

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

Statements of Financial Position as at 30 June 2019

	Note	Group		Bank	
		30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000
Assets					
Cash and short-term funds	10	1,652,882	2,092,654	1,649,941	2,086,703
Deposits and placements with banks and other financial institutions	11	616,147	2,432,000	616,147	2,432,000
Financial assets at fair value through profit or loss	12	1,022,055	364,959	1,016,525	359,533
Derivative financial assets	13	24,346	34,148	24,346	34,148
Financial assets at fair value through other comprehensive income	14	12,326,761	11,354,299	12,327,551	11,355,089
Financing, advances and others	15	46,395,469	45,680,680	46,395,469	45,680,680
Other financial assets at amortised cost	16	207,784	129,042	203,006	126,533
Statutory deposits with Bank Negara Malaysia		1,523,932	1,602,284	1,523,932	1,602,284
Current tax assets		33,747	8,466	33,737	8,403
Deferred tax assets		28,209	51,385	26,703	49,842
Right-of-use assets	17	223,190	-	223,190	-
Investments in subsidiaries		-	-	15,525	15,525
Property and equipment		189,059	188,816	188,488	188,153
Total assets		64,243,581	63,938,733	64,244,560	63,938,893
Liabilities and equity					
Deposits from customers	18	47,187,254	49,895,232	47,199,733	49,909,199
Investment accounts of customers	19	7,546,750	5,176,819	7,546,750	5,176,819
Derivative financial liabilities	13	6,763	19,520	6,763	19,520
Bills and acceptance payable		26,876	41,114	26,876	41,114
Recourse obligations on financing sold to Cagamas	20	1,501,187	1,501,187	1,501,187	1,501,187
Subordinated Sukuk Murabahah	21	1,308,526	1,308,634	1,308,526	1,308,634
Other liabilities	22	789,551	706,133	782,268	695,714
Lease Liabilities	17	315,543	-	315,543	-
Zakat and taxation		47,270	13,687	47,093	13,539
Total liabilities		58,729,720	58,662,326	58,734,739	58,665,726

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

Statements of Financial Position as at 30 June 2019 (continued)

	Note	Group		Bank	
		30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000
Equity					
Share capital		3,012,368	3,012,368	3,012,368	3,012,368
Reserves		2,501,493	2,264,039	2,497,453	2,260,799
Total equity		5,513,861	5,276,407	5,509,821	5,273,167
Total liabilities and equity		64,243,581	63,938,733	64,244,560	63,938,893
Restricted investment accounts managed by the Bank	19	56,318	78,717	56,318	78,717
Total Islamic banking asset owned and managed by the Bank		64,299,899	64,017,450	64,300,878	64,017,610
Commitments and Contingencies	34	16,351,097	14,162,355	16,351,097	14,162,355

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 2018.

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

**Statements of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2019**

Group	Note	3 months ended		6 months ended	
		30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Income derived from investment of depositors' funds	23	686,799	623,740	1,394,606	1,236,293
Income derived from investment account funds	24	97,584	62,818	174,011	124,573
Income derived from investment of shareholders' funds	25	125,088	125,289	240,616	235,377
Net allowance for impairment on financing and advances, net of recoveries	26	(29,619)	(14,758)	(52,818)	(35,921)
Net allowance for impairment on debt securities		42	(12)	21	86
Net allowance for impairment on other financial assets		(5,000)	-	(4,147)	-
Direct expenses		(3,865)	(4,590)	(7,768)	(9,056)
Total distributable income		871,029	792,487	1,744,521	1,551,352
Wakalah fees from restricted investment accounts		7	333	233	333
Income attributable to depositors	27	(342,806)	(311,464)	(695,814)	(608,338)
Income attributable to investment account holders	28	(44,845)	(22,915)	(74,875)	(45,720)
Total net income		483,385	458,441	974,065	897,627
Personnel expenses	29	(151,182)	(145,779)	(305,598)	(277,518)
Other overhead expenses	30	(92,778)	(105,691)	(187,415)	(192,521)
Finance cost	31	(21,912)	(13,465)	(43,651)	(26,901)
Profit before zakat and tax		217,513	193,506	437,401	400,687
Zakat		(3,795)	(3,764)	(7,591)	(7,520)
Tax expense		(51,419)	(51,055)	(107,153)	(104,739)
Profit for the period		162,299	138,687	322,657	288,428
Earnings per share (sen)				12.85	11.70

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

**Statements of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2019 (continued)**

Group	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Profit for the period	<u>162,299</u>	<u>138,687</u>	<u>322,657</u>	<u>288,428</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	(5,074)	(17,768)	(47)	832
Movement in fair value reserve (debt securities) :				
Net change in fair value	109,833	(26,403)	230,588	(35,351)
Net allowance for impairment on debt securities	42	(12)	21	86
Net amount transferred to profit or loss	(26,920)	(339)	(43,389)	(1,921)
Income tax effect relating to components of other comprehensive income	(18,247)	6,421	(43,199)	8,925
	<u>59,634</u>	<u>(38,101)</u>	<u>143,974</u>	<u>(27,429)</u>
Items that will not be reclassified to profit or loss				
Movement in fair value reserve (equity investments) :				
Net change in fair value	12,005	654	11,707	(1,487)
Other comprehensive income for the period, net of tax	<u>71,639</u>	<u>(37,447)</u>	<u>155,681</u>	<u>(28,916)</u>
Total comprehensive income for the period	<u>233,938</u>	<u>101,240</u>	<u>478,338</u>	<u>259,512</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 2018.

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

**Statements of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2019 (continued)**

Bank	Note	3 months ended		6 months ended	
		30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Income derived from investment of depositors' funds	23	686,799	623,740	1,394,606	1,236,293
Income derived from investment account funds	24	97,584	62,818	174,011	124,573
Income derived from investment of shareholders' funds	25	117,097	115,880	224,898	219,847
Net allowance for impairment on financing and advances, net of recoveries	26	(29,619)	(14,758)	(52,818)	(35,921)
Net allowance for impairment on debt securities		42	(12)	21	86
Net allowance for impairment on other financial assets		(5,000)	-	(4,147)	-
Direct expenses		(3,865)	(4,590)	(7,768)	(9,056)
Total distributable income		863,038	783,078	1,728,803	1,535,822
Wakalah fees from restricted investment accounts		7	333	233	333
Income attributable to depositors	27	(342,875)	(311,528)	(695,950)	(608,466)
Income attributable to investment account holders	28	(44,845)	(22,915)	(74,875)	(45,720)
Total net income		475,325	448,968	958,211	881,969
Personnel expenses	29	(148,059)	(142,909)	(299,290)	(271,831)
Other overhead expenses	30	(88,442)	(99,631)	(178,894)	(183,598)
Finance cost	31	(21,912)	(13,465)	(43,651)	(26,901)
Profit before zakat and tax		216,912	192,963	436,376	399,639
Zakat		(3,750)	(3,750)	(7,500)	(7,500)
Tax expense		(51,381)	(51,020)	(107,018)	(106,239)
Profit for the period		161,781	138,193	321,858	285,900

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

Statements of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2019 (continued)

Bank	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Profit for the period	<u>161,781</u>	<u>138,193</u>	<u>321,858</u>	<u>285,900</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	(5,085)	(17,467)	(48)	1,166
Movement in fair value reserve (debt securities) :				
Net change in fair value	109,833	(26,403)	230,588	(35,351)
Net allowance for impairment on debt securities	42	(12)	21	86
Net amount transferred to profit or loss	(26,920)	(339)	(43,389)	(1,921)
Income tax effect relating to components of other comprehensive income	(18,247)	6,421	(43,199)	8,925
	<u>59,623</u>	<u>(37,800)</u>	<u>143,973</u>	<u>(27,095)</u>
Items that will not be reclassified to profit or loss				
Movement in fair value reserve (equity investments) :				
Net change in fair value	12,005	654	11,707	(1,487)
Other comprehensive income for the period, net of tax	<u>71,628</u>	<u>(37,146)</u>	<u>155,680</u>	<u>(28,582)</u>
Total comprehensive income for the period	<u>233,409</u>	<u>101,047</u>	<u>477,538</u>	<u>257,318</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 2018.

