

Bank Islam Malaysia Berhad (98127-X)
(Incorporated in Malaysia)
Unaudited Interim Financial Statements

Statements of Financial Position as at 30 September 2017

	Note	Group		Bank	
		30.09.2017 RM'000	31.12.2016 RM'000	30.09.2017 RM'000	31.12.2016 RM'000
Assets					
Cash and short-term funds	9	920,034	3,963,417	919,157	3,963,268
Deposits and placements with banks and other financial institutions	10	-	100,000	-	100,000
Financial assets held-for-trading	11	380,019	574,835	374,802	569,750
Derivative financial assets	12	30,717	124,572	30,717	124,572
Financial assets available-for-sale	13	9,425,570	9,957,286	9,426,027	9,957,743
Financial assets held-to-maturity	14	-	57,703	-	57,703
Financing, advances and others	15	40,101,326	39,189,274	40,101,326	39,189,274
Other assets	16	50,130	99,015	47,153	95,928
Statutory deposits with Bank Negara Malaysia		1,287,506	1,374,876	1,287,506	1,374,876
Current tax assets		1,791	1,779	1,737	1,737
Deferred tax assets		32,593	48,378	32,593	48,378
Investments in subsidiaries		-	-	15,525	15,525
Property and equipment		171,490	185,562	170,667	184,547
Total assets		52,401,176	55,676,697	52,407,210	55,683,301
Liabilities and equity					
Deposits from customers	17	41,818,555	45,940,414	41,830,910	45,949,715
Investment accounts of customers	18	4,305,812	3,812,261	4,305,812	3,812,261
Deposits and placements of banks and other financial institutions	19	-	30,000	-	30,000
Derivative financial liabilities	12	38,045	111,089	38,045	111,089
Bills and acceptance payable		73,986	46,278	73,986	46,278
Subordinated Sukuk Murabahah	20	714,179	704,393	714,179	704,393
Other liabilities	21	584,140	601,750	578,426	598,591
Zakat and taxation		44,062	45,046	44,028	45,019
Total liabilities		47,578,779	51,291,231	47,585,386	51,297,346

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	Note	Group		Bank	
		30.09.2017 RM'000	31.12.2016 RM'000	30.09.2017 RM'000	31.12.2016 RM'000
Equity					
Share capital	22	2,869,498	2,404,384	2,869,498	2,404,384
Reserves		1,952,899	1,981,082	1,952,326	1,981,571
Total equity		4,822,397	4,385,466	4,821,824	4,385,955
Total liabilities and equity		52,401,176	55,676,697	52,407,210	55,683,301
Restricted investment accounts managed by the Bank	18	134,814	141,343	134,814	141,343
Total Islamic banking asset owned and managed by the Bank		52,535,990	55,818,040	52,542,024	55,824,644
Commitments and Contingencies	33	13,946,811	13,704,559	13,946,811	13,704,559

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2016.

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**Statements of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2017**

Group	Note	3 months ended		9 months ended	
		30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Income derived from investment of depositors' funds	23	579,182	586,634	1,749,548	1,765,507
Income derived from investment account funds	24	63,809	35,102	183,991	66,061
Income derived from investment of shareholders' funds	25	97,835	85,288	306,830	311,564
Net allowance for impairment on financing and advances, net of recoveries	26	43,791	(22,165)	10,195	(87,987)
Net allowance for impairment on other financial assets		-	-	(243)	609
Direct expenses		(4,379)	(4,670)	(14,233)	(15,320)
Total distributable income		780,238	680,189	2,236,088	2,040,434
Wakalah fees from restricted investment accounts		212	1,540	2,213	3,885
Income attributable to depositors	27	(274,833)	(259,124)	(826,628)	(801,937)
Income attributable to investment account holders	28	(27,685)	(12,749)	(79,991)	(18,727)
Total net income		477,932	409,856	1,331,682	1,223,655
Personnel expenses	29	(138,793)	(129,386)	(409,994)	(381,856)
Other overhead expenses	30	(105,753)	(88,804)	(301,079)	(270,791)
Finance cost on Subordinated Sukuk Murabahah		(9,893)	(9,893)	(29,357)	(29,572)
Profit before zakat and tax		223,493	181,773	591,252	541,436
Zakat		(2,797)	(2,261)	(7,562)	(6,784)
Tax expense		(46,833)	(45,009)	(144,136)	(137,960)
Profit for the period		173,863	134,503	439,554	396,692
Earnings per share (sen)				18.19	16.73

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**Statements of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2017 (continued)**

Group	Note	3 months ended		9 months ended	
		30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Profit for the period		<u>173,863</u>	<u>134,503</u>	<u>439,554</u>	<u>396,692</u>
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		7,624	(11,770)	27,960	16,711
Fair value reserve					
Net change in fair value		15,724	51,709	51,550	162,667
Net amount transferred to profit or loss		(2,466)	(14,489)	(4,747)	(47,745)
Income tax expense relating to components of other comprehensive income		(3,182)	(8,933)	(11,233)	(27,581)
Other comprehensive income for the period, net of tax		<u>17,700</u>	<u>16,517</u>	<u>63,530</u>	<u>104,052</u>
Total comprehensive income for the period		<u>191,563</u>	<u>151,020</u>	<u>503,084</u>	<u>500,744</u>

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2016.

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for the nine months ended 30 September 2017 (continued)**

Bank	Note	3 months ended		9 months ended	
		30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Income derived from investment of depositors' funds	23	579,182	586,634	1,749,548	1,765,507
Income derived from investment account funds	24	63,809	35,102	183,991	66,061
Income derived from investment of shareholders' funds	25	94,498	83,324	298,046	304,604
Net allowance for impairment on financing and advances, net of recoveries	26	43,791	(22,165)	10,195	(87,987)
Net allowance for impairment on other financial assets		-	-	(243)	609
Direct expenses		(4,379)	(4,670)	(14,233)	(15,320)
Total distributable income		776,901	678,225	2,227,304	2,033,474
Wakalah fees from restricted investment accounts		212	1,540	2,213	3,885
Income attributable to depositors	27	(274,892)	(259,181)	(826,804)	(802,112)
Income attributable to investment account holders	28	(27,685)	(12,749)	(79,991)	(18,727)
Total net income		474,536	407,835	1,322,722	1,216,520
Personnel expenses	29	(136,307)	(127,824)	(404,209)	(376,813)
Other overhead expenses	30	(105,277)	(88,524)	(299,096)	(268,434)
Finance cost on Subordinated Sukuk Murabahah		(9,893)	(9,893)	(29,357)	(29,572)
Profit before zakat and tax		223,059	181,594	590,060	541,701
Zakat		(2,792)	(2,250)	(7,544)	(6,750)
Tax expense		(46,803)	(44,985)	(144,075)	(137,925)
Profit for the period		173,464	134,359	438,441	397,026

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for the nine months ended 30 September 2017 (continued)**

Bank	Note	3 months ended		9 months ended	
		30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Profit for the period		<u>173,464</u>	<u>134,359</u>	<u>438,441</u>	<u>397,026</u>
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		7,636	(11,793)	28,011	16,736
Fair value reserve					
Net change in fair value		15,724	51,709	51,550	162,667
Net amount transferred to profit or loss		(2,466)	(14,489)	(4,747)	(47,745)
Income tax expense relating to components of other comprehensive income		(3,182)	(8,933)	(11,233)	(27,581)
Other comprehensive income for the period, net of tax		<u>17,712</u>	<u>16,494</u>	<u>63,581</u>	<u>104,077</u>
Total comprehensive income for the period		<u>191,176</u>	<u>150,853</u>	<u>502,022</u>	<u>501,103</u>

