

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

**Statements of Financial Position as at 31 March 2018**

|   | Note | Group                    |                      | Bank                     |                      |
|---|------|--------------------------|----------------------|--------------------------|----------------------|
|   |      | 31.03.2018<br>RM'000     | 31.12.2017<br>RM'000 | 31.03.2018<br>RM'000     | 31.12.2017<br>RM'000 |
| <b>Assets</b>   |      |                          |                      |                          |                      |
| Cash and short-term funds   | 10   | <b>4,798,683</b>         | 4,185,697            | <b>4,760,682</b>         | 4,185,561            |
| Financial assets held-for-trading                                 | 11   | -                        | 380,925              | -                        | 375,664              |
| Financial assets at fair value through profit or loss             | 12   | <b>357,693</b>           | -                    | <b>352,382</b>           | -                    |
| Derivative financial assets                                       | 13   | <b>71,255</b>            | 68,319               | <b>71,255</b>            | 68,319               |
| Financial assets available-for-sale                               | 14   | -                        | 9,252,683            | -                        | 9,253,140            |
| Financial assets at fair value through other comprehensive income | 15   | <b>9,340,326</b>         | -                    | <b>9,340,783</b>         | -                    |
| Financial assets held-to-maturity                                 | 16   | -                        | -                    | -                        | -                    |
| Financing, advances and others                                    | 17   | <b>42,381,390</b>        | 42,113,420           | <b>42,381,390</b>        | 42,113,420           |
| Other financial assets at amortised cost                          | 18   | <b>49,415</b>            | 123,503              | <b>45,615</b>            | 121,062              |
| Statutory deposits with Bank Negara Malaysia                      |      | <b>1,470,235</b>         | 1,407,284            | <b>1,470,235</b>         | 1,407,284            |
| Current tax assets  |      | <b>1,758</b>             | 1,792                | <b>1,737</b>             | 1,737                |
| Deferred tax assets   |      | <b>80,133</b>            | 37,288               | <b>78,590</b>            | 37,288               |
| Investments in subsidiaries                                       |      | -                        | -                    | <b>15,525</b>            | 15,525               |
| Property and equipment  |      | <b>181,281</b>           | 172,003              | <b>180,557</b>           | 171,240              |
| <b>Total assets</b>   |      | <b><u>58,732,169</u></b> | <u>57,742,914</u>    | <b><u>58,698,751</u></b> | <u>57,750,240</u>    |
| <b>Liabilities and equity</b>                                     |      |                          |                      |                          |                      |
| Deposits from customers   | 19   | <b>46,883,662</b>        | 46,192,910           | <b>46,899,110</b>        | 46,209,028           |
| Investment accounts of customers                                  | 20   | <b>4,873,239</b>         | 4,260,185            | <b>4,873,239</b>         | 4,260,185            |
| Derivative financial liabilities                                  | 13   | <b>85,370</b>            | 74,668               | <b>85,370</b>            | 74,668               |
| Bills and acceptance payable                                      |      | <b>57,999</b>            | 420,258              | <b>57,999</b>            | 420,258              |
| Subordinated Sukuk Murabahah                                      | 21   | <b>1,019,922</b>         | 1,006,486            | <b>1,019,922</b>         | 1,006,486            |
| Other liabilities   | 22   | <b>780,720</b>           | 782,299              | <b>734,123</b>           | 773,769              |
| Zakat and taxation  |      | <b>43,499</b>            | 46,404               | <b>43,429</b>            | 46,340               |
| <b>Total liabilities</b>  |      | <b><u>53,744,411</u></b> | <u>52,783,210</u>    | <b><u>53,713,192</u></b> | <u>52,790,734</u>    |

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**Statements of Financial Position as at 31 March 2018 (continued)**

|  | Note | Group                |                      | Bank                 |                      |
|--|------|----------------------|----------------------|----------------------|----------------------|
|  |      | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| <b>Equity</b>  |      |                      |                      |                      |                      |
| Share capital  |      | 2,869,498            | 2,869,498            | 2,869,498            | 2,869,498            |
| Reserves   |      | 2,118,260            | 2,090,206            | 2,116,061            | 2,090,008            |
| <b>Total equity</b>  |      | <u>4,987,758</u>     | <u>4,959,704</u>     | <u>4,985,559</u>     | <u>4,959,506</u>     |
| <b>Total liabilities and equity</b>                                      |      | <u>58,732,169</u>    | <u>57,742,914</u>    | <u>58,698,751</u>    | <u>57,750,240</u>    |
| <b>Restricted investment<br/>accounts managed by<br/>the Bank</b>        | 20   | 113,448              | 124,384              | 113,448              | 124,384              |
| <b>Total Islamic banking<br/>asset owned and<br/>managed by the Bank</b> |      | <u>58,845,617</u>    | <u>57,867,298</u>    | <u>58,812,199</u>    | <u>57,874,624</u>    |
| <b>Commitments and<br/>Contingencies</b>                                 | 33   | <u>15,667,725</u>    | <u>13,768,162</u>    | <u>15,667,725</u>    | <u>13,768,162</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 2017.*

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**Statements of Profit or Loss and Other Comprehensive Income  
for the three months ended 31 March 2018**

|   | Note | Group<br>3 months ended |                      | Bank<br>3 months ended |                      |
|---|------|-------------------------|----------------------|------------------------|----------------------|
|   |      | 31.03.2018<br>RM'000    | 31.03.2017<br>RM'000 | 31.03.2018<br>RM'000   | 31.03.2017<br>RM'000 |
| Income derived from investment of depositors' funds                       | 23   | 612,553                 | 565,757              | 612,553                | 565,757              |
| Income derived from investment account funds                              | 24   | 61,755                  | 54,702               | 61,755                 | 54,702               |
| Income derived from investment of shareholders' funds                     | 25   | 110,088                 | 102,293              | 103,967                | 99,674               |
| Net allowance for impairment on financing and advances, net of recoveries | 26   | (21,163)                | (8,783)              | (21,163)               | (8,783)              |
| Reversal of impairment on other financial assets                          |      | 98                      | -                    | 98                     | -                    |
| Direct expenses   |      | (4,466)                 | (5,242)              | (4,466)                | (5,242)              |
| <b>Total distributable income</b>   |      | <b>758,865</b>          | <b>708,727</b>       | <b>752,744</b>         | <b>706,108</b>       |
| Wakalah fees from restricted investment accounts                          |      | -                       | 712                  | -                      | 712                  |
| Income attributable to depositors   | 27   | (296,874)               | (273,039)            | (296,938)              | (273,097)            |
| Income attributable to investment account holders                         | 28   | (22,805)                | (23,165)             | (22,805)               | (23,165)             |
| <b>Total net income</b>   |      | <b>439,186</b>          | <b>413,235</b>       | <b>433,001</b>         | <b>410,558</b>       |
| Personnel expenses  | 29   | (131,739)               | (121,564)            | (128,922)              | (119,985)            |
| Other overhead expenses   | 30   | (86,830)                | (89,940)             | (83,967)               | (89,228)             |
| Finance cost on Subordinated Sukuk Murabahah                              |      | (13,436)                | (9,678)              | (13,436)               | (9,678)              |
| <b>Profit before zakat and tax</b>  |      | <b>207,181</b>          | <b>192,053</b>       | <b>206,676</b>         | <b>191,667</b>       |
| Zakat   |      | (3,756)                 | (2,384)              | (3,750)                | (2,376)              |
| Tax expense   |      | (53,684)                | (53,354)             | (55,219)               | (53,342)             |
| <b>Profit for the period</b>  |      | <b>149,741</b>          | <b>136,315</b>       | <b>147,707</b>         | <b>135,949</b>       |
| <b>Earnings per share (sen)</b>   |      | <b>6.07</b>             | <b>5.67</b>          |                        |                      |

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**Statements of Profit or Loss and Other Comprehensive Income  
for the three months ended 31 March 2018 (continued)**

|   | Note | Group          |                | Bank           |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 3 months ended |                | 3 months ended |                |
|   |      | 31.03.2018     | 31.03.2017     | 31.03.2018     | 31.03.2017     |
|   |      | RM'000         | RM'000         | RM'000         | RM'000         |
| Profit for the period   |      | <u>149,741</u> | <u>136,315</u> | <u>147,707</u> | <u>135,949</u> |
| <b>Other comprehensive income/(expense), net of tax:</b>                    |      |                |                |                |                |
| <b>Items that are or may be reclassified subsequently to profit or loss</b> |      |                |                |                |                |
| Currency translation differences in respect of foreign operations           |      | 18,600         | 6,733          | 18,633         | 6,746          |
| Movement in fair value reserve (debt securities) :                          |      |                |                |                |                |
| Net change in fair value  |      | (8,850)        | -              | (8,850)        | -              |
| Net amount transferred to profit or loss                                    |      | (1,582)        | -              | (1,582)        | -              |
| Movement in fair value reserve (equity instrument) :                        |      |                |                |                |                |
| Net change in fair value  |      | (2,817)        | -              | (2,817)        | -              |
| Net amount transferred to profit or loss                                    |      | -              | -              | -              | -              |
| Movement in fair value reserve (available-for-sale) :                       |      |                |                |                |                |
| Net change in fair value  |      | -              | 11,354         | -              | 11,354         |
| Net amount transferred to profit or loss                                    |      | -              | (966)          | -              | (966)          |
| Income tax expense relating to components of other comprehensive income     |      | 3,180          | (2,493)        | 3,180          | (2,493)        |
| <b>Other comprehensive income for the period, net of tax</b>                |      | <u>8,531</u>   | <u>14,628</u>  | <u>8,564</u>   | <u>14,641</u>  |
| <b>Total comprehensive income for the period</b>                            |      | <u>158,272</u> | <u>150,943</u> | <u>156,271</u> | <u>150,590</u> |

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**Consolidated Statement of Changes in Equity for the three months ended 31 March 2018**

| Group   | Note | ← Attributable to equity holders of the Bank → |                         |                          |                             | Total equity<br>RM'000 |
|---|------|--|-------------------------|--------------------------|-----------------------------|------------------------|
|   |      | ← Non-distributable →                          |                         | Distributable            |                             |                        |
|   |      | Share capital<br>RM'000                        | Share premium<br>RM'000 | Other reserves<br>RM'000 | Retained earnings<br>RM'000 |                        |
| At 1 January 2018   |      | 2,869,498                                      | -                       | (60,196)                 | 2,150,402                   | 4,959,704              |
| Adjustment on adoption of MFRS 9 (net of tax)                           | 6    | -  | -                       | 13,010                   | (143,228)                   | (130,218)              |
| Restated total equity at 1 January 2018                                 |      | <b>2,869,498</b>                               | -                       | <b>(47,186)</b>          | <b>2,007,174</b>            | <b>4,829,486</b>       |
| Profit for the period   |      | -  | -                       | -                        | 149,741                     | 149,741                |
| Currency translation difference in respect of foreign operations        |      | -  | -                       | 18,600                   | -                           | 18,600                 |
| Fair value reserve – Net change in fair value                           |      | -  | -                       | (11,667)                 | -                           | (11,667)               |
| – Net amount reclassified to profit or loss                             |      | -  | -                       | (1,582)                  | -                           | (1,582)                |
| Income tax expense relating to components of other comprehensive income |      | -  | -                       | 3,180                    | -                           | 3,180                  |
| Total comprehensive income for the period                               |      | -  | -                       | <b>8,531</b>             | <b>149,741</b>              | <b>158,272</b>         |
| Transfer from regulatory reserve to retained earnings                   |      | -  | -                       | (64,645)                 | 64,645                      | -                      |
| <b>At 31 March 2018</b>   |      | <b>2,869,498</b>                               | -                       | <b>(103,300)</b>         | <b>2,221,560</b>            | <b>4,987,758</b>       |
| <b>At 1 January 2017</b>  |      | 2,404,384                                      | 264,790                 | 1,193,045                | 523,247                     | 4,385,466              |
| Profit for the period   |      | -  | -                       | -                        | 136,315                     | 136,315                |
| Currency translation difference in respect of foreign operations        |      | -  | -                       | 6,733                    | -                           | 6,733                  |
| Fair value reserve – Net change in fair value                           |      | -  | -                       | 11,354                   | -                           | 11,354                 |
| – Net amount reclassified to profit or loss                             |      | -  | -                       | (966)                    | -                           | (966)                  |
| Income tax expense relating to components of other comprehensive income |      | -  | -                       | (2,493)                  | -                           | (2,493)                |
| Total comprehensive income for the period                               |      | -  | -                       | 14,628                   | 136,315                     | 150,943                |
| <b>At 31 March 2017</b>   |      | <b>2,404,384</b>                               | <b>264,790</b>          | <b>1,207,673</b>         | <b>659,562</b>              | <b>4,536,409</b>       |