Bank Islam Malaysia Berhad (98127-X)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

Consolidated Statement of Changes in Equity for the six months ended 30 June 2019

Group	Note	Attributable to equity holders of the Bank			Total equity RM'000
		Share capital RM'000	Share premium RM'000	Other reserves RM'000	
At 1 January 2019		3,012,368	-	(98,437)	5,276,407
Effects of adoption of MFRS 16	6	-	-	-	(88,574)
Adjusted total equity at 1 January 2019		3,012,368	-	(98,437)	5,187,833
Profit for the period		-	-	-	322,657
Currency translation difference in respect of foreign operations		-	-	(47)	(47)
Fair value reserve – Net change in fair value		-	-	242,295	242,295
– Net allowance for impairment on debt securities		-	-	21	21
– Net amount reclassified to profit or loss		-	-	(43,389)	(43,389)
Income tax expense relating to components of other comprehensive income		-	-	(43,199)	(43,199)
Total comprehensive income for the period		-	-	155,681	478,338
Dividends paid on ordinary shares		-	-	-	(152,310)
At 30 June 2019		3,012,368	-	57,244	5,513,861
At 1 January 2018		2,869,498	-	(60,196)	4,959,704
Adjustment on adoption of MFRS 9 (net of tax)		-	-	13,190	(130,218)
Restated total equity at 1 January 2018		2,869,498	-	(47,006)	4,829,486
Profit for the period		-	-	-	288,428
Currency translation difference in respect of foreign operations		-	-	832	832
Fair value reserve – Net change in fair value		-	-	(36,838)	(36,838)
– Net allowance for impairment on debt securities		-	-	86	86
– Net amount reclassified to profit or loss		-	-	(1,921)	(1,921)
Income tax expense relating to components of other comprehensive income		-	-	8,925	8,925
Total comprehensive income for the period		-	-	(28,916)	259,512
Transfer from regulatory reserve to retained earnings		-	-	(64,645)	64,645
Dividends paid on ordinary shares	9	-	-	-	(150,180)
At 30 June 2018		2,869,498	-	(140,567)	4,938,818

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 2018.

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

Statement of Changes in Equity for the six months ended 30 June 2019

Bank	Note	Attributable to equity holders of the Bank			Total Equity RM'000	
		Share capital RM'000	Share premium RM'000	Other reserves RM'000		
At 1 January 2019		3,012,368	-	(98,261)	2,359,060	5,273,167
Effects of adoption of MFRS 16	6	-	-	-	(88,574)	(88,574)
Adjusted total equity at 1 January 2019		3,012,368	-	(98,261)	2,270,486	5,184,593
Profit for the period		-	-	-	321,858	321,858
Currency translation difference in respect of foreign operations		-	-	(48)	-	(48)
Fair value reserve – Net change in fair value		-	-	242,295	-	242,295
– Net allowance for impairment on debt securities		-	-	21	-	21
– Net amount reclassified to profit or loss		-	-	(43,389)	-	(43,389)
Income tax expense relating to components of other comprehensive income		-	-	(43,199)	-	(43,199)
Total comprehensive income for the period		-	-	155,680	321,858	477,538
Dividends paid on ordinary shares		-	-	-	(152,310)	(152,310)
At 30 June 2019		3,012,368	-	57,419	2,440,034	5,509,821
At 1 January 2018		2,869,498	-	(60,337)	2,150,345	4,959,506
Adjustment on adoption of MFRS 9 (net of tax)		-	-	13,190	(143,408)	(130,218)
Adjusted total equity at 1 January 2018		2,869,498	-	(47,147)	2,006,937	4,829,288
Profit for the period		-	-	-	285,900	285,900
Currency translation difference in respect of foreign operations		-	-	1,166	-	1,166
Fair value reserve – Net change in fair value		-	-	(37,308)	-	(37,308)
– Net allowance for impairment on debt securities		-	-	86	-	86
– Net amount reclassified to profit or loss		-	-	(1,921)	-	(1,921)
Income tax expense relating to components of other comprehensive income		-	-	8,925	-	8,925
Total comprehensive income for the period		-	-	(28,582)	285,900	257,318
Transfer from regulatory reserve to retained earnings		-	-	(64,645)	64,645	-
Dividends paid on ordinary shares	9	-	-	-	(150,180)	(150,180)
At 30 June 2018		2,869,498	-	(140,374)	2,207,302	4,936,426

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 2018.

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

Condensed Statements of Cash Flow
for the six months ended 30 June 2019

	Group		Bank	
	6 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and tax	437,401	400,687	436,376	399,639
Adjustment for non-cash items	105,756	135,335	105,733	135,296
Operating profit before working capital changes	543,157	536,022	542,109	534,935
Changes in working capital:				
Net changes in operating assets	(808,034)	(1,399,177)	(805,765)	(1,398,570)
Net changes in operating liabilities	(282,341)	304,266	(280,693)	292,526
Net cash used in operations	(547,218)	(558,889)	(544,349)	(571,109)
Zakat and tax paid	(125,830)	(102,077)	(125,696)	(101,961)
Tax refund	27	60	-	-
Net cash used in operating activities	(673,021)	(660,906)	(670,045)	(673,070)
Net cash used in investing activities	(1,383,671)	(1,118,462)	(1,383,636)	(1,118,711)
Net cash used in financing activities	(198,886)	(177,531)	(198,886)	(177,531)
Net decrease in cash and cash equivalents	(2,255,578)	(1,956,899)	(2,252,567)	(1,969,312)
Cash and cash equivalents at beginning of the period	4,524,654	4,185,697	4,518,703	4,185,561
Exchange difference on translation	(47)	832	(48)	1,166
Cash and cash equivalents at end of the period	2,269,029	2,229,630	2,266,088	2,217,415
Cash and cash equivalents comprise:				
Cash and short-term funds	1,652,882	2,229,630	1,649,941	2,217,415
Deposits and placements with banks and other financial institutions	616,147	-	616,147	-
	2,269,029	2,229,630	2,266,088	2,217,415

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 2018.

Bank Islam Malaysia Berhad (98127-X)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

Notes to the unaudited interim financial statements for the six months ended 30 June 2019

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the six months ended 30 June 2019 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 document 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 at fair value through profit or loss and financial assets through other comprehensive income, 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 2018. The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2018.

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 2018, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”), interpretation and amendments to MFRSs:

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

The adoption of the new standards, amendments to published standards and interpretation are not expected to have impact on the financial results of the Group and the Bank, except for MFRS 16. The principal effects of the changes in accounting policies arising from adoption of MFRS 16 are disclosed in Note 6.

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

2. Auditors' reports on preceding financial period financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2018 was not qualified.

3. Seasonal or cyclical factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the six months ended 30 June 2019.

4. Unusual items

There were no unusual items in the six months ended 30 June 2019.

5. Changes in accounting estimates

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the six months ended 30 June 2019.

6. Changes in accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group and the Bank's consolidated financial statements as at and for the year ended 31 December 2018, except for the impact of adopting MFRS 16 as described below.

The changes in accounting policies are also expected to be reflected in the Group and the Bank's consolidated financial statements as at and for the year ending 31 December 2019.

MFRS 16, Leases

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

Prior to 1 January 2019, the Group and the Bank classified leases of property and equipment as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

On adoption of MFRS 16, leases with non-cancellable agreements are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group and the Bank.

Right-of-use assets are measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments using the incremental borrowing rate at the date of transition of 5.7 per cent (%). The right-of-use assets are depreciated over the lease term on a straight-line basis.

The associated lease liabilities are measured at the present value of the remaining lease payments, discounted using the same incremental borrowing rate as of 1 January 2019.

