

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

Statements of Financial Position as at 31 March 2019

	Note	Group		Bank	
		31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000
Assets					
Cash and short-term funds	10	2,110,395	2,092,654	2,096,853	2,086,703
Deposits and placements with banks and other financial institutions	11	458,122	2,432,000	458,122	2,432,000
Financial assets at fair value through profit or loss	12	1,048,212	364,959	1,042,739	359,533
Derivative financial assets	13	19,447	34,148	19,447	34,148
Financial assets at fair value through other comprehensive income	14	11,521,232	11,354,299	11,522,022	11,355,089
Financing, advances and others	15	46,050,857	45,680,680	46,050,857	45,680,680
Other financial assets at amortised cost	16	111,120	129,042	108,507	126,533
Statutory deposits with Bank Negara Malaysia		1,518,930	1,602,284	1,518,930	1,602,284
Current tax assets		33,746	8,466	33,737	8,403
Deferred tax assets		36,901	51,385	35,395	49,842
Right-of-use assets	17	226,488	-	226,488	-
Investments in subsidiaries		-	-	15,525	15,525
Property and equipment		189,776	188,816	189,164	188,153
Total assets		63,325,226	63,938,733	63,317,786	63,938,893
Liabilities and equity					
Deposits from customers	18	47,469,055	49,895,232	47,484,293	49,909,199
Investment accounts of customers	19	6,353,129	5,176,819	6,353,129	5,176,819
Derivative financial liabilities	13	14,684	19,520	14,684	19,520
Bills and acceptance payable		59,157	41,114	59,157	41,114
Recourse obligations on financing sold to Cagamas	20	1,501,187	1,501,187	1,501,187	1,501,187
Subordinated Sukuk Murabahah	21	1,325,879	1,308,634	1,325,879	1,308,634
Other liabilities	22	817,840	706,133	798,865	695,714
Lease Liabilities	17	316,962	-	316,962	-
Zakat and taxation		35,100	13,687	34,908	13,539
Total liabilities		57,892,993	58,662,326	57,889,064	58,665,726

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Statements of Financial Position as at 31 March 2019 (continued)

		Group		Bank	
	Note	31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000
Equity					
Share capital		3,012,368	3,012,368	3,012,368	3,012,368
Reserves		2,419,865	2,264,039	2,416,354	2,260,799
Total equity		5,432,233	5,276,407	5,428,722	5,273,167
Total liabilities and equity		63,325,226	63,938,733	63,317,786	63,938,893
Restricted investment accounts managed by the Bank	19	67,873	78,717	67,873	78,717
Total Islamic banking asset owned and managed by the Bank		63,393,099	64,017,450	63,385,659	64,017,610
Commitments and Contingencies	34	14,773,334	14,162,355	14,773,334	14,162,355

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

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**Statements of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2019**

	Note	Group 3 months ended		Bank 3 months ended	
		31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Income derived from investment of depositors' funds	23	707,807	612,553	707,807	612,553
Income derived from investment account funds	24	76,427	61,755	76,427	61,755
Income derived from investment of shareholders' funds	25	115,528	110,088	107,801	103,967
Net allowance for impairment on financing and advances, net of recoveries	26	(23,199)	(21,163)	(23,199)	(21,163)
Net allowance for impairment on other financial assets		833	98	833	98
Direct expenses		(3,904)	(4,466)	(3,904)	(4,466)
Total distributable income		873,492	758,865	865,765	752,744
Wakalah fees from restricted investment accounts		226	-	226	-
Income attributable to depositors	27	(353,008)	(296,874)	(353,075)	(296,938)
Income attributable to investment account holders	28	(30,030)	(22,805)	(30,030)	(22,805)
Total net income		490,680	439,186	482,886	433,001
Personnel expenses	29	(154,416)	(131,739)	(151,231)	(128,922)
Other overhead expenses	30	(94,637)	(86,830)	(90,452)	(83,967)
Finance cost	31	(21,739)	(13,436)	(21,739)	(13,436)
Profit before zakat and tax		219,888	207,181	219,464	206,676
Zakat		(3,796)	(3,756)	(3,750)	(3,750)
Tax expense		(55,734)	(53,684)	(55,637)	(55,219)
Profit for the period		160,358	149,741	160,077	147,707
Earnings per share (sen)		6.39	6.07		

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**Statements of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2019 (continued)**

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period	<u>160,358</u>	<u>149,741</u>	<u>160,077</u>	<u>147,707</u>
Other comprehensive income/(expense), net of tax:				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation differences in respect of foreign operations	5,027	18,600	5,037	18,633
Movement in fair value reserve (debt securities) :				
Net change in fair value	120,436	(8,850)	120,436	(8,850)
Net amount transferred to profit or loss	(16,469)	(1,582)	(16,469)	(1,582)
Income tax effect relating to components of other comprehensive income	(24,952)	3,180	(24,952)	3,180
	<u>84,042</u>	<u>11,348</u>	<u>84,052</u>	<u>11,381</u>
Items that that will not be reclassified to profit or loss				
Movement in fair value reserve (equity instrument) :				
Net change in fair value	-	(2,817)	-	(2,817)
Other comprehensive income for the period, net of tax	<u>84,042</u>	<u>8,531</u>	<u>84,052</u>	<u>8,564</u>
Total comprehensive income for the period	<u>244,400</u>	<u>158,272</u>	<u>244,129</u>	<u>156,271</u>

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

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Consolidated Statement of Changes in Equity for the three months ended 31 March 2019

Group	Note	← Attributable to equity holders of the Bank →				Total equity
		Share capital	Share premium	Other reserves	Retained earnings	
		RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019		3,012,368	-	(98,437)	2,362,476	5,276,407
Effects of adoption of MFRS 16	6	-	-	-	(88,574)	(88,574)
Adjusted total equity at 1 January 2019		3,012,368	-	(98,437)	2,273,902	5,187,833
Profit for the period		-	-	-	160,358	160,358
Currency translation difference in respect of foreign operations		-	-	5,027	-	5,027
Fair value reserve – Net change in fair value		-	-	120,436	-	120,436
– Net amount reclassified to profit or loss		-	-	(16,469)	-	(16,469)
Income tax expense relating to components of other comprehensive income		-	-	(24,952)	-	(24,952)
Total comprehensive income for the period		-	-	84,042	160,358	244,400
At 31 March 2019		3,012,368	-	(14,395)	2,434,260	5,432,233
At 1 January 2018		2,869,498	-	(60,196)	2,150,402	4,959,704
Adjustment on adoption of MFRS 9 (net of tax)		-	-	13,190	(143,408)	(130,218)
Restated total equity at 1 January 2018		2,869,498	-	(47,006)	2,006,994	4,829,486
Profit for the period		-	-	-	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	-	(103,120)	2,221,380	4,987,758

