

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]

(Incorporated in Malaysia)

Unaudited Interim Financial Statements**Statements of Financial Position as at 30 September 2019**

		Group		Bank	
	Note	30.09.2019 RM'000	31.12.2018 RM'000	30.09.2019 RM'000	31.12.2018 RM'000
Assets					
Cash and short-term funds	10	608,125	2,092,654	605,116	2,086,703
Deposits and placements with banks and other financial institutions	11	1,285,106	2,432,000	1,285,106	2,432,000
Financial assets at fair value through profit or loss	12	891,053	364,959	885,476	359,533
Derivative financial assets	13	21,649	34,148	21,649	34,148
Financial assets at fair value through other comprehensive income	14	12,247,438	11,354,299	12,248,176	11,355,089
Financing, advances and others	15	48,208,214	45,680,680	48,208,214	45,680,680
Other financial assets at amortised cost	16	106,088	129,042	102,633	126,533
Statutory deposits with Bank Negara Malaysia		1,671,859	1,602,284	1,671,859	1,602,284
Current tax assets		32,003	8,466	32,002	8,403
Deferred tax assets		43,086	51,385	41,580	49,842
Right-of-use assets	17	222,967	-	222,967	-
Investments in subsidiaries		-	-	15,525	15,525
Property and equipment		190,047	188,816	189,514	188,153
Total assets		<u>65,527,635</u>	<u>63,938,733</u>	<u>65,529,817</u>	<u>63,938,893</u>
Liabilities and equity					
Deposits from customers	18	48,036,060	49,895,232	48,055,947	49,909,199
Investment accounts of customers	19	7,961,976	5,176,819	7,961,976	5,176,819
Derivative financial liabilities	13	13,226	19,520	13,226	19,520
Bills and acceptance payable		27,468	41,114	27,468	41,114
Recourse obligations on financing sold to Cagamas	20	1,501,187	1,501,187	1,501,187	1,501,187
Subordinated Sukuk Murabahah	21	1,326,155	1,308,634	1,326,155	1,308,634
Other liabilities	22	716,730	706,133	703,742	695,714
Lease Liabilities	17	317,232	-	317,232	-
Zakat and taxation		46,161	13,687	45,935	13,539
Total liabilities		<u>59,946,195</u>	<u>58,662,326</u>	<u>59,952,868</u>	<u>58,665,726</u>

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

	Note	Group		Bank	
		30.09.2019 RM'000	31.12.2018 RM'000	30.09.2019 RM'000	31.12.2018 RM'000
Equity					
Share capital	23	3,012,368	3,012,368	3,012,368	3,012,368
Reserves		2,569,072	2,264,039	2,564,581	2,260,799
Total equity		5,581,440	5,276,407	5,576,949	5,273,167
Total liabilities and equity		65,527,635	63,938,733	65,529,817	63,938,893
Restricted investment accounts managed by the Bank	19	45,239	78,717	45,239	78,717
Total Islamic banking asset owned and managed by the Bank		65,572,874	64,017,450	65,575,056	64,017,610
Commitments and Contingencies	35	16,755,796	14,162,355	16,755,796	14,162,355

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2018.

Bank Islam Malaysia Berhad [Registration No. 198301002944 (98127-X)]

(Incorporated in Malaysia)

Unaudited Interim Financial Statements**Statements of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2019**

Group	Note	3 months ended		9 months ended	
		30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Income derived from investment of depositors' funds	24	694,404	680,226	2,089,010	1,916,519
Income derived from investment account funds	25	100,865	63,412	274,876	187,985
Income derived from investment of shareholders' funds	26	120,609	122,468	361,225	357,845
Net allowance for impairment on financing and advances, net of recoveries	27	(34,057)	(26,104)	(86,875)	(62,025)
Net allowance for impairment on debt securities		(156)	3	(135)	89
Net allowance for impairment on other financial assets		349	-	(3,798)	-
Direct expenses		(4,317)	(4,276)	(12,085)	(13,332)
Total distributable income		877,697	835,729	2,622,218	2,387,081
Wakalah fees from restricted investment accounts		111	146	344	479
Income attributable to depositors	28	(345,635)	(324,945)	(1,041,449)	(933,283)
Income attributable to investment account holders	29	(45,017)	(23,533)	(119,892)	(69,253)
Total net income		487,156	487,397	1,461,221	1,385,024
Personnel expenses	30	(154,521)	(150,273)	(460,119)	(427,791)
Other overhead expenses	31	(101,640)	(98,360)	(289,055)	(290,881)
Finance cost	32	(22,204)	(13,734)	(65,855)	(40,635)
Profit before zakat and tax		208,791	225,030	646,192	625,717
Zakat		(3,795)	(3,780)	(11,386)	(11,300)
Tax expense		(50,421)	(53,544)	(157,574)	(158,283)
Profit for the period		154,575	167,706	477,232	456,134
Earnings per share (sen)				19.01	18.49

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Unaudited Interim Financial Statements**Statements of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2019 (continued)**

Group	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period	<u>154,575</u>	<u>167,706</u>	<u>477,232</u>	<u>456,134</u>
Other comprehensive income/(expense), net of tax:				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation differences in respect of foreign operations	(4,975)	(9,221)	(5,022)	(8,389)
Movement in fair value reserve (debt securities) :				
Net change in fair value	108,809	81,248	339,397	45,897
Net allowance for impairment on debt securities	(156)	3	(135)	89
Net amount transferred to profit or loss	(35,690)	(19,248)	(79,079)	(21,169)
Income tax effect relating to components of other comprehensive income	<u>(17,524)</u>	<u>(14,881)</u>	<u>(60,723)</u>	<u>(5,956)</u>
Items that will not be reclassified to profit or loss				
Movement in fair value reserve (equity investments) :				
Net change in fair value	<u>1,921</u>	<u>-</u>	<u>13,628</u>	<u>(1,487)</u>
Other comprehensive income for the period, net of tax	<u>52,385</u>	<u>37,901</u>	<u>208,066</u>	<u>8,985</u>
Total comprehensive income for the period	<u>206,960</u>	<u>205,607</u>	<u>685,298</u>	<u>465,119</u>

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2018.

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Unaudited Interim Financial Statements**Statements of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2019 (continued)**

Bank	Note	3 months ended		9 months ended	
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	24	694,404	680,226	2,089,010	1,916,519
Income derived from investment account funds	25	100,865	63,412	274,876	187,985
Income derived from investment of shareholders' funds	26	113,599	110,974	338,497	330,821
Net allowance for impairment on financing and advances, net of recoveries	27	(34,057)	(26,104)	(86,875)	(62,025)
Net allowance for impairment on debt securities		(156)	3	(135)	89
Net allowance for impairment on other financial assets		349	-	(3,798)	-
Direct expenses		(4,317)	(4,276)	(12,085)	(13,332)
Total distributable income		870,687	824,235	2,599,490	2,360,057
Wakalah fees from restricted investment accounts		111	146	344	479
Income attributable to depositors	28	(345,702)	(325,024)	(1,041,652)	(933,490)
Income attributable to investment account holders	29	(45,017)	(23,533)	(119,892)	(69,253)
Total net income		480,079	475,824	1,438,290	1,357,793
Personnel expenses	30	(150,903)	(147,508)	(450,193)	(419,339)
Other overhead expenses	31	(98,660)	(89,934)	(277,554)	(273,532)
Finance cost	32	(22,204)	(13,734)	(65,855)	(40,635)
Profit before zakat and tax		208,312	224,648	644,688	624,287
Zakat		(3,750)	(3,750)	(11,250)	(11,250)
Tax expense		(50,376)	(53,506)	(157,394)	(159,745)
Profit for the period		154,186	167,392	476,044	453,292

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Unaudited Interim Financial Statements**Statements of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2019 (continued)**

Bank	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period	<u>154,186</u>	<u>167,392</u>	<u>476,044</u>	<u>453,292</u>
Other comprehensive income/(expense), net of tax:				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation differences in respect of foreign operations	(5,037)	(9,235)	(5,085)	(8,069)
Movement in fair value reserve (debt securities) :				
Net change in fair value	108,809	81,248	339,449	45,897
Net allowance for impairment on debt securities	(156)	3	(135)	89
Net amount transferred to profit or loss	(35,690)	(19,248)	(79,079)	(21,169)
Income tax effect relating to components of other comprehensive income	<u>(17,524)</u>	<u>(14,881)</u>	<u>(60,723)</u>	<u>(5,956)</u>
Items that will not be reclassified to profit or loss				
Movement in fair value reserve (equity investments) :				
Net change in fair value	<u>1,921</u>	<u>-</u>	<u>13,576</u>	<u>(1,487)</u>
Other comprehensive income for the period, net of tax	<u>52,323</u>	<u>37,887</u>	<u>208,003</u>	<u>9,305</u>
Total comprehensive income for the period	<u>206,509</u>	<u>205,279</u>	<u>684,047</u>	<u>462,597</u>

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2018.