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**Statement of Changes in Equity for the three months ended 31 March 2018**

| Bank  | Note | ← Attributable to equity holders of the Bank → |                         |                         |                          | Total equity<br>RM'000 |  |
|---|------|--|-------------------------|-------------------------|--------------------------|------------------------|--|
|   |      | ← Non-distributable                            | Share capital<br>RM'000 | Share premium<br>RM'000 | Other reserves<br>RM'000 |                        | Distributable<br>Retained earnings<br>RM'000 |
| At 1 January 2018   |      |  | 2,869,498               | -                       | (60,337)                 | 2,150,345              | 4,959,506                                    |
| Adjustment on adoption of MFRS 9 (net of tax)                           | 6    |  | -                       | -                       | 13,010                   | (143,228)              | (130,218)                                    |
| Restated total equity at 1 January 2018                                 |      |  | <b>2,869,498</b>        | -                       | <b>(47,327)</b>          | <b>2,007,117</b>       | <b>4,829,288</b>                             |
| Profit for the period   |      |  | -                       | -                       | -                        | 147,707                | 147,707                                      |
| Currency translation difference in respect of foreign operations        |      |  | -                       | -                       | 18,633                   | -                      | 18,633                                       |
| Fair value reserve – Net change in fair value                           |      |  | -                       | -                       | (11,667)                 | -                      | (11,667)                                     |
| – Net amount reclassified to profit or loss                             |      |  | -                       | -                       | (1,582)                  | -                      | (1,582)                                      |
| Income tax expense relating to components of other comprehensive income |      |  | -                       | -                       | 3,180                    | -                      | 3,180  |
| Total comprehensive income for the period                               |      |  | -                       | -                       | <b>8,564</b>             | <b>147,707</b>         | <b>156,271</b>                               |
| Transfer from regulatory reserve to retained earnings                   |      |  | -                       | -                       | (64,645)                 | 64,645                 | -  |
| <b>At 31 March 2018</b>   |      |  | <b>2,869,498</b>        | -                       | <b>(103,408)</b>         | <b>2,219,469</b>       | <b>4,985,559</b>                             |
| <b>At 1 January 2017</b>  |      |  | 2,404,384               | 264,790                 | 1,192,822                | 523,959                | 4,385,955                                    |
| Profit for the period   |      |  | -                       | -                       | -                        | 135,949                | 135,949                                      |
| Currency translation difference in respect of foreign operations        |      |  | -                       | -                       | 6,746                    | -                      | 6,746  |
| Fair value reserve – Net change in fair value                           |      |  | -                       | -                       | 11,354                   | -                      | 11,354                                       |
| – Net amount reclassified to profit or loss                             |      |  | -                       | -                       | (966)                    | -                      | (966)  |
| Income tax expense relating to components of other comprehensive income |      |  | -                       | -                       | (2,493)                  | -                      | (2,493)                                      |
| Total comprehensive income for the period                               |      |  | -                       | -                       | 14,641                   | 135,949                | 150,590                                      |
| <b>At 31 March 2017</b>   |      |  | <b>2,404,384</b>        | <b>264,790</b>          | <b>1,207,463</b>         | <b>659,908</b>         | <b>4,536,545</b>                             |

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**Bank Islam Malaysia Berhad (98127-X)**  
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**Condensed Statements of Cash Flow**  
**for the three months ended 31 March 2018**

|  | Group            |             | Bank             |             |
|--|------------------|-------------|------------------|-------------|
|  | 3 months ended   |             | 3 months ended   |             |
|  | 31.03.2018       | 31.03.2017  | 31.03.2018       | 31.03.2017  |
|  | RM'000           | RM'000      | RM'000           | RM'000      |
| Profit before zakat and tax                            | <b>207,181</b>   | 192,053     | <b>206,676</b>   | 191,667     |
| Adjustment for non-cash items                          | <b>68,818</b>    | 50,418      | <b>68,788</b>    | 50,394      |
| Operating profit before working capital changes        | <b>275,999</b>   | 242,471     | <b>275,464</b>   | 242,061     |
| Changes in working capital:                            |                  |             |                  |             |
| Net changes in operating assets                        | <b>(496,769)</b> | (379,314)   | <b>(495,410)</b> | (379,528)   |
| Net changes in operating liabilities                   | <b>937,378</b>   | (2,293,317) | <b>898,641</b>   | (2,293,112) |
| Net cash generated from/(used in) operations           | <b>716,608</b>   | (2,430,160) | <b>678,695</b>   | (2,430,579) |
| Zakat and tax paid                                     | <b>(45,617)</b>  | (41,020)    | <b>(45,583)</b>  | (41,000)    |
| Tax refund   | <b>60</b>        | -           | <b>-</b>         | -           |
| Net cash generated from/(used in) operating activities | <b>671,051</b>   | (2,471,180) | <b>633,112</b>   | (2,471,579) |
| Net cash used in investing activities                  | <b>(76,663)</b>  | (83,369)    | <b>(76,621)</b>  | (83,367)    |
| Net increase/(decrease) in cash and cash equivalents   | <b>594,388</b>   | (2,554,549) | <b>556,491</b>   | (2,554,946) |
| Cash and cash equivalents at beginning of the period   | <b>4,185,697</b> | 4,063,417   | <b>4,185,561</b> | 4,063,268   |
| Exchange difference on translation                     | <b>18,598</b>    | 6,733       | <b>18,630</b>    | 6,746       |
| Cash and cash equivalents at end of the period         | <b>4,798,683</b> | 1,515,601   | <b>4,760,682</b> | 1,515,068   |

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# **Bank Islam Malaysia Berhad (98127-X)**

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## **Unaudited Interim Financial Statements**

### **Notes to the unaudited interim financial statements for the three months ended 31 March 2018**

#### **1. Basis of preparation**

The unaudited interim financial statements of the Group and of the Bank for the three months ended 31 March 2018 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 2017. 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 2017.

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 2017, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”), interpretation and amendments to MFRSs:

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2017 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2017 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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 9. The principal effects of the changes in accounting policies arising from adoption of MFRS 9 are disclosed in Note 6.



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**2. Auditors' reports on preceding financial period financial statements**

The auditors' report on the audited financial statements for the financial year ended 31 December 2017 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 three months ended 31 March 2018.

**4. Unusual items**

There were no unusual items in the three months ended 31 March 2018.

**5. Changes in accounting estimates**

The significant judgements made by management in applying the Group and the Bank's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of MFRS 9, which are described in Note 6.

**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 2017, except for the impact of adopting MFRS 9 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 2018.

**MFRS 9, *Financial Instruments***

During the current reporting period, the Group and the Bank adopt the MFRS 9 as issued by the IASB in July 2014, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

MFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 *Financial Instruments: Recognition and Measurement*.

As permitted by the transitional provisions of MFRS 9, the Group and the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

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**6. Changes in accounting policies (continued)**

**MFRS 9, Financial Instruments (continued)**

The following table summarises the impact, net of tax, of transition to MFRS 9 on the opening balance of reserves and retained earnings.

| <b>Group and the Bank</b>   | <b>Impact of adopting MFRS 9 on opening balance RM'000</b> |
|---|--|
| <b>Fair value reserve</b>   |  |
| Remeasurement of equity investment at fair value through other comprehensive income (FVOCI)                               | 18,104   |
| Reclassification of fair value gain from financial assets available-for-sale to fair value through profit or loss (FVTPL) | (749)  |
| Related tax   | (4,345)  |
| Impact at 1 January 2018  | <u>13,010</u>  |
| <b>Retained earnings</b>  |  |
| Recognition of expected credit losses under MFRS 9  | (189,444)  |
| Reclassification of fair value gain from financial assets available-for-sale to FVTPL                                     | 749  |
| Related tax   | 45,467   |
| Impact at 1 January 2018  | <u>(143,228)</u>   |

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

**(i) Classification of financial assets and financial liabilities**

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification and measurement of financial liabilities. As such, there is no change on the Group and the Bank's accounting policies related to financial liabilities. However, the standard eliminates the previous MFRS 139 categories for financial assets of held to maturity, financing and receivables and available for sale.

Under MFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets depends on the Group and the Bank's business model in which a financial asset is managed and its contractual cash flow characteristics.

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**6. Changes in accounting policies (continued)**

**(i) Classification of financial assets and financial liabilities (continued)**

The impact on classification and measurement to the Bank's financial assets are summarised below on the initial application of MFRS 9 on 1 January 2018.

| Bank  | Note | Measurement category                   |                                 | Carrying amount                |                         |
|---|------|--|---------------------------------|--------------------------------|-------------------------|
|   |      | Original classification under MFRS 139 | New classification under MFRS 9 | Original under MFRS 139 RM'000 | New under MFRS 9 RM'000 |
| <b>Financial assets</b>   |      |  |                                 |                                |                         |
| Cash and short-term funds   |      | Financing and receivables              | Amortised cost                  | 4,185,561                      | 4,185,561               |
| Deposits and placements with banks and other financial institutions |      | Financing and receivables              | Amortised cost                  | -                              | -                       |
| Financial assets held-for-trading                                   | (a)  | FVTPL                                  | FVTPL                           | 375,664                        | 375,664                 |
| Derivative financial assets   |      | FVTPL                                  | FVTPL                           | 68,319                         | 68,319                  |
| Financial assets available-for-sale (debt instruments)              | (b)  | Available for sale                     | FVOCI                           | 9,215,834                      | 9,215,489               |
| Financial assets available-for-sale (equity instruments)            | (c)  | Available for sale                     | FVOCI                           | 23,369                         | 41,473                  |
| Financial assets available-for-sale                                 | (d)  | Available for sale                     | FVTPL                           | 13,937                         | 13,937                  |
| Financial assets held-to-maturity                                   | (e)  | Held-to-maturity                       | Amortised cost                  | -                              | -                       |
| Financing, advances and others                                      |      | Financing and receivables              | Amortised cost                  | 42,113,420                     | 41,924,321              |
| Other financial assets  |      | Financing and receivables              | Amortised cost                  | 121,062                        | 121,062                 |

There is no disclosure for the Group as the Group's figures are not materially different from the Bank's figures.

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### **6. Changes in accounting policies (continued)**

#### **(i) Classification of financial assets and financial liabilities (continued)**

- (a) Before the adoption of MFRS 9, certain investment securities were designated as at FVTPL because the Group and the Bank hold related securities at FVTPL and this designation eliminated or significantly reduced an accounting mismatch that would otherwise arise. Under MFRS 9, these assets meet the criteria for mandatory measurement at FVTPL because the contractual cash flows of these securities are not solely payment of principal and profit on the principal outstanding.
- (b) Debt investment securities are held to meet everyday liquidity needs. The Group and the Bank seek to minimise the costs of managing those liquidity needs and therefore actively manages the return on the portfolio. The return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group and the Bank consider that under MFRS 9, these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset.
- (c) Comprise non-traded equity investments for which the Group and the Bank have elected to designate at FVOCI under MFRS 9. Accordingly, the assets remain to be accounted for at FVOCI with no subsequent recycling of realised gains and losses permitted. Before the adoption of MFRS 9, these securities were measured at cost because their fair value was not considered to be reliably measureable. MFRS 9 has removed this cost exception.
- (d) Comprise investments in unit trust previously classified as available-for-sale under MFRS 139. These investments were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under MFRS 9.
- (e) Certain debt securities are held for long term yield. These securities may be sold, but such sales are not expected to be frequent. The Group and the Bank consider that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets are classified as measured at amortised cost under MFRS 9.

#### **(ii) Impairment of financial assets**

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortised cost consist of cash and short-term funds, deposits and placements with banks and other financial institutions, financing, advances and others, other assets and statutory deposits with Bank Negara Malaysia.