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Statement of Changes in Equity for the three months ended 31 March 2019

Bank	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 2019		3,012,368	-	(98,261)	2,359,060	5,273,167
Effects of adoption of MFRS 16	6	-	-	-	(88,574)	(88,574)
Adjusted total equity at 1 January 2019		3,012,368	-	(98,261)	2,270,486	5,184,593
Profit for the period		-	-	-	160,077	160,077
Currency translation difference in respect of foreign operations		-	-	5,037	-	5,037
Fair value reserve – Net change in fair value		-	-	120,436	-	120,436
– Net amount reclassified to profit or loss		-	-	(16,469)	-	(16,469)
Income tax expense relating to components of other comprehensive income		-	-	(24,952)	-	(24,952)
Total comprehensive income for the period		-	-	84,052	160,077	244,129
At 31 March 2019		3,012,368	-	(14,209)	2,430,563	5,428,722
At 1 January 2018		2,869,498	-	(60,337)	2,150,345	4,959,506
Adjustment on adoption of MFRS 9 (net of tax)		-	-	13,190	(143,408)	(130,218)
Adjusted total equity at 1 January 2018		2,869,498	-	(47,147)	2,006,937	4,829,288
Profit for the period		-	-	-	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	-	(103,228)	2,219,289	4,985,559

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Condensed Statements of Cash Flow
for the three months ended 31 March 2019

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Profit before zakat and tax	219,888	207,181	219,464	206,676
Adjustment for non-cash items	<u>55,051</u>	<u>68,823</u>	<u>55,037</u>	<u>68,788</u>
Operating profit before working capital changes	274,939	276,004	274,501	275,464
Changes in working capital:				
Net changes in operating assets	(300,654)	(496,020)	(300,550)	(495,410)
Net changes in operating liabilities	<u>(1,130,142)</u>	<u>937,373</u>	<u>(1,137,428)</u>	<u>898,641</u>
Net cash generated from/(used in) operations	(1,155,857)	717,357	(1,163,477)	678,695
Zakat and tax paid	(68,774)	(45,617)	(68,738)	(45,583)
Tax refund	<u>27</u>	<u>60</u>	<u>-</u>	<u>-</u>
Net cash generated from/(used in) operating activities	(1,224,604)	671,800	(1,232,215)	633,112
Net cash used in investing activities	(730,669)	(76,663)	(730,658)	(76,621)
Net cash used in financing activities	<u>(5,892)</u>	<u>-</u>	<u>(5,892)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(1,961,165)	595,137	(1,968,765)	556,491
Cash and cash equivalents at beginning of the period	4,524,654	4,185,697	4,518,703	4,185,561
Exchange difference on translation	<u>5,028</u>	<u>17,849</u>	<u>5,037</u>	<u>18,630</u>
Cash and cash equivalents at end of the period	<u><u>2,568,517</u></u>	<u><u>4,798,683</u></u>	<u><u>2,554,975</u></u>	<u><u>4,760,682</u></u>
Cash and cash equivalents comprise:				
Cash and short-term funds	2,110,395	4,798,683	2,096,853	4,760,682
Deposits and placements with banks and other financial institutions	<u>458,122</u>	<u>-</u>	<u>458,122</u>	<u>-</u>
	<u><u>2,568,517</u></u>	<u><u>4,798,683</u></u>	<u><u>2,554,975</u></u>	<u><u>4,760,682</u></u>

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

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Notes to the unaudited interim financial statements for the three months ended 31 March 2019

1. Basis of preparation

The unaudited interim financial statements of the Group and of the Bank for the three months ended 31 March 2019 have been prepared in accordance with the applicable requirements of MFRS 134: *Interim Financial Reporting* in Malaysia issued by Malaysian Accounting Standards Board (“MASB”), Financial Reporting for Islamic Banking Institution policy document issued by Bank Negara Malaysia (“BNM”), the provisions of the Companies Act 2016 and Shariah requirements.

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

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

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

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

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

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2. Auditors' reports on preceding financial period financial statements

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

3. Seasonal or cyclical factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the three months ended 31 March 2019.

4. Unusual items

There were no unusual items in the three months ended 31 March 2019.

5. Changes in accounting estimates

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the three months ended 31 March 2019.

6. Changes in accounting policies

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

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

MFRS 16, Leases

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

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

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

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

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

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

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6. Changes in accounting policies (continued)

MFRS 16, Leases (continued)

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

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

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

7. Sukuk and equity securities

There was no issuance or repayment of Sukuk or share buy-back during the three months ended 31 March 2019.

8. Significant events during the three months ended 31 March 2019

There was no other significant event during the three months ended 31 March 2019.

9. Dividends

There was no dividend payment during the three months ended 31 March 2019.

10. Cash and short-term funds

	Group		Bank	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	708,884	891,697	695,670	886,074
Money at call and interbank placements with remaining maturity not exceeding one month	1,401,511	1,200,957	1,401,183	1,200,629
	<u>2,110,395</u>	<u>2,092,654</u>	<u>2,096,853</u>	<u>2,086,703</u>

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11. Deposits and placements with banks and other financial institutions

	Group and Bank	
	31.03.2019	31.12.2018
	RM'000	RM'000
Bank Negara Malaysia	<u>458,122</u>	<u>2,432,000</u>

12. Financial assets at fair value through profit and loss

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

	Group		Bank	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government				
Investment Issues	491,551	30,328	491,551	30,328
Sukuk	49,294	-	49,294	-
Unit trust	220,434	219,808	214,961	214,382
Bank Negara Monetary Notes	286,933	114,823	286,933	114,823
	<u>1,048,212</u>	<u>364,959</u>	<u>1,042,739</u>	<u>359,533</u>