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Consolidated Statement of Changes in Equity for the nine months ended 30 September 2017

Group	Note	← Attributable to equity holders of the Bank →				Total equity RM'000
		← Non-distributable →		Other reserves RM'000	Distributable Retained earnings RM'000	
		Share capital RM'000	Share premium RM'000			
At 1 January 2017		2,404,384	264,790	1,193,045	523,247	4,385,466
Profit for the period		-	-	-	439,554	439,554
Currency translation difference in respect of foreign operations		-	-	27,960	-	27,960
Fair value reserve – Net change in fair value		-	-	51,550	-	51,550
– Net amount reclassified to profit or loss		-	-	(4,747)	-	(4,747)
Income tax expense relating to components of other comprehensive income		-	-	(11,233)	-	(11,233)
Total comprehensive income for the period		-	-	63,530	439,554	503,084
Transfer of share premium to share capital	22	264,790	(264,790)	-	-	-
Transfer of reserve fund to retained earnings	1	-	-	(1,392,159)	1,392,159	-
Dividends paid on ordinary shares	8	-	-	-	(266,477)	(266,477)
Issue of shares pursuant to Dividend Reinvestment Plan	22	200,324	-	-	-	200,324
At 30 September 2017		2,869,498	-	(135,584)	2,088,483	4,822,397
At 1 January 2016		2,363,283	175,452	1,107,920	385,913	4,032,568
Profit for the period		-	-	-	396,692	396,692
Currency translation difference in respect of foreign operations		-	-	16,711	-	16,711
Fair value reserve – Net change in fair value		-	-	162,667	-	162,667
– Net amount reclassified to profit or loss		-	-	(47,745)	-	(47,745)
Income tax expense relating to components of other comprehensive income		-	-	(27,581)	-	(27,581)
Total comprehensive income for the period		-	-	104,052	396,692	500,744
Transfer to reserve fund		-	-	131,333	(131,333)	-
Dividends paid on ordinary shares		-	-	-	(260,876)	(260,876)
Issue of shares pursuant to Dividend Reinvestment Plan		41,101	89,338	-	-	130,439
At 30 September 2016		2,404,384	264,790	1,343,305	390,396	4,402,875

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2016.

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Statement of Changes in Equity for the nine months ended 30 September 2017

Bank	Note	← Non-distributable →		→	Distributable Retained earnings RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Other reserves RM'000		
At 1 January 2017		2,404,384	264,790	1,192,822	523,959	4,385,955
Profit for the period		-	-	-	438,441	438,441
Currency translation difference in respect of foreign operations		-	-	28,011	-	28,011
Fair value reserve – Net change in fair value		-	-	51,550	-	51,550
– Net amount reclassified to profit or loss		-	-	(4,747)	-	(4,747)
Income tax expense relating to components of other comprehensive income		-	-	(11,233)	-	(11,233)
Total comprehensive income for the period		-	-	63,581	438,441	502,022
Transfer of share premium to share capital	22	264,790	(264,790)	-	-	-
Transfer of reserve fund to retained earnings	1	-	-	(1,392,159)	1,392,159	-
Dividends paid on ordinary shares	8	-	-	-	(266,477)	(266,477)
Issue of shares pursuant to Dividend Reinvestment Plan	22	200,324	-	-	-	200,324
At 30 September 2017		2,869,498	-	(135,756)	2,088,082	4,821,824
At 1 January 2016		2,363,283	175,452	1,107,738	386,580	4,033,053
Profit for the period		-	-	-	397,026	397,026
Currency translation difference in respect of foreign operations		-	-	16,736	-	16,736
Fair value reserve – Net change in fair value		-	-	162,667	-	162,667
– Net amount reclassified to profit or loss		-	-	(47,745)	-	(47,745)
Income tax expense relating to components of other comprehensive income		-	-	(27,581)	-	(27,581)
Total comprehensive income for the period		-	-	104,077	397,026	501,103
Transfer to reserve fund		-	-	131,333	(131,333)	-
Dividends paid on ordinary shares		-	-	-	(260,876)	(260,876)
Issue of shares pursuant to Dividend Reinvestment Plan		41,101	89,338	-	-	130,439
At 30 September 2016		2,404,384	264,790	1,343,148	391,397	4,403,719

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2016.

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Condensed Statements of Cash Flow
for the nine months ended 30 September 2017

	Group		Bank	
	9 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and tax	591,252	541,436	590,060	541,701
Adjustment for non-cash items	112,682	170,515	112,616	170,452
Operating profit before working capital changes	703,934	711,951	702,676	712,153
Changes in working capital:				
Net changes in operating assets	(793,255)	(2,611,759)	(793,318)	(2,604,692)
Net changes in operating liabilities	(3,692,375)	(291,507)	(3,691,876)	(295,055)
Net cash used in operations	(3,781,696)	(2,191,315)	(3,782,518)	(2,187,594)
Zakat and tax paid	(148,140)	(103,252)	(148,058)	(103,179)
Tax refund	45	10,808	-	10,808
Net cash used in operating activities	(3,929,791)	(2,283,759)	(3,930,576)	(2,279,965)
Net cash generated from investing activities	844,170	346,494	844,177	346,536
Net cash used in financing activities	(85,724)	(150,116)	(85,724)	(150,116)
Net decrease in cash and cash equivalents	(3,171,345)	(2,087,381)	(3,172,123)	(2,083,545)
Cash and cash equivalents at beginning of the period	4,063,417	2,982,246	4,063,268	2,978,315
Exchange difference on translation	27,962	16,713	28,012	16,737
Cash and cash equivalents at end of the period	920,034	911,578	919,157	911,507

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2016.

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Unaudited Interim Financial Statements

Notes to the unaudited interim financial statements for the nine months ended 30 September 2017

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the nine months ended 30 September 2017 have been prepared in accordance with the applicable requirements of MFRS 134: *Interim Financial Reporting* in Malaysia issued by Malaysian Accounting Standards Board (“MASB”), Financial Reporting for Islamic Banking Institution policy issued by Bank Negara Malaysia (“BNM”), the provisions of the Companies Act 2016 and Shariah requirements.

The unaudited interim financial statements have been prepared under the historical cost convention except for derivative financial instruments, financial assets held-for-trading and financial assets available-for-sale, which have been measured at fair value.

The unaudited interim 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 and of the Bank for the financial year ended 31 December 2016. The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2016.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the recent audited financial statements for the financial year ended 31 December 2016, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”) and amendments to MFRSs:

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of the new standards, amendments to published standards and interpretations are not expected to have impact on the financial results of the Group and the Bank.

Companies Act 2016

The unaudited condensed interim financial statements of the Group and of the Bank are prepared in accordance with the requirements of the Companies Act 2016 (“CA 2016”), which replaced the Companies Act 1965. Amongst the key changes introduced in the CA 2016 which affected the financial statements of the Group and of the Bank upon the commencement of the CA 2016 on 31 January 2017 are:

- (a) the removal of the authorised share capital;
- (b) the ordinary shares of the Bank will cease to have par or nominal value; and
- (c) the Bank’s share premium will become part of the share capital.

During the financial period ended 30 September 2017, the Bank has transferred RM264,790,400 share premium to its share capital pursuant to the transition provisions set out in Section 618(2) of the CA 2016.

There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transfer of the amount in the share premium account to the share capital account.

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1. Basis of preparation (continued)

Revised Policy Document on Capital Funds and Capital Funds for Islamic Banks issued by Bank Negara Malaysia ("BNM")

On 3 May 2017, BNM issued a revised Policy Document on Capital Funds for Islamic Banks ("Revised Policy Document"). This Revised Policy Document applies to banking institutions in Malaysia that covers licensed banks, licensed investment banks and licensed Islamic banks. The issuance of this Revised Policy Document has superseded two guidelines issued by BNM previously, namely Capital Funds and Capital Funds for Islamic Banks dated 1 July 2013.

