

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

**Statements of Financial Position as at 30 September 2017**

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

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

**Statements of Financial Position as at 30 September 2017 (continued)**

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

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

**Bank Islam Malaysia Berhad (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 2017**

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

**Bank Islam Malaysia Berhad (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 2017 (continued)**

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

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**Bank Islam Malaysia Berhad (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 2017 (continued)**

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

**Bank Islam Malaysia Berhad (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 2017 (continued)**

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

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

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

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

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**Unaudited Interim Financial Statements**

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

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

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

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

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

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

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

(Incorporated in Malaysia)

## **Unaudited Interim Financial Statements**

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

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

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

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

The unaudited interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2016. The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2016.

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

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

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

#### **Companies Act 2016**

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

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

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

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

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

**1. Basis of preparation (continued)**

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

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

The key changes in the Revised Policy Document are:

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

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

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

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

**3. Seasonal or cyclical factors**

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

**4. Unusual items**

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

**5. Changes in accounting estimates**

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

**6. Sukuk and equity securities**

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

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

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

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

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

**8. Dividends**

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

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

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

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

**10. Deposits and placements with banks and other financial institutions**

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

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

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

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

**12. Derivative financial assets/liabilities**

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

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

| <b>Group and Bank</b> | <b>30.09.2017</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     | <b>3,140,402</b>        | <b>26,380</b>     | <b>(36,018)</b>    |
| Profit rate swaps     | <b>615,146</b>          | <b>4,337</b>      | <b>(2,027)</b>     |
|                       | <b>3,755,548</b>        | <b>30,717</b>     | <b>(38,045)</b>    |

|                   | <b>31.12.2016</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 | 3,117,570               | 117,445           | (107,469)          |
| Profit rate swaps | 836,027                 | 7,127             | (3,620)            |
|                   | <b>3,953,597</b>        | <b>124,572</b>    | <b>(111,089)</b>   |

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

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

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

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

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

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

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

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

**15. Financing, advances and others**

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

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

Allowance for impairment on financing, advances and others

- collective assessment allowance

(509,684)

- individual assessment allowance

(138,078)

Net financing, advances and others

**40,101,326**

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

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

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

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

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

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

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

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

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

**(b) By type of customer**

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

**(c) By profit rate sensitivity**

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

**(d) By remaining contractual maturity**

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

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

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

**(e) By geographical distribution**

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

**(f) By sector**

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

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

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

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

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

(h) Impaired financing by geographical distribution

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

(i) Impaired financing by sector

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

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

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

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

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

**16. Other assets**

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

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

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

**17. Deposits from customers**

**a) By type and Shariah contract**

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

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

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

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

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

**c) By type of customers**

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

**18. Investment accounts of customers**

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

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

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

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

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

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

**(b) By type of customers**

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

**19. Deposits and placements of banks and other financial institutions**

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

**20. Subordinated Sukuk Murabahah**

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

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

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

The Bank issued the following tranches of Subordinated Sukuk Murabahah:

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

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

**21. Other liabilities**

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

**22. Share capital**

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

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

**22. Share capital (continued)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**27. Income attributable to depositors**

