

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

Statements of Financial Position as at 31 March 2018

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

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

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2017.

Bank Islam Malaysia Berhad (98127-X)

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

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

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

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

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

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

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2017.

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

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

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2017.

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Condensed Statements of Cash Flow
for the three months ended 31 March 2018

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

The Unaudited Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and of the Bank for the financial year ended 31 December 2017.

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

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the three months ended 31 March 2018 have been prepared in accordance with the applicable requirements of MFRS 134: *Interim Financial Reporting* in Malaysia issued by Malaysian Accounting Standards Board (“MASB”), Financial Reporting for Islamic Banking Institution policy document issued by Bank Negara Malaysia (“BNM”), the provisions of the Companies Act 2016 and Shariah requirements.

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

The unaudited interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2017. The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2017.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the recent audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following Malaysian Financial Reporting Standards (“MFRS”), interpretation and amendments to MFRSs:

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

The adoption of the new standards, amendments to published standards and interpretation are not expected to have impact on the financial results of the Group and the Bank, except for MFRS 9. The principal effects of the changes in accounting policies arising from adoption of MFRS 9 are disclosed in Note 6.

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2. Auditors' reports on preceding financial period financial statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2017 was not qualified.

3. Seasonal or cyclical factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the three months ended 31 March 2018.

4. Unusual items

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

5. Changes in accounting estimates

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

6. Changes in accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group and the Bank's consolidated financial statements as at and for the year ended 31 December 2017, except for the impact of adopting MFRS 9 as described below.

The changes in accounting policies are also expected to be reflected in the Group and the Bank's consolidated financial statements as at and for the year ending 31 December 2018.

MFRS 9, *Financial Instruments*

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

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

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

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6. Changes in accounting policies (continued)

MFRS 9, Financial Instruments (continued)

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

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

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

(i) Classification of financial assets and financial liabilities

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

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

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6. Changes in accounting policies (continued)

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

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

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

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

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6. Changes in accounting policies (continued)

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

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

(ii) Impairment of financial assets

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

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

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

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6. Changes in accounting policies (continued)

(ii) Impairment of financial assets

i) Stage 1: 12-months ECL

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

ii) Stage 2: Lifetime ECL - not credit impaired

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

iii) Stage 3: Lifetime ECL - credit impaired

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

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

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

Measurement of ECL

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

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

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6. Changes in accounting policies (continued)

(ii) Impairment of financial assets (continued)

Credit-impaired financial assets

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

Impact of the new impairment model

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

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

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

7. Sukuk and equity securities

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

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

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

9. Dividends

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

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10. Cash and short-term funds

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

11. Financial assets held-for-trading

	Group		Bank	
	31.03.2018 RM'000	31.12.2017 RM'000	31.03.2018 RM'000	31.12.2017 RM'000
At fair value				
Malaysian Government Investment Issues	-	355,681	-	355,681
Sukuk	-	19,983	-	19,983
Unit trust	-	5,261	-	-
	<u>-</u>	<u>380,925</u>	<u>-</u>	<u>375,664</u>

12. Financial assets at fair value through profit and loss

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

	Group		Bank	
	31.03.2018 RM'000	31.12.2017 RM'000	31.03.2018 RM'000	31.12.2017 RM'000
At fair value				
Malaysian Government Investment Issues	304,139	-	304,139	-
Sukuk	30,387	-	30,387	-
Unit trust	18,809	-	13,498	-
Bank Negara Negotiable Notes	4,358	-	4,358	-
	<u>357,693</u>	<u>-</u>	<u>352,382</u>	<u>-</u>

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13. Derivative financial assets/liabilities

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

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

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

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

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14. Financial assets available-for-sale

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

[^] Movement in unquoted shares and accumulated impairment loss is due to translation difference.