The key changes in the Revised Policy Document are:

- (a) the removal of the requirement on maintenance of a reserve fund; and
- (b) the revised component of capital funds shall exclude share premium and reserve fund.

During the financial period ended 30 September 2017, the Bank has transferred RM1,392,158,939 from reserve fund to its retained earnings pursuant to the Revised Policy Document.

2. Auditors' reports on preceding financial period financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2016 was not qualified.

3. Seasonal or cyclical factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the nine months ended 30 September 2017.

4. Unusual items

There were no unusual items in the nine months ended 30 September 2017.

5. Changes in accounting estimates

There was no material change in estimates of amounts reported in the prior financial year that has a material effect to the financial statements for the nine months ended 30 September 2017.

6. Sukuk and equity securities

On 15 June 2017, the Bank increased its share capital by RM134,166,500 via the issuance of 41,282,000 new ordinary shares and on 20 September 2017, the Bank further increased its share capital by RM66,157,000 via the issuance of 20,356,000 new ordinary shares at a consideration of RM3.25 each arising from the Dividend Reinvestment Plan, as disclosed in Note 22.

There was no issuance or repayment of Sukuk or share buy-back during the nine months ended 30 September 2017.

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7. Significant events during the nine months ended 30 September 2017

There was no other significant event during the nine months ended 30 September 2017.

8. Dividends

On 15 June 2017, the Bank paid a final dividend of approximately 5.58 sen per ordinary share totalling RM134,166,500 for the financial year ended 31 December 2016. The dividend was subsequently reinvested by the shareholder under the Dividend Reinvestment Plan (Note 22).

On 20 September 2017, the Bank paid an interim dividend of approximately 5.41 sen per ordinary share totalling RM132,310,500 for the financial year ending 31 December 2017. Fifty percent of the interim dividend was subsequently reinvested by the shareholder under the Dividend Reinvestment Plan (Note 22).

9. Cash and short-term funds

	Group		Bank	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	804,425	932,674	803,548	932,525
Money at call and interbank placements with remaining maturity not exceeding one month	115,609	3,030,743	115,609	3,030,743
	<u>920,034</u>	<u>3,963,417</u>	<u>919,157</u>	<u>3,963,268</u>

10. Deposits and placements with banks and other financial institutions

	Group and Bank	
	30.09.2017	31.12.2016
	RM'000	RM'000
Licensed Islamic banks	<u>-</u>	<u>100,000</u>

11. Financial assets held-for-trading

	Group		Bank	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government Investment Issues	274,060	324,500	274,060	324,500
Sukuk	100,742	245,250	100,742	245,250
Unit trust	5,217	5,085	-	-
	<u>380,019</u>	<u>574,835</u>	<u>374,802</u>	<u>569,750</u>

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12. Derivative financial assets/liabilities

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss and held for hedging purposes. The principal or contractual amounts 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 and Bank	30.09.2017		
	Principal amount	Fair value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
Forward contracts	3,140,402	26,380	(36,018)
Profit rate swaps	615,146	4,337	(2,027)
	3,755,548	30,717	(38,045)

	31.12.2016		
	Principal amount	Fair value	
		Assets	Liabilities
	RM'000	RM'000	RM'000
Forward contracts	3,117,570	117,445	(107,469)
Profit rate swaps	836,027	7,127	(3,620)
	3,953,597	124,572	(111,089)

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13. Financial assets available-for-sale

	Group		Bank	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government Investment Issues ^	1,760,312	2,057,324	1,760,312	2,057,324
Negotiable Islamic Debt Certificates	-	496,681	-	496,681
Sukuk	7,627,182	7,367,563	7,627,639	7,368,020
	<u>9,387,494</u>	<u>9,921,568</u>	<u>9,387,951</u>	<u>9,922,025</u>
At fair value				
Quoted shares				
- outside Malaysia	18,985	21,124	18,985	21,124
Quoted unit trust				
- in Malaysia	13,791	9,294	13,791	9,294
	<u>32,776</u>	<u>30,418</u>	<u>32,776</u>	<u>30,418</u>
At cost				
Unquoted shares in Malaysia*	24,282	25,468	24,282	25,468
Less: Accumulated impairment loss *	(19,001)	(20,187)	(19,001)	(20,187)
	<u>5,281</u>	<u>5,281</u>	<u>5,281</u>	<u>5,281</u>
At cost				
Unquoted shares outside Malaysia	329	329	329	329
Less: Impairment loss	(310)	(310)	(310)	(310)
	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>
	<u>9,425,570</u>	<u>9,957,286</u>	<u>9,426,027</u>	<u>9,957,743</u>

^ Included in Malaysian Government Investment Issues as at 30 September 2017 is RM134,002,000 (2016: RM Nil) that form part of the Bank's total Statutory Reserve Requirement ("SRR") balances other than statutory deposits with Bank Negara Malaysia.

* Movement in unquoted shares and accumulated impairment loss is due to translation difference.

14. Financial assets held-to-maturity

	Group and Bank	
	30.09.2017	31.12.2016
	RM'000	RM'000
At amortised cost		
Unquoted Sukuk in Malaysia	6,887	64,590
Less: Accumulated impairment loss	(6,887)	(6,887)
	<u>-</u>	<u>57,703</u>

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15. Financing, advances and others

(a) By type and Shariah contract

Group and Bank 30 September 2017	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At- Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek RM'000	Ijarah Thumma Al-Bai' RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
At amortised cost										
Cash line	-	-	-	33,127	1,092,144	-	-	-	-	1,125,271
Term financing										
House financing ^	4,200,015	-	-	-	11,337,956	-	-	56,545	-	15,594,516
Syndicated financing	-	-	-	45,802	496,126	-	117,653	-	-	659,581
Leasing financing	-	-	-	-	-	80,177	382	-	-	80,559
Bridging financing	-	-	-	-	-	-	-	74,816	-	74,816
Personal financing ^	-	-	-	24,168	11,980,194	-	-	-	-	12,004,362
Other term financing	1,708,664	1,098,463	-	3,511	6,851,704	-	-	1,346	-	9,663,688
Staff financing	74,435	7,468	-	-	125,611	-	-	12,376	-	219,890
Credit cards	-	-	-	7,610	439,002	-	-	-	-	446,612
Trade bills discounted	-	624,082	149,711	-	-	-	-	-	-	773,793
Trust receipts	-	4,538	-	-	-	-	-	-	-	4,538
Pawn broking	-	-	-	-	-	-	-	-	84,863	84,863
Investment Account Platform *	-	-	-	-	16,599	-	-	-	-	16,599
	5,983,114	1,734,551	149,711	114,218	32,339,336	80,177	118,035	145,083	84,863	40,749,088

Allowance for impairment on financing, advances and others

- collective assessment allowance

(509,684)

- individual assessment allowance

(138,078)