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	31.03.2019		
	Principal amount	Fair value	
	RM'000	Assets	Liabilities
	RM'000	RM'000	RM'000
Forward contracts	3,696,075	16,356	(12,959)
Profit rate swaps	570,718	3,091	(1,725)
	<u>4,266,793</u>	<u>19,447</u>	<u>(14,684)</u>
	31.12.2018		
	Principal amount	Fair value	
	RM'000	Assets	Liabilities
	RM'000	RM'000	RM'000
Forward contracts	2,869,455	30,653	(17,752)
Profit rate swaps	578,379	3,495	(1,768)
	<u>3,447,834</u>	<u>34,148</u>	<u>(19,520)</u>

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14. Financial assets at fair value through other comprehensive income

	Group		Bank	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Financial assets at fair value through other comprehensive income:				
(a) Debt securities	11,486,012	11,318,781	11,486,012	11,318,781
(b) Equity investments	35,220	35,518	36,010	36,308
	<u>11,521,232</u>	<u>11,354,299</u>	<u>11,522,022</u>	<u>11,355,089</u>

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

	Group		Bank	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Investment Issues	2,587,003	2,129,754	2,587,003	2,129,754
Sukuk	8,750,953	8,493,541	8,750,953	8,493,541
Bank Negara Monetary Notes	-	389,231	-	389,231
Islamic Commercial Papers	148,056	306,255	148,056	306,255
	<u>11,486,012</u>	<u>11,318,781</u>	<u>11,486,012</u>	<u>11,318,781</u>

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

	Group and Bank	
	31.03.2019	31.12.2018
	RM'000	RM'000
12 months expected credit loss ("ECL")		
At 1 January 2019/1 January 2018	302	345
Net allowance for impairment during the period	21	(43)
At 31 March 2019/31 December 2018	<u>323</u>	<u>302</u>

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

	Group		Bank	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Quoted Shares				
- outside Malaysia	12,148	12,446	12,148	12,446
Unquoted Shares				
- in Malaysia	23,056	23,056	23,846	23,846
- outside Malaysia	16	16	16	16
	<u>23,072</u>	<u>23,072</u>	<u>23,862</u>	<u>23,862</u>
	<u>35,220</u>	<u>35,518</u>	<u>36,010</u>	<u>36,308</u>

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15. Financing, advances and others

(a) By type and Shariah contract

Group and Bank 31 March 2019	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At- Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek RM'000	Ijarah Thumma Al-Bai' RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
At amortised cost										
Cash line	-	-	-	1,630	1,561,113	-	-	-	-	1,562,743
Term financing										
House financing	3,669,170	-	-	-	14,786,221	-	-	50,815	-	18,506,206
Syndicated financing	-	-	-	40,338	663,174	-	90,898	-	-	794,410
Leasing financing	-	-	-	-	-	111,849	-	-	-	111,849
Bridging financing	-	-	-	-	-	-	-	61,463	-	61,463
Personal financing	-	-	-	9,116	13,935,534	-	-	-	-	13,944,650
Other term financing	983,036	1,255,236	-	1,758	7,761,496	-	-	1,179	-	10,002,705
Staff financing	58,107	9,558	-	-	161,313	-	-	9,448	-	238,426
Credit cards	-	2,428	1,575	-	470,335	-	-	-	-	474,338
Trade bills discounted	-	888,087	130,785	4,288	-	-	-	-	-	1,023,160
Trust receipts	-	8,063	-	-	-	-	-	-	-	8,063
Pawn broking	-	-	-	-	-	-	-	-	70,323	70,323
Investment Account Platform *	-	-	-	-	9,070	-	-	-	-	9,070
	4,710,313	2,163,372	132,360	57,130	39,348,256	111,849	90,898	122,905	70,323	46,807,406

Allowance for impairment on financing, advances and others

- collective assessment allowance - 12 months ECL

- collective assessment allowance - lifetime ECL

- individual assessment allowance- lifetime ECL

(417,470)

(251,455)

(87,624)

Net financing, advances and others

46,050,857

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15. Financing, advances and others (continued)

(a) By type and Shariah contract (continued)

Group and Bank 31 December 2018	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At- Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek RM'000	Ijarah Thumma Al-Bai' RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
At amortised cost										
Cash line	-	-	-	1,875	1,521,991	-	-	-	-	1,523,866
Term financing										
House financing	3,764,219	-	-	-	14,285,203	-	-	51,490	-	18,100,912
Syndicated financing	-	-	-	41,327	665,745	-	89,540	-	-	796,612
Leasing financing	-	-	-	-	-	106,520	35	-	-	106,555
Bridging financing	-	-	-	-	-	-	-	65,268	-	65,268
Personal financing	-	-	-	10,178	13,755,492	-	-	-	-	13,765,670
Other term financing	1,099,152	1,239,988	-	6,650	7,992,899	-	-	1,194	-	10,339,883
Staff financing	60,777	9,322	-	-	155,590	-	-	9,846	-	235,535
Credit cards	-	-	-	-	477,602	-	-	-	-	477,602
Trade bills discounted	-	820,833	144,827	-	-	-	-	-	-	965,660
Trust receipts	-	10,113	-	-	-	-	-	-	-	10,113
Pawn broking	-	-	-	-	-	-	-	-	73,110	73,110
Investment Account Platform *	-	-	-	-	9,599	-	-	-	-	9,599
	4,924,148	2,080,256	144,827	60,030	38,864,121	106,520	89,575	127,798	73,110	46,470,385
Allowance for impairment on financing, advances and others										
- collective assessment allowance - 12 months ECL										(416,450)
- collective assessment allowance - lifetime ECL										(216,564)
- individual assessment allowance- lifetime ECL										(156,691)
Net financing, advances and others										<u>45,680,680</u>

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15. Financing, advances and others (continued)

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

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

		Group and Bank	
		31.03.2019	31.12.2018
		RM’000	RM’000
House financing			
Unrestricted Investment Accounts	19	4,591,744	3,886,107
Sold to Cagamas with recourse	20	1,501,187	1,501,187
		<u>6,092,931</u>	<u>5,387,294</u>
Personal financing			
Unrestricted Investment Accounts	19	<u>1,761,385</u>	<u>1,290,712</u>