15. Financial assets at fair value through other comprehensive income

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

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

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

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

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

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

16. Financial assets held-to-maturity

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

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17. Financing, advances and others

(a) By type and Shariah contract

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

Allowance for impairment on financing, advances and others

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

(392,852)

- collective assessment allowance - lifetime ECL

(221,150)

- individual assessment allowance- lifetime ECL

(142,310)

Net financing, advances and others

42,381,390

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17. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

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

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17. Financing, advances and others (continued)

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

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

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

(b) By type of customer

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

(c) By profit rate sensitivity

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

(d) By remaining contractual maturity

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

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17. Financing, advances and others (continued)

(e) By geographical distribution

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

(f) By sector

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

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17. Financing, advances and others (continued)

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

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

(h) Impaired financing by geographical distribution

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

(i) Impaired financing by sector

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

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17. Financing, advances and others (continued)

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

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

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

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18. Other financial assets at amortised cost

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

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

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19. Deposits from customers

a) By type and Shariah contract

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

b) Maturity structure of term deposits are as follows:

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

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19. Deposits from customers (continued)

c) By type of customers

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

20. Investment accounts of customers

(a) By type and Shariah contract

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

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20. Investment accounts of customers (continued)

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

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

(b) By type of customers

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

21. Subordinated Sukuk Murabahah

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

The Bank issued the following tranches of Subordinated Sukuk Murabahah:

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

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21. Subordinated Sukuk Murabahah (continued)

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

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

22. Other liabilities

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

23. Income derived from investment of depositors' funds

Group and Bank	3 months ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
Income derived from investment of:		
(i) Saving and demand deposits	193,758	182,331
(ii) General investment deposits	4,874	8,795
(iii) Term deposits	357,280	320,637
(iv) Other deposits	56,641	53,994
	<u>612,553</u>	<u>565,757</u>

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

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

Group and Bank	3 months ended	
	31.03.2018 RM'000	31.03.2017 RM'000
<i>Finance income and hibah</i>		
Financing, advances and others	168,853	156,936
Financial assets:		
- fair value through profit and loss	1,263	-
- fair value through other comprehensive income	16,948	-
- held-for-trading	-	1,434
- available-for-sale	-	20,648
- held-to-maturity	-	199
Money at call and deposits with financial institutions	5,831	3,029
	<u>192,895</u>	<u>182,246</u>
<i>Other dealing income</i>		
Net gain from sale of financial assets at fair value through profit or loss	252	-
Net gain on revaluation of financial assets at fair value through profit or loss	112	-
Net loss from sale of financial assets held-for-trading	-	(1,701)
Net gain on revaluation of financial assets held-for-trading	-	1,473
	<u>364</u>	<u>(228)</u>
<i>Other operating income</i>		
Net gain from sale of financial assets at fair value through other comprehensive income	499	-
Net gain from sale of financial assets available-for-sale	-	313
	<u>499</u>	<u>313</u>
	<u>193,758</u>	<u>182,331</u>
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	<u>3,239</u>	<u>2,626</u>

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

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

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

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

(iii) Income derived from investment of term deposits

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

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

(iv) Income derived from investment of other deposits

Group and Bank	3 months ended	
	31.03.2018	31.03.2017
	RM'000	RM'000
<i>Finance income and hibah</i>		
Financing, advances and others	49,354	46,473
Financial assets:		
- fair value through profit and loss	367	-
- fair value through other comprehensive income	4,950	-
- held-for-trading	-	425
- available-for-sale	-	6,115
- held-to-maturity	-	59
Money at call and deposits with financial institutions	1,724	897
	56,395	53,969
<i>Other dealing income</i>		
Net gain from sale of financial assets at fair value through profit or loss	80	-
Net gain on revaluation of financial assets at fair value through profit or loss	14	-
Net loss from sale of financial assets held-for-trading	-	(504)
Net gain on revaluation of financial assets held-for-trading	-	436
	94	(68)
<i>Other operating income</i>		
Net gain from sale of financial assets at fair value through other comprehensive income	152	-
Net gain from sale of financial assets available-for-sale	-	93
	152	93
	56,641	53,994
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	950	777

24. Income derived from investment account funds

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

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25. Income derived from investment of shareholders' funds

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

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26. Allowance for impairment on financing and advances

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

27. Income attributable to depositors

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

28. Income attributable to investment account holders

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

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29. Personnel expenses

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

30. Other overhead expenses

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

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31. Segmental Reporting on Revenue, Profit and Assets