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Consolidated Statement of Changes in Equity for the nine months ended 30 September 2019

Group	Note	Attributable to equity holders of the Bank			Total equity RM'000	
		Share capital RM'000	Non-distributable Share premium RM'000	Other Reserves RM'000		Distributable Retained earnings RM'000
At 1 January 2019		3,012,368	-	(98,437)	2,362,476	5,276,407
Effects of adoption of MFRS 16 (net of tax)	6	-	-	-	(67,316)	(67,316)
Adjusted total equity at 1 January 2019		3,012,368	-	(98,437)	2,295,160	5,209,091
Profit for the period		-	-	-	477,232	477,232
Currency translation difference in respect of foreign operations		-	-	(5,022)	-	(5,022)
Net change in fair value reserve (net of tax)		-	-	213,088	-	213,088
Total comprehensive income for the period		-	-	208,066	477,232	685,298
Dividends paid on ordinary shares	9	-	-	-	(312,949)	(312,949)
At 30 September 2019		3,012,368	-	109,629	2,459,443	5,581,440
At 1 January 2018		2,869,498	-	(60,196)	2,150,402	4,959,704
Adjustment on adoption of MFRS 9 (net of tax)		-	-	13,190	(143,408)	(130,218)
Restated total equity at 1 January 2018		2,869,498	-	(47,006)	2,006,994	4,829,486
Profit for the period		-	-	-	456,134	456,134
Currency translation difference in respect of foreign operations		-	-	(8,389)	-	(8,389)
Net change in fair value reserve (net of tax)		-	-	17,374	-	17,374
Total comprehensive income for the period		-	-	8,985	456,134	465,119
Transfer from regulatory reserve to retained earnings		-	-	(54,645)	54,645	-
Dividends paid on ordinary shares		-	-	-	(293,050)	(293,050)
Issue of shares pursuant to Dividend Reinvestment Plan	23	142,870	-	-	-	142,870
At 30 September 2018		3,012,368	-	(92,666)	2,224,723	5,144,425

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2018.

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Statement of Changes in Equity for the nine months ended 30 September 2019

	←	Attributable to equity holders of the Bank			→	Total Equity RM'000
		Share capital RM'000	Non-distributable Share premium RM'000	Other Reserves RM'000		
Bank						
At 1 January 2019		3,012,368	-	(98,261)	2,359,060	5,273,167
Effects of adoption of MFRS 16 (net of tax)	6	-	-	-	(67,316)	(67,316)
Adjusted total equity at 1 January 2019		3,012,368	-	(98,261)	2,291,744	5,205,851
Profit for the period		-	-	-	476,044	476,044
Currency translation difference in respect of foreign operations		-	-	(5,085)	-	(5,085)
Net change in fair value reserve (net of tax)		-	-	213,088	-	213,088
Total comprehensive income for the period		-	-	208,003	476,044	684,047
Dividends paid on ordinary shares	9	-	-	-	(312,949)	(312,949)
At 30 September 2019		3,012,368	-	109,742	2,454,839	5,576,949
At 1 January 2018		2,869,498	-	(60,337)	2,150,345	4,959,506
Adjustment on adoption of MFRS 9 (net of tax)		-	-	13,190	(143,408)	(130,218)
Adjusted total equity at 1 January 2018		2,869,498	-	(47,147)	2,006,937	4,829,288
Profit for the period		-	-	-	453,292	453,292
Currency translation difference in respect of foreign operations		-	-	(8,069)	-	(8,069)
Net change in fair value reserve (net of tax)		-	-	17,374	-	17,374
Total comprehensive income for the period		-	-	9,305	453,292	462,597
Transfer from regulatory reserve to retained earnings		-	-	(54,645)	54,645	-
Dividends paid on ordinary shares		-	-	-	(293,050)	(293,050)
Issue of shares pursuant to Dividend Reinvestment Plan	23	142,870	-	-	-	142,870
At 30 September 2018		3,012,368	-	(92,487)	2,221,824	5,141,705

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2018.

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Unaudited Interim Financial Statements**Condensed Statements of Cash Flow
for the nine months ended 30 September 2019**

	Group		Bank	
	9 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and tax	646,192	625,717	644,688	624,287
Adjustment for non-cash items	161,799	190,702	161,764	190,619
Operating profit before working capital changes	807,991	816,419	806,452	814,906
Changes in working capital:				
Net changes in operating assets	(2,727,604)	(2,536,427)	(2,726,658)	(2,501,665)
Net changes in operating liabilities	916,165	1,132,814	919,516	1,088,218
Net cash used in operations	(1,003,448)	(587,194)	(1,000,690)	(598,541)
Zakat and tax paid	(192,534)	(155,725)	(192,350)	(155,575)
Tax refund	1,779	60	1,734	-
Net cash used in operating activities	(1,194,203)	(742,859)	(1,191,306)	(754,116)
Net cash used in investing activities	(1,065,462)	(1,889,614)	(1,065,354)	(1,889,789)
Net cash used in financing activities	(366,736)	(177,531)	(366,736)	(177,531)
Net decrease in cash and cash equivalents	(2,626,401)	(2,810,004)	(2,623,396)	(2,821,436)
Cash and cash equivalents at beginning of the period	4,524,654	4,185,697	4,518,703	4,185,561
Exchange difference on translation	(5,022)	(8,390)	(5,085)	(8,070)
Cash and cash equivalents at end of the period	1,893,231	1,367,303	1,890,222	1,356,055
Cash and cash equivalents comprise:				
Cash and short-term funds	608,125	1,367,303	605,116	1,356,055
Deposits and placements with banks and other financial institutions	1,285,106	-	1,285,106	-
	1,893,231	1,367,303	1,890,222	1,356,055

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2018.

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Unaudited Interim Financial Statements

Notes to the unaudited interim financial statements for the nine months ended 30 September 2019

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the nine months ended 30 September 2019 have been prepared in accordance with the applicable requirements of MFRS 134: *Interim Financial Reporting* in Malaysia issued by Malaysian Accounting Standards Board (“MASB”), Financial Reporting for Islamic Banking Institution policy document issued by Bank Negara Malaysia (“BNM”), the provisions of the Companies Act 2016 and Shariah requirements.

The unaudited interim financial statements have been prepared under the historical cost convention except for derivative financial instruments, financial assets at fair value through profit or loss and financial assets through other comprehensive income, which have been measured at fair value.

The unaudited interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018. The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2018.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the recent audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”), interpretation and amendments to MFRSs:

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

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

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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 2018 was not qualified.

3. Seasonal or cyclical factors

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

4. Unusual items

There were no unusual items in the nine months ended 30 September 2019.

5. Changes in accounting estimates

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

6. Changes in accounting policies

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

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

MFRS 16, *Leases*

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

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

On adoption of MFRS 16, leases with non-cancellable agreements or either party has an economic incentives not to terminate the lease such that it would incur significant penalty, are recognised as Right-Of-Use ("ROU") assets and corresponding liabilities at the date at which the leased assets are available for use by the Group and the Bank.

Right-of-use asset for a non-cancellable property lease is measured on a retrospective basis as if the new rules had always been applied. All other ROU assets are measured at the amount of the lease liability on adoption, adjusted by for any prepaid or accrued lease payments. The right-of-use assets are depreciated over the lease term on a straight-line basis.

The associated lease liabilities are measured at the present value of the remaining lease payments, discounted using the same incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 for the Group and the Bank was at 5.7%.