Net financing, advances and others

40,101,326

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15. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group and Bank	Bai' Bithaman Ajil	Murabahah	Bai' Al-Dayn	Bai' Al-Inah	At-Tawarruq	Ijarah Muntahiah Bit-Tamleek	Ijarah Thumma Al-Bai'	Istisna'	Ar-Rahnu	Total
31 December 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost										
Cash line	-	-	-	37,899	1,199,021	-	-	-	-	1,236,920
Term financing										
House financing ^	4,484,247	-	-	-	9,503,014	-	-	59,088	-	14,046,349
Syndicated financing	-	-	-	196,129	1,045,889	-	123,189	-	-	1,365,207
Leasing financing	-	-	-	-	-	90,610	902	-	-	91,512
Bridging financing	-	-	-	-	-	-	-	82,313	-	82,313
Personal financing ^	-	-	-	42,177	11,197,744	-	-	-	-	11,239,921
Other term financing	2,086,188	933,316	-	4,063	7,106,669	-	-	1,503	-	10,131,739
Staff financing	83,743	5,087	-	-	98,821	-	-	14,218	-	201,869
Credit cards	-	-	-	9,004	450,388	-	-	-	-	459,392
Trade bills discounted	-	741,037	180,010	-	-	-	-	-	-	921,047
Trust receipts	-	5,169	-	-	-	-	-	-	-	5,169
Pawn broking	-	-	-	-	-	-	-	-	85,315	85,315
Investment Account Platform *	-	-	-	-	5,690	-	-	-	-	5,690
	6,654,178	1,684,609	180,010	289,272	30,607,236	90,610	124,091	157,122	85,315	39,872,443
Allowance for impairment on financing, advances and others										
- collective assessment allowance										(554,971)
- individual assessment allowance										(128,198)
Net financing, advances and others										<u>39,189,274</u>

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15. Financing, advances and others (continued)

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

^ Included in house financing and personal financing as at 30 September 2017 are underlying assets under the Unrestricted Investment Accounts (“URIA”) amounting to RM3,101,368,000 (2016: RM2,687,318,000) and RM1,204,444,000 (2016: RM1,124,943,000) respectively as disclosed in Note 18 of these interim financial statements.

* This represents a term financing of the Group’s and the Bank’s participation through Investment Account Platform (“IAP”) to finance viable ventures.

(b) By type of customer

	Group and Bank	
	30.09.2017	31.12.2016
	RM’000	RM’000
Domestic non-bank financial institutions	1,229,116	1,376,559
Domestic business enterprise	6,258,442	6,908,806
Small and medium industries	889,953	896,530
Government and statutory bodies	574,848	938,069
Individuals	31,104,541	28,957,975
Other domestic entities	8,356	7,239
Foreign entities	683,832	787,265
	<u>40,749,088</u>	<u>39,872,443</u>

(c) By profit rate sensitivity

	Group and Bank	
	30.09.2017	31.12.2016
	RM’000	RM’000
Fixed rate		
House financing	1,173,339	1,268,632
Others	3,773,379	4,059,422
Floating rate		
House financing	15,040,541	13,382,969
Others	20,761,829	21,161,420
	<u>40,749,088</u>	<u>39,872,443</u>

(d) By remaining contractual maturity

	Group and Bank	
	30.09.2017	31.12.2016
	RM’000	RM’000
Maturity within one year	3,704,396	4,312,581
More than one year to three years	1,328,376	1,400,480
More than three years to five years	2,724,729	2,197,573
More than five years	32,991,587	31,961,809
	<u>40,749,088</u>	<u>39,872,443</u>

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15. Financing, advances and others (continued)

(e) By geographical distribution

	Group and Bank	
	30.09.2017	31.12.2016
	RM'000	RM'000
Central Region	18,303,611	18,853,925
Eastern Region	7,011,508	6,534,376
Northern Region	6,077,028	5,864,200
Southern Region	6,099,851	5,499,121
East Malaysia Region	3,257,090	3,120,821
	<u>40,749,088</u>	<u>39,872,443</u>

(f) By sector

	Group and Bank	
	30.09.2017	31.12.2016
	RM'000	RM'000
Primary agriculture	410,512	377,285
Mining and quarrying	9,807	12,931
Manufacturing (including agro-based)	735,648	747,410
Electricity, gas and water	332,800	868,319
Wholesale & retail trade, and hotels & restaurants	1,161,057	1,274,954
Construction	1,977,034	2,161,215
Real estate	1,429,926	1,205,740
Transport, storage and communications	610,619	870,559
Finance, insurance and business activities	2,005,902	2,134,947
Education, health and others	960,727	1,256,209
Household sectors	31,115,056	28,962,874
	<u>40,749,088</u>	<u>39,872,443</u>

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15. Financing, advances and others (continued)

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

	Group and Bank	
	30.09.2017	31.12.2016
	RM’000	RM’000
At 1 January 2017/ 2016	389,445	381,270
Classified as impaired during the period/year	458,740	580,341
Reclassified as not impaired during the period/year	(224,256)	(284,602)
Amount recovered	(71,973)	(112,502)
Amount written off	(111,429)	(178,052)
Exchange differences	(4,077)	2,990
At 30 September 2017/ 31 December 2016	<u>436,450</u>	<u>389,445</u>
Gross impaired financing as a percentage of gross financing, advances and others	<u>1.07%</u>	<u>0.98%</u>

(h) Impaired financing by geographical distribution

	Group and Bank	
	30.09.2017	31.12.2016
	RM’000	RM’000
Central Region	160,516	142,841
Eastern Region	127,406	92,848
Northern Region	36,880	36,299
Southern Region	27,810	31,329
East Malaysia Region	83,838	86,128
	<u>436,450</u>	<u>389,445</u>

(i) Impaired financing by sector

	Group and Bank	
	30.09.2017	31.12.2016
	RM’000	RM’000
Primary agriculture	1,331	1,311
Manufacturing (including agro-based)	35,669	36,739
Wholesale & retail trade, and hotels & restaurants	39,567	25,651
Construction	30,641	13,714
Transport, storage and communications	12,889	15,579
Finance, insurance and business activities	69,842	70,948
Education, health and others	20,418	3,076
Household sectors	226,093	222,427
	<u>436,450</u>	<u>389,445</u>

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15. Financing, advances and others (continued)

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

	Group and Bank	
	30.09.2017	31.12.2016
	RM'000	RM'000
<u>Collective assessment allowance</u>		
At 1 January 2017/ 2016	554,971	541,065
Allowance made during the period/year	64,001	161,667
Amount written off	(108,320)	(146,725)
Exchange differences	(968)	(1,036)
At 30 September 2017/ 31 December 2016	<u>509,684</u>	<u>554,971</u>
<u>Individual assessment allowance</u>		
At 1 January 2017/ 2016	128,198	124,471
Allowance made during the period/year	33,377	54,566
Amount recovered	(16,355)	(23,904)
Amount written off	(3,065)	(29,928)
Exchange differences	(4,077)	2,993
At 30 September 2017/ 31 December 2016	<u>138,078</u>	<u>128,198</u>

16. Other assets

	Group		Bank	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Other receivables	10,557	65,825	8,452	63,968
Less: Impairment loss	(256)	(256)	(256)	(256)
	<u>10,301</u>	<u>65,569</u>	<u>8,196</u>	<u>63,712</u>
Deposit and prepayments	39,168	32,741	37,733	31,441
Related companies*	661	705	1,224	775
	<u>50,130</u>	<u>99,015</u>	<u>47,153</u>	<u>95,928</u>

* This relates to amounts due from holding and related companies that are non-trade in nature, not subject to financing charges and has no fixed term of repayments.