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

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

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

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

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

**29. Personnel expenses**

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

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

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

**30. Other overhead expenses**

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

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

**30. Other overhead expenses (continued)**

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

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

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

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

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

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

**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.

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

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

**Fair value hierarchy (continued)**

| Group<br>30 September 2017<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     |  |                     |                    |
| <i>Financial assets</i>              |  |           |         |           |  |                     |                    |
| Financial assets held-for-trading    | -  | 380,019   | -       | 380,019   | -  | 380,019             | 380,019            |
| Derivative financial assets          | -  | 30,717    | -       | 30,717    | -  | 30,717              | 30,717             |
| Financial assets available-for-sale  | 18,985   | 9,401,285 | -       | 9,420,270 | 5,300  | 9,425,570           | 9,425,570          |
| Financial assets held-to-maturity    | -  | -         | -       | -         | -  | -                   | -                  |
| Financing, advances and others       | -  | -         | -       | -         | 40,297,176   | 40,297,176          | 40,101,326         |
| <i>Financial liabilities</i>         |  |           |         |           |  |                     |                    |
| Derivative financial liabilities     | -  | 38,045    | -       | 38,045    | -  | 38,045              | 38,045             |
| Subordinated Sukuk Murabahah         | -  | -         | -       | -         | 752,427  | 752,427             | 714,179            |
| <hr/>                                |  |           |         |           |  |                     |                    |
| <i>Financial assets</i>              |  |           |         |           |  |                     |                    |
| Financial assets held-for-trading    | -  | 574,835   | -       | 574,835   | -  | 574,835             | 574,835            |
| Derivative financial assets          | -  | 124,572   | -       | 124,572   | -  | 124,572             | 124,572            |
| Financial assets available-for-sale  | 21,124   | 9,930,862 | -       | 9,951,986 | 5,300  | 9,957,286           | 9,957,286          |
| Financial assets held-to-maturity    | -  | -         | -       | -         | 57,703   | 57,703              | 57,703             |
| Financing, advances and others       | -  | -         | -       | -         | 39,233,082   | 39,233,082          | 39,189,274         |
| <i>Financial liabilities</i>         |  |           |         |           |  |                     |                    |
| Derivative financial liabilities     | -  | 111,089   | -       | 111,089   | -  | 111,089             | 111,089            |
| Subordinated Sukuk Murabahah         | -  | -         | -       | -         | 740,110  | 740,110             | 704,393            |

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

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

**Fair value hierarchy (continued)**

| Bank<br>30 September 2017<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     |  |                     |                    |
| <i>Financial assets</i>             |  |           |         |           |  |                     |                    |
| Financial assets held-for-trading   | -  | 374,802   | -       | 374,802   | -  | 374,802             | 374,802            |
| Derivative financial assets         | -  | 30,717    | -       | 30,717    | -  | 30,717              | 30,717             |
| Financial assets available-for-sale | 18,985   | 9,401,742 | -       | 9,420,727 | 5,300  | 9,426,027           | 9,426,027          |
| Financial assets held-to-maturity   | -  | -         | -       | -         | -  | -                   | -                  |
| Financing, advances and others      | -  | -         | -       | -         | 40,297,176   | 40,297,176          | 40,101,326         |
| <i>Financial liabilities</i>        |  |           |         |           |  |                     |                    |
| Derivative financial liabilities    | -  | 38,045    | -       | 38,045    | -  | 38,045              | 38,045             |
| Subordinated Sukuk Murabahah        | -  | -         | -       | -         | 752,427  | 752,427             | 714,179            |
| <hr/>                               |  |           |         |           |  |                     |                    |
| <i>Bank</i>                         |  |           |         |           |  |                     |                    |
| <i>31 December 2016</i>             |  |           |         |           |  |                     |                    |
| <i>RM'000</i>                       |  |           |         |           |  |                     |                    |
|                                     | 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     |  |                     |                    |
| <i>Financial assets</i>             |  |           |         |           |  |                     |                    |
| Financial assets held-for-trading   | -  | 569,750   | -       | 569,750   | -  | 569,750             | 569,750            |
| Derivative financial assets         | -  | 124,572   | -       | 124,572   | -  | 124,572             | 124,572            |
| Financial assets available-for-sale | 21,124   | 9,931,319 | -       | 9,952,443 | 5,300  | 9,957,743           | 9,957,743          |
| Financial assets held-to-maturity   | -  | -         | -       | -         | 57,703   | 57,703              | 57,703             |
| Financing, advances and others      | -  | -         | -       | -         | 39,233,082   | 39,233,082          | 39,189,274         |
| <i>Financial liabilities</i>        |  |           |         |           |  |                     |                    |
| Derivative financial liabilities    | -  | 111,089   | -       | 111,089   | -  | 111,089             | 111,089            |
| Subordinated Sukuk Murabahah        | -  | -         | -       | -         | 740,110  | 740,110             | 704,393            |
| <hr/>                               |  |           |         |           |  |                     |                    |