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Unaudited Interim Financial Statements**6. Changes in accounting policies (continued)****MFRS 16, Leases (continued)**

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

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

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

Group	As previously report RM'000	Effect on adoption of MFRS 16 RM'000	As restated RM'000
Deferred tax assets	51,385	21,258	72,643
Right-of-use assets	-	234,111	234,111
Lease liabilities	-	322,685	322,685
Reserves	2,264,039	(67,316)	2,196,723
Bank			
Deferred tax assets	49,842	21,258	71,100
Right-of-use assets	-	234,111	234,111
Lease liabilities	-	322,685	322,685
Reserves	2,260,799	(67,316)	2,193,483

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

Group and Bank	RM'000
Operating lease commitments disclosed at 31 December 2018	381,308
Service charges	137,580
Operating lease liabilities before discounting	<u>518,888</u>
Discounted using incremental borrowing rate	(200,528)
Operating lease liabilities	318,360
Adjustments as a result of significant penalty in the lease's termination option	4,325
Total lease liabilities recognised under MFRS 16 at 1 January 2019	<u><u>322,685</u></u>

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

Property	<u><u>234,111</u></u>
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Unaudited Interim Financial Statements**7. Sukuk and equity securities**

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

8. Significant events during the nine months ended 30 September 2019

There was no other significant event during the nine months ended 30 September 2019.

9. Dividends

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

On 11 September 2019, the Bank paid an interim dividend of approximately 6.40 sen per ordinary share totalling RM160,639,000 for the financial period ended 30 June 2019.

10. Cash and short-term funds

	Group		Bank	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	607,666	891,697	604,986	886,074
Money at call and interbank placements with remaining maturity not exceeding one month	459	1,200,957	130	1,200,629
	<u>608,125</u>	<u>2,092,654</u>	<u>605,116</u>	<u>2,086,703</u>

11. Deposits and placements with banks and other financial institutions

	Group and Bank	
	30.09.2019	31.12.2018
	RM'000	RM'000
Bank Negara Malaysia	1,205,106	2,432,000
Development Financial Institution	80,000	-
	<u>1,285,106</u>	<u>2,432,000</u>

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Unaudited Interim Financial Statements**12. Financial assets at fair value through profit and loss**

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

	Group		Bank	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government				
Investment Issues	361,297	30,328	361,297	30,328
Unit trust	234,173	219,808	228,596	214,382
Bank Negara Monetary Notes	165,929	114,823	165,929	114,823
Sukuk	10,156	-	10,156	-
Malaysia Islamic Treasury				
Bills	119,498	-	119,498	-
	891,053	364,959	885,476	359,533

13. Derivative financial assets/liabilities

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss and held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and any unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

Group and Bank	Principal amount	Fair value	
		Assets	Liabilities
30.09.2019	RM'000	RM'000	RM'000
Forward contracts	5,608,593	19,787	(12,349)
Profit rate swaps	155,079	1,862	(877)
	5,763,672	21,649	(13,226)
31.12.2018			
Forward contracts	2,869,455	30,653	(17,752)
Profit rate swaps	578,379	3,495	(1,768)
	3,447,834	34,148	(19,520)

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Unaudited Interim Financial Statements**14. Financial assets at fair value through other comprehensive income**

	Group		Bank	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Financial assets at fair value through other comprehensive income:				
(a) Debt securities	12,198,292	11,318,781	12,198,292	11,318,781
(b) Equity investments	49,146	35,518	49,884	36,308
	<u>12,247,438</u>	<u>11,354,299</u>	<u>12,248,176</u>	<u>11,355,089</u>

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

	Group		Bank	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Investment Issues	2,167,478	2,129,754	2,167,478	2,129,754
Sukuk Malaysia Islamic Treasury Bills	178,576	-	178,576	-
Bank Negara Monetary Notes	-	389,231	-	389,231
Islamic Commercial Papers	-	306,255	-	306,255
	<u>12,198,292</u>	<u>11,318,781</u>	<u>12,198,292</u>	<u>11,318,781</u>

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

	Group and Bank	
	30.09.2019	31.12.2018
	RM'000	RM'000
12 months expected credit loss ("ECL")		
At 1 January 2019/1 January 2018	302	345
Net allowance for impairment during the period/ year	<u>135</u>	<u>(43)</u>
At 30 September 2019/31 December 2018	<u>437</u>	<u>302</u>

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Unaudited Interim Financial Statements**14. Financial assets at fair value through other comprehensive income (continued)***(b) Equity investments at fair value through other comprehensive income*

	Group		Bank	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Quoted Shares				
- outside Malaysia	<u>11,164</u>	<u>12,446</u>	<u>11,164</u>	<u>12,446</u>
Unquoted Shares				
- in Malaysia	<u>37,980</u>	<u>23,056</u>	<u>38,718</u>	<u>23,846</u>
- outside Malaysia	<u>2</u>	<u>16</u>	<u>2</u>	<u>16</u>
	<u>37,982</u>	<u>23,072</u>	<u>38,720</u>	<u>23,862</u>
	<u>49,146</u>	<u>35,518</u>	<u>49,884</u>	<u>36,308</u>

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15. Financing, advances and others

(a) By type and Shariah contract

Group and Bank 30 September 2019	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At- Tawarruq RM'000	Ijarah Muntahiah Bit- Tamleek^ RM'000	Ijarah Thumma Al-Bai'^ RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
At amortised cost										
Cash line	-	-	-	1,509	1,262,499	-	-	-	-	1,264,008
Term financing										
House financing	3,489,357	-	-	-	15,647,842	-	-	47,918	-	19,185,117
Syndicated financing	-	-	-	38,107	669,139	-	80,328	-	-	787,574
Leasing financing	-	-	-	-	-	114,701	-	-	-	114,701
Bridging financing	-	-	-	-	-	-	-	55,503	-	55,503
Personal financing	-	-	-	7,453	14,392,754	-	-	-	-	14,400,207
Other term financing	804,838	1,278,191	-	1,007	9,308,183	-	-	1,143	-	11,393,362
Staff financing	54,152	10,672	-	-	167,890	-	-	8,706	-	241,420
Credit cards	-	-	-	-	476,390	-	-	-	-	476,390
Trade bills discounted	-	836,346	131,011	193	-	-	-	-	-	967,550
Trust receipts	-	8,664	-	-	-	-	-	-	-	8,664
Pawn broking	-	-	-	-	-	-	-	-	67,828	67,828
Investment Account Platform *	-	-	-	-	5,063	-	-	-	-	5,063
	4,348,347	2,133,873	131,011	48,269	41,929,760	114,701	80,328	113,270	67,828	48,967,387

Allowance for impairment on financing, advances and others :-

- collective assessment allowance - 12 months ECL	(424,184)
- collective assessment allowance - lifetime ECL	(245,923)
- individual assessment allowance- lifetime ECL	(89,066)

Net financing, advances and others

48,208,214

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15. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group and Bank 31 December 2018	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At- Tawarruq RM'000	Ijarah Muntahiah Bit- Tamleek^ RM'000	Ijarah Thumma Al-Bai'^ RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
At amortised cost										
Cash line	-	-	-	1,875	1,521,991	-	-	-	-	1,523,866
Term financing										
House financing	3,764,219	-	-	-	14,285,203	-	-	51,490	-	18,100,912
Syndicated financing	-	-	-	41,327	665,745	-	89,540	-	-	796,612
Leasing financing	-	-	-	-	-	106,520	35	-	-	106,555
Bridging financing	-	-	-	-	-	-	-	65,268	-	65,268
Personal financing	-	-	-	10,178	13,755,492	-	-	-	-	13,765,670
Other term financing	1,099,152	1,239,988	-	6,650	7,992,899	-	-	1,194	-	10,339,883
Staff financing	60,777	9,322	-	-	155,590	-	-	9,846	-	235,535
Credit cards	-	-	-	-	477,602	-	-	-	-	477,602
Trade bills discounted	-	820,833	144,827	-	-	-	-	-	-	965,660
Trust receipts	-	10,113	-	-	-	-	-	-	-	10,113
Pawn broking	-	-	-	-	-	-	-	-	73,110	73,110
Investment Account Platform *	-	-	-	-	9,599	-	-	-	-	9,599
	<u>4,924,148</u>	<u>2,080,256</u>	<u>144,827</u>	<u>60,030</u>	<u>38,864,121</u>	<u>106,520</u>	<u>89,575</u>	<u>127,798</u>	<u>73,110</u>	<u>46,470,385</u>

Allowance for impairment on financing, advances and others :-

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

Net financing, advances and others

45,680,680

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Unaudited Interim Financial Statements**15. Financing, advances and others (continued)****(a) By type of and Shariah contract (continued)**