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

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

(b) By type of customer

		Group and Bank	
		31.03.2019	31.12.2018
		RM’000	RM’000
Domestic non-bank financial institutions		1,584,105	1,637,318
Domestic business enterprise		6,911,563	6,924,836
Small and medium industries		2,034,794	2,092,024
Government and statutory bodies		585,140	601,285
Individuals		35,564,867	35,069,160
Other domestic entities		9,818	18,947
Foreign entities		117,119	126,815
		<u>46,807,406</u>	<u>46,470,385</u>

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15. Financing, advances and others (continued)

(c) By profit rate sensitivity

	Group and Bank	
	31.03.2019	31.12.2018
	RM'000	RM'000
Fixed rate		
House financing	1,050,839	1,073,575
Others	3,067,594	3,102,294
Floating rate		
House financing	18,056,508	17,636,273
Others	24,632,465	24,658,243
	<u>46,807,406</u>	<u>46,470,385</u>

(d) By remaining contractual maturity

	Group and Bank	
	31.03.2019	31.12.2018
	RM'000	RM'000
Maturity within one year	5,106,735	4,774,098
More than one year to three years	1,749,145	1,299,229
More than three years to five years	3,570,080	2,921,287
More than five years	36,381,446	37,475,771
	<u>46,807,406</u>	<u>46,470,385</u>

(e) By geographical distribution

	Group and Bank	
	31.03.2019	31.12.2018
	RM'000	RM'000
Central Region	22,130,710	22,125,064
Eastern Region	7,759,775	7,646,307
Northern Region	6,683,915	6,640,816
Southern Region	6,849,420	6,723,490
East Malaysia Region	3,383,586	3,334,708
	<u>46,807,406</u>	<u>46,470,385</u>

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15. Financing, advances and others (continued)

(f) By sector

	Group and Bank	
	31.03.2019	31.12.2018
	RM'000	RM'000
Primary agriculture	773,363	754,835
Mining and quarrying	7,123	9,060
Manufacturing (including agro-based)	892,382	909,850
Electricity, gas and water	368,053	371,479
Wholesale & retail trade, and hotels & restaurants	1,035,556	1,098,346
Construction	2,329,659	2,417,262
Real estate	1,644,973	1,712,250
Transport, storage and communications	865,556	824,949
Finance, insurance and business activities	2,319,437	2,299,319
Education, health and others	1,003,379	1,000,735
Household sectors	35,567,925	35,072,300
	<u>46,807,406</u>	<u>46,470,385</u>

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

	Group and Bank	
	31.03.2019	31.12.2018
	RM'000	RM'000
At 1 January 2019/ 2018	425,937	398,277
Classified as impaired during the period/year	186,577	621,974
Reclassified as not impaired during the period/year	(68,774)	(321,635)
Amount recovered	(19,952)	(117,477)
Amount written off	(80,357)	(155,202)
At 31 March 2019/ 31 December 2018	<u>443,431</u>	<u>425,937</u>
Gross impaired financing as a percentage of gross financing, advances and others	<u>0.95%</u>	<u>0.92%</u>

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

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15. Financing, advances and others (continued)

(h) Impaired financing by geographical distribution

	Group and Bank	
	31.03.2019	31.12.2018
	RM'000	RM'000
Central Region	200,872	245,531
Eastern Region	105,628	101,868
Northern Region	79,563	25,349
Southern Region	32,064	31,320
East Malaysia Region	25,304	21,869
	<u>443,431</u>	<u>425,937</u>

(i) Impaired financing by sector

	Group and Bank	
	31.03.2019	31.12.2018
	RM'000	RM'000
Manufacturing (including agro-based)	21,241	21,426
Wholesale & retail trade, and hotels & restaurants	103,709	56,665
Construction	68,545	121,506
Real estate	1,508	1,501
Transport, storage and communications	10,702	10,936
Finance, insurance and business activities	2,089	3,066
Education, health and others	4,662	4,642
Household sectors	230,975	206,195
	<u>443,431</u>	<u>425,937</u>

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15. Financing, advances and others (continued)

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

Group and Bank	← Collective →			Total collective RM'000	Individual RM'000	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit- impaired RM'000	Lifetime ECL credit- impaired RM'000			
31.03.2019						
At 1 January 2019	416,450	129,402	87,162	633,014	156,691	789,705
Transfer to 12-month ECL	1,352	(1,242)	(110)	-	-	-
Transfer to Lifetime ECL not credit impaired	(3,483)	6,301	(2,818)	-	-	-
Transfer to Lifetime ECL credit impaired	(89)	(14,491)	14,580	-	-	-
Net allowance made during the period	(4,227)	27,656	21,469	44,898	1,875	46,773
New financial assets originated or purchased	17,381	577	466	18,424	-	18,424
Financial assets that have been derecognised	(9,807)	(7,381)	(702)	(17,890)	-	(17,890)
Write-offs	-	-	(9,414)	(9,414)	(70,942)	(80,356)
Exchange differences	(107)	-	-	(107)	-	(107)
At 31 March 2019	417,470	140,822	110,633	668,925	87,624	756,549
31.12.2018						
At 1 January 2018				446,069	126,447	572,516
- effects of adoption of MFRS 9				187,404	1,695	189,099
Restated at 1 January 2018	390,478	139,501	103,494	633,473	128,142	761,615
Transfer to 12-month ECL	6,841	(6,525)	(316)	-	-	-
Transfer to Lifetime ECL not credit impaired	(4,419)	8,639	(4,220)	-	-	-
Transfer to Lifetime ECL credit impaired	(523)	(8,454)	8,977	-	-	-
Net allowance made during the year	(22,326)	1,175	101,690	80,539	58,801	139,340
New financial assets originated or purchased	88,675	7,437	5,090	101,202	-	101,202
Financial assets that have been derecognised	(39,166)	(12,371)	(2,603)	(54,140)	-	(54,140)
Write-offs	-	-	(124,950)	(124,950)	(30,252)	(155,202)
Exchange differences	(3,110)	-	-	(3,110)	-	(3,110)
At 31 December 2018	416,450	129,402	87,162	633,014	156,691	789,705

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16. Other financial assets at amortised cost

	Group		Bank	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Sukuk	6,034	6,887	6,034	6,887
Other receivables	69,230	97,473	67,554	95,680
Deposit and prepayments	41,787	31,458	40,783	30,434
Related companies*	578	586	645	894
	<u>117,629</u>	<u>136,404</u>	<u>115,016</u>	<u>133,895</u>
Less : Accumulated impairment loss:				
Individual assessment				
- Sukuk	(6,034)	(6,887)	(6,034)	(6,887)
- Other receivables	(475)	(475)	(475)	(475)
	<u>111,120</u>	<u>129,042</u>	<u>108,507</u>	<u>126,533</u>