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

6. Changes in accounting policies (continued)

MFRS 16, Leases (continued)

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

Effects of adoption of MFRS 16	Note	Group and Bank RM'000
Right-of-use assets	17	229,786
Lease liabilities	17	(318,360)
Retained earnings		<u><u>(88,574)</u></u>

The reconciliation on operating lease commitments under MFRS 117 to MFRS 16 are as follows:

	Group and Bank RM'000
Operating lease commitments as at 31 December 2018:	
- Lease	381,308
- Service charges	137,580
	<u>518,888</u>
Discounted using the incremental borrowing rate	(200,528)
Lease liability recognised as at 1 January 2019	<u><u>318,360</u></u>

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

Property	<u><u>229,786</u></u>
----------	-----------------------

7. Sukuk and equity securities

There was no issuance or repayment of Sukuk or share buy-back during the six months ended 30 June 2019.

8. Significant events during the six months ended 30 June 2019

There was no other significant event during the six months ended 30 June 2019.

9. Dividends

On 27 May 2019, the Bank paid a final dividend of approximately 6.07 sen per ordinary share totalling RM152,310,000 for the financial year ended 31 December 2018.

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

10. Cash and short-term funds

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	851,246	891,697	848,633	886,074
Money at call and interbank placements with remaining maturity not exceeding one month	801,636	1,200,957	801,308	1,200,629
	<u>1,652,882</u>	<u>2,092,654</u>	<u>1,649,941</u>	<u>2,086,703</u>

11. Deposits and placements with banks and other financial institutions

	Group and Bank	
	30.06.2019	31.12.2018
	RM'000	RM'000
Bank Negara Malaysia	<u>616,147</u>	<u>2,432,000</u>

12. Financial assets at fair value through profit and loss

The Group and the Bank had designated or mandatorily measured the following financial assets at fair value through profit or loss:

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government Investment Issues	431,732	30,328	431,732	30,328
Unit trust	230,696	219,808	225,166	214,382
Bank Negara Monetary Notes	94,924	114,823	94,924	114,823
Sukuk	109,460	-	109,460	-
Islamic Commercial Papers	105,412	-	105,412	-
Malaysian Islamic Treasury Bills	49,831	-	49,831	-
	<u>1,022,055</u>	<u>364,959</u>	<u>1,016,525</u>	<u>359,533</u>

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

13. 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 any unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

Group and Bank	Principal amount	Fair value	
		Assets	Liabilities
30.06.2019	RM'000	RM'000	RM'000
Forward contracts	5,014,504	22,573	(6,079)
Profit rate swaps	162,952	1,773	(684)
	5,177,456	24,346	(6,763)
31.12.2018			
Forward contracts	2,869,455	30,653	(17,752)
Profit rate swaps	578,379	3,495	(1,768)
	3,447,834	34,148	(19,520)

14. Financial assets at fair value through other comprehensive income

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Financial assets at fair value through other comprehensive income:				
(a) Debt securities	12,279,536	11,318,781	12,279,536	11,318,781
(b) Equity investments	47,225	35,518	48,015	36,308
	12,326,761	11,354,299	12,327,551	11,355,089

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

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Investment Issues	2,432,089	2,129,754	2,432,089	2,129,754
Sukuk	9,697,966	8,493,541	9,697,966	8,493,541
Bank Negara Monetary Notes	-	389,231	-	389,231
Islamic Commercial Papers	149,481	306,255	149,481	306,255
	12,279,536	11,318,781	12,279,536	11,318,781

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

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

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

Movement of allowance for impairment on financial assets at fair value through other comprehensive income.

	Group and Bank	
	30.06.2019	31.12.2018
12 months expected credit loss ("ECL")	RM'000	RM'000
At 1 January 2019/1 January 2018	302	345
Net allowance for impairment during the period/ year	(21)	(43)
At 30 June 2019/31 December 2018	<u>281</u>	<u>302</u>

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

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Quoted Shares				
- outside Malaysia	<u>9,295</u>	<u>12,446</u>	<u>9,295</u>	<u>12,446</u>
Unquoted Shares				
- in Malaysia	37,928	23,056	38,718	23,846
- outside Malaysia	<u>2</u>	<u>16</u>	<u>2</u>	<u>16</u>
	<u>37,930</u>	<u>23,072</u>	<u>38,720</u>	<u>23,862</u>
	<u>47,225</u>	<u>35,518</u>	<u>48,015</u>	<u>36,308</u>

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

15. Financing, advances and others

(a) By type and Shariah contract

Group and Bank 30 June 2019	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	-	-	-	1,532	1,363,098	-	-	-	-	1,364,630
Term financing										
House financing	3,573,231	-	-	-	15,239,539	-	-	49,782	-	18,862,552
Syndicated financing	-	-	-	39,355	753,434	-	79,103	-	-	871,892
Leasing financing	-	-	-	-	-	118,656	-	-	-	118,656
Bridging financing	-	-	-	-	-	-	-	58,339	-	58,339
Personal financing	-	-	-	8,134	14,028,792	-	-	-	-	14,036,926
Other term financing	892,395	1,266,529	-	1,311	7,896,717	-	-	1,161	-	10,058,113
Staff financing	56,032	9,734	-	-	165,575	-	-	9,033	-	240,374
Credit cards	-	-	-	-	476,395	-	-	-	-	476,395
Trade bills discounted	-	839,734	138,062	4,288	-	-	-	-	-	982,084
Trust receipts	-	4,716	-	-	-	-	-	-	-	4,716
Pawn broking	-	-	-	-	-	-	-	-	65,035	65,035
Investment Account Platform *	-	-	-	-	8,535	-	-	-	-	8,535
	4,521,658	2,120,713	138,062	54,620	39,932,085	118,656	79,103	118,315	65,035	47,148,247

Allowance for impairment on financing, advances and others :-

- collective assessment allowance - 12 months ECL	(410,065)
- collective assessment allowance - lifetime ECL	(239,465)
- individual assessment allowance- lifetime ECL	(103,248)

Net financing, advances and others

46,395,469

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

15. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group and Bank 31 December 2018	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	-	-	-	1,875	1,521,991	-	-	-	-	1,523,866
Term financing										
House financing	3,764,219	-	-	-	14,285,203	-	-	51,490	-	18,100,912
Syndicated financing	-	-	-	41,327	665,745	-	89,540	-	-	796,612
Leasing financing	-	-	-	-	-	106,520	35	-	-	106,555
Bridging financing	-	-	-	-	-	-	-	65,268	-	65,268
Personal financing	-	-	-	10,178	13,755,492	-	-	-	-	13,765,670
Other term financing	1,099,152	1,239,988	-	6,650	7,992,899	-	-	1,194	-	10,339,883
Staff financing	60,777	9,322	-	-	155,590	-	-	9,846	-	235,535
Credit cards	-	-	-	-	477,602	-	-	-	-	477,602
Trade bills discounted	-	820,833	144,827	-	-	-	-	-	-	965,660
Trust receipts	-	10,113	-	-	-	-	-	-	-	10,113
Pawn broking	-	-	-	-	-	-	-	-	73,110	73,110
Investment Account Platform *	-	-	-	-	9,599	-	-	-	-	9,599
	<u>4,924,148</u>	<u>2,080,256</u>	<u>144,827</u>	<u>60,030</u>	<u>38,864,121</u>	<u>106,520</u>	<u>89,575</u>	<u>127,798</u>	<u>73,110</u>	<u>46,470,385</u>

Allowance for impairment on financing, advances and others :-

- collective assessment allowance - 12 months ECL	(416,450)
- collective assessment allowance - lifetime ECL	(216,564)
- individual assessment allowance- lifetime ECL	(156,691)

Net financing, advances and others

45,680,680

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

15. Financing, advances and others (continued)

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

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

		Group and Bank	
		30.06.2019	31.12.2018
		RM’000	RM’000
House financing			
Unrestricted Investment Accounts	19	5,290,698	3,886,107
Sold to Cagamas with recourse	20	1,501,187	1,501,187
		<u>6,791,885</u>	<u>5,387,294</u>
Personal financing			
Unrestricted Investment Accounts	19	<u>2,256,052</u>	<u>1,290,712</u>

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

^ Assets funded under *Ijarah* financing are owned by the Bank 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.