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

		Group and Bank	
		30.09.2019	31.12.2018
		RM'000	RM'000
House financing			
Unrestricted Investment Accounts	19	5,531,207	3,886,107
Sold to Cagamas with recourse	20	1,501,187	1,501,187
		7,032,394	5,387,294
Personal financing			
Unrestricted Investment Accounts	19	2,430,769	1,290,712

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

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

(b) By type of customer

		Group and Bank	
		30.09.2019	31.12.2018
		RM'000	RM'000
Domestic non-bank financial institutions		1,421,567	1,637,318
Domestic business enterprise		7,981,498	6,924,836
Small and medium industries		2,026,332	2,092,024
Government and statutory bodies		696,523	601,285
Individuals		36,566,879	35,069,160
Other domestic entities		66,305	18,947
Foreign entities		208,283	126,815
		48,967,387	46,470,385

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Unaudited Interim Financial Statements**15. Financing, advances and others (continued)****(c) By profit rate sensitivity**

	Group and Bank	
	30.09.2019	31.12.2018
	RM'000	RM'000
Fixed rate		
House financing	998,807	1,073,575
Others	2,916,215	3,102,294
Floating rate		
House financing	18,801,348	17,636,273
Others	26,251,017	24,658,243
	<u>48,967,387</u>	<u>46,470,385</u>

(d) By remaining contractual maturity

	Group and Bank	
	30.09.2019	31.12.2018
	RM'000	RM'000
Maturity within one year	4,408,097	4,774,098
More than one year to three years	2,919,069	1,299,229
More than three years to five years	1,306,860	2,921,287
More than five years	40,333,361	37,475,771
	<u>48,967,387</u>	<u>46,470,385</u>

(e) By geographical distribution

	Group and Bank	
	30.09.2019	31.12.2018
	RM'000	RM'000
Central Region	23,247,899	22,125,064
Eastern Region	7,953,669	7,646,307
Northern Region	6,690,659	6,640,816
Southern Region	7,513,384	6,723,490
East Malaysia Region	3,561,776	3,334,708
	<u>48,967,387</u>	<u>46,470,385</u>

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Unaudited Interim Financial Statements**15. Financing, advances and others (continued)****(f) By sector**

	Group and Bank	
	30.09.2019	31.12.2018
	RM'000	RM'000
Primary agriculture	993,988	754,835
Mining and quarrying	6,756	9,060
Manufacturing (including agro-based)	770,651	909,850
Electricity, gas and water	1,872,193	371,479
Wholesale & retail trade, and hotels & restaurants	970,524	1,098,346
Construction	2,315,224	2,417,262
Real estate	1,316,798	1,712,250
Transport, storage and communications	880,474	824,949
Finance, insurance and business activities	2,151,407	2,299,319
Education, health and others	1,127,580	1,000,735
Household sectors	36,561,792	35,072,300
	<u>48,967,387</u>	<u>46,470,385</u>

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

	Group and Bank	
	30.09.2019	31.12.2018
	RM'000	RM'000
At 1 January 2019/2018	425,937	398,277
Classified as impaired during the period/ year	579,121	621,974
Reclassified as not impaired during the period/ year	(202,914)	(321,635)
Amount recovered	(70,218)	(117,477)
Amount written off	(190,511)	(155,202)
At 30 September 2019/31 December 2018	<u>541,415</u>	<u>425,937</u>
Gross impaired financing as a percentage of gross financing, advances and others	<u>1.11%</u>	<u>0.92%</u>

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

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Unaudited Interim Financial Statements**15. Financing, advances and others (continued)****(h) Impaired financing by geographical distribution**

	Group and Bank	
	30.09.2019	31.12.2018
	RM'000	RM'000
Central Region	237,912	245,531
Eastern Region	106,947	101,868
Northern Region	123,224	25,349
Southern Region	48,533	31,320
East Malaysia Region	24,799	21,869
	<u>541,415</u>	<u>425,937</u>

(i) Impaired financing by sector

	Group and Bank	
	30.09.2019	31.12.2018
	RM'000	RM'000
Manufacturing (including agro-based)	40,098	21,426
Wholesale & retail trade, and hotels & restaurants	110,558	56,665
Construction	29,463	121,506
Real estate	24,143	1,501
Transport, storage and communications	10,265	10,936
Finance, insurance and business activities	77,857	3,066
Education, health and others	4,420	4,642
Household sectors	244,611	206,195
	<u>541,415</u>	<u>425,937</u>

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15. Financing, advances and others (continued)

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

Group and Bank	← Collective →			Total collective RM'000	Individual RM'000	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit- impaired RM'000	Lifetime ECL credit- impaired RM'000			
At 1 January 2019	416,450	129,402	87,162	633,014	156,691	789,705
Transfer to 12-month ECL	1,252	(1,116)	(136)	-	-	-
Transfer to Lifetime ECL not credit impaired	(6,552)	9,375	(2,823)	-	-	-
Transfer to Lifetime ECL credit impaired	(439)	(9,445)	9,884	-	-	-
Net allowance made during the period	(46,437)	47,046	87,781	88,390	35,463	123,853
New financial assets originated or purchased	93,135	2,256	2,349	97,740	-	97,740
Financial assets that have been derecognised	(30,944)	(24,533)	(3,966)	(59,443)	-	(59,443)
Write-offs	-	-	(87,423)	(87,423)	(103,088)	(190,511)
Exchange differences	(2,171)	-	-	(2,171)	-	(2,171)
At 30 September 2019	424,294	152,985	92,828	670,107	89,066	759,173
At 1 January 2018				446,069	126,447	572,516
- effects of adoption of MFRS 9				187,404	1,695	189,099
Restated at 1 January 2018	390,478	139,501	103,494	633,473	128,142	761,615
Transfer to 12-month ECL	6,841	(6,525)	(316)	-	-	-
Transfer to Lifetime ECL not credit impaired	(4,419)	8,639	(4,220)	-	-	-
Transfer to Lifetime ECL credit impaired	(523)	(8,454)	8,977	-	-	-
Net allowance made during the year	(22,326)	1,175	101,690	80,539	58,801	139,340
New financial assets originated or purchased	88,675	7,437	5,090	101,202	-	101,202
Financial assets that have been derecognised	(39,166)	(12,371)	(2,603)	(54,140)	-	(54,140)
Write-offs	-	-	(124,950)	(124,950)	(30,252)	(155,202)
Exchange differences	(3,110)	-	-	(3,110)	-	(3,110)
At 31 December 2018	416,450	129,402	87,162	633,014	156,691	789,705

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Unaudited Interim Financial Statements**16. Other financial assets at amortised cost**

	Group		Bank	
	30.09.2019 RM'000	31.12.2018 RM'000	30.09.2019 RM'000	31.12.2018 RM'000
Sukuk	5,685	6,887	5,685	6,887
Other receivables	71,500	97,473	68,772	95,680
Deposit and prepayments	39,089	31,458	38,089	30,434
Related companies*	974	586	1,247	894
	<u>117,248</u>	<u>136,404</u>	<u>113,793</u>	<u>133,895</u>
Less : Accumulated impairment loss				
Individual assessment				
- Sukuk	(5,685)	(6,887)	(5,685)	(6,887)
- Other receivables	(5,475)	(475)	(5,475)	(475)
	<u>106,088</u>	<u>129,042</u>	<u>102,633</u>	<u>126,533</u>

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

17. Right-of-use assets and lease liabilities

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

(a) Right-of-use assets

	Group and Bank RM'000
Cost	
At 1 January 2019	-
Effects of adoption of MFRS 16	234,111
At 30 September 2019	<u>234,111</u>
Accumulated depreciation	
At 1 January 2019	-
Depreciation for the period	(11,144)
At 30 September 2019	<u>(11,144)</u>
	<u>222,967</u>

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

The Group and the Bank have also entered into cancellable operating lease agreements with significant penalty in the leases' termination option for a period of 3 years.