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

17. Right-of-use assets and lease liabilities

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

(a) Right-of-use assets

	Group and Bank RM'000
31.03.2019	
Cost	
At 1 January 2019	-
Effects of adoption of MFRS 16	229,786
At 31 March 2019	<u>229,786</u>
Accumulated depreciation	
At 1 January 2019	-
Depreciation for the period	3,298
At 31 March 2019	<u>3,298</u>
	<u><u>226,488</u></u>

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

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

(b) Lease liabilities

	Group and Bank RM'000
31.03.2019	
Current	
Lease liabilities	5,301
Non-current	
Lease liabilities	311,661
Total lease liabilities	<u><u>316,962</u></u>

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

	Group and Bank RM'000
31.03.2019	
At 1 January 2019	-
Effects of adoption of MFRS 16	318,360
Profit expense on leases	4,494
Lease payments	(5,892)
At 31 March 2019	<u><u>316,962</u></u>

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18. Deposits from customers

a) By type and Shariah contract

	Group		Bank	
	31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000
Saving Deposit				
<i>Wadiah</i>	4,677,327	4,410,537	4,677,327	4,410,537
Demand Deposit				
<i>Wadiah</i>	10,067,186	10,663,456	10,075,768	10,670,826
Term Deposit	32,630,784	34,727,635	32,637,440	34,734,232
Special Investment Deposit				
<i>Mudharabah</i>	6,252	6,252	6,252	6,252
General Investment Deposit				
<i>Mudharabah</i>	261,942	287,013	261,942	287,013
Term Deposit <i>Tawarruq</i>	30,050,047	30,751,990	30,056,703	30,758,587
Negotiable Islamic Debt Certificates (NIDC)	2,312,543	3,682,380	2,312,543	3,682,380
Others	93,758	93,604	93,758	93,604
Total Deposits	<u>47,469,055</u>	<u>49,895,232</u>	<u>47,484,293</u>	<u>49,909,199</u>

b) Maturity structure of term deposits are as follows:

	Group		Bank	
	31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000
Due within six months	14,088,201	16,428,971	14,088,337	16,429,087
More than six months to one year	9,307,151	9,685,966	9,312,389	9,691,736
More than one year to three years	7,078,957	6,484,593	7,080,239	6,485,304
More than three years to five years	2,156,475	2,128,105	2,156,475	2,128,105
	<u>32,630,784</u>	<u>34,727,635</u>	<u>32,637,440</u>	<u>34,734,232</u>

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18. Deposits from customers (continued)

c) By type of customers

	Group		Bank	
	31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000
Domestic non-bank financial institutions	8,652,587	12,385,381	8,667,825	12,399,348
Business enterprises	17,828,278	16,725,704	17,828,278	16,725,704
Government and statutory bodies	11,275,897	12,049,184	11,275,897	12,049,184
Individuals	5,646,779	5,199,550	5,646,779	5,199,550
Domestic banking institutions	1,850,459	1,634,224	1,850,459	1,634,224
Others	2,215,055	1,901,189	2,215,055	1,901,189
	<u>47,469,055</u>	<u>49,895,232</u>	<u>47,484,293</u>	<u>49,909,199</u>

19. Investment accounts of customers

(a) By type and Shariah contract

	Note	Group and Bank	
		31.12.2018 RM'000	31.12.2017 RM'000
Unrestricted investment accounts			
Without maturity			
<i>Mudharabah</i>		2,829,804	2,594,846
- <i>Saving</i>		2,503,038	2,413,645
- <i>Demand</i>		326,766	181,201
With maturity			
<i>Wakalah</i>		3,523,325	2,581,973
		<u>6,353,129</u>	<u>5,176,819</u>
Investment portfolio:			
<i>House financing</i>		4,591,744	3,886,107
<i>Personal financing</i>		1,761,385	1,290,712
		<u>6,353,129</u>	<u>5,176,819</u>
Restricted investment accounts (“RIA”) managed by the Bank^			
With maturity			
<i>Wakalah</i>		67,873	78,717
Investment portfolio:			
<i>Other term financing</i>		67,873	78,717

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19. Investment accounts of customers (continued)

(a) By type and Shariah contract (continued)

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

Included in RIA managed by the Bank is an arrangement between the Bank and its ultimate holding entity with underlying assets amounting to RM67,550,000 (2018: RM78,285,000).

(b) By type of customers

	Group and Bank	
	31.03.2019	31.12.2018
	RM’000	RM’000
Individuals	2,789,966	2,674,428
Government and statutory bodies	1,244,858	767,996
Business enterprises	841,364	507,160
Non-bank financial institutions	1,411,904	1,175,273
International Islamic Bank	5,702	2,400
Others	59,335	49,562
	<u>6,353,129</u>	<u>5,176,819</u>

20. Recourse obligations on financing sold to Cagamas

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

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21. Subordinated Sukuk Murabahah

	Note	Group and Bank	
		31.3.2019	31.12.2018
		RM'000	RM'000
<i>Issued under the RM1.0 billion Subordinated Sukuk Murabahah Programme</i>			
First tranche	(a)	307,703	303,450
Second tranche	(b)	406,276	400,851
Third tranche	(c)	305,762	302,005
		1,019,741	1,006,306
<i>Issued under the RM10.0 billion Sukuk Murabahah Programme</i>			
First tranche	(d)	306,138	302,328
		1,325,879	1,308,634

The details of the issued subordinated Sukuk are as follows:

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

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

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

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22. Other liabilities

	Group		Bank	
	31.03.2019 RM'000	31.12.2018 RM'000	31.03.2019 RM'000	31.12.2018 RM'000
Other payables	756,179	564,632	739,852	556,880
Accruals	61,661	141,501	59,013	138,834
	<u>817,840</u>	<u>706,133</u>	<u>798,865</u>	<u>695,714</u>

23. Income derived from investment of depositors' funds

Group and Bank	3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000
Income derived from investment of:		
(i) Saving and demand deposits	209,177	193,758
(ii) General investment deposits	4,276	4,874
(iii) Term deposits	461,779	357,280
(iv) Other deposits	32,575	56,641
	<u>707,807</u>	<u>612,553</u>

