrease) if the discount rate were (lower) higher.

(b) Financial instruments not carried at fair value

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

(i) Other financial assets at amortised cost

The fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities that are classified as other financial assets at amortised cost, the fair values are valued at cost less impairment or estimated using discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

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40. Fair value of financial instruments (continued)

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

(ii) Financing, advances and others

The fair values of variable rate financing are estimated to approximate their carrying values. For fixed rate financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(iii) Subordinated Sukuk Murabahah and Recourse obligations on financing sold to Cagamas

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates of borrowings with similar risk profiles.

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

Group	31.03.2021					
	Principal Amount	up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years
Items	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Foreign exchange related contracts						
- forwards	2,904,013	403,951	797,228	1,210,374	492,460	-
- swaps	3,972,369	2,799,569	722,160	263,332	82,395	104,913
- spot	788,202	788,202	-	-	-	-
Total	7,664,584	3,991,722	1,519,388	1,473,706	574,855	104,913

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk transactions may be reduced through offsetting on and off-balance sheet positions. As at 31 March 2021, the amount of contracts which were not hedged and, hence, exposed to market risk was RM610.69 million (31 December 2020: RM638.93 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. This amount will increase or decrease over the life of the contracts, maturity dates and rates or prices. As at 31 March 2021, the credit risk measured in terms of the cost to replace the profitable contracts, was RM133.90 million (31 December 2020: RM148.63 million).

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42. Commitments and contingencies

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

The 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 31.03.2021				
<i>Credit-related Exposures</i>				
Direct credit substitutes	488,621		488,621	486,634
Transaction related contingent items	885,518		442,759	430,810
Short term self-liquidating trade related contingencies	569,094		113,819	112,496
Other commitments, such as formal standby facilities and credit lines with an original maturity of exceeding one year	929,840		464,920	356,491
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	8,486,141		-	-
	11,359,214		1,510,119	1,386,431
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- Less than one year	7,559,672	50,077	125,056	100,436
- One year to less than five years	104,912	-	5,246	1,049
Profit rate related contracts				
- One year to less than five years	105,509	1,648	3,602	2,758
	7,770,093	51,725	133,904	104,243
	19,129,307	51,725	1,644,023	1,490,674

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42. Commitments and contingencies (continued)

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

As at 31.12.2020	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	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		-	-
	<u>11,557,018</u>		<u>1,486,949</u>	<u>1,358,389</u>
<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
	<u>8,632,478</u>	<u>61,665</u>	<u>148,631</u>	<u>64,632</u>
	<u>20,189,496</u>	<u>61,665</u>	<u>1,635,580</u>	<u>1,423,021</u>

43. Capital adequacy

Total capital and capital adequacy ratios of the Group have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets). The Group has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

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43. Capital adequacy (continued)

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

Group	31.03.2021	31.12.2020
	%	%
Common Equity Tier I ("CET I") Capital Ratio	12.704	12.963
Total Tier I Capital Ratio	12.704	12.963
Total Capital Ratio	17.706	18.071

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

Group	31.03.2021	31.12.2020
	RM'000	RM'000
Paid-up share capital	4,617,787	4,412,261
Retained earnings	2,287,326	2,287,326
Other reserves	(1,201,098)	(965,212)
<u>Less:</u>		
Investment in subsidiary	(99,053)	(99,053)
Deferred tax assets	(35,315)	(1,531)
Gain on financial instruments classified as fair value through other comprehensive income	-	(107,045)
Total CET I and Tier I Capital	5,569,647	5,526,746
Sukuk Murabahah	1,700,000	1,700,000
Loss provision [^]	493,007	477,886
Total Tier II Capital	2,193,007	2,177,886
Total Capital	7,762,654	7,704,632