(b) By type of customer

		Group and Bank	
		30.06.2019	31.12.2018
		RM’000	RM’000
Domestic non-bank financial institutions		1,367,609	1,637,318
Domestic business enterprise		6,899,760	6,924,836
Small and medium industries		2,081,152	2,092,024
Government and statutory bodies		591,832	601,285
Individuals		35,947,384	35,069,160
Other domestic entities		59,124	18,947
Foreign entities		201,386	126,815
		<u>47,148,247</u>	<u>46,470,385</u>

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

15. Financing, advances and others (continued)

(c) By profit rate sensitivity

	Group and Bank	
	30.06.2019	31.12.2018
	RM'000	RM'000
Fixed rate		
House financing	1,025,098	1,073,575
Others	3,006,853	3,102,294
Floating rate		
House financing	18,458,265	17,636,273
Others	24,658,031	24,658,243
	<u>47,148,247</u>	<u>46,470,385</u>

(d) By remaining contractual maturity

	Group and Bank	
	30.06.2019	31.12.2018
	RM'000	RM'000
Maturity within one year	4,624,252	4,774,098
More than one year to three years	1,344,202	1,299,229
More than three years to five years	2,899,938	2,921,287
More than five years	38,279,855	37,475,771
	<u>47,148,247</u>	<u>46,470,385</u>

(e) By geographical distribution

	Group and Bank	
	30.06.2019	31.12.2018
	RM'000	RM'000
Central Region	21,959,653	22,125,064
Eastern Region	7,855,104	7,646,307
Northern Region	6,682,354	6,640,816
Southern Region	7,148,635	6,723,490
East Malaysia Region	3,502,501	3,334,708
	<u>47,148,247</u>	<u>46,470,385</u>

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

15. Financing, advances and others (continued)

(f) By sector

	Group and Bank	
	30.06.2019	31.12.2018
	RM'000	RM'000
Primary agriculture	868,559	754,835
Mining and quarrying	8,037	9,060
Manufacturing (including agro-based)	794,380	909,850
Electricity, gas and water	537,727	371,479
Wholesale & retail trade, and hotels & restaurants	1,077,001	1,098,346
Construction	2,348,097	2,417,262
Real estate	1,540,209	1,712,250
Transport, storage and communications	870,981	824,949
Finance, insurance and business activities	2,139,164	2,299,319
Education, health and others	1,012,540	1,000,735
Household sectors	35,951,552	35,072,300
	<u>47,148,247</u>	<u>46,470,385</u>

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

	Group and Bank	
	30.06.2019	31.12.2018
	RM'000	RM'000
At 1 January 2019/ 2018	425,937	398,277
Classified as impaired during the period/ year	443,821	621,974
Reclassified as not impaired during the period/ year	(132,376)	(321,635)
Amount recovered	(44,110)	(117,477)
Amount written off	(133,871)	(155,202)
At 30 June 2019/ 31 December 2018	<u>559,401</u>	<u>425,937</u>
Gross impaired financing as a percentage of gross financing, advances and others	<u>1.19%</u>	<u>0.92%</u>

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

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

15. Financing, advances and others (continued)

(h) Impaired financing by geographical distribution

	Group and Bank	
	30.06.2019	31.12.2018
	RM'000	RM'000
Central Region	257,783	245,531
Eastern Region	104,933	101,868
Northern Region	123,388	25,349
Southern Region	47,848	31,320
East Malaysia Region	25,449	21,869
	<u>559,401</u>	<u>425,937</u>

(i) Impaired financing by sector

	Group and Bank	
	30.06.2019	31.12.2018
	RM'000	RM'000
Manufacturing (including agro-based)	37,396	21,426
Wholesale & retail trade, and hotels & restaurants	110,925	56,665
Construction	57,181	121,506
Real estate	24,278	1,501
Transport, storage and communications	10,272	10,936
Finance, insurance and business activities	73,884	3,066
Education, health and others	4,449	4,642
Household sectors	241,016	206,195
	<u>559,401</u>	<u>425,937</u>

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

15. Financing, advances and others (continued)

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

Group and Bank	← Collective →			Total collective RM'000	Individual RM'000	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit- impaired RM'000	Lifetime ECL credit- impaired RM'000			
30.06.2019						
At 1 January 2019	416,450	129,402	87,162	633,014	156,691	789,705
Transfer to 12-month ECL	1,613	(1,478)	(135)	-	-	-
Transfer to Lifetime ECL not credit impaired	(5,932)	9,548	(3,616)	-	-	-
Transfer to Lifetime ECL credit impaired	(383)	(12,946)	13,329	-	-	-
Net allowance made during the period	(21,561)	36,474	54,648	69,561	22,834	92,395
New financial assets originated or purchased	41,340	3,239	1,172	45,751	-	45,751
Financial assets that have been derecognised	(19,786)	(17,942)	(1,908)	(39,636)	-	(39,636)
Write-offs	-	-	(57,484)	(57,484)	(76,277)	(133,761)
Exchange differences	(1,676)	-	-	(1,676)	-	(1,676)
At 30 June 2019	410,065	146,297	93,168	649,530	103,248	752,778
31.12.2018						
At 1 January 2018				446,069	126,447	572,516
- effects of adoption of MFRS 9				187,404	1,695	189,099
Restated at 1 January 2018	390,478	139,501	103,494	633,473	128,142	761,615
Transfer to 12-month ECL	6,841	(6,525)	(316)	-	-	-
Transfer to Lifetime ECL not credit impaired	(4,419)	8,639	(4,220)	-	-	-
Transfer to Lifetime ECL credit impaired	(523)	(8,454)	8,977	-	-	-
Net allowance made during the year	(22,326)	1,175	101,690	80,539	58,801	139,340
New financial assets originated or purchased	88,675	7,437	5,090	101,202	-	101,202
Financial assets that have been derecognised	(39,166)	(12,371)	(2,603)	(54,140)	-	(54,140)
Write-offs	-	-	(124,950)	(124,950)	(30,252)	(155,202)
Exchange differences	(3,110)	-	-	(3,110)	-	(3,110)
At 31 December 2018	416,450	129,402	87,162	633,014	156,691	789,705

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

16. Other financial assets at amortised cost

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Sukuk	6,034	6,887	6,034	6,887
Other receivables	170,321	97,473	166,532	95,680
Deposit and prepayments	42,254	31,458	41,227	30,434
Related companies*	684	586	722	894
	<u>219,293</u>	<u>136,404</u>	<u>214,515</u>	<u>133,895</u>
Less : Accumulated impairment loss:				
Individual assessment				
- Sukuk	(6,034)	(6,887)	(6,034)	(6,887)
- Other receivables	(5,475)	(475)	(5,475)	(475)
	<u>207,784</u>	<u>129,042</u>	<u>203,006</u>	<u>126,533</u>

* This relates to amounts due from holding and related companies that are unsecured, not subject to compensation charges for late payment and repayable on demand.

17. Right-of-use assets and lease liabilities

The Group and the Bank have adopted MFRS 16 *Leases* and applied this standard retrospectively during the financial period and the comparatives are not restated.

(a) Right-of-use assets

	Group and Bank RM'000
30.06.2019	
Cost	
At 1 January 2019	-
Effects of adoption of MFRS 16	229,786
At 30 June 2019	<u>229,786</u>
Accumulated depreciation	
At 1 January 2019	-
Depreciation for the period	6,596
At 30 June 2019	<u>6,596</u>
	<u><u>223,190</u></u>

The Group and the Bank have entered into non-cancellable operating lease agreement for the use of office building. The lease is for a period of 25 years with no renewal or purchase option included in the agreements. The Group and the Bank shall not enter into any sub-letting agreement or arrangement with any person for the office space or any section of it without the express prior written approval of the lessor.