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17. Deposits from customers

a) By type and Shariah contract

	Group		Bank	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Saving Deposit				
<i>Wadiah</i>	4,341,045	4,131,604	4,341,045	4,131,604
Demand Deposit				
<i>Wadiah</i>	9,552,222	10,001,972	9,557,931	10,004,601
Term Deposit	27,825,963	31,700,310	27,832,609	31,706,982
Special Investment Deposit				
<i>Mudharabah</i>	6,182	27,711	6,182	27,711
General Investment Deposit				
<i>Mudharabah</i>	344,854	394,639	344,854	394,639
Term Deposit				
<i>Tawarruq</i>	24,795,047	28,208,548	24,801,693	28,215,220
Negotiable Islamic Debt Certificates (NIDC)	2,679,880	3,069,412	2,679,880	3,069,412
Others	99,325	106,528	99,325	106,528
Total Deposits	<u>41,818,555</u>	<u>45,940,414</u>	<u>41,830,910</u>	<u>45,949,715</u>

b) Maturity structure of term deposits are as follows:

	Group		Bank	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Due within six months	16,008,142	26,475,051	16,014,081	26,481,013
More than six months to one year	9,094,432	4,166,465	9,095,139	4,166,465
More than one year to three years	1,391,511	690,590	1,391,511	691,300
More than three years to five years	1,331,878	368,204	1,331,878	368,204
	<u>27,825,963</u>	<u>31,700,310</u>	<u>27,832,609</u>	<u>31,706,982</u>

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17. Deposits from customers (continued)

c) By type of customers

	Group		Bank	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	10,149,866	15,501,713	10,162,221	15,511,014
Business enterprises	12,253,165	11,730,076	12,253,165	11,730,076
Government and statutory bodies	9,069,137	6,890,474	9,069,137	6,890,474
Individuals	4,998,425	4,817,561	4,998,425	4,817,561
Domestic banking institutions	2,602,731	2,994,256	2,602,731	2,994,256
Others	2,745,231	4,006,334	2,745,231	4,006,334
	<u>41,818,555</u>	<u>45,940,414</u>	<u>41,830,910</u>	<u>45,949,715</u>

18. Investment accounts of customers

(a) By type and Shariah contract

	Group and Bank	
	30.09.2017	31.12.2016
	RM'000	RM'000
Unrestricted investment accounts		
Without maturity		
<i>Mudharabah</i>	1,896,399	1,516,844
With maturity		
<i>Wakalah</i>	2,409,413	2,295,417
	<u>4,305,812</u>	<u>3,812,261</u>
Investment portfolio:		
<i>House financing</i>	3,101,368	2,687,318
<i>Personal financing</i>	1,204,444	1,124,943
	<u>4,305,812</u>	<u>3,812,261</u>
Restricted investment accounts (“RIA”) managed by the Bank[^]		
With maturity		
<i>Wakalah</i>	134,814	141,343
Investment portfolio:		
<i>Other term financing</i>	134,814	141,343

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18. Investment accounts of customers (continued)

[^] Restricted investment accounts (“RIA”) is an arrangement between the Bank and the investment account holders (“IAH”) where the Bank acts as the investment agent to manage and administer the RIA and its underlying assets. RIA is accounted for as off balance sheet as the Bank has no right and obligation in respect of the assets related to the RIA or to the residual cash flows from those assets except for the Wakalah performance incentive fee income generated by the Bank for managing the RIA.

Included in RIA managed by the Bank is an arrangement between the Bank and its ultimate holding entity with underlying assets amounting to RM134,022,000 (2016:RM141,033,000).

(b) By type of customers

	Group and Bank	
	30.09.2017	31.12.2016
	RM'000	RM'000
Individuals	2,074,596	1,677,636
Government and statutory bodies	688,231	762,888
Business enterprises	576,033	737,961
Non-bank financial institutions	902,703	476,125
Bank and other financial institutions	-	45,919
Others	64,249	111,732
	<u>4,305,812</u>	<u>3,812,261</u>

19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30.09.2017	31.12.2016
	RM'000	RM'000
<i>Non-Mudharabah fund</i>		
Development financial institutions	-	30,000
	<u>-</u>	<u>30,000</u>

20. Subordinated Sukuk Murabahah

		Group and Bank	
	Note	30.09.2017	31.12.2016
		RM'000	RM'000
<i>Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme</i>			
First tranche, RM300 million			
5.75% due in 2025	(a)	307,704	303,308
Second tranche, RM400 million			
5.50% due in 2025	(b)	406,475	401,085
		<u>714,179</u>	<u>704,393</u>

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20. Subordinated Sukuk Murabahah (continued)

The Bank issued the following tranches of Subordinated Sukuk Murabahah:

- (a) On 22 April 2015, the Bank issued the first tranche of RM300 million in nominal value of Subordinated Sukuk Murabahah which is due on 22 April 2025, with optional redemption on 22 April 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.75% per annum payable semi-annually in arrears.
- (b) On 15 December 2015, the Bank issued the second tranche of RM400 million which is due on 15 December 2025, with optional redemption on 15 December 2020 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.50% per annum 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 Bank Negara Malaysia.

21. Other liabilities

	Group		Bank	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Other payables	485,750	489,031	480,887	486,151
Accruals	98,390	112,719	97,539	112,440
	<u>584,140</u>	<u>601,750</u>	<u>578,426</u>	<u>598,591</u>

22. Share capital

Group and Bank	Number of shares		Amount	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	'000	'000	RM'000	RM'000
<i>Issued and fully paid</i>				
Ordinary shares				
At 1 January 2017/ 2016	2,404,384	2,363,283	2,404,384	2,363,283
Transfer from share premium	-	-	264,790	-
Allotment of new ordinary shares	61,638	41,101	200,324	41,101
At 30 September 2017/31 December 2016	<u>2,466,022</u>	<u>2,404,384</u>	<u>2,869,498</u>	<u>2,404,384</u>

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22. Share capital (continued)

During the financial period ended 30 September 2017, the Bank transferred RM264,790,400 share premium to its share capital pursuant to the transition provisions set out in Section 618(2) of the Companies Act 2016.

The Bank increased its share capital on 15 June 2017 by RM134,166,500 via the issuance of 41,282,000 new ordinary shares at a consideration of RM3.25 each arising from the Dividend Reinvestment Plan of one hundred percent of the final dividend of approximately 5.58 sen in respect of financial year ended 31 December 2016.

The Bank further increased its share capital on 20 September 2017 by RM66,157,000 via the issuance of 20,356,000 new ordinary shares at a consideration of RM3.25 each arising from the Dividend Reinvestment Plan of the fifty percent of the interim dividend of approximately 5.41 sen in respect of financial year ending 31 December 2017.

The increase in its share capital during the financial year ended 31 December 2016 from RM2,363,282,700 to RM2,404,383,700 was via the issuance of 20,927,000 and 20,174,000 new ordinary shares at a consideration of RM3.10 and RM3.25 per share respectively arising from the Dividend Reinvestment Plan of fifty percent of dividends declared and paid.

23. Income derived from investment of depositors' funds

Group and Bank	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) Saving and demand deposits	183,049	198,513	552,948	614,853
(ii) General investment deposits	5,830	6,472	17,185	19,959
(iii) Term deposits	340,341	340,346	1,027,232	1,009,722
(iv) Other deposits	49,962	41,303	152,183	120,973
	<u>579,182</u>	<u>586,634</u>	<u>1,749,548</u>	<u>1,765,507</u>

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

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

Group and Bank	3 months ended		9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	156,237	166,589	464,856	521,290
Financial assets:				
- held-for-trading	1,247	1,546	4,138	4,950
- available-for-sale	22,033	20,474	62,362	58,349
- held-to-maturity	-	212	2,112	1,491
Money at call and deposits with financial institutions	1,519	2,327	7,105	6,672
	181,036	191,148	540,573	592,752
<i>Other dealing income</i>				
Net gain/(loss) from sale of financial assets held-for-trading	1,272	1,886	(119)	3,657
Net gain/(loss) on revaluation of financial assets held-for-trading	(35)	567	1,237	1,813
	1,237	2,453	1,118	5,470
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	776	4,912	1,410	16,631
Net gain from sale of financial assets held-to-maturity	-	-	9,847	-
	776	4,912	11,257	16,631
	183,049	198,513	552,948	614,853
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	1,754	3,171	7,988	8,771