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

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

Group	31.03.2021	31.12.2020
	RM'000	RM'000
Credit risk	47,401,086	47,030,111
Less: Credit risk absorbed by unrestricted investment accounts	(7,960,561)	(8,799,247)
	39,440,525	38,230,864
Market risk	610,690	638,925
Operational risk	3,791,903	3,766,197
	43,843,118	42,635,986

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

B1. Performance review for the three months ended 31 March 2021

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

	Cumulative Period		Variance	
	Current Year To-date	Preceding Year Corresponding Period		
	RM'000	31.03.2021	31.03.2020	Amount
Revenue	1,196,848	1,244,072	(47,224)	-3.80
Operating Profit	361,008	387,242	(26,234)	-6.77
Profit Before Zakat and Taxation	313,353	321,833	(8,480)	-2.63
Profit After Zakat and Taxation	243,803	250,235	(6,432)	-2.57
Profit Attributable to Equity Holders of the Parent	202,459	209,237	(6,778)	-3.24

Table 1: Financial review for financial year to date

BIMB Holdings Berhad ("BHB") Group reported Profit Before Zakat and Taxation ("PBZT") for the three months ended 31 March 2021 of RM313.4 million, representing a decrease of 2.6% or RM8.4 million as compared to the corresponding period in 2020 of RM321.8 million.

At the operating profit level, the Group's operating profit of RM361.0 million was lower by RM26.2 million or 6.8% compared to the corresponding period in 2020 of RM387.2 million.

The net profit attributable to shareholders decreased by 3.2% or RM6.7 million to RM202.5 million as compared to the corresponding period in 2020 of RM209.2 million.

BHB Group registered an annualised Return on Equity ("ROE") of 13.0% (after tax and zakat). Net assets per share decreased to RM3.59 as at 31 March 2021 as compared to RM3.63 as at 31 December 2020.

The Group's performance is mainly dependent on its two main operating subsidiaries, namely, Bank Islam Malaysia Berhad Group ("Bank Islam" or "the Bank") and Syarikat Takaful Malaysia Keluarga Berhad Group ("Takaful Malaysia").

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B1. Performance review for the three months ended 31 March 2021 (continued)

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

Bank Islam Malaysia Berhad

For the three months ended 31 March 2021, Bank Islam reported a PBZT of RM214.5 million, a decrease of RM7.1 million or 3.2% as compared to the corresponding period last year of RM221.6 million. The decrease was mainly due to lower net income offset by lower net allowance on impairment on financing.

Gross fund based income decreased by RM87.3 million or 11.1% as a result of the negative effect of Overnight Policy Rate ("OPR"), despite achieving year-on-year financing growth of 9.4% to reach RM55.1 billion.

The non-fund based income also decreased by RM65.4 million for the three months ended 31 March 2021 compared to the corresponding period last year, which was mainly due to lower investment income.

Total overheads were higher by RM12.2 million or 4.5% over the corresponding period last year mainly due to higher staff cost and general expenses.

The Bank recorded net allowance charged for impairment on financing and advances of RM11.8 million compared to RM30.7 million in the corresponding period last year. The lower allowance for impairment on financing and advances was mainly due to modest deterioration of assets quality as a result of various efforts from the Bank to assist customers during this challenging time such as Enhanced Targeted Repayment Assistance ("ETRA"), targeted relief as well as giving out automatic moratorium to the affected customers.

The Bank's total assets stood at RM72.4 billion as at 31 March 2021, a year-on-year decrease by RM2.2 billion from RM74.6 billion reported as at 31 March 2020 which was mainly contributed by the decrease in cash and short-term funds by RM2.3 billion.

As at end of March 2021, customer deposits and investment accounts stood at RM61.4 billion with a year-on-year increase by RM5.0 billion or 10.7%. Total current and saving accounts and transactional investment accounts ("CASATIA") composition is at healthy level of 38.4% of total customer deposits and investment accounts.

Total gross impaired financing as at 31 March 2021 was RM399.1 million compared to RM373.2 million as at 31 December 2020.