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Unaudited Interim Financial Statements**17. Right-of-use asset and lease liability (continued)****(b) Lease liabilities**

	Group and Bank RM'000
Current	
Lease liabilities	8,266
Non-current	
Lease liabilities	<u>308,966</u>
Total lease liabilities	<u>317,232</u>

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

	Group and Bank RM'000
At 1 January 2019	-
Effects of adoption of MFRS 16	322,685
Profit expense on leases	13,544
Lease payments	<u>(18,997)</u>
At 30 September 2019	<u>317,232</u>

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Unaudited Interim Financial Statements**18. Deposits from customers****(a) By type and Shariah contract**

	Group		Bank	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Saving Deposit				
<i>Qard</i>	4,751,889	4,410,537	4,751,889	4,410,537
Demand Deposit				
<i>Qard</i>	9,622,032	10,663,456	9,635,152	10,670,826
Term Deposit	33,556,990	34,727,635	33,563,757	34,734,232
Special Investment Deposit				
<i>Mudharabah</i>	3,915	6,252	3,915	6,252
General Investment Deposit				
<i>Mudharabah</i>	222,169	287,013	222,169	287,013
Term Deposit				
<i>Tawarruq</i>	32,252,426	30,751,990	32,259,193	30,758,587
Negotiable Islamic Debt Certificates (NIDC)	1,078,480	3,682,380	1,078,480	3,682,380
Others	105,149	93,604	105,149	93,604
Total Deposits	<u>48,036,060</u>	<u>49,895,232</u>	<u>48,055,947</u>	<u>49,909,199</u>

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

	Group		Bank	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Due within six months	13,297,204	16,428,971	13,299,635	16,429,087
More than six months to one year	9,422,267	9,685,966	9,422,267	9,691,736
More than one year to three years	8,237,644	6,484,593	8,241,980	6,485,304
More than three years to five years	2,599,875	2,128,105	2,599,875	2,128,105
	<u>33,556,990</u>	<u>34,727,635</u>	<u>33,563,757</u>	<u>34,734,232</u>

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Unaudited Interim Financial Statements**18. Deposits from customers (continued)****(c) By type of customers**

	Group		Bank	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	8,645,181	12,385,381	8,665,068	12,399,348
Business enterprises	19,665,158	16,725,704	19,665,158	16,725,704
Government and statutory bodies	10,458,503	12,049,184	10,458,503	12,049,184
Individuals	6,815,250	5,199,550	6,815,250	5,199,550
Domestic banking institutions	185,602	1,634,224	185,602	1,634,224
Others	2,266,366	1,901,189	2,266,366	1,901,189
	<u>48,036,060</u>	<u>49,895,232</u>	<u>48,055,947</u>	<u>49,909,199</u>

19. Investment accounts of customers**(a) By type and Shariah contract**

	Note	Group and Bank	
		30.09.2019	31.12.2018
		RM'000	RM'000
Unrestricted investment accounts			
Without maturity :			
<i>Mudharabah</i>		3,099,874	2,594,846
- <i>Saving</i>		2,740,904	2,413,645
- <i>Demand</i>		358,970	181,201
With maturity :			
<i>Wakalah</i>		4,862,102	2,581,973
		<u>7,961,976</u>	<u>5,176,819</u>
Investment portfolio :			
<i>House financing</i>	15	5,531,207	3,886,107
<i>Personal financing</i>	15	2,430,769	1,290,712
		<u>7,961,976</u>	<u>5,176,819</u>
Restricted investment accounts (“RIA”) managed by the Bank[^]			
With maturity :			
<i>Wakalah</i>		45,239	78,717
Investment portfolio :			
<i>Other term financing</i>		45,239	78,717

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Unaudited Interim Financial Statements**19. Investment accounts of customers (continued)****(a) By type and Shariah contract (continued)**

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

Included in RIA managed by the Bank is an arrangement between the Bank and its ultimate holding entity with underlying assets amounting to RM45,118,000 (2018: RM78,285,000).

(b) By type of customers

	Group and Bank	
	30.09.2019	31.12.2018
	RM'000	RM'000
Individuals	3,069,284	2,674,428
Government and statutory bodies	2,490,462	767,996
Business enterprises	516,274	507,160
Non-bank financial institutions	1,643,925	1,175,273
Islamic Bank	4,002	-
International Islamic Bank	-	2,400
Others	238,029	49,562
	<u>7,961,976</u>	<u>5,176,819</u>

20. Recourse obligations on financing sold to Cagamas

Recourse obligations on financing sold to Cagamas represents house financing accounts that are sold to Cagamas with recourse. Under the agreement, the Bank undertakes to administer the financing on behalf of Cagamas and to buy back any financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. The financing are not de-recognised and are analysed in Note 15.

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Unaudited Interim Financial Statements**21. Subordinated Sukuk Murabahah**

	Note	Group and Bank	
		30.09.2019 RM'000	31.12.2018 RM'000
<i>Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme</i>			
First tranche	(a)	307,656	303,450
Second tranche	(b)	406,389	400,851
Third tranche	(c)	305,887	302,005
		<u>1,019,932</u>	<u>1,006,306</u>
<i>Issued under the RM10.0 billion Sukuk Murabahah Programme</i>			
First tranche	(d)	<u>306,223</u>	<u>302,328</u>
		<u>1,326,155</u>	<u>1,308,634</u>

The details of the issued subordinated Sukuk are as follows:

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

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

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

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Unaudited Interim Financial Statements**22. Other liabilities**

	Group		Bank	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Other payables	605,429	564,632	594,675	556,880
Accruals	111,301	141,501	109,067	138,834
	<u>716,730</u>	<u>706,133</u>	<u>703,742</u>	<u>695,714</u>

23. Share capital

	Number of shares		Amount	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Group and Bank	RM'000	RM'000	RM'000	RM'000
<i>Issued and fully paid</i>				
Ordinary shares				
At 1 January	2,509,982	2,466,022	3,012,368	2,869,498
Allotment of new ordinary shares	-	43,960	-	142,870
At 30 September	<u>2,509,982</u>	<u>2,509,982</u>	<u>3,012,368</u>	<u>3,012,368</u>

The Bank increased its share capital on 20 September 2018 by RM142,870,000 via the issuance of 43,960,000 new ordinary shares at a consideration of RM3.25 each arising from the Dividend Reinvestment Plan of one hundred percent of the interim dividend of approximately 5.79 sen in respect of financial year ending 31 December 2018.

24. Income derived from investment of depositors' funds

	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Group and Bank	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) Saving and demand Deposits	204,744	208,273	618,265	594,714
(ii) General investment Deposits	4,336	4,942	12,773	14,478
(iii) Term deposits	469,416	423,839	1,386,946	1,152,373
(iv) Other deposits	15,908	43,172	71,026	154,954
	<u>694,404</u>	<u>680,226</u>	<u>2,089,010</u>	<u>1,916,519</u>

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Unaudited Interim Financial Statements**24. Income derived from investment of depositors' funds (continued)***(i) Income derived from investment of saving and demand deposits*

Group and Bank	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	166,819	179,481	506,280	519,759
Financial assets:				
- fair value through profit and loss	1,042	1,507	3,504	4,021
- fair value through other comprehensive income	21,320	16,752	62,448	49,333
- other financial assets at amortised cost	-	-	84	87
Money at call and deposits with financial institutions	2,723	3,205	14,866	13,217
	191,904	200,945	587,182	586,417
<i>Other dealing income</i>				
Net gain from sale of financial assets at fair value through profit or loss	3,384	1,209	7,458	1,469
Net (loss)/gain on revaluation of financial assets at fair value through profit or loss	(998)	244	337	351
	2,386	1,453	7,795	1,820
<i>Other operating income</i>				
Net gain from sale of financial assets at fair value through other comprehensive income	10,454	5,875	23,288	6,477
	204,744	208,273	618,265	594,714
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	2,937	2,853	8,154	8,580

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Unaudited Interim Financial Statements**24. Income derived from investment of depositors' funds (continued)***(ii) Income derived from investment of general investment deposits*

Group and Bank	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	3,622	4,304	10,697	12,782
Financial assets:				
- fair value through profit and loss	20	33	64	89
- fair value through other comprehensive income	392	362	1,137	1,091
- other financial assets at amortised cost	-	-	2	2
Money at call and deposits with financial institutions	64	84	309	334
	<u>4,098</u>	<u>4,783</u>	<u>12,209</u>	<u>14,298</u>
<i>Other dealing income</i>				
Net gain from sale of financial assets at fair value through profit or loss	63	26	136	32
Net (loss)/gain on revaluation of financial assets at fair value through profit or loss	(19)	6	6	8
	<u>44</u>	<u>32</u>	<u>142</u>	<u>40</u>
<i>Other operating income</i>				
Net gain from sale of financial assets at fair value through other comprehensive income	194	127	422	140
	<u>4,336</u>	<u>4,942</u>	<u>12,773</u>	<u>14,478</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<u>54</u>	<u>62</u>	<u>149</u>	<u>191</u>