Under MFRS 9, the Group and the Bank apply a three-stage approach to measuring ECL on financial assets measured at amortised cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

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**6. Changes in accounting policies (continued)**

**(ii) Impairment of financial assets**

i) Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon recognition, the portion of lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

ii) Stage 2: Lifetime ECL - not credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

iii) Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a negative impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and profit is calculated by applying the effective profit rate to the amortised cost (net of provision) rather than the gross carrying amount.

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

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

***Measurement of ECL***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and the Bank expect to receive).

ECLs are discounted at the effective profit rate of the financial asset.

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**6. Changes in accounting policies (continued)**

**(ii) Impairment of financial assets (continued)**

*Credit-impaired financial assets*

At each reporting date, the Group and the Bank assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred.

*Impact of the new impairment model*

For assets in the scope of the MFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group and the Bank have determined that the application of MFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

|  | <b>Financing,<br/>advances<br/>and others<br/>RM'000</b> | <b>Debt<br/>securities*<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|--|--|-------------------------|
| Allowance for impairment at 31 December 2017<br>under MFRS 139 | 572,516  | -                                      | 572,516                 |
| Additional allowance - ECL recognised at<br>1 January 2018     | 189,099  | 345                                    | 189,444                 |
| Allowance for impairment at 1 January 2018<br>under MFRS 9     | <u>761,615</u>   | <u>345</u>                             | <u>761,960</u>          |

\* Available-for-sale debt securities reclassified as FVOCI at 1 January 2018

**7. Sukuk and equity securities**

There was no issuance or repayment of Sukuk or share buy-back during the three months ended 31 March 2018.

**8. Significant events during the three months ended 31 March 2018**

There was no other significant event during the three months ended 31 March 2018.

**9. Dividends**

There was no dividend payment during the three months ended 31 March 2018.

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**10. Cash and short-term funds**

|  | Group                |                      | Bank                 |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| Cash and balances with banks and other financial institutions                          | 949,740              | 921,777              | 911,739              | 921,641              |
| Money at call and interbank placements with remaining maturity not exceeding one month | 3,848,943            | 3,263,920            | 3,848,943            | 3,263,920            |
|  | <u>4,798,683</u>     | <u>4,185,697</u>     | <u>4,760,682</u>     | <u>4,185,561</u>     |

**11. Financial assets held-for-trading**

|  | Group                |                      | Bank                 |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| <b>At fair value</b>                   |                      |                      |                      |                      |
| Malaysian Government Investment Issues | -                    | 355,681              | -                    | 355,681              |
| Sukuk                                  | -                    | 19,983               | -                    | 19,983               |
| Unit trust                             | -                    | 5,261                | -                    | -                    |
|  | <u>-</u>             | <u>380,925</u>       | <u>-</u>             | <u>375,664</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                 |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| <b>At fair value</b>                   |                      |                      |                      |                      |
| Malaysian Government Investment Issues | 304,139              | -                    | 304,139              | -                    |
| Sukuk                                  | 30,387               | -                    | 30,387               | -                    |
| Unit trust                             | 18,809               | -                    | 13,498               | -                    |
| Bank Negara Negotiable Notes           | 4,358                | -                    | 4,358                | -                    |
|  | <u>357,693</u>       | <u>-</u>             | <u>352,382</u>       | <u>-</u>             |

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**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 the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

| <b>Group and Bank</b> | <b>31.03.2018</b>       |                   |                    |
|-----------------------|-------------------------|-------------------|--------------------|
|                       | <b>Principal amount</b> | <b>Fair value</b> |                    |
|                       |                         | <b>Assets</b>     | <b>Liabilities</b> |
|                       | <b>RM'000</b>           | <b>RM'000</b>     | <b>RM'000</b>      |
| Forward contracts     | <b>3,790,357</b>        | <b>66,675</b>     | <b>(83,555)</b>    |
| Profit rate swaps     | <b>600,740</b>          | <b>4,580</b>      | <b>(1,815)</b>     |
|                       | <b>4,391,097</b>        | <b>71,255</b>     | <b>(85,370)</b>    |

  

|                   | <b>31.12.2017</b>       |                   |                    |
|-------------------|-------------------------|-------------------|--------------------|
|                   | <b>Principal amount</b> | <b>Fair value</b> |                    |
|                   |                         | <b>Assets</b>     | <b>Liabilities</b> |
|                   | <b>RM'000</b>           | <b>RM'000</b>     | <b>RM'000</b>      |
| Forward contracts | 3,218,824               | 63,827            | (72,767)           |
| Profit rate swaps | 607,992                 | 4,492             | (1,901)            |
|                   | 3,826,816               | 68,319            | (74,668)           |



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**14. Financial assets available-for-sale**

|   | Group                |                      | Bank                 |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| <b>At fair value</b>                              |                      |                      |                      |                      |
| Malaysian Government<br>Investment Issues         | -                    | 1,525,094            | -                    | 1,525,094            |
| Sukuk   | -                    | 7,690,740            | -                    | 7,690,740            |
|   | <u>-</u>             | <u>9,215,834</u>     | <u>-</u>             | <u>9,215,834</u>     |
| <b>At fair value</b>                              |                      |                      |                      |                      |
| Quoted shares                                     |                      |                      |                      |                      |
| - outside Malaysia                                | -                    | 17,612               | -                    | 17,612               |
| Quoted unit trust                                 |                      |                      |                      |                      |
| - in Malaysia                                     | -                    | 13,937               | -                    | 13,937               |
|   | <u>-</u>             | <u>31,549</u>        | <u>-</u>             | <u>31,549</u>        |
| <b>At cost</b>                                    |                      |                      |                      |                      |
| Unquoted shares in Malaysia <sup>^</sup>          | -                    | 23,520               | -                    | 23,977               |
| Less: Accumulated<br>impairment loss <sup>^</sup> | -                    | (18,239)             | -                    | (18,239)             |
|   | <u>-</u>             | <u>5,281</u>         | <u>-</u>             | <u>5,738</u>         |
| <b>At cost</b>                                    |                      |                      |                      |                      |
| Unquoted shares outside<br>Malaysia               | -                    | 329                  | -                    | 329                  |
| Less: Impairment loss                             | -                    | (310)                | -                    | (310)                |
|   | <u>-</u>             | <u>19</u>            | <u>-</u>             | <u>19</u>            |
|   | <u>-</u>             | <u>9,252,683</u>     | <u>-</u>             | <u>9,253,140</u>     |

<sup>^</sup> Movement in unquoted shares and accumulated impairment loss is due to translation difference.

**15. Financial assets at fair value through other comprehensive income**

|  | Group                |                      | Bank                 |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| Financial assets at fair value<br>through other<br>comprehensive income: |                      |                      |                      |                      |
| (a) Debt securities  | 9,302,126            | -                    | 9,302,126            | -                    |
| (b) Equity investments   | 38,200               | -                    | 38,657               | -                    |
|  | <u>9,340,326</u>     | <u>-</u>             | <u>9,340,783</u>     | <u>-</u>             |

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

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

|   | Group                |                      | Bank                 |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| Malaysian Government<br>Investment Issues | 1,548,785            | -                    | 1,548,785            | -                    |
| Sukuk                                     | <u>7,753,588</u>     | <u>-</u>             | <u>7,753,588</u>     | <u>-</u>             |
|   | 9,302,373            | -                    | 9,302,373            | -                    |
| Allowance for impairment<br>losses:       |                      |                      |                      |                      |
| Collective assessment -<br>12 months ECL  | (247)                | -                    | (247)                | -                    |
|   | <u>9,302,126</u>     | <u>-</u>             | <u>9,302,126</u>     | <u>-</u>             |

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

|                    | Group                |                      | Bank                 |                      |
|--------------------|----------------------|----------------------|----------------------|----------------------|
|                    | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| Quoted Shares      |                      |                      |                      |                      |
| - outside Malaysia | <u>14,795</u>        | <u>-</u>             | <u>14,795</u>        | <u>-</u>             |
| Unquoted Shares    |                      |                      |                      |                      |
| - in Malaysia      | 23,389               | -                    | 23,846               | -                    |
| - outside Malaysia | <u>16</u>            | <u>-</u>             | <u>16</u>            | <u>-</u>             |
|                    | <u>23,405</u>        | <u>-</u>             | <u>23,862</u>        | <u>-</u>             |
|                    | <u>38,200</u>        | <u>-</u>             | <u>38,657</u>        | <u>-</u>             |

**16. Financial assets held-to-maturity**

|                                   | Group and Bank       |                      |
|-----------------------------------|----------------------|----------------------|
|                                   | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| <b>At amortised cost</b>          |                      |                      |
| Unquoted Sukuk in Malaysia        | -                    | 6,887                |
| Less: Accumulated impairment loss | -                    | (6,887)              |
|                                   | <u>-</u>             | <u>-</u>             |

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**17. Financing, advances and others**

**(a) By type and Shariah contract**

| <b>Group and Bank</b>         | <b>Bai' Bithaman Ajil</b> | <b>Murabahah</b> | <b>Bai' Al-Dayn</b> | <b>Bai' Al-Inah</b> | <b>At-Tawarruq</b> | <b>Ijarah Muntahiah Bit-Tamleek</b> | <b>Ijarah Thumma Al-Bai'</b> | <b>Istisna'</b> | <b>Ar-Rahnu</b> | <b>Total</b>      |
|-------------------------------|---------------------------|------------------|---------------------|---------------------|--------------------|-------------------------------------|------------------------------|-----------------|-----------------|-------------------|
| <b>31 March 2018</b>          | <b>RM'000</b>             | <b>RM'000</b>    | <b>RM'000</b>       | <b>RM'000</b>       | <b>RM'000</b>      | <b>RM'000</b>                       | <b>RM'000</b>                | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>     |
| <b>At amortised cost</b>      |                           |                  |                     |                     |                    |                                     |                              |                 |                 |                   |
| Cash line                     | -                         | -                | -                   | 4,938               | 1,241,561          | -                                   | -                            | -               | -               | 1,246,499         |
| Term financing                |                           |                  |                     |                     |                    |                                     |                              |                 |                 |                   |
| House financing ^             | 4,032,594                 | -                | -                   | -                   | 12,562,924         | -                                   | -                            | 54,276          | -               | 16,649,794        |
| Syndicated financing          | -                         | -                | -                   | 44,119              | 569,871            | -                                   | 110,163                      | -               | -               | 724,153           |
| Leasing financing             | -                         | -                | -                   | -                   | -                  | 85,092                              | 223                          | -               | -               | 85,315            |
| Bridging financing            | -                         | -                | -                   | -                   | -                  | -                                   | -                            | 73,440          | -               | 73,440            |
| Personal financing ^          | -                         | -                | -                   | 16,943              | 12,708,061         | -                                   | -                            | -               | -               | 12,725,004        |
| Other term financing          | 1,413,726                 | 1,157,464        | -                   | 7,404               | 7,308,092          | -                                   | -                            | 1,241           | -               | 9,887,927         |
| Staff financing               | 68,311                    | 8,002            | -                   | -                   | 139,459            | -                                   | -                            | 11,283          | -               | 227,055           |
| Credit cards                  | -                         | -                | -                   | -                   | 455,492            | -                                   | -                            | -               | -               | 455,492           |
| Trade bills discounted        | -                         | 814,199          | 153,065             | -                   | -                  | -                                   | -                            | -               | -               | 967,264           |
| Trust receipts                | -                         | 1,577            | -                   | -                   | -                  | -                                   | -                            | -               | -               | 1,577             |
| Pawn broking                  | -                         | -                | -                   | -                   | -                  | -                                   | -                            | -               | 81,975          | 81,975            |
| Investment Account Platform * | -                         | -                | -                   | -                   | 12,207             | -                                   | -                            | -               | -               | 12,207            |
|                               | <b>5,514,631</b>          | <b>1,981,242</b> | <b>153,065</b>      | <b>73,404</b>       | <b>34,997,667</b>  | <b>85,092</b>                       | <b>110,386</b>               | <b>140,240</b>  | <b>81,975</b>   | <b>43,137,702</b> |

Allowance for impairment on financing, advances and others

- collective assessment allowance - 12 months expected credit losses (ECL)

(392,852)

- collective assessment allowance - lifetime ECL

(221,150)

- individual assessment allowance- lifetime ECL

(142,310)

Net financing, advances and others

**42,381,390**

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**17. Financing, advances and others (continued)**