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

17. Right-of-use asset and lease liability (continued)

(b) Lease liabilities

30.06.2019	Group and Bank RM'000
Current	
Lease liabilities	6,039
Non-current	
Lease liabilities	309,504
Total lease liabilities	<u><u>315,543</u></u>

The movement of lease liabilities during the financial year is as follows:

30.06.2019	Group and Bank RM'000
At 1 January 2019	-
Effects of adoption of MFRS 16	318,360
Profit expense on leases	8,968
Lease payments	(11,785)
At 30 June 2019	<u><u>315,543</u></u>

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

18. Deposits from customers

a) By type and Shariah contract

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Saving Deposit				
<i>Qard</i>	4,633,804	4,410,537	4,633,804	4,410,537
Demand Deposit				
<i>Qard</i>	9,552,254	10,663,456	9,558,024	10,670,826
Term Deposit	32,902,784	34,727,635	32,909,493	34,734,232
Special Investment Deposit				
<i>Mudharabah</i>	6,252	6,252	6,252	6,252
General Investment Deposit				
<i>Mudharabah</i>	263,660	287,013	263,660	287,013
Term Deposit				
<i>Tawarruq</i>	31,255,491	30,751,990	31,262,200	30,758,587
Negotiable Islamic Debt Certificates (NIDC)	1,377,381	3,682,380	1,377,381	3,682,380
Others	98,412	93,604	98,412	93,604
Total Deposits	47,187,254	49,895,232	47,199,733	49,909,199

b) Maturity structure of term deposits are as follows:

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Due within six months	13,344,497	16,428,971	13,346,909	16,429,087
More than six months to one year	9,789,623	9,685,966	9,793,195	9,691,736
More than one year to three years	7,394,998	6,484,593	7,395,723	6,485,304
More than three years to five years	2,373,666	2,128,105	2,373,666	2,128,105
	32,902,784	34,727,635	32,909,493	34,734,232

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

18. Deposits from customers (continued)

c) By type of customers

	Group		Bank	
	30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000
Domestic non-bank financial institutions	8,916,828	12,385,381	8,929,307	12,399,348
Business enterprises	18,229,753	16,725,704	18,229,753	16,725,704
Government and statutory bodies	9,934,566	12,049,184	9,934,566	12,049,184
Individuals	6,845,345	5,199,550	6,845,345	5,199,550
Domestic banking institutions	1,026,904	1,634,224	1,026,904	1,634,224
Others	2,233,858	1,901,189	2,233,858	1,901,189
	<u>47,187,254</u>	<u>49,895,232</u>	<u>47,199,733</u>	<u>49,909,199</u>

19. Investment accounts of customers

(a) By type and Shariah contract

	Note	Group and Bank	
		30.06.2019 RM'000	31.12.2018 RM'000
Unrestricted investment accounts			
Without maturity :			
<i>Mudharabah</i>		3,034,087	2,594,846
- <i>Saving</i>		2,596,064	2,413,645
- <i>Demand</i>		438,023	181,201
With maturity :			
<i>Wakalah</i>		4,512,663	2,581,973
		<u>7,546,750</u>	<u>5,176,819</u>
Investment portfolio :			
<i>House financing</i>	15	5,290,698	3,886,107
<i>Personal financing</i>	15	2,256,052	1,290,712
		<u>7,546,750</u>	<u>5,176,819</u>
Restricted investment accounts (“RIA”) managed by the Bank[^]			
With maturity :			
<i>Wakalah</i>		56,318	78,717
Investment portfolio :			
<i>Other term financing</i>		56,318	78,717

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

19. Investment accounts of customers (continued)

(a) By type and Shariah contract (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 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 RM56,318,000 (2018: RM78,717,000).

(b) By type of customers

	Group and Bank	
	30.06.2019	31.12.2018
	RM'000	RM'000
Individuals	2,858,136	2,674,428
Government and statutory bodies	2,348,273	767,996
Business enterprises	708,953	507,160
Non-bank financial institutions	1,545,013	1,175,273
International Islamic Bank	2,600	2,400
Others	83,775	49,562
	<u>7,546,750</u>	<u>5,176,819</u>

20. Recourse obligations on financing sold to Cagamas

Recourse obligations on financing sold to Cagamas represents house financing accounts that are sold to Cagamas with recourse. Under the agreement, 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 in Note 15.

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

21. Subordinated Sukuk Murabahah

	Note	Group and Bank	
		30.06.2019 RM'000	31.12.2018 RM'000
<i>Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme</i>			
First tranche	(a)	303,308	303,450
Second tranche	(b)	400,844	400,851
Third tranche	(c)	302,046	302,005
		1,006,198	1,006,306
<i>Issued under the RM10.0 billion Sukuk Murabahah Programme</i>			
First tranche	(d)	302,328	302,328
		1,308,526	1,308,634

The details of the issued subordinated Sukuk are as follows:

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

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

The Subordinated Sukuk Murabahah qualifies as Tier II capital for the computation of the regulatory capital of the Bank in accordance with the Capital Adequacy Framework (Capital Components) for Islamic Banks issued by BNM.

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

22. Other liabilities

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Other payables	699,993	564,632	694,660	556,880
Accruals	89,558	141,501	87,608	138,834
	<u>789,551</u>	<u>706,133</u>	<u>782,268</u>	<u>695,714</u>

23. Income derived from investment of depositors' funds

Group and Bank	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) Saving and demand Deposits	204,344	192,683	413,521	386,441
(ii) General investment Deposits	4,161	4,662	8,437	9,536
(iii) Term deposits	455,751	371,254	917,530	728,534
(iv) Other deposits	22,543	55,141	55,118	111,782
	<u>686,799</u>	<u>623,740</u>	<u>1,394,606</u>	<u>1,236,293</u>

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

Group and Bank	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	166,796	171,425	339,461	340,278
Financial assets:				
- fair value through profit and loss	1,274	1,251	2,462	2,514
- fair value through other comprehensive income	19,870	15,633	41,128	32,581
- other financial assets at amortised cost	84	87	84	87
Money at call and deposits with financial institutions	6,578	4,181	12,143	10,012
	<u>194,602</u>	<u>192,577</u>	<u>395,278</u>	<u>385,472</u>

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

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

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

Group and Bank	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
<i>Other dealing income</i>				
Net gain from sale of financial assets at fair value through profit or loss	2,340	8	4,074	260
Net gain on revaluation of financial assets at fair value through profit or loss	(562)	(5)	1,335	107
	<u>1,778</u>	<u>3</u>	<u>5,409</u>	<u>367</u>
<i>Other operating income</i>				
Net gain from sale of financial assets at fair value through other comprehensive income	7,964	103	12,834	602
	<u>204,344</u>	<u>192,683</u>	<u>413,521</u>	<u>386,441</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<u>2,689</u>	<u>2,488</u>	<u>5,217</u>	<u>5,727</u>

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

Group and Bank	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	3,481	4,183	7,075	8,478
Financial assets:				
- fair value through profit and loss	22	27	44	56
- fair value through other comprehensive income	353	343	745	729
- other financial assets at amortised cost	2	2	2	2
Money at call and deposits with financial institutions	130	106	245	250
	<u>3,988</u>	<u>4,661</u>	<u>8,111</u>	<u>9,515</u>

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

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

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

Group and Bank	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
<i>Other dealing income</i>				
Net gain from sale of financial assets at fair value through profit or loss	42	-	73	6
Net gain on revaluation of financial assets at fair value through profit or loss	(8)	(1)	25	2
	<u>34</u>	<u>(1)</u>	<u>98</u>	<u>8</u>
<i>Other operating income</i>				
Net gain from sale of financial assets at fair value through other comprehensive income	139	2	228	13
	<u>4,161</u>	<u>4,662</u>	<u>8,437</u>	<u>9,536</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<u>48</u>	<u>55</u>	<u>95</u>	<u>129</u>