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Unaudited Interim Financial Statements**24. Income derived from investment of depositors' funds (continued)***(iii) Income derived from investment of term deposits*

Group and Bank	3 months ended		9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	382,170	365,234	1,135,069	1,006,891
Financial assets:				
- fair value through profit and loss	2,387	3,078	7,839	7,816
- fair value through other comprehensive income	48,847	34,037	139,997	95,387
- other financial assets at amortised cost	-	-	181	164
Money at call and deposits with financial institutions	6,249	6,544	33,454	25,381
	439,653	408,893	1,316,540	1,135,639
<i>Other dealing income</i>				
Net gain from sale of financial assets at fair value through profit or loss	7,812	2,455	16,852	2,943
Net (loss)/gain on revaluation of financial assets at fair value through profit or loss	(2,295)	450	614	630
	5,517	2,905	17,466	3,573
<i>Other operating income</i>				
Net gain from sale of financial assets at fair value through other comprehensive income	24,246	12,041	52,940	13,161
	469,416	423,839	1,386,946	1,152,373
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	6,728	5,872	18,288	16,588

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Unaudited Interim Financial Statements**24. Income derived from investment of depositors' funds (continued)***(iv) Income derived from investment of other deposits*

Group and Bank	3 months ended		9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	12,970	37,213	58,309	135,624
Financial assets:				
- fair value through profit and loss	81	312	403	1,037
- fair value through other comprehensive income	1,658	3,477	7,163	12,880
- other financial assets at amortised cost	-	-	10	22
Money at call and deposits with financial institutions	212	661	1,825	3,620
	<u>14,921</u>	<u>41,663</u>	<u>67,710</u>	<u>153,183</u>
<i>Other dealing income</i>				
Net gain from sale of financial assets at fair value through profit or loss	270	248	787	339
Net (loss)/gain on revaluation of financial assets at fair value through profit or loss	(79)	56	100	41
	<u>191</u>	<u>304</u>	<u>887</u>	<u>380</u>
<i>Other operating income</i>				
Net gain from sale of financial assets at fair value through other comprehensive income	796	1,205	2,429	1,391
	<u>15,908</u>	<u>43,172</u>	<u>71,026</u>	<u>154,954</u>
<i>of which</i>				
<i>Financing income earned on impaired financing</i>	<u>224</u>	<u>591</u>	<u>942</u>	<u>2,265</u>

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Unaudited Interim Financial Statements**25. Income derived from investment account funds**

Group and Bank	3 months ended		9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Finance income				
Unrestricted investment accounts				
- <i>Mudharabah</i>	37,709	29,905	109,153	89,826
- <i>Wakalah</i>	63,156	33,507	165,723	98,159
	<u>100,865</u>	<u>63,412</u>	<u>274,876</u>	<u>187,985</u>

26. Income derived from investment of shareholders' funds

Group	3 months ended		9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	1,586	1,859	5,005	5,463
Financial assets at fair value through other comprehensive income	49,224	46,452	141,794	133,556
Money at call and deposits with financial institutions	-	2	3	4
	<u>50,810</u>	<u>48,313</u>	<u>146,802</u>	<u>139,023</u>
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	11,213	18,698	40,215	45,491
Net gain/(loss) on revaluation of financial assets at fair value through profit or loss	3,423	-	8,865	(1)
Net derivatives gain/(loss)	12	(29)	(43)	48
	<u>14,648</u>	<u>18,669</u>	<u>49,037</u>	<u>45,538</u>
<i>Other operating income</i>				
Gross dividend income from:				
- unit trust in Malaysia	53	27	4,736	894
- quoted shares outside Malaysia	-	-	259	-
	<u>53</u>	<u>27</u>	<u>4,995</u>	<u>894</u>

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Unaudited Interim Financial Statements**26. Income derived from investment of shareholders' funds (continued)**

	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
<i>Fees and commission</i>				
Fees	46,614	44,592	131,454	130,477
Commission	3,775	3,309	11,418	14,918
Others	3,594	6,781	14,898	24,847
	53,983	54,682	157,770	170,242
<i>Other income</i>				
Net gain on disposal of property and equipment	423	104	421	374
Rental income	610	621	1,832	1,672
Other income	82	52	368	102
	1,115	777	2,621	2,148
	120,609	122,468	361,225	357,845
Bank				
<i>Finance income and hibah</i>				
Financing, advances and others	1,586	1,859	5,005	5,463
Financial assets at fair value through other comprehensive income	49,224	46,452	141,794	133,556
Money at call and deposits with financial institutions	1	1	3	3
	50,811	48,312	146,802	139,022
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	11,212	18,701	40,214	45,511
Net gain on revaluation of financial assets at fair value through profit or loss	3,420	-	8,861	-
Net derivatives gain/(loss)	12	(29)	(43)	48
	14,644	18,672	49,032	45,559
<i>Other operating income</i>				
Gross dividend income from:				
- unit trust in Malaysia	10	9	4,600	787
- quoted shares outside Malaysia	-	-	259	-
	10	9	4,859	787

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Unaudited Interim Financial Statements**26. Income derived from investment of shareholders' funds (continued)**

	3 months ended		9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
<i>Fees and commission</i>				
Fees	37,554	33,644	105,218	108,220
Commission	4,858	5,065	15,848	19,896
Others	4,555	4,459	13,927	15,003
	<u>46,967</u>	<u>43,168</u>	<u>134,993</u>	<u>143,119</u>
<i>Other income</i>				
Net gain on disposal of property and equipment	423	104	421	374
Rental income	702	702	2,105	1,937
Other income	42	7	285	23
	<u>1,167</u>	<u>813</u>	<u>2,811</u>	<u>2,334</u>
	<u>113,599</u>	<u>110,974</u>	<u>338,497</u>	<u>330,821</u>

27. Net allowance for impairment on financing and advances

Group and Bank	3 months ended		9 months ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Net allowance for impairment on financing, advances and others:				
- Collective assessment - 12 months ECL	15,761	13,508	15,754	10,475
- Collective assessment - Lifetime ECL	35,250	20,695	110,933	74,145
- Individual assessment - Lifetime ECL	12,629	19,144	35,463	57,819
	<u>63,640</u>	<u>53,347</u>	<u>162,150</u>	<u>142,439</u>
Bad debts and financing recovered	<u>(29,583)</u>	<u>(27,243)</u>	<u>(75,275)</u>	<u>(80,414)</u>
	<u>34,057</u>	<u>26,104</u>	<u>86,875</u>	<u>62,025</u>

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Unaudited Interim Financial Statements**28. Income attributable to depositors**

Group	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
- Mudharabah fund	2,080	2,351	6,190	7,356
- Non-Mudharabah fund	325,676	304,781	981,445	900,580
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	81	-	402	409
Recourse obligation on financing sold to Cagamas	17,798	17,813	53,412	24,938
	345,635	324,945	1,041,449	933,283

Bank

Deposits from customers:				
- Mudharabah fund	2,080	2,351	6,190	7,356
- Non-Mudharabah fund	325,743	304,860	981,648	900,787
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah fund	81	-	402	409
Recourse obligation on financing sold to Cagamas	17,798	17,813	53,412	24,938
	345,702	325,024	1,041,652	933,490

29. Income attributable to investment account holders

Group and Bank	3 months ended		9 months ended	
	30.09.2019	30.09.2019	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts:				
- <i>Mudharabah</i>	2,350	1,268	7,649	4,163
- <i>Wakalah</i>	42,667	22,265	112,243	65,090
	45,017	23,533	119,892	69,253

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Unaudited Interim Financial Statements**30. Personnel expenses**

Group	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	119,768	119,695	359,030	341,724
Employees' Provident Fund	16,702	14,397	48,600	43,380
Other staff related costs	18,051	16,181	52,489	42,687
	<u>154,521</u>	<u>150,273</u>	<u>460,119</u>	<u>427,791</u>
Bank				
Salaries, allowances and bonuses	116,966	117,562	351,289	335,119
Employees' Provident Fund	16,313	14,100	47,526	42,462
Other staff related costs	17,624	15,846	51,378	41,758
	<u>150,903</u>	<u>147,508</u>	<u>450,193</u>	<u>419,339</u>