Syarikat Takaful Malaysia Keluarga Berhad

For the three months ended 31 March 2021, Takaful Malaysia recorded PBZT of RM114.4 million, at par as compared to RM114.2 million in the same period last year, mainly attributable to lower fair value losses from investment, offset by lower net wakalah fee income.

Takaful Malaysia recorded operating revenue of RM915.5 million for the three months ended 31 March 2021, higher as compared to RM913.0 million in the corresponding period of the preceding year. The increase was mainly attributable to higher sales from General Takaful business.

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B1. Performance review for the three months ended 31 March 2021 (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 RM480.8 million for the three months ended 31 March 2021, lower as compared to RM496.3 million in the corresponding period last year. This was mainly due to lower sales from group medical products.

The net benefits and claims for Family Takaful business decreased by 14.1% to RM184.3 million in the three months ended 31 March 2021 from RM214.6 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 decreased to RM69.1 million as compared to RM72.3 million in the same period of the preceding year, mainly due to lower profit income from fixed income investment.

For the three months ended 31 March 2021, Family Takaful recorded fair value gains of RM1.2 million, improved as compared to fair value losses of RM79.6 million in the same period of the preceding year. The increase was mainly due to equity market performance.

General Takaful business generated gross earned contributions of RM218.0 million for the three months ended 31 March 2021, higher by 7.9% as compared to RM202.0 million in the corresponding period last year. The growth was mainly attributable to motor and fire class.

The net benefits and claims for General Takaful business decreased by 2.9% to RM56.0 million in the three months ended 31 March 2021 from RM57.7 million in the same period of the preceding year, mainly due to lower claims relating to fire and personal accident class.

The investment income for the three months ended 31 March 2021 was RM7.1 million as compared to the same period of the preceding year of RM8.1 million, mainly due to lower profit income from fixed income investment.

B2. Comparison with the preceding quarter's results for the three months performance (First Quarter 2021 vs. Fourth Quarter 2020)

RM'000	Current Quarter	Immediate Preceding Quarter	Variance	
	31.03.2021	31.12.2020	Amount	%
Revenue	1,196,848	1,259,337	(62,489)	-4.96
Operating Profit	361,008	338,184	22,824	6.75
Profit Before Zakat and Taxation	313,353	302,784	10,569	3.49
Profit After Zakat and Taxation	243,803	264,224	(20,421)	-7.73
Profit Attributable to Equity Holders of the Parent	202,459	222,174	(19,715)	-8.87

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

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B2. Comparison with the preceding quarter's results for the three months performance (First Quarter 2021 vs. Fourth Quarter 2020) (continued)

For the first quarter ended 31 March 2021 ("Q1 2021"), the BHB Group reported PBZT of RM313.4 million against a PBZT of RM302.8 million achieved in the immediate preceding quarter ended 31 December 2020 ("Q4 2020"), an increase of RM10.6 million or 3.5%.

At the operating profit level, the Group's operating profit for Q1 2021 of RM361.0 million was higher by RM22.8 million or 6.8% as compared to Q4 2020 of RM338.2 million.

Bank Islam Malaysia Berhad

For Q1 2021, the Bank achieved PBZT of RM214.5 million, an increase of RM12.5 million or 6.2% over the PBZT in Q4 2020 of RM201.9 million. The increase in PBZT was mainly due to lower net allowance for impairment on financing and advances by RM23.2 million offset by the decrease in net income by RM16.4 million.

Syarikat Takaful Malaysia Keluarga Berhad.

For Q1 2021, Takaful Malaysia registered PBZT of RM114.4 million, lower as compared to Q4 2020 of RM117.2 million. The decrease profit was mainly attributable to lower net wakalah fee income.

For Q1 2021, Takaful Malaysia generated Operating Revenue of RM915.5 million, higher by 18.1% as compared to RM774.9 million in Q4 2020. The increase is mainly attributable to higher sales generated from both Family and General Takaful business.