(iii) Income derived from investment of term deposits

Group and Bank	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	371,910	330,308	752,899	641,657
Financial assets:				
- fair value through profit and loss	2,828	2,411	5,452	4,738
- fair value through other comprehensive income	44,285	30,097	91,150	61,350
- other financial assets at amortised cost	181	164	181	164
Money at call and deposits with financial institutions	14,846	8,085	27,205	18,837
	<u>434,050</u>	<u>371,065</u>	<u>876,887</u>	<u>726,746</u>

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

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

(iii) Income derived from investment of term deposits (continued)

Group and Bank	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
<i>Other dealing income</i>				
Net gain from sale of financial assets at fair value through profit or loss	5,194	24	9,040	488
Net gain on revaluation of financial assets at fair value through profit or loss	(1,414)	(35)	2,909	180
	<u>3,780</u>	<u>(11)</u>	<u>11,949</u>	<u>668</u>
<i>Other operating income</i>				
Net gain from sale of financial assets at fair value through other comprehensive income	17,921	200	28,694	1,120
	<u>455,751</u>	<u>371,254</u>	<u>917,530</u>	<u>728,534</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<u>5,963</u>	<u>4,795</u>	<u>11,560</u>	<u>10,761</u>

(iv) Income derived from investment of other deposits

Group and Bank	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	18,416	49,057	45,339	98,411
Financial assets:				
- fair value through profit and loss	140	358	322	725
- fair value through other comprehensive income	2,193	4,453	5,505	9,403
- other financial assets at amortised cost	10	22	10	22
Money at call and deposits with financial institutions	734	1,235	1,613	2,959
	<u>21,493</u>	<u>55,125</u>	<u>52,789</u>	<u>111,520</u>

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

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

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

Group and Bank	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
<i>Other dealing income</i>				
Net gain from sale of financial assets at fair value through profit or loss	257	11	517	91
Net gain on revaluation of financial assets at fair value through profit or loss	(103)	(29)	179	(15)
	<u>154</u>	<u>(18)</u>	<u>696</u>	<u>76</u>
<i>Other operating income</i>				
Net gain from sale of financial assets at fair value through other comprehensive income	896	34	1,633	186
	<u>22,543</u>	<u>55,141</u>	<u>55,118</u>	<u>111,782</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<u>312</u>	<u>724</u>	<u>718</u>	<u>1,674</u>

24. Income derived from investment account funds

Group and Bank	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	37,355	30,222	71,444	59,921
- <i>Wakalah</i>	60,229	32,596	102,567	64,652
	<u>97,584</u>	<u>62,818</u>	<u>174,011</u>	<u>124,573</u>

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

25. Income derived from investment of shareholders' funds

Group	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	1,561	1,820	3,419	3,604
Financial assets at fair value through other comprehensive income	49,430	48,960	92,570	87,104
Money at call and deposits with financial institutions	2	1	3	2
	<u>50,993</u>	<u>50,781</u>	<u>95,992</u>	<u>90,710</u>
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	12,366	12,033	29,002	26,793
Net loss from sale of financial assets at fair value through profit or loss	-	14	-	-
Net gain/(loss) on revaluation of financial assets at fair value through profit or loss	5,440	-	5,442	(1)
Net derivatives gain/(loss)	16	(152)	(55)	77
	<u>17,822</u>	<u>11,895</u>	<u>34,389</u>	<u>26,869</u>
<i>Other operating income</i>				
Gross dividend income from:				
- unit trust in Malaysia	4,596	44	4,683	867
- quoted shares outside Malaysia	259	-	259	-
	<u>4,855</u>	<u>44</u>	<u>4,942</u>	<u>867</u>
<i>Fees and commission</i>				
Fees	41,328	50,263	85,880	92,796
Commission	3,954	5,360	7,643	11,609
Others	5,359	6,273	10,264	11,155
	<u>50,641</u>	<u>61,896</u>	<u>103,787</u>	<u>115,560</u>
<i>Other income</i>				
Net gain/(loss) on disposal of property and equipment	(1)	229	(2)	270
Rental income	521	418	1,222	1,051
Other income	257	26	286	50
	<u>777</u>	<u>673</u>	<u>1,506</u>	<u>1,371</u>
	<u>125,088</u>	<u>125,289</u>	<u>240,616</u>	<u>235,377</u>

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

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

Bank	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	1,561	1,820	3,419	3,604
Financial assets at fair value through other comprehensive income	49,430	48,960	92,570	87,104
Money at call and deposits with financial institutions	1	1	2	2
	50,992	50,781	95,991	90,710
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	12,368	12,050	29,002	26,810
Net gain/(loss) on revaluation of financial assets at fair value through profit or loss	5,441	-	5,441	-
Net derivatives gain/(loss)	16	(152)	(55)	77
	17,825	11,898	34,388	26,887
<i>Other operating income</i>				
Gross dividend income from:				
- unit trust in Malaysia	4,547	-	4,590	778
- quoted shares outside Malaysia	259	-	259	-
	4,806	-	4,849	778
<i>Fees and commission</i>				
Fees	32,335	39,914	67,664	74,576
Commission	5,632	6,698	10,990	14,831
Others	4,565	5,846	9,372	10,544
	42,532	52,458	88,026	99,951
<i>Other income</i>				
Net gain/(loss) on disposal of property and equipment	(1)	229	(2)	270
Rental income	702	511	1,403	1,235
Other income	241	3	243	16
	942	743	1,644	1,521
	117,097	115,880	224,898	219,847

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

26. Net allowance for impairment on financing and advances

Group and Bank	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Net allowance for impairment on financing, advances and others:				
- Collective assessment - 12 months expected credit losses (ECL)	(3,354)	(11,550)	(7)	(7,594)
- Collective assessment - Lifetime ECL	33,598	51,144	75,683	58,011
- Individual assessment - Lifetime ECL	20,959	1,713	22,834	38,675
	<u>51,203</u>	<u>41,307</u>	<u>98,510</u>	<u>89,092</u>
Bad debts and financing recovered	(21,584)	(26,549)	(45,692)	(53,171)
	<u>29,619</u>	<u>14,758</u>	<u>52,818</u>	<u>35,921</u>

27. Income attributable to depositors

Group	3 months ended		6 months ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Deposits from customers				
- Mudharabah fund	2,076	2,463	4,110	4,962
- Non-Mudharabah fund	322,607	301,755	655,769	595,799
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	-	43	-	43
- Non-Mudharabah fund	321	78	321	409
Recourse obligation on financing sold to Cagamas	17,802	7,125	35,614	7,125
	<u>342,806</u>	<u>311,464</u>	<u>695,814</u>	<u>608,338</u>

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

27. Income attributable to depositors (continued)

Bank	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	2,076	2,463	4,110	4,962
- Non-Mudharabah fund	322,676	301,819	655,905	595,927
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	-	43	-	43
- Non-Mudharabah fund	321	78	321	409
Recourse obligation on financing sold to Cagamas	17,802	7,125	35,614	7,125
	<u>342,875</u>	<u>311,528</u>	<u>695,950</u>	<u>608,466</u>

28. Income attributable to investment account holders

Group and Bank	3 months ended		6 months ended	
	30.06.2019	30.06.2019	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts				
- <i>Mudharabah</i>	3,382	1,184	5,299	2,895
- <i>Wakalah</i>	41,463	21,731	69,576	42,825
	<u>44,845</u>	<u>22,915</u>	<u>74,875</u>	<u>45,720</u>

29. Personnel expenses

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	116,775	118,790	239,262	222,029
Employees' Provident Fund	16,387	14,397	31,898	28,983
Other staff related costs	18,020	12,592	34,438	26,506
	<u>151,182</u>	<u>145,779</u>	<u>305,598</u>	<u>277,518</u>
Bank				
	3 months ended		3 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	114,331	116,561	234,323	217,557
Employees' Provident Fund	16,054	14,089	31,213	28,362
Other staff related costs	17,674	12,259	33,754	25,912
	<u>148,059</u>	<u>142,909</u>	<u>299,290</u>	<u>271,831</u>