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

Group and Bank	3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000
<i>Finance income and hibah</i>		
Financing, advances and others	172,665	168,853
Financial assets:		
- fair value through profit and loss	1,188	1,263
- fair value through other comprehensive income	21,258	16,948
Money at call and deposits with financial institutions	5,565	5,831
	<u>200,676</u>	<u>192,895</u>
<i>Other dealing income</i>		
Net gain from sale of financial assets at fair value through profit or loss	1,734	252
Net gain on revaluation of financial assets at fair value through profit or loss	1,897	112
	<u>3,631</u>	<u>364</u>
<i>Other operating income</i>		
Net gain from sale of financial assets at fair value through other comprehensive income	4,870	499
	<u>209,177</u>	<u>193,758</u>
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	<u>2,528</u>	<u>3,239</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	
	31.03.2019 RM'000	31.03.2018 RM'000
<i>Finance income and hibah</i>		
Financing, advances and others	3,594	4,295
Financial assets:		
- fair value through profit and loss	22	29
- fair value through other comprehensive income	392	386
Money at call and deposits with financial institutions	115	144
	<u>4,123</u>	<u>4,854</u>
<i>Other dealing income</i>		
Net gain from sale of financial assets at fair value through profit or loss	31	6
Net gain on revaluation of financial assets at fair value through profit or loss	33	3
	<u>64</u>	<u>9</u>
<i>Other operating income</i>		
Net gain from sale of financial assets at fair value through other comprehensive income	89	11
	<u>4,276</u>	<u>4,874</u>
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	<u>47</u>	<u>74</u>

(iii) Income derived from investment of term deposits

Group and Bank	3 months ended	
	31.03.2019 RM'000	31.03.2018 RM'000
<i>Finance income and hibah</i>		
Financing, advances and others	380,989	311,349
Financial assets:		
- fair value through profit and loss	2,624	2,327
- fair value through other comprehensive income	46,865	31,253
Money at call and deposits with financial institutions	12,359	10,752
	<u>442,837</u>	<u>355,681</u>
<i>Other dealing income</i>		
Net gain from sale of financial assets at fair value through profit or loss	3,846	464
Net gain on revaluation of financial assets at fair value through profit or loss	4,323	215
	<u>8,169</u>	<u>679</u>

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

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

Group and Bank	3 months ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
<i>Other operating income</i>		
Net gain from sale of financial assets at fair value through other comprehensive income	<u>10,773</u>	<u>920</u>
	<u>461,779</u>	<u>357,280</u>
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	<u>5,597</u>	<u>5,966</u>

(iv) Income derived from investment of other deposits

Group and Bank	3 months ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
<i>Finance income and hibah</i>		
Financing, advances and others	26,923	49,354
Financial assets:		
- fair value through profit and loss	182	367
- fair value through other comprehensive income	3,312	4,950
Money at call and deposits with financial institutions	879	1,724
	<u>31,296</u>	<u>56,395</u>
<i>Other dealing income</i>		
Net gain from sale of financial assets at fair value through profit or loss	260	80
Net gain on revaluation of financial assets at fair value through profit or loss	282	14
	<u>542</u>	<u>94</u>
<i>Other operating income</i>		
Net gain from sale of financial assets at fair value through other comprehensive income	737	152
	<u>32,575</u>	<u>56,641</u>
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	<u>406</u>	<u>950</u>

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24. Income derived from investment account funds

Group and Bank	3 months ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
Finance income		
Unrestricted investment accounts		
- <i>Mudharabah</i>	34,089	29,699
- <i>Wakalah</i>	42,338	32,056
	<u>76,427</u>	<u>61,755</u>

25. Income derived from investment of shareholders' funds

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
<i>Finance income and hibah</i>				
Financing, advances and others	1,858	1,784	1,858	1,784
Financial assets				
- fair value through other comprehensive income	43,140	38,144	43,140	38,144
Money at call and deposits with financial institutions	1	1	1	1
	<u>44,999</u>	<u>39,929</u>	<u>44,999</u>	<u>39,929</u>
<i>Other dealing income</i>				
Net gain from foreign exchange transactions	16,636	14,760	16,634	14,760
Net loss from sale of financial assets at fair value through profit or loss	-	(14)	-	-
Net gain/(loss) on revaluation of financial assets at fair value through profit or loss	2	(1)	-	-
Net derivatives gain/(loss)	(71)	229	(71)	229
	<u>16,567</u>	<u>14,974</u>	<u>16,563</u>	<u>14,989</u>
<i>Other operating income</i>				
Gross dividend income from:				
- unit trust in Malaysia	87	823	43	778
	<u>87</u>	<u>823</u>	<u>43</u>	<u>778</u>
<i>Fees and commission</i>				
Fees	39,469	37,996	35,329	34,662
Commission	3,689	6,249	5,358	8,133
Others	9,988	9,419	4,807	4,698
	<u>53,146</u>	<u>53,664</u>	<u>45,494</u>	<u>47,493</u>

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

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
<i>Other income</i>				
Net gain/(loss) on disposal of property and equipment	(1)	41	(1)	41
Rental income	701	633	701	724
Other income	29	24	2	13
	<u>729</u>	<u>698</u>	<u>702</u>	<u>778</u>
	<u>115,528</u>	<u>110,088</u>	<u>107,801</u>	<u>103,967</u>

26. Net allowance for impairment on financing and advances

Group and Bank	3 months ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
Net allowance for impairment on financing, advances and others:		
- Collective assessment - 12 months expected credit losses (ECL)	3,347	3,956
- Collective assessment - Lifetime ECL	42,085	6,867
- Individual assessment - Lifetime ECL	1,875	36,962
	<u>47,307</u>	<u>47,785</u>
Bad debts and financing recovered	(24,108)	(26,622)
	<u>23,199</u>	<u>21,163</u>

27. Income attributable to depositors

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	2,034	2,499	2,034	2,499
- Non-Mudharabah fund	333,162	294,044	333,229	294,108
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	-	331	-	331
Recourse obligation on financing sold to Cagamas	17,812	-	17,812	-
	<u>353,008</u>	<u>296,874</u>	<u>353,075</u>	<u>296,938</u>

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28. Income attributable to investment account holders