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

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

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>At 31 March 2018</u>						
Segment assets	31,693,272	10,420,148	12,961,042	80,698	(31,755)	55,123,405
Unallocated assets						<u>3,608,764</u>
Total assets						<u><u>58,732,169</u></u>
<u>At 31 December 2017</u>						
Segment assets	31,693,272	10,420,148	12,961,042	41,366	(33,167)	55,082,661
Unallocated assets						<u>2,660,253</u>
Total assets						<u><u>57,742,914</u></u>

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32. Fair value of Financial Instruments

Fair value hierarchy

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

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

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

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32. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Group 31 March 2018 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
Financial assets							
Financial assets at fair value through profit or loss	-	357,693	-	357,693	-	357,693	357,693
Derivative financial assets	-	71,255	-	71,255	-	71,255	71,255
Financial assets at fair value through other comprehensive income	14,795	9,301,669	23,862*	9,340,326	-	9,340,326	9,340,326
Financing, advances and others	-	-	-	-	42,533,908	42,533,908	42,381,390
Financial liabilities							
Derivative financial liabilities	-	85,370	-	85,370	-	85,370	85,370
Subordinated Sukuk Murabahah	-	-	-	-	1,057,822	1,057,822	1,019,922
Group 31 December 2017 RM'000							
	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
Financial assets							
Financial assets held-for-trading	-	380,925	-	380,925	-	380,925	380,925
Derivative financial assets	-	68,319	-	68,319	-	68,319	68,319
Financial assets available-for-sale	17,612	9,229,771	-	9,247,383	5,300*	9,252,683	9,252,683
Financing, advances and others	-	-	-	-	42,299,796	42,299,796	42,113,420
Financial liabilities							
Derivative financial liabilities	-	74,668	-	74,668	-	74,668	74,668
Subordinated Sukuk Murabahah	-	-	-	-	1,050,750	1,050,750	1,006,486

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

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32. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

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

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

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32. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Unobservable inputs used in measuring fair value

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

(a) Financial instruments carried at fair value

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

(b) Financial instruments not carried at fair value

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

(i) Other financial assets at amortised cost

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

(ii) Financing, advances and others

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

(iii) Subordinated Sukuk Murabahah

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

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33. Commitment and Contingencies

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

	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
As at 31 March 2018			
<i>Credit related exposures</i>			
Direct credit substitutes	414,060	414,060	414,128
Transaction related contingent items	1,019,618	509,809	476,620
Short term self-liquidating trade related contingencies	384,523	76,905	76,644
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
- not exceeding one year	11,000	2,200	1,900
- exceeding one year	1,589,901	794,950	593,436
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,857,526	-	-
	<u>11,276,628</u>	<u>1,797,924</u>	<u>1,562,728</u>

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

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33. Commitment and Contingencies (continued)

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

As at 31 December 2017	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
<i>Credit related exposures</i>			
Direct credit substitutes	2,871,511	2,871,511	2,167,427
Transaction related contingent items	1,066,956	533,478	499,771
Short term self-liquidating trade related contingencies	373,328	74,666	71,836
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
- not exceeding one year	318	64	32
- exceeding one year	1,226,538	613,269	445,326
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	4,402,695	-	-
	9,941,346	4,092,988	3,184,392

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

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34. Capital adequacy

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

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

	Group		Bank	
	31.03.2018	31.12.2017	31.03.2018	31.12.2017
CET I & Tier I capital ratio	13.029%	12.729%	13.004%	12.701%
Total capital ratio	16.888%	16.435%	16.867%	16.411%

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

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

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

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34. Capital adequacy (continued)

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

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

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

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

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

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

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

The key performance ratios as at end of March 2018 also compared favourably against the Banking System ratios as at end of December 2017. The Bank's return on equity and return on assets based on profit before zakat and tax (PBZT) were 16.1% and 1.4% respectively against the Islamic Banking Industry's 15.1% and 1.1% respectively.

36. Prospect for 2018

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

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36. Prospect for 2018 (continued)

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

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

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

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

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

37. Subsequent events

Proposed dividend payment

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