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

| <b>Group and Bank</b>                                      | <b>Bai' Bithaman Ajil</b> | <b>Murabahah</b> | <b>Bai' Al-Dayn</b> | <b>Bai' Al-Inah</b> | <b>At-Tawarruq</b> | <b>Ijarah Muntahiah Bit-Tamleek</b> | <b>Ijarah Thumma Al-Bai'</b> | <b>Istisna'</b> | <b>Ar-Rahnu</b> | <b>Total</b>      |
|--|---------------------------|------------------|---------------------|---------------------|--------------------|-------------------------------------|------------------------------|-----------------|-----------------|-------------------|
| <b>31 December 2017</b>                                    | <b>RM'000</b>             | <b>RM'000</b>    | <b>RM'000</b>       | <b>RM'000</b>       | <b>RM'000</b>      | <b>RM'000</b>                       | <b>RM'000</b>                | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>     |
| <b>At amortised cost</b>                                   |                           |                  |                     |                     |                    |                                     |                              |                 |                 |                   |
| Cash line  | -                         | -                | -                   | 29,197              | 1,207,519          | -                                   | -                            | -               | -               | 1,236,716         |
| Term financing   |                           |                  |                     |                     |                    |                                     |                              |                 |                 |                   |
| House financing ^  | 4,127,474                 | -                | -                   | -                   | 11,981,534         | -                                   | -                            | 55,733          | -               | 16,164,741        |
| Syndicated financing                                       | -                         | -                | -                   | 44,968              | 578,156            | -                                   | 108,570                      | -               | -               | 731,694           |
| Leasing financing  | -                         | -                | -                   | -                   | -                  | 87,945                              | 299                          | -               | -               | 88,244            |
| Bridging financing   | -                         | -                | -                   | -                   | -                  | -                                   | -                            | 76,622          | -               | 76,622            |
| Personal financing ^                                       | -                         | -                | -                   | 20,340              | 12,347,365         | -                                   | -                            | -               | -               | 12,367,705        |
| Other term financing                                       | 1,532,421                 | 1,130,377        | -                   | 3,429               | 7,558,287          | -                                   | -                            | 1,257           | -               | 10,225,771        |
| Staff financing  | 71,358                    | 7,634            | -                   | -                   | 134,660            | -                                   | -                            | 11,676          | -               | 225,328           |
| Credit cards   | -                         | -                | -                   | -                   | 458,138            | -                                   | -                            | -               | -               | 458,138           |
| Trade bills discounted                                     | -                         | 819,992          | 186,433             | -                   | -                  | -                                   | -                            | -               | -               | 1,006,425         |
| Trust receipts   | -                         | 2,922            | -                   | -                   | -                  | -                                   | -                            | -               | -               | 2,922             |
| Pawn broking   | -                         | -                | -                   | -                   | -                  | -                                   | -                            | -               | 87,222          | 87,222            |
| Investment Account Platform *                              | -                         | -                | -                   | -                   | 14,408             | -                                   | -                            | -               | -               | 14,408            |
|  | <b>5,731,253</b>          | <b>1,960,925</b> | <b>186,433</b>      | <b>97,934</b>       | <b>34,280,067</b>  | <b>87,945</b>                       | <b>108,869</b>               | <b>145,288</b>  | <b>87,222</b>   | <b>42,685,936</b> |
| Allowance for impairment on financing, advances and others |                           |                  |                     |                     |                    |                                     |                              |                 |                 |                   |
| - collective assessment allowance                          |                           |                  |                     |                     |                    |                                     |                              |                 |                 | (446,069)         |
| - individual assessment allowance                          |                           |                  |                     |                     |                    |                                     |                              |                 |                 | (126,447)         |
| Net financing, advances and others                         |                           |                  |                     |                     |                    |                                     |                              |                 |                 | <b>42,113,420</b> |

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**17. Financing, advances and others (continued)**

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

^ Included in house financing and personal financing as at 31 March 2018 are underlying assets under the Unrestricted Investment Accounts (“UA”) amounting to RM3,763,950,000 (2017: RM3,127,603,000) and RM1,109,290,000 (2017: RM1,132,582,000) respectively as disclosed in Note 20 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**

|  | <b>Group and Bank</b>    |                          |
|--|--------------------------|--------------------------|
|  | <b>31.03.2018</b>        | <b>31.12.2017</b>        |
|  | <b>RM’000</b>            | <b>RM’000</b>            |
| Domestic non-bank financial institutions | 1,375,380                | 1,354,806                |
| Domestic business enterprise             | 6,940,221                | 7,015,168                |
| Small and medium industries              | 885,399                  | 896,444                  |
| Government and statutory bodies          | 577,827                  | 820,586                  |
| Individuals                              | 32,750,341               | 31,986,842               |
| Other domestic entities                  | 8,028                    | 8,195                    |
| Foreign entities                         | 600,506                  | 603,895                  |
|  | <b><u>43,137,702</u></b> | <b><u>42,685,936</u></b> |

**(c) By profit rate sensitivity**

|                 | <b>Group and Bank</b>    |                          |
|-----------------|--------------------------|--------------------------|
|                 | <b>31.03.2018</b>        | <b>31.12.2017</b>        |
|                 | <b>RM’000</b>            | <b>RM’000</b>            |
| Fixed rate      |                          |                          |
| House financing | 1,139,234                | 1,168,200                |
| Others          | 3,405,436                | 3,560,756                |
| Floating rate   |                          |                          |
| House financing | 16,129,948               | 15,625,095               |
| Others          | 22,463,084               | 22,331,885               |
|                 | <b><u>43,137,702</u></b> | <b><u>42,685,936</u></b> |

**(d) By remaining contractual maturity**

|                                     | <b>Group and Bank</b>    |                          |
|-------------------------------------|--------------------------|--------------------------|
|                                     | <b>31.03.2018</b>        | <b>31.12.2017</b>        |
|                                     | <b>RM’000</b>            | <b>RM’000</b>            |
| Maturity within one year            | 4,451,602                | 4,414,217                |
| More than one year to three years   | 1,628,631                | 1,087,304                |
| More than three years to five years | 3,274,322                | 2,598,903                |
| More than five years                | 33,783,147               | 34,585,512               |
|                                     | <b><u>43,137,702</u></b> | <b><u>42,685,936</u></b> |

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**17. Financing, advances and others (continued)**

**(e) By geographical distribution**

|                      | <b>Group and Bank</b>    |                   |
|----------------------|--------------------------|-------------------|
|                      | <b>31.03.2018</b>        | <b>31.12.2017</b> |
|                      | <b>RM'000</b>            | <b>RM'000</b>     |
| Central Region       | <b>20,681,210</b>        | 20,673,380        |
| Eastern Region       | <b>7,001,724</b>         | 6,860,968         |
| Northern Region      | <b>6,176,609</b>         | 6,121,471         |
| Southern Region      | <b>6,113,069</b>         | 5,908,526         |
| East Malaysia Region | <b>3,165,090</b>         | 3,121,591         |
|                      | <b><u>43,137,702</u></b> | <u>42,685,936</u> |

**(f) By sector**

|  | <b>Group and Bank</b>    |                   |
|--|--------------------------|-------------------|
|  | <b>31.03.2018</b>        | <b>31.12.2017</b> |
|  | <b>RM'000</b>            | <b>RM'000</b>     |
| Primary agriculture                                | <b>492,718</b>           | 486,679           |
| Mining and quarrying                               | <b>8,059</b>             | 8,080             |
| Manufacturing (including agro-based)               | <b>765,068</b>           | 835,268           |
| Electricity, gas and water                         | <b>368,106</b>           | 337,388           |
| Wholesale & retail trade, and hotels & restaurants | <b>1,280,544</b>         | 1,228,681         |
| Construction                                       | <b>2,234,526</b>         | 2,176,453         |
| Real estate  | <b>1,578,995</b>         | 1,582,531         |
| Transport, storage and communications              | <b>684,490</b>           | 655,633           |
| Finance, insurance and business activities         | <b>1,991,306</b>         | 2,147,118         |
| Education, health and others                       | <b>964,107</b>           | 1,210,056         |
| Household sectors                                  | <b>32,769,783</b>        | 32,018,049        |
|  | <b><u>43,137,702</u></b> | <u>42,685,936</u> |

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**17. Financing, advances and others (continued)**

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

|  | <b>Group and Bank</b> |                   |
|--|-----------------------|-------------------|
|  | <b>31.03.2018</b>     | <b>31.12.2017</b> |
|  | <b>RM’000</b>         | <b>RM’000</b>     |
| At 1 January 2018/ 2017  | <b>398,277</b>        | 389,445           |
| Classified as impaired during the period/year                                    | <b>183,096</b>        | 648,281           |
| Reclassified as not impaired during the period/year                              | <b>(77,471)</b>       | (331,592)         |
| Amount recovered   | <b>(22,226)</b>       | (92,432)          |
| Amount written off   | <b>(52,620)</b>       | (209,231)         |
| Exchange differences   | -                     | (6,194)           |
| At 31 March 2018/ 31 December 2017   | <b><u>429,056</u></b> | <u>398,277</u>    |
| Gross impaired financing as a percentage of gross financing, advances and others | <b><u>0.99%</u></b>   | <u>0.93%</u>      |

(h) Impaired financing by geographical distribution

|                      | <b>Group and Bank</b> |                   |
|----------------------|-----------------------|-------------------|
|                      | <b>31.03.2018</b>     | <b>31.12.2017</b> |
|                      | <b>RM’000</b>         | <b>RM’000</b>     |
| Central Region       | <b>262,368</b>        | 223,305           |
| Eastern Region       | <b>87,058</b>         | 107,422           |
| Northern Region      | <b>29,858</b>         | 28,710            |
| Southern Region      | <b>26,424</b>         | 22,915            |
| East Malaysia Region | <b>23,348</b>         | 15,925            |
|                      | <b><u>429,056</u></b> | <u>398,277</u>    |

(i) Impaired financing by sector

|  | <b>Group and Bank</b> |                   |
|--|-----------------------|-------------------|
|  | <b>31.03.2018</b>     | <b>31.12.2017</b> |
|  | <b>RM’000</b>         | <b>RM’000</b>     |
| Manufacturing (including agro-based)               | <b>18,976</b>         | 35,448            |
| Wholesale & retail trade, and hotels & restaurants | <b>38,426</b>         | 38,433            |
| Construction                                       | <b>120,664</b>        | 84,864            |
| Real estate  | <b>1,495</b>          | 1,493             |
| Transport, storage and communications              | <b>11,861</b>         | 12,604            |
| Finance, insurance and business activities         | <b>1,899</b>          | 3,799             |
| Education, health and others                       | <b>5,099</b>          | 5,106             |
| Household sectors                                  | <b>230,636</b>        | 216,530           |
|  | <b><u>429,056</u></b> | <u>398,277</u>    |

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**17. Financing, advances and others (continued)**

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

| <b>Group and Bank</b>                              | ← Collective →          |  |  | <b>Total<br/>collective</b> | <b>Individual</b> | <b>Total</b>   |
|--|-------------------------|--|--|-----------------------------|-------------------|----------------|
|  | <b>12-month<br/>ECL</b> | <b>Lifetime<br/>ECL not<br/>credit-<br/>impaired</b> | <b>Lifetime<br/>ECL<br/>credit-<br/>impaired</b> |                             |                   |                |
| <b>31.03.2018</b>                                  | <b>RM'000</b>           | <b>RM'000</b>  | <b>RM'000</b>                                    | <b>RM'000</b>               | <b>RM'000</b>     | <b>RM'000</b>  |
| At 1 January 2018                                  | -                       | -  | -  | 446,069                     | 126,447           | 572,516        |
| Restated at 1 January<br>2018                      | 390,478                 | 139,501  | 103,494  | 633,473                     | 128,142           | 761,615        |
| Transfer to 12-month<br>ECL                        | 5,153                   | (4,668)  | (485)  | -                           | -                 | -              |
| Transfer to Lifetime<br>ECL not credit<br>impaired | (4,432)                 | 7,800  | (3,368)  | -                           | -                 | -              |
| Transfer to Lifetime<br>ECL credit impaired        | (111)                   | (12,654)   | 12,765   | -                           | -                 | -              |
| Allowance made<br>during the year                  | 87,405                  | 6,200  | 11,463   | 105,068                     | 36,962            | 142,030        |
| Financial assets that<br>have been<br>derecognised | (84,059)                | (10,186)   | -  | (94,245)                    | -                 | (94,245)       |
| Write-offs   | (1,114)                 | (1,127)  | (27,585)   | (29,826)                    | (22,794)          | (52,620)       |
| Exchange differences                               | (468)                   | -  | -  | (468)                       | -                 | (468)          |
| At 31 March 2018                                   | <b>392,852</b>          | <b>124,866</b>                                       | <b>96,284</b>                                    | <b>614,002</b>              | <b>142,310</b>    | <b>756,312</b> |

| <b>Group and Bank</b>                         | <b>31.12.2017</b> |
|---|-------------------|
|   | <b>RM'000</b>     |
| <b><u>Collective assessment allowance</u></b> |                   |
| At 1 January 2017                             | 554,971           |
| Allowance made during the period/year         | 34,706            |
| Amount written off                            | (141,940)         |
| Exchange differences                          | (1,668)           |
| At 31 December 2017                           | <u>446,069</u>    |
| <b><u>Individual assessment allowance</u></b> |                   |
| At 1 January 2017                             | 128,198           |
| Allowance made during the period/year         | 102,059           |
| Amount recovered                              | (30,324)          |
| Amount written off                            | (67,291)          |
| Exchange differences                          | (6,195)           |
| At 31 December 2017                           | <u>126,447</u>    |