	Group and Bank	
	3 months ended	
	31.03.2019	31.03.2018
	RM'000	RM'000
Unrestricted investment accounts		
- <i>Mudharabah</i>	1,917	1,711
- <i>Wakalah</i>	28,113	21,094
	<u>30,030</u>	<u>22,805</u>

29. Personnel expenses

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	122,487	103,239	119,992	100,996
Employees' Provident Fund	15,511	14,586	15,159	14,273
Other staff related costs	16,418	13,914	16,080	13,653
	<u>154,416</u>	<u>131,739</u>	<u>151,231</u>	<u>128,922</u>

30. Other overhead expenses

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
<i>Promotion</i>				
Credit and debit card expenses	7,357	9,147	7,357	9,147
Advertisement and publicity	1,125	1,866	1,001	1,774
Others	6,348	5,335	2,376	2,346
	<u>14,830</u>	<u>16,348</u>	<u>10,734</u>	<u>13,267</u>
<i>Establishment</i>				
Office rental	8,040	12,928	7,924	12,914
Depreciation of property and equipment	12,387	11,485	12,329	11,424
Depreciation right-of-use assets	3,298	-	3,298	-
Information technology expenses	12,108	7,166	12,108	7,166
Security services	2,230	2,774	2,230	2,774
Utilities	3,127	3,370	3,110	3,354
Office maintenance	2,020	2,209	1,962	2,163
Others	3,544	3,754	3,520	3,727
	<u>46,754</u>	<u>43,686</u>	<u>46,481</u>	<u>43,522</u>

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30. Other overhead expenses (continued)

	Group		Bank	
	3 months ended		3 months ended	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
<i>General expenses</i>				
Outsourcing fees	4,794	3,082	4,794	3,082
Office supplies	2,197	1,468	2,163	1,448
Subscription fees	1,156	747	1,156	747
Travelling and transportation	1,662	1,800	1,630	1,760
Security services - cash in transit	1,146	1,462	1,146	1,462
Professional fees	2,992	1,777	2,927	1,760
Others	19,106	16,460	19,421	16,919
	33,053	26,796	33,237	27,178
	94,637	86,830	90,452	83,967

31. Finance cost

	Note	Group and Bank	
		31.03.2019	31.03.2018
		RM'000	RM'000
Finance cost:			
- Subordinated Sukuk Murabahah		17,245	13,436
- Profit expense on leases	17	4,494	-
		21,739	13,436

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32. Segmental Reporting on Revenue, Profit and Assets

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>3 months ended 31 March 2019</u>						
Total Revenue	545,557	160,513	182,844	14,953	(3,879)	899,988
Net fund based income	243,341	97,270	24,710	51,997	-	417,318
Non-fund based income	36,572	8,862	45,053	12,957	(3,812)	99,632
Net income	279,913	106,132	69,763	64,954	(3,812)	516,950
Net allowance for impairment	(25,840)	2,641	-	833	-	(22,366)
Profit before overheads, zakat & tax	254,073	108,773	69,763	65,787	(3,812)	494,584
Operating expenses						(274,696)
Profit before zakat & tax						219,888
<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
Net allowance 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

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

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

	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Total RM'000
<u>At 31 March 2019</u>						
Segment assets	35,168,516	10,882,340	14,443,513	54,788	(31,823)	60,517,334
Unallocated assets						2,807,892
Total assets						<u>63,325,226</u>
<u>At 31 December 2018</u>						
Segment assets	34,711,553	10,969,128	15,381,399	46,194	(30,829)	61,077,445
Unallocated assets						2,861,288
Total assets						<u>63,938,733</u>

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33. Fair value of Financial Instruments

Fair value hierarchy

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

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes profit rates swap and structured debt. The sources of input parameters include Bank Negara Malaysia (BNM) indicative yields or counterparty credit risk.
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity 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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33. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Group 31 March 2019 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
Financial assets							
Financial assets at fair value through profit or loss	-	1,048,212	-	1,048,212	-	1,048,212	1,048,212
Derivative financial assets	-	19,447	-	19,447	-	19,447	19,447
Financial assets at fair value through other comprehensive income	12,148	11,486,012	23,072	11,521,232	-	11,521,232	11,521,232
Financing, advances and others	-	-	-	-	46,170,228	46,170,228	46,050,857
Financial liabilities							
Derivative financial liabilities	-	14,684	-	14,684	-	14,684	14,684
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,526,865	1,526,865	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,326,306	1,326,306	1,325,879
Group 31 December 2018 RM'000							
	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
Financial assets							
Financial assets at fair value through profit or loss	-	364,959	-	364,959	-	364,959	364,959
Derivative financial assets	-	34,148	-	34,148	-	34,148	34,148
Financial assets at fair value through other comprehensive income	12,446	11,318,781	23,072	11,354,299	-	11,354,299	11,354,299
Financing, advances and others	-	-	-	-	46,594,025	46,594,025	45,680,680
Financial liabilities							
Derivative financial liabilities	-	19,520	-	19,520	-	19,520	19,520
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,517,235	1,517,235	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,361,535	1,361,535	1,308,634

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33. Fair value of Financial Instruments (continued)

Fair value hierarchy (continued)

Bank 31 March 2019 RM'000	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total			
Financial assets							
Financial assets at fair value through profit or loss	-	1,042,739	-	1,042,739	-	1,042,739	1,042,739
Derivative financial assets	-	19,447	-	19,447	-	19,447	19,447
Financial assets at fair value through other comprehensive income	12,148	11,486,012	23,862	11,522,022	-	11,522,022	11,522,022
Financing, advances and others	-	-	-	-	46,170,228	46,170,228	46,050,857
Financial liabilities							
Derivative financial liabilities	-	14,684	-	14,684	-	14,684	14,684
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,526,865	1,526,865	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,326,306	1,326,306	1,325,879
Bank 31 December 2018 RM'000							
Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amount	
Level 1	Level 2	Level 3	Total				
Financial assets							
Financial assets at fair value through profit or loss	-	359,533	-	359,533	-	359,533	359,533
Derivative financial assets	-	34,148	-	34,148	-	34,148	34,148
Financial assets at fair value through other comprehensive income	12,446	11,318,781	23,862	11,355,089	-	11,355,089	11,355,089
Financing, advances and others	-	-	-	-	46,594,025	46,594,025	45,680,680
Financial liabilities							
Derivative financial liabilities	-	19,520	-	19,520	-	19,520	19,520
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,517,235	1,517,235	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,361,535	1,361,535	1,308,634