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

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

Group and Bank	3 months ended		9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	5,057	5,489	14,712	17,032
Financial assets:				
- held-for-trading	36	47	117	155
- available-for-sale	629	630	1,749	1,828
- held-to-maturity	-	6	58	46
Money at call and deposits with financial institutions	56	72	212	209
	5,778	6,244	16,848	19,270
<i>Other dealing income</i>				
Net gain/(loss) from sale of financial assets held-for-trading	32	59	(7)	115
Net gain/(loss) on revaluation of financial assets held-for-trading	(1)	17	35	58
	31	76	28	173
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	21	152	39	516
Net gain from sale of financial assets held-to-maturity	-	-	270	-
	21	152	309	516
	5,830	6,472	17,185	19,959
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	67	98	265	400

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

(iii) Income derived from investment of term deposits

Group and Bank	3 months ended		9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	290,566	285,516	865,342	855,882
Financial assets:				
- held-for-trading	2,311	2,645	7,704	8,122
- available-for-sale	40,821	35,395	115,902	96,408
- held-to-maturity	-	364	3,924	2,396
Money at call and deposits with financial institutions	2,804	3,993	10,695	10,984
	336,502	327,913	1,003,567	973,792
<i>Other dealing income</i>				
Net gain/(loss) from sale of financial assets held-for-trading	2,428	3,112	(159)	5,982
Net gain/(loss) on revaluation of financial assets held-for-trading	(41)	919	2,354	2,928
	2,387	4,031	2,195	8,910
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	1,452	8,402	2,626	27,020
Net gain from sale of financial assets held-to-maturity	-	-	18,844	-
	1,452	8,402	21,470	27,020
	340,341	340,346	1,027,232	1,009,722
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	4,662	5,424	14,585	14,241

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

(iv) Income derived from investment of other deposits

Group and Bank	3 months ended		9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	42,639	34,631	128,103	102,458
Financial assets:				
- held-for-trading	340	321	1,138	966
- available-for-sale	6,002	4,305	17,184	11,635
- held-to-maturity	-	43	555	255
Money at call and deposits with financial institutions	404	488	1,904	1,333
	<u>49,385</u>	<u>39,788</u>	<u>148,884</u>	<u>116,647</u>
<i>Other dealing income</i>				
Net gain/(loss) from sale of financial assets held-for-trading	379	383	(3)	715
Net gain/(loss) on revaluation of financial assets held-for-trading	(19)	109	312	457
	<u>360</u>	<u>492</u>	<u>309</u>	<u>1,172</u>
<i>Other operating income</i>				
Net gain from sale of financial assets available-for-sale	217	1,023	400	3,154
Net gain from sale of financial assets held-to-maturity	-	-	2,590	-
	<u>217</u>	<u>1,023</u>	<u>2,990</u>	<u>3,154</u>
	<u>49,962</u>	<u>41,303</u>	<u>152,183</u>	<u>120,973</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<u>698</u>	<u>658</u>	<u>2,243</u>	<u>1,661</u>

24. Income derived from investment account funds

Group and Bank	3 months ended		9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	23,862	17,163	68,869	41,454
- <i>Wakalah</i>	39,947	17,939	115,122	24,607
	<u>63,809</u>	<u>35,102</u>	<u>183,991</u>	<u>66,061</u>

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25. Income derived from investment of shareholders' funds

Group	3 months ended		9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	1,748	1,612	5,053	4,709
Financial assets available-for-sale	28,824	26,923	103,075	110,887
Money at call and deposits with financial institutions	2	47	3	1,069
	<u>30,574</u>	<u>28,582</u>	<u>108,131</u>	<u>116,665</u>
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	14,845	14,530	49,410	51,004
Net gain from sale of financial assets held-for-trading	-	344	-	344
Net derivatives loss	(263)	(2,091)	(1,121)	(7,399)
Net loss on revaluation of financial assets held-for-trading	(1)	(299)	-	(209)
	<u>14,581</u>	<u>12,484</u>	<u>48,289</u>	<u>43,740</u>
<i>Other operating income</i>				
Net gain from sale of financial assets available for sale	-	-	272	424
Gross dividend income from:				
- unquoted securities in Malaysia	-	-	-	1,612
- unit trust in Malaysia	598	847	1,738	2,615
	<u>598</u>	<u>847</u>	<u>2,010</u>	<u>4,651</u>
<i>Fees and commission</i>				
Fees	42,502	34,743	113,142	112,827
Commission	2,082	4,440	15,154	13,701
Others	6,909	3,590	18,128	18,593
	<u>51,493</u>	<u>42,773</u>	<u>146,424</u>	<u>145,121</u>
<i>Other income</i>				
Net gain/(loss) on disposal of property and equipment	(65)	8	(68)	(482)
Rental income	591	552	1,812	1,775
Other income	63	42	232	94
	<u>589</u>	<u>602</u>	<u>1,976</u>	<u>1,387</u>
	<u>97,835</u>	<u>85,288</u>	<u>306,830</u>	<u>311,564</u>

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

Bank	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	1,748	1,612	5,053	4,709
Financial assets available-for-sale	28,824	26,923	103,075	110,887
Money at call and deposits with financial institutions	3	47	3	1,069
	30,575	28,582	108,131	116,665
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	14,845	14,530	49,410	51,004
Net derivatives loss	(263)	(2,091)	(1,121)	(7,399)
	14,582	12,439	48,289	43,605
<i>Other operating income</i>				
Net gain from sale of financial assets available for sale	-	-	272	424
Gain on liquidation of subsidiary company	-	-	-	89
Gross dividend income from:				
- unquoted securities in Malaysia	-	-	-	1,612
- unit trust in Malaysia	550	847	1,605	2,615
	550	847	1,877	4,740
<i>Fees and commission</i>				
Fees	39,789	32,725	106,153	106,965
Commission	3,875	5,263	19,623	16,744
Others	4,500	2,821	11,845	14,318
	48,164	40,809	137,621	138,027
<i>Other income</i>				
Net gain/(loss) on disposal of property and equipment	(65)	8	(68)	(482)
Rental income	691	636	2,081	2,028
Other income	1	3	115	21
	627	647	2,128	1,567
	94,498	83,324	298,046	304,604

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26. Allowance for impairment on financing and advances

Group and Bank	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Allowance/(Reversal) for financing, advances and others:				
- collective assessment allowance	6,555	41,528	64,001	121,886
- individual assessment allowance	6,561	(2,058)	17,022	34,924
Bad debts and financing recovered	(56,907)	(17,305)	(91,218)	(68,823)
	<u>(43,791)</u>	<u>22,165</u>	<u>(10,195)</u>	<u>87,987</u>

27. Income attributable to depositors

Group	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	2,899	6,684	8,785	15,129
- Non-Mudharabah fund	271,187	245,451	815,519	756,596
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	747	6,989	2,324	30,212
	<u>274,833</u>	<u>259,124</u>	<u>826,628</u>	<u>801,937</u>

Bank	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	2,899	6,684	8,785	15,129
- Non-Mudharabah fund	271,246	245,508	815,695	756,771
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	747	6,989	2,324	30,212
	<u>274,892</u>	<u>259,181</u>	<u>826,804</u>	<u>802,112</u>

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28. Income attributable to investment account holders

Group and Bank	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts				
- <i>Mudharabah</i>	480	338	1,375	804
- <i>Wakalah</i>	27,205	12,411	78,616	17,923
	<u>27,685</u>	<u>12,749</u>	<u>79,991</u>	<u>18,727</u>