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**18. Other financial assets at amortised cost**

|  | <b>Group</b>      |                   | <b>Bank</b>       |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | <b>31.03.2018</b> | <b>31.12.2017</b> | <b>31.03.2018</b> | <b>31.12.2017</b> |
|  | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Sukuk                                  | <b>6,887</b>      | -                 | <b>6,887</b>      | -                 |
| Other receivables                      | <b>8,391</b>      | 90,137            | <b>5,601</b>      | 87,964            |
| Deposit and prepayments                | <b>40,696</b>     | 33,086            | <b>39,560</b>     | 31,968            |
| Related companies*                     | <b>803</b>        | 755               | <b>929</b>        | 1,605             |
|  | <b>56,777</b>     | 123,978           | <b>52,977</b>     | 121,537           |
| Less : Accumulated<br>impairment loss: |                   |                   |                   |                   |
| Individual assessment                  |                   |                   |                   |                   |
| - Sukuk                                | <b>(6,887)</b>    | -                 | <b>(6,887)</b>    | -                 |
| - Other receivables                    | <b>(475)</b>      | (475)             | <b>(475)</b>      | (475)             |
|  | <b>49,415</b>     | 123,503           | <b>45,615</b>     | 121,062           |

\* This relates to amounts due from holding and related companies that are unsecured, not subject to compensation charges for late payment and repayment is neither fixed nor expected.

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**19. Deposits from customers**

**a) By type and Shariah contract**

|   | <b>Group</b>             |                   | <b>Bank</b>              |                   |
|---|--------------------------|-------------------|--------------------------|-------------------|
|   | <b>31.03.2018</b>        | <b>31.12.2017</b> | <b>31.03.2018</b>        | <b>31.12.2017</b> |
|   | <b>RM'000</b>            | <b>RM'000</b>     | <b>RM'000</b>            | <b>RM'000</b>     |
| <b>Saving Deposit</b>                       |                          |                   |                          |                   |
| <i>Wadiah</i>                               | <b>4,450,835</b>         | 4,138,519         | <b>4,450,835</b>         | 4,138,519         |
| <b>Demand Deposit</b>                       |                          |                   |                          |                   |
| <i>Wadiah</i>                               | <b>9,961,341</b>         | 11,333,608        | <b>9,970,029</b>         | 11,343,024        |
| <b>Term Deposit</b>                         | <b>32,375,794</b>        | 30,617,889        | <b>32,382,554</b>        | 30,624,591        |
| Special Investment Deposit                  |                          |                   |                          |                   |
| <i>Mudharabah</i>                           | <b>6,182</b>             | 6,182             | <b>6,182</b>             | 6,182             |
| General Investment Deposit                  |                          |                   |                          |                   |
| <i>Mudharabah</i>                           | <b>314,042</b>           | 322,561           | <b>314,042</b>           | 322,561           |
| Term Deposit                                |                          |                   |                          |                   |
| <i>Tawarruq</i>                             | <b>27,679,464</b>        | 26,728,087        | <b>27,686,224</b>        | 26,734,789        |
| Negotiable Islamic Debt Certificates (NIDC) | <b>4,376,106</b>         | 3,561,059         | <b>4,376,106</b>         | 3,561,059         |
| <b>Others</b>                               | <b>95,692</b>            | 102,894           | <b>95,692</b>            | 102,894           |
| <b>Total Deposits</b>                       | <b><u>46,883,662</u></b> | <u>46,192,910</u> | <b><u>46,899,110</u></b> | <u>46,209,028</u> |

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

|                                     | <b>Group</b>             |                   | <b>Bank</b>              |                   |
|-------------------------------------|--------------------------|-------------------|--------------------------|-------------------|
|                                     | <b>31.03.2018</b>        | <b>31.12.2017</b> | <b>31.03.2018</b>        | <b>31.12.2017</b> |
|                                     | <b>RM'000</b>            | <b>RM'000</b>     | <b>RM'000</b>            | <b>RM'000</b>     |
| Due within six months               | <b>19,024,720</b>        | 18,565,407        | <b>19,030,741</b>        | 18,571,396        |
| More than six months to one year    | <b>8,333,300</b>         | 8,742,154         | <b>8,334,039</b>         | 8,742,867         |
| More than one year to three years   | <b>3,142,989</b>         | 1,618,691         | <b>3,142,989</b>         | 1,618,691         |
| More than three years to five years | <b>1,874,785</b>         | 1,691,637         | <b>1,874,785</b>         | 1,691,637         |
|                                     | <b><u>32,375,794</u></b> | <u>30,617,889</u> | <b><u>32,382,554</u></b> | <u>30,624,591</u> |

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**19. Deposits from customers (continued)**

c) By type of customers

|   | Group                |                      | Bank                 |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| Domestic non-bank<br>financial institutions | 10,445,811           | 14,063,475           | 10,461,259           | 14,079,593           |
| Business enterprises                        | 13,392,702           | 12,406,686           | 13,392,702           | 12,406,686           |
| Government and<br>statutory bodies          | 12,209,913           | 8,847,454            | 12,209,913           | 8,847,454            |
| Individuals                                 | 5,194,999            | 4,810,541            | 5,194,999            | 4,810,541            |
| Domestic banking<br>institutions            | 3,486,997            | 3,395,740            | 3,486,997            | 3,395,740            |
| Others                                      | 2,153,240            | 2,669,014            | 2,153,240            | 2,669,014            |
|   | <u>46,883,662</u>    | <u>46,192,910</u>    | <u>46,899,110</u>    | <u>46,209,028</u>    |

**20. Investment accounts of customers**

(a) By type and Shariah contract

|  | Group and Bank       |                      |
|--|----------------------|----------------------|
|  | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| <b>Unrestricted investment accounts</b>  |                      |                      |
| Without maturity   |                      |                      |
| <i>Mudharabah</i>  | 2,654,125            | 1,994,491            |
| With maturity  |                      |                      |
| <i>Wakalah</i>   | 2,219,114            | 2,265,694            |
|  | <u>4,873,239</u>     | <u>4,260,185</u>     |
| Investment portfolio:  |                      |                      |
| <i>House financing</i>   | 3,763,950            | 3,127,603            |
| <i>Personal financing</i>  | 1,109,289            | 1,132,582            |
|  | <u>4,873,239</u>     | <u>4,260,185</u>     |
| <b>Restricted investment accounts ("RA") managed by the<br/>Bank<sup>^</sup></b> |                      |                      |
| With maturity  |                      |                      |
| <i>Wakalah</i>   | 113,448              | 124,384              |
| Investment portfolio:  |                      |                      |
| <i>Other term financing</i>  | 113,448              | 124,384              |
|  | <u>113,448</u>       | <u>124,384</u>       |

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**20. Investment accounts of customers (continued)**

- ^ Restricted investment accounts (“RA”) 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 RA and its underlying assets. RA is accounted for as off balance sheet as the Bank has no right and obligation in respect of the assets related to the RA or to the residual cash flows from those assets except for the Wakalah performance incentive fee income generated by the Bank for managing the RA.

Included in RA managed by the Bank is an arrangement between the Bank and its ultimate holding entity with underlying assets amounting to RM112,857,000 (2017: RM123,962,000).

**(b) By type of customers**

|                                 | <b>Group and Bank</b>   |                   |
|---------------------------------|-------------------------|-------------------|
|                                 | <b>31.03.2018</b>       | <b>31.12.2017</b> |
|                                 | <b>RM'000</b>           | <b>RM'000</b>     |
| Individuals                     | <b>2,374,023</b>        | 2,212,239         |
| Government and statutory bodies | <b>710,220</b>          | 400,709           |
| Business enterprises            | <b>586,848</b>          | 474,464           |
| Non-bank financial institutions | <b>1,105,911</b>        | 1,077,298         |
| Others                          | <b>96,237</b>           | 95,475            |
|                                 | <b><u>4,873,239</u></b> | <u>4,260,185</u>  |

**21. Subordinated Sukuk Murabahah**

|   | <b>Note</b> | <b>Group and Bank</b>   |                   |
|---|-------------|-------------------------|-------------------|
|   |             | <b>31.03.2018</b>       | <b>31.12.2017</b> |
|   |             | <b>RM'000</b>           | <b>RM'000</b>     |
| <b><i>Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme</i></b> |             |                         |                   |
| First tranche, RM300 million  |             |                         |                   |
| 5.75% due in 2025   | (a)         | <b>307,703</b>          | 303,355           |
| Second tranche, RM400 million   |             |                         |                   |
| 5.50% due in 2025   | (b)         | <b>406,415</b>          | 401,085           |
| Third tranche, RM300 million  |             |                         |                   |
| 5.08% due in 2027   | (c)         | <b>305,804</b>          | 302,046           |
|   |             | <b><u>1,019,922</u></b> | <u>1,006,486</u>  |

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.

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**21. Subordinated Sukuk Murabahah (continued)**

(c) On 13 November 2017, the Bank issued the third tranche of RM300 million which is due on 12 November 2027, with optional redemption on 12 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.08% 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.

**22. Other liabilities**

|                | <b>Group</b>          |                   | <b>Bank</b>           |                   |
|----------------|-----------------------|-------------------|-----------------------|-------------------|
|                | <b>31.03.2018</b>     | <b>31.12.2017</b> | <b>31.03.2018</b>     | <b>31.12.2017</b> |
|                | <b>RM'000</b>         | <b>RM'000</b>     | <b>RM'000</b>         | <b>RM'000</b>     |
| Other payables | <b>739,579</b>        | 651,703           | <b>695,948</b>        | 644,664           |
| Accruals       | <b>41,141</b>         | 130,596           | <b>38,175</b>         | 129,105           |
|                | <b><u>780,720</u></b> | <u>782,299</u>    | <b><u>734,123</u></b> | <u>773,769</u>    |

**23. Income derived from investment of depositors' funds**

| <b>Group and Bank</b>              | <b>3 months ended</b> |                   |
|------------------------------------|-----------------------|-------------------|
|                                    | <b>31.03.2018</b>     | <b>31.03.2017</b> |
|                                    | <b>RM'000</b>         | <b>RM'000</b>     |
| Income derived from investment of: |                       |                   |
| (i) Saving and demand deposits     | <b>193,758</b>        | 182,331           |
| (ii) General investment deposits   | <b>4,874</b>          | 8,795             |
| (iii) Term deposits                | <b>357,280</b>        | 320,637           |
| (iv) Other deposits                | <b>56,641</b>         | 53,994            |
|                                    | <b><u>612,553</u></b> | <u>565,757</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       |                      |
|---|----------------------|----------------------|
|   | 31.03.2018<br>RM'000 | 31.03.2017<br>RM'000 |
| <b><i>Finance income and hibah</i></b>  |                      |                      |
| Financing, advances and others  | 168,853              | 156,936              |
| Financial assets:   |                      |                      |
| - fair value through profit and loss  | 1,263                | -                    |
| - fair value through other comprehensive income   | 16,948               | -                    |
| - held-for-trading  | -                    | 1,434                |
| - available-for-sale  | -                    | 20,648               |
| - held-to-maturity  | -                    | 199                  |
| Money at call and deposits with financial institutions                                  | 5,831                | 3,029                |
|   | <u>192,895</u>       | <u>182,246</u>       |
| <b><i>Other dealing income</i></b>  |                      |                      |
| Net gain from sale of financial assets at fair value through profit or loss             | 252                  | -                    |
| Net gain on revaluation of financial assets at fair value through profit or loss        | 112                  | -                    |
| Net loss from sale of financial assets held-for-trading                                 | -                    | (1,701)              |
| Net gain on revaluation of financial assets held-for-trading                            | -                    | 1,473                |
|   | <u>364</u>           | <u>(228)</u>         |
| <b><i>Other operating income</i></b>  |                      |                      |
| Net gain from sale of financial assets at fair value through other comprehensive income | 499                  | -                    |
| Net gain from sale of financial assets available-for-sale                               | -                    | 313                  |
|   | <u>499</u>           | <u>313</u>           |
|   | <u>193,758</u>       | <u>182,331</u>       |
| <i>of which</i>   |                      |                      |
| <i>Financing income earned on impaired financing</i>                                    | <u>3,239</u>         | <u>2,626</u>         |