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

**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

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

(b) Financial instruments not carried at fair value

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

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

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

(ii) Financing and advances

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

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

**33. Commitment and Contingencies**

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

|  | Principal<br>Amount<br>RM'000 | Positive Fair<br>Value of<br>Derivative<br>Contracts<br>RM'000 | Credit<br>Equivalent<br>Amount<br>RM'000 | Risk<br>Weighted<br>Asset<br>RM'000 |
|--|-------------------------------|--|--|-------------------------------------|
| <b>As at 30 September 2017</b>   |                               |  |  |                                     |
| <i>Credit related exposures</i>  |                               |  |  |                                     |
| Direct credit substitutes  | 2,858,448                     |  | 2,858,448                                | 2,171,405                           |
| Transaction related contingent items   | 1,018,486                     |  | 509,243                                  | 480,813                             |
| Short term self-liquidating trade related contingencies  | 424,336                       |  | 84,867                                   | 83,792                              |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of:   |                               |  |  |                                     |
| - not exceeding one year   | -                             |  | -  | -                                   |
| - exceeding one year   | 1,372,453                     |  | 686,227                                  | 502,448                             |
| Unutilised credit card lines   | -                             |  | -  | -                                   |
| Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 4,517,540                     |  | -  | -                                   |
|  | <b>10,191,263</b>             |  | <b>4,138,785</b>                         | <b>3,238,458</b>                    |
| <i>Derivative Financial Instruments</i>  |                               |  |  |                                     |
| Foreign exchange related contracts   |                               |  |  |                                     |
| - less than one year   | 3,140,402                     | 26,380   | 73,145                                   | 36,810                              |
| Profit rate related contracts  |                               |  |  |                                     |
| - less than one year   | -                             | -  | -  | -                                   |
| - one year to less than five years   | 400,000                       | 1,848  | 4,635                                    | 927                                 |
| - five years and above   | 215,146                       | 2,489  | 14,919                                   | 9,474                               |
|  | <b>3,755,548</b>              | <b>30,717</b>  | <b>92,699</b>                            | <b>47,211</b>                       |
| <b>Total</b>   | <b>13,946,811</b>             | <b>30,717</b>  | <b>4,231,484</b>                         | <b>3,285,669</b>                    |

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

**33. Commitment and Contingencies (continued)**

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

| <b>As at 31 December 2016</b>  | <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>Credit related exposures</i></b>   |  |   |  |   |
| Direct credit substitutes  | 294,460                                |   | 294,460  | 293,848                                       |
| Transaction related contingent items   | 952,188                                |   | 476,094  | 443,165                                       |
| Short term self-liquidating trade related contingencies  | 341,524                                |   | 68,305   | 67,309  |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of:   |  |   |  |   |
| - not exceeding one year   | 591,031                                |   | 118,206  | 88,979  |
| - exceeding one year   | 1,792,008                              |   | 896,004  | 715,873                                       |
| Unutilised credit card lines   | 1,140,141                              |   | 228,028  | 171,563                                       |
| Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 4,639,610                              |   | -  | -   |
|  | <u>9,750,962</u>                       |   | <u>2,081,097</u>                                   | <u>1,780,737</u>                              |
| <b><i>Derivative Financial Instruments</i></b>   |  |   |  |   |
| Foreign exchange related contracts   |  |   |  |   |
| - less than one year   | 3,117,570                              | 117,445   | 163,823  | 79,734  |
| Profit rate related contracts  |  |   |  |   |
| - less than one year   | 200,000                                | 1,397   | 200  | 40  |
| - one year to less than five years   | 400,000                                | 2,729   | 9,497  | 1,899   |
| - five years and above   | 236,027                                | 3,001   | 18,971   | 11,606  |
|  | <u>3,953,597</u>                       | <u>124,572</u>  | <u>192,491</u>                                     | <u>93,279</u>                                 |
| <b>Total</b>   | <u><u>13,704,559</u></u>               | <u><u>124,572</u></u>   | <u><u>2,273,588</u></u>                            | <u><u>1,874,016</u></u>                       |

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

**34. Capital adequacy**

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

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

|                              | <b>Group</b>      |                   | <b>Bank</b>       |                   |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
|                              | <b>30.09.2017</b> | <b>31.12.2016</b> | <b>30.09.2017</b> | <b>31.12.2016</b> |
| CET I & Tier I capital ratio | 12.606%           | 12.397%           | 12.595%           | 12.362%           |
| Total capital ratio          | 15.638%           | 15.518%           | 15.634%           | 15.484%           |

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

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

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

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

**34. Capital adequacy (continued)**

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

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

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

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

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

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

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

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

**36. Prospect for 2017**

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

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

**36. Prospect for 2017 (continued)**

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

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

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

**37. Subsequent events**

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