31. Other overhead expenses

Group	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Promotion				
Credit and debit card expenses	9,955	7,755	25,853	23,533
Advertisement and publicity	4,933	2,310	8,612	6,748
Others	5,350	10,237	17,761	24,624
	<u>20,238</u>	<u>20,302</u>	<u>52,226</u>	<u>54,905</u>
Establishment				
Office rental	6,218	13,868	22,047	40,424
Depreciation of property and equipment	13,546	12,152	38,242	35,741
Depreciation right-of-use assets	4,548	-	11,144	-
Information technology expenses	13,091	12,145	35,310	34,438
Security services	2,352	1,580	6,972	7,634
Utilities	4,068	3,630	11,016	10,445
Office maintenance	3,317	2,582	8,248	8,562
Rental of equipment	1,407	1,232	3,899	3,545
Takaful	2,308	2,002	6,819	6,336
Others	39	40	320	320
	<u>50,894</u>	<u>49,231</u>	<u>144,017</u>	<u>147,445</u>

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Unaudited Interim Financial Statements**31. Other overhead expenses (continued)**

	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
<i>General expenses</i>				
Outsourcing fees	3,793	4,746	12,611	12,222
Office supplies	2,428	2,039	6,931	6,001
Subscription fees	758	1,209	3,241	2,914
Travelling and transportation	2,240	2,013	5,782	6,011
Security services - cash in transit	1,932	1,900	5,353	4,673
Professional fees	2,590	1,340	7,577	6,329
Others	16,767	15,580	51,317	50,381
	<u>30,508</u>	<u>28,827</u>	<u>92,812</u>	<u>88,531</u>
	<u>101,640</u>	<u>98,360</u>	<u>289,055</u>	<u>290,881</u>
Bank				
<i>Promotion</i>				
Credit and debit card expenses	9,955	7,755	25,853	23,533
Advertisement and publicity	4,840	2,222	8,262	6,482
Others	2,207	1,954	6,589	7,030
	<u>17,002</u>	<u>11,931</u>	<u>40,704</u>	<u>37,045</u>
<i>Establishment</i>				
Office rental	6,205	13,837	22,006	40,365
Depreciation of property and equipment	13,491	12,090	38,071	35,556
Depreciation right-of-use assets	4,548	-	11,144	-
Information technology expenses	13,091	12,145	35,310	34,438
Security services	2,352	1,580	6,972	7,634
Utilities	4,049	3,609	10,962	10,392
Office maintenance	3,261	2,525	8,077	8,403
Rental of equipment	1,385	1,213	3,831	3,485
Takaful	2,306	2,001	6,814	6,330
Others	39	40	320	320
	<u>50,727</u>	<u>49,040</u>	<u>143,507</u>	<u>146,923</u>

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Unaudited Interim Financial Statements**31. Other overhead expenses (continued)**

	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
<i>General expenses</i>				
Outsourcing fees	3,793	4,746	12,611	12,222
Office supplies	2,393	2,004	6,825	5,908
Subscription fees	758	1,209	3,241	2,914
Travelling and transportation	2,186	1,971	5,641	5,895
Security services - cash in transit	1,932	1,900	5,353	4,673
Professional fees	2,551	1,268	7,392	6,191
Others	17,318	15,865	52,280	51,761
	<u>30,931</u>	<u>28,963</u>	<u>93,343</u>	<u>89,564</u>
	<u>98,660</u>	<u>89,934</u>	<u>277,554</u>	<u>273,532</u>

32. Finance cost

Group and Bank	Notes	3 months ended		6 months ended	
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
		RM'000	RM'000	RM'000	RM'000
Finance cost:					
- Subordinated Sukuk Murabahah		17,628	13,734	52,311	40,635
- Profit expense on leases	17	4,576	-	13,544	-
		<u>22,204</u>	<u>13,734</u>	<u>65,855</u>	<u>40,635</u>

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33. Segmental Reporting on Revenue, Profit and Assets

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>9 months ended 30 September 2019</u>						
Total Revenue	1,637,156	481,452	569,793	48,195	(11,141)	2,725,455
Net fund based income	731,415	289,984	77,332	145,247	-	1,243,978
Non-fund based income	108,499	25,121	154,711	42,743	(10,938)	320,136
Net income	839,914	315,105	232,043	187,990	(10,938)	1,564,114
Net allowance for impairment	(57,885)	(33,991)	1,068	-	-	(90,808)
Profit before overheads, zakat & tax	782,029	281,114	233,111	187,990	(10,938)	1,473,306
Operating expenses						(827,114)
Profit before zakat & tax						646,192
<u>9 months ended 30 September 2018</u>						
Total Revenue	1,543,665	462,365	420,830	46,296	(10,328)	2,462,828
Net fund based income	722,195	288,178	(13,641)	217,277	-	1,214,009
Non-fund based income	116,266	26,666	72,847	40,625	(10,121)	246,283
Net income	838,461	314,844	59,206	257,902	(10,121)	1,460,292
Net allowance for impairment	(33,437)	(28,588)	89	-	-	(61,936)
Profit before overheads, zakat & tax	805,024	286,256	59,295	257,902	(10,121)	1,398,356
Operating expenses						(772,639)
Profit before zakat & tax						625,717

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

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

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>At 30 September 2019</u>						
Segment assets	36,180,472	12,027,741	14,440,536	52,247	(36,979)	62,664,017
Unallocated assets						<u>2,863,618</u>
Total assets						<u>65,527,635</u>
<u>At 31 December 2018</u>						
Segment assets	34,711,553	10,969,128	15,381,399	46,194	(30,829)	61,077,445
Unallocated assets						<u>2,861,288</u>
Total assets						<u>63,938,733</u>

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Unaudited Interim Financial Statements**34. Fair value of Financial Instruments****Fair value hierarchy**

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

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

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

Group 30 September 2019 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 3		
Financial assets							
Financial assets at fair value through profit or loss	-	891,053	-	891,053	-	891,053	891,053
Derivative financial assets	-	21,649	-	21,649	-	21,649	21,649
Financial assets at fair value through other comprehensive income	11,164	12,198,292	37,982	12,247,438	-	12,247,438	12,247,438
Financing, advances and others	-	-	-	-	48,356,828	48,356,828	48,208,214
Financial liabilities							
Derivative financial liabilities	-	13,226	-	13,226	-	13,226	13,226
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,548,690	1,548,690	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,339,460	1,339,460	1,326,155

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34. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Group 31 December 2018 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
Financial assets							
Financial assets at fair value through profit or loss	-	364,959	-	364,959	-	364,959	364,959
Derivative financial assets	-	34,148	-	34,148	-	34,148	34,148
Financial assets at fair value through other comprehensive income	12,446	11,318,781	23,072	11,354,299	-	11,354,299	11,354,299
Financing, advances and others	-	-	-	-	46,594,025	46,594,025	45,680,680
Financial liabilities							
Derivative financial liabilities	-	19,520	-	19,520	-	19,520	19,520
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,517,235	1,517,235	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,361,535	1,361,535	1,308,634
Bank							
30 September 2019 RM'000							
	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
Financial assets							
Financial assets at fair value through profit or loss	-	885,476	-	885,476	-	885,476	885,476
Derivative financial assets	-	21,649	-	21,649	-	21,649	21,649
Financial assets at fair value through other comprehensive income	11,164	12,198,292	38,720	12,248,176	-	12,248,176	12,248,176
Financing, advances and others	-	-	-	-	48,356,828	48,356,828	48,208,214
Financial liabilities							
Derivative financial liabilities	-	13,226	-	-	-	13,226	13,226
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,548,690	1,548,690	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,339,460	1,339,460	1,326,155

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Unaudited Interim Financial Statements**34. Fair value of Financial Instruments (continued)****Fair value hierarchy (continued)**

Bank 31 December 2018 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
<i>Financial assets</i>							
Financial assets at fair value through profit or loss	-	359,533	-	359,533	-	359,533	359,533
Derivative financial assets	-	34,148	-	34,148	-	34,148	34,148
Financial assets at fair value through other comprehensive income	12,446	11,318,781	23,862	11,355,089	-	11,355,089	11,355,089
Financing, advances and others	-	-	-	-	46,594,025	46,594,025	45,680,680
<i>Financial liabilities</i>							
Derivative financial liabilities	-	19,520	-	19,520	-	19,520	19,520
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,517,235	1,517,235	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,361,535	1,361,535	1,308,634