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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       |                      |
|---|----------------------|----------------------|
|   | 31.03.2018<br>RM'000 | 31.03.2017<br>RM'000 |
| <b><i>Finance income and hibah</i></b>  |                      |                      |
| Financing, advances and others  | 4,295                | 7,659                |
| Financial assets:   |                      |                      |
| - fair value through profit and loss  | 29                   | -                    |
| - fair value through other comprehensive income   | 386                  | -                    |
| - held-for-trading  | -                    | 64                   |
| - available-for-sale  | -                    | 893                  |
| - held-to-maturity  | -                    | 9                    |
| Money at call and deposits with financial institutions                                  | 144                  | 161                  |
|   | <u>4,854</u>         | <u>8,786</u>         |
| <b><i>Other dealing income</i></b>  |                      |                      |
| Net gain from sale of financial assets at fair value through profit or loss             | 6                    | -                    |
| Net gain on revaluation of financial assets at fair value through profit or loss        | 3                    | -                    |
| Net loss from sale of financial assets held-for-trading                                 | -                    | (90)                 |
| Net gain on revaluation of financial assets held-for-trading                            | -                    | 90                   |
|   | <u>9</u>             | <u>-</u>             |
| <b><i>Other operating income</i></b>  |                      |                      |
| Net gain from sale of financial assets at fair value through other comprehensive income | 11                   | -                    |
| Net gain from sale of financial assets available-for-sale                               | -                    | 9                    |
|   | <u>11</u>            | <u>9</u>             |
|   | <u>4,874</u>         | <u>8,795</u>         |
| <i>of which</i>   |                      |                      |
| <i>Financing income earned on impaired financing</i>                                    | <u>74</u>            | <u>118</u>           |

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

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

| <b>Group and Bank</b>   | <b>3 months ended</b> |                   |
|---|-----------------------|-------------------|
|   | <b>31.03.2018</b>     | <b>31.03.2017</b> |
|   | <b>RM'000</b>         | <b>RM'000</b>     |
| <b><i>Finance income and hibah</i></b>  |                       |                   |
| Financing, advances and others  | <b>311,349</b>        | 275,975           |
| Financial assets:   |                       |                   |
| - fair value through profit and loss  | <b>2,327</b>          | -                 |
| - fair value through other comprehensive income   | <b>31,253</b>         | -                 |
| - held-for-trading  | -                     | 2,522             |
| - available-for-sale  | -                     | 36,310            |
| - held-to-maturity  | -                     | 351               |
| Money at call and deposits with financial institutions                                  | <b>10,752</b>         | 5,328             |
|   | <b>355,681</b>        | 320,486           |
| <b><i>Other dealing income</i></b>  |                       |                   |
| Net gain from sale of financial assets at fair value through profit or loss             | <b>464</b>            | -                 |
| Net gain on revaluation of financial assets at fair value through profit or loss        | <b>215</b>            | -                 |
| Net loss from sale of financial assets held-for-trading                                 | -                     | (2,991)           |
| Net gain on revaluation of financial assets held-for-trading                            | -                     | 2,591             |
|   | <b>679</b>            | (400)             |
| <b><i>Other operating income</i></b>  |                       |                   |
| Net gain from sale of financial assets at fair value through other comprehensive income | <b>920</b>            | -                 |
| Net gain from sale of financial assets available-for-sale                               | -                     | 551               |
|   | <b>920</b>            | 551               |
|   | <b>357,280</b>        | 320,637           |
| <i>of which</i>   |                       |                   |
| <i>Financing income earned on impaired financing</i>                                    | <b>5,966</b>          | 4,617             |



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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       |                      |
|---|----------------------|----------------------|
|   | 31.03.2018<br>RM'000 | 31.03.2017<br>RM'000 |
| <b>Finance income and hibah</b>   |                      |                      |
| Financing, advances and others  | 49,354               | 46,473               |
| Financial assets:   |                      |                      |
| - fair value through profit and loss  | 367                  | -                    |
| - fair value through other comprehensive income   | 4,950                | -                    |
| - held-for-trading  | -                    | 425                  |
| - available-for-sale  | -                    | 6,115                |
| - held-to-maturity  | -                    | 59                   |
| Money at call and deposits with financial institutions                                  | 1,724                | 897                  |
|   | <u>56,395</u>        | <u>53,969</u>        |
| <b>Other dealing income</b>   |                      |                      |
| Net gain from sale of financial assets at fair value through profit or loss             | 80                   | -                    |
| Net gain on revaluation of financial assets at fair value through profit or loss        | 14                   | -                    |
| Net loss from sale of financial assets held-for-trading                                 | -                    | (504)                |
| Net gain on revaluation of financial assets held-for-trading                            | -                    | 436                  |
|   | <u>94</u>            | <u>(68)</u>          |
| <b>Other operating income</b>   |                      |                      |
| Net gain from sale of financial assets at fair value through other comprehensive income | 152                  | -                    |
| Net gain from sale of financial assets available-for-sale                               | -                    | 93                   |
|   | <u>152</u>           | <u>93</u>            |
|   | <u>56,641</u>        | <u>53,994</u>        |
| <i>of which</i>   |                      |                      |
| <i>Financing income earned on impaired financing</i>                                    | <u>950</u>           | <u>777</u>           |

**24. Income derived from investment account funds**

| Group and Bank                   | 3 months ended       |                      |
|----------------------------------|----------------------|----------------------|
|                                  | 31.03.2018<br>RM'000 | 31.03.2017<br>RM'000 |
| <b>Finance income</b>            |                      |                      |
| Unrestricted investment accounts |                      |                      |
| - <i>Mudharabah</i>              | 29,699               | 21,900               |
| - <i>Wakalah</i>                 | 32,056               | 32,802               |
|                                  | <u>61,755</u>        | <u>54,702</u>        |

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**25. Income derived from investment of shareholders' funds**

|  | Group          |                | Bank           |               |
|--|----------------|----------------|----------------|---------------|
|  | 3 months ended |                | 3 months ended |               |
|  | 31.03.2018     | 31.03.2017     | 31.03.2018     | 31.03.2017    |
|  | RM'000         | RM'000         | RM'000         | RM'000        |
| <b><i>Finance income and hibah</i></b>   |                |                |                |               |
| Financing, advances and others   | 1,784          | 1,627          | 1,784          | 1,627         |
| Financial assets:  |                |                |                |               |
| - fair value through other comprehensive income                                  | 38,144         | -              | 38,144         | -             |
| - available-for-sale   | -              | 36,128         | -              | 36,128        |
| Money at call and deposits with financial institutions                           | 1              | (1,211)        | 1              | (1,211)       |
|  | <u>39,929</u>  | <u>36,544</u>  | <u>39,929</u>  | <u>36,544</u> |
| <b><i>Other dealing income</i></b>   |                |                |                |               |
| Net gain from foreign exchange transactions                                      | 14,760         | 18,587         | 14,760         | 18,587        |
| Net loss from sale of financial assets at fair value through profit or loss      | (14)           | -              | -              | -             |
| Net loss on revaluation of financial assets at fair value through profit or loss | (1)            | -              | -              | -             |
| Net gain on revaluation of financial assets held-for-trading                     | -              | 1              | -              | -             |
| Net derivatives gain   | 229            | 53             | 229            | 53            |
|  | <u>14,974</u>  | <u>18,641</u>  | <u>14,989</u>  | <u>18,640</u> |
| <b><i>Other operating income</i></b>   |                |                |                |               |
| Gross dividend income from:  |                |                |                |               |
| - unit trust in Malaysia   | 823            | 417            | 778            | 375           |
|  | <u>823</u>     | <u>417</u>     | <u>778</u>     | <u>375</u>    |
| <b><i>Fees and commission</i></b>  |                |                |                |               |
| Fees   | 37,996         | 35,412         | 34,662         | 33,421        |
| Commission   | 6,249          | 4,974          | 8,133          | 6,165         |
| Others   | 9,419          | 5,585          | 4,698          | 3,761         |
|  | <u>53,664</u>  | <u>45,971</u>  | <u>47,493</u>  | <u>43,347</u> |
| <b><i>Other income</i></b>   |                |                |                |               |
| Net gain/(loss) on disposal of property and equipment                            | 41             | (3)            | 41             | (3)           |
| Rental income  | 633            | 614            | 724            | 698           |
| Other income   | 24             | 109            | 13             | 73            |
|  | <u>698</u>     | <u>720</u>     | <u>778</u>     | <u>768</u>    |
|  | <u>110,088</u> | <u>102,293</u> | <u>103,967</u> | <u>99,674</u> |

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**26. Allowance for impairment on financing and advances**

| <b>Group and Bank</b>  | <b>3 months ended</b> |                   |
|--|-----------------------|-------------------|
|  | <b>31.03.2018</b>     | <b>31.03.2017</b> |
|  | <b>RM'000</b>         | <b>RM'000</b>     |
| Allowance/(Reversal) for financing, advances and others:         |                       |                   |
| - Collective assessment - 12 months expected credit losses (ECL) | <b>3,956</b>          | -                 |
| - Collective assessment - Lifetime ECL                           | <b>6,867</b>          | -                 |
| - Individual assessment - Lifetime ECL                           | <b>36,962</b>         | -                 |
| - Collective assessment allowance                                | -                     | 29,946            |
| - Individual assessment allowance                                | -                     | (3,455)           |
| Bad debts and financing recovered                                | <b>(26,622)</b>       | (17,708)          |
|  | <b>21,163</b>         | <b>8,783</b>      |

**27. Income attributable to depositors**

|   | <b>Group</b>          |                   | <b>Bank</b>           |                   |
|---|-----------------------|-------------------|-----------------------|-------------------|
|   | <b>3 months ended</b> |                   | <b>3 months ended</b> |                   |
|   | <b>31.03.2018</b>     | <b>31.03.2017</b> | <b>31.03.2018</b>     | <b>31.03.2017</b> |
|   | <b>RM'000</b>         | <b>RM'000</b>     | <b>RM'000</b>         | <b>RM'000</b>     |
| Deposits from customers   |                       |                   |                       |                   |
| - Mudharabah fund   | <b>2,499</b>          | 3,015             | <b>2,499</b>          | 3,015             |
| - Non-Mudharabah fund   | <b>294,044</b>        | 269,712           | <b>294,108</b>        | 269,770           |
| Deposits and placements of banks and other financial institutions |                       |                   |                       |                   |
| - Non-Mudharabah fund   | <b>331</b>            | 312               | <b>331</b>            | 312               |
|   | <b>296,874</b>        | <b>273,039</b>    | <b>296,938</b>        | <b>273,097</b>    |

**28. Income attributable to investment account holders**

|                                  | <b>Group and Bank</b> |                   |
|----------------------------------|-----------------------|-------------------|
|                                  | <b>3 months ended</b> |                   |
|                                  | <b>31.03.2018</b>     | <b>31.03.2017</b> |
|                                  | <b>RM'000</b>         | <b>RM'000</b>     |
| Unrestricted investment accounts |                       |                   |
| - <i>Mudharabah</i>              | <b>1,711</b>          | 438               |
| - <i>Wakalah</i>                 | <b>21,094</b>         | 22,727            |
|                                  | <b>22,805</b>         | <b>23,165</b>     |