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

30. Other overhead expenses

Group	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Credit and debit card expenses	8,541	6,631	15,898	15,778
Advertisement and publicity	2,554	2,572	3,679	4,438
Others	6,063	9,052	12,411	14,387
	17,158	18,255	31,988	34,603
<i>Establishment</i>				
Office rental	7,789	13,628	15,829	26,556
Depreciation of property and equipment	12,309	12,104	24,696	23,589
Depreciation right-of-use assets	3,298	-	6,596	-
Information technology expenses	10,111	15,127	22,219	22,293
Security services	2,390	3,280	4,620	6,054
Utilities	3,821	3,445	6,948	6,815
Office maintenance	2,911	3,771	4,931	5,980
Rental of equipment	1,338	897	2,492	2,313
Takaful	2,402	2,035	4,511	4,334
Others	-	241	281	280
	46,369	54,528	93,123	98,214
<i>General expenses</i>				
Outsourcing fees	4,024	4,394	8,818	7,476
Office supplies	2,306	2,494	4,503	3,962
Subscription fees	1,327	958	2,483	1,705
Travelling and transportation	1,880	2,198	3,542	3,998
Security services - cash in transit	2,275	1,311	3,421	2,773
Professional fees	1,682	2,892	4,987	4,989
Others	15,757	18,661	34,550	34,801
	29,251	32,908	62,304	59,704
	92,778	105,691	187,415	192,521
Bank				
	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Credit and debit card expenses	8,541	6,631	15,898	15,778
Advertisement and publicity	2,421	2,486	3,422	4,260
Others	2,006	2,730	4,382	5,076
	12,968	11,847	23,702	25,114

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

30. Other overhead expenses (continued)

Bank	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
<i>Establishment</i>				
Office rental	7,877	13,614	15,801	26,528
Depreciation of property and equipment	12,251	12,042	24,580	23,466
Depreciation right-of-use assets	3,298	-	6,596	-
Information technology expenses	10,111	15,127	22,219	22,293
Security services	2,390	3,280	4,620	6,054
Utilities	3,803	3,429	6,913	6,783
Office maintenance	2,854	3,715	4,816	5,878
Rental of equipment	1,315	878	2,446	2,272
Takaful	2,400	2,035	4,508	4,329
Others	-	241	281	280
	46,299	54,361	92,780	97,883
<i>General expenses</i>				
Outsourcing fees	4,024	4,394	8,818	7,476
Office supplies	2,269	2,456	4,432	3,904
Subscription fees	1,327	958	2,483	1,705
Travelling and transportation	1,825	2,164	3,455	3,924
Security services - cash in transit	2,275	1,311	3,421	2,773
Professional fees	1,614	2,863	4,841	4,923
Others	15,841	19,277	34,962	35,896
	29,175	33,423	62,412	60,601
	88,442	99,631	178,894	183,598

31. Finance cost

Group and Bank	Notes	3 months ended		6 months ended	
		30.06.2019	30.06.2018	30.06.2019	30.06.2018
		RM'000	RM'000	RM'000	RM'000
Finance cost:					
- Subordinated Sukuk Murabahah		17,438	13,465	34,683	26,901
- Profit expense on leases	17	4,474	-	8,968	-
		21,912	13,465	43,651	26,901

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

32. Segmental Reporting on Revenue, Profit and Assets

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>6 months ended 30 June 2019</u>						
Total Revenue	1,087,811	317,903	376,798	34,400	(7,446)	1,809,466
Net fund based income	483,847	196,330	52,693	99,509	-	832,379
Non-fund based income	71,302	15,772	95,937	30,697	(7,310)	206,398
Net income	555,149	212,102	148,630	130,206	(7,310)	1,038,777
Net allowance for impairment	(55,224)	(2,594)	21	853	-	(56,944)
Profit before overheads, zakat & tax	499,925	209,508	148,651	131,059	(7,310)	981,833
Operating expenses						(544,432)
Profit before zakat & tax						437,401
<u>6 months ended 30 June 2018</u>						
Total Revenue	1,011,411	301,933	261,961	28,152	(6,881)	1,596,576
Net fund based income	467,584	188,576	(11,959)	150,277	-	794,478
Non-fund based income	81,180	18,723	30,471	24,419	(6,753)	148,040
Net income	548,764	207,299	18,512	174,696	(6,753)	942,518
Net allowance for impairment	(17,814)	(18,107)	86	-	-	(35,835)
Profit before overheads, zakat & tax	530,950	189,192	18,598	174,696	(6,753)	906,683
Operating expenses						(505,996)
Profit before zakat & tax						400,687

Effective 1 January 2019, the Group and the Bank have adopted a new methodology in allocating the net fund based income.

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

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

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>At 30 June 2019</u>						
Segment assets	35,557,291	10,838,178	14,785,877	46,321	(29,778)	61,197,889
Unallocated assets						<u>3,045,692</u>
Total assets						<u><u>64,243,581</u></u>
<u>At 31 December 2018</u>						
Segment assets	34,711,553	10,969,128	15,381,399	46,194	(30,829)	61,077,445
Unallocated assets						<u>2,861,288</u>
Total assets						<u><u>63,938,733</u></u>

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

33. 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 investments 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.

Group 30 June 2019 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 3		
Financial assets							
Financial assets at fair value through profit or loss	-	1,022,055	-	1,022,055	-	1,022,055	1,022,055
Derivative financial assets	-	24,346	-	24,346	-	24,346	24,346
Financial assets at fair value through other comprehensive income	9,295	12,279,536	37,930	12,326,761	-	12,326,761	12,326,761
Financing, advances and others	-	-	-	-	49,943,790	49,943,790	46,395,469
Financial liabilities							
Derivative financial liabilities	-	6,763	-	6,763	-	6,763	6,763
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,542,540	1,542,540	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,331,653	1,331,653	1,308,526

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

33. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Group 31 December 2018 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			
Financial assets							
Financial assets at fair value through profit or loss	-	364,959	-	364,959	-	364,959	364,959
Derivative financial assets	-	34,148	-	34,148	-	34,148	34,148
Financial assets at fair value through other comprehensive income	12,446	11,318,781	23,072	11,354,299	-	11,354,299	11,354,299
Financing, advances and others	-	-	-	-	46,594,025	46,594,025	45,680,680
Financial liabilities							
Derivative financial liabilities	-	19,520	-	19,520	-	19,520	19,520
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,517,235	1,517,235	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,361,535	1,361,535	1,308,634
Bank							
30 June 2019							
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			
Financial assets							
Financial assets at fair value through profit or loss	-	1,016,525	-	1,016,525	-	1,016,525	1,016,525
Derivative financial assets	-	24,346	-	24,346	-	24,346	24,346
Financial assets at fair value through other comprehensive income	9,295	12,279,536	38,720	12,327,551	-	12,327,551	12,327,551
Financing, advances and others	-	-	-	-	49,943,790	49,943,790	46,395,469
Financial liabilities							
Derivative financial liabilities	-	6,763	-	-	-	6,763	6,763
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,542,540	1,542,540	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,331,653	1,331,653	1,308,526

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

33. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Bank 31 December 2018 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 at fair value through profit or loss	-	359,533	-	359,533	-	359,533	359,533
Derivative financial assets	-	34,148	-	34,148	-	34,148	34,148
Financial assets at fair value through other comprehensive income	12,446	11,318,781	23,862	11,355,089	-	11,355,089	11,355,089
Financing, advances and others	-	-	-	-	46,594,025	46,594,025	45,680,680
<i>Financial liabilities</i>							
Derivative financial liabilities	-	19,520	-	19,520	-	19,520	19,520
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,517,235	1,517,235	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,361,535	1,361,535	1,308,634

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

33. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Unobservable inputs used in measuring fair value

The following table shows the valuation technique 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
Equity investments	Adjusted net asset method	Assets and liabilities of the investee company	Changes on the assets and liabilities would reflect the fair value measurement