29. Personnel expenses

Group	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	110,854	104,099	324,208	304,945
Employees' Provident Fund	13,910	12,736	41,412	37,943
Other staff related costs	14,029	12,551	44,374	38,968
	<u>138,793</u>	<u>129,386</u>	<u>409,994</u>	<u>381,856</u>

Bank	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	108,831	102,829	319,557	300,890
Employees' Provident Fund	13,639	12,546	40,769	37,340
Other staff related costs	13,837	12,449	43,883	38,583
	<u>136,307</u>	<u>127,824</u>	<u>404,209</u>	<u>376,813</u>

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30. Other overhead expenses

Group	3 months ended		9 months ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
<i>Promotion</i>				
Credit and debit card expenses	7,256	6,347	21,868	19,187
Advertisement and publicity	2,420	1,836	4,812	5,950
Others	3,411	2,689	9,599	9,889
	<u>13,087</u>	<u>10,872</u>	<u>36,279</u>	<u>35,026</u>
<i>Establishment</i>				
Office rental	14,055	12,955	40,352	38,538
Depreciation of property and equipment	13,143	15,320	42,511	44,685
Information technology expenses	17,838	10,620	41,847	35,016
Security services	2,974	4,186	12,163	12,837
Utilities	3,254	3,579	10,518	11,455
Office maintenance	2,778	2,707	8,318	7,742
Takaful	2,718	3,369	5,112	8,624
Rental of equipment	948	1,019	2,884	2,689
Others	39	38	320	305
	<u>57,747</u>	<u>53,793</u>	<u>164,025</u>	<u>161,891</u>
<i>General expenses</i>				
Outsourcing fees	4,861	3,916	14,552	12,779
Office supplies	2,589	2,148	7,051	6,523
Travelling and transportation	2,339	1,708	6,799	5,890
Professional fees	1,610	1,317	4,449	2,910
Subscription fees	929	935	3,024	2,995
Others	22,591	14,115	64,900	42,777
	<u>34,919</u>	<u>24,139</u>	<u>100,775</u>	<u>73,874</u>
	<u>105,753</u>	<u>88,804</u>	<u>301,079</u>	<u>270,791</u>

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30. Other overhead expenses (continued)

Bank	3 months ended		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Credit and debit card expenses	7,256	6,347	21,868	19,187
Advertisement and publicity	2,390	1,822	4,721	5,859
Others	2,502	2,501	7,364	8,107
	12,148	10,670	33,953	33,153
<i>Establishment</i>				
Office rental	14,058	12,936	40,327	38,492
Depreciation of property and equipment	13,078	15,247	42,312	44,487
Information technology expenses	17,838	10,620	41,847	35,016
Security services	2,974	4,186	12,163	12,836
Utilities	3,233	3,562	10,463	11,399
Takaful	2,710	3,304	5,085	8,428
Office maintenance	2,696	2,683	8,073	7,665
Rental of equipment	929	1,001	2,827	2,636
Others	39	38	320	305
	57,555	53,577	163,417	161,264
<i>General expenses</i>				
Outsourcing fees	4,861	3,916	14,552	12,779
Office supplies	2,564	2,129	6,959	6,405
Travelling and transportation	2,325	1,685	6,753	5,806
Professional fees	1,552	1,261	4,319	2,767
Subscription fees	929	935	3,024	2,995
Others	23,343	14,351	66,119	43,265
	35,574	24,277	101,726	74,017
	105,277	88,524	299,096	268,434

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31. Segmental Reporting on Revenue, Profit and Assets

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury Division RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>9 months ended 30 September 2017</u>						
Total Revenue	1,354,886	439,850	430,043	25,520	(7,717)	2,242,582
Net fund based income	638,537	267,861	(17,603)	206,581	-	1,095,376
Non-fund based income	110,045	27,684	90,108	20,291	(7,541)	240,587
Net income	748,582	295,545	72,505	226,872	(7,541)	1,335,963
Allowances for impairment	(10,772)	20,724	-	-	-	9,952
Profit before overheads, zakat & tax	737,810	316,269	72,505	226,872	(7,541)	1,345,915
Operating expenses						(754,663)
Profit before zakat & tax						591,252
<u>9 months ended 30 September 2016</u>						
Total Revenue	1,269,635	422,622	311,247	148,702	(5,189)	2,147,017
Net fund based income	659,118	306,787	(28,727)	127,345	-	1,064,523
Non-fund based income	101,411	28,124	119,118	18,191	(5,014)	261,830
Net income	760,529	334,911	90,391	145,536	(5,014)	1,326,353
Allowances for impairment	(66,521)	(21,466)	609	-	-	(87,378)
Profit before overheads, zakat & tax	694,008	313,445	91,000	145,536	(5,014)	1,238,975
Operating expenses						(697,539)
Profit before zakat & tax						541,436

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31. Segmental Reporting on Revenue, Profit and Assets (continued)

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury Division RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>At 30 September 2017</u>						
Segment assets	30,795,804	9,305,522	9,947,155	38,613	(29,122)	50,057,972
Unallocated assets						<u>2,343,204</u>
Total assets						<u><u>52,401,176</u></u>
 <u>At 31 December 2016</u>						
Segment assets	28,586,902	10,602,372	13,840,512	34,450	(25,529)	53,038,707
Unallocated assets						<u>2,637,990</u>
Total assets						<u><u>55,676,697</u></u>

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32. 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 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 or counterparty credit risk.
- 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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32. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Group 30 September 2017 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets held-for-trading	-	380,019	-	380,019	-	380,019	380,019
Derivative financial assets	-	30,717	-	30,717	-	30,717	30,717
Financial assets available-for-sale	18,985	9,401,285	-	9,420,270	5,300	9,425,570	9,425,570
Financial assets held-to-maturity	-	-	-	-	-	-	-
Financing, advances and others	-	-	-	-	40,297,176	40,297,176	40,101,326
<i>Financial liabilities</i>							
Derivative financial liabilities	-	38,045	-	38,045	-	38,045	38,045
Subordinated Sukuk Murabahah	-	-	-	-	752,427	752,427	714,179
<hr/>							
<i>Financial assets</i>							
Financial assets held-for-trading	-	574,835	-	574,835	-	574,835	574,835
Derivative financial assets	-	124,572	-	124,572	-	124,572	124,572
Financial assets available-for-sale	21,124	9,930,862	-	9,951,986	5,300	9,957,286	9,957,286
Financial assets held-to-maturity	-	-	-	-	57,703	57,703	57,703
Financing, advances and others	-	-	-	-	39,233,082	39,233,082	39,189,274
<i>Financial liabilities</i>							
Derivative financial liabilities	-	111,089	-	111,089	-	111,089	111,089
Subordinated Sukuk Murabahah	-	-	-	-	740,110	740,110	704,393

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32. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Bank 30 September 2017 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets held-for-trading	-	374,802	-	374,802	-	374,802	374,802
Derivative financial assets	-	30,717	-	30,717	-	30,717	30,717
Financial assets available-for-sale	18,985	9,401,742	-	9,420,727	5,300	9,426,027	9,426,027
Financial assets held-to-maturity	-	-	-	-	-	-	-
Financing, advances and others	-	-	-	-	40,297,176	40,297,176	40,101,326
<i>Financial liabilities</i>							
Derivative financial liabilities	-	38,045	-	38,045	-	38,045	38,045
Subordinated Sukuk Murabahah	-	-	-	-	752,427	752,427	714,179
<hr/>							
<i>Bank</i>							
31 December 2016							
RM'000							
	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets held-for-trading	-	569,750	-	569,750	-	569,750	569,750
Derivative financial assets	-	124,572	-	124,572	-	124,572	124,572
Financial assets available-for-sale	21,124	9,931,319	-	9,952,443	5,300	9,957,743	9,957,743
Financial assets held-to-maturity	-	-	-	-	57,703	57,703	57,703
Financing, advances and others	-	-	-	-	39,233,082	39,233,082	39,189,274
<i>Financial liabilities</i>							
Derivative financial liabilities	-	111,089	-	111,089	-	111,089	111,089
Subordinated Sukuk Murabahah	-	-	-	-	740,110	740,110	704,393
<hr/>							

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32. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Unobservable inputs used in measuring fair value

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

(a) Financial instruments carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets available-for-sale	Valued at cost less impairment	Not applicable	Not applicable

(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) Financial investments held-to-maturity (“HTM”)

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

(ii) Financing and advances

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.