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**29. Personnel expenses**

|                                  | <b>Group</b>          |                   | <b>Bank</b>           |                   |
|----------------------------------|-----------------------|-------------------|-----------------------|-------------------|
|                                  | <b>3 months ended</b> |                   | <b>3 months ended</b> |                   |
|                                  | <b>31.03.2018</b>     | <b>31.03.2017</b> | <b>31.03.2018</b>     | <b>31.03.2017</b> |
|                                  | <b>RM'000</b>         | <b>RM'000</b>     | <b>RM'000</b>         | <b>RM'000</b>     |
| Salaries, allowances and bonuses | <b>103,239</b>        | 93,868            | <b>100,996</b>        | 92,621            |
| Employees' Provident Fund        | <b>14,586</b>         | 13,777            | <b>14,273</b>         | 13,598            |
| Other staff related costs        | <b>13,914</b>         | 13,919            | <b>13,653</b>         | 13,766            |
|                                  | <b>131,739</b>        | 121,564           | <b>128,922</b>        | 119,985           |

**30. Other overhead expenses**

|  | <b>Group</b>          |                   | <b>Bank</b>           |                   |
|--|-----------------------|-------------------|-----------------------|-------------------|
|  | <b>3 months ended</b> |                   | <b>3 months ended</b> |                   |
|  | <b>31.03.2018</b>     | <b>31.03.2017</b> | <b>31.03.2018</b>     | <b>31.03.2017</b> |
|  | <b>RM'000</b>         | <b>RM'000</b>     | <b>RM'000</b>         | <b>RM'000</b>     |
| <b><i>Promotion</i></b>                |                       |                   |                       |                   |
| Credit and debit card expenses         | <b>9,147</b>          | 7,892             | <b>9,147</b>          | 7,892             |
| Advertisement and publicity            | <b>1,866</b>          | 669               | <b>1,774</b>          | 634               |
| Others                                 | <b>5,335</b>          | 3,030             | <b>2,346</b>          | 2,375             |
|  | <b>16,348</b>         | 11,591            | <b>13,267</b>         | 10,901            |
| <b><i>Establishment</i></b>            |                       |                   |                       |                   |
| Office rental                          | <b>12,928</b>         | 12,888            | <b>12,914</b>         | 12,874            |
| Depreciation of property and equipment | <b>11,485</b>         | 14,983            | <b>11,424</b>         | 14,916            |
| Information technology expenses        | <b>7,166</b>          | 7,457             | <b>7,166</b>          | 7,457             |
| Security services                      | <b>2,774</b>          | 3,864             | <b>2,774</b>          | 3,864             |
| Utilities                              | <b>3,370</b>          | 3,472             | <b>3,354</b>          | 3,455             |
| Office maintenance                     | <b>2,209</b>          | 2,572             | <b>2,163</b>          | 2,509             |
| Others                                 | <b>3,754</b>          | 973               | <b>3,727</b>          | 941               |
|  | <b>43,686</b>         | 46,209            | <b>43,522</b>         | 46,016            |
| <b><i>General expenses</i></b>         |                       |                   |                       |                   |
| Outsourcing fees                       | <b>3,082</b>          | 5,334             | <b>3,082</b>          | 5,334             |
| Office supplies                        | <b>1,468</b>          | 2,104             | <b>1,448</b>          | 2,066             |
| Subscription fees                      | <b>747</b>            | 1,112             | <b>747</b>            | 1,112             |
| Travelling and transportation          | <b>1,800</b>          | 2,082             | <b>1,760</b>          | 2,069             |
| Security services - cash in transit    | <b>1,462</b>          | 1,613             | <b>1,462</b>          | 1,613             |
| Professional fees                      | <b>1,777</b>          | 615               | <b>1,760</b>          | 558               |
| Others                                 | <b>16,460</b>         | 19,280            | <b>16,919</b>         | 19,559            |
|  | <b>26,796</b>         | 32,140            | <b>27,178</b>         | 32,311            |
|  | <b>86,830</b>         | 89,940            | <b>83,967</b>         | 89,228            |

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**31. Segmental Reporting on Revenue, Profit and Assets**

|   | <b>Consumer<br/>Banking<br/>RM'000</b> | <b>Corporate and<br/>Commercial<br/>Banking<br/>RM'000</b> | <b>Treasury<br/>RM'000</b> | <b>Shareholders<br/>unit<br/>RM'000</b> | <b>Elimination<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|--|--|----------------------------|---|-------------------------------|-------------------------|
| <b><u>3 months ended 31 March 2018</u></b>      |  |  |                            |   |                               |                         |
| <b>Total Revenue</b>                            | 494,827                                | 148,275  | 132,150                    | 12,824                                  | (3,680)                       | 784,396                 |
| Net fund based income                           | 229,534                                | 96,029   | (3,423)                    | 69,690                                  | -                             | 391,830                 |
| Non-fund based income                           | 39,284                                 | 8,212  | 18,035                     | 10,976                                  | (3,619)                       | 72,888                  |
| <b>Net income</b>                               | 268,818                                | 104,241  | 14,612                     | 80,666                                  | (3,619)                       | 464,718                 |
| Allowances for impairment                       | 673                                    | (21,837)   | 98                         | -                                       | -                             | (21,066)                |
| <b>Profit before overheads, zakat &amp; tax</b> | 269,491                                | 82,404   | 14,710                     | 80,666                                  | (3,619)                       | 443,652                 |
| Operating expenses                              |  |  |                            |   |                               | (236,471)               |
| <b>Profit before zakat &amp; tax</b>            |  |  |                            |   |                               | <u>207,181</u>          |
| <b><u>3 months ended 31 March 2017</u></b>      |  |  |                            |   |                               |                         |
| <b>Total Revenue</b>                            | 437,026                                | 148,462  | 132,540                    | 7,798                                   | (2,362)                       | 723,464                 |
| Net fund based income                           | 205,447                                | 90,711   | (8,740)                    | 73,111                                  | -                             | 360,529                 |
| Non-fund based income                           | 35,285                                 | 8,458  | 19,179                     | 6,113                                   | (2,304)                       | 66,731                  |
| <b>Net income</b>                               | 240,732                                | 99,169   | 10,439                     | 79,224                                  | (2,304)                       | 427,260                 |
| Allowances for impairment                       | (1,544)                                | (7,239)  | -                          | -                                       | -                             | (8,783)                 |
| <b>Profit before overheads, zakat &amp; tax</b> | 239,188                                | 91,930   | 10,439                     | 79,224                                  | (2,304)                       | 418,477                 |
| Operating expenses                              |  |  |                            |   |                               | (226,424)               |
| <b>Profit before zakat &amp; tax</b>            |  |  |                            |   |                               | <u>192,053</u>          |

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

|                                   | <b>Consumer<br/>Banking<br/>RM'000</b> | <b>Corporate and<br/>Commercial<br/>Banking<br/>RM'000</b> | <b>Treasury<br/>RM'000</b> | <b>Shareholders<br/>unit<br/>RM'000</b> | <b>Elimination<br/>RM'000</b> | <b>Total<br/>RM'000</b>  |
|-----------------------------------|--|--|----------------------------|---|-------------------------------|--------------------------|
| <b><u>At 31 March 2018</u></b>    |  |  |                            |   |                               |                          |
| Segment assets                    | 31,693,272                             | 10,420,148   | 12,961,042                 | 80,698                                  | (31,755)                      | 55,123,405               |
| Unallocated assets                |  |  |                            |   |                               | <u>3,608,764</u>         |
| Total assets                      |  |  |                            |   |                               | <u><u>58,732,169</u></u> |
| <b><u>At 31 December 2017</u></b> |  |  |                            |   |                               |                          |
| Segment assets                    | 31,693,272                             | 10,420,148   | 12,961,042                 | 41,366                                  | (33,167)                      | 55,082,661               |
| Unallocated assets                |  |  |                            |   |                               | <u>2,660,253</u>         |
| Total assets                      |  |  |                            |   |                               | <u><u>57,742,914</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<br>31 March 2018<br>RM'000  | Fair value of financial instruments<br>carried at fair value |           |         |           | Fair value<br>of financial<br>instruments<br>not carried<br>at fair value<br>Level 3 | Total<br>fair value | Carrying<br>amount |
|---|--|-----------|---------|-----------|--|---------------------|--------------------|
|   | Level 1  | Level 2   | Level 3 | Total     |  |                     |                    |
| <b>Financial assets</b>   |  |           |         |           |  |                     |                    |
| Financial assets at fair value<br>through profit or loss                | -  | 357,693   | -       | 357,693   | -  | 357,693             | 357,693            |
| Derivative financial assets   | -  | 71,255    | -       | 71,255    | -  | 71,255              | 71,255             |
| Financial assets at fair value<br>through other comprehensive<br>income | 14,795   | 9,301,669 | 23,862* | 9,340,326 | -  | 9,340,326           | 9,340,326          |
| Financing, advances and others  | -  | -         | -       | -         | 42,533,908   | 42,533,908          | 42,381,390         |
| <b>Financial liabilities</b>  |  |           |         |           |  |                     |                    |
| Derivative financial liabilities  | -  | 85,370    | -       | 85,370    | -  | 85,370              | 85,370             |
| Subordinated Sukuk Murabahah  | -  | -         | -       | -         | 1,057,822  | 1,057,822           | 1,019,922          |
| <b>Group<br/>31 December 2017<br/>RM'000</b>                            |  |           |         |           |  |                     |                    |
|   | Fair value of financial instruments<br>carried at fair value |           |         |           | Fair value<br>of financial<br>instruments<br>not carried<br>at fair value<br>Level 3 | Total<br>fair value | Carrying<br>amount |
|   | Level 1  | Level 2   | Level 3 | Total     |  |                     |                    |
| <b>Financial assets</b>   |  |           |         |           |  |                     |                    |
| Financial assets held-for-trading                                       | -  | 380,925   | -       | 380,925   | -  | 380,925             | 380,925            |
| Derivative financial assets   | -  | 68,319    | -       | 68,319    | -  | 68,319              | 68,319             |
| Financial assets available-for-sale                                     | 17,612   | 9,229,771 | -       | 9,247,383 | 5,300*   | 9,252,683           | 9,252,683          |
| Financing, advances and others  | -  | -         | -       | -         | 42,299,796   | 42,299,796          | 42,113,420         |
| <b>Financial liabilities</b>  |  |           |         |           |  |                     |                    |
| Derivative financial liabilities  | -  | 74,668    | -       | 74,668    | -  | 74,668              | 74,668             |
| Subordinated Sukuk Murabahah  | -  | -         | -       | -         | 1,050,750  | 1,050,750           | 1,006,486          |

\* Comprise non-traded equity investments which are measured at fair value upon adoption of MFRS 9. Before the adoption of MFRS 9, these securities were measured at cost less any impairment loss because their fair value was not considered to be reliably measurable. MFRS 9 has removed this cost exception.