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Unaudited Interim Financial Statements**34. Fair value of Financial Instruments (continued)****Fair value hierarchy (continued)****Unobservable inputs used in measuring fair value**

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

(a) Financial instruments carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity investments	Adjusted net asset method	Assets and liabilities of the investee company	Changes on the assets and liabilities would reflect the fair value measurement

(b) Financial instruments not carried at fair value

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

(i) Other financial assets at amortised cost

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

(ii) Financing, advances and others

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

(iii) Subordinated Sukuk Murabahah

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

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Unaudited Interim Financial Statements**35. Commitment and Contingencies**

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

As at 30 September 2019	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
<i>Credit related exposures</i>			
Direct credit substitutes	400,549	400,549	398,877
Transaction related contingent items	887,993	443,996	420,771
Short-term self-liquidating trade related contingencies	647,941	129,588	129,555
Other commitments, such as formal standby facilities and credit lines, with an original maturity exceeding one year	1,153,212	576,606	479,961
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	7,902,429	-	-
	<u>10,992,124</u>	<u>1,550,739</u>	<u>1,429,164</u>
		Positive Fair	
	Principal	Value of	Credit
	Amount	Derivative	Equivalent
	RM'000	Contracts	Amount
		RM'000	RM'000
			Risk
			Weighted
			Asset
			RM'000
<i>Derivative Financial Instruments</i>			
Foreign exchange related contracts			
- less than one year	5,608,593	19,787	75,133
Profit rate related contracts			
- one year to less than five years	155,079	1,862	7,719
	<u>5,763,672</u>	<u>21,649</u>	<u>82,852</u>
Total	<u>16,755,796</u>	<u>21,649</u>	<u>1,633,591</u>

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Unaudited Interim Financial Statements**35. Commitment and Contingencies (continued)**

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

As at 31 December 2018	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000	
<i>Credit related exposures</i>				
Direct credit substitutes	487,980	487,980	488,189	
Transaction related contingent items	1,015,198	507,599	471,867	
Short-term self-liquidating trade related contingencies	247,008	49,402	43,608	
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	-	-	-	
- exceeding one year	1,627,618	813,809	630,266	
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,336,717	-	-	
	<u>10,714,521</u>	<u>1,858,790</u>	<u>1,633,930</u>	
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
- less than one year	2,869,455	30,653	65,839	50,495
Profit rate related contracts				
- less than one year	400,000	1,708	810	162
- five years and above	178,379	1,787	10,264	6,419
	<u>3,447,834</u>	<u>34,148</u>	<u>76,913</u>	<u>57,076</u>
Total	<u>14,162,355</u>	<u>34,148</u>	<u>1,935,703</u>	<u>1,691,006</u>

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Unaudited Interim Financial Statements**36. Capital adequacy**

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

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

	Group		Bank	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
CET I & Tier I capital ratio	13.137%	13.317%	13.107%	13.287%
Total capital ratio	17.503%	17.767%	17.479%	17.741%

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

	Group		Bank	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	3,012,368	3,012,368	3,012,368	3,012,368
Retained earnings	2,304,868	2,362,476	2,300,653	2,359,060
Other reserves	109,629	(98,437)	109,742	(98,261)
<u>Less:</u>				
Deferred tax assets	(43,086)	(51,385)	(41,580)	(49,842)
Gain on financial instruments classified as fair value through other comprehensive income	(118,645)	(1,446)	(118,645)	(1,446)
Regulatory reserve	(10,000)	(10,000)	(10,000)	(10,000)
Investment in subsidiaries	-	-	(15,525)	(15,525)
Total CET I and Tier I Capital	<u>5,255,134</u>	<u>5,213,576</u>	<u>5,237,013</u>	<u>5,196,354</u>
Sukuk Murabahah	1,300,000	1,300,000	1,300,000	1,300,000
Collective assessment allowance and regulatory reserve [^]	446,839	441,938	446,656	441,788
Total Tier II Capital	<u>1,746,839</u>	<u>1,741,938</u>	<u>1,746,656</u>	<u>1,741,788</u>
Total Capital	<u><u>7,001,973</u></u>	<u><u>6,955,514</u></u>	<u><u>6,983,669</u></u>	<u><u>6,938,142</u></u>

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

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Unaudited Interim Financial Statements**36. Capital adequacy (continued)**

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

	Group		Bank	
	30.09.2019 RM'000	31.12.2018 RM'000	30.09.2019 RM'000	31.12.2018 RM'000
Credit risk	41,534,839	38,963,775	41,520,185	38,951,812
Less : Credit risk absorbed by unrestricted investment accounts	(5,787,689)	(3,608,741)	(5,787,689)	(3,608,741)
	35,747,150	35,355,034	35,732,496	35,343,071
Market risk	756,009	422,763	756,009	422,763
Operational risk	3,500,338	3,370,712	3,465,872	3,342,947
	40,003,497	39,148,509	39,954,377	39,108,781

37. Performance review for the nine months ended 30 September 2019

The Group reported profit before zakat and tax of RM646.2 million, an increase of 3.3% for the nine months ended 30 September 2019 compared to the previous corresponding period. The improved performance was mainly attributed from higher net income of RM1,461.2 million, offset by higher personnel expenses and finance cost of RM460.1 million and RM65.8 million respectively.

Year-on-year net financing assets grew by RM4.0 billion or 8.9% to reach RM48.2 billion as at end of 30 September 2019. Correspondingly, net fund based income from financing also increased by RM30.0 million or 2.5%.

As at 30 September 2019, customer deposits and investment accounts stood at RM56.0 billion with a year-on-year increase of RM5.7 billion or 11.3%. Current Account, Saving Account and Transactional Investment Account (“CASATIA”) ratio as at end of September 2019 was 31.2% against previous corresponding period of 32.3%.

The Group’s gross impaired financing ratio was 1.11% while the net impaired financing ratio was at negative 0.45% as at end of 30 September 2019 compared to 0.92% and a negative 0.80% respectively as at 31 December 2018. The Banking System gross impaired ratio was 1.61% and the net impaired ratio was 0.16% as at end of August 2019, based on BNM’s statistical bulletin.

The key performance ratios as at end of September 2019 also compared favourably against the Banking System ratios as at end of 31 August 2019. The Bank’s return on equity and return on assets based on profit before zakat and tax (“PBZT”) were 16.0% and 1.40% respectively against the Islamic Banking Industry’s 15.7% and 1.10% respectively.

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38. Prospect for 2019

In BNM's quarterly report released on 16 August 2019, overall Gross Domestic Product ("GDP") growth was higher at 4.9% in Q2 2019. Strong GDP growth was attributable by continued expansion in domestic demand. Average headline inflation for Year-to-Date ("YTD") is 0.3% and is expected to remain low. This is underpinned by the lapse in the impact of consumption tax policy changes, the muted outlook on global oil prices, and policy measures in containing food prices.

On 12 September 2019, the Monetary Policy Committee ("MPC") of BNM has decided to maintain the Overnight Policy Rate ("OPR") at 3.00%. The decision indicates on the slower pace in global activity in most major advanced and emerging economies. This is likely due to escalating trade tension, uncertainties in the global and domestic environment as well as weak commodity-related sectors.

While the OPR remains at 3.00%, deposit rates would rise due to continuous competition in the banking industries as banks brace for upcoming implementation of net stable funding ratio ("NSFR") requirements. Nonetheless, the lack of liquidity is not too alarming at the current juncture as current account in the balance of payment remains in surplus while industry financing-to-deposit ratio is well below 100%.

Net Income Margin ("NIM") is likely to be compressed further should deposit rates go higher despite OPR remains at 3.00%. The banking sector is expected to brace for a tougher second half against the backdrop of decrease in financing growth and thinning margins. Financing growth for the industry is expected to decrease to about 5% in 2019 (2018: +5.6%), as GDP growth moderates. We expect consumer and business financing growth to taper down in 2019 due to slowdown in exports. This will continue to compress the NIM.

Nevertheless, the Bank believes that it is able to maintain a stable outlook on profitability, albeit a challenging economic environment. Overall profitability indicators are likely to remain intact, as the Bank continues expanding while containing costs. The pursuit for digitalisation will help to increase transactions used by the customers and is hoped to provide a boost for non-fund based income in the longer term.

39. Subsequent events

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