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33. Commitment and Contingencies

The commitment and contingencies and their related counterparty credit risk for the Group and Bank are as follows:

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
As at 30 September 2017				
<i>Credit related exposures</i>				
Direct credit substitutes	2,858,448		2,858,448	2,171,405
Transaction related contingent items	1,018,486		509,243	480,813
Short term self-liquidating trade related contingencies	424,336		84,867	83,792
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	-		-	-
- exceeding one year	1,372,453		686,227	502,448
Unutilised credit card lines	-		-	-
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	4,517,540		-	-
	10,191,263		4,138,785	3,238,458
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	3,140,402	26,380	73,145	36,810
Profit rate related contracts				
- less than one year	-	-	-	-
- one year to less than five years	400,000	1,848	4,635	927
- five years and above	215,146	2,489	14,919	9,474
	3,755,548	30,717	92,699	47,211
Total	13,946,811	30,717	4,231,484	3,285,669

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33. Commitment and Contingencies (continued)

The commitment and contingencies and their related counterparty credit risk for the Group and Bank are as follows (continued):

As at 31 December 2016	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	294,460		294,460	293,848
Transaction related contingent items	952,188		476,094	443,165
Short term self-liquidating trade related contingencies	341,524		68,305	67,309
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	591,031		118,206	88,979
- exceeding one year	1,792,008		896,004	715,873
Unutilised credit card lines	1,140,141		228,028	171,563
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	4,639,610		-	-
	<u>9,750,962</u>		<u>2,081,097</u>	<u>1,780,737</u>
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	3,117,570	117,445	163,823	79,734
Profit rate related contracts				
- less than one year	200,000	1,397	200	40
- one year to less than five years	400,000	2,729	9,497	1,899
- five years and above	236,027	3,001	18,971	11,606
	<u>3,953,597</u>	<u>124,572</u>	<u>192,491</u>	<u>93,279</u>
Total	<u>13,704,559</u>	<u>124,572</u>	<u>2,273,588</u>	<u>1,874,016</u>

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34. Capital adequacy

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

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

	Group		Bank	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
CET I & Tier I capital ratio	12.606%	12.397%	12.595%	12.362%
Total capital ratio	15.638%	15.518%	15.634%	15.484%

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

	Group		Bank	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	2,869,498	2,404,384	2,869,498	2,404,384
Share premium	-	264,790	-	264,790
Retained earnings	1,914,620	523,247	1,914,618	523,959
Other reserves	(135,584)	1,193,045	(135,756)	1,192,822
Less: Deferred tax assets	(32,593)	(48,378)	(32,593)	(48,378)
Less: Investment in subsidiaries	-	-	(15,525)	(15,525)
Total CET I and Tier I Capital	<u>4,615,941</u>	<u>4,337,088</u>	<u>4,600,242</u>	<u>4,322,052</u>
Sukuk Murabahah	700,000	700,000	700,000	700,000
Collective assessment allowance ^	410,233	391,782	410,171	391,727
Total Tier II Capital	<u>1,110,233</u>	<u>1,091,782</u>	<u>1,110,171</u>	<u>1,091,727</u>
Total Capital	<u>5,726,174</u>	<u>5,428,870</u>	<u>5,710,413</u>	<u>5,413,779</u>

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

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34. Capital adequacy (continued)

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

	Group		Bank	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Credit risk	35,891,537	33,908,778	35,886,680	33,904,311
Less : Credit risk absorbed by unrestricted investment accounts	(3,072,885)	(2,566,180)	(3,072,885)	(2,566,180)
	32,818,652	31,342,598	32,813,795	31,338,131
Market risk	691,994	609,931	622,564	609,931
Operational risk	3,107,388	3,031,801	3,088,323	3,014,802
	36,618,034	34,984,330	36,524,682	34,962,864

35. Performance review for the nine months ended 30 September 2017

The Group reported profit before zakat and tax of RM591.3 million or an increase of 9.2% for the nine months ended 30 September 2017 compared to the previous corresponding period. The improved performance was mainly attributed to growth in business activities.

Year-on-year net financing assets grew RM3.0 billion or 8.0% to reach RM40.1 billion as at end of September 2017. Correspondingly, fund based income from financing also increased by RM94.6 million or 6.0%.

As at end of September 2017, customer deposits and investment accounts stood at RM46.1 billion with a year-on-year increase of RM2.1 billion or 4.9%. CASA ratio as at end of September 2017 was 33.2% against the Islamic Banking Industry CASA ratio of 24.2% as at end of August 2017.

The Group's gross impaired financing ratio was 1.07% while the net impaired financing ratio was a negative 0.53% as at end of September 2017 compared to 0.98% and a negative 0.75% respectively as at 31 December 2016. The Banking System gross impaired ratio was 1.67% and the net impaired ratio was 0.31% as at end of August 2017.

The key performance ratios as at end of September 2017 also compared favourably against the Banking System ratios as at end of December 2016. The Bank's return on equity and return on assets based on profit before zakat and tax (PBZT) were 16.9% and 1.5% respectively against the Banking System's 12.5% and 1.3% respectively.

36. Prospect for 2017

The GDP for Q2 2017 grew at 5.8% year-on-year, higher than the 5.6% growth recorded in the preceding quarter. This was achieved on the back of strong growth in private consumption and real exports as both components reported 7.1% (Q1 2017: 6.6%) and 9.6% (Q1 2017: 9.8%) expansion respectively. Overall, the economy posted 5.7% growth in 1H2017 compared with 4.1% in second half of 2016.

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36. Prospect for 2017 (continued)

For the full year 2017, GDP is projected to grow by 4.9% or higher given the better than expected growth recorded in 1H 2017. In addition, Overnight Policy Rate (OPR) is expected to remain unchanged at 3.00% this year while the MYR/USD is anticipated to appreciate gradually with end of year target of between RM4.10 and RM4.20 in 2017.

With continued economic challenges, the banking industry is anticipated to record moderate financing growth of between 5% and 6% in 2017. Despite persisting competition for deposits and further margin compression, banks are well positioned to meet Basel III requirements with liquidity coverage ratio above the minimum regulatory level. Furthermore, the extra grace period from the deferment of the net stability funding ratio implementation to Jan 1, 2019 will probably ease pressure on banks' margins. Banks are also poised to adopt MFRS 9 which will come into effect on Jan 1, 2018 which sees banks raising their capital in anticipation of additional provision required to meet the MFRS 9 standard requirement.

For Bank Islam in particular, it is expected to continue its focus on its deposits drive, defensive strategy (i.e. striking the right balance between assets growth and asset quality) and becoming digitally focused. It also will continue to manage liquidity and deploy capital efficiently in its operations. The Bank's overarching strategy is to carry its role as a value-based intermediary (VBI) by creating value and positive impact on the real economy, community and environment on a sustainable basis.

37. Subsequent events

There were no material events subsequent to the end of the reporting period that require disclosure or adjustments to the unaudited interim financial statements.