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**32. Fair value of Financial Instruments (continued)**

**Fair value hierarchy (continued)**

| Bank<br>31 March 2018<br>RM'000   | Fair value of financial instruments<br>carried at fair value |           |         |           | Fair value<br>of financial<br>instruments<br>not carried<br>at fair value<br>Level 3 | Total<br>fair value | Carrying<br>amount |
|---|--|-----------|---------|-----------|--|---------------------|--------------------|
|   | Level 1  | Level 2   | Level 3 | Total     |  |                     |                    |
| <b>Financial assets</b>   |  |           |         |           |  |                     |                    |
| Financial assets at fair value<br>through profit or loss                | -  | 352,382   | -       | 352,382   | -  | 352,382             | 352,382            |
| Derivative financial assets   | -  | 71,255    | -       | 71,255    | -  | 71,255              | 71,255             |
| Financial assets at fair value<br>through other comprehensive<br>income | 14,795   | 9,302,126 | 23,862* | 9,340,783 | -  | 9,340,783           | 9,340,783          |
| Financing, advances and others  | -  | -         | -       | -         | 42,533,908   | 42,533,908          | 42,381,390         |
| <b>Financial liabilities</b>  |  |           |         |           |  |                     |                    |
| Derivative financial liabilities  | -  | 85,370    | -       | 85,370    | -  | 85,370              | 85,370             |
| Subordinated Sukuk Murabahah  | -  | -         | -       | -         | 1,057,822  | 1,057,822           | 1,019,922          |
| <b>Bank<br/>31 December 2017<br/>RM'000</b>                             |  |           |         |           |  |                     |                    |
|   | Fair value of financial instruments<br>carried at fair value |           |         |           | Fair value<br>of financial<br>instruments<br>not carried<br>at fair value<br>Level 3 | Total<br>fair value | Carrying<br>amount |
|   | Level 1  | Level 2   | Level 3 | Total     |  |                     |                    |
| <b>Financial assets</b>   |  |           |         |           |  |                     |                    |
| Financial assets held-for-trading                                       | -  | 375,664   | -       | 375,664   | -  | 375,664             | 375,664            |
| Derivative financial assets   | -  | 68,319    | -       | 68,319    | -  | 68,319              | 68,319             |
| Financial assets available-for-sale                                     | 17,612   | 9,230,228 | -       | 9,247,840 | 5,300*   | 9,253,140           | 9,253,140          |
| Financial assets held-to-maturity                                       | -  | -         | -       | -         | -  | -                   | -                  |
| Financing, advances and others  | -  | -         | -       | -         | 42,299,796   | 42,299,796          | 42,113,420         |
| <b>Financial liabilities</b>  |  |           |         |           |  |                     |                    |
| Derivative financial liabilities  | -  | 74,668    | -       | 74,668    | -  | 74,668              | 74,668             |
| Subordinated Sukuk Murabahah  | -  | -         | -       | -         | 1,050,750  | 1,050,750           | 1,006,486          |

\* Comprise of non-traded equity investments which are measured at fair value upon adoption of MFRS 9. Before the adoption of MFRS 9, these securities were measured at cost less any impairment loss because their fair value was not considered to be reliably measurable. MFRS 9 has removed this cost exception.

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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 |
|--------------------|---------------------------|--|---|
| 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 is 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.

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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:

|  | <b>Principal<br/>Amount<br/>RM'000</b> | <b>Credit<br/>Equivalent<br/>Amount<br/>RM'000</b> | <b>Risk<br/>Weighted<br/>Asset<br/>RM'000</b> |
|--|--|--|---|
| <b>As at 31 March 2018</b>   |  |  |   |
| <i>Credit related exposures</i>  |  |  |   |
| Direct credit substitutes  | 414,060                                | 414,060  | 414,128                                       |
| Transaction related contingent items   | 1,019,618                              | 509,809  | 476,620                                       |
| Short term self-liquidating trade related contingencies  | 384,523                                | 76,905   | 76,644  |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of:   |  |  |   |
| - not exceeding one year   | 11,000                                 | 2,200  | 1,900   |
| - exceeding one year   | 1,589,901                              | 794,950  | 593,436                                       |
| 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 | 7,857,526                              | -  | -   |
|  | <u>11,276,628</u>                      | <u>1,797,924</u>                                   | <u>1,562,728</u>                              |

|   | <b>Principal<br/>Amount<br/>RM'000</b> | <b>Positive Fair<br/>Value of<br/>Derivative<br/>Contracts<br/>RM'000</b> | <b>Credit<br/>Equivalent<br/>Amount<br/>RM'000</b> | <b>Risk<br/>Weighted<br/>Asset<br/>RM'000</b> |
|---|--|---|--|---|
| <i>Derivative Financial Instruments</i> |  |   |  |   |
| Foreign exchange related contracts      |  |   |  |   |
| - less than one year                    | 3,790,357                              | 66,675  | 106,819  | 39,859  |
| Profit rate related contracts           |  |   |  |   |
| - less than one year                    | -                                      | -   | -  | -   |
| - one year to less than five years      | 400,000                                | 2,936   | 5,708  | 1,142   |
| - five years and above                  | 200,740                                | 1,644   | 11,185   | 7,170   |
|   | <u>4,391,097</u>                       | <u>71,255</u>   | <u>123,712</u>                                     | <u>48,171</u>                                 |
| <b>Total</b>                            | <u>15,667,725</u>                      | <u>71,255</u>   | <u>1,921,636</u>                                   | <u>1,610,899</u>                              |

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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):

| <b>As at 31 December 2017</b>  | <b>Principal<br/>Amount<br/>RM'000</b> | <b>Credit<br/>Equivalent<br/>Amount<br/>RM'000</b> | <b>Risk<br/>Weighted<br/>Asset<br/>RM'000</b> |
|--|--|--|---|
| <b><i>Credit related exposures</i></b>   |  |  |   |
| Direct credit substitutes  | 2,871,511                              | 2,871,511  | 2,167,427                                     |
| Transaction related contingent items   | 1,066,956                              | 533,478  | 499,771                                       |
| Short term self-liquidating trade related contingencies  | 373,328                                | 74,666   | 71,836  |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of:   |  |  |   |
| - not exceeding one year   | 318                                    | 64   | 32  |
| - exceeding one year   | 1,226,538                              | 613,269  | 445,326                                       |
| 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 | 4,402,695                              | -  | -   |
|  | 9,941,346                              | 4,092,988  | 3,184,392                                     |

|  | <b>Principal<br/>Amount<br/>RM'000</b> | <b>Positive Fair<br/>Value of<br/>Derivative<br/>Contracts<br/>RM'000</b> | <b>Credit<br/>Equivalent<br/>Amount<br/>RM'000</b> | <b>Risk<br/>Weighted<br/>Asset<br/>RM'000</b> |
|--|--|---|--|---|
| <b><i>Derivative Financial Instruments</i></b> |  |   |  |   |
| Foreign exchange related contracts             |  |   |  |   |
| - less than one year                           | 3,218,824                              | 63,827  | 112,875  | 41,796  |
| Profit rate related contracts                  |  |   |  |   |
| - less than one year                           | -                                      | -   | -  | -   |
| - one year to less than five years             | 400,000                                | 2,132   | 4,921  | 984   |
| - five years and above                         | 207,992                                | 2,360   | 14,351   | 8,895   |
|  | 3,826,816                              | 68,319  | 132,147  | 51,675  |
| <b>Total</b>                                   | 13,768,162                             | 68,319  | 4,225,135  | 3,236,067                                     |

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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:

|                              | <b>Group</b>      |                   | <b>Bank</b>       |                   |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
|                              | <b>31.03.2018</b> | <b>31.12.2017</b> | <b>31.03.2018</b> | <b>31.12.2017</b> |
| CET I & Tier I capital ratio | <b>13.029%</b>    | 12.729%           | <b>13.004%</b>    | 12.701%           |
| Total capital ratio          | <b>16.888%</b>    | 16.435%           | <b>16.867%</b>    | 16.411%           |

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

|  | <b>Group</b>      |                   | <b>Bank</b>       |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | <b>31.03.2018</b> | <b>31.12.2017</b> | <b>31.03.2018</b> | <b>31.12.2017</b> |
|  | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Paid-up share capital                                    | <b>2,869,498</b>  | 2,869,498         | <b>2,869,498</b>  | 2,869,498         |
| Retained earnings  | <b>2,071,819</b>  | 2,150,402         | <b>2,071,762</b>  | 2,150,345         |
| Other reserves   | <b>(103,300)</b>  | (124,841)         | <b>(103,408)</b>  | (124,982)         |
| Less: Deferred tax assets                                | <b>(80,133)</b>   | (37,288)          | <b>(78,590)</b>   | (37,288)          |
| Less: Investment in subsidiaries                         | -                 | -                 | <b>(15,525)</b>   | (15,525)          |
| <b>Total CET I and Tier I Capital</b>                    | <b>4,757,884</b>  | 4,857,771         | <b>4,743,737</b>  | 4,842,048         |
| Sukuk Murabahah  | <b>1,000,000</b>  | 1,000,000         | <b>1,000,000</b>  | 1,000,000         |
| Collective assessment allowance and regulatory reserve ^ | <b>409,527</b>    | 414,193           | <b>409,304</b>    | 414,193           |
| <b>Total Tier II Capital</b>                             | <b>1,409,527</b>  | 1,414,193         | <b>1,409,304</b>  | 1,414,193         |
| <b>Total Capital</b>                                     | <b>6,167,411</b>  | 6,271,964         | <b>6,153,041</b>  | 6,256,241         |

^ 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                 |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.03.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| Credit risk   | <b>36,035,931</b>    | 37,442,256           | <b>36,018,098</b>    | 37,437,855           |
| Less : Credit risk absorbed<br>by unrestricted investment<br>accounts | <b>(3,273,806)</b>   | (3,034,004)          | <b>(3,273,806)</b>   | (3,034,004)          |
|   | <b>32,762,125</b>    | 34,408,252           | <b>32,744,292</b>    | 34,403,851           |
| Market risk   | <b>556,507</b>       | 602,089              | <b>556,507</b>       | 586,043              |
| Operational risk  | <b>3,200,390</b>     | 3,152,951            | <b>3,178,424</b>     | 3,132,745            |
|   | <b>36,519,022</b>    | 38,163,292           | <b>36,479,223</b>    | 38,122,639           |

**35. Performance review for the three months ended 31 March 2018**

The Group reported profit before zakat and tax of RM207.2 million or an increase of 7.9% for the three months ended 31 March 2018 compared to the previous corresponding period. The improved performance was mainly attributed to the increase in Base Rate and Base Financing rate by 25 bps effective February 2018, in response to the 25 bps increase in Overnight Policy Rate on 25 January 2018.

Year-on-year net financing assets grew RM2.6 billion or 6.6% to reach RM42.4 billion as at end of March 2018. Correspondingly, fund based income from financing also increased by RM54.0 million or 9.9%.

As at end of March 2018, customer deposits and investment accounts stood at RM51.8 billion with a year-on-year increase of RM4.3 billion or 9.0%. CASA ratio as at end of March 2018 was 30.7% against the Islamic Banking Industry CASA ratio of 24.1% as at end of February 2018.

The Group's gross impaired financing ratio was 0.99% while the net impaired financing ratio was a negative 0.77% as at end of March 2018 compared to 0.93% and a negative 0.41% respectively as at 31 December 2017. The Banking System gross impaired ratio was 1.55% and the net impaired ratio was 0.04% as at end of February 2018.

The key performance ratios as at end of March 2018 also compared favourably against the Banking System ratios as at end of December 2017. 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 15.1% and 1.1% respectively.

**36. Prospect for 2018**

In its annual report released on 28th March 2018, BNM has projected Malaysia's GDP growth to range from 5.5% to 6.0% in 2018. Growth is expected to be primarily driven by domestic spending, of which two-third is to be contributed by household spending and the other one-third by private investment activities.

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### **36. Prospect for 2018 (continued)**

The banking industry is expected to remain resilient amidst continued uncertainty in commodity prices, higher cost of living that weighs heavily on consumer sentiment and cautiously optimistic business sentiment. Financing growth for the banking sector is anticipated to be between 5% and 6% as banks continue to defend their asset quality. In addition, usage of technology will intensify in order to improve customer experience and operational efficiency.

The BNM Monetary Policy Committee (MPC) meeting on 25th January 2018 decided to raise the OPR by 25 basis points to 3.25%. Consequently, the Bank increased its Base Rate and Base Financing Rate by 25 basis points effective from February 2018, and increased its deposit rates.

Premised on the overarching themes of Value-Based Intermediation (“VBI”), Bank Islam strives to deliver a sustainable performance with a strategic aim to support economic, social and environmental development.

The Bank will focus on optimising its risks and returns, optimising its resources and productivity as well as its franchise value, which is underpinned by a disciplined balance sheet management. This is to sustain net income margin, preserve asset quality and minimise the financial impact arising from the implementation of Malaysian Financial Reporting Standards on Financial Instruments (“MFRS9”) and the upcoming Net Stable Funding Ratio (“NSFR”) requirements. With digital transformation being a new thrust to enriching customer experience and services, Bank Islam has embarked on its digital journey to collaborate with FinTech companies in enhancing its reach and spurring innovation.

The Bank will continue to invest in its people, to build a strong compliance and risk culture as well as enhance its capability and capacity as a key player in Islamic Finance.

### **37. Subsequent events**

#### **Proposed dividend payment**

The Bank has proposed a final single tier dividend of 6.09 sen per ordinary share amounting to RM150.180 million for the financial year ended 31 December 2017. The proposed dividend amounting to RM150.180 million will be paid wholly in cash.