Family Takaful business recorded gross earned contributions of RM480.8 million, lower as compared to RM501.0 million in Q4 2020. The decrease was mainly attributable to lower sales from credit-related product and lower earned contributions from group medical products.

For Q1 2021, Family Takaful business recorded net benefits and claims of RM184.3 million, decreased by 8.3% as compared to Q4 2020 of RM200.9 million. The decrease was mainly attributable to lower death claims during the period.

For Q1 2021, General Takaful business generated gross earned contributions of RM218.0 million, higher by 8.9% as compared to RM200.2 million in Q4 2020. The increase was mainly contributed from fire and commercial classes.

For Q1 2021, General Takaful business recorded net benefits and claims of RM56.0 million, increased as compared to RM20.9 million in Q4 2020. The increase was mainly due to higher claims relating to motor class.

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B3. Prospects for 2021

Bank Islam Malaysia Berhad

Bank Negara Malaysia ("BNM") projected 2021 GDP to rebound by 6.0% to 7.5% anchored by increasing private consumption, supported by easing of mobility restrictions and gradual improvement in sentiments amidst vaccine rollout. Taking the accommodative stance, BNM has decided to keep the Overnight Policy Rate ("OPR") untouched at 1.75% in March. The initiatives under PEMERKASA, a stimulus package worth RM20 billion, along with a new fiscal injection by the government amounting to RM11 billion, aims to jumpstart the economy with four focus areas, which are to control the spread of Covid-19, accelerating the economic recovery, strengthening Malaysia's competitiveness, and ensuring inclusivity.

The banking industry's financing activities recorded slower growth, mainly underpinned by lower non-household sector despite higher household sector attributed by strong growth from transport vehicles purchase. As for the industry's Gross Impaired Financing Ratio ("GIFR"), the performance was slightly better in Feb'21 as it inched down to 1.59% from 1.60% in Jan'21. The stress tests showed that Malaysian banks should continue to pre-emptively identify loans with higher credit risks and set aside additional provisions against future potential losses to ensure their continued resilience.

Despite the challenges, the customers remain at the forefront of the Bank's commitment in the midst of needing times as the social impact to the community continues to be provided to many beneficiaries and businesses with Sadaqa House, iTEKAD programme, BangKIT microfinance, enhanced targeted repayment assistance ("ETRA"), and targeted relief recovery facility ("TRRF"). Grounded by the six strategic objectives premised on the Bank's role as Value Based Intermediary ("VBI") namely Sustainable Prosperity, Valuebased Culture, Community Empowerment, Customer Centricity, Real Economy and Digitalisation, the Bank perseveres in its journey to aspire on becoming a champion in offering Shariah Environmental, Social and Governance ("Shariah-ESG") total financial solution with leadership in digital banking and social finance. With the Bank nearing towards the transfer of listing that establishes Bank Islam as the first pure-play full-fledged Islamic financial institution to be listed in Malaysia, the exercise should help improve the overall transparency of the Bank whilst unlocking its value for shareholders. The re-organisation of the Group allows the Bank and the subsidiaries to leverage on the strength as a Group and deliver total Islamic financial solutions to the customers whilst continuously pursue traction on the lines of businesses and channels.

Syarikat Takaful Malaysia Keluarga Berhad

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.

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B3. Prospects for 2021 (continued)

Syarikat Takaful Malaysia Keluarga Berhad (continued)

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.

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		Company	
	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
Malaysia				
Current year	105,493	71,587	452	500
Under provision in prior years	426			
Deferred tax expense:				
Origination and reversal of temporary differences	(40,509)	(4,604)	-	-
Under provision in prior years	90	652	-	-
	65,500	67,635	452	500

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B5. Tax expense (continued)

A reconciliation of effective tax expense for the Group and Company are as follows:

	Group		Company	
	3 months ended		3 months ended	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax	313,353	321,833	(15,363)	(13,762)
Income tax calculated using				
Malaysian tax rate of 24%	75,205	77,240	(3,687)	(3,303)
Non-deductible expenses	20,765	22,206	929	538
Non-deductible Sukuk's finance cost	3,402	3,258	3,402	3,258
Non-taxable income	(34,388)	(35,721)	(192)	7
	64,984	66,983	452	500
Under provision in prior years	426	-	-	-
Under provision of deferred tax	90	652	-	-
Tax expense	65,500	67,635	452	500

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

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

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

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

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B6. Corporate proposals

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

(i) Proposed placement

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

(ii) Proposed scheme of arrangement

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

(iii) Proposed Internal Reorganisation

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

(iv) Proposed distribution and capital repayment

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

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

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

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

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B6. Corporate proposals (continued)

(v) Proposed transfer of listing

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

The 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. On 23 February 2021, BHB has announced that it has received approval from Bursa Securities for the listing and quotation of BHB shares to be issued pursuant to the Proposed Placements and admission of the Bank to the official list of Bursa Securities and the listing of and quotation for the entire issued share capital of the Bank on the Main Market of Bursa Securities pursuant to the Proposed Transfer of Listing.

On 29 March 2021, BHB has announced that it has received approval from Securities Commission Malaysia for the change in controller for BIMB Securities Sdn. Bhd. pursuant to the proposed internal reorganisation.

Subsequently, at the BHB's Extraordinary General Meeting held on 31 March 2021, all resolutions pertaining to the corporate exercise were duly passed by the shareholders. At a court convened meeting also held on the same date, the warrant holders have passed the resolution on the proposed scheme of arrangement.

BHB on 13 April 2021 has announced that it has completed the bookbuilding exercise pursuant to the proposed placement and has raised gross proceeds of RM795.6 million. The proceeds raised together with internal cash of BHB will be used to fully settle BHB's outstanding sukuk.

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

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

	Group	
	31.03.2021 RM'000	31.03.2020 RM'000
Deposits from customers		
Mudharabah and Tawarruq term deposits and Negotiable Islamic Debt Certificates		
- One year or less (short-term)	29,629,661	25,794,797
- More than one year (medium/long-term)	1,573,369	1,978,059
	31,203,030	27,772,856
Current accounts	11,494,336	10,660,465
Savings accounts	6,766,866	5,355,062
Others	105,646	100,999
Total deposits	49,569,878	43,889,382
Investment accounts of customers		
- One year or less (short-term)	10,991,994	10,542,557
- More than one year (medium/long-term)	2,652	-
	10,994,646	10,542,557

RM'000	As at 31.03.2021		
	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	2,629,418	27,992	2,657,410
- Sukuk liabilities	929,418	4,704	934,122
- Subordinated Sukuk Murabahah	1,700,000	23,288	1,723,288

RM'000	As at 31.03.2020		
	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	2,539,920	30,319	2,570,239
- Sukuk liabilities	889,920	4,747	894,667
- Subordinated Sukuk Murabahah	1,650,000	25,572	1,675,572

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

The borrowings comprise the following:

- a) On 25 May 2018, the Bank has entered into recourse obligations on financing sold to Cagamas amounting to RM1.5 billion. Under the agreement, the Bank undertakes to administer the identified house financing on behalf of Cagamas and to buy back any house financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. The financing sold with recourse to the Bank are not de-recognised until recourse period has expired and the risks and rewards of the financing have been fully transferred.
- b) The 10-year Islamic securities of RM1.05 billion (2020: 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	13 November 2017	12 December 2022	12 November 2027	5.08
(ii)	300,000	7 November 2018	7 December 2023	7 November 2028	5.15
(iii)	400,000	26 March 2020	26 March 2025	26 March 2030	3.75
(iv)	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.

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B9. Material litigation

- (a) On 16 April 2019, 5 Star Room Hotel Sdn Bhd ("Plaintiff") filed a civil suit against Bank Islam and 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.