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

(ii) Financing, advances and others

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

(iii) Subordinated Sukuk Murabahah

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

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

34. 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	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
As at 30 June 2019			
<i>Credit related exposures</i>			
Direct credit substitutes	373,399	373,399	372,792
Transaction related contingent items	945,445	472,722	452,410
Short-term self-liquidating trade related contingencies	780,192	156,039	155,506
Other commitments, such as formal standby facilities and credit lines, with an original maturity exceeding one year	1,496,888	784,444	545,665
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,577,717	-	-
	<u>11,173,641</u>	<u>1,750,604</u>	<u>1,526,373</u>
		Positive Fair Value of Derivative Contracts RM'000	
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
<i>Derivative Financial Instruments</i>			
Foreign exchange related contracts			
- less than one year	5,014,504	22,573	47,972
Profit rate related contracts			
- one year to less than five years	162,952	1,773	5,321
	<u>5,177,456</u>	<u>24,346</u>	<u>53,293</u>
Total	<u>16,351,097</u>	<u>1,833,052</u>	<u>1,579,666</u>

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

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 2018	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
<i>Credit related exposures</i>			
Direct credit substitutes	487,980	487,980	488,189
Transaction related contingent items	1,015,198	507,599	471,867
Short-term self-liquidating trade related contingencies	247,008	49,402	43,608
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
- not exceeding one year	-	-	-
- exceeding one year	1,627,618	813,809	630,266
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,336,717	-	-
	<u>10,714,521</u>	<u>1,858,790</u>	<u>1,633,930</u>
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000
			Risk Weighted Asset RM'000
<i>Derivative Financial Instruments</i>			
Foreign exchange related contracts			
- less than one year	2,869,455	30,653	65,839
Profit rate related contracts			
- less than one year	400,000	1,708	810
- five years and above	178,379	1,787	10,264
	<u>3,447,834</u>	<u>34,148</u>	<u>76,913</u>
Total	<u>14,162,355</u>	<u>34,148</u>	<u>1,935,703</u>
			<u>1,691,006</u>

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

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	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
CET I & Tier I capital ratio	13.929%	13.317%	13.900%	13.287%
Total capital ratio	18.403%	17.767%	18.379%	17.741%

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

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	3,012,368	3,012,368	3,012,368	3,012,368
Retained earnings	2,444,249	2,362,476	2,440,034	2,359,060
Other reserves	57,244	(98,437)	57,419	(98,261)
<u>Less:</u>				
Deferred tax assets	(28,209)	(51,385)	(26,703)	(49,842)
Gain on financial instruments classified as fair value through other comprehensive income	(87,097)	(1,446)	(87,097)	(1,446)
Regulatory reserve	(10,000)	(10,000)	(10,000)	(10,000)
Investment in subsidiaries	-	-	(15,525)	(15,525)
Total CET I and Tier I Capital	<u>5,388,555</u>	<u>5,213,576</u>	<u>5,370,496</u>	<u>5,196,354</u>
Sukuk Murabahah	1,300,000	1,300,000	1,300,000	1,300,000
Collective assessment allowance and regulatory reserve [^]	431,113	441,938	430,907	441,788
Total Tier II Capital	<u>1,731,113</u>	<u>1,741,938</u>	<u>1,730,907</u>	<u>1,741,788</u>
Total Capital	<u>7,119,668</u>	<u>6,955,514</u>	<u>7,101,403</u>	<u>6,938,142</u>

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

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

35. Capital adequacy (continued)

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

	Group		Bank	
	30.06.2019 RM'000	31.12.2018 RM'000	30.06.2019 RM'000	31.12.2018 RM'000
Credit risk	39,956,791	38,963,775	39,940,328	38,951,812
Less : Credit risk absorbed by unrestricted investment accounts	(5,467,762)	(3,608,741)	(5,467,762)	(3,608,741)
	34,489,029	35,355,034	34,472,566	35,343,071
Market risk	747,171	422,763	747,171	422,763
Operational risk	3,450,337	3,370,712	3,418,265	3,342,947
	38,686,537	39,148,509	38,638,002	39,108,781

35. Performance review for the six months ended 30 June 2019

The Group reported profit before zakat and tax of RM437.4 million, an increase of 9.2% for the six months ended 30 June 2019 compared to the previous corresponding period. The improved performance was mainly attributed from higher net income of RM76.4 million, offset by higher personnel expenses and finance cost of RM28.1 million and RM16.8 million respectively.

Year-on-year net financing assets grew by RM3.2 billion or 7.3% to reach RM46.4 billion as at end of 30 June 2019. Correspondingly, net fund based income from financing also increased by RM37.9 million or 4.8%.

As at 30 June 2019, customer deposits and investment accounts stood at RM54.7 billion with a year-on-year increase of RM5.0 billion or 10.0 %. CASA ratio as at end of June 2019 was 30.1% against the Islamic Banking Industry CASA ratio of 26.3% as at end of May 2019.

The Group's gross impaired financing ratio was 1.2% while the net impaired financing ratio was at negative 0.4% as at end of 30 June 2019 compared to 0.92% and a negative 0.80% respectively as at 31 December 2018. The Banking System gross impaired ratio was 1.5% and the net impaired ratio was 1.0% as at end of May 2019, based on BNM's statistical bulletin.

The key performance ratios as at end of June 2019 also compared favourably against the Banking System ratios as at end of 31 March 2019. The Bank's return on equity and return on assets based on profit before zakat and tax ("PBZT") were 16.1% and 1.4% respectively against the Islamic Banking Industry's 15.7% and 1.1% respectively.

36. Prospect for 2019

In BNM's quarterly report released on 16th May 2019, overall Gross Domestic Product ("GDP") growth was moderate at 4.5% (4Q2018: 4.7%). The economic growth is expected to continuously moderate for the year with the central bank's GDP projection at the range of 4.3% to 4.8%. There are downside risks to growth from heightened uncertainties in the global and domestic environment, trade tensions and extended weakness in commodity-related sectors.

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

37. Prospect for 2019 (continued)

In 1H2019, there was a net outflow of RM2.2 billion mainly on the account of Treasury Bills, Private Debt Securities and Government Investment Issues. BNM has been actively intervening the foreign exchange markets in order to stabilise the Malaysian Ringgit. However, outflows of funds have been quite persistent. Consequently, BNM international reserve assets fell from USD109.4 billion in May 2018 to USD102.6 billion in May 2019.

On 7 May 2019, the Monetary Policy Committee (“MPC”) reduced the Overnight Policy Rate (“OPR”) by 25 basis points at 3.00%. Therefore, we can expect banking system Net Income Margin (“NIM”) will continue to be compressed with lower benchmark profit rate.

While the OPR could stay low, deposit rates would rise due to competition in the banking industries. The lack of liquidity is not too alarming at the current juncture as current account in the balance of payment remains in surplus while industry financing-to-deposit ratio is well below 100%. Nevertheless, we expect competition for deposits will persist as banks brace for upcoming implementation of net stable funding ratio (“NSFR”) requirement.

The banking sector is expected to brace for a challenging second half of 2019 against the backdrop of decrease in financing growth and thinning margins. Financing growth for the banking sector in Malaysia is expected to decrease at about 5% in 2019 (2018: +5.6%), as GDP growth moderates. We expect consumer and business financing growth tapering down in 2019 due to slowdown in exports.

The Bank believes that it is able to maintain a stable outlook on profitability, albeit challenging economic environment. That said, overall profitability indicators are likely to remain intact, as the Bank continues to grow our financing assets, while taking certain measures in cost management. Despite small percentage of gross income contributed by non-fund based, the pursuit for digitalisation is hoped to provide a boost in the longer term.

38. 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.

39. Credit Transactions and Exposures with Connected Parties

	Group and Bank	
	30.06.2019	31.12.2018
	RM’000	RM’000
Outstanding credit exposures with connected parties	1,500,100	1,538,799
% of outstanding credit exposures to connected parties as a proportion of total credit exposures	3.18%	3.31%
% of outstanding credit exposures with connected parties which is non-performing or in default	0.0002%	0.0008%