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33. 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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34. Commitment and Contingencies

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

As at 31 March 2019	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000	
<i>Credit related exposures</i>				
Direct credit substitutes	516,975	516,975	516,584	
Transaction related contingent items	989,714	494,857	460,434	
Short-term self-liquidating trade related contingencies	707,683	141,536	137,655	
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	-	-	-	
- exceeding one year	1,592,491	796,246	572,828	
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	6,699,678	-	-	
	<u>10,506,541</u>	<u>1,949,614</u>	<u>1,687,501</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	3,696,075	16,356	49,869	36,968
Profit rate related contracts				
- less than one year	400,000	1,424	575	115
- five years and above	170,718	1,667	8,072	5,341
	<u>4,266,793</u>	<u>19,447</u>	<u>58,516</u>	<u>42,424</u>
Total	<u>14,773,334</u>	<u>19,447</u>	<u>2,008,130</u>	<u>1,729,925</u>

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34. Commitment and Contingencies (continued)

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

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

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35. 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	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
CET I & Tier I capital ratio	13.247%	13.317%	13.217%	13.287%
Total capital ratio	17.689%	17.767%	17.664%	17.741%

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

	Group		Bank	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Paid-up share capital	3,012,368	3,012,368	3,012,368	3,012,368
Retained earnings	2,273,902	2,362,476	2,270,486	2,359,060
Other reserves	(14,395)	(98,437)	(14,209)	(98,261)
<u>Less:</u>				
Deferred tax assets	(36,901)	(51,385)	(35,395)	(49,842)
Gain on financial instruments classified as fair value through other comprehensive income	(44,905)	(1,446)	(44,905)	(1,446)
Regulatory reserve	(10,000)	(10,000)	(10,000)	(10,000)
Investment in subsidiaries	-	-	(15,525)	(15,525)
Total CET I and Tier I Capital	<u>5,180,069</u>	<u>5,213,576</u>	<u>5,162,820</u>	<u>5,196,354</u>
Sukuk Murabahah	1,300,000	1,300,000	1,300,000	1,300,000
Collective assessment allowance and regulatory reserve ^	436,941	441,938	436,775	441,788
Total Tier II Capital	<u>1,736,941</u>	<u>1,741,938</u>	<u>1,736,775</u>	<u>1,741,788</u>
Total Capital	<u>6,917,010</u>	<u>6,955,514</u>	<u>6,899,595</u>	<u>6,938,142</u>

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

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35. Capital adequacy (continued)

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

	Group		Bank	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Credit risk	39,488,028	38,963,775	39,474,679	38,951,812
Less : Credit risk absorbed by unrestricted investment accounts	(4,532,705)	(3,608,741)	(4,532,705)	(3,608,741)
	34,955,323	35,355,034	34,941,974	35,343,071
Market risk	731,590	422,763	731,591	422,763
Operational risk	3,417,496	3,370,712	3,387,681	3,342,947
	39,104,409	39,148,509	39,061,246	39,108,781

36. Performance review for the three months ended 31 March 2019

The Group reported profit before zakat and tax of RM219.9 million or an increase of 6.1% for the three months ended 31 March 2019 compared to the previous corresponding period. The improved performance was mainly attributed to growth in business activities.

Year-on-year net financing assets grew RM3.7 billion or 8.7% to reach RM46.1 billion as at end of March 2019. Correspondingly, fund based income from financing also increased by RM65.1 million or 10.9%.

As at end of March 2019, customer deposits and investment accounts stood at RM53.8 billion with a year-on-year decrease of RM1.2 billion or 2.3%. CASA ratio as at end of March 2019 was 31.1% against the Islamic Banking Industry CASA ratio of 21.7% as at end of February 2019.

The Group's gross impaired financing ratio was 0.95% while the net impaired financing ratio was a negative 0.68% as at end of March 2019 compared to 0.92% and a negative 0.80% respectively as at 31 December 2018. The Banking System gross impaired ratio was 1.48% and the net impaired ratio was 0.06% as at end of February 2019.

The key performance ratios as at end of March 2019 also compared favourably against the Banking System ratios as at end of December 2018. The Bank's return on equity and return on assets based on profit before zakat and tax ("PBZT") were 16.3% and 1.4% respectively against the Islamic Banking Industry's 15.7% and 1.1% respectively.

37. Prospect for 2019

In its annual report released on 27 March 2019, BNM has projected the Malaysia's GDP growth to range from 4.3% to 4.8% in 2019 (4.7% in 2018). Growth is expected to be primarily driven by resilient private sector spending, recovery in commodity sectors and continued demand from major trade partners. Household spending is projected to grow by 6.6% for 2019, which is lower than the trend level at 7.0%.

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37. Prospect for 2019 (continued)

The banking sector is expected to remain resilient with strong buffers to weather any unfavourable macro-economic and financial condition. Financing growth is anticipated to be between 7% and 8% to finance the needs of household and business. Household is expected to have stable income and unemployment prospect while businesses is likely to remain cautious in spending due to challenging conditions for oil and gas, property and construction sectors. As for financial technology, one of the key trend the Bank foresee is the greater adoption of e-payment that has contribute to moderate used in cash.

The BNM Monetary Policy Committee (“MPC”) meeting on 5 March 2019 decided to hold the OPR at 3.25%. However, given that inflation rate is projected to be lower at 0.7% to 1.7% (1.0% in 2018) and continued challenging external sector for 2019, BNM would likely to cut OPR by 25 basis points to 3.00% possibly in May 2019. Therefore, the banking system Net Income Margin (“NIM”) is expected to be further compressed with lower benchmark profit rate.

Moving forward, the Bank’s strategic plan for the next three years is to deliver sustainable performance with a strategic focus to support economy, community and environment. The Bank’s corporate direction is premised on the principles of Value-based Intermediation (“VBI”), driving the business model. With Shariah Principles/ Halal and Trustworthy being the key distinctive features, the Bank sets forth six strategic pillars which include Sustainable Prosperity, Values-Based Culture, Community Empowerment, Customer Centricity, Real Economy and Digitalisation to carry out its new Vision and Mission and tagline.

38. 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 2018. The proposed dividend amounting to RM150.180 million will be paid wholly in cash.