On 14 April 2021, COA was informed that the Plaintiff/Appellant had received Written Grounds of Judgment from Alor Setar, High Court. Hence, the COA had fixed the Hearing of the Appeal on 30 August 2021.

- (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")).

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B9. Material litigation (continued)

- (b) 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.

B10. Dividend

On 18 January 2021, the Company had paid a dividend of 12.60 sen per ordinary share totalling RM225.9 million in respect of the financial year ended 31 December 2020. From the total dividend amount, 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.

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	
	31.03.2021	31.03.2020
	RM'000	RM'000
Net profit for the period under review attributable to equity holders of the parent	202,459	209,237
Number of ordinary shares	1,853,651	1,792,664
Number of average ordinary shares	1,841,454	1,786,115
Earnings per share (sen)	10.99	11.71

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B11. Earnings per share (continued)

Diluted earnings per share

There is no dilution due to the Company's warrants, as the warrants are currently out-of-money in view that the exercise price for each warrant is higher than the closing market price of the Company's shares as at 31 March 2021.

B12. Economic profit statement

Group	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Net operating profit after zakat & tax (NOPAT)		
Profit before zakat and taxation (PBZT)	313,353	321,833
Zakat & Taxation	(69,550)	(71,598)
NOPAT	243,803	250,235
Economic charge computation		
Average invested capital	8,445,642	7,739,342
(excludes the debit balance of the acquisition reserve arising from the acquisition of shares from non-controlling interests)		
Weighted Average Cost of Capital (WACC) (%)	9.36	8.08
Economic charge	194,921	155,480
Economic profit	48,882	94,755

B13. Foreign exchange exposure/hedging policy

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

RM equivalent	As at	
	31.03.2021	31.12.2020
	RM'000	RM'000
USD	105,705	165,180
EURO	(98,233)	(101,164)
Others	20,808	21,747

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

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B14. Takaful receivables

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

	Family Takaful		General Takaful		Group	
	31.03.2021 RM'000	31.12.2020 RM'000	31.03.2021 RM'000	31.12.2020 RM'000	31.03.2021 RM'000	31.12.2020 RM'000
Non-related parties	239,344	177,643	79,321	125,323	318,665	302,966
Related parties	-	5	1	-	1	5
	239,344	177,648	79,322	125,323	318,666	302,971

- 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	
	31.03.2021 RM'000	31.12.2020 RM'000	31.03.2021 RM'000	31.12.2020 RM'000	31.03.2021 RM'000	31.12.2020 RM'000
Current (not past due)	242,416	173,476	78,144	126,125	320,560	299,601
1-30 days	37	335	774	188	811	523
31-60 days	63	74	109	126	172	200
61-90 days	3	198	68	155	71	353
91-180 days	313	5,409	431	86	744	5,495
> 180 days	1,928	2,306	3,659	968	5,587	3,274
	244,760	181,798	83,185	127,648	327,945	309,446

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B14. Takaful receivables (continued)

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

	Family Takaful		General Takaful		Group	
	31.03.2021 RM'000	31.12.2020 RM'000	31.03.2021 RM'000	31.12.2020 RM'000	31.03.2021 RM'000	31.12.2020 RM'000
Bank Islam Malaysia Berhad	-	5	1	-	1	5

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

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

B15. Material impairment of assets

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

Group	As at 31 March 2021				As at 31 December 2020			
	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	56,067,818	(935,890)	55,131,928	58,447,665	55,598,596	(927,961)	54,670,635	58,065,344

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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.

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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 March 2021

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	7,559,672	12,030
- One year to 3 years	104,912	-
Profit rate related contracts		
- More than 3 years	105,509	447
	7,770,093	12,477

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)

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

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

Type of derivatives	3 months ended 31.03.2021 RM'000
<i>Derivative Financial Instruments</i>	
Gain arising from fair value changes from derivatives assets and liabilities	1

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

By order of the Board

MARIA MAT SAID (LS 0009400)
Company Secretary
